

***CITY OF WOBURN, MASSACHUSETTS***

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

***YEAR ENDED JUNE 30, 2014***

CITY OF WOBURN, MASSACHUSETTS

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JUNE 30, 2014

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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.

A handwritten signature in black ink that reads "Powers & Sullivan - LLC". The signature is written in a cursive, flowing style.

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.

	<u>2014</u>	<u>2013</u>
<b>Assets:</b>		
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.....	<u>159,730,861</u>	<u>159,535,296</u>
<b>Total assets.....</b>	<b><u>248,099,307</u></b>	<b><u>245,855,293</u></b>
<b>Liabilities:</b>		
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.....	<u>40,363,467</u>	<u>43,683,686</u>
<b>Total liabilities.....</b>	<b><u>97,842,935</u></b>	<b><u>95,233,640</u></b>
<b>Net Position:</b>		
Net investment in capital assets.....	138,862,748	136,675,902
Restricted.....	15,727,698	14,986,703
Unrestricted.....	<u>(4,334,074)</u>	<u>(1,040,952)</u>
<b>Total net position.....</b>	<b><u>\$ 150,256,372</u></b>	<b><u>\$ 150,621,653</u></b>

	<u>2014</u>	<u>2013</u>
<b>Program Revenues:</b>		
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
<b>General Revenues:</b>		
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
<b>Total revenues.....</b>	<b><u>144,261,643</u></b>	<b><u>140,390,463</u></b>
<b>Expenses:</b>		
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
<b>Total expenses.....</b>	<b><u>146,168,610</u></b>	<b><u>144,530,609</u></b>
<b>Increase in net position before transfers.....</b>	<b>(1,906,967)</b>	<b>(4,140,146)</b>
<b>Transfers.....</b>	<b><u>1,541,686</u></b>	<b><u>1,505,502</u></b>
<b>Change in net position.....</b>	<b>(365,281)</b>	<b>(2,634,644)</b>
<b>Net position at beginning of the year.....</b>	<b><u>150,621,653</u></b>	<b><u>153,256,297</u></b>
<b>Net position at end of the year.....</b>	<b><u>\$ 150,256,372</u></b>	<b><u>\$ 150,621,653</u></b>

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.

	<u>2014</u>	<u>2013</u>
<b>Assets:</b>		
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.....	<u>53,018,293</u>	<u>50,019,264</u>
<b>Total assets.....</b>	<b><u>73,045,121</u></b>	<b><u>74,110,776</u></b>
<b>Liabilities:</b>		
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.....	<u>27,548,085</u>	<u>30,142,272</u>
<b>Total liabilities.....</b>	<b><u>31,544,555</u></b>	<b><u>34,012,707</u></b>
<b>Net Position:</b>		
Net investment in capital assets.....	28,474,727	22,492,051
Unrestricted.....	<u>13,025,839</u>	<u>17,606,018</u>
<b>Total net position.....</b>	<b><u>\$ 41,500,566</u></b>	<b><u>\$ 40,098,069</u></b>
<b>Program Revenues:</b>		
Charges for services.....	\$ 19,704,495	\$ 17,740,229
Operating grants and contributions.....	84,990	95,646
Capital grants and contributions.....	-	468,133
<b>Total revenues.....</b>	<b><u>19,789,485</u></b>	<b><u>18,304,008</u></b>
<b>Expenses:</b>		
Water and sewer.....	<u>16,845,302</u>	<u>15,512,226</u>
<b>Increase in net position before transfers.....</b>	<b>2,944,183</b>	<b>2,791,782</b>
<b>Transfers.....</b>	<b><u>(1,541,686)</u></b>	<b><u>(1,505,502)</u></b>
<b>Change in net position.....</b>	<b>1,402,497</b>	<b>1,286,280</b>
<b>Net position at beginning of the year.....</b>	<b><u>40,098,069</u></b>	<b><u>38,811,789</u></b>
<b>Net position at end of the year.....</b>	<b><u>\$ 41,500,566</u></b>	<b><u>\$ 40,098,069</u></b>

