

***CITY OF WOBURN, MASSACHUSETTS***  
***REPORTS ON FEDERAL AWARD PROGRAMS***  
***FISCAL YEAR ENDED JUNE 30, 2011***

CITY OF WOBURN, MASSACHUSETTS  
REPORTS ON FEDERAL AWARD PROGRAMS  
FISCAL YEAR ENDED JUNE 30, 2011

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor  
City of Woburn, Massachusetts

We have audited the 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, 2011 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2010), which collectively comprise the City of Woburn, Massachusetts' basic financial statements and have issued our report thereon dated March 16, 2012. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Woburn, Massachusetts' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Woburn, Massachusetts' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Woburn, Massachusetts' internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Woburn, Massachusetts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Woburn, Massachusetts in a separate letter dated March 16, 2012.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Powers & Sullivan LLC*

March 16, 2012



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## **REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor  
City of Woburn, Massachusetts

### **Compliance**

We have audited the compliance of the City of Woburn, Massachusetts, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Woburn's major federal programs for the fiscal year ended June 30, 2011. The City of Woburn, Massachusetts' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Woburn, Massachusetts' management. Our responsibility is to express an opinion on the City of Woburn, Massachusetts' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Woburn, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Woburn, Massachusetts' compliance with those requirements.

In our opinion, the City of Woburn, Massachusetts complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2011.

### **Internal Control Over Compliance**

Management of the City of Woburn, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Woburn, Massachusetts' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Woburn, Massachusetts' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

*A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the 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, 2011 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2010), and have issued our report thereon dated March 16, 2012. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Woburn, Massachusetts', basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City of Woburn, Massachusetts' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Woburn, Massachusetts' responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



March 16, 2012

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE:		
<u>Passed through State Department</u>		
<u>of Elementary and Secondary Education:</u>		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 79,789
Cash Assistance:		
School Breakfast Program	10.553	76,799
National School Lunch Program	10.555	<u>575,806</u>
TOTAL AGRICULTURE		<u>732,394</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
<u>Passed through State Office for Communities</u>		
<u>and Development:</u>		
Community Development Block Grants/Small Cities Program	14.219	<u>754,242</u>
U.S. DEPARTMENT OF JUSTICE:		
<u>Passed through the Office of Community</u>		
<u>Oriented Policing Services:</u>		
Edward Byrne Memorial Formula Grant Program	16.579	12,579
Public Safety Partnership and Community Policing Grants	16.710	<u>11,589</u>
TOTAL JUSTICE		<u>24,168</u>
U.S. DEPARTMENT OF EDUCATION:		
<u>Passed through State Department</u>		
<u>of Elementary and Secondary Education:</u>		
Title I Grants to Local Educational Agencies	84.010	462,795
Special Education Grants to States	84.027	1,144,281
Safe and Drug Free Schools and Communities State Grants	84.186	7,965
English Language Acquisition Grants	84.365	45,019
Improving Teacher Quality State Grants	84.367	147,848
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	183,533
ARRA - Special Education Grants to States, Recovery Act	84.391	560,703
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	32,819
ARRA - Stabilization Fund Race-to-the-Top Incentive Grants, Recovery Act	84.395	13,950
Education Jobs Fund	84.410	143,215

(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Passed through State Department of Early Education and Care:</u>		
Special Education Preschool Grants	84.173	46,065
ARRA - Special Education Preschool Grants, Recovery Act	84.392	<u>18,834</u>
 TOTAL EDUCATION		 <u>2,807,027</u>
 U.S. DEPARTMENT OF HOMELAND SECURITY:		
<u>Passed through State Emergency Management Agency:</u>		
Assistance to Firefighters Grant	97.044	<u>6,159</u>
 TOTAL		 \$ <u><u>4,323,990</u></u>

See notes to schedule of expenditures of federal awards.

(Concluded)

**Note 1 - Definition of Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Woburn, Massachusetts. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included on the schedule.

**Note 2 - Significant Accounting Policies**

The accounting and reporting policies of the City of Woburn, Massachusetts, are set forth below:

- (a) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. Accordingly, grant revenues are recognized when received and expenditures when paid.
- (b) School Lunch Program (Cash Assistance) - Program expenditures represent federal reimbursement for meals provided during the year.
- (c) School Lunch Program (Non-Cash Assistance) - Program expenditures represent the value of donated foods received during the fiscal year.

**Note 3 – Program Clusters**

In accordance with Subpart A §\_105 of OMB Circular No. A-133, *Audits of States, Local Governments and Non Profit Organizations*, certain programs have been clustered in determining major programs. The following represents the clustered programs:

<u>Name of Cluster/Program</u>	<u>CFDA Number</u>
<b>Child Nutrition Cluster</b>	
School Breakfast Program	10.553
National School Lunch Program	10.555
<b>Special Education Cluster</b>	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
ARRA - Special Education Grants to States, Recovery Act	84.391
ARRA - Special Education Preschool Grants, Recovery Act	84.392
<b>Title 1 Cluster</b>	
Title 1 Grants to Local Educational Agencies	84.010
ARRA - Title 1 Grants to Local Educational Agencies, Recovery Act	84.389

**A. Summary of Auditors' Results**

1. The independent auditors' report expresses an unqualified opinion on the financial statements of the City of Woburn, Massachusetts.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Woburn, Massachusetts, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the City of Woburn, Massachusetts, expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs, as defined in Section 520(a) of OMB A-133, that are required to be reported for the City of Woburn, Massachusetts.
7. The programs tested as major programs include:

<u>Program Title</u>	<u>CFDA Number</u>
Community Development Block Grants/Small Cities Program	14.219
Title 1 Grants to Local Educational Agencies	84.010
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
ARRA - Title 1 Grants to Local Educational Agencies, Recovery Act	84.389
ARRA - Special Education Grants to States, Recovery Act	84.391
ARRA - Special Education Preschool Grants, Recovery Act	84.392
Education Jobs Grant	84.410

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Woburn, Massachusetts qualified as a low-risk auditee.

**B. Findings and Questioned Costs – Financial Statements Audit**

None

**C. Findings and Questioned Costs - Major Federal Award Program Audit**

None

**D. Summary Schedule of Prior Audit Findings****U.S. DEPARTMENT OF EDUCATION**Questioned  
Costs

Special Education Grants to States	84.027	None
Special Education Preschool Grants	84.173	None
ARRA - Special Education Grants to States	84.391	None
ARRA - Special Education Preschool Grants	84.392	None

2010-1: *Condition and Criteria:* OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments" requires grantees to maintain documentation of employee time and effort that has been charged to federal awards. If 100% of an employee's salary is charged to a federal award, a grant recipient is required to maintain semi-annual certifications stating that 100% of the employee's time was spent working on grant activities. If less than 100% of an employee's salary is charged to a federal award, a grant recipient is required to maintain monthly personnel activity reports documenting 100% of the employee's time.

*Cause:* The City did not maintain semi-annual certifications or personnel activity reports for employee salaries charged to the federal awards programs.

*Effect:* The City was not in compliance with the grant requirements.

*Auditors' Recommendation:* We recommended that the City implement procedures to comply with OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments".

*Status:* The recommendation was adopted in fiscal 2011. No similar findings were noted in the fiscal 2011 audit.

**CITY OF WOBURN, MASSACHUSETTS**

**REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2011**

CITY OF WOBURN, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

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## Independent Auditors' Report

To the Honorable Mayor  
City of Woburn, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woburn, Massachusetts, as of and for the fiscal year ended June 30, 2011 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2010), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Woburn, Massachusetts' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Woburn, Massachusetts, as of June 30, 2011 (except for the Woburn Contributory Retirement System which is as of December 31, 2010), and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2012, on our consideration of the City of Woburn, Massachusetts' internal control over financial reporting and 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* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, other postemployment benefit plan schedule of funding progress and employer contributions and other postemployment benefit plan actuarial methods and assumptions located after the notes to the basic financial statements, are not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Powers &amp; Sullivan, LLC".

March 16, 2012

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

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

As management of the City of Woburn, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. 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 of the City of Woburn exceeded the liabilities at the close of the most recent fiscal year by \$192.5 million (net assets).
- Of this amount, 16% or \$30.3 million is unassigned and may be used to meet the government's on-going obligations to citizens and creditors.
- At the close of the current fiscal year, the City's general fund reported an ending fund balance of \$27.3 million. Total fund balance represents 23% of total general fund expenditures.
- The City's total debt (short-term and long-term combined) increased by \$21.9 million during the fiscal year.
- The City's net other postemployment benefit (OPEB) liability increased by \$7 million and totaled \$17.9 million at fiscal 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. An additional part of the basic financial statements are the notes to the financial statements. 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 assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

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

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 for which the City of Woburn is financially accountable. 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 fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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 statement 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 assets may serve over time as a useful indicator of a government's financial position. The City of Woburn's total assets exceeded total liabilities by \$192.5 million at the close of fiscal 2011.

Net assets of \$146.5 million (76%) reflects its 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 assets, \$15.7 million (8%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$30.3 million (16%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Woburn is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

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

### Governmental Activities

The City of Woburn's assets exceeded liabilities for governmental activities by \$155.3 million at the close of fiscal 2011.

