

***CITY OF WOBURN, MASSACHUSETTS***

***REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS***

***YEAR ENDED JUNE 30, 2017***

CITY OF WOBURN, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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## **Independent Auditor's Report**

To the Honorable Mayor  
City of Woburn, Massachusetts

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woburn, Massachusetts, as of and for the year ended June 30, 2017 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2016), and the related notes to the financial statements, which collectively comprise the City of Woburn, Massachusetts' basic financial statements as listed in the table of contents.

## **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woburn, Massachusetts, as of June 30, 2017 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2016), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2018, on our consideration of the City of Woburn, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Woburn, Massachusetts' internal control over financial reporting and compliance.



March 27, 2018

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the City of Woburn, Massachusetts (City), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2017. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

### **Financial Highlights**

- The assets and deferred outflows of resources of the City of Woburn exceeded the liabilities and deferred inflows of resources at the close of the most recent year by \$138.7 million (net position).
- At the close of the current year, the City's general fund reported an ending fund balance of \$48.1 million. Total fund balance represents 34% of total general fund expenditures.
- The City's total debt (short-term and long-term combined) increased by \$2.7 million during the year.
- The City's net other postemployment benefit (OPEB) obligation increased by \$8.9 million and totaled \$65.9 million at year-end.
- The City's net pension liability and deferred outflows/(inflows) of resources increased by \$6.4 million and totaled \$65.1 million at year-end.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Woburn's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the City as a whole. The fund financial statements focus on the individual components of the City government, reporting the City's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the City's accountability. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets and liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, culture and recreation, and interest. The business-type activities include the activities of water and sewer operations.

The government-wide financial statements include not only the City of Woburn itself (known as the *primary government*), but also a legally separate public employee retirement system. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Woburn adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** The City maintains one type of proprietary fund.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City accounts for its water and sewer activities as an enterprise fund.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City of Woburn's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$138.7 million at the close of 2017.

Net position of \$189 million reflects its net investment in capital assets (e.g., land, land improvements, buildings, vehicles, machinery and equipment, building improvements, and infrastructure) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the governmental net position, \$15.5 million, represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* has a year-end deficit of \$65.8 million. The primary reason for this deficit balance is the recognition of other postemployment benefit and net pension liabilities totaling \$65.9 million and \$78.9 million, respectively.

At the end of the current year, the City of Woburn is able to report positive balances in two out of three categories of net position for the governmental activities and for the City as a whole. The business-type activities report positive balances in the two applicable categories of net position.

The governmental and business-type activities of the City are presented below.

### Governmental Activities

The City of Woburn's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$95.1 million at the close of 2017.

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Current assets.....	\$ 86,483,222	\$ 82,093,057
Noncurrent assets (excluding capital).....	1,123,293	1,101,582
Capital assets not being depreciated.....	38,639,246	24,615,852
Capital assets, net of accumulated depreciation.....	<u>159,462,467</u>	<u>160,474,091</u>
<b>Total assets.....</b>	<b><u>285,708,228</u></b>	<b><u>268,284,582</u></b>
<b>Deferred Outflow of Resources:</b>		
Deferred outflows related to pensions.....	<u>14,843,000</u>	<u>19,621,000</u>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	8,627,392	5,551,753
Noncurrent liabilities (excluding debt).....	148,089,160	138,900,516
Current debt.....	8,122,600	10,376,754
Noncurrent debt.....	<u>39,362,400</u>	<u>33,815,000</u>
<b>Total liabilities.....</b>	<b><u>204,201,552</u></b>	<b><u>188,644,023</u></b>
<b>Deferred Inflow of Resources:</b>		
Deferred inflows related to pensions.....	<u>1,253,000</u>	<u>15,000</u>
<b>Net Position:</b>		
Net investment in capital assets.....	157,023,141	150,259,123
Restricted.....	15,475,911	14,762,350
Unrestricted.....	<u>(77,402,376)</u>	<u>(65,774,914)</u>
<b>Total net position.....</b>	<b><u>\$ 95,096,676</u></b>	<b><u>\$ 99,246,559</u></b>

	<u>2017</u>	<u>2016</u>
<b>Program Revenues:</b>		
Charges for services.....	\$ 6,753,786	\$ 7,445,024
Operating grants and contributions.....	29,544,035	25,484,894
Capital grants and contributions.....	6,635,343	6,480,675
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	96,970,971	97,032,118
Tax liens.....	743,822	192,683
Motor vehicle excise taxes.....	7,101,091	6,679,034
Hotel/Motel tax.....	3,182,058	3,164,999
Meals tax.....	1,021,682	1,013,979
Penalties and interest on taxes.....	504,770	581,885
Nonrestricted grants.....	6,172,440	5,694,142
Unrestricted investment income.....	1,903,242	1,607,113
Miscellaneous.....	37,116	103,633
<b>Total revenues.....</b>	<b><u>160,570,356</u></b>	<b><u>155,480,179</u></b>
<b>Expenses:</b>		
General government.....	7,151,619	6,086,108
Public safety.....	33,094,560	32,903,354
Education.....	105,597,983	99,511,247
Public works.....	13,467,850	11,305,559
Human services.....	1,962,301	1,922,175
Culture and recreation.....	3,484,464	3,814,404
Interest.....	1,382,498	1,215,852
<b>Total expenses.....</b>	<b><u>166,141,275</u></b>	<b><u>156,758,699</u></b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(5,570,919)</b>	<b>(1,278,520)</b>
<b>Transfers.....</b>	<b><u>1,421,036</u></b>	<b><u>1,494,632</u></b>
<b>Change in net position.....</b>	<b>(4,149,883)</b>	<b>216,112</b>
<b>Net position at beginning of the year.....</b>	<b><u>99,246,559</u></b>	<b><u>99,030,447</u></b>
<b>Net position at end of the year.....</b>	<b><u>\$ 95,096,676</u></b>	<b><u>\$ 99,246,559</u></b>

Governmental expenses totaled \$166.1 million of which \$42.9 million (26%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$117.6 million, primarily coming from property taxes, motor vehicle excise taxes, hotel/motel taxes and non-restricted state aid.

Governmental net position decreased by \$4.1 during the current year. The primary components of this decrease include an \$8.9 million increase in the OPEB liability and a \$6 million decrease in deferred outflows/(inflows) of resources related to pensions. These decreases were offset by the recognition of \$6.6 million from capital grants, positive budgetary results of \$2.2 million and \$1.7 million of capital asset additions that were raised from the tax rate.

## Business-type Activities

For the City's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$43.6 million at the close of 2017.

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Current assets.....	\$ 15,719,906	\$ 16,156,249
Noncurrent assets (excluding capital).....	343,037	440,466
Capital assets not being depreciated.....	631,788	1,098,591
Capital assets, net of accumulated depreciation.....	<u>56,209,200</u>	<u>55,284,342</u>
<b>Total assets.....</b>	<b><u>72,903,931</u></b>	<b><u>72,979,648</u></b>
<b>Deferred Outflows of Resources:</b>		
Deferred outflows related to pensions.....	<u>226,000</u>	<u>299,000</u>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	715,646	1,182,316
Noncurrent liabilities (excluding debt).....	1,626,523	1,575,152
Current debt.....	4,107,386	4,759,183
Noncurrent debt.....	<u>23,099,765</u>	<u>23,016,151</u>
<b>Total liabilities.....</b>	<b><u>29,549,320</u></b>	<b><u>30,532,802</u></b>
<b>Deferred Inflows of Resources:</b>		
Deferred inflows related to pensions.....	<u>19,000</u>	<u>-</u>
<b>Net Position:</b>		
Net investment in capital assets.....	31,929,666	30,522,069
Unrestricted.....	<u>11,631,945</u>	<u>12,223,777</u>
<b>Total net position.....</b>	<b><u>\$ 43,561,611</u></b>	<b><u>\$ 42,745,846</u></b>
<b>Program Revenues:</b>		
Charges for services.....	\$ 18,786,678	\$ 19,339,929
Operating grants and contributions.....	57,499	69,356
Capital grants and contributions.....	867,444	279,725
<b>Total revenues.....</b>	<b><u>19,711,621</u></b>	<b><u>19,689,010</u></b>
<b>Expenses:</b>		
Water and sewer.....	<u>17,474,820</u>	<u>17,766,044</u>
<b>Excess (Deficiency) before transfers.....</b>	<b>2,236,801</b>	<b>1,922,966</b>
<b>Transfers.....</b>	<b><u>(1,421,036)</u></b>	<b><u>(1,494,632)</u></b>
<b>Change in net position.....</b>	<b>815,765</b>	<b>428,334</b>
<b>Net position at beginning of the year.....</b>	<b><u>42,745,846</u></b>	<b><u>42,317,512</u></b>
<b>Net position at end of the year.....</b>	<b><u>\$ 43,561,611</u></b>	<b><u>\$ 42,745,846</u></b>

Business-type net position of \$31.9 million (73%) represents the net investment in capital assets while \$11.6 million (27%) is unrestricted.

The water and sewer enterprise fund net position increased by \$816,000 in the current year. This increase is primarily due to the recognition of \$867,000 from capital grants.

### ***Financial Analysis of the Government's Funds***

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, governmental funds reported a combined ending fund balances of \$70.3 million. This was comprised of the general fund totaling \$48.1 million, the Hurd/Wyman School fund totaling \$1.1 million, a deficit of \$226,000 for the library construction fund and \$21.2 million for the nonmajor funds.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$37.7 million, while total fund balance was \$48.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 27% of the total general fund expenditures, while total fund balance represents 34% of that same amount. Committed fund balance totals \$9.5 million and consists of the affordable housing stabilization fund totaling \$3.4 million and unexpended capital articles totaling \$6.1 million that were carried forward to the subsequent year. Assigned fund balance totals \$898,000 and consists of unexpended appropriations that were encumbered to be expended in the subsequent year.

The general fund increased by \$2.2 million, which is due to better than expected revenue collections totaling \$3.9 million, unexpended appropriations totaling \$751,000 and a \$532,000 increase in amounts carried forward to be expended in the subsequent fiscal year. These increases were offset by the use of free cash and overlay to fund appropriations and the OPEB trust fund, respectively.

The State highway grants fund recognized \$1.5 million of capital grant revenue and incurred \$1.5 million of road improvement costs.

The Hurd/Wyman School fund recognized \$4.6 million of capital grant revenue and incurred \$8.5 million of school building costs for the construction of the new elementary school.

The Library Construction fund recognized \$450,000 of capital grant revenue and incurred \$3.9 million of expenditures related to the renovation and expansion of the Woburn Public Library.

### ***General Fund Budgetary Highlights***

The \$6.8 million (5%) increase between the original budget and the final amended budget was primarily due to increases in appropriations for public safety, education, capital outlay and debt service.

## ***Capital Asset and Debt Administration***

**Capital Assets.** In conjunction with the annual operating budget, the City annually prepares a capital budget for the upcoming year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$254.9 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, building improvements, vehicles, machinery and equipment and infrastructure.

Current year additions for the governmental investment in capital assets totaled \$17.5 million. \$4.0 million of additions relate to the public library project, \$8.5 million is for the Hurd/Wyman elementary school construction project, \$1.7 million relates to street resurfacing, \$1.5 million for land acquisition and \$1.8 million is for vehicles, equipment and building improvements.

The \$2.3 million in water and sewer additions are mainly attributable to new water meters, relining water lines, sewer line rehabilitation and improvements to the Shaker Glen pump station.

**Debt Administration.** The City maintains a Aa1 credit rating with Moody's Investors Services and continues to maintain strong market access for both note and bond sales.

