CITY OF WOBURN, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

YEAR ENDED JUNE 30, 2014

CITY OF WOBURN, MASSACHUSETTS

REPORTS ON FEDERAL AWARD PROGRAMS

YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	Page
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*	1
Report on compliance with for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards required by OMB circular A-133	3
Schedule of expenditures of federal awards	5
Notes to schedule of expenditures of federal awards	6
Schedule of findings and questioned costs	7

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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, in accordance with the 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, 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, 2014 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2013), and the related notes to the financial statements, which collectively comprise the City of Woburn, Massachusetts' basic financial statements, and have issued our report thereon dated March 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Woburn, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City of Woburn, Massachusetts' internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Woburn, Massachusetts' financial statements are free from 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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Powers & Sullivan LLC

March 18, 2015

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor
City of Woburn, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the City of Woburn, Massachusetts' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Woburn, Massachusetts' major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Woburn, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Woburn, Massachusetts' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Woburn, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Woburn, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Woburn, Massachusetts' internal control over

compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2014 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2013), and the related notes to the financial statements, which collectively comprise the City of Woburn, Massachusetts' basic financial statements. We issued our report thereon dated March 18, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Powers & Sullivan LLC

March 18, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE:		
Passed through State Department of Elementary and Secondary Education:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	$ 187,434
Cash Assistance:		
School Breakfast Program	10.553	116,559
National School Lunch Program	10.555	702,674
TOTAL AGRICULTURE		1,006,667
U.S. DEPARTMENT OF VETERAN AFFAIRS		
Passed through the State Office of Disabilities and Community Services:		
Vocational Rehabilitation for Disabled Veterans	64.116	330
U.S. DEPARTMENT OF EDUCATION:		
Passed through State Department of Elementary and Secondary Education:		
Title I Grants to Local Educational Agencies	84.010	452,295
Special Education Grants to States (IDEA, Part B)	84.027	1,094,930
Special Education Preschool Grants	84.173	7,432
English Language Acquisition Grants	84.365	30,376
Improving Teacher Quality State Grants	84.367	121,758
ARRA - State Fiscal Stabilization Fund Race-to-the-Top Incentive Grants, Recovery Act	84.395	158,989
Passed through State Department of Early Education and Care:		
Special Education Preschool Grants	84.173	32,146
TOTAL EDUCATION		1,897,926
Passed through Massachusetts Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	218,346
Emergency Management Performance Grants	97.042	9,000
TOTAL HOMELAND SECURITY		227,346
TOTAL		$ 3,132,269

See notes to schedule of expenditures of federal awards.

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:

Name of Cluster/Program	CFDA Number
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Education Cluster	
Special Education Grants to States (IDEA, Part B)	84.027
Special Education Preschool Grants (IDEA Preschool)	84.173

A. Summary of Auditors' Results

1. The independent auditor's report expresses an unmodified 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 for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.

5. The auditor's report on compliance for the major federal award programs for the City of Woburn, Massachusetts, expresses an unmodified opinion.

6. There were 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:

Program Title	CFDA Number
Title I Grants to Local Educational Agencies	84.010
Special Education Grants to States (IDEA, Part B)	84.027
Special Education Preschool Grants (IDEA Preschool)	84.173

8. The threshold for distinguishing Types A and B programs was $300,000.

9. The City of Woburn, Massachusetts was not considered to be 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

None

CITY OF WOBURN, MASSACHUSETTS

REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

CITY OF WOBURN, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

TABLE OF CONTENTS

Independent Auditor's Report 1
Management's Discussion and Analysis 3
Basic Financial Statements 11
- Statement of net position 13
- Statement of activities 14
- Governmental funds – balance sheet 16
- Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position 17
- Governmental funds – statement of revenues, expenditures and changes in fund balances 18
- Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities 19
- Proprietary funds – statement of net position 20
- Proprietary funds – statement of revenues, expenses and changes in net position 21
- Proprietary funds – statement of cash flows 22
- Fiduciary funds – statement of fiduciary net position 23
- Fiduciary funds – statement of changes in fiduciary net position 24
- Notes to basic financial statements 25

Required Supplementary Information 51
- Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual 52
- Retirement System schedules of funding progress and employer contributions 54
  - Retirement system schedule of funding progress 55
  - Retirement system schedule of employer contributions 56
- Other postemployment benefit plan schedules 57
  - Other postemployment benefit plan schedule of funding progress and employer contributions 58
  - Other postemployment benefit plan schedule of actuarial methods and assumptions 59
- Notes to required supplementary information 60

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Independent Auditor's Report

To the Honorable Mayor
City of Woburn, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woburn, Massachusetts, as of and for the year ended June 30, 2014 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2013), and the related notes to the financial statements, which collectively comprise the City of Woburn, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woburn, Massachusetts, as of June 30, 2014 (except for the Woburn Contributory Retirement System which is of and for the year ended December 31, 2013), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2015, on our consideration of the City of Woburn, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Woburn, Massachusetts' internal control over financial reporting and compliance.

Powers + Sullivan LLC

March 18, 2015

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Woburn, Massachusetts (City), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2014. 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 City's credit rating was upgraded from Aa2 to Aa1 by Moody's Investors Services.
- The assets of the City of Woburn exceeded the liabilities at the close of the most recent year by $191.8 million (net position).
- Of this amount, 5% or $8.7 million is unrestricted and may be used to meet the government's on-going obligations to citizens and creditors.
- At the close of the current year, the City's general fund reported an ending fund balance of $34.7 million. Total fund balance represents 26% of total general fund expenditures.
- The City's total debt (short-term and long-term combined) decreased by $5.9 million during the year.
- The City's net other postemployment benefit (OPEB) liability increased by $4.5 million and totaled $41.7 million at year-end.
- The City established a qualified OPEB trust and contributed $1.4 million to the fund in 2014. This allowed the City to increase the discount rate used to calculate the unfunded liability from 4.5% to 5%, which along with other valuation assumption and plan changes reduced the total unfunded liability by $82.7 million from the prior year.

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

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

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

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

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

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

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

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial 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 position 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 $191.8 million at the close of 2014.

Net position of $167.3 million (87%) reflects its net investment in capital assets (e.g., land, land improvements, buildings, vehicles, machinery and equipment, building improvements, and infrastructure) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the governmental net position, $15.7 million (8%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* $8.7 million (5%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current year, the City of Woburn is able to report positive balances in two out of three categories of net position for the governmental activities and all three categories, both for the City as a whole, as well as for its separate 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 $150.3 million at the close of 2014.

	2014	2013
Assets:		
Current assets	$ 65,252,427	$ 62,577,126
Noncurrent assets (excluding capital)	1,047,083	1,027,618
Capital assets not being depreciated	22,068,936	22,715,253
Capital assets, net of accumulated depreciation	159,730,861	159,535,296
Total assets	**248,099,307**	**245,855,293**
Liabilities:		
Current liabilities (excluding debt)	8,020,807	6,555,276
Noncurrent liabilities (excluding debt)	46,138,442	41,675,140
Current debt	3,320,219	3,319,538
Noncurrent debt	40,363,467	43,683,686
Total liabilities	**97,842,935**	**95,233,640**
Net Position:		
Net investment in capital assets	138,862,748	136,675,902
Restricted	15,727,698	14,986,703
Unrestricted	(4,334,074)	(1,040,952)
Total net position	**$ 150,256,372**	**$ 150,621,653**

	2014	2013
Program Revenues:		
Charges for services	$ 6,547,904	$ 5,774,800
Operating grants and contributions	28,616,562	27,395,291
Capital grants and contributions	2,621,396	2,993,597
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable	88,791,408	86,893,535
Tax liens	899,786	894,259
Motor vehicle excise taxes	5,789,059	5,420,734
Hotel/Motel tax	2,688,033	2,367,457
Meals tax	888,076	892,407
Penalties and interest on taxes	499,606	1,090,186
Nonrestricted grants	5,537,021	5,533,108
Unrestricted investment income	1,289,082	755,998
Gain on sale of capital assets	-	306,715
Miscellaneous	93,710	72,376
Total revenues	**144,261,643**	**140,390,463**
Expenses:		
General government	5,483,993	5,837,324
Public safety	27,697,116	28,172,198
Education	94,700,433	92,615,488
Public works	12,174,816	11,800,066
Human services	1,753,846	1,790,945
Culture and recreation	2,866,630	2,725,704
Interest	1,491,776	1,588,884
Total expenses	**146,168,610**	**144,530,609**
Increase in net position before transfers	**(1,906,967)**	**(4,140,146)**
Transfers	**1,541,686**	**1,505,502**
Change in net position	**(365,281)**	**(2,634,644)**
Net position at beginning of the year	**150,621,653**	**153,256,297**
Net position at end of the year	$ **150,256,372**	$ **150,621,653**

Governmental expenses totaled $146.2 million of which $37.8 million (26%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled $106.5 million, primarily coming from property taxes, motor vehicle excise taxes, hotel/motel taxes and non-restricted state aid.