	<u>Fiscal 2011</u>	<u>Fiscal 2010</u>
<b>Assets:</b>		
Current assets.....	\$ 59,029,027	\$ 56,134,820
Noncurrent assets (excluding capital).....	971,872	892,711
Capital assets not being depreciated.....	42,173,491	17,184,493
Capital assets, net of accumulated depreciation.....	<u>134,403,269</u>	<u>137,178,315</u>
<b>Total assets.....</b>	<b><u>236,577,659</u></b>	<b><u>211,390,339</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	6,368,013	5,812,254
Noncurrent liabilities (excluding debt).....	22,737,523	15,831,837
Current debt.....	3,030,418	6,533,963
Noncurrent debt.....	<u>49,135,136</u>	<u>33,544,554</u>
<b>Total liabilities.....</b>	<b><u>81,271,090</u></b>	<b><u>61,722,608</u></b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	125,691,903	117,116,656
Restricted.....	15,712,805	14,963,898
Unrestricted.....	<u>13,901,861</u>	<u>17,587,177</u>
<b>Total net assets.....</b>	<b><u>\$ 155,306,569</u></b>	<b><u>\$ 149,667,731</u></b>

	<u>Fiscal 2011</u>	<u>Fiscal 2010</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 5,819,558	\$ 5,440,857
Operating grants and contributions.....	25,390,043	24,667,884
Capital grants and contributions.....	10,035,315	3,428,133
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	83,619,663	82,198,390
Tax liens.....	41,472	50,842
Motor vehicle excise taxes.....	4,816,613	4,556,212
Hotel/Motel tax.....	2,070,296	1,481,216
Penalties and interest on taxes.....	1,089,048	668,748
Nonrestricted grants.....	5,875,236	5,801,554
Unrestricted investment income.....	721,693	1,205,339
<b>Total revenues.....</b>	<b><u>139,478,937</u></b>	<b><u>129,499,175</u></b>
<b>Expenses:</b>		
General government.....	6,174,157	6,030,842
Public safety.....	24,619,111	25,171,670
Education.....	86,666,639	82,709,629
Public works.....	11,949,205	12,586,028
Human services.....	1,597,574	1,473,878
Culture and recreation.....	2,763,759	3,031,567
Interest.....	1,538,548	1,851,116
<b>Total expenses.....</b>	<b><u>135,308,993</u></b>	<b><u>132,854,730</u></b>
<b>Increase in net assets before transfers.....</b>	<b>4,169,944</b>	<b>(3,355,555)</b>
<b>Transfers.....</b>	<b><u>1,468,894</u></b>	<b><u>1,389,049</u></b>
<b>Change in net assets.....</b>	<b>\$ <u>5,638,838</u></b>	<b>\$ <u>(1,966,506)</u></b>

Governmental expenses totaled \$135.3 million of which \$41.2 million (30%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$98.2 million, primarily coming from property taxes, motor vehicle excise and non-restricted state aid.

Governmental net assets increased by \$5.6 million during the current fiscal year. The primary components of this increase included the recognition of \$10 million of capital grants and positive general fund budgetary results totaling \$2.7 million. These increases were offset by a \$6.9 million increase in the OPEB liability

## Business-type Activities

For the City's business-type activities, assets exceeded liabilities by \$37.2 million at the close of fiscal 2011.

	<u>Fiscal 2011</u>	<u>Fiscal 2010</u>
<b>Assets:</b>		
Current assets.....	\$ 19,621,520	\$ 16,040,064
Noncurrent assets (excluding capital).....	844,975	909,814
Capital assets not being depreciated.....	9,151,597	1,950,352
Capital assets, net of accumulated depreciation.....	<u>40,451,366</u>	<u>40,096,566</u>
<b>Total assets.....</b>	<b><u>70,069,458</u></b>	<b><u>58,996,796</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	1,452,667	2,511,078
Noncurrent liabilities (excluding debt).....	341,089	299,288
Current debt.....	4,059,366	2,729,272
Noncurrent debt.....	<u>26,986,461</u>	<u>18,540,430</u>
<b>Total liabilities.....</b>	<b><u>32,839,583</u></b>	<b><u>24,080,068</u></b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	20,846,055	23,674,846
Unrestricted.....	<u>16,383,820</u>	<u>11,241,882</u>
<b>Total net assets.....</b>	<b><u>\$ 37,229,875</u></b>	<b><u>\$ 34,916,728</u></b>
<b>Program revenues:</b>		
Charges for services.....	\$ 18,678,930	\$ 18,895,227
Operating grants and contributions.....	119,530	128,021
Capital grants and contributions.....	355,783	3,947,580
<b>General Revenues:</b>		
Unrestricted investment income.....	<u>14,195</u>	<u>8,918</u>
<b>Total revenues.....</b>	<b><u>19,168,438</u></b>	<b><u>22,979,746</u></b>
<b>Expenses:</b>		
Water and sewer.....	<u>15,386,397</u>	<u>16,274,507</u>
<b>Increase in net assets before transfers.....</b>	<b>3,782,041</b>	<b>6,705,239</b>
<b>Transfers.....</b>	<b><u>(1,468,894)</u></b>	<b><u>(1,389,049)</u></b>
<b>Change in net assets.....</b>	<b><u>\$ 2,313,147</u></b>	<b><u>\$ 5,316,190</u></b>

Business-type net assets of \$20.8 million (56%) represent the investment in capital assets while \$16.4 million (44%) is unassigned.

The water and sewer enterprise fund net assets increased by \$2.3 million in the current fiscal year. This increase is primarily due to a \$1.4 million excess of debt principal payments, raised in the rates, over depreciation expense, the receipt of a \$475,000 capital grant from the Massachusetts Water Resource Authority, and the recognition of \$1 million of utility lien revenue, which is not a budgeted revenue. These increases were offset by capital expenditures that are being funded by unrestricted net assets.

## ***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 fiscal year.

Fiscal year 2011 was the City's initial year of implementation of GASB #54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The implementation of this standard has changed the fund balance components into nonspendable, restricted, committed, assigned and unassigned. Additionally, under the new standard, the City's stabilization fund is reported within the general fund as unassigned.

As of the end of the current fiscal year, governmental funds reported a combined ending fund balance of \$46 million. This was comprised of the general fund, Goodyear school fund, and non-major fund balances totaling \$27.3 million, (\$206,000), and \$18.9 million, respectively.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$19.8 million, while total fund balance was \$27.3 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 17% of the total general fund expenditures, while total fund balance represents 23% of that same amount. Committed fund balance consists of the affordable housing stabilization fund and totals \$2.8 million while assigned fund balance consists of encumbrances and totals \$4.7 million.

The general fund increased by \$2.8 million, which is primarily due to \$2.6 million of better than expected revenue collections and unexpended appropriations that closed to fund balance.

The Goodyear school fund increased by \$1.1 million, which is due to the receipt of \$7.7 million of reimbursements from the Massachusetts School Building Authority, for eligible construction costs, and the receipt of \$9 million of bond proceeds. These revenues and other financing sources were offset by \$15.6 million of school construction expenditures.

The state highway grants fund balance did not change in fiscal 2011. This was due to \$416,000 of expenditures being charged to the fund that were offset by the recognition of \$416,000 of state highway reimbursements.

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

The \$5.4 million (5%) increase between the original budget and the final amended budget was primarily due to increases in appropriations for public safety, human services, 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 fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$226.2 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, building improvements, vehicles, machinery and equipment and infrastructure. The total current year additions to the governmental investment in capital assets were \$25.7 million. \$15.9 million of construction in progress (CIP) relates to the construction of the Goodyear Elementary School. \$ 9.1 million of land additions relate to the purchase of the Whispering Hill and Spence Farm parcels. \$547,000 of infrastructure additions relate to street construction and repaving. The remaining additions relate to the purchase of vehicles, and machinery and equipment.

The \$8.8 million in water and sewer additions are mainly attributable to infrastructure improvements that include the water treatment plant and water tank construction projects.

**Debt Administration.** The City maintains a Moody's bond rating of Aa2. The City continues to maintain strong market access for both note and bond sales.

Outstanding long-term debt of the general government totaled \$51.7 million, of which \$41.5 million is related to school projects and \$10.2 million relates to various other capital projects.

The governmental funds have \$500,000 of bond anticipation notes outstanding that relate to construction of the Kennedy and Joyce middle schools.

The water and sewer enterprise fund has \$29 million of outstanding long-term debt, which is fully supported by rates and does not rely on a general fund subsidy.

The water and sewer enterprise fund has \$2 million of bond anticipation notes outstanding that relates to water treatment plant 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 Offices, 10 Common Street, Woburn, Massachusetts 01801.

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# ***Basic Financial Statements***

**STATEMENT OF NET ASSETS**

JUNE 30, 2011

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 23,141,541	\$ 8,344,507	\$ 31,486,048
Investments.....	26,493,475	-	26,493,475
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	2,717,761	-	2,717,761
Tax and utility liens.....	1,723,285	415,528	2,138,813
Motor vehicle and other excise taxes.....	310,676	-	310,676
User fees.....	-	9,702,326	9,702,326
Departmental and other.....	1,408,917	-	1,408,917
Intergovernmental.....	3,233,372	1,159,159	4,392,531
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	248,622	-	248,622
Intergovernmental.....	-	844,975	844,975
Tax foreclosures.....	723,250	-	723,250
Capital assets not being depreciated.....	42,173,491	9,151,597	51,325,088
Capital assets, net of accumulated depreciation.....	134,403,269	40,451,366	174,854,635
<b>TOTAL ASSETS.....</b>	<b>236,577,659</b>	<b>70,069,458</b>	<b>306,647,117</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	2,176,974	1,023,089	3,200,063
Accrued payroll.....	522,952	-	522,952
Tax refunds payable.....	1,055,000	-	1,055,000
Accrued interest.....	402,664	372,578	775,242
Payroll withholdings.....	9,720	-	9,720
Abandoned property.....	134,703	-	134,703
Compensated absences.....	2,066,000	57,000	2,123,000
Unamortized premiums on bonds and notes payable...	-	6,274	6,274
Notes payable.....	500,000	2,000,000	2,500,000
Bonds payable.....	2,530,418	2,053,092	4,583,510
<b>NONCURRENT:</b>			
Compensated absences.....	4,972,000	174,000	5,146,000
Other postemployment benefits.....	17,765,523	167,089	17,932,612
Unamortized premiums on bonds and notes payable...	-	29,684	29,684
Bonds payable.....	49,135,136	26,956,777	76,091,913
<b>TOTAL LIABILITIES.....</b>	<b>81,271,090</b>	<b>32,839,583</b>	<b>114,110,673</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	125,691,903	20,846,055	146,537,958
Restricted for:			
Debt service.....	4,478,374	-	4,478,374
Permanent funds:			
Expendable.....	5,391,453	-	5,391,453
Nonexpendable.....	2,456,760	-	2,456,760
Gifts and grants.....	3,386,218	-	3,386,218
Unrestricted.....	13,901,861	16,383,820	30,285,681
<b>TOTAL NET ASSETS.....</b>	<b>\$ 155,306,569</b>	<b>\$ 37,229,875</b>	<b>\$ 192,536,444</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2011