Outstanding long-term debt of the general government totaled \$42.5 million, of which \$32.3 million relates to school projects, \$8.7 million relates to land acquisition and \$1.5 million relates to various other capital projects.

The water and sewer enterprise fund has \$25.7 million of outstanding long-term debt, which is fully supported by rates and does not rely on a general fund subsidy.

Short-term debt outstanding at year-end for the governmental activities totaled \$5.0 million of which \$1.8 million is for the Hurd/Wyman Elementary School building project, \$2.9 million is for the Library Reconstruction and \$300,000 is for land acquisition. The water and sewer enterprise fund outstanding short-term debt totaled \$1.5 million and was used to finance water infrastructure improvements.

Please refer to the notes to the financial statements for further discussion of the major capital and debt activity.

## ***Requests for Information***

This financial report is designed to provide a general overview of the City of Woburn's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Auditor, City Hall, 10 Common Street, Woburn, Massachusetts 01801.

# ***Basic Financial Statements***

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**STATEMENT OF NET POSITION**

JUNE 30, 2017

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 48,009,861	\$ 6,199,882	\$ 54,209,743
Investments.....	30,060,068	-	30,060,068
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	40,750	-	40,750
Tax and utility liens.....	2,342,181	658,232	3,000,413
Motor vehicle and other excise taxes.....	513,221	-	513,221
User fees.....	-	8,764,363	8,764,363
Departmental and other.....	1,118,846	-	1,118,846
Intergovernmental.....	4,398,295	97,429	4,495,724
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	420,529	-	420,529
Intergovernmental.....	-	343,037	343,037
Tax foreclosures.....	702,764	-	702,764
Capital assets not being depreciated.....	38,639,246	631,788	39,271,034
Capital assets, net of accumulated depreciation.....	159,462,467	56,209,200	215,671,667
<b>TOTAL ASSETS.....</b>	<b>285,708,228</b>	<b>72,903,931</b>	<b>358,612,159</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions.....	14,843,000	226,000	15,069,000
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	3,682,190	385,280	4,067,470
Accrued payroll.....	1,062,523	-	1,062,523
Tax refunds payable.....	1,547,357	-	1,547,357
Accrued interest.....	308,283	270,366	578,649
Payroll withholdings.....	44,069	-	44,069
Abandoned property.....	138,970	-	138,970
Compensated absences.....	1,844,000	60,000	1,904,000
Notes payable.....	4,997,600	1,541,800	6,539,400
Bonds payable.....	3,125,000	2,565,586	5,690,586
<b>NONCURRENT:</b>			
Compensated absences.....	4,717,000	180,000	4,897,000
Other postemployment benefits.....	65,666,160	263,523	65,929,683
Net pension liability.....	77,706,000	1,183,000	78,889,000
Bonds payable.....	39,362,400	23,099,765	62,462,165
<b>TOTAL LIABILITIES.....</b>	<b>204,201,552</b>	<b>29,549,320</b>	<b>233,750,872</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions.....	1,253,000	19,000	1,272,000
<b>NET POSITION</b>			
Net investment in capital assets.....	157,023,141	31,929,666	188,952,807
Restricted for:			
Permanent funds:			
Expendable.....	8,550,614	-	8,550,614
Nonexpendable.....	3,197,672	-	3,197,672
Gifts and grants.....	3,727,625	-	3,727,625
Unrestricted.....	(77,402,376)	11,631,945	(65,770,431)
<b>TOTAL NET POSITION.....</b>	<b>\$ 95,096,676</b>	<b>\$ 43,561,611</b>	<b>\$ 138,658,287</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 7,151,619	\$ 1,046,904	\$ 436,594	\$ 15,600	\$ (5,652,521)
Public safety.....	33,094,560	3,300,887	2,234,770	-	(27,558,903)
Education.....	105,597,983	2,121,087	26,356,147	4,898,011	(72,222,738)
Public works.....	13,467,850	164,616	10,355	1,271,732	(12,021,147)
Human services.....	1,962,301	116,963	98,142	-	(1,747,196)
Culture and recreation.....	3,484,464	3,329	408,027	450,000	(2,623,108)
Interest.....	1,382,498	-	-	-	(1,382,498)
Total Governmental Activities...	<u>166,141,275</u>	<u>6,753,786</u>	<u>29,544,035</u>	<u>6,635,343</u>	<u>(123,208,111)</u>
<i>Business-Type Activities:</i>					
Water and Sewer.....	<u>17,474,820</u>	<u>18,786,678</u>	<u>57,499</u>	<u>867,444</u>	<u>2,236,801</u>
Total Primary Government.....	<u>\$ 183,616,095</u>	<u>\$ 25,540,464</u>	<u>\$ 29,601,534</u>	<u>\$ 7,502,787</u>	<u>\$ (120,971,310)</u>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

YEAR ENDED JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(123,208,111)</b>	\$ <b>2,236,801</b>	\$ <b>(120,971,310)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	96,970,971	-	96,970,971
Tax liens.....	743,822	-	743,822
Motor vehicle excise taxes.....	7,101,091	-	7,101,091
Hotel/motel tax.....	3,182,058	-	3,182,058
Meals tax.....	1,021,682	-	1,021,682
Penalties and interest on taxes.....	504,770	-	504,770
Grants and contributions not restricted to specific programs.....	6,172,440	-	6,172,440
Unrestricted investment income.....	1,903,242	-	1,903,242
Miscellaneous.....	37,116	-	37,116
<i>Transfers, net</i> .....	1,421,036	(1,421,036)	-
Total general revenues and transfers.....	119,058,228	(1,421,036)	117,637,192
Change in net position.....	(4,149,883)	815,765	(3,334,118)
<i>Net Position:</i>			
Beginning of year.....	99,246,559	42,745,846	141,992,405
End of year.....	\$ <u>95,096,676</u>	\$ <u>43,561,611</u>	\$ <u>138,658,287</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2017

	General	State Highway Grants	Hurld/Wyman School	Library Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents.....	\$ 30,963,001	\$ -	\$ 2,739,428	\$ 3,320,848	\$ 10,986,584	\$ 48,009,861
Investments.....	19,395,655	-	-	-	10,664,413	30,060,068
Receivables, net of uncollectibles:						
Real estate and personal property taxes..	40,750	-	-	-	-	40,750
Real estate tax deferrals.....	420,529	-	-	-	-	420,529
Tax liens.....	2,342,181	-	-	-	-	2,342,181
Motor vehicle and other excise taxes.....	513,221	-	-	-	-	513,221
Departmental and other.....	18,201	-	-	-	1,100,645	1,118,846
Intergovernmental.....	-	2,151,575	1,799,371	-	447,349	4,398,295
Tax foreclosures.....	702,764	-	-	-	-	702,764
Due from other funds.....	1,541,927	-	-	-	-	1,541,927
<b>TOTAL ASSETS.....</b>	<b>55,938,229</b>	<b>2,151,575</b>	<b>4,538,799</b>	<b>3,320,848</b>	<b>23,198,991</b>	<b>89,148,442</b>
<b>LIABILITIES</b>						
Warrants payable.....	1,291,055	-	1,604,055	646,646	140,435	3,682,191
Accrued payroll.....	1,062,523	-	-	-	-	1,062,523
Tax refunds payable.....	1,547,357	-	-	-	-	1,547,357
Payroll withholdings.....	44,069	-	-	-	-	44,069
Abandoned property.....	138,970	-	-	-	-	138,970
Due to other funds.....	-	1,541,927	-	-	-	1,541,927
Notes payable.....	-	-	1,800,000	2,900,000	297,600	4,997,600
<b>TOTAL LIABILITIES.....</b>	<b>4,083,974</b>	<b>1,541,927</b>	<b>3,404,055</b>	<b>3,546,646</b>	<b>438,035</b>	<b>13,014,637</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues.....	3,724,391	609,648	-	-	1,547,994	5,882,033
<b>FUND BALANCES</b>						
Nonspendable.....	-	-	-	-	3,197,672	3,197,672
Restricted.....	-	-	1,134,744	-	18,040,349	19,175,093
Committed.....	9,511,346	-	-	-	-	9,511,346
Assigned.....	898,428	-	-	-	-	898,428
Unassigned.....	37,720,090	-	-	(225,798)	(25,059)	37,469,233
<b>TOTAL FUND BALANCES.....</b>	<b>48,129,864</b>	<b>-</b>	<b>1,134,744</b>	<b>(225,798)</b>	<b>21,212,962</b>	<b>70,251,772</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 55,938,229</b>	<b>\$ 2,151,575</b>	<b>\$ 4,538,799</b>	<b>\$ 3,320,848</b>	<b>\$ 23,198,991</b>	<b>\$ 89,148,442</b>

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2017

Total governmental fund balances.....		\$ 70,251,772
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		198,101,713
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		5,882,033
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		14,843,000
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(308,282)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(42,487,400)	
Compensated absences.....	(6,561,000)	
Net pension liability.....	(77,706,000)	
Deferred Inflows related to pensions.....	(1,253,000)	
Other postemployment benefits.....	<u>(65,666,160)</u>	
Net effect of reporting long-term liabilities.....		<u>(193,673,560)</u>
Net position of governmental activities.....		<u>\$ 95,096,676</u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

YEAR ENDED JUNE 30, 2017

	General	State Highway Grants	Hurld/Wyman School	Library Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Real estate and personal property taxes, net of tax refunds.....	\$ 97,442,198	\$ -	\$ -	\$ -	\$ -	\$ 97,442,198
Tax liens.....	533,118	-	-	-	-	533,118
Motor vehicle excise taxes.....	7,011,959	-	-	-	-	7,011,959
Hotel/motel tax.....	3,182,058	-	-	-	-	3,182,058
Meals tax.....	1,021,682	-	-	-	-	1,021,682
Penalties and interest on taxes.....	504,770	-	-	-	-	504,770
Intergovernmental.....	27,931,075	1,480,266	4,648,012	450,000	5,307,494	39,816,847
Departmental and other.....	2,541,488	-	-	-	6,641,666	9,183,154
Contributions.....	93,898	-	-	-	163,065	256,963
Investment income.....	897,347	-	-	-	994,850	1,892,197
<b>TOTAL REVENUES.....</b>	<b>141,159,593</b>	<b>1,480,266</b>	<b>4,648,012</b>	<b>450,000</b>	<b>13,107,075</b>	<b>160,844,946</b>
<b>EXPENDITURES:</b>						
Current:						
General government.....	3,844,984	-	-	-	376,297	4,221,281
Public safety.....	17,060,405	-	-	-	2,369,775	19,430,180
Education.....	60,064,432	-	8,539,992	-	6,014,855	74,619,279
Public works.....	8,736,902	1,480,266	-	-	1,630,261	11,847,429
Human services.....	1,384,064	-	-	-	151,767	1,535,831
Culture and recreation.....	2,027,510	-	-	3,927,789	349,454	6,304,753
Pension benefits.....	18,394,029	-	-	-	-	18,394,029
Employee benefits.....	20,733,266	-	-	-	-	20,733,266
State and county charges.....	3,521,053	-	-	-	-	3,521,053
Capital outlay.....	1,954,804	-	-	-	-	1,954,804
Debt service:						
Principal.....	2,865,000	-	-	-	-	2,865,000
Interest.....	1,369,899	-	-	-	-	1,369,899
<b>TOTAL EXPENDITURES.....</b>	<b>141,956,348</b>	<b>1,480,266</b>	<b>8,539,992</b>	<b>3,927,789</b>	<b>10,892,409</b>	<b>166,796,804</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(796,755)</b>	<b>-</b>	<b>(3,891,980)</b>	<b>(3,477,789)</b>	<b>2,214,666</b>	<b>(5,951,858)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from bonds.....	-	-	6,000,000	-	2,672,400	8,672,400
Premium from issuance of notes.....	-	-	-	-	30,000	30,000
Transfers in.....	4,875,730	-	-	-	1,885,653	6,761,383
Transfers out.....	(1,904,668)	-	-	-	(3,435,679)	(5,340,347)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,971,062</b>	<b>-</b>	<b>6,000,000</b>	<b>-</b>	<b>1,152,374</b>	<b>10,123,436</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>2,174,307</b>	<b>-</b>	<b>2,108,020</b>	<b>(3,477,789)</b>	<b>3,367,040</b>	<b>4,171,578</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>45,955,557</b>	<b>-</b>	<b>(973,276)</b>	<b>3,251,991</b>	<b>17,845,922</b>	<b>66,080,194</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 48,129,864</b>	<b>\$ -</b>	<b>\$ 1,134,744</b>	<b>\$ (225,798)</b>	<b>\$ 21,212,962</b>	<b>\$ 70,251,772</b>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds..... \$ 4,171,578