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

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
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
<b>NONCURRENT:</b>			
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
<b>TOTAL ASSETS.....</b>	<b>248,099,307</b>	<b>73,045,121</b>	<b>321,144,428</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
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
<b>NONCURRENT:</b>			
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
<b>TOTAL LIABILITIES.....</b>	<b>97,842,935</b>	<b>31,544,555</b>	<b>129,387,490</b>
<b>NET POSITION</b>			
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)	13,025,839	8,691,765
<b>TOTAL NET POSITION.....</b>	<b>\$ 150,256,372</b>	<b>\$ 41,500,566</b>	<b>\$ 191,756,938</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
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..	<u>146,168,610</u>	<u>6,547,904</u>	<u>28,616,562</u>	<u>2,621,396</u>	<b>(108,382,748)</b>
<i>Business-Type Activities:</i>					
Water and Sewer.....	<u>16,845,302</u>	<u>19,704,495</u>	<u>84,990</u>	<u>-</u>	<b>2,944,183</b>
Total Primary Government.....	<u>\$ 163,013,912</u>	<u>\$ 26,252,399</u>	<u>\$ 28,701,552</u>	<u>\$ 2,621,396</u>	<b>\$ (105,438,565)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

YEAR ENDED JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(108,382,748)</b>	\$ <b>2,944,183</b>	\$ <b>(105,438,565)</b>
<i>General revenues:</i>			
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
<i>Transfers, net</i> .....	<u>1,541,686</u>	<u>(1,541,686)</u>	<u>-</u>
Total general revenues and transfers.....	<u>108,017,467</u>	<u>(1,541,686)</u>	<u>106,475,781</u>
Change in net position.....	(365,281)	1,402,497	1,037,216
<i>Net Position:</i>			
Beginning of year.....	<u>150,621,653</u>	<u>40,098,069</u>	<u>190,719,722</u>
End of year.....	\$ <u><u>150,256,372</u></u>	\$ <u><u>41,500,566</u></u>	\$ <u><u>191,756,938</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2014

	General	State Highway Grants	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
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
<b>TOTAL ASSETS.....</b>	<b>45,247,028</b>	<b>3,204,243</b>	<b>17,896,756</b>	<b>66,348,027</b>
<b>LIABILITIES</b>				
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
<b>TOTAL LIABILITIES.....</b>	<b>5,578,625</b>	<b>84,099</b>	<b>165,624</b>	<b>5,828,348</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues.....	4,950,252	3,120,144	1,814,086	9,884,482
<b>FUND BALANCES</b>				
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
<b>TOTAL FUND BALANCES.....</b>	<b>34,718,151</b>	<b>-</b>	<b>15,917,046</b>	<b>50,635,197</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....</b>	<b>\$ 45,247,028</b>	<b>\$ 3,204,243</b>	<b>\$ 17,896,756</b>	<b>\$ 66,348,027</b>

See notes to basic financial statements.

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

JUNE 30, 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.....	<u>(41,461,442)</u>	
Net effect of reporting long-term liabilities.....		<u>(91,769,128)</u>
Net position of governmental activities.....		<u>\$ 150,256,372</u>