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.....	\$ 6,174,157	\$ 1,801,271	\$ 286,065	\$ 918,144	\$ (3,168,677)
Public safety.....	24,619,111	1,563,579	1,116,023	-	(21,939,509)
Education.....	86,666,639	2,178,450	23,610,073	7,722,824	(53,155,292)
Public works.....	11,949,205	163,300	165,286	1,394,347	(10,226,272)
Human services.....	1,597,574	102,370	56,988	-	(1,438,216)
Culture and recreation.....	2,763,759	10,588	155,608	-	(2,597,563)
Interest.....	1,538,548	-	-	-	(1,538,548)
Total Governmental Activities...	<u>135,308,993</u>	<u>5,819,558</u>	<u>25,390,043</u>	<u>10,035,315</u>	<u>(94,064,077)</u>
<i>Business-Type Activities:</i>					
Water and Sewer.....	<u>15,386,397</u>	<u>18,678,930</u>	<u>119,530</u>	<u>355,783</u>	<u>3,767,846</u>
Total Primary Government.....	<u>\$ 150,695,390</u>	<u>\$ 24,498,488</u>	<u>\$ 25,509,573</u>	<u>\$ 10,391,098</u>	<u>\$ (90,296,231)</u>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

FISCAL YEAR ENDED JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ <u>(94,064,077)</u>	\$ <u>3,767,846</u>	\$ <u>(90,296,231)</u>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	83,619,663	-	83,619,663
Tax liens.....	41,472	-	41,472
Motor vehicle excise taxes.....	4,816,613	-	4,816,613
Hotel/motel tax.....	2,070,296	-	2,070,296
Penalties and interest on taxes.....	1,089,048	-	1,089,048
Grants and contributions not restricted to specific programs.....	5,875,236	-	5,875,236
Unrestricted investment income.....	721,693	14,195	735,888
<i>Transfers, net</i> .....	<u>1,468,894</u>	<u>(1,468,894)</u>	<u>-</u>
Total general revenues and transfers.....	<u>99,702,915</u>	<u>(1,454,699)</u>	<u>98,248,216</u>
Change in net assets.....	5,638,838	2,313,147	7,951,985
<i>Net Assets:</i>			
Beginning of year.....	<u>149,667,731</u>	<u>34,916,728</u>	<u>184,584,459</u>
End of year.....	\$ <u><u>155,306,569</u></u>	\$ <u><u>37,229,875</u></u>	\$ <u><u>192,536,444</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2011

<b>ASSETS</b>	General	Goodyear School	State Highway Grants	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 20,483,398	\$ 978,548	\$ -	\$ 1,679,595	\$ 23,141,541
Investments.....	8,739,718	-	-	17,753,757	26,493,475
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	2,717,761	-	-	-	2,717,761
Real estate tax deferrals.....	248,622	-	-	-	248,622
Tax liens.....	1,723,285	-	-	-	1,723,285
Motor vehicle and other excise taxes.....	310,676	-	-	-	310,676
Departmental and other.....	40,201	-	-	1,368,716	1,408,917
Intergovernmental.....	-	740,927	2,492,445	-	3,233,372
Tax foreclosures.....	723,250	-	-	-	723,250
Due from other funds.....	3,789	-	-	-	3,789
<b>TOTAL ASSETS.....</b>	<b>34,990,700</b>	<b>1,719,475</b>	<b>2,492,445</b>	<b>\$ 20,802,068</b>	<b>60,004,688</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	218,264	1,925,496	-	\$ 33,214	2,176,974
Accrued payroll.....	522,952	-	-	-	522,952
Tax refunds payable.....	1,055,000	-	-	-	1,055,000
Accrued interest on short-term debt.....	167,247	-	-	-	167,247
Payroll withholdings.....	9,720	-	-	-	9,720
Abandoned property.....	134,703	-	-	-	134,703
Deferred revenues.....	5,560,790	-	2,488,656	1,368,716	9,418,162
Due to other funds.....	-	-	3,789	-	3,789
Notes payable.....	-	-	-	500,000	500,000
<b>TOTAL LIABILITIES.....</b>	<b>7,668,676</b>	<b>1,925,496</b>	<b>2,492,445</b>	<b>1,901,930</b>	<b>13,988,547</b>
<b>FUND BALANCES:</b>					
Nonspendable.....	-	-	-	2,456,760	2,456,760
Restricted.....	-	-	-	16,443,378	16,443,378
Committed.....	2,755,616	-	-	-	2,755,616
Assigned.....	4,746,720	-	-	-	4,746,720
Unassigned.....	19,819,688	(206,021)	-	-	19,613,667
<b>TOTAL FUND BALANCES.....</b>	<b>27,322,024</b>	<b>(206,021)</b>	<b>-</b>	<b>18,900,138</b>	<b>46,016,141</b>
<b>TOTAL LIABILITIES AND FUND BALANCES...</b>	<b>\$ 34,990,700</b>	<b>\$ 1,719,475</b>	<b>\$ 2,492,445</b>	<b>\$ 20,802,068</b>	<b>\$ 60,004,688</b>

See notes to basic financial statements.

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

JUNE 30, 2011

Total governmental fund balances.....		\$ 46,016,141
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		176,576,760
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		9,418,162
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(235,417)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and notes payable.....	(51,665,554)	
Compensated absences.....	(7,038,000)	
Other postemployment benefits.....	<u>(17,765,523)</u>	
Net effect of reporting long-term liabilities.....		<u>(76,469,077)</u>
Net assets of governmental activities.....		<u>\$ 155,306,569</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

	General	Goodyear School	State Highway Grants	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 83,513,466	\$ -	\$ -	\$ -	\$ 83,513,466
Tax liens.....	265,362	-	-	-	265,362
Motor vehicle excise taxes.....	4,823,490	-	-	-	4,823,490
Hotel/motel tax.....	2,070,296	-	-	-	2,070,296
Penalties and interest on taxes.....	832,479	-	-	-	832,479
Intergovernmental.....	24,452,815	7,708,324	416,054	6,086,709	38,663,902
Departmental and other.....	2,000,572	-	-	5,510,928	7,511,500
Contributions.....	292,808	-	-	57,775	350,583
Investment income.....	255,313	-	-	435,290	690,603
<b>TOTAL REVENUES.....</b>	<b>118,506,601</b>	<b>7,708,324</b>	<b>416,054</b>	<b>12,090,702</b>	<b>138,721,681</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	3,479,023	-	-	679,882	4,158,905
Public safety.....	15,661,912	-	-	1,146,565	16,808,477
Education.....	47,928,560	15,628,779	-	7,462,178	71,019,517
Public works.....	8,427,051	-	416,054	397,143	9,240,248
Human services.....	1,124,834	-	-	158,608	1,283,442
Culture and recreation.....	1,795,215	-	-	228,922	2,024,137
Pension benefits.....	16,267,196	-	-	-	16,267,196
Employee benefits.....	15,538,853	-	-	-	15,538,853
State and county charges.....	3,399,741	-	-	-	3,399,741
Capital outlay.....	216,993	-	-	-	216,993
Land purchase.....	-	-	-	9,068,202	9,068,202
Debt service:					
Principal.....	2,533,963	-	-	-	2,533,963
Interest.....	1,624,705	-	-	-	1,624,705
<b>TOTAL EXPENDITURES.....</b>	<b>117,998,046</b>	<b>15,628,779</b>	<b>416,054</b>	<b>19,141,500</b>	<b>153,184,379</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>508,555</b>	<b>(7,920,455)</b>	<b>-</b>	<b>(7,050,798)</b>	<b>(14,462,698)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from bonds and notes.....	-	9,000,000	-	9,121,000	18,121,000
Transfers in.....	5,093,995	-	-	2,779,342	7,873,337
Transfers out.....	(2,779,342)	-	-	(3,625,101)	(6,404,443)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,314,653</b>	<b>9,000,000</b>	<b>-</b>	<b>8,275,241</b>	<b>19,589,894</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>2,823,208</b>	<b>1,079,545</b>	<b>-</b>	<b>1,224,443</b>	<b>5,127,196</b>
<b>FUND BALANCES AT BEGINNING OF YEAR, AS REVISED.....</b>	<b>24,498,816</b>	<b>(1,285,566)</b>	<b>-</b>	<b>17,675,695</b>	<b>40,888,945</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 27,322,024</b>	<b>\$ (206,021)</b>	<b>\$ -</b>	<b>\$ 18,900,138</b>	<b>\$ 46,016,141</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**

FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds.....		\$ 5,127,196
<p>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.</p>		
Capital outlay.....	25,721,614	
Depreciation expense.....	<u>(3,399,368)</u>	
Net effect of reporting capital assets.....		22,322,246
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.....		(108,294)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		757,256
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. 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.</p>		
Proceeds from bonds and notes.....	(18,121,000)	
Debt service principal payments.....	<u>2,533,963</u>	
Net effect of reporting long-term debt.....		<u>(15,587,037)</u>
<p>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.</p>		
Net change in compensated absences accrual.....	(47,000)	
Net change in accrued interest on long-term debt.....	86,157	
Net change in other postemployment benefit.....	<u>(6,911,686)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(6,872,529)</u>
Change in net assets of governmental activities.....		<u>\$ 5,638,838</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS**