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	17,527,496
Depreciation expense.....	<u>(4,515,726)</u>

Net effect of reporting capital assets..... 13,011,770

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue..... (274,590)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Proceeds from bonds.....	(8,672,400)
Debt service principal payments.....	<u>2,865,000</u>

Net effect of reporting long-term debt..... (5,807,400)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	38,000
Net change in accrued interest on long-term debt.....	(42,597)
Net change in net pension liability.....	(342,000)
Net change in deferred outflow/(inflow) of resources related to pensions.....	(6,016,000)
Net change in other postemployment benefit.....	<u>(8,888,644)</u>

Net effect of recording long-term liabilities..... (15,251,241)

Change in net position of governmental activities..... \$ (4,149,883)

See notes to basic financial statements.

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION**

JUNE 30, 2017

	Business-type Activities - Enterprise Funds
	Water and Sewer
<b>ASSETS</b>	
<b>CURRENT:</b>	
Cash and cash equivalents.....	\$ 6,199,882
Receivables, net of allowance for uncollectibles:	
Utility liens.....	658,232
User fees.....	8,764,363
Intergovernmental.....	97,429
Total current assets.....	15,719,906
<b>NONCURRENT:</b>	
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	343,037
Capital assets not being depreciated.....	631,788
Capital assets, net of accumulated depreciation.....	56,209,200
Total noncurrent assets.....	57,184,025
<b>TOTAL ASSETS.....</b>	<b>72,903,931</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions.....	226,000
<b>LIABILITIES</b>	
<b>CURRENT:</b>	
Warrants payable.....	385,280
Accrued interest.....	270,366
Compensated absences.....	60,000
Notes payable.....	1,541,800
Bonds payable.....	2,565,586
Total current liabilities.....	4,823,032
<b>NONCURRENT:</b>	
Compensated absences.....	180,000
Other postemployment benefits.....	263,523
Net pension liability.....	1,183,000
Bonds payable.....	23,099,765
Total noncurrent liabilities.....	24,726,288
<b>TOTAL LIABILITIES.....</b>	<b>29,549,320</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions.....	19,000
<b>NET POSITION</b>	
Net investment in capital assets.....	31,929,666
Unrestricted.....	11,631,945
<b>TOTAL NET POSITION.....</b>	<b>\$ 43,561,611</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Water and Sewer</u>
<u>OPERATING REVENUES:</u>	
Charges for services.....	\$ 18,152,939
Utility liens.....	<u>633,739</u>
TOTAL OPERATING REVENUES.....	<u>18,786,678</u>
<u>OPERATING EXPENSES:</u>	
Cost of services and administration.....	2,216,947
MWRA Assessment.....	12,679,968
Depreciation.....	<u>1,885,462</u>
TOTAL OPERATING EXPENSES.....	<u>16,782,377</u>
OPERATING INCOME (LOSS).....	<u>2,004,301</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Interest expense.....	<u>(683,778)</u>
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	<u>(692,443)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	<u>1,311,858</u>
CAPITAL CONTRIBUTIONS.....	<u>924,943</u>
<u>TRANSFERS:</u>	
Transfers in.....	65,075
Transfers out.....	<u>(1,486,111)</u>
TOTAL TRANSFERS.....	<u>(1,421,036)</u>
CHANGE IN NET POSITION.....	815,765
NET POSITION AT BEGINNING OF YEAR.....	<u>42,745,846</u>
NET POSITION AT END OF YEAR.....	<u>\$ 43,561,611</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2017

		Business-type Activities - Enterprise Funds
		Water and Sewer
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users.....	\$ 18,273,484	
Payments to vendors.....	(14,275,347)	
Payments to employees.....	(926,171)	
		3,071,966
<u>NET CASH FROM OPERATING ACTIVITIES.....</u>		
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Transfers out.....		(1,486,111)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Proceeds from the issuance of bonds and notes.....	4,191,000	
Capital grants received.....	867,444	
Acquisition and construction of capital assets.....	(2,343,517)	
Principal payments on bonds and notes.....	(4,677,288)	
Interest expense.....	(644,975)	
		(2,607,336)
<u>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</u>		
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</u>		
		(956,406)
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</u>		
		7,156,288
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</u>		
	\$	6,199,882
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>		
<u>FROM OPERATING ACTIVITIES:</u>		
Operating income (loss).....	\$	2,004,301
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation.....	1,885,462	
Deferred (outflows)/inflows of resources related to pensions.....	92,000	
Changes in assets and liabilities:		
Utility liens.....	(615,659)	
User fees.....	102,465	
Warrants payable.....	(451,974)	
Accrued compensated absences.....	16,000	
Net pension liability.....	5,000	
Other postemployment benefits.....	34,371	
		1,067,665
Total adjustments.....		1,067,665
<u>NET CASH FROM OPERATING ACTIVITIES.....</u>		
	\$	3,071,966
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>		
Intergovernmental subsidy.....	\$	148,059

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Pension Trust Fund (as of December 31, 2016)	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 6,383,239	\$ 131,723	\$ 59,411	\$ 874,199
Investments.....	123,640,452	4,266,018	-	-
Interest and dividends.....	77,308	-	-	-
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	1,007,750	-	-	-
<b>TOTAL ASSETS.....</b>	<b>131,108,749</b>	<b>4,397,741</b>	<b>59,411</b>	<b>874,199</b>
<b>LIABILITIES</b>				
Warrants payable.....	180,830	-	-	5,580
Liabilities due depositors.....	-	-	-	868,619
<b>TOTAL LIABILITIES.....</b>	<b>180,830</b>	<b>-</b>	<b>-</b>	<b>874,199</b>
<b>NET POSITION</b>				
Restricted for pension benefits.....	130,927,919	-	-	-
Restricted for OPEB.....	-	4,397,741	-	-
Held in trust for other purposes.....	-	-	59,411	-
<b>TOTAL NET POSITION.....</b>	<b>\$ 130,927,919</b>	<b>\$ 4,397,741</b>	<b>\$ 59,411</b>	<b>\$ -</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

YEAR ENDED JUNE 30, 2017

	Pension Trust Fund (as of December 31, 2016)	OPEB Trust Fund	Private Purpose Trust Funds
<b>ADDITIONS:</b>			
Contributions:			
Employer contributions to the trust.....	\$ 6,300,000	\$ 750,000	\$ -
Employer contributions to pay benefit payments.....	-	6,905,000	-
Employee.....	2,980,864	-	-
Intergovernmental.....	137,092	-	-
Transfers from other systems.....	217,560	-	-
<b>Total contributions.....</b>	<b>9,635,516</b>	<b>7,655,000</b>	<b>-</b>
Net investment income (loss):			
Net change in fair value of investments.....	9,154,861	-	-
Interest.....	2,725,764	420,362	33
<b>Total investment income (loss).....</b>	<b>11,880,625</b>	<b>420,362</b>	<b>33</b>
Less: investment expense.....	(930,140)	(11,932)	-
<b>Net investment income (loss).....</b>	<b>10,950,485</b>	<b>408,430</b>	<b>33</b>
<b>TOTAL ADDITIONS.....</b>	<b>20,586,001</b>	<b>8,063,430</b>	<b>33</b>
<b>DEDUCTIONS:</b>			
Administration.....	482,536	-	-
Transfers to other systems.....	430,995	-	-
Benefits and refunds.....	12,670,225	6,905,000	-
Educational scholarships.....	-	-	120
Miscellaneous.....	47,169	-	-
<b>TOTAL DEDUCTIONS.....</b>	<b>13,630,925</b>	<b>6,905,000</b>	<b>120</b>
<b>CHANGE IN NET POSITION.....</b>	<b>6,955,076</b>	<b>1,158,430</b>	<b>(87)</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>123,972,843</b>	<b>3,239,311</b>	<b>59,498</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 130,927,919</b>	<b>\$ 4,397,741</b>	<b>\$ 59,411</b>

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the City of Woburn, Massachusetts (City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**A. Reporting Entity**

The City is a municipal corporation that is governed by an elected Mayor and City Council (Council). As required by GAAP, these basic financial statements present the government and its component units, entities for which the City is considered to be financially accountable.

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and institutions. The City has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the City (primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

*Component Unit Presented as a Fiduciary Fund* – The following component unit is presented as a Fiduciary Fund of the primary government due to the nature and significance of relationship between the City and the component unit.

The Woburn Contributory Retirement System (System) was established to provide retirement benefits to City employees, the Woburn Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the City Auditor (ex-officio), two members elected by the System's participants, one member appointed by the Mayor and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

The System did not issue a separate audited financial statement. The System issues a publicly available un-audited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 10 Common Street, Woburn, Massachusetts 01801.

***Joint Ventures***

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The City has entered into a joint venture with the Cities of Winthrop, Chelsea, Malden, and Revere and the Towns of Melrose, North Reading, Reading, Saugus, Stoneham, Wakefield and Winchester to pool resources and share the costs, risks and rewards of providing vocational education through the Northeast Metropolitan Regional Vocational School District (NMRS). The City's assessment for 2017 was \$1,786,672. Stand-alone financial statements for the year ended June 30, 2017, are available at Northeast Metropolitan Regional Vocational School District, 100 Hemlock Road, Wakefield, Massachusetts 01880.

## B. Government-Wide and Fund Financial Statements

### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

### *Fund Financial Statements*

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

### *Major Fund Criteria*

Major funds must be reported if the following criteria are met:

- If total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows or resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

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

### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

- Grants and contributions restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., 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 pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund. Stabilization fund is also classified as part of the general fund.

The *State highway grants fund* is used to account for and report costs incurred for the construction and reconstruction of City owned roadways. Costs charged to the fund are subject to reimbursement by the Commonwealth of Massachusetts.

The *Hurd/ Wyman School fund* is used to account for financial resources associated with the construction of the new Hurd/Wyman elementary school.

The *Library Construction fund* is used to account for financial resources associated with the renovation and expansion of the Woburn Public Library.

The nonmajor governmental funds consist of special revenue, debt service, capital project and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

**Proprietary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City's proprietary funds include the water and sewer enterprise fund which is used to account for the water and sewer activities.