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
<b>REVENUES:</b>					
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
<b>TOTAL REVENUES.....</b>	<b>129,302,281</b>	<b>730,514</b>	<b>739,058</b>	<b>12,345,975</b>	<b>143,117,828</b>
<b>EXPENDITURES:</b>					
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
<b>TOTAL EXPENDITURES.....</b>	<b>132,549,076</b>	<b>730,514</b>	<b>691,962</b>	<b>10,750,159</b>	<b>144,721,711</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(3,246,795)</b>	<b>-</b>	<b>47,096</b>	<b>1,595,816</b>	<b>(1,603,883)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in.....	6,508,536	-	-	2,480,308	8,988,844
Transfers out.....	(2,480,308)	-	(893,848)	(4,073,002)	(7,447,158)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>4,028,228</b>	<b>-</b>	<b>(893,848)</b>	<b>(1,592,694)</b>	<b>1,541,686</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>781,433</b>	<b>-</b>	<b>(846,752)</b>	<b>3,122</b>	<b>(62,197)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>33,936,718</b>	<b>-</b>	<b>846,752</b>	<b>15,913,924</b>	<b>50,697,394</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 34,718,151</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,917,046</b>	<b>\$ 50,635,197</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds.....	\$	(62,197)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....		3,416,552
Depreciation expense.....		<u>(3,867,304)</u>
Net effect of reporting capital assets.....		(450,752)
<p>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.....</p>		
		1,143,815
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net 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.</p>		
Debt service principal payments.....		3,319,537
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		73,000
Net change in accrued interest on long-term debt.....		139,618
Net change in other postemployment benefit.....		<u>(4,528,302)</u>
Net effect of recording long-term liabilities.....		<u>(4,315,684)</u>
Change in net position of governmental activities.....	\$	<u><u>(365,281)</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2014

		Business-type Activities - Enterprise Funds
		Water and Sewer
<b>ASSETS</b>		
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
<b>LIABILITIES</b>		
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
<b>NET POSITION</b>		
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

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

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

	Business-type Activities - <u>Enterprise Funds</u>
	<u>Water and Sewer</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>	
Receipts from customers and users.....	\$ 19,485,567
Payments to vendors.....	(13,474,556)
Payments to employees.....	<u>(784,868)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>5,226,143</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>	
Transfers out.....	<u>(1,541,686)</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>	
Acquisition and construction of capital assets.....	(4,570,625)
Principal payments on bonds.....	(2,481,237)
Interest expense.....	<u>(838,737)</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(7,890,599)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(4,206,142)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>13,684,826</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 9,478,684</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u></b>	
<b><u>FROM OPERATING ACTIVITIES:</u></b>	
Operating income (loss).....	\$ <u>3,752,812</u>
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.....	<u>(29,207)</u>
Total adjustments.....	<u>1,473,331</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 5,226,143</u>
<b><u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u></b>	
Intergovernmental subsidy.....	<u>\$ 162,460</u>

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
<b>ASSETS</b>				
<b>CURRENT:</b>				
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	-	-	-
<b>TOTAL ASSETS.....</b>	<b>125,379,817</b>	<b>1,356,907</b>	<b>76,701</b>	<b>435,966</b>
<b>LIABILITIES</b>				
Warrants payable.....	104,244	-	-	2,763
Liabilities due depositors.....	-	-	-	433,203
<b>TOTAL LIABILITIES.....</b>	<b>104,244</b>	<b>-</b>	<b>-</b>	<b>435,966</b>
<b>NET POSITION</b>				
Held in trust for pension benefits and other purposes.....	\$ <u>125,275,573</u>	\$ <u>1,356,907</u>	\$ <u>76,701</u>	\$ <u>-</u>

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

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

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

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

**Motor Vehicle and Other Excise Taxes**

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

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

**Water and Sewer User Fees**

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

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

**Departmental and Other**

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

***Intergovernmental***

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

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

**F. Inventories**

*Government-Wide and Fund Financial Statements*

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

**G. Capital Assets**

*Government-Wide and Proprietary Fund Financial Statements*

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

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

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

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

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

*Governmental Fund Financial Statements*

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

## H. Deferred Outflows/Inflows of Resources

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

In addition to assets, the statement of 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 Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
<b>Debt Securities</b>					
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
<b>Other Investments</b>					
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 Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
<b>Debt Securities</b>					
Government Agencies.....	\$ 2,472,095	\$ -	\$ 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
<b>Other Investments</b>					
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					Unrated
		AAA	AA	A	BBB	B	
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
<u>Receivables:</u>			
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.....	<u>\$ 12,008,973</u>	<u>\$ (2,375,070)</u>	<u>\$ 9,633,903</u>