JUNE 30, 2011

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Water and Sewer</u>
<b>ASSETS</b>	
CURRENT:	
Cash and cash equivalents.....	\$ 8,344,507
Receivables, net of allowance for uncollectibles:	
Utility liens.....	415,528
User fees.....	9,702,326
Intergovernmental.....	1,159,159
	<hr/>
Total current assets.....	19,621,520
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	844,975
Capital assets not being depreciated.....	9,151,597
Capital assets, net of accumulated depreciation.....	40,451,366
	<hr/>
Total noncurrent assets.....	50,447,938
	<hr/>
TOTAL ASSETS.....	70,069,458
<b>LIABILITIES</b>	
CURRENT:	
Warrants payable.....	1,023,089
Accrued interest.....	372,578
Compensated absences.....	57,000
Unamortized premiums on bonds and notes payable.....	6,274
Notes payable.....	2,000,000
Bonds payable.....	2,053,092
	<hr/>
Total current liabilities.....	5,512,033
NONCURRENT:	
Compensated absences.....	174,000
Other postemployment benefits.....	167,089
Unamortized premiums on bonds and notes payable.....	29,684
Bonds payable.....	26,956,777
	<hr/>
Total noncurrent liabilities.....	27,327,550
	<hr/>
TOTAL LIABILITIES.....	32,839,583
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt.....	20,846,055
Unrestricted.....	16,383,820
	<hr/>
TOTAL NET ASSETS.....	\$ 37,229,875
	<hr/> <hr/>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Water and Sewer</u>
<b><u>OPERATING REVENUES:</u></b>	
Charges for services .....	\$ 17,664,615
Utility liens.....	1,014,315
TOTAL OPERATING REVENUES .....	18,678,930
<b><u>OPERATING EXPENSES:</u></b>	
Cost of services and administration .....	2,010,256
MWRA Assessment.....	11,003,580
Depreciation.....	1,288,960
Employee benefits .....	33,801
TOTAL OPERATING EXPENSES .....	14,336,597
OPERATING INCOME (LOSS).....	4,342,333
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>	
Investment income.....	14,195
Interest expense.....	(1,049,800)
Intergovernmental.....	475,313
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(560,292)
INCOME (LOSS) BEFORE TRANSFERS.....	3,782,041
<b><u>TRANSFERS:</u></b>	
Transfers out.....	(1,468,894)
CHANGE IN NET ASSETS.....	2,313,147
NET ASSETS AT BEGINNING OF YEAR.....	34,916,728
NET ASSETS AT END OF YEAR.....	\$ 37,229,875

See notes to basic financial statements.

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2011

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Water and Sewer</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>	
Receipts from customers and users.....	\$ 18,491,468
Payments to vendors.....	(13,517,052)
Payments to employees.....	<u>(724,028)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>4,250,388</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>	
Transfers out.....	<u>(1,468,894)</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>	
Proceeds from the issuance of bonds and notes.....	11,411,077
Capital grants received.....	355,783
Acquisition and construction of capital assets.....	(8,845,005)
Principal payments on bonds and notes.....	(2,661,555)
Interest expense.....	<u>(760,210)</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(499,910)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>	
Investment income.....	<u>14,195</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	2,295,779
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>6,048,728</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 8,344,507</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u></b>	
<b><u>FROM OPERATING ACTIVITIES:</u></b>	
Operating income (loss).....	\$ <u>4,342,333</u>
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation.....	1,288,960
Changes in assets and liabilities:	
Utility liens.....	(43,825)
User fees.....	(143,637)
Warrants payable.....	(1,235,588)
Accrued payroll.....	(1,656)
Accrued compensated absences.....	10,000
Other postemployment benefits.....	<u>33,801</u>
Total adjustments.....	<u>(91,945)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 4,250,388</u>
<b><u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u></b>	
Intergovernmental subsidy.....	<u>\$ 180,474</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Pension Trust Fund (as of December 31, 2010)	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 3,800,751	\$ 77,414	\$ 868,715
Investments.....	97,213,929	-	-
Interest and dividends.....	114,355	-	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	211,776	-	-
<b>TOTAL ASSETS.....</b>	<b>101,340,811</b>	<b>77,414</b>	<b>868,715</b>
<b>LIABILITIES</b>			
Warrants payable.....	159,747	-	9,322
Liabilities due depositors.....	-	-	859,393
<b>TOTAL LIABILITIES.....</b>	<b>159,747</b>	<b>-</b>	<b>868,715</b>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes....	\$ <u>101,181,064</u>	\$ <u>77,414</u>	\$ <u>-</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

	Pension Trust Fund (as of December 31, 2010)	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Contributions:		
Employer.....	\$ 4,707,295	\$ -
Employee.....	2,511,903	-
Total contributions.....	7,219,198	-
Net investment income (loss):		
Net change in fair value of investments.....	11,432,745	-
Interest.....	1,846,915	136
Total investment income (loss).....	13,279,660	136
Less: investment expense.....	(753,210)	-
Net investment income (loss).....	12,526,450	136
Intergovernmental.....	8,332	-
Transfers from other systems.....	115,199	-
TOTAL ADDITIONS.....	19,869,179	136
<b>DEDUCTIONS:</b>		
Administration.....	345,178	-
Transfers to other systems.....	339,450	-
Retirement benefits and refunds.....	9,649,729	-
TOTAL DEDUCTIONS.....	10,334,357	-
CHANGE IN NET ASSETS.....	9,534,822	136
NET ASSETS AT BEGINNING OF YEAR.....	91,646,242	77,278
NET ASSETS AT END OF YEAR.....	\$ 101,181,064	\$ 77,414

See notes to basic financial statements.

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

The accompanying basic financial statements of the City of Woburn, Massachusetts (the 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).

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 (the 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.

*Blended Component Units* – Blended component units are entities that are legally separate from the City, but are so related that they are, in substance, the same as the City or entities providing services entirely or almost entirely for the benefit of the City. The following component unit is blended within fiduciary funds of the primary government:

The Woburn Contributory Retirement System (the 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.

**Availability of Financial Information for Component Units**

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.

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

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) 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 the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, 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 fiscal 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 fiscal 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 *Goodyear School fund* is used to account for financial resources associated with the construction of the new Goodyear Elementary School.

The *State highway grants fund* is used to account for financial resources to expand and upgrade the City's roadways.

The non-major 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. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

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 *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.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

#### 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 Assessor's 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 fiscal year of the levy.

Real estate tax liens are imposed in October of each fiscal year on delinquent properties and are recorded as receivables in the fiscal 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 fiscal 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 fiscal 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 fiscal 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 fiscal year of the purchase.

#### H. 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 assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets 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.

#### I. 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 assets. 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.

#### J. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

## K. Net Assets and Fund Equity

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

Net assets reported as "invested in capital assets, net of related debt" 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 assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been "restricted for" the following:

"Debt service" represents amounts used to reduce the amount of tax levy raised to pay principal and interest on long-term debt.

"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.

### *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.

"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.

"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.

#### 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 assets. 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. 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.

#### O. 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 fiscal year. Actual results could vary from estimates that were used.

#### P. 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.

Q. Appropriation and Fund Deficits

Several individual fund deficits exist at June 30, 2011 in the special revenue and capital project funds. These deficits will be funded by grants, bond proceeds, departmental revenues and available fund balance. Actual expenditures and encumbrances exceeded appropriations for snow and ice and state and county charges. These over-expenditures will be funded by the fiscal 2012 tax rate.

**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 Short-term Investments." 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 (the 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 does not have a deposit policy for custodial risk. At fiscal year-end, the carrying amount of deposits totaled \$29,815,536 and the bank balance totaled \$32,155,084. Of the bank balance, \$2,831,947 was covered by Federal Depository Insurance, \$2,700,398 was covered by Depositors Insurance Fund, \$398,615 was covered by Share Insurance Fund, \$22,486,948 was collateralized and \$3,737,176 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2010, the carrying amount of deposits for the System totaled \$645,991 and the bank balance totaled \$736,629. 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. Of the investments of \$8,050,259 in government agencies, \$5,816,901 in government sponsored enterprises, \$3,192,957 in corporate bonds and \$800,901 in equity securities, the government has custodial credit risk exposure totaling \$17,861,018 because the related securities are uninsured, unregistered and held by the counterparty. The City does not have an investment policy for custodial credit risk.

Of the investments of \$2,205,919 in government agencies, \$2,575,859 in government sponsored enterprises, \$7,124,933 in corporate bonds and \$19,048,227 in equity securities, the System has custodial credit risk exposure totaling \$30,954,938 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 and the System do not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing 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 .08 to 11.60 years.