**Fiduciary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *other postemployment benefit trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefits) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

#### E. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

#### ***Real Estate, Personal Property Taxes, Tax Liens and Tax Foreclosures***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are imposed in October of each year on delinquent properties and are recorded as receivables in the year they are processed. Real estate tax liens may be subject to foreclosure if the tax liens are not paid in accordance with the period required by the law (M.G.L. Ch.60, §50). Foreclosure proceedings are processed by the Treasurer or other tax lien custodian. Foreclosed properties can then be sold through advertised public auction or held for use by the City.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

#### ***Motor Vehicle and Other Excise Taxes***

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

#### ***Water and Sewer User Fees***

User fees for residential and small commercial users are levied semi-annually while the top 20 commercial users are levied monthly. Residential user fees are based on flat rates while commercial user fees are based on individual meter readings. All user fees are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. Water

and sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Water and sewer fees and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

***Departmental and Other***

Departmental and other receivables consist primarily of ambulance charges and are recorded as receivables in the year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

***Intergovernmental***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**F. Inventories**

***Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

**G. Capital Assets**

***Government-Wide and Proprietary Fund Financial Statements***

Capital assets, which include land, land improvements, buildings, building improvements, vehicles, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of state recommended capitalization thresholds are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20
Buildings.....	40
Building improvements.....	20
Vehicles.....	5-10
Machinery and equipment.....	5-10
Infrastructure.....	10-40

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

*Governmental Fund Financial Statements*

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

H. Deferred Outflows/Inflows of Resources

*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has reported deferred outflows of resources related to pensions in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has reported deferred inflows of resources related to pensions in this category.

*Governmental Fund Financial Statements*

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The City has reported unavailable revenues from property taxes as deferred inflows of resources in this category.

I. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

### Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances."

### *Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

### J. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

### *Government-Wide Financial Statements*

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net."

### *Fund Financial Statements*

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

### K. Net position and Fund Equity

### *Government-Wide Financial Statements (Net Position)*

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been "restricted for" the following:

"Permanent funds - expendable" represents the amount of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

"Permanent funds - nonexpendable" represents the endowment portion of donor restricted trusts that support governmental programs.

"Gifts and grants" represents restrictions placed on assets from outside parties and consists primarily of state and federal grants.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### *Fund Financial Statements (Fund Balances)*

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

"Nonspendable" fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

"Restricted" fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. A vote of the City Council is the highest level of decision making authority that can commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

"Assigned" fund balance includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has by resolution authorized the City Auditor to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

"Unassigned" fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The City's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

### L. Long-term Debt

#### *Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

#### *Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

### M. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income derived from the proprietary funds is retained by the proprietary funds.

### N. Fair Value Measurements

The City reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of

market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the City's financial instruments, see Note 2 – Cash and Investments.

#### O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Woburn Contributory Retirement System and the Massachusetts Teachers Retirement System and additions to/deductions from the Systems fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

##### *Government-Wide and Proprietary Fund Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

##### *Governmental Fund Financial Statements*

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

#### Q. Use of Estimates

##### *Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

#### R. Total Column

##### *Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

##### *Fund Financial Statements*

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

### S. Fund Deficits

Several individual fund deficits exist at June 30, 2017, in the capital project funds. These deficits will be funded by grants, bond proceeds and available fund balance.

### **NOTE 2 - CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents." The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares.

### Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy allows unlimited deposits in bank accounts or CD's (up to one year maturity) that are fully collateralized through a third party agreement. For uncollateralized bank accounts and CD's, deposits may not exceed Federal Deposit Insurance Corporation (FDIC) or other deposit insurance coverage.

These deposits will be limited to no more than 5% of an institution's assets and no more than 25% of the City's cash. This percentage may be increased for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the City in the near future. CD's will be purchased for no more than one year and will be reviewed frequently. The City's policy also allows unlimited investments in money market funds, which are allowed by statute and are considered to be liquid funds.

At year-end, the carrying amount of deposits totaled \$52,960,542 and the bank balance totaled \$55,011,494. Of the bank balance, \$2,124,388 was covered by Federal Depository Insurance, \$8,756,208 was covered by Depositors Insurance Fund, \$33,902,179 was collateralized and \$10,228,719 was uncollateralized.

At December 31, 2016, the carrying amount of deposits for the System totaled \$1,077,772 and the bank balance totaled \$1,251,758. All of the bank balance was covered by Federal Depository Insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The City's investments subject to custodial credit risk include \$4,121,922 in government sponsored enterprises, \$7,359,118 in corporate bonds and \$14,637,278 in equity securities, which have custodial credit risk exposure totaling \$26,118,318 because the related securities are uninsured, unregistered and held by the counterparty. The City does not have an investment policy for custodial credit risk.

The System's investments subject to custodial credit risk include \$1,997,458 in government agencies, \$1,791,010 in government sponsored enterprises, \$5,836,418 in corporate bonds and \$23,073,706 in equity securities, which have custodial credit risk exposure totaling \$32,698,592 because the related securities are uninsured, unregistered and held by the counterparty. The System does not have an investment policy for custodial credit risk.

Interest Rate Risk

The City's investment policy limits investment maturities to one year, except for the trust funds which are not limited, as a means of managing its exposure to fair value losses arising from increasing interest rates. The System does not have formal investment policies that limit investment maturities as a means of managing exposure to fair value losses arising from decreasing interest rates.

The City participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from 0.45 to 22.60 years.

As of June 30, 2017, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
<u>Debt Securities</u>					
Government Sponsored Enterprises.....	\$ 4,121,922	\$ 600,877	\$ 2,892,183	\$ 183,226	\$ 445,636
Corporate Bonds.....	7,359,118	655,683	5,388,875	183,226	445,636
Total Debt Securities.....	11,481,040	\$ 1,256,560	\$ 8,281,058	\$ 366,452	\$ 891,272
<u>Other Investments</u>					
Equity Securities.....	14,637,278				
Equity Mutual Funds.....	3,346,006				
Negotiable Certificates of Deposit.....	4,861,762				
Money Market Mutual Funds.....	336,792				
MMDT.....	1,977,742				
Total Investments.....	\$ 36,640,620				

As of December 31, 2016, the System had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)		
		1 to 5	6 to 10	More Than 10
<b>Debt Securities</b>				
Government Agencies.....	\$ 1,997,458	\$ 39,997	\$ -	\$ 1,957,461
Government Sponsored Enterprises.....	1,791,010	662,515	384,176	744,319
Corporate Bonds.....	5,836,418	646,086	1,780,184	3,410,148
Bond Mutual Funds.....	9,149,532	-	9,149,532	-
Total Debt Securities.....	18,774,418	\$ 1,348,598	\$ 11,313,892	\$ 6,111,928
<b>Other Investments</b>				
Equity Securities.....	23,073,706			
Equity Mutual Funds.....	19,520,480			
Pooled Real Estate Funds.....	626,978			
Pooled Alternative Investments.....	8,790,780			
Money Market Mutual Funds.....	5,305,467			
PRIT.....	52,854,090			
Total Investments.....	\$ 128,945,919			

### Credit Risk

The City's investment policy limits investments in debt securities to United States Treasuries and Agency obligations, which carry an AA+ rating and other investments which are legal for the investment of funds of savings banks under the laws of the Commonwealth. As of June 30, 2017, Standard & Poor's Investors Service rated the City's investments as follows:

Investment Type	Fair Value	Quality Ratings						
		AAA	AA+	A	BBB	BB	B	Unrated
Government Sponsored Enterprises.....	\$ 4,121,922	\$ -	\$ 4,121,922	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Bonds.....	7,359,118	809,220	1,295,391	3,743,663	787,547	400,507	101,084	221,706
Total.....	\$ 11,481,040	\$ 809,220	\$ 5,417,313	\$ 3,743,663	\$ 787,547	\$ 400,507	\$ 101,084	\$ 221,706

The City's investments in MMDT were unrated.

The System has not adopted a formal policy related to credit risk. As of December 31, 2016, Standard & Poor's Investors Service rated the System's investments as follows:

Investment Type	Fair Value	Quality Ratings				
		AAA	AA+	A	BBB	Unrated
Government Sponsored						
Enterprises.....	\$ 1,791,010	\$ -	\$ 1,791,010	\$ -	\$ -	\$ -
Government Agencies....	1,997,458	-	1,997,458	-	-	-
Corporate Bonds.....	5,836,418	168,346	562,740	1,192,973	1,014,951	2,897,408
Bond Mutual Funds.....	9,149,532	9,149,532	-	-	-	-
Total.....	\$ 18,774,418	\$ 9,317,878	\$ 4,351,208	\$ 1,192,973	\$ 1,014,951	\$ 2,897,408

The System's investments in PRIT were unrated.

#### Concentration of Credit Risk

The City will minimize the concentration of credit risk by diversifying the investment portfolio, so that the impact of potential losses from any one type of security or issuer will be minimized. No more than 5% of the City's investments are invested in any one issuer.

The System places no limit on the amount the System may invest in any one issuer. No more than 5% of the System's investments are invested in any one issuer.

#### Fair Market Value of Investments

The City holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the City's mission, the City determines that the disclosures related to these investments only need to be disaggregated by major type. The City chooses a tabular format for disclosing the levels within the fair value hierarchy.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted price in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2017:

Investment Type	June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level:</b>				
<b>Debt Securities:</b>				
Corporate bonds.....	\$ 7,359,118	\$ -	\$ 7,359,118	\$ -
Government Sponsored Enterprises.....	4,121,922	4,121,922	-	-
Total debt securities.....	11,481,040	4,121,922	7,359,118	-
<b>Other investments:</b>				
Equity securities.....	14,637,278	14,637,278	-	-
Equity mutual funds.....	3,346,006	3,346,006	-	-
Negotiable Certificates of Deposit.....	4,861,762	4,861,762	-	-
Money Market Mutual Funds.....	336,792	336,792	-	-
Total other investments.....	23,181,838	23,181,838	-	-
Total investments measured at fair value.....	34,662,878	\$ 27,303,760	\$ 7,359,118	\$ -
<b>Investments measured at amortized cost:</b>				
MMDT.....	1,977,742			
Total investments.....	\$ 36,640,620			

Government sponsored enterprise, equity securities, equity mutual funds, negotiable certificates of deposit and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quotes in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on securities' relationship to benchmark quoted prices.

MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the advisor.

The retiree defined benefit plan holds significant amounts of investments that are measured at fair value on recurring basis. Because investing is a key part of the plan's activities, the plan shows greater disaggregation in its disclosures. The plan chooses a tabular format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following recurring fair value measurements as of December 31, 2016:

Investment Type	12/31/16	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level:</b>				
<u>Debt Securities:</u>				
Government agencies.....	\$ 1,997,458	\$ 1,997,458	\$ -	\$ -
Government Sponsored Enterprises.....	1,791,010	1,791,010	-	-
Corporate bonds.....	5,836,418	-	5,836,418	-
Bond mutual funds.....	9,149,532	9,149,532	-	-
Total debt securities.....	18,774,418	12,938,000	5,836,418	-
<u>Other investments:</u>				
Equity securities.....	23,073,706	23,073,706	-	-
Equity mutual funds.....	19,520,480	19,520,480	-	-
Pooled Real Estate Funds.....	626,978	-	-	626,978
Pooled Alternative Investments.....	8,790,780	-	-	8,790,780
Money Market Mutual Funds.....	5,305,467	5,305,467	-	-
Total other investments.....	57,317,411	47,899,653	-	9,417,758
Total investments measured at fair value.....	76,091,829	\$ 60,837,653	\$ 5,836,418	\$ 9,417,758
<b>Investments measured at the net asset value (NAV):</b>				
PRIT.....	52,854,090			
Total investments.....	\$ 128,945,919			

Debt and equity securities and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Pooled real estate funds and pooled alternative investments classified in Level 3 are valued using either a discounted cash flow or market comparable company's technique.