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

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

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

	General Fund	Other Governmental Funds	Total
<u>Asset type:</u>			
Real estate and personal property taxes.....	\$ 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.....	<u>\$ 4,950,252</u>	<u>\$ 4,934,230</u>	<u>\$ 9,884,482</u>

**NOTE 4 - CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 22,068,936	\$ -	\$ -	\$ 22,068,936
Construction in progress.....	<u>646,317</u>	<u>-</u>	<u>(646,317)</u>	<u>-</u>
Total capital assets not being depreciated.....	<u>22,715,253</u>	<u>-</u>	<u>(646,317)</u>	<u>22,068,936</u>
<u>Capital assets being depreciated:</u>				
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.....	<u>52,151,941</u>	<u>2,579,294</u>	<u>-</u>	<u>54,731,235</u>
Total capital assets being depreciated.....	<u>233,412,078</u>	<u>4,062,869</u>	<u>-</u>	<u>237,474,947</u>
<u>Less accumulated depreciation for:</u>				
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.....	<u>(34,066,575)</u>	<u>(1,341,950)</u>	<u>-</u>	<u>(35,408,525)</u>
Total accumulated depreciation.....	<u>(73,876,782)</u>	<u>(3,867,304)</u>	<u>-</u>	<u>(77,744,086)</u>
Total capital assets being depreciated, net.....	<u>159,535,296</u>	<u>195,565</u>	<u>-</u>	<u>159,730,861</u>
Total governmental activities capital assets, net.....	<u>\$ 182,250,549</u>	<u>\$ 195,565</u>	<u>\$ (646,317)</u>	<u>\$ 181,799,797</u>

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

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.....	<u>119,686</u>

Total depreciation expense - governmental activities..... \$ 3,867,304

**Business-Type Activities:**

Water and sewer.....	<u>\$ 1,571,596</u>
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**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:

<u>Transfers Out:</u>	<u>Transfers In:</u>		
	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.....	<u>\$ 6,508,536</u>	<u>\$ 2,480,308</u>	<u>\$ 8,988,844</u>

- (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.....	<u>6,000,000</u>
 Total.....	 <u>\$ 25,203,961</u>

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
<b>Governmental Activities:</b>					
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.....	<u>47,003,224</u>	<u>-</u>	<u>(3,319,538)</u>	<u>43,683,686</u>	<u>3,320,219</u>
Total.....	<u>\$ 90,633,364</u>	<u>\$ 14,480,020</u>	<u>\$ (13,344,256)</u>	<u>\$ 91,769,128</u>	<u>\$ 5,267,219</u>
<b>Business-type Activities:</b>					
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.....	<u>32,682,201</u>	<u>-</u>	<u>(2,558,707)</u>	<u>30,123,494</u>	<u>2,589,597</u>
Total.....	<u>\$ 33,158,617</u>	<u>\$ 209,645</u>	<u>\$ (2,796,731)</u>	<u>\$ 30,571,531</u>	<u>\$ 2,654,187</u>

**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.....	<u>26,770,464</u>	-	<u>26,770,464</u>
Total Fund Balances..... \$	<u>\$ 34,718,151</u>	<u>\$ 15,917,046</u>	<u>\$ 50,635,197</u>

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.....	<u>386</u>
Total.....	<u><u>1,084</u></u>

*Funding Policy* - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The current and two preceding 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.....	<u>(1,452,938)</u>
 Annual OPEB cost (expense).....	 12,743,665
 Contributions made.....	 <u>(8,244,570)</u>
 Increase in net OPEB obligation.....	 4,499,095
 Net OPEB obligation-beginning of year.....	 <u>37,153,606</u>
 Net OPEB obligation-end of year.....	 <u>\$ 41,652,701</u>

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:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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.

In the June 30, 2013, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 5% investment return assumption, which is based on the expected yield on the assets of the City, calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend rate of 7.5% initially, graded to 5% over 5 years and included a 4% inflation assumption. The UAAL is being amortized using a 30 year open amortization method, with amortization payments increasing at 4% per year. The remaining amortization period at June 30, 2014 is 30 years.