Governmental net position decreased by $365,000 during the current year. The primary components of this decrease included a $4.5 million increase in the OPEB liability and a $1.6 million decrease from general fund budgetary results. These decreases were offset by the recognition of $2.6 million of capital grants and a $3.0 million increase in the stabilization fund that was due to a budgeted transfer from the general fund.

Business-type Activities

For the City's business-type activities, assets exceeded liabilities by $41.5 million at the close of 2014.

	2014	2013
Assets:		
Current assets	$ 18,995,704	$ 22,981,112
Noncurrent assets (excluding capital)	615,884	695,160
Capital assets not being depreciated	415,240	415,240
Capital assets, net of accumulated depreciation	53,018,293	50,019,264
Total assets	**73,045,121**	**74,110,776**
Liabilities:		
Current liabilities (excluding debt)	1,033,024	912,090
Noncurrent liabilities (excluding debt)	369,259	394,466
Current debt	2,594,187	2,563,879
Noncurrent debt	27,548,085	30,142,272
Total liabilities	**31,544,555**	**34,012,707**
Net Position:		
Net investment in capital assets	28,474,727	22,492,051
Unrestricted	13,025,839	17,606,018
Total net position	$ **41,500,566**	$ **40,098,069**
Program Revenues:		
Charges for services	$ 19,704,495	$ 17,740,229
Operating grants and contributions	84,990	95,646
Capital grants and contributions	-	468,133
Total revenues	**19,789,485**	**18,304,008**
Expenses:		
Water and sewer	16,845,302	15,512,226
Increase in net position before transfers	**2,944,183**	**2,791,782**
Transfers	**(1,541,686)**	**(1,505,502)**
Change in net position	**1,402,497**	**1,286,280**
Net position at beginning of the year	**40,098,069**	**38,811,789**
Net position at end of the year	$ **41,500,566**	$ **40,098,069**

Business-type net position of $28.5 million (69%) represents the net investment in capital assets while $13.0 million (31%) is unrestricted.

The water and sewer enterprise fund net position increased by $1.4 million in the current year. This increase is primarily due to a $987,000 excess of debt principal payments, raised in the rates, over depreciation expense and unexpended capital appropriations.

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, governmental funds reported a combined ending fund balance of $50.6 million. This was comprised of the general fund and nonmajor fund balances totaling $34.7 million and $15.9 million, respectively.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was $26.8 million, while total fund balance was $34.7 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 20% of the total general fund expenditures, while total fund balance represents 26% of that same amount. Committed fund balance totals $6.0 million and consists of the affordable housing stabilization fund totaling $3.0 million and unexpended capital articles totaling $3.0 million that were carried forward to the subsequent year. Assigned fund balance totals $1.9 million and consists of unexpended appropriations that were encumbered to be expended in the subsequent year.

The general fund increased by $781,000, which is due to better than expected revenue collections totaling $4.2 million and unexpended appropriations totaling $964,000. These increases were offset by the use of free cash to fund transfers to the Whispering Hills capital project fund and the debt service fund totaling $410,000 and $2.1 million, respectively. The City also contributed $1.4 million from the general fund Medicare reserve balance to the OPEB trust fund.

The State highway grants fund recognized $731,000 of capital grant revenue and incurred $731,000 million of road improvement costs.

The Goodyear School capital project fund recognized $739,000 of additional school construction assistance and $692,000 of additional school construction costs in 2014. The construction project was substantially completed at year-end.

General Fund Budgetary Highlights

The $12.1 million (10%) increase between the original budget and the final amended budget was primarily due to increases in appropriations for public safety, employee benefits, capital outlay, debt service and transfers to other funds.

Capital Asset and Debt Administration

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

The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to $235.2 million (net of accumulated depreciation). This investment in capital assets includes land,

construction in progress, land improvements, buildings, building improvements, vehicles, machinery and equipment and infrastructure.

The total current year additions to the governmental investment in capital assets was $3.4 million. Machinery and equipment additions totaled $997,000 and the most significant assets included in the category are the purchase of a new fire truck and a new Department of Public Works (DPW) street sweeper. Vehicle additions totaled $487,000 and included police, fire, inspections and DPW vehicles. Current year infrastructure additions totaled $1.9 million (net of amounts transferred from construction in progress) and related to street and cemetery repaving.

The $4.6 million in water and sewer additions are mainly attributable to infrastructure improvements that include cleaning and relining water lines, pump station improvements and installation of new water and sewer lines.

Debt Administration. The City's credit rating was upgraded from Aa2 to Aa1 by Moody's Investors Services. The City continues to maintain strong market access for both note and bond sales.

Outstanding long-term debt of the general government totaled $43.7 million, of which $34.2 million is related to school projects and $9.5 million relates to various other capital projects.

The water and sewer enterprise fund has $30.1 million of outstanding long-term debt, which is fully supported by rates and does not rely on a general fund subsidy.

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.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents	$ 37,734,939	$ 9,478,684	$ 47,213,623
Investments	18,227,904	-	18,227,904
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	712,329	-	712,329
Tax and utility liens	3,017,498	100,165	3,117,663
Motor vehicle and other excise taxes	438,147	-	438,147
User fees	-	8,718,400	8,718,400
Departmental and other	1,414,251	-	1,414,251
Intergovernmental	3,707,359	698,455	4,405,814
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals	344,319	-	344,319
Intergovernmental	-	615,884	615,884
Tax foreclosures	702,764	-	702,764
Capital assets not being depreciated	22,068,936	415,240	22,484,176
Capital assets, net of accumulated depreciation	159,730,861	53,018,293	212,749,154
TOTAL ASSETS	248,099,307	73,045,121	321,144,428
LIABILITIES			
CURRENT:			
Warrants payable	1,283,632	640,268	1,923,900
Accrued payroll	969,901	-	969,901
Tax refunds payable	3,372,000	-	3,372,000
Accrued interest	293,975	332,756	626,731
Payroll withholdings	14,771	-	14,771
Abandoned property	139,528	-	139,528
Compensated absences	1,947,000	60,000	2,007,000
Unamortized premiums on bonds payable	-	4,590	4,590
Bonds payable	3,320,219	2,589,597	5,909,816
NONCURRENT:			
Compensated absences	4,677,000	178,000	4,855,000
Other postemployment benefits	41,461,442	191,259	41,652,701
Unamortized premiums on bonds payable	-	14,188	14,188
Bonds payable	40,363,467	27,533,897	67,897,364
TOTAL LIABILITIES	97,842,935	31,544,555	129,387,490
NET POSITION			
Net investment in capital assets	138,862,748	28,474,727	167,337,475
Restricted for:			
Debt service	623,563	-	623,563
Permanent funds:			
Expendable	7,267,835	-	7,267,835
Nonexpendable	2,703,225	-	2,703,225
Gifts and grants	5,133,075	-	5,133,075
Unrestricted	(4,334,074)	13,025,639	8,691,765
TOTAL NET POSITION	$ 150,256,372	$ 41,500,566	$ 191,756,938