PRIT Investments are valued using the net asset value (NAV) method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

**NOTE 3 - RECEIVABLES**

At June 30, 2017, receivables for the individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 814,012	\$ (773,262)	\$ 40,750
Real estate tax deferrals.....	420,529	-	420,529
Tax liens.....	2,342,181	-	2,342,181
Motor vehicle and other excise taxes.....	1,506,604	(993,383)	513,221
Departmental and other.....	1,888,461	(769,615)	1,118,846
Intergovernmental.....	4,398,295	-	4,398,295
 Total.....	 <u>\$ 11,370,082</u>	 <u>\$ (2,536,260)</u>	 <u>\$ 8,833,822</u>

At June 30, 2017, receivables for the water and sewer enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Utility liens.....	\$ 658,232	\$ -	\$ 658,232
User fees.....	8,764,363	-	8,764,363
Intergovernmental.....	440,466	-	440,466
 Total.....	 <u>\$ 9,863,061</u>	 <u>\$ -</u>	 <u>\$ 9,863,061</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Asset type:</u>			
Real estate and personal property taxes.....	\$ (272,505)	\$ -	\$ (272,505)
Real estate tax deferrals.....	420,529	-	420,529
Tax liens.....	2,342,181	-	2,342,181
Motor vehicle and other excise taxes.....	513,221	-	513,221
Departmental and other.....	18,201	1,100,645	1,118,846
Intergovernmental.....	-	1,056,997	1,056,997
Tax foreclosures.....	702,764	-	702,764
 Total.....	 <u>\$ 3,724,391</u>	 <u>\$ 2,157,642</u>	 <u>\$ 5,882,033</u>

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 22,068,936	\$ 1,502,518	\$ -	\$ 23,571,454
Construction in progress.....	2,546,916	12,663,715	(142,839)	15,067,792
Total capital assets not being depreciated.....	<u>24,615,852</u>	<u>14,166,233</u>	<u>(142,839)</u>	<u>38,639,246</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	6,758,976	54,380	-	6,813,356
Building improvements.....	17,903,369	810,015	-	18,713,384
Buildings.....	147,948,682	-	-	147,948,682
Vehicles.....	3,359,642	568,910	(311,163)	3,617,389
Machinery and equipment.....	9,926,787	398,200	(365,302)	9,959,685
Infrastructure.....	59,674,238	1,672,597	-	61,346,835
Total capital assets being depreciated.....	<u>245,571,694</u>	<u>3,504,102</u>	<u>(676,465)</u>	<u>248,399,331</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,517,382)	(224,976)	-	(2,742,358)
Building improvements.....	(11,600,406)	(730,475)	-	(12,330,881)
Buildings.....	(23,565,024)	(794,070)	-	(24,359,094)
Vehicles.....	(2,779,125)	(552,077)	311,163	(3,020,039)
Machinery and equipment.....	(6,289,715)	(568,982)	365,302	(6,493,395)
Infrastructure.....	(38,345,951)	(1,645,146)	-	(39,991,097)
Total accumulated depreciation.....	<u>(85,097,603)</u>	<u>(4,515,726)</u>	<u>676,465</u>	<u>(88,936,864)</u>
Total capital assets being depreciated, net.....	<u>160,474,091</u>	<u>(1,011,624)</u>	<u>-</u>	<u>159,462,467</u>
Total governmental activities capital assets, net.....	<u>\$ 185,089,943</u>	<u>\$ 13,154,609</u>	<u>\$ (142,839)</u>	<u>\$ 198,101,713</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water and Sewer Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 332,240	\$ -	\$ -	\$ 332,240
Construction in progress.....	766,351	299,548	(766,351)	299,548
Total capital assets not being depreciated.....	1,098,591	299,548	(766,351)	631,788
<u>Capital assets being depreciated:</u>				
Buildings.....	7,630,065	104,928	-	7,734,993
Vehicles.....	94,000	-	(61,000)	33,000
Machinery and equipment.....	466,565	-	-	466,565
Infrastructure.....	77,520,286	2,705,392	-	80,225,678
Total capital assets being depreciated.....	85,710,916	2,810,320	(61,000)	88,460,236
<u>Less accumulated depreciation for:</u>				
Buildings.....	(3,139,056)	(183,779)	-	(3,322,835)
Vehicles.....	(94,000)	-	61,000	(33,000)
Machinery and equipment.....	(416,607)	(10,934)	-	(427,541)
Infrastructure.....	(26,776,911)	(1,690,749)	-	(28,467,660)
Total accumulated depreciation.....	(30,426,574)	(1,885,462)	61,000	(32,251,036)
Total capital assets being depreciated, net.....	55,284,342	924,858	-	56,209,200
Total water and sewer activities capital assets, net.....	\$ 56,382,933	\$ 1,224,406	\$ (766,351)	\$ 56,840,988

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General government.....	\$ 139,757
Public safety.....	760,535
Education.....	1,366,473
Public works.....	2,048,406
Human services.....	8,604
Culture and recreation.....	191,951

Total depreciation expense - governmental activities..... \$ 4,515,726

**Business-Type Activities:**

Water and sewer.....	\$ 1,885,462
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**NOTE 5 - INTERFUND TRANSFERS**Due To/From Other Funds

As of June 30, 2017, the City has an interfund receivable/payable of \$1,541,927 which exists between the general fund and the state highway grants fund. The purpose of this balance is to cover short-term cash needs that will be funded by future grant proceeds.

Interfund Transfers

Interfund transfers for the year ended June 30, 2017, are summarized as follows:

Transfers Out:	Transfers In:			
	General Fund	Nonmajor Governmental Funds	Water and Sewer Enterprise Fund	Total
General Fund.....	\$ -	\$ 1,839,593	\$ 65,075	\$ 1,904,668 (1)
Nonmajor Governmental Funds.....	3,389,619	46,060	-	3,435,679 (2)
Water and Sewer Enterprise Fund.....	1,486,111	-	-	1,486,111 (3)
Total.....	\$ 4,875,730	\$ 1,885,653	\$ 65,075	\$ 6,826,458

- (1) Represents budgeted transfers from the general fund to the debt service fund and to the enterprise funds.  
(2) Represents budgeted transfers to the general fund from other available funds and a budgeted transfer from the general fund to the green energy revolving fund.  
(3) Represents the transfer of indirect costs from the water and sewer enterprise fund to the general fund.

**NOTE 6 – LEASES**Operating Lease

The City entered into a commercial lease for temporary library space due to the renovation of the City's Library. The remaining lease payments total \$263,708 as of June 30, 2017, and the lease expires on October 30, 2018.

**NOTE 7 - SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise fund, respectively.

Details related to the short-term debt activity for the year ended June 30, 2017, is as follows:

Type	Purpose	Interest Rate	Due Date	Balance at June 30, 2016	Issued	Redeemed	Balance at June 30, 2017
<b>Governmental Activities:</b>							
BAN	Municipal Purpose.....	2.00%	03/30/17	\$ 7,511,754	\$ -	\$ 7,511,754	\$ -
BAN	Municipal Purpose.....	1.85%	09/29/17	-	6,600,000	-	6,600,000
Total Governmental Activities.....				7,511,754	6,600,000	7,511,754	6,600,000
General obligation bonds issued 9/28/17.....				-	(1,602,400)	-	(1,602,400)
Sub-total.....				7,511,754	4,997,600	7,511,754	4,997,600
<b>Business-Type Activities:</b>							
BAN	Water Improvements.....	2.00%	03/30/17	2,300,000	-	2,300,000	-
BAN	Municipal Purpose.....	1.85%	09/29/17	-	310,000	-	310,000
BAN	Water Improvements.....	1.25%	03/29/18	-	1,500,000	-	1,500,000
Total Business-Type Activities.....				2,300,000	1,810,000	2,300,000	1,810,000
General obligation bonds issued 9/28/17.....				-	(268,200)	-	(268,200)
Sub-total.....				2,300,000	1,541,800	2,300,000	1,541,800
Total Short-term Debt.....				\$ 9,811,754	\$ 6,539,400	\$ 9,811,754	\$ 6,539,400

\$6,910,000 of BAN's matured on September 29, 2017, of which \$1,870,600 were redeemed through the issuance of general obligation bonds totaling \$1,602,400 and \$268,200; which are reported in the governmental and enterprise funds, respectively. An additional \$339,400 was redeemed with premiums from the related long-term debt and the remaining balance of \$4,700,000 was renewed with an interest rate of 2.0% per annum and a maturity date of September 28, 2018.

**NOTE 8 - LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

Details related to the outstanding indebtedness at June 30, 2017, and the debt service requirements are as follows:

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
Municipal Purpose Bonds of 2007.....	2027	2,370,000	2.00	\$ 1,570,000	\$ -	\$ (155,000)	\$ 1,415,000
Municipal Purpose Bonds of 2012.....	2037	70,154,000	3.16	17,045,000	-	(835,000)	16,210,000
Municipal Purpose Refunding Bonds of 2012.....	2025	4,830,000	3.26	4,195,000	-	(515,000)	3,680,000
Municipal Purpose Bonds of 2013.....	2023	1,826,000	3.64	1,260,000	-	(180,000)	1,080,000
Municipal Purpose Refunding Bonds of 2013.....	2026	12,610,000	3.78	12,610,000	-	(1,180,000)	11,430,000
Municipal Purpose Bonds of 2017.....	2042	7,070,000	3.75	-	7,070,000	-	7,070,000
Municipal Purpose Bonds of 2018.....	2032	1,602,400	5.00	-	1,602,400	-	1,602,400
<b>Total.....</b>				<b>\$ 36,680,000</b>	<b>\$ 8,672,400</b>	<b>\$ (2,865,000)</b>	<b>\$ 42,487,400</b>

Debt service requirements for principal and interest for governmental bonds payable in future years are as follows:

Year	Principal	Interest	Total
2018.....	\$ 3,125,000	\$ 1,366,708	\$ 4,491,708
2019.....	3,147,400	1,314,412	4,461,812
2020.....	3,185,000	1,209,152	4,394,152
2021.....	3,380,000	1,098,277	4,478,277
2022.....	3,375,000	979,177	4,354,177
2023.....	3,445,000	854,527	4,299,527
2024.....	3,285,000	723,952	4,008,952
2025.....	3,045,000	607,652	3,652,652
2026.....	2,630,000	517,458	3,147,458
2027.....	1,355,000	455,638	1,810,638
2028.....	1,210,000	413,409	1,623,409
2029.....	1,210,000	373,894	1,583,894
2030.....	1,200,000	333,924	1,533,924
2031.....	1,180,000	294,189	1,474,189
2032.....	1,180,000	254,890	1,434,890
2033.....	1,055,000	216,490	1,271,490
2034.....	1,055,000	179,340	1,234,340
2035.....	1,050,000	141,781	1,191,781
2036.....	1,050,000	103,812	1,153,812
2037.....	1,050,000	65,508	1,115,508
2038.....	255,000	42,394	297,394
2039.....	255,000	34,106	289,106
2040.....	255,000	25,819	280,819
2041.....	255,000	17,213	272,213
2042.....	255,000	8,606	263,606
<b>Total.....</b>	<b>\$ 42,487,400</b>	<b>\$ 11,632,328</b>	<b>\$ 54,119,728</b>