As of June 30, 2011, 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 Agencies.....	\$ 8,050,259	\$ -	\$ -	\$ 1,828,404	\$ 6,221,855
Government Sponsored Enterprises .....	5,816,901	-	-	1,004,972	4,811,929
Corporate Bonds.....	3,192,957	-	390,938	2,751,373	50,646
Bond Mutual Funds.....	8,632,457	751,255	642,566	7,238,636	-
Total Debt Securities.....	25,692,574	\$ 751,255	\$ 1,033,504	\$ 12,823,385	\$ 11,084,430
<u>Other Investments</u>					
Equity Securities.....	800,901				
Money Market Mutual Funds.....	505,051				
MMDT.....	2,111,590				
Total Investments.....	\$ 29,110,116				

As of December 31, 2010, the System 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
<b>Debt Securities</b>					
Government Agencies.....	\$ 2,205,919	\$ -	\$ 117,206	\$ 728,984	\$ 1,359,729
Government Sponsored Enterprises.....	2,575,859	-	218,844	253,157	2,103,858
Corporate Bonds.....	7,124,933	2,805	1,210,659	1,174,834	4,736,635
Bond Mutual Funds.....	8,552,380	-	-	3,062,499	5,489,881
<b>Total Debt Securities.....</b>	<b>20,459,091</b>	<b>\$ 2,805</b>	<b>\$ 1,546,709</b>	<b>\$ 5,219,474</b>	<b>\$ 13,690,103</b>
<b>Other Investments</b>					
Equity Securities.....	19,048,227				
Equity Mutual Funds.....	22,187,452				
Pooled Real Estate Funds.....	2,524,592				
Pooled Alternative Investments.....	8,051,444				
Money Market Mutual Funds.....	3,154,760				
PRIT.....	24,943,123				
<b>Total Investments.....</b>	<b>\$ 100,368,689</b>				

### Credit Risk

The City has not adopted a formal policy related to Credit Risk. As of June 30, 2011, the City had the following quality ratings for their investments:

Investment Type	Fair Value	Quality Ratings		
		AAA	AA	A
<b>Government Sponsored</b>				
Enterprises.....	\$ 5,816,901	\$ 5,816,901	\$ -	\$ -
Corporate Bonds.....	3,192,957	-	488,062	2,704,895
Bond Mutual Fund.....	8,632,457	4,922,009	2,706,714	1,003,734
<b>Total.....</b>	<b>\$ 17,642,315</b>	<b>\$ 10,738,910</b>	<b>\$ 3,194,776</b>	<b>\$ 3,708,629</b>

The System has not adopted a formal policy related to Credit Risk. As of December 31, 2010, the System had the following quality ratings for their investments:

Investment Type	Fair Value	Quality Ratings					
		AAA	AA	A	BBB	B	Unrated
<b>Government Sponsored</b>							
Enterprise.....	\$ 2,575,859	\$ 1,896,170	\$ -	\$ -	\$ -	\$ -	\$ 679,689
Corporate Bonds.....	7,124,933	446,489	133,622	1,161,204	737,959	-	4,645,659
Bond Mutual Fund.....	8,552,380	3,062,499	-	-	-	5,489,881	-
<b>Total.....</b>	<b>\$ 18,253,172</b>	<b>\$ 5,405,158</b>	<b>\$ 133,622</b>	<b>\$ 1,161,204</b>	<b>\$ 737,959</b>	<b>\$ 5,489,881</b>	<b>\$ 5,325,348</b>

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. No more than 5 percent of the City's investments are in equity securities and 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 percent of the System's investments are in fixed income securities or equity securities and are invested in any one issuer.

**NOTE 3 - RECEIVABLES**

At June 30, 2011, receivables for the individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 4,116,554	\$ (1,398,793)	\$ 2,717,761
Real estate tax deferrals.....	248,622	-	248,622
Tax liens.....	1,723,285	-	1,723,285
Motor vehicle and other excise taxes.....	1,176,015	(865,339)	310,676
Departmental and other.....	1,408,917	-	1,408,917
Intergovernmental.....	3,233,372	-	3,233,372
Total.....	<u>\$ 11,906,765</u>	<u>\$ (2,264,132)</u>	<u>\$ 9,642,633</u>

At June 30, 2011, receivables for the water and sewer enterprise funds consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Utility liens.....	\$ 415,528	\$ -	\$ 415,528
User fees.....	9,702,326	-	9,702,326
Intergovernmental.....	2,004,134	-	2,004,134
Total.....	<u>\$ 12,121,988</u>	<u>\$ -</u>	<u>\$ 12,121,988</u>

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

<u>Asset type:</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Real estate and personal property taxes.....	\$ 2,514,756	\$ -	\$ 2,514,756
Real estate tax deferrals.....	248,622	-	248,622
Tax liens.....	1,723,285	-	1,723,285
Motor vehicle and other excise taxes.....	310,676	-	310,676
Departmental and other.....	40,201	1,368,716	1,408,917
Intergovernmental.....	-	2,488,656	2,488,656
Tax foreclosures.....	723,250	-	723,250
 Total.....	 \$ 5,560,790	 \$ 3,857,372	 \$ 9,418,162

#### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 12,963,436	\$ 9,105,500	\$ -	\$ 22,068,936
Construction in progress.....	4,221,057	15,883,498	-	20,104,555
Total capital assets not being depreciated.....	17,184,493	24,988,998	-	42,173,491
<u>Capital assets being depreciated:</u>				
Land improvements.....	3,204,100	-	-	3,204,100
Building improvements.....	13,126,218	-	-	13,126,218
Buildings.....	130,708,038	-	-	130,708,038
Vehicles.....	2,544,807	63,202	-	2,608,009
Machinery and equipment.....	7,356,425	122,795	(553,533)	6,925,687
Infrastructure.....	49,658,410	546,619	-	50,205,029
Total capital assets being depreciated.....	206,597,998	732,616	(553,533)	206,777,081
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,559,641)	(102,397)	-	(1,662,038)
Building improvements.....	(7,383,378)	(563,398)	-	(7,946,776)
Buildings.....	(23,780,516)	(818,533)	-	(24,599,049)
Vehicles.....	(1,653,435)	(192,064)	-	(1,845,499)
Machinery and equipment.....	(4,769,664)	(430,663)	445,239	(4,755,088)
Infrastructure.....	(30,273,049)	(1,292,313)	-	(31,565,362)
Total accumulated depreciation.....	(69,419,683)	(3,399,368)	445,239	(72,373,812)
Total capital assets being depreciated, net.....	137,178,315	(2,666,752)	(108,294)	134,403,269
Total governmental activities capital assets, net.....	\$ 154,362,808	\$ 22,322,246	\$ (108,294)	\$ 176,576,760

	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.....	1,618,112	7,201,245	-	8,819,357
Total capital assets not being depreciated.....	<u>1,950,352</u>	<u>7,201,245</u>	<u>-</u>	<u>9,151,597</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	6,953,303	-	-	6,953,303
Vehicles.....	177,750	-	-	177,750
Machinery and equipment.....	502,126	-	-	502,126
Infrastructure.....	54,124,698	1,643,760	-	55,768,458
Total capital assets being depreciated.....	<u>61,757,877</u>	<u>1,643,760</u>	<u>-</u>	<u>63,401,637</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(2,151,499)	(167,566)	-	(2,319,065)
Vehicles.....	(177,750)	-	-	(177,750)
Machinery and equipment.....	(418,706)	(26,196)	-	(444,902)
Infrastructure.....	(18,913,356)	(1,095,198)	-	(20,008,554)
Total accumulated depreciation.....	<u>(21,661,311)</u>	<u>(1,288,960)</u>	<u>-</u>	<u>(22,950,271)</u>
Total capital assets being depreciated, net.....	<u>40,096,566</u>	<u>354,800</u>	<u>-</u>	<u>40,451,366</u>
Total water and sewer activities capital assets, net.....	<u>\$ 42,046,918</u>	<u>\$ 7,556,045</u>	<u>\$ -</u>	<u>\$ 49,602,963</u>

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

**Governmental Activities:**

General government.....	\$ 65,864
Public safety.....	464,835
Education.....	1,192,582
Public works.....	1,621,744
Human services.....	6,371
Culture and recreation.....	47,972

Total depreciation expense - governmental activities..... \$ 3,399,368

**Business-Type Activities:**

Water and sewer.....	<u>\$ 1,288,960</u>
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**NOTE 5 - INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 2,779,342	\$ 2,779,342 (1)
Nonmajor Governmental Funds.....	3,625,101	-	3,625,101 (2)
Water and Sewer Enterprise Fund.....	1,468,894	-	1,468,894 (3)
<b>Total.....</b>	<b>\$ 5,093,995</b>	<b>\$ 2,779,342</b>	<b>\$ 7,873,337</b>

(1) Represents a budgeted transfer from the general fund to the debt service fund.

(2) Represents budgeted transfers to the general fund from other available funds and the debt service fund.

(3) Represents the transfer of indirect costs from the water and sewer enterprise fund to the general fund.

**NOTE 6 - 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 fiscal year ended June 30, 2011, is as follows:

Type	Purpose	Interest Rate	Due Date	Balance at June 30, 2010	Issued	Redeemed	Balance at June 30, 2011
<b>Governmental Activities:</b>							
BAN	Goodyear Elementary School.....	1.50%	04/08/11	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -
BAN	Goodyear Elementary School.....	1.00%	09/23/11	-	4,000,000	-	4,000,000
BAN	Goodyear Elementary School.....	1.50%	09/23/11	-	5,000,000	-	5,000,000
BAN	Whispering Hill.....	1.50%	09/23/11	-	6,700,000	-	6,700,000
BAN	Spence Farm Property.....	1.50%	09/23/11	-	2,421,000	-	2,421,000
BAN	Kennedy Middle School.....	1.50%	10/28/11	-	250,000	-	250,000
BAN	Joyce Middle School.....	1.50%	10/28/11	-	250,000	-	250,000
Total Governmental.....				<u>4,000,000</u>	<u>18,621,000</u>	<u>4,000,000</u>	<u>18,621,000</u>
<b>Business-Type Activities:</b>							
BAN	MWPAT Water Treatment Plant.....	0.28%	02/15/11	343,919	-	343,919	-
BAN	MWPAT Rag Rock Water Tank.....	0.28%	02/15/11	769,516	-	769,516	-
BAN	Water System Improvements.....	1.50%	10/28/11	-	2,000,000	-	2,000,000
Total Business-Type Activities.....				<u>1,113,435</u>	<u>2,000,000</u>	<u>1,113,435</u>	<u>2,000,000</u>
Total Short-term Debt.....				<u>\$ 5,113,435</u>	<u>\$ 20,621,000</u>	<u>\$ 5,113,435</u>	20,621,000
General obligation bonds issued 9/23/11.....							<u>(18,121,000)</u>
Total.....							<u>\$ 2,500,000</u>

On September 23, 2011, the City permanently financed \$18,121,000 of short-term debt through the issuance of long-term bonds payable. In accordance with GAAP, the short-term debt has been reclassified and presented as long-term debt. Of the remaining \$2,500,000 of outstanding short term debt, \$500,000 was paid down with grant proceeds and \$2,000,000 was rolled into a new BAN that is due October 26, 2012 and carries an interest rate of 1.5% per annum.