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
Governmental Activities:					
General government	$ 5,483,993	$ 639,486	$ 633,330	$ -	$ (4,211,177)
Public safety	27,697,116	3,463,983	1,467,157	71,000	(22,694,976)
Education	94,700,433	2,169,734	25,772,019	824,137	(65,934,543)
Public works	12,174,816	179,705	261,645	1,726,259	(10,007,207)
Human services	1,753,846	85,996	67,135	-	(1,600,715)
Culture and recreation	2,866,630	9,000	415,276	-	(2,442,354)
Interest	1,491,776	-	-	-	(1,491,776)
Total Governmental Activities	146,168,610	6,547,904	28,616,562	2,621,396	**(108,382,748)**
Business-Type Activities:					
Water and Sewer	16,845,302	19,704,495	84,990	-	**2,944,183**
Total Primary Government	$ 163,013,912	$ 26,252,399	$ 28,701,552	$ 2,621,396	$ **(105,438,565)**

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page	$ (108,382,748)	$ 2,944,183	$ (105,438,565)
General revenues:			
Real estate and personal property taxes, net of tax refunds payable	88,791,408	-	88,791,408
Tax liens	899,786	-	899,786
Motor vehicle excise taxes	5,789,059	-	5,789,059
Hotel/motel tax	2,688,033	-	2,688,033
Meals tax	888,076	-	888,076
Penalties and interest on taxes	499,606	-	499,606
Grants and contributions not restricted to specific programs	5,537,021	-	5,537,021
Unrestricted investment income	1,289,082	-	1,289,082
Miscellaneous	93,710	-	93,710
Transfers, net	1,541,686	(1,541,686)	-
Total general revenues and transfers	108,017,467	(1,541,686)	106,475,781
Change in net position	(365,281)	1,402,497	1,037,216
Net Position:			
Beginning of year	150,621,653	40,098,069	190,719,722
End of year	$ 150,256,372	$ 41,500,566	$ 191,756,938

See notes to basic financial statements.

(Concluded)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2014

	General	State Highway Grants	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 29,596,128	$ -	$ 8,138,811	$ 37,734,939
Investments	10,369,125	-	7,858,779	18,227,904
Receivables, net of uncollectibles:				
Real estate and personal property taxes	712,329	-	-	712,329
Real estate tax deferrals	344,319	-	-	344,319
Tax liens	3,017,498	-	-	3,017,498
Motor vehicle and other excise taxes	438,147	-	-	438,147
Departmental and other	18,201	-	1,396,050	1,414,251
Intergovernmental	-	3,204,243	503,116	3,707,359
Tax foreclosures	702,764	-	-	702,764
Due from other funds	48,517	-	-	48,517
TOTAL ASSETS	45,247,028	3,204,243	17,896,756	66,348,027
LIABILITIES				
Warrants payable	1,082,425	35,582	165,624	1,283,631
Accrued payroll	969,901	-	-	969,901
Tax refunds payable	3,372,000	-	-	3,372,000
Payroll withholdings	14,771	-	-	14,771
Abandoned property	139,528	-	-	139,528
Due to other funds	-	48,517	-	48,517
TOTAL LIABILITIES	5,578,625	84,099	165,624	5,828,348
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	4,950,252	3,120,144	1,814,086	9,884,482
FUND BALANCES				
Nonspendable	-	-	2,703,225	2,703,225
Restricted	-	-	13,213,821	13,213,821
Committed	6,052,467	-	-	6,052,467
Assigned	1,895,220	-	-	1,895,220
Unassigned	26,770,464	-	-	26,770,464
TOTAL FUND BALANCES	34,718,151	-	15,917,046	50,635,197
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 45,247,028	$ 3,204,243	$ 17,896,756	$ 66,348,027

See notes to basic financial statements.

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

JUNE 30, 2014

Total governmental fund balances		$ 50,635,197
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds		181,799,797
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds		9,884,482
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due		(293,976)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable	(43,683,686)	
Compensated absences	(6,624,000)	
Other postemployment benefits	(41,461,442)	
Net effect of reporting long-term liabilities		(91,769,128)
Net position of governmental activities		$ 150,256,372

See notes to basic financial statements.

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2014

	General	State Highway Grants	Goodyear School	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds	$ 88,749,345	$ -	$ -	$ -	$ 88,749,345
Tax liens	809,784	-	-	-	809,784
Motor vehicle excise taxes	6,088,101	-	-	-	6,088,101
Hotel/motel tax	2,688,033	-	-	-	2,688,033
Meals tax	888,076	-	-	-	888,076
Penalties and interest on taxes	514,469	-	-	-	514,469
Intergovernmental	27,021,620	730,514	739,058	5,113,078	33,604,270
Departmental and other	1,882,134	-	-	6,290,242	8,172,376
Contributions	77,935	-	-	268,109	346,044
Investment income	582,784	-	-	674,546	1,257,330
TOTAL REVENUES	129,302,281	730,514	739,058	12,345,975	143,117,828
EXPENDITURES:					
Current:					
General government	3,752,404	-	-	34,436	3,786,840
Public safety	16,477,096	-	-	2,496,976	18,974,072
Education	52,641,435	-	691,962	6,776,015	60,109,412
Public works	8,742,083	730,514	-	1,095,165	10,567,762
Human services	1,354,862	-	-	125,923	1,480,785
Culture and recreation	1,893,111	-	-	221,644	2,114,755
Pension benefits	18,280,798	-	-	-	18,280,798
Employee benefits	19,149,374	-	-	-	19,149,374
State and county charges	3,280,365	-	-	-	3,280,365
Capital outlay	2,026,617	-	-	-	2,026,617
Debt service:					
Principal	3,319,537	-	-	-	3,319,537
Interest	1,631,394	-	-	-	1,631,394
TOTAL EXPENDITURES	132,549,076	730,514	691,962	10,750,159	144,721,711
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,246,795)	-	47,096	1,595,816	(1,603,883)
OTHER FINANCING SOURCES (USES):					
Transfers in	6,508,536	-	-	2,480,308	8,988,844
Transfers out	(2,480,308)	-	(893,848)	(4,073,002)	(7,447,158)
TOTAL OTHER FINANCING SOURCES (USES)	4,028,228	-	(893,848)	(1,592,694)	1,541,686
NET CHANGE IN FUND BALANCES	781,433	-	(846,752)	3,122	(62,197)
FUND BALANCES AT BEGINNING OF YEAR	33,936,718	-	846,752	15,913,924	50,697,394
FUND BALANCES AT END OF YEAR	$ 34,718,151	$ -	$ -	$ 15,917,046	$ 50,635,197

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds		$ (62,197)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	3,416,552	
Depreciation expense	(3,867,304)	
Net effect of reporting capital assets		(450,752)
Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue		1,143,815
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Debt service principal payments		3,319,537
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Net change in compensated absences accrual	73,000	
Net change in accrued interest on long-term debt	139,618	
Net change in other postemployment benefit	(4,528,302)	
Net effect of recording long-term liabilities		(4,315,684)
Change in net position of governmental activities		$ (365,281)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-type Activities - Enterprise Funds
	Water and Sewer
ASSETS	
CURRENT:	
Cash and cash equivalents	$ 9,478,684
Receivables, net of allowance for uncollectibles:	
Utility liens	100,165
User fees	8,718,400
Intergovernmental	698,455
Total current assets	18,995,704
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Intergovernmental	615,884
Capital assets not being depreciated	415,240
Capital assets, net of accumulated depreciation	53,018,293
Total noncurrent assets	54,049,417
TOTAL ASSETS	73,045,121
LIABILITIES	
CURRENT:	
Warrants payable	640,268
Accrued interest	332,756
Compensated absences	60,000
Unamortized premiums on bonds and notes payable	4,590
Bonds payable	2,589,597
Total current liabilities	3,627,211
NONCURRENT:	
Compensated absences	178,000
Other postemployment benefits	191,259
Unamortized premiums on bonds and notes payable	14,188
Bonds payable	27,533,897
Total noncurrent liabilities	27,917,344
TOTAL LIABILITIES	31,544,555
NET POSITION	
Net investment in capital assets	28,474,727
Unrestricted	13,025,839
TOTAL NET POSITION	$ 41,500,566

See notes to basic financial statements.