## Bonds and Notes Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
MWPAT - stormwater (03-21).....	2025	\$ 210,033	2.00	\$ 115,000	\$ -	\$ (10,000)	\$ 105,000
MCWT 00-07.....	2021	5,046,059	4.48	1,635,000	-	(305,000)	1,330,000
MWRA Notes of 2007.....	2017	1,100,000	0.00	110,000	-	(110,000)	-
Municipal Purpose Bonds of 2008.....	2018	220,000	4.63	50,000	-	(25,000)	25,000
MWRA Notes of 2008.....	2018	1,200,000	0.00	240,000	-	(120,000)	120,000
MCWT CW-06-05.....	2018	300,000	2.00	64,990	-	(32,170)	32,820
MCWT CW-05-12.....	2018	225,000	2.00	48,743	-	(24,128)	24,615
MCWT CW-07-15.....	2029	250,000	2.00	173,013	-	(11,771)	161,242
Municipal Purpose Bonds of 2009.....	2030	6,500,000	4.18	5,050,000	-	(270,000)	4,780,000
Municipal Purpose Refunding Bonds of 2009.....	2020	900,000	3.83	345,000	-	(90,000)	255,000
MWRA Notes of 2010.....	2016	1,154,330	0.00	461,732	-	(115,433)	346,299
MCWT DWS 08-19.....	2031	6,241,464	2.00	4,906,808	-	(283,325)	4,623,483
MCWT DWS 07-17.....	2031	3,162,577	2.00	2,843,174	-	(164,492)	2,678,682
MWRA Notes of 2012.....	2022	1,000,000	0.00	600,000	-	(100,000)	500,000
MCWT DWS 08-19-A.....	2033	2,035,158	2.00	1,780,995	-	(87,721)	1,693,274
Municipal Purpose Refunding Bonds of 2012.....	2025	2,965,000	3.38	2,595,000	-	(305,000)	2,290,000
Municipal Purpose Bonds of 2013.....	2033	4,300,000	3.32	3,655,000	-	(215,000)	3,440,000
MCWT DWS-07-17-A.....	2031	619,179	2.00	17,627	-	(1,007)	16,620
MWRA Water Bnd Loan #859.....	2026	67,075	0.00	67,075	-	(6,708)	60,367
MWRA Water Bonds 2017.....	2037	2,381,000	3.13	-	2,381,000	-	2,381,000
Municipal Purpose Bonds of 2018.....	2028	268,200	5.00	-	268,200	-	268,200
Sub-total water.....				24,759,157	2,649,200	(2,276,755)	25,131,602
Municipal Purpose Refunding Bonds of 2009.....	2020	505,000	3.83	195,000	-	(50,000)	145,000
MWRA Inflow/Infiltration Notes of 2013.....	2018	479,050	0.00	191,620	-	(95,810)	95,810
MWRA Inflow/Infiltration Notes of 2015.....	2025	366,175	0.00	329,557	-	(36,618)	292,939
Sub-total sewer.....				716,177	-	(182,428)	533,749
Total enterprise funds.....				\$ 25,475,334	\$ 2,649,200	\$ (2,459,183)	\$ 25,665,351

Debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes payable in future years are as follows:

Year	Principal	Interest	Total
2018.....	\$ 2,565,586	\$ 686,732	\$ 3,252,318
2019.....	2,336,939	620,154	2,957,093
2020.....	2,360,367	546,524	2,906,891
2021.....	2,151,800	488,952	2,640,752
2022.....	1,833,906	433,827	2,267,733
2023.....	1,751,259	383,771	2,135,030
2024.....	1,773,865	332,077	2,105,942
2025.....	1,801,723	280,452	2,082,175
2026.....	1,508,233	235,880	1,744,113
2027.....	1,514,919	196,005	1,710,924
2028.....	1,369,485	155,184	1,524,669
2029.....	1,403,429	113,711	1,517,140
2030.....	1,422,390	70,923	1,493,313
2031.....	966,602	37,834	1,004,436
2032.....	376,108	20,913	397,021
2033.....	378,740	10,465	389,205
2034.....	40,000	4,588	44,588
2035.....	40,000	3,388	43,388
2036.....	35,000	2,188	37,188
2037.....	35,000	1,094	36,094
Total.....	\$ 25,665,351	\$ 4,624,662	\$ 30,290,013

The Massachusetts Water Resources Authority (MWRA) operates an Infiltration/Inflow Local Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. At June 30, 2017, the outstanding principal amount of these loans totaled \$388,749.

The governmental funds are scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$1,223 and interest costs for \$14,383. Thus, net MCWT loan repayments, including interest, are scheduled to be \$112,277. Since the City is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements. The 2017 interest subsidy totaled \$2,676.

The water and sewer enterprise fund is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of \$440,466 and interest costs for \$90,165. Thus, net MCWT loan repayments, including interest, are scheduled to be \$921,328. The principal subsidies are guaranteed and therefore a \$440,466 intergovernmental receivable has been reported in the proprietary fund financial statements. Since the City is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements. The 2017 principal and interest subsidies totaled \$90,560 and \$57,499, respectively.

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2017, the City had the following authorized and unissued debt:

Purpose	Amount
Water system improvements.....	\$ 1,593,011
Surface drainage.....	6,800,000
Water meters.....	6,000,000
Land Acquisition.....	1,900,000
Infiltration & Inflow Reduction.....	6,366,750
Ladder Truck.....	1,300,000
Library design & reconstruction.....	27,537,490
Elementary School Replacement.....	27,792,264
Total.....	<u>\$ 79,289,515</u>

#### Changes in Long-term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Compensated absences.....	\$ 6,599,000	\$ 1,802,000	\$ (1,840,000)	\$ 6,561,000	\$ 1,844,000
Other postemployment benefits.....	56,777,516	17,784,116	(8,895,472)	65,666,160	-
Net pension liability.....	77,364,000	20,394,000	(20,052,000)	77,706,000	-
Bonds payable.....	36,680,000	8,672,400	(2,865,000)	42,487,400	3,125,000
Total.....	<u>\$ 177,420,516</u>	<u>\$ 48,652,516</u>	<u>\$ (33,652,472)</u>	<u>\$ 192,420,560</u>	<u>\$ 4,969,000</u>
<b>Business-type Activities:</b>					
Compensated absences.....	\$ 224,000	\$ 72,000	\$ (56,000)	\$ 240,000	\$ 60,000
Other postemployment benefits.....	229,152	198,254	(163,883)	263,523	-
Net pension liability.....	1,178,000	310,000	(305,000)	1,183,000	-
Bonds payable.....	25,475,334	2,649,200	(2,459,183)	25,665,351	2,565,586
Total.....	<u>\$ 27,106,486</u>	<u>\$ 3,229,454</u>	<u>\$ (2,984,066)</u>	<u>\$ 27,351,874</u>	<u>\$ 2,625,586</u>

**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

GASB #54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The City has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB #54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The City's highest level of decision making authority is City Council.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

As of June 30, 2017, the governmental fund balances consisted of the following:

	General	Hurd/ Wyman School Project	Library Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balances</b>					
<b>Nonspendable:</b>					
Permanent fund principal..... \$	- \$	- \$	- \$	3,197,672 \$	3,197,672
<b>Restricted for:</b>					
Municipal federal and state grants.....	-	-	-	381,213	381,213
Education federal and state grants.....	-	-	-	2,033,765	2,033,765
Receipts reserved for appropriation funds....	-	-	-	1,637,599	1,637,599
Municipal revolving funds.....	-	-	-	807,743	807,743
School lunch.....	-	-	-	622,076	622,076
Infrastructure fund.....	-	-	-	777,075	777,075
Other special revenue.....	-	-	-	2,345,249	2,345,249
Other capital projects.....	-	-	-	339,694	339,694
Library trust funds - special revenue funds...	-	-	-	545,321	545,321
Library trust funds - permanent funds.....	-	-	-	8,038,776	8,038,776
Cemetery perpetual care funds.....	-	-	-	511,838	511,838
Hurd/Wyman School Project.....	-	1,134,744	-	-	1,134,744
<b>Committed to:</b>					
Affordable housing stabilization fund.....	3,354,586	-	-	-	3,354,586
General government.....	1,193,123	-	-	-	1,193,123
Public safety.....	108,520	-	-	-	108,520
Public works.....	130,101	-	-	-	130,101
Human services.....	17,795	-	-	-	17,795
Culture and recreation.....	1,600	-	-	-	1,600
Employee benefits.....	507,900	-	-	-	507,900
Capital outlay.....	4,168,721	-	-	-	4,168,721
Debt service - Interest.....	29,000	-	-	-	29,000
<b>Assigned to:</b>					
General government.....	505,658	-	-	-	505,658
Public safety.....	34,704	-	-	-	34,704
Education.....	315,292	-	-	-	315,292
Public works.....	39,462	-	-	-	39,462
Human services.....	153	-	-	-	153
Culture and recreation.....	3,159	-	-	-	3,159
Unassigned.....	37,720,090	-	(225,798)	(25,059)	37,469,233
<b>Total Fund Balances..... \$</b>	<b>\$ 48,129,864</b>	<b>\$ 1,134,744</b>	<b>\$ (225,798)</b>	<b>\$ 21,212,962</b>	<b>\$ 70,251,772</b>

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At year end, the general stabilization fund totaled \$11,752,695 and is reported as unassigned fund balance within the general fund; and the affordable housing stabilization fund totaled \$3,354,586 and is reported as committed fund balance within the general fund.

#### **NOTE 10 - RISK FINANCING**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The City is part of a premium-based self-insurance group which insures for health insurance, workers' compensation, and other insurance for employees and retirees, as well as general and personal liability insurance through the Massachusetts Inter-Local Insurance Association (MIIA). The City essentially transfers risk through payment of its annual assessment which is adjusted according to the City's experience history.

#### **NOTE 11 - PENSION PLAN**

##### *Plan Descriptions*

The City is a member of the Woburn Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 2 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System is a component unit and is reported as a pension trust fund in the fiduciary fund financial statements.

The City is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

##### *Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2016. The City's portion of the collective pension expense, contributed by the Commonwealth, of \$12,295,098 is reported in the general fund as intergovernmental revenue and pension benefits in the current year. The portion of the Commonwealth's collective net pension liability associated with the City is \$120,532,427 as of the measurement date.

*Benefits Provided*

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service. There were no changes in benefit terms that affected the measurement of the total pension liability at December 31, 2016.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

At December 31, 2016, the System's membership consists of the following:

Active members.....	611
Inactive members.....	101
Disabled members.....	35
Retirees and beneficiaries currently receiving benefits.....	<u>406</u>
 Total.....	 <u>1,153</u>

*Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the System a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2016, was \$6,300,000, 20.75% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City's proportionate share of the required contribution was \$6,097,000 which equaled its actual contribution.

*Pension Liabilities*

The components of the net pension liability of the participating member units at June 30, 2017, were as follows:

Total pension liability.....	\$	212,390,756
The pension plan's fiduciary net position.....		<u>(130,927,920)</u>
The net pension liability.....	\$	<u>81,462,836</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....		61.64%

At June 30, 2017, the City reported a liability of \$78,889,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2016, the City's proportion was 96.84%, which increased by 0.53% from its proportion measured at December 31, 2015.

*Pension Expense*

For the year ended June 30, 2017, the City recognized pension expense of \$12,552,000. At June 30, 2017, the City reported deferred outflows of resources related to pensions of \$15,069,000 and deferred inflows of resources related to pensions of \$1,272,000.