#### **NOTE 12 - CONTINGENCIES**

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2014, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

#### **NOTE 13 - COMMITMENTS**

The City has appropriated \$875,000 for the Hurd/Wyman elementary school feasibility study and has expended \$176,000 as of June 30, 2014. This is the first phase of the planned construction of a new elementary school.

The City has appropriated \$6 million for the installation of water meters and has expended \$884,000 as of June 30, 2014. This project involves installing new water meters for all residential and commercial properties in the City.

The City has appropriated \$800,000 for the Shaker Glen Pump Station and has expended \$135,000 as of June 30, 2014. This project includes the installation of a water pump station on the west side of the City for increased water pressure and flow.

The City has appropriated \$5.9 million for construction of the Rag Rock water tank and has expended \$5.6 million as of June 30, 2014. This project funded the construction of a new sealed water tank and the demolition and site remediation of the decommissioned water tank.

The City has appropriated \$6.8 million for sewer infiltration and inflow and has expended \$23,000 as of June 30, 2014. The purpose of this project is to reduce inflow and infiltration of the sewer system.

The City has appropriated \$6.8 million for surface drainage projects and has expended \$3,900 as of June 30, 2014. The purpose of this project is to improve management of surface run-off throughout the City.

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

During 2014, the following GASB pronouncements were implemented:

- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*. Financial statement changes include the presentation of deferred outflows in the Statement of Net Position and Balance Sheet. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future years:

- 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 issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in 2015.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with Statement #68 in 2015.
- The GASB issued Statement #72, *Fair Value Measurement and Application*, which is required to be implemented in 2016.

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

# ***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
<b>REVENUES:</b>				
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
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>112,614,994</b>	<b>112,614,994</b>	<b>113,224,994</b>
<b>EXPENDITURES:</b>				
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
<b>TOTAL EXPENDITURES.....</b>	<b>5,136,338</b>	<b>111,258,835</b>	<b>116,395,173</b>	<b>125,039,190</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(5,136,338)</b>	<b>1,356,159</b>	<b>(3,780,179)</b>	<b>(11,814,196)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	-	1,468,149	1,468,149	5,541,151
Transfers out.....	-	(2,070,308)	(2,070,308)	(5,480,308)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>(602,159)</b>	<b>(602,159)</b>	<b>60,843</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(5,136,338)</b>	<b>754,000</b>	<b>(4,382,338)</b>	<b>(11,753,353)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>-</b>	<b>25,545,111</b>	<b>25,545,111</b>	<b>25,545,111</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ (5,136,338)</b>	<b>\$ 26,299,111</b>	<b>\$ 21,162,773</b>	<b>\$ 13,791,758</b>

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
	<u>117,395,280</u>	<u>-</u>	<u>4,170,286</u>
	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
	<u>119,089,819</u>	<u>4,985,581</u>	<u>963,790</u>
	<u>(1,694,539)</u>	<u>(4,985,581)</u>	<u>5,134,076</u>
	5,541,151	-	-
	<u>(5,480,308)</u>	<u>-</u>	<u>-</u>
	<u>60,843</u>	<u>-</u>	<u>-</u>
	(1,633,696)	(4,985,581)	5,134,076
	<u>25,545,111</u>	<u>-</u>	<u>-</u>
\$	<u>23,911,415</u>	\$ <u>(4,985,581)</u>	\$ <u>5,134,076</u>

# ***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)

Year Ended June 30	System Wide			City of Woburn	
	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**

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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.....	<u>842</u>
Total.....	<u><u>1,855</u></u>

See notes to required supplementary information.

**NOTE A - BUDGETARY BASIS OF ACCOUNTING**

1. Budgetary Information

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

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 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)
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	4,159,460
<u>Basis of accounting differences:</u>	
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.....	<u>(13,129,387)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 781,433</u>

**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.