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds
	Water and Sewer
OPERATING REVENUES:	
Charges for services	$ 18,553,413
Utility liens	1,151,082
TOTAL OPERATING REVENUES	19,704,495
OPERATING EXPENSES:	
Cost of services and administration	1,696,628
MWRA Assessment	12,683,459
Depreciation	1,571,596
TOTAL OPERATING EXPENSES	15,951,683
OPERATING INCOME (LOSS)	3,752,812
NONOPERATING REVENUES (EXPENSES):	
Interest expense	(893,619)
Intergovernmental	84,990
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(808,629)
INCOME (LOSS) BEFORE TRANSFERS	2,944,183
TRANSFERS:	
Transfers out	(1,541,686)
CHANGE IN NET POSITION	1,402,497
NET POSITION AT BEGINNING OF YEAR	40,098,069
NET POSITION AT END OF YEAR	$ 41,500,566

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds
	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers and users	$ 19,485,567
Payments to vendors	(13,474,556)
Payments to employees	(784,868)
NET CASH FROM OPERATING ACTIVITIES	5,226,143
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers out	(1,541,686)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(4,570,625)
Principal payments on bonds	(2,481,237)
Interest expense	(838,737)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(7,890,599)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,206,142)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,684,826
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 9,478,684
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:	
Operating income (loss)	$ 3,752,812
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation	1,571,596
Changes in assets and liabilities:	
Utility liens	141,999
User fees	(360,927)
Warrants payable	143,870
Accrued compensated absences	6,000
Other postemployment benefits	(29,207)
Total adjustments	1,473,331
NET CASH FROM OPERATING ACTIVITIES	$ 5,226,143
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Intergovernmental subsidy	$ 162,460

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Pension Trust Fund (as of December 31, 2013)	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
CURRENT:				
Cash and cash equivalents	$ 2,751,306	$ 1,356,907	$ 76,701	$ 435,966
Investments	122,519,537	-	-	-
Interest and dividends	88,150	-	-	-
Receivables, net of allowance for uncollectibles:				
Intergovernmental	20,824	-	-	-
TOTAL ASSETS	125,379,817	1,356,907	76,701	435,966
LIABILITIES				
Warrants payable	104,244	-	-	2,763
Liabilities due depositors	-	-	-	433,203
TOTAL LIABILITIES	104,244	-	-	435,966
NET POSITION				
Held in trust for pension benefits and other purposes	$ 125,275,573	$ 1,356,907	$ 76,701	$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2014

	Pension Trust Fund (as of December 31, 2013)	OPEB Trust Fund	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Employer	$ 5,338,819	$ 1,356,907	-
Employee	2,931,825	-	-
Total contributions	8,270,644	1,356,907	-
Net investment income (loss):			
Net change in fair value of investments	17,137,739	-	-
Interest	3,645,716	-	6
Total investment income (loss)	20,783,455	-	6
Less: investment expense	(902,144)	-	-
Net investment income (loss)	19,881,311	-	6
Intergovernmental	258,393	-	-
Transfers from other systems	129,252	-	-
TOTAL ADDITIONS	28,539,600	1,356,907	6
DEDUCTIONS:			
Administration	349,123	-	-
Transfers to other systems	488,710	-	-
Retirement benefits and refunds	11,099,357	-	-
Educational scholarships	-	-	120
Miscellaneous	36,085	-	-
TOTAL DEDUCTIONS	11,973,275	-	120
CHANGE IN NET POSITION	16,566,325	1,356,907	(114)
NET POSITION AT BEGINNING OF YEAR	108,709,248	-	76,815
NET POSITION AT END OF YEAR	$ 125,275,573	$ 1,356,907	76,701

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City is a municipal corporation that is governed by an elected Mayor and City Council (Council).

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

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

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

The *Goodyear School fund* is used to account for financial resources associated with the construction of the new Goodyear Elementary School.

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.

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

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

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

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

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

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

The following fiduciary fund types are reported:

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

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

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

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

Motor Vehicle and Other Excise Taxes

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

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

Water and Sewer User Fees

User fees for residential and small commercial users are levied semi-annually while the top 20 commercial users are levied monthly. Residential user fees are based on flat rates while commercial user fees are based on individual meter readings. All user fees are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. Water and sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Water and sewer fees and liens are recorded as receivables in the year of the levy.

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

Departmental and Other

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

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

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

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

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

Governmental Fund Financial Statements

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

H. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

Governmental Fund Financial Statements

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

I. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Unavailable Revenue

Unavailable 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. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

L. Net position and Fund Equity

Government-Wide Financial Statements (Net position)

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

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

Net position has been "restricted for" the following:

"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.

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

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

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

N. 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.

O. 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.

P. Use of Estimates

Government-Wide and Fund Financial Statements

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

Q. 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.

R. Appropriation and Fund Deficits

Several individual fund deficits exist at June 30, 2014 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 removal. This over-expenditure will be funded by the 2015 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 Cash Equivalents." The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans,

which are legal for the investment of funds of savings banks under the laws of the Commonwealth. In addition, there are various restrictions limiting the amount and length of deposits and investments.

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

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

Custodial Credit Risk – Deposits

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

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

At year-end, the carrying amount of deposits totaled $47,924,414 and the bank balance totaled $49,320,394. Of the bank balance, $16,431,680 was covered by Federal Depository Insurance, $644,210 was covered by Depositors Insurance Fund, and $32,244,504 was collateralized.

At December 31, 2013, the carrying amount of deposits for the System totaled $466,210 and the bank balance totaled $579,710. 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. For the debt securities of $2,709,263 in government sponsored enterprises, $5,347,904 in corporate bonds and $8,808,680 in equity securities, the government has custodial credit risk exposure totaling $16,865,847 because the related securities are uninsured, unregistered and held by the counterparty. The City does not have an investment policy for custodial credit risk.

For the other investments of $2,472,094 in government agencies, $1,743,043 in government sponsored enterprises, $5,897,586 in corporate bonds and $22,170,187 in equity securities, the System has custodial credit risk exposure totaling $32,282,910 because the related securities are uninsured, unregistered and held by the counterparty. The System does not have an investment policy for custodial credit risk.

Interest Rate Risk

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

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

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .25 to 10.78 years.

As of June 30, 2014, the City had the following investments and maturities:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities					
Government Sponsored Enterprises	$ 2,709,263	$ -	$ 800,914	$ 780,763	$ 1,127,586
Corporate Bonds	5,347,904	512,468	2,201,323	1,251,743	1,382,370
Total Debt Securities	8,057,167	$ 512,468	$ 3,002,237	$ 2,032,506	$ 2,509,956
Other Investments					
Equity Securities	8,808,680				
Equity Mutual Funds	1,362,057				
Money Market Mutual Funds	976,162				
MMDT	182,621				
Total Investments	$ 19,386,687				

As of December 31, 2013, the System had the following investments and maturities:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities					
Government Agencies	$ 2,472,095	$ -	$ 85,712	$ -	$ 2,386,383
Government Sponsored Enterprises	1,743,043	-	830,878	104,413	807,752
Corporate Bonds	5,897,586	118,377	1,225,635	1,581,952	2,971,622
Bond Mutual Funds	7,973,381	-	-	7,973,381	-
Total Debt Securities	18,086,105	$ 118,377	$ 2,142,225	$ 9,659,746	$ 6,165,757
Other Investments					
Equity Securities	22,170,187				
Equity Mutual Funds	19,560,634				
Pooled Real Estate Funds	2,606,020				
Pooled Alternative Investments	14,011,411				
Money Market Mutual Funds	2,285,096				
PRIT	46,085,180				
Total Investments	$ 124,804,633				

Credit Risk

The City's investment policy limits investments in debt securities to United States Treasuries and Agency obligations, which carry a AA+ rating and other investments which are legal for the investment of funds of savings banks under the laws of the Commonwealth. As of June 30, 2014, Standard & Poor's Investors Service rated the City's investments as follows:

Investment Type	Fair Value	Quality Ratings			
		AA	A	BBB	BB
Government Sponsored Enterprises	$ 2,709,263	$ 2,709,263	$ -	$ -	$ -
Corporate Bonds	5,347,904	1,599,362	2,845,805	580,555	322,182
Total	$ 8,057,167	$ 4,308,625	$ 2,845,805	$ 580,555	$ 322,182

The City's investments in MMDT and PRIT were unrated.