The balances of deferred outflows and (inflows) at June 30, 2017 consist of the following:

<u>Deferred category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences between expected and actual experience.....	\$ 2,052,000	\$ -	\$ 2,052,000
Changes of assumptions.....	5,078,000	-	5,078,000
Difference between projected and actual earnings.....	7,681,000	(1,272,000)	6,409,000
Changes in proportion.....	<u>258,000</u>	<u>-</u>	<u>258,000</u>
Total Deferred Outflows/(Inflows) of Resources.....	\$ <u>15,069,000</u>	\$ <u>(1,272,000)</u>	\$ <u>13,797,000</u>

The deferred outflows/(inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2018.....	\$ 4,966,000
2019.....	4,966,000
2020.....	4,119,000
2021.....	<u>(254,000)</u>
Total.....	\$ <u>13,797,000</u>

*Actuarial Assumptions* - The total pension liability in the January 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2016:

Valuation date.....	January 1, 2016
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Amortization method.....	Increase at 4.0% per year.
Remaining amortization period.....	19 years at January 1, 2016, closed.
Asset valuation method.....	Assets are reported at fair market value.
Projected salary increases.....	2% increasing to an ultimate rate of 4% over 3 years.
Cost of living adjustments.....	3.0% of the lesser of the pension amount and \$12,000 per year.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	Varies based upon age for general employees, police and fire employees.
Mortality Rates.....	The RP-2000 Employee Mortality Table projected generationally with Scale BB for males and females.
Investment rate of return/Discount rate.....	7.75% per year.

*Investment policy*

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
Equity.....	8.46%	46.46%
Fixed Income.....	1.83%	10.05%
Alternatives.....	7.92%	43.49%
		<u>100.00%</u>

*Rate of return*

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.09%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate*

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate*

The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The City's proportionate share of the net pension liability.....	\$ 101,349,000	\$ 78,889,000	\$ 59,808,000

*Changes of Assumptions*

There were no changes of assumptions.

*Changes in Plan Provisions*

There were no changes in plan provisions.

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The City of Woburn administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the City and the unions representing City employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

*Funding Policy* – Contribution requirements are also negotiated between the City and union representatives. The required contribution is based on a pay-as-you-go financing requirement. Depending on the plan selected, the City contributes various percentages of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs.

During 2017, the City pre-funded future OPEB liabilities totaling \$750,000 by contributing funds to the Other Postemployment Benefits Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2017, the balance of this fund totaled \$4,397,741. The City has not formally adopted a policy of pre-funding future OPEB liabilities.

*Rate of return.* For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 11.63%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Plan Membership* – The following table represents the Plan’s membership at June 30, 2017:

Active Members.....	1,340
Inactive employees or beneficiaries currently receiving benefits.....	<u>728</u>
Total.....	<u><u>2,068</u></u>

*Components of OPEB Liability* – The following table represents the components of the Plan’s OPEB liability as of June 30, 2017:

Total OPEB liability.....	\$ 258,785,000
Less: OPEB plan's fiduciary net position.....	<u>(4,398,000)</u>
Net OPEB liability.....	\$ <u><u>254,387,000</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	1.70%

*Significant Actuarial Methods and Assumptions* – The total OPEB liability in the January 1, 2016, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods including the measurement date that was updated to June 30, 2017, to be in accordance with GASB #74.

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry Age Normal Actuarial Cost
Asset valuation method.....	Market Value
Single equivalent discount rate.....	3.82% per year, net of investment expenses.
Salary increases.....	3.75% for non-teachers. Teachers increases are based on service.
Healthcare cost trend rate.....	9.0% initially decreasing to 5.0% over 26 years.
<b>Mortality:</b>	
Actives.....	The RP-2000 Mortality tables (sex-distinct) for Employees projected using generational mortality and scale BB.
Retirees.....	The RP-2000 Mortality tables (sex-distinct) for Healthy Annuitants projected using generational mortality and scale BB.
Disabled.....	The RP-2000 Mortality tables (sex-distinct) for Healthy Annuitants projected using generational mortality and scale BB. Set forward 2 years.

*Investment policy*

The City's policy in regard to the allocation of invested assets is established and may be amended by the City Council by a majority vote of its members. The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The System's expected future real rate of return is added to the expected inflation to produce the long-term expected nominal rate of return. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017, are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities.....	35.00%	5.05%
International Equities.....	20.00%	5.80%
Domestic Bonds.....	20.00%	2.47%
International Bonds.....	5.00%	2.40%
Alternatives.....	<u>20.00%</u>	4.80%
	<u>100.00%</u>	

*Discount Rate* - The discount rate used to measure the total OPEB liability was 3.82% as of June 30, 2017. The discount rate is a blend of the long-term expected rate of return of 7.50% on OPEB Trust Fund assets and a yield or index rate of 3.58% for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher. The blending is based on the sufficiency of projected assets to make projected benefit payments.

*Sensitivity of the net position liability to changes in the discount rate* – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 3.82%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1- percentage-point lower 2.82% or 1-percentage-point higher 4.82% than the current rate.

	<u>1% Decrease</u> <u>(2.82%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(3.82%)</u>	<u>1% Increase</u> <u>(4.82%)</u>
Net OPEB liability.....	\$ 299,262,000	\$ 254,387,000	\$ 219,036,000

*Sensitivity of the net position liability to changes in the healthcare trend* – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Total OPEB liability.....	\$ 211,639,000	\$ 254,387,000	\$ 310,664,000

*Changes of Assumptions*

There were no changes of assumptions.

*Changes in Plan Provisions*

There were no changes in plan provisions.

*Annual OPEB Cost and Net OPEB Obligation* – The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation are summarized in the table that follows:

Annual required contribution.....	\$ 17,949,495
Interest on net OPEB obligation.....	2,479,790
Adjustment to annual required contribution.....	<u>(2,446,915)</u>
Annual OPEB cost (expense).....	17,982,370
Contributions made.....	<u>(9,059,355)</u>
Increase in net OPEB obligation.....	8,923,015
Net OPEB obligation-beginning of year.....	<u>57,006,668</u>
Net OPEB obligation-end of year.....	\$ <u>65,929,683</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the previous two years was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 17,982,370	50%	\$ 65,929,683
6/30/2016	16,992,814	42%	57,006,668
6/30/2015	13,320,264	59%	47,136,735

#### *Funded Status and Funding Progress*

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$211,241,434. The City has funded \$3,070,278, which resulted in a funded ratio of 1.5% and an unfunded actuarial accrued liability for benefits totaling \$208,171,156. The net position of the OPEB trust fund totaled \$4,397,741 as of June 30, 2017.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions* – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.35% investment return assumption, which is based on the expected yield on the assets of the City, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 9.0% decreasing to an ultimate level of 5.0% and included a 4% inflation assumption. The UAAL is being amortized using a 30 year closed amortization method, with amortization payments increasing at 3% per year. The remaining amortization period at June 30, 2017, is 29 years.

#### **NOTE 13 - CONTINGENCIES**

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2017, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

#### NOTE 14 - COMMITMENTS

The City has entered into contracts, or is planning to enter into contracts, totaling \$ 27.8 million for the Hurld/Wyman elementary school building project.

The City has entered into contracts, or is planning to enter into contracts, totaling \$27.5 million for the Library Design and Reconstruction project.

The City has entered into contracts, or is planning to enter into contracts, totaling \$6.4 million for sewer infiltration and inflow. The purpose of this project is to reduce inflow and infiltration of the sewer system.

The City has entered into contracts, or is planning to enter into contracts, totaling \$6 million for the installation of water meters. This project involves installing new water meters for all residential and commercial properties in the City.

The City has entered into contracts, or is planning to enter into contracts, totaling \$6.8 million for surface drainage projects. The purpose of the projects is to improve management of surface run-off throughout the City.

The City has entered into contracts, or is planning to enter into contracts, totaling \$1.6 million for water infrastructure improvements.

The City has entered into contracts, or is planning to enter into contracts, totaling \$1.9 million for land acquisition.

The City has entered into contracts, or is planning to enter into contracts, totaling \$1.3 million for ladder truck.

#### NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 27, 2018, which is the date the financial statements were available to be issued.

#### NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2017, the following GASB pronouncements were implemented:

- GASB Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The basic financial statements, related notes and required supplementary information were changed to provide additional disclosure on the Other Postemployment Benefit Trust Fund.
- GASB Statement #77, *Tax Abatement Disclosures*. This pronouncement did not impact the basic financial statements.
- GASB Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This pronouncement did not impact the basic financial statements.
- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

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## ***Required Supplementary Information***

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 96,271,532	\$ 96,271,532	\$ 96,271,532
Tax liens.....	-	-	-	-
Motor vehicle excise taxes.....	-	6,278,200	6,278,200	6,278,200
Hotel/motel tax.....	-	3,000,000	3,000,000	3,000,000
Meals tax.....	-	900,000	900,000	900,000
Penalties and interest on taxes.....	-	500,000	500,000	500,000
Intergovernmental.....	-	15,324,157	15,324,157	15,324,157
Departmental and other.....	-	2,205,000	2,205,000	2,205,000
Investment income.....	-	400,000	400,000	400,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>124,878,889</b>	<b>124,878,889</b>	<b>124,878,889</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	1,221,262	7,141,627	8,362,889	5,794,860
Public safety.....	102,551	16,047,902	16,150,453	17,443,432
Education.....	205,369	58,082,035	58,287,404	60,355,520
Public works.....	410,147	7,873,849	8,283,996	8,601,109
Human services.....	45,936	1,112,110	1,158,046	1,495,902
Culture and recreation.....	163,598	1,937,194	2,100,792	2,154,426
Pension benefits.....	-	6,101,253	6,101,253	6,101,253
Employee benefits.....	700,000	19,878,852	20,578,852	21,328,852
State and county charges.....	-	3,521,053	3,521,053	3,521,053
Capital outlay.....	3,606,714	-	3,606,714	6,187,937
Debt service:				
Principal.....	-	2,231,198	2,231,198	2,865,000
Interest.....	67,194	150,000	217,194	1,480,076
<b>TOTAL EXPENDITURES.....</b>	<b>6,522,771</b>	<b>124,077,073</b>	<b>130,599,844</b>	<b>137,329,420</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(6,522,771)</b>	<b>801,816</b>	<b>(5,720,955)</b>	<b>(12,450,531)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	-	1,486,111	1,486,111	5,066,602
Transfers out.....	-	(1,839,593)	(1,839,593)	(1,904,668)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>(353,482)</b>	<b>(353,482)</b>	<b>3,161,934</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(6,522,771)</b>	<b>448,334</b>	<b>(6,074,437)</b>	<b>(9,288,597)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>-</b>	<b>26,677,379</b>	<b>26,677,379</b>	<b>32,405,319</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ (6,522,771)</b>	<b>\$ 27,125,713</b>	<b>\$ 20,602,942</b>	<b>\$ 23,116,722</b>

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	97,429,611	\$ -	\$ 1,158,079
	533,118	-	533,118
	7,011,959	-	733,759
	3,182,058	-	182,058
	1,021,682	-	121,682
	504,770	-	4,770
	15,910,506	-	586,349
	2,541,489	-	336,489
	632,977	-	232,977
	<u>128,768,170</u>	<u>-</u>	<u>3,889,281</u>
	3,833,140	1,698,781	262,939
	16,979,905	143,224	320,303
	60,040,228	315,292	-
	8,724,476	169,563	(292,930)
	1,381,055	17,948	96,899
	2,107,433	4,759	42,234
	6,098,931	-	2,322
	20,647,312	507,900	173,640
	3,521,053	-	-
	1,954,804	4,168,721	64,412
	2,865,000	-	-
	1,369,899	29,000	81,177
	<u>129,523,236</u>	<u>7,055,188</u>	<u>750,996</u>
	<u>(755,066)</u>	<u>(7,055,188)</u>	<u>4,640,277</u>
	5,066,602	-	-
	<u>(1,904,668)</u>	<u>-</u>	<u>-</u>
	<u>3,161,934</u>	<u>-</u>	<u>-</u>
	2,406,868	(7,055,188)	4,640,277
	<u>32,405,319</u>	<u>-</u>	<u>-</u>
\$	<u><u>34,812,187</u></u>	<u><u>(7,055,188)</u></u>	<u><u>4,640,277</u></u>

# ***Pension Plan Schedules – Retirement System***

The Pension Plan's Schedule of Changes in the Net Pension Liability and Related Ratios presents multi-year trend information on the net pension liability and related ratios.