#### NOTE 7 - 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."

In prior years, the City defeased certain of its outstanding general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable escrow account to provide amounts sufficient for the future payment of principal and interest on those bonds. Accordingly, neither the assets in escrow nor the liability for the defeased bonds are included in the City's financial statements. At June 30, 2011, \$1,155,000 of general obligation bonds outstanding are considered defeased.

Details related to the outstanding indebtedness at June 30, 2011, and the debt service requirements are as follows:

### Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
Refunding.....	4.19	\$ 1,450,000	\$ -	\$ 300,000	\$ 1,150,000
Reeves school.....	3.90	3,150,000	-	225,000	2,925,000
Shamrock school.....	3.90	3,300,000	-	220,000	3,080,000
Ice rink.....	3.40	60,000	-	10,000	50,000
Landfill closure.....	3.99	750,000	-	50,000	700,000
MWPAT - stormwater (03-21).....	2.00	170,752	-	8,592	162,160
School Construction.....	4.46	24,000,000	-	1,500,000	22,500,000
High school.....	4.37	2,410,000	-	145,000	2,265,000
Shamrock school.....	4.63	120,000	-	15,000	105,000
MWPAT - stormwater (06-05).....	2.00	245,065	-	28,532	216,533
MWPAT - stormwater (05-12).....	2.00	183,799	-	21,399	162,400
MWPAT - stormwater (07-15).....	2.00	238,901	-	10,440	228,461
Goodyear Elementary School.....	3.13-3.3	-	9,000,000	-	9,000,000
Whispering Hills Land.....	3.02-3.3	-	6,200,000	-	6,200,000
Spence Farm Property.....	3.13	-	2,421,000	-	2,421,000
Kennedy Middle School.....	3.12	-	250,000	-	250,000
Joyce Middle School.....	3.12	-	250,000	-	250,000
Total.....		\$ 36,078,517	\$ 18,121,000	\$ 2,533,963	\$ 51,665,554

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

Year	Principal	Interest	Total
2012.....	\$ 2,530,418	\$ 1,642,223	\$ 4,172,641
2013.....	3,047,912	1,806,332	4,854,244
2014.....	3,058,538	1,697,880	4,756,418
2015.....	3,060,219	1,581,492	4,641,711
2016.....	3,011,721	1,467,960	4,479,681
2017.....	2,998,069	1,364,426	4,362,495
2018.....	2,994,443	1,291,988	4,286,431
2019.....	2,912,251	1,153,944	4,066,195
2020.....	2,912,499	1,040,922	3,953,421
2021.....	2,917,751	918,924	3,836,675
2022.....	2,918,009	798,202	3,716,211
2023.....	2,918,271	679,928	3,598,199
2024.....	2,918,540	561,277	3,479,817
2025.....	2,693,813	445,313	3,139,126
2026.....	2,409,092	338,734	2,747,826
2027.....	909,377	274,223	1,183,600
2028.....	769,667	248,104	1,017,771
2029.....	769,964	224,543	994,507
2030.....	750,000	200,585	950,585
2031.....	740,000	176,322	916,322
2032.....	740,000	151,608	891,608
2033.....	740,000	125,421	865,421
2034.....	740,000	98,096	838,096
2035.....	735,000	70,362	805,362
2036.....	735,000	42,217	777,217
2037.....	735,000	14,057	749,057
Total.....	\$ 51,665,554	\$ 18,415,083	\$ 70,080,637

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

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
MWPAT - water (00-07).....	0.00	\$ 3,257,471	\$ -	\$ 247,471	\$ 3,010,000
Water mains and well development 1.....	3.97	680,000	-	50,000	630,000
Water mains and well development 2.....	3.97	1,445,000	-	100,000	1,345,000
Water mains and well development 3.....	3.99	450,000	-	30,000	420,000
Water mains and well development 4.....	3.97	1,310,000	-	90,000	1,220,000
Shaker Glenn pump station 2.....	3.96	545,000	-	40,000	505,000
Rag Rock tank improvements 2.....	3.25	435,000	-	90,000	345,000
MWRA - pipeline assistance.....	0.00	770,000	-	110,000	660,000
Water system improvements.....	4.63	180,000	-	20,000	160,000
MWRA - pipeline assistance.....	0.00	960,000	-	120,000	840,000
Water system improvements.....	4.18	6,500,000	-	220,000	6,280,000
Refunding - water system improvements.....	3.83	900,000	-	95,000	805,000
MWRA - pipeline assistance.....	0.00	1,154,330	-	115,433	1,038,897
MWPAT - drinkingwater (08-19).....	2.00	-	6,241,464	-	6,241,464
MWPAT - cleanwater (07-17).....	2.00	-	4,263,933	-	4,263,933
Sub-total water.....		<u>18,586,801</u>	<u>10,505,397</u>	<u>1,327,904</u>	<u>27,764,294</u>
MWRA - infiltration/inflow.....	0.00	72,710	-	36,355	36,355
Refunding - sewer system improvements....	3.83	505,000	-	55,000	450,000
MWRA - infiltration/inflow.....	0.00	949,025	-	189,805	759,220
Sub-total sewer.....		<u>1,526,735</u>	<u>-</u>	<u>281,160</u>	<u>1,245,575</u>
Total enterprise funds.....		<u>\$ 20,113,536</u>	<u>\$ 10,505,397</u>	<u>\$ 1,609,064</u>	<u>\$ 29,009,869</u>

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

Year	Principal	Interest	Total
2012.....	\$ 2,053,092	\$ 856,941	\$ 2,910,033
2013.....	2,030,454	797,929	2,828,383
2014.....	2,054,346	743,284	2,797,630
2015.....	2,078,420	692,537	2,770,957
2016.....	1,832,871	635,354	2,468,225
2017.....	1,857,315	579,187	2,436,502
2018.....	1,771,948	518,084	2,290,032
2019.....	1,661,777	454,282	2,116,059
2020.....	1,686,804	391,750	2,078,554
2021.....	1,471,601	343,739	1,815,340
2022.....	1,152,037	299,434	1,451,471
2023.....	1,177,684	262,691	1,440,375
2024.....	1,198,546	225,016	1,423,562
2025.....	1,224,628	186,093	1,410,721
2026.....	970,934	152,125	1,123,059
2027.....	987,468	123,333	1,110,801
2028.....	1,024,235	93,301	1,117,536
2029.....	1,056,240	62,045	1,118,285
2030.....	1,088,487	29,379	1,117,866
2031.....	630,982	6,315	637,297
Total.....	<u>\$ 29,009,869</u>	<u>\$ 7,452,819</u>	<u>\$ 36,462,688</u>

The Massachusetts Water Resource 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. The loans are payable in five equal annual installments. At June 30, 2011, the outstanding principal amount of these loans totaled \$795,575.

The governmental funds are scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$1,223 and interest costs for \$32,345. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$192,237. 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 fiscal year 2011 interest subsidy totaled \$3,414.

The water and sewer enterprise fund is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$909,814 and interest costs for \$589,663. Thus, net MWPAT loan repayments, including interest, are schedule to be \$2,498,084. The principal subsidies are guaranteed and therefore a \$909,814 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 fiscal year 2011 principal and interest subsidies totaled \$60,944 and \$119,530, 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, 2011, the City had the following authorized and unissued debt:

Purpose	Amount
Landfill closure.....	\$ 500,000
School construction and repairs.....	23,341,724
Storm water/drainage improvements.....	6,824,422
Sewer improvements.....	1,373,225
Water improvements.....	7,586,403
Land acquisition.....	279,000
Total.....	<u>\$ 39,904,774</u>

#### Changes in Long-term Liabilities

During the fiscal year ended June 30, 2011, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Compensated absences.....	\$ 6,991,000	\$ 2,060,000	\$ (2,013,000)	\$ 7,038,000	\$ 2,066,000
Other postemployment benefits.....	10,853,837	13,854,720	(6,943,034)	17,765,523	-
Bonds payable.....	36,078,517	18,121,000	(2,533,963)	51,665,554	2,530,418
Total.....	<u>\$ 53,923,354</u>	<u>\$ 34,035,720</u>	<u>\$ (11,489,997)</u>	<u>\$ 76,469,077</u>	<u>\$ 4,596,418</u>
<b>Business-type Activities:</b>					
Unamortized bond premiums.....	\$ 42,731	-	\$ (6,773)	\$ 35,958	\$ 6,274
Compensated absences.....	221,000	65,000	(55,000)	231,000	57,000
Other postemployment benefits.....	133,288	150,375	(116,574)	167,089	-
Bonds payable.....	20,113,536	10,505,397	(1,609,064)	29,009,869	2,053,092
Total.....	<u>\$ 20,510,555</u>	<u>\$ 10,720,772</u>	<u>\$ (1,787,411)</u>	<u>\$ 29,443,916</u>	<u>\$ 2,116,366</u>

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The City has adopted GASB #54 as part of its fiscal year 2011 reporting. Implementation of GASB #54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