The System has not adopted a formal policy related to Credit Risk. As of December 31, 2013, Standard & Poor's Investors Service rated the System's investments as follows:

Investment Type	Fair Value	Quality Ratings					
		AAA	AA	A	BBB	B	Unrated
Government Agencies	$ 2,472,095	$ -	$ 2,472,095	$ -	$ -	$ -	$ -
Government Sponsored Enterprise	1,743,043	-	1,743,043	-	-	-	-
Corporate Bonds	5,897,586	413,983	373,476	1,237,404	955,835	-	2,916,888
Bond Mutual Fund	7,973,381	852,580	-	-	-	7,120,801	-
Total	$ 18,086,105	$ 1,266,563	$ 4,588,614	$ 1,237,404	$ 955,835	$ 7,120,801	$ 2,916,888

Concentration of Credit Risk

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

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

NOTE 3 - RECEIVABLES

At June 30, 2014, receivables for the individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	$ 1,745,701	$ (1,033,372)	$ 712,329
Real estate tax deferrals	344,319	-	344,319
Tax liens	3,017,498	-	3,017,498
Motor vehicle and other excise taxes	1,305,635	(867,488)	438,147
Departmental and other	1,888,461	(474,210)	1,414,251
Intergovernmental	3,707,359	-	3,707,359
Total	$ 12,008,973	$ (2,375,070)	$ 9,633,903

At June 30, 2014, receivables for the water and sewer enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Utility liens	$ 100,165	$ -	$ 100,165
User fees	8,718,400	-	8,718,400
Intergovernmental	1,314,339	-	1,314,339
Total	$ 10,132,904	$ -	$ 10,132,904

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

	General Fund	Other Governmental Funds	Total
Asset type:			
Real estate and personal property taxes	$ 429,322	$ -	$ 429,322
Real estate tax deferrals	344,319	-	344,319
Tax liens	3,017,498	-	3,017,498
Motor vehicle and other excise taxes	438,147	-	438,147
Departmental and other	18,202	1,396,049	1,414,251
Intergovernmental	-	3,538,181	3,538,181
Tax foreclosures	702,764	-	702,764
Total	$ 4,950,252	$ 4,934,230	$ 9,884,482

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 22,068,936	$ -	$ -	$ 22,068,936
Construction in progress	646,317	-	(646,317)	-
Total capital assets not being depreciated	22,715,253	-	(646,317)	22,068,936
Capital assets being depreciated:				
Land improvements	5,038,521	-	-	5,038,521
Building improvements	17,214,507	-	-	17,214,507
Buildings	147,923,702	-	-	147,923,702
Vehicles	3,052,521	486,504	-	3,539,025
Machinery and equipment	8,030,886	997,071	-	9,027,957
Infrastructure	52,151,941	2,579,294	-	54,731,235
Total capital assets being depreciated	233,412,078	4,062,869	-	237,474,947
Less accumulated depreciation for:				
Land improvements	(1,883,758)	(142,953)	-	(2,026,711)
Building improvements	(9,357,911)	(765,508)	-	(10,123,419)
Buildings	(21,181,498)	(794,532)	-	(21,976,030)
Vehicles	(2,094,407)	(334,289)	-	(2,428,696)
Machinery and equipment	(5,292,633)	(488,072)	-	(5,780,705)
Infrastructure	(34,066,575)	(1,341,950)	-	(35,408,525)
Total accumulated depreciation	(73,876,782)	(3,867,304)	-	(77,744,086)
Total capital assets being depreciated, net	159,535,296	195,565	-	159,730,861
Total governmental activities capital assets, net	$ 182,250,549	$ 195,565	$ (646,317)	$ 181,799,797

	Beginning Balance	Increases	Decreases	Ending Balance
Water and Sewer Activities:				
Capital assets not being depreciated:				
Land	$ 332,240	$ -	$ -	$ 332,240
Construction in Progress	83,000	-	-	83,000
Total capital assets not being depreciated	415,240	-	-	415,240
Capital assets being depreciated:				
Buildings	6,953,303	-	-	6,953,303
Vehicles	122,000	-	-	122,000
Machinery and equipment	559,465	-	-	559,465
Infrastructure	68,087,119	4,570,625	-	72,657,744
Total capital assets being depreciated	75,721,887	4,570,625	-	80,292,512
Less accumulated depreciation for:				
Buildings	(2,648,401)	(155,979)	-	(2,804,380)
Vehicles	(122,000)	-	-	(122,000)
Machinery and equipment	(474,357)	(12,498)	-	(486,855)
Infrastructure	(22,457,865)	(1,403,119)	-	(23,860,984)
Total accumulated depreciation	(25,702,623)	(1,571,596)	-	(27,274,219)
Total capital assets being depreciated, net	50,019,264	2,999,029	-	53,018,293
Total water and sewer activities capital assets, net	$ 50,434,504	$ 2,999,029	$ -	$ 53,433,533

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

Governmental Activities:	
General government	$ 77,977
Public safety	623,570
Education	1,369,659
Public works	1,664,941
Human services	11,471
Culture and recreation	119,686
Total depreciation expense - governmental activities	$ 3,867,304
Business-Type Activities:	
Water and sewer	$ 1,571,596

NOTE 5 - INTERFUND TRANSFERS

Due to/from other funds

As of June 30, 2014, the City has an interfund receivable/payable of $48,517 which exists between the general fund and the state highway grants fund. The purpose of this balance is to cover short-term cash needs that will be funded by future grant proceeds.

Interfund Transfers

Interfund transfers for the year ended June 30, 2014, are summarized as follows:

	Transfers In:			
Transfers Out:	General Fund	Nonmajor Governmental Funds	Total	
General Fund	$ -	$ 2,480,308	$ 2,480,308	(1)
Nonmajor Governmental Funds	4,073,002	-	4,073,002	(2)
Goodyear School Fund	893,848	-	893,848	(3)
Water and Sewer Enterprise Fund	1,541,686	-	1,541,686	(4)
Total	$ 6,508,536	$ 2,480,308	$ 8,988,844	

(1) Represents budgeted transfers from the general fund to the debt service fund and the Whispering Hill capital project fund.
(2) Represents budgeted transfers to the general fund from other available funds and the debt service fund.
(3) Represents the transfer of excess stabilization funds appropriated for the Goodyear School capital project fund back to the stabilization fund.
(4) 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.

The City did not issue short-term debt during 2014 and did not have any amounts outstanding as of June 30, 2014.

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."

Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
Municipal Purpose Bonds of 2004	2026	$ 10,003,033	3.44	$ 1,154,255	$ -	$ (514,435)	$ 639,820
Municipal Purpose Bonds of 2005	2006	22,500,000	4.46	4,500,000	-	(1,500,000)	3,000,000
Municipal Purpose Refunding Bonds of 2005	2015	1,150,000	4.19	565,000	-	(285,000)	280,000
Municipal Purpose Bonds of 2007	2027	2,370,000	2.00	2,050,000	-	(160,000)	1,890,000
MCWT CW-06-05	2018	300,000	2.00	157,728	-	(30,296)	127,432
MCWT CW-05-12	2018	225,000	2.00	118,296	-	(22,722)	95,574
MCWT CW-07-15	2029	250,000	2.00	206,945	-	(11,085)	195,860
Municipal Purpose Bonds of 2012	2037	70,154,000	3.16	19,055,000	-	(585,000)	18,470,000
Municipal Purpose Refunding Bonds of 2012	2025	4,830,000	3.26	4,760,000	-	(20,000)	4,740,000
Municipal Purpose Bonds of 2013	2023	1,826,000	3.64	1,826,000	-	(191,000)	1,635,000
Municipal Purpose Refunding Bonds of 2013	2026	12,610,000	3.78	12,610,000	-	-	12,610,000
Total				$ 47,003,224	$ -	$ (3,319,538)	$ 43,683,686

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

Year	Principal	Interest	Total
2015	$ 3,320,219	$ 1,339,406	$ 4,659,625
2016	3,281,721	1,290,499	4,572,220
2017	2,943,069	1,223,590	4,166,659
2018	2,919,443	1,130,945	4,050,388
2019	2,807,251	1,037,958	3,845,209
2020	2,827,499	944,361	3,771,860
2021	3,017,751	845,833	3,863,584
2022	2,998,009	739,350	3,737,359
2023	2,973,271	627,863	3,601,134
2024	2,783,540	514,020	3,297,560
2025	2,548,813	415,196	2,964,009
2026	2,239,092	342,698	2,581,790
2027	969,377	295,343	1,264,720
2028	829,667	267,424	1,097,091
2029	829,964	242,063	1,072,027
2030	810,000	216,268	1,026,268
2031	800,000	190,108	990,108
2032	800,000	163,459	963,459
2033	800,000	135,209	935,209
2034	800,000	105,709	905,709
2035	795,000	75,800	870,800
2036	795,000	45,480	840,480
2037	795,000	15,145	810,145
Total	$ 43,683,686	$ 12,203,727	$ 55,887,413

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
MCWT 00-07	2021	$ 5,046,059	4.46	$ 2,490,000	$ -	$ (275,000)	$ 2,215,000
Municipal Purpose Bonds of 2004	2025	6,879,262	3.85	770,000	-	(390,000)	380,000
MWRA Notes of 2007	2017	1,100,000	0.00	440,000	-	(110,000)	330,000
Municipal Purpose Bonds of 2008	2018	220,000	4.63	120,000	-	(20,000)	100,000
MWRA Notes of 2008	2018	1,200,000	0.00	600,000	-	(120,000)	480,000
Municipal Purpose Bonds of 2009	2030	6,500,000	4.18	5,815,000	-	(245,000)	5,570,000
Municipal Purpose Refunding Bonds of 2009	2020	900,000	3.83	615,000	-	(90,000)	525,000
MWRA Notes of 2010	2015	1,154,330	0.00	808,031	-	(115,433)	692,598
MCWT DWS 08-19	2031	6,241,464	2.00	5,723,561	-	(266,824)	5,456,737
MCWT DWS 07-17	2031	3,317,612	2.00	3,317,612	-	(155,035)	3,162,577
MWRA Notes of 2012	2022	1,000,000	0.00	900,000	-	(100,000)	800,000
MCWT DWS 08-19-A	2033	2,035,158	2.00	2,035,158	-	(82,324)	1,952,834
Municipal Purpose Refunding Bonds of 2012	2025	2,965,000	3.38	2,925,000	-	(10,000)	2,915,000
Municipal Purpose Bonds of 2013	2033	4,300,000	3.32	4,300,000	-	(215,000)	4,085,000
MCWT DWS-07-17-A	2031	619,179	2.00	619,179	-	(28,476)	590,703
Sub-total water				31,478,541	-	(2,223,092)	29,255,449
Municipal Purpose Refunding Bonds of 2009	2020	505,000	3.83	345,000	-	(50,000)	295,000
MWRA Notes of 2010	2015	949,025	0.00	379,610	-	(189,805)	189,805
MWRA Notes of 2013	2018	479,050	0.00	479,050	-	(95,810)	383,240
Sub-total sewer				1,203,660	-	(335,615)	868,045
Total enterprise funds				$ 32,682,201	$ -	$ (2,558,707)	$ 30,123,494

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

Year	Principal	Interest	Total
2015	$ 2,589,597	$ 838,416	$ 3,428,013
2016	2,340,903	776,389	3,117,292
2017	2,367,242	716,191	3,083,433
2018	2,273,813	648,992	2,922,805
2019	2,069,811	577,656	2,647,467
2020	2,096,860	507,550	2,604,410
2021	1,883,722	453,554	2,337,276
2022	1,566,269	402,136	1,968,405
2023	1,484,072	355,791	1,839,863
2024	1,507,138	307,812	1,814,950
2025	1,535,471	259,908	1,795,379
2026	1,294,077	218,688	1,512,765
2027	1,312,962	181,672	1,494,634
2028	1,352,131	142,964	1,495,095
2029	1,386,589	102,984	1,489,573
2030	1,421,343	61,544	1,482,887
2031	966,401	29,653	996,054
2032	336,229	13,930	350,159
2033	338,864	4,679	343,543
Total	$ 30,123,494	$ 6,600,509	$ 36,724,003

In prior years, the City defeased certain of its outstanding general obligation bonds by placing the proceeds of new refunding bonds in an irremovable escrow account to provide amounts sufficient for the future payment of principal and interest on these bonds. Accordingly, neither the assets in escrow nor the liability for the defeased bonds are included in the City's financial statements. As of June 30, 2014, $22,645,000 of general obligation bonds outstanding are considered defeased.

The Massachusetts Water Resources Authority (MWRA) operates an Infiltration/Inflow Local Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. At June 30, 2014, the outstanding principal amount of these loans totaled $573,045.

The governmental funds are scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of $1,223 and interest costs for $22,802. Thus, net MCWT loan repayments, including interest, are scheduled to be $158,955. 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 2014 interest subsidy totaled $3,061.

The water and sewer enterprise fund is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of $695,160 and interest costs for $297,976. Thus, net MCWT loan repayments, including interest, are scheduled to be $1,750,324. The principal subsidies are guaranteed and therefore a $695,160 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 2014 principal and interest subsidies totaled $77,470 and $84,990, 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, 2014, the City had the following authorized and unissued debt:

Purpose	Amount
Hurld/Wyman elementary school feasibility study	$ 875,000
Sewer inflow and infiltration reduction	6,800,000
Surface drainage	6,800,000
Leland park improvements	1,300,000
Water infrastructure improvements	3,428,961
Water meters	6,000,000
Total	$ 25,203,961

Changes in Long-term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities:					
Compensated absences	$ 6,697,000	$ 1,882,000	$ (1,955,000)	$ 6,624,000	$ 1,947,000
Other postemployment benefits	36,933,140	12,598,020	(8,069,718)	41,461,442	-
Bonds payable	47,003,224	-	(3,319,538)	43,683,686	3,320,219
Total	$ 90,633,364	$ 14,480,020	$ (13,344,256)	$ 91,769,128	$ 5,267,219
Business-type Activities:					
Unamortized bond premiums	$ 23,950	$ -	$ (5,172)	$ 18,778	$ 4,590
Compensated absences	232,000	64,000	(58,000)	238,000	60,000
Other postemployment benefits	220,466	145,645	(174,852)	191,259	-
Bonds payable	32,682,201	-	(2,558,707)	30,123,494	2,589,597
Total	$ 33,158,617	$ 209,645	$ (2,796,731)	$ 30,571,531	$ 2,654,187

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

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

As of June 30, 2014, the governmental fund balances consisted of the following:

	Governmental Funds		
	General	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances			
Nonspendable:			
Permanent fund principal	$ -	$ 2,703,225	$ 2,703,225
Restricted for:			
Municipal federal and state grants	-	320,211	320,211
Education federal and state grants	-	296,235	296,235
Receipts reserved for appropriation funds	-	1,520,167	1,520,167
Municipal revolving funds	-	580,545	580,545
School lunch	-	414,572	414,572
Infrastructure fund	-	763,241	763,241
Other special revenue	-	885,639	885,639
Debt service funds	-	623,563	623,563
Library trust funds	-	7,460,183	7,460,183
Cemetery perpetual care funds	-	349,465	349,465
Committed to:			
Affordable housing stabilization fund	2,962,106	-	2,962,106
Public safety	61,167	-	61,167
Public works	236,911	-	236,911
Human services	23,207	-	23,207
Culture and recreation	9,889	-	9,889
Capital outlay	2,759,187	-	2,759,187
Assigned to:			
General government	258,935	-	258,935
Public safety	93,389	-	93,389
Education	513,598	-	513,598
Public works	44,715	-	44,715
Human services	4,095	-	4,095
Culture and recreation	15,809	-	15,809
Employee benefits	964,679	-	964,679
Unassigned	26,770,464	-	26,770,464
Total Fund Balances	$ 34,718,151	$ 15,917,046	$ 50,635,197

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

At year end, the general stabilization fund totaled $11,903,531 and is reported as unassigned fund balance within the general fund; and the affordable housing stabilization fund totaled $2,962,106 and is reported as committed fund balance within the general fund.