The Pension Plan's Schedule of Contributions presents multi-year trend information on the required and actual contributions to the pension plan and related ratios.

The Pension Plan's Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on retirement assets, net of investment expense.

The schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
AND RELATED RATIOS  
WOBURN CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016
<b>Total pension liability:</b>			
Service cost.....	\$ 3,301,279	\$ 3,556,688	\$ 3,796,168
Interest.....	14,163,908	15,138,154	15,740,525
Changes in benefit terms.....	-	-	-
Differences between expected and actual experience.....	-	3,531,873	-
Changes in assumptions.....	6,330,561	3,810,330	-
Benefit payments, including refunds of employee contributions.....	<u>(11,623,361)</u>	<u>(12,132,587)</u>	<u>(12,670,224)</u>
Net change in total pension liability.....	12,172,387	13,904,458	6,866,469
Total pension liability, beginning.....	<u>179,447,442</u>	<u>191,619,829</u>	<u>205,524,287</u>
Total pension liability, ending (a).....	<u>\$ 191,619,829</u>	<u>\$ 205,524,287</u>	<u>\$ 212,390,756</u>
<b>Plan fiduciary net position:</b>			
Member contributions.....	\$ 2,818,594	\$ 2,889,924	\$ 2,980,864
Employer contributions.....	5,509,350	6,000,000	6,300,000
Net investment income (loss).....	7,589,834	(1,511,397)	11,076,789
Retirement benefits and refunds.....	(11,623,361)	(12,132,587)	(12,670,224)
Administrative expenses.....	(502,889)	(567,097)	(656,009)
Other expenses.....	<u>275,496</u>	<u>(48,597)</u>	<u>(76,343)</u>
Net increase (decrease) in fiduciary net position.....	4,067,024	(5,369,754)	6,955,077
Fiduciary net position at beginning of year.....	<u>125,275,573</u>	<u>129,342,597</u>	<u>123,972,843</u>
Fiduciary net position at end of year (b).....	<u>\$ 129,342,597</u>	<u>\$ 123,972,843</u>	<u>\$ 130,927,920</u>
<b>Net pension liability - ending (a) - (b).....</b>	<u>\$ 62,277,232</u>	<u>\$ 81,551,444</u>	<u>\$ 81,462,836</u>
Plan fiduciary net position as a percentage of the total pension liability.....	67.50%	60.32%	61.64%
Covered-employee payroll.....	\$ 30,103,112	\$ 29,187,382	\$ 30,354,877
Net pension liability as a percentage of covered-employee payroll.....	206.88%	279.41%	268.37%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for  
which information is available.

See notes to required supplementary information.

**SCHEDULE OF CONTRIBUTIONS**  
**WOBURN CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016
Actuarially determined contribution (a).....	\$ 5,509,350	\$ 6,000,000	\$ 6,300,000
Contributions in relation to the actuarially determined contribution.....	<u>(5,509,350)</u>	<u>(6,000,000)</u>	<u>(6,300,000)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 30,103,112	\$ 29,187,382	\$ 30,354,877
Contributions as a percentage of covered- employee payroll.....	18.30%	20.56%	20.75%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those  
years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURN**  
**WOBURN CONTRIBUTORY RETIREMENT SYSTEM**

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	December 31, 2014	December 31, 2015	December 31, 2016
Annual money-weighted rate of return, net of investment expense.....	6.14%	-1.19%	9.09%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those  
years for which information is available.

The annual money-weighted rate of return has been calculated by  
Conduent Human Resource Services, the System's actuary.

See notes to required supplementary information.

# ***Pension Plan Schedules – City***

The Schedule of the City's Proportionate Share of the Net Pension Liability presents multi-year trend information on the City's net pension liability and related ratios.

The Schedule of City's Contributions presents multi-year trend information on the City's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the City along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
WOBURN CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016
City's proportion of the net pension liability (asset).....	96.34%	96.31%	96.84%
City's proportionate share of the net pension liability (asset)..... \$	59,998,000	\$ 78,542,000	\$ 78,889,000
City's covered employee payroll..... \$	29,001,000	\$ 28,110,000	\$ 29,396,000
Net pension liability as a percentage of City's covered-employee payroll.....	206.88%	279.41%	268.37%
Plan fiduciary net position as a percentage of the total pension liability.....	67.50%	60.32%	61.64%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF CITY'S CONTRIBUTIONS**  
**WOBURN CONTRIBUTORY RETIREMENT SYSTEM**

	June 30, 2015	June 30, 2016	June 30, 2017
Actuarially determined contribution (a).....	\$ 5,305,862	\$ 5,777,000	\$ 6,097,000
Contributions in relation to the actuarially determined contribution.....	<u>(5,305,862)</u>	<u>(5,777,000)</u>	<u>(6,097,000)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll.....	\$ 29,001,000	\$ 28,110,000	\$ 29,396,000
Contributions as a percentage of City covered- employee payroll.....	18.30%	20.55%	20.74%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those  
years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS  
OF THE NET PENSION LIABILITY  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

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The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the City; the portion of the collective pension expense as both a revenue and pension expense recognized by the City; and the Plan's fiduciary net position as a percentage of the total liability.

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the City</u>	<u>City's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2017.....	\$ 120,532,427	\$ 12,295,098	52.73%
2016.....	105,773,079	8,579,138	55.38%
2015.....	83,789,331	5,821,247	61.64%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

# ***Other Postemployment Benefit Plan Schedules***

## **GASB Statement #74 Schedules**

The Schedule of Changes in the City's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

The Schedule of the City's Contributions presents multi-year trend information on the City's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

## **GASB Statement #45 Schedules**

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions compares, overtime, the annual required contributions to the actual contributions made.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

**SCHEDULE OF CHANGES IN THE  
CITY'S NET OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017
<b>Total OPEB Liability</b>	
Service Cost.....	\$ 8,202,000
Interest.....	9,650,000
Changes of benefit terms.....	-
Differences between expected and actual experience.....	-
Changes of assumptions.....	-
Benefit payments.....	<u>(6,905,000)</u>
Net change in total OPEB liability.....	10,947,000
Total OPEB liability-beginning.....	<u>247,838,000</u>
Total OPEB liability-ending (a).....	<u>\$ 258,785,000</u>
<b>Plan fiduciary net position</b>	
Contributions-employer .....	\$ 7,655,000
Net investment income.....	408,000
Benefit payments.....	<u>(6,905,000)</u>
Net change in plan fiduciary net position.....	1,158,000
Plan fiduciary net position-beginning.....	<u>3,240,000</u>
Plan fiduciary net position-ending (b).....	<u>\$ 4,398,000</u>
<b>City's net OPEB liability-ending (a)-(b).....</b>	<u><b>\$ 254,387,000</b></u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.70%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years  
for which information is available.

See notes to required supplementary information.

**SCHEDULE OF CITY CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

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	<u>June 30, 2017</u>
Actuarially determined contribution.....	\$ 17,949,000
Contributions in relation to the actuarially determined contribution.....	<u>(7,655,000)</u>
Contribution deficiency (excess).....	<u>\$ 10,294,000</u>

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for  
which information is available.

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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June 30, 2017

Annual money-weighted rate of return, net of investment expense.....	11.63%
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Note: This schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those  
years for which information is available.

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2015	\$ 3,070,278	\$ 211,241,434	\$ 208,171,156	1.5%	\$ N/A	N/A
6/30/2013	-	161,311,012	161,311,012	0.0%	N/A	N/A
6/30/2011	-	243,982,491	243,982,491	0.0%	N/A	N/A

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2017	\$ 17,949,495	\$ 9,059,355	50%
6/30/2016	16,910,146	7,122,881	42%
6/30/2015	12,866,510	7,836,230	61%
6/30/2014	12,338,923	8,244,570	67%
6/30/2013	16,800,797	7,327,979	44%
6/30/2012	16,026,905	6,664,564	42%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS**

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Actuarial Methods:

Valuation date.....	July 1, 2015
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	30 year closed amortization method with payments increasing at 3.0% per year
Remaining amortization period.....	30 years as of July 1, 2015

Actuarial Assumptions:

Investment rate of return.....	4.35%
Medical cost trend rate.....	9.0% decreasing to an ultimate level of 5.0%
Inflation assumption.....	4.0%

Plan Membership:

Current retirees, beneficiaries, and dependents....	1,039
Current active members.....	<u>1,055</u>
Total.....	<u><u>2,094</u></u>

See notes to required supplementary information.

**NOTE A - BUDGETARY BASIS OF ACCOUNTING**

1. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by the Council. The Mayor presents an annual budget to the Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Council, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Council approval via a supplemental appropriation or Council order.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of the Council.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2017 approved budget authorized approximately \$132.4 million in appropriations, carryforwards, and other amounts to be raised. During 2017, the Council also approved supplemental appropriations totaling approximately \$6.8 million. The change is primarily due to increases in appropriations for public safety, education, capital outlay and debt service.

The City Auditor has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the City's accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2017, is presented below:

Net change in fund balance - budgetary basis.....	\$ 2,406,868
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	167,396
<u>Basis of accounting differences:</u>	
Net change in recording 60-day receipts.....	146,000
Net change in recording tax refunds payable.....	(133,413)
Net change in recording accrued payroll.....	(138,014)
Net difference in the recognition of revenues.....	(274,530)
Increase in revenues due to on-behalf payments.....	12,295,098
Increase in expenditures due to on-behalf payments.....	<u>(12,295,098)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 2,174,307</u>

**NOTE B – PENSION PLAN*****Pension Plan Schedules – Retirement System***Schedule of Changes in the Net Pension Liability and Related Ratios

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the System's total pension liability, changes in the System's net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

Schedule of Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The appropriations are allocated amongst employers based on covered payroll.

Schedule of Investment Return

The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

***Pension Plan Schedules – City***Schedule of the City's Proportionate Share of the Net Pension Liability

The Schedule of the City's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

Schedule of City's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The City may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation".

Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. This

schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the City; the portion of the collective pension expense as both revenue and pension expense recognized by the City; and the Plan's fiduciary net position as a percentage of the total liability.

#### Changes of Assumptions

There were no changes of assumptions.

#### Changes in Plan Provisions

There were no changes in plan provisions.

### **NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The City administers a single-employer defined benefit healthcare plan (Plan). The plan provides lifetime healthcare and prescription drug benefits for eligible retirees and their spouses through MIIA, which is a premium based self-insurance group that covers both active and retired members, including teachers.

#### ***The Other Postemployment Benefit Plan***

##### A. The Schedule of Changes in the City's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the City's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

##### B. Schedule of the City's Contributions

The Schedule of the City's Contributions includes the City's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The City is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

##### C. Schedule of Investment Return

The Schedule of Investment Return includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

#### ***The City***

The City currently finances its other postemployment benefits on a combined pre-funded and pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 1.5%. In accordance with Governmental Accounting Standards, the City has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the

employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A. Schedule of Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

B. Schedule of Employer Contributions

The Schedule of Employer Contributions presents multiyear trend information for the City's required and actual contributions relating to the plan.

C. Schedule of Actuarial Methods and Assumptions

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

D. Changes of Assumptions

There were no changes of assumptions.

E. Changes in Plan Provisions

There were no changes in plan provisions.