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.
- **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, 2011, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS			
	General	Major Fund Goodyear School	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances				
Nonspendable:				
Permanent fund principal..... \$	- \$	- \$	2,456,760	\$ 2,456,760
Restricted for:				
Municipal federal and state grants.....	-	-	443,067	443,067
Education federal and state grants.....	-	-	815,759	815,759
Receipts reserved for appropriation funds ...	-	-	2,058,427	2,058,427
Municipal revolving funds .....	-	-	757,023	757,023
School lunch .....	-	-	304,592	304,592
Infrastructure fund.....	-	-	1,165,359	1,165,359
Other special revenue.....	-	-	437,619	437,619
Capital projects funds.....	-	-	55,639	55,639
Debt service funds.....	-	-	4,478,374	4,478,374
Library trust funds.....	-	-	5,881,190	5,881,190
Cemetery perpetual care funds.....	-	-	46,329	46,329
Committed to:				
Affordable housing stabilization fund.....	2,755,616			2,755,616
Assigned to:				
General government.....	186,962	-	-	186,962
Public safety.....	274,144	-	-	274,144
Education.....	464,350	-	-	464,350
Public works.....	747,964	-	-	747,964
Human services.....	42,948	-	-	42,948
Culture and recreation.....	102,262	-	-	102,262
Employee benefits.....	790,016	-	-	790,016
Capital outlay.....	2,138,074	-	-	2,138,074
Unassigned.....	19,819,688	(206,021)	-	19,613,667
Total Fund Balances (Deficit)..... \$	\$ 27,322,024	\$ (206,021)	\$ 18,900,138	\$ 46,016,141

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 balance of the general stabilization fund is \$7,340,348 and is reported as unassigned fund balance within the general fund and the balance of the affordable housing stabilization fund is \$2,755,616 and is reported as committed fund balance within the general fund. The general fund beginning balance has been revised by \$9,832,111 to include the stabilization funds and totals \$24,498,816.

**NOTE 9 - 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 City administers various premium-based health care plans, workers compensation and other insurance for its employees and retirees.

**NOTE 10 - PENSION PLAN**

*Plan Description* - The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Woburn Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$11,773,467 for the fiscal year ended June 30, 2011, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. 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.

The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 10 Common Street, Woburn, Massachusetts, 01801.

At December 31, 2010, the System's membership consists of the following:

Active members.....	577
Inactive members.....	67
Disabled members.....	35
Retirees and beneficiaries currently receiving benefits.....	<u>372</u>
Total.....	<u>1,051</u>

*Funding Policy* - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the

City to contribute approximately 96% of the total. Chapter 32 of the MGL governs the contributions of plan members and the City.

*Annual Pension Cost* - The City's contributions to the System for the fiscal years ended June 30, 2011, 2010, and 2009 were \$4,464,665, \$4,333,616, and \$4,200,465, respectively, which equaled its required contribution for each fiscal year. At June 30, 2011, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2010, actuarial valuation using the individual entry age normal actuarial cost method. The actuarial assumptions included an 8.25% investment rate of return and projected salary increases of 4.75% per year. The actuarial value of the System's assets was determined using a 5 year smoothing method.

The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at January 1, 2011, was 25 years.

**Schedule of Funding Progress  
(Dollar amounts in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/10	\$ 104,707	\$ 154,300	\$ 49,593	67.9%	\$ 27,433	180.8%
01/01/08	110,478	141,758	31,280	77.9%	24,432	128.0%
01/01/07	102,354	132,433	30,079	77.3%	24,258	124.0%
01/01/05	87,819	120,595	32,776	72.8%	22,624	144.9%
01/01/00	75,960	88,763	12,803	85.6%	17,183	74.5%
01/01/99	66,860	85,472	18,612	78.2%	16,269	114.4%

Funding progress is reported based on the biennial actuarial valuation performed by the System, and is being accumulated on a biennial basis. The City is responsible for approximately 96% of the unfunded liability.

*Noncontributory Retirement Allowance* - The City pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for Fiscal 2011 totaled approximately \$29,064.

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The City of Woburn administers a single-employer defined benefit healthcare plan (“the Retiree Health 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 Retiree Health 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 between 75% to 90% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 10% to 25% of their premium costs.

*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 following table:

Annual required contribution.....	\$	13,857,572
Interest on net OPEB obligation.....		549,356
Adjustment to annual required contribution.....		<u>(401,833)</u>
Annual OPEB cost (expense).....		14,005,095
Contributions made.....		<u>(7,059,608)</u>
Increase in net OPEB obligation.....		6,945,487
Net OPEB obligation-beginning of year.....		<u>10,987,125</u>
Net OPEB obligation-end of year.....	\$	<u><u>17,932,612</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 14,005,095	50%	\$ 17,932,612
6/30/2010	13,273,361	47%	10,987,125
6/30/2009	12,545,242	69%	3,945,084

*Funded Status and Funding Progress* – As of June 30, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$208,491,596, all of which was unfunded.

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 multiyear 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 June 30, 2009, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 5% 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 cost trend rate of 10% initially, graded to 5% over 7 years and included a 4.5% inflation assumption. The UAAL is being amortized using a 30 year open amortization method, with amortization payments increasing at 4.5% per year. The remaining amortization period at June 30, 2011 is 28 years.

#### NOTE 12 - CONTINGENCIES

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2011, 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, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2011.

#### NOTE 13 - COMMITMENTS

The City is in the process of constructing the Goodyear Elementary School and has entered into contracts totaling \$24.5 million and has expended \$19 million to complete the project. The remaining commitment as of June 30, 2011 was \$5.5 million.

The City is in the process of completing various water infrastructure improvements, such as construction of the Rag Rock water tank and the Horn Pond water treatment plant, and has entered into, or is planning to enter into, contracts totaling approximately \$7.2 million to complete the projects.

#### NOTE 14 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2011, the following GASB pronouncements were implemented:

- GASB Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in fiscal year 2011. Financial statements changes include new fund balance designations and the reclassification of stabilization funds from the special revenue fund to the general fund. Notes to the basic financial statements were changed to provide additional disclosure on the new designations of fund balance.
- GASB Statement #59, *Financial Instruments Omnibus*, was implemented in fiscal year 2011 and did not impact the financial statements.

Future implementation of GASB pronouncements:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. Management expects that the implementation of this pronouncement will have an impact on the basic financial statements.

- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.
- The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will have a significant impact on the basic financial statements.
- The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*, which is required to be implemented in fiscal year 2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

## ***Required Supplementary Information***

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

FISCAL YEAR ENDED JUNE 30, 2011

	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.....	\$ -	\$ 82,905,022	\$ 82,905,022	\$ 82,905,022
Tax liens.....	-	-	-	-
Motor vehicle excise taxes.....	-	4,400,000	4,400,000	4,400,000
Hotel/motel tax.....	-	1,850,000	1,850,000	1,400,000
Penalties and interest on taxes.....	-	530,000	530,000	495,000
Intergovernmental.....	-	11,695,438	11,695,438	12,145,438
Departmental and other.....	-	1,670,000	1,670,000	1,705,000
Investment income.....	-	350,000	350,000	350,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>103,400,460</b>	<b>103,400,460</b>	<b>103,400,460</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	148,382	3,292,703	3,441,085	3,731,482
Public safety.....	165,355	14,562,488	14,727,843	15,982,166
Education.....	1,281,650	47,490,391	48,772,041	48,756,295
Public works.....	711,530	8,425,835	9,137,365	8,656,009
Human services.....	51,301	554,355	605,656	1,193,301
Culture and recreation.....	74,361	1,783,688	1,858,049	1,884,330
Pension benefits.....	-	4,371,609	4,371,609	4,494,158
Employee benefits.....	656,919	15,940,978	16,597,897	16,671,397
State and county charges.....	-	3,363,734	3,363,734	3,363,734
Capital outlay.....	1,903,002	-	1,903,002	2,657,445
Debt service:				
Principal.....	-	820,000	820,000	2,465,000
Interest.....	-	394,954	394,954	1,579,089
<b>TOTAL EXPENDITURES.....</b>	<b>4,992,500</b>	<b>101,000,735</b>	<b>105,993,235</b>	<b>111,434,406</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(4,992,500)</b>	<b>2,399,725</b>	<b>(2,592,775)</b>	<b>(8,033,946)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	-	1,399,931	1,399,931	5,025,032
Transfers out.....	-	(2,763,591)	(2,763,591)	(2,779,342)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>(1,363,660)</b>	<b>(1,363,660)</b>	<b>2,245,690</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(4,992,500)</b>	<b>1,036,065</b>	<b>(3,956,435)</b>	<b>(5,788,256)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>16,037,926</b>	<b>16,037,926</b>	<b>16,037,926</b>	<b>16,037,926</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 11,045,426</b>	<b>\$ 17,073,991</b>	<b>\$ 12,081,491</b>	<b>\$ 10,249,670</b>

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	83,020,466	\$ -	\$ 115,444
	265,362	-	265,362
	4,823,490	-	423,490
	2,070,296	-	670,296
	832,479	-	337,479
	12,679,348	-	533,910
	2,000,572	-	295,572
	305,532	-	(44,468)
	<u>105,997,545</u>	<u>-</u>	<u>2,597,085</u>
	3,447,708	186,962	96,812
	15,488,010	274,144	220,012
	47,728,832	464,350	563,113
	8,385,159	747,964	(477,114)
	1,110,347	42,948	40,006
	1,770,187	102,262	11,881
	4,493,729	-	429
	15,538,853	790,016	342,528
	3,399,741	-	(36,007)
	216,993	2,138,074	302,378
	2,465,000	-	-
	<u>1,457,458</u>	<u>-</u>	<u>121,631</u>
	<u>105,502,017</u>	<u>4,746,720</u>	<u>1,185,669</u>
	<u>495,528</u>	<u>(4,746,720)</u>	<u>3,782,754</u>
	5,025,032	-	-
	<u>(2,779,342)</u>	<u>-</u>	<u>-</u>
	<u>2,245,690</u>	<u>-</u>	<u>-</u>
	2,741,218	(4,746,720)	3,782,754
	<u>16,037,926</u>	<u>-</u>	<u>-</u>
\$	<u><u>18,779,144</u></u>	<u><u>(4,746,720)</u></u>	<u><u>3,782,754</u></u>

## ***Other Postemployment Benefit Plan 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, over time, the annual required contribution with the actual contributions made.