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 $13,129,387 for the year ended June 30, 2014, 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, 2013, the System's membership consists of the following:

Active members	591
Inactive members	76
Disabled members	31
Retirees and beneficiaries currently receiving benefits	386
Total	1,084

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 year's 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 years ended June 30, 2014, 2013, and 2012 were $5,136,582, $4,884,138, and $4,712,121, respectively, which equaled its required contribution for each year. At June 30, 2014, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2012, 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 3.0% per year increasing to 4.0% over a 5 year period. 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, 2012, was 24 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)
01/01/12	$ 106,182	$ 162,639	$ 56,457	65.3%	$ 27,681	204.0%
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%

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.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The City of Woburn administers a single-employer defined benefit healthcare plan (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 various percentages of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs.

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	$ 12,338,923
Interest on net OPEB obligation	1,857,680
Adjustment to annual required contribution	(1,452,938)
Annual OPEB cost (expense)	12,743,665
Contributions made	(8,244,570)
Increase in net OPEB obligation	4,499,095
Net OPEB obligation-beginning of year	37,153,606
Net OPEB obligation-end of year	$ 41,652,701

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	$ 12,743,665	65%	$ 41,652,701
6/30/2013	17,034,163	43%	37,153,606
6/30/2012	16,179,374	41%	27,447,422

Funded Status and Funding Progress – As of June 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $161,311,012 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.

Required Supplementary Information

GENERAL FUND

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds	$ -	$ 89,226,980	$ 89,226,980	$ 89,836,980
Tax liens	-	-	-	-
Motor vehicle excise taxes	-	4,827,000	4,827,000	4,827,000
Hotel/motel tax	-	2,100,000	2,100,000	2,100,000
Meals tax	-	780,000	780,000	780,000
Penalties and interest on taxes	-	880,000	880,000	840,000
Intergovernmental	-	13,108,014	13,108,014	13,373,014
Departmental and other	-	1,393,000	1,393,000	1,168,000
Investment income	-	300,000	300,000	300,000
TOTAL REVENUES	-	112,614,994	112,614,994	113,224,994
EXPENDITURES:				
Current:				
General government	308,267	3,463,126	3,771,393	4,190,002
Public safety	94,605	15,539,834	15,634,439	16,707,438
Education	314,547	52,359,716	52,674,263	53,004,264
Public works	665,954	7,890,545	8,556,499	8,621,060
Human services	34,819	1,098,231	1,133,050	1,444,491
Culture and recreation	50,865	1,886,315	1,937,180	1,933,180
Pension benefits	-	5,210,291	5,210,291	5,210,291
Employee benefits	1,217,890	18,013,160	19,231,050	20,587,957
State and county charges	-	3,280,365	3,280,365	3,280,365
Capital outlay	2,449,391	-	2,449,391	5,089,416
Debt service:				
Principal	-	1,601,000	1,601,000	3,246,000
Interest	-	916,252	916,252	1,724,726
TOTAL EXPENDITURES	5,136,338	111,258,835	116,395,173	125,039,190
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,136,338)	1,356,159	(3,780,179)	(11,814,196)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,468,149	1,468,149	5,541,151
Transfers out	-	(2,070,308)	(2,070,308)	(5,480,308)
TOTAL OTHER FINANCING SOURCES (USES)	-	(602,159)	(602,159)	60,843
NET CHANGE IN FUND BALANCE	(5,136,338)	754,000	(4,382,338)	(11,753,353)
BUDGETARY FUND BALANCE, Beginning of year	-	25,545,111	25,545,111	25,545,111
BUDGETARY FUND BALANCE, End of year	$ (5,136,338)	$ 26,299,111	$ 21,162,773	$ 13,791,758

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
$ 90,237,345	$ -	$ 400,365
809,784	-	809,784
6,088,101	-	1,261,101
2,688,033	-	588,033
888,076	-	108,076
514,469	-	(325,531)
13,892,233	-	519,219
1,882,134	-	714,134
395,105	-	95,105
117,395,280	-	4,170,286
3,747,945	258,935	183,122
16,401,474	154,556	151,408
52,475,926	513,598	14,740
8,738,863	281,626	(399,429)
1,352,549	27,302	64,640
1,887,901	25,698	19,581
5,151,411	-	58,880
19,149,374	964,679	473,904
3,280,365	-	-
2,026,617	2,759,187	303,612
3,246,000	-	-
1,631,394	-	93,332
119,089,819	4,985,581	963,790
(1,694,539)	(4,985,581)	5,134,076
5,541,151	-	-
(5,480,308)	-	-
60,843	-	-
(1,633,696)	(4,985,581)	5,134,076
25,545,111	-	-
$ 23,911,415	$ (4,985,581)	$ 5,134,076

Retirement System Schedules of Funding Progress and Employer Contributions

The Retirement System Schedule of Funding Progress presents multiyear trend information relating to the cost-sharing plan as a whole, of which the City is one participating employer, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the City is one participating employer, as well as the City's proportionate share of the plan's annual contributions.

WOBURN CONTRIBUTORY RETIREMENT SYSTEM
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)
01/01/12	$ 106,182	$ 162,639	$ 56,457	65.3%	$ 27,681	204.0%
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%

See notes to required supplementary information.

WOBURN CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollar amounts in thousands)

	System Wide			City of Woburn	
Year Ended June 30	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) City's Percentage of System Wide Actual Contributions
2014	$ 5,339	$ 5,339	100%	$ 5,137	96.22%
2013	5,089	5,089	100%	4,884	95.97%
2012	4,914	4,914	100%	4,712	95.89%
2011	4,663	4,663	100%	4,465	95.75%
2010	4,524	4,524	100%	4,334	95.80%
2009	4,369	4,369	100%	4,200	96.13%

The City's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

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)
6/30/2013	$ -	$ 161,311,012	$ 161,311,012	0%	$ N/A	N/A
6/30/2011	-	243,982,491	243,982,491	0%	N/A	N/A
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

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2014	$ 12,338,923	$ 8,244,570	67%
6/30/2013	16,800,797	7,327,979	44%
6/30/2012	16,026,905	6,664,564	42%
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 year ended June 30, 2009. Information for prior years is not available.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date	June 30, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	30 year open amortization method with payments increasing at 4.0% per year
Remaining amortization period	30 years as of June 30, 2013

Actuarial Assumptions:

Investment rate of return	5.0%, pay-as-you-go
Medical cost trend rate	7.5% graded to 5.0% over 5 years
Inflation assumption	4.0%

Plan Membership:

Current retirees, beneficiaries, and dependents	1,013
Current active members	842
Total	1,855

See notes to required supplementary information.

NOTE A - BUDGETARY BASIS OF ACCOUNTING

1. Budgetary Information

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

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2014 approved budget authorized approximately $118.5 million in appropriations, carryforwards, and other amounts to be raised. During 2014, the Council also approved supplemental appropriations totaling approximately $12.1 million. The change is primarily due to increases in appropriations for public safety, employee benefits, capital outlay, debt service and transfers to other funds.

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2014, is presented below:

Net change in fund balance - budgetary basis	$	(1,633,696)
Perspective difference:		
Activity of the stabilization fund recorded in the general fund for GAAP		4,159,460
Basis of accounting differences:		
Net change in recording 60-day receipts		(133,000)
Net change in recording tax refunds payable		(1,355,000)
Net change in recording accrued payroll		(256,331)
Increase in revenues due to on-behalf payments		13,129,387
Increase in expenditures due to on-behalf payments		(13,129,387)
Net change in fund balance - GAAP basis	$	781,433

3. Appropriation Deficits

During 2014, actual expenditures exceeded appropriations for snow and ice removal. This over expenditure will be funded by the subsequent years tax levy.

NOTE B – PENSION PLAN

The City contributes to the System, a cost-sharing, multiple-employer defined benefit pension plan ("Plan") administered by the Woburn Contributory Retirement Board. The System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. The City is required to pay into the Retirement System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information presents multi-year trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the City is one participating employer, as well as the City's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the City.

The following actuarial methods and assumptions were used in the Retirement System's most recent actuarial valuation:

Actuarial Methods and Assumptions:

Valuation Date	January 1, 2012
Actuarial Cost Method	Individual Entry Age Normal Cost Method
Amortization Method	Increasing at 4.0% per year
Remaining Amortization Period	24 years remaining as of January 1, 2012, closed
Asset Valuation Method	Market value with a 5 year smoothing
Actuarial Assumptions	
Investment rate of return	8.25%
Projected salary increases	3.0% increasing to 4.0% over 5 years
Cost of living adjustments	3.00% of the lesser of the pension amount and $12,000 per year

NOTE C – 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, 2014

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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 (City), as of and for the year ended June 30, 2014 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2013), 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.

Powers & Sullivan LLC

March 18, 2015

CITY OF WOBURN, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2014

TABLE OF CONTENTS

PAGE

PRIOR YEAR COMMENTS 1

Investment Policy 2

Timeliness of Year-End Audit Documentation 2

Fraud Risk Assessment 2

Resolve Credit Real Estate Receivable Balances 3

Compensated Absences 3

Police Detail 4

General Ledger Journal Entries 4

Indirect Cost Allocation 5

INFORMATIONAL COMMENT 6

Future Government Accounting Standards Board (GASB) Statements for Pensions and OPEB 7

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 City Council adopted the cash and investment policy on May 8, 2014.

TIMELINESS OF YEAR-END AUDIT DOCUMENTATION

Prior Year Comment

In the prior year, we indicated that to comply with generally accepted accounting principles, among other financial information, the City's financial statements must include fixed assets and year-end accruals for appellate tax board (ATB) and compensated absence liabilities, as required by Governmental Accounting Standards Board Statement #34 and Statement #16, respectively.

Current Status

The audit documentation identified above was provided on a timelier basis for the 2014 audit.

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; however it has not been presented to the City Council for review and approval. Additionally, 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 were several old real estate tax receivable accounts (fiscal 2001 – 2006) that had credit balances totaling $206,000. As of June 30, 2014, the credit real estate accounts (fiscal 2001 – 2009) totaled $221,000. The Treasurer/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 credit balances increased by $15,000 in fiscal 2014. No significant progress was made to resolve this matter.

Continuing Recommendation

We continue to recommend that the City investigate these credit balances and implement procedures to prevent credit receivable balances from occurring in the future. We also recommend that once the cause of the credit balances is determined that the appropriate action is taken to resolve them.

COMPENSATED ABSENCES

Prior Year Comment

In the prior year, we indicated that the City's system for tracking and reporting the available sick and vacation balances 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 done manually.

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.

POLICE DETAIL

Prior Year Comment

In the prior year, we were unable to obtain support for the police detail amount reported in the general ledger. We also noted that the general ledger balance has not been updated since fiscal 2008. Currently there are no formal reconciliation procedures 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. Updating and reconciling the general ledger receivable balance to the subsidiary ledger is an important control that provides a check and balance on the activity posted to the subsidiary ledger.

Current Status

We were not provided with supporting documentation for the police detail receivable balance reported on the general ledger. The general ledger receivable balance totaled approximately $417,000 and has not changed since fiscal 2008.

Continuing Recommendation

We continue recommend that the City Auditor's Office be provided with monthly reports showing the police detail activity for the period and that the City Auditor updates the general ledger receivable balance to reflect the monthly activity. Once the activity is recorded, the general ledger receivable balance should be reconciled to the subsidiary receivable balance maintained by the police department. Any write-offs should be signed-off and approved at the proper levels of management.

GENERAL LEDGER JOURNAL ENTRIES

Prior Year Comment

In the prior year, we noted that journal entries are generally used to record year-end accruals, to reclassify transactions and to record non-cash transactions. During our audit, we reviewed several of the general ledger journal entries and found that the supporting documentation was not always readily available. However, the supporting documentation was eventually compiled and provided.

It is important to maintain supporting documentation with the journal entries in the event that turnover occurs in key financial position or an individual is out of work for an extended period of time. The supporting documentation may be needed to make an internal decision and may also be needed by an outside agency such as federal, state or independent auditors. Having supporting documentation readily available and filed numerically with copies of the journal entries will protect the City in the event that such a situation arises.

Current Status

Similar results were noted while completing our current year journal entry testing.

Continuing Recommendation

We continue to recommend that the journal entries are filed in a central location, by journal entry number, with supporting documentation attached to each journal entry. If there is no supporting documentation for the journal entry, we recommend that a memo is written and attached to describe the purpose for the entry.

INDIRECT COST ALLOCATION

Prior Year Comment

In the prior year, we indicated that the general fund provides services and pays for certain fringe benefits for its enterprise operations. It is sound business practice to complete a cost allocation plan to charge the enterprise funds for their share of these costs. If a properly approved and supported cost allocation plan is not used to calculate these charges, then the City is at risk that the enterprise funds are not being charged their fair share of expenses. The City allocates indirect costs based on percentages that have been utilized for several years. It is good business practice to periodically review indirect cost allocations to ensure that the rates being applied are still applicable to the current situation.

Current Status

The City has not analyzed its cost allocation plan in several years to ensure that the rates being applied are still applicable.

Continuing Recommendation

We continue to recommend that the City develop a cost allocation plan that identifies all fringe benefits and overhead departments that support each enterprise fund. The plan should include:

- Direct and indirect charges used to calculate the allocable cost of the overhead department.
- The appropriate base to allocate the specific cost.
- Identifying costs that can use actual direct charges for specific expenses.
- A required year-end reconciliation of the estimated budget allocation to the actual results of operations.

INFORMATIONAL COMMENT

FUTURE GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS FOR PENSIONS AND OPEB

Comment

The GASB has issued new pronouncements that will significantly affect the accounting and reporting requirements for Pensions and Other Postemployment Benefits (OPEB). These new standards will start to phase in during 2015 and will substantially impact the City's financial statements and will also affect the requirements for accumulating the necessary data to meet the reporting requirements.

The new standards that have been issued and their effective dates are as follows:

- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in 2015.

- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in 2015.

The GASB is expected to issue additional standards following #67 & #68 for Pensions, which will similarly affect accounting and financial reporting for OPEB Plans. The GASB is encouraging earlier application of these standards. To briefly summarize these new standards –

- GASB #67 and #68 will substantially change the reporting for pension liabilities and expenses. Changes in pension liability will be immediately recognized as pension expense or reported as deferred outflows/inflows of resources depending on the nature of the changes. Substantial changes to methods and assumptions used to determine actuarial information for GAAP reporting purposes will be required. Current actuarial methods may continue to be used to determine funding amounts. Employers will report in their financial statements a *net pension liability (asset)* determined annually as of the fiscal year end. *Net pension liability (asset)* equals the total pension liability for the plan net of the plan net position. Pension liability is the actuarial present value of projected benefits attributed to past service, and plan net position is the accumulated plan assets net of any financial statement liabilities of the plan.

The City should expect to record significant pension and OPEB liabilities in the future.

Recommendation

While the most significant changes from these GASB's do not go into effect until 2015, we wanted to make the City aware of the magnitude these changes will have on financial statement reporting and disclosures. The City should plan to meet with your actuaries and financial advisers as more information becomes available. You may also want to consider how and when this information should be communicated to financial statement users.