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

**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)
6/30/2009	\$ -	\$ 208,491,596	\$ 208,491,596	0%	\$ N/A	N/A
6/30/2007	-	198,799,831	198,799,831	0%	N/A	N/A

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2011	\$ 13,857,572	\$ 7,059,608	51%
6/30/2010	13,220,391	6,231,320	47%
6/30/2009	12,545,242	8,600,158	69%

The City implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009. Information for prior years is not available.

See notes to required supplementary information.

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

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Actuarial Methods:

Valuation date.....	June 30, 2009
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	30 year open amortization method with payments increasing at 4.5% per year
Remaining amortization period.....	28 years as of July 1, 2011

Actuarial Assumptions:

Investment rate of return.....	5.0%, pay-as-you-go
Medical cost trend rate.....	10.0% graded to 5.0% over 7 years
Inflation assumption.....	4.5%

Plan Membership:

Current retirees, beneficiaries, and dependents....	937
Current active members.....	<u>876</u>
Total.....	<u><u>1,813</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 fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal 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 fiscal 2011 approved budget authorized approximately \$108.8 million in appropriations, carryforwards, and other amounts to be raised. During fiscal year 2011, the Council also approved supplemental appropriations totaling approximately \$5.5 million. The change is primarily due to increases in appropriations for public safety, 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 fiscal year ended June 30, 2011, is presented below:

Net change in fund balance - budgetary basis.....	\$	2,741,218
<u>Perspective difference:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		263,853
<u>Basis of accounting differences:</u>		
Net change in market value of investments.....		(21,263)
Net change in recording 60-day receipts.....		(282,000)
Net change in recording tax refunds payable.....		775,000
Net change in recording the search for unrecorded liabilities.....		36,600
Net change in recording accrued payroll.....		(522,952)
Net change in recording accrued interest.....		(167,248)
Increase in revenues due to on-behalf payments.....		11,773,467
Increase in expenditures due to on-behalf payments.....		<u>(11,773,467)</u>
Net change in fund balance - GAAP basis.....	\$	<u>2,823,208</u>

### 3. Appropriation Deficits

For the fiscal year ended June 30, 2011, actual expenditures and encumbrances exceeded appropriations for snow and ice and state and county charges. These over-expenditures will be funded by the fiscal 2012 tax rate.

#### **NOTE B – OTHER POSTEMPLOYMENT BENEFITS**

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare and prescription drug benefits for eligible retirees and their spouses through the City's health insurance plan, which covers both active and retired members, including teachers.

The City currently finances its other postemployment benefits on a 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 0%. 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.

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. The Schedule of Employer Contributions compares, over time, the annual required contribution with the actual contributions made.

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.

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

***CITY OF WOBURN, MASSACHUSETTS***

***MANAGEMENT LETTER***

***JUNE 30, 2011***

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To the Honorable Mayor  
City of Woburn, Massachusetts

In planning and performing our audit of the 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 fiscal year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various City personnel, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management of the City of Woburn, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Powers &amp; Sullivan, LLC".

March 16, 2012

CITY OF WOBURN, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2011

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***PRIOR YEAR COMMENTS***

## **INVESTMENT POLICY**

### Prior Year Comment

In the prior year, we indicated that the Treasurer drafted an investment policy to be presented to the governing body for review and approval. We recommended that the Treasurer implement the investment policy upon review and approval.

### Current Status

The Treasurer will implement any procedures deemed necessary to comply with the policy once it has been approved.

### Continuing Recommendation

We continue to recommend that the governing body review and approve the proposed investment policy and that the Treasurer implement the approved policy.

## **FRAUD RISK ASSESSMENT**

### Prior Year Comment

In the prior year, we indicated that the opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommended that the City perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the City's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud. We recommended that management complete the development and implementation of a fraud risk assessment program to identify, analyze, and manage the risk of asset misappropriation.

### Current Status

The City Auditor has drafted an anti-fraud policy and presented it to the governing body for review and approval, however the City has not performed a fraud risk assessment.

### Continuing Recommendation

We continue to recommend that the City perform a fraud risk assessment to identify, analyze, and manage the risk of asset misappropriation.

## **RESOLVE CREDIT REAL ESTATE RECEIVABLE BALANCES**

### Prior Year Comment

In the prior year, we indicated that there are several old real estate tax receivable accounts (fiscal 2001 – 2005) that have credit balances, which totaled approximately \$183,000, as of June 30, 2011. The Collector believes that the underlying reason for the credit balances relates to the timeliness in which the City processes taxpayer over-payments. These transactions should be processed on a timelier basis so that taxpayers are receiving proper credit for their payments and so that the general ledger is reporting the correct receivable balances.

### Current Status

The Treasurer continues to investigate the credit balances to determine the cause. Due to the age of the balances and the information available, progress is slow.

### Continuing Recommendation

We continue to recommend that the City investigate these credit balances. We also recommend that adjustments be recorded to correct the current credit balances in the accounts.

## **RECONCILE SECURITY DEPOSIT BANK ACCOUNTS TO GENERAL LEDGER BALANCES**

### Prior Year Comment

In the prior year, we noted that there was not a clear reconciliation of the individual contractor security deposit balances to the bank statements. We also noted that the Treasurer uses a concentration account to track individual balances, however certain individual balances were not deposited in the account, but rather were commingled with other cash. As a result, the balance per the City's general ledger did not agree to the concentration account which, by design, it should do.

### Current Status

The misposting of a large prior year deposit was corrected in the current fiscal year, which reduced the variance between the bank balances and the general ledger balances to approximately \$3,700. The City did not implement monthly reconciliation procedures between the bank balances and general ledger balances in fiscal 2011.

### Continuing Recommendation

We continue to recommend that the City implement monthly reconciliation procedures between the concentration account balances and the general ledger performance bond balances.

## **COMPENSATED ABSENCES**

### Prior Year Comment

In the prior year, we indicated that the City's system for determining and reporting the available sick and vacation balances to the City Auditor's office for the preparation of the compensated absence accrual is inefficient. The City does not maintain an automated perpetual balance of each employee's sick and vacation balance.

Therefore, the calculation of this accrual at fiscal year-end (and at any time during the year) is time consuming and holds up the preparation of the fiscal year-end basic financial statements.

These balances are not only essential in the preparation of the City's basic financials statements, but they are essential in attendance control.

#### Current Status

The City is in the process of updating its payroll software to automatically gather this information. However, this application was not available for the current year audit and, consequently, the data was required to be compiled using an excel spreadsheet.

#### Continuing Recommendation

We encourage the City to continue to pursue its goal of automating the accumulation and reporting of sick and vacation accruals.

### **AUDIT OF STUDENT ACTIVITY FUNDS**

#### Prior Year Comment

In the prior year, we indicated that the City is not in compliance with Massachusetts General Law (MGL), Chapter 71, Section 47, as amended by Chapter 66 of the Acts of 1996, because it does not undergo annual audits of the student activity funds. The audit may be an internal audit, if so approved by the School Committee. However, at least one time in every three years, the audit should be performed by an independent audit firm.

#### Current Status

The student activity funds were not audited for the fiscal year ending June 30, 2011.

#### Continuing Recommendation

We continue to recommend that the student activity funds undergo an annual audit to comply with the MGL.

### **OTHER POSTEMPLOYMENT BENEFIT ACTUARIALS**

#### Prior Year Comment

Now that the City has met the requirements for implementation of GASB Statement #45, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, we want to note that the City will have to plan to have the actuarial report updated at least every two years in order to stay in compliance with the GASB statement.

For the City of Woburn this means that an updated actuarial valuation, dated June 30, 2011, will have to be obtained in order for the City to remain compliant with GASB Statement #45 for fiscal years 2012 and 2013.

Current Status

The City has contracted with an actuary to prepare the actuarial valuation report.

**GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB) STATEMENT #54**

Prior Year Comment

During fiscal year 2011, the City was required to implement GASB Statement #54, Fund Balance Reporting and Government Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds

We recommended that the City study and evaluate these changes for financial statement reporting and disclosure purposes, and to ensure compliance with the City's required implementation date.

Current Status – The City implemented GASB Statement #54 in fiscal 2011, which complies with the required GASB implementation date.

## ***CURRENT YEAR COMMENTS***

## **CAPITALIZING FIXED ASSETS**

### Comment

To comply with GAAP, the City is required to account for capital assets in the financial statements in the fiscal year that the funds are expended. The City hired a consultant to update the City's fixed assets. However, during our testing to see if the City had capitalized all of the expenditures that are capital in nature, we noted that there was approximately \$494,000 of expenditures that were not included in current year fixed asset additions. Therefore capital assets were understated and expenditures were overstated. Audit adjustments were proposed and accepted by management to correct this matter.

### Recommendation

We recommend that management review all fixed asset reports for accuracy prior to audit commencement since this data is critical in producing financial statements in accordance with GAAP.

## **POLICE DETAIL**

### Comment

We were unable to obtain support for the police detail amount reported in the general ledger. We also noted that the balance did not change from prior year. Currently there are no formal reconciliation procedure between the Police Department and the City Auditor's Office for police detail receivables. The summary outstanding balance reported in the general ledger should be reconciled each month to the detail maintained by the Police Department. It is important to maintain an accurate receivable balance and detail listing so the Police Department can track down delinquent vendors prior to providing any further details. Also, by maintaining an accurate receivable listing, the City can minimize the possibility of creating a permanent deficit that ultimately would have to be funded by the general fund.

### Recommendation

We recommend that the Police Department and the City Auditor's Office reconcile the police detail balance and general ledger activity on a monthly basis.