

CITY OF WOBURN, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2019

CITY OF WOBURN, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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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, 2019 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2018), 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, 2019 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2018), 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 31, 2020, on our consideration of the City of Woburn, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Woburn, Massachusetts' internal control over financial reporting and compliance.



March 31, 2020

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, 2019. 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 liabilities and deferred inflows of resources of the City of Woburn exceeded the assets and deferred outflows of resources at the close of the most recent year by \$40.2 million (net position).
- At the close of the current year, the City's general fund reported an ending fund balance of \$52.1 million. Total fund balance represents 33% of total general fund expenditures.
- The City's total debt (short-term and long-term combined) decreased by \$3.9 million during the year.
- The City's net other postemployment benefits (OPEB) liability increased by \$1.6 million and totaled \$256.0 million at year-end.
- The City's net pension liability increased by \$18.3 million and totaled \$93.4 million at year-end.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all assets and liabilities and deferred outflows/inflows 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, health and human services, culture and recreation, and interest. The business-type activities include the activities of water and sewer operations.

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City of Woburn's total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$40.2 million at the close of 2019.

Net position of \$216.4 million reflects its net investment in capital assets (e.g., land, land improvements, buildings, vehicles, machinery and equipment, building improvements, and infrastructure) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the governmental net position, \$11.9 million, represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* has a year-end deficit of \$268.6 million. The primary reason for this deficit balance is the recognition of the net other postemployment benefits and net pension liabilities totaling \$256.0 million and \$93.4 million, respectively.

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

Governmental Activities

The City of Woburn’s total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources for governmental activities by \$85.7 million at the close of 2019.

	2019	2018 (As Restated)
Assets:		
Current assets.....	\$ 81,474,206	\$ 95,593,441
Capital assets, non depreciable.....	25,641,913	75,905,497
Capital assets, net of accumulated depreciation....	223,797,038	161,301,108
Total assets.....	330,913,157	332,800,046
Deferred outflows of resources.....	23,745,098	6,774,000
Liabilities:		
Current liabilities (excluding debt).....	6,453,830	14,557,107
Noncurrent liabilities (excluding debt).....	351,459,786	313,132,191
Current debt.....	7,852,142	13,860,627
Noncurrent debt.....	62,648,367	58,590,859
Total liabilities.....	428,414,125	400,140,784
Deferred inflows of resources.....	11,929,125	20,078,870
Net position:		
Net investment in capital assets.....	180,976,369	170,055,252
Restricted.....	11,940,402	16,037,855
Unrestricted.....	(278,601,766)	(266,738,715)
Total net position.....	\$ (85,684,995)	\$ (80,645,608)

	2019	2018 (As Restated)
Program Revenues:		
Charges for services.....	\$ 8,776,140	\$ 7,878,289
Operating grants and contributions.....	29,999,930	29,210,570
Capital grants and contributions.....	5,370,425	9,845,700
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	107,619,812	106,594,084
Tax liens.....	235,103	762,383
Motor vehicle excise taxes.....	7,363,042	7,075,417
Hotel/motel tax.....	3,613,381	3,288,794
Meals tax.....	1,091,965	1,067,729
Penalties and interest on taxes.....	423,366	359,855
Grants and contributions not restricted to specific programs.....	6,752,802	6,303,975
Unrestricted investment income.....	2,710,322	1,417,263
Total revenues.....	173,956,288	173,804,059
Expenses:		
General government.....	7,734,180	7,868,318
Public safety.....	35,440,758	36,911,555
Education.....	115,028,707	110,365,801
Public works.....	11,905,401	12,291,269
Health and human services.....	2,080,717	2,081,082
Culture and recreation.....	4,501,391	3,783,806
Interest.....	2,304,521	1,595,120
Total expenses.....	178,995,675	174,896,951
Change in net position.....	(5,039,387)	(1,092,892)
Net position, beginning of year (as restated).....	(80,645,608)	(79,552,716)
Net position, end of year.....	(85,684,995)	(80,645,608)

Governmental expenses totaled \$179.0 million of which \$44.1 million (25%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$129.8 million, primarily coming from property taxes, motor vehicle excise taxes, hotel/motel taxes and non-restricted state aid.

Governmental net position decreased by \$5.0 million during the current year. The primary components of this decrease include a \$20.3 million increase in the net OPEB liability and a \$4.7 million increase in the net pension liability. These decreases were offsets by a general fund surplus of \$1.3 million, capital grants totaling \$5.4 million and increases of \$13.1 million and \$12.1 million from deferred outflows/inflows of resources related to OPEB and pension, respectively.

Beginning net position of the governmental activities has been restated to reflect the update of the net OPEB liability's measurement date to the current year end. Accordingly, previously reported net position which totaled a deficit of \$75.8 million has been restated and totals a deficit of \$80.6 million (see Note 16).

Business-type Activities

For the City's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$45.4 million at the close of 2019.

	2019	2018 (As Restated)
Assets:		
Current assets.....	\$ 16,384,042	\$ 14,653,760
Noncurrent assets (excluding capital).....	124,689	237,441
Capital assets, non depreciable.....	332,240	485,637
Capital assets, net of accumulated depreciation...	54,956,653	56,370,595
Total assets.....	71,797,624	71,747,433
Deferred outflows of resources.....	275,116	103,000
Liabilities:		
Current liabilities (excluding debt).....	369,152	718,302
Noncurrent liabilities (excluding debt).....	3,102,633	2,728,211
Current debt.....	2,609,741	2,710,264
Noncurrent debt.....	20,473,294	22,322,751
Total liabilities.....	26,554,820	28,479,528
Deferred inflows of resources.....	76,968	168,062
Net position:		
Net investment in capital assets.....	35,448,450	33,639,027
Unrestricted.....	9,992,502	9,563,816
Total net position.....	\$ 45,440,952	\$ 43,202,843
Program Revenues:		
Charges for services.....	\$ 19,607,360	\$ 18,759,934
Operating grants and contributions.....	26,475	43,293
Capital grants and contributions.....	1,492,500	1,299,750
Expenses:		
Water and sewer.....	18,888,226	19,256,026
Change in net position.....	2,238,109	846,951
Net position, beginning of year (as restated).....	43,202,843	42,355,892
Net position, end of year.....	\$ 45,440,952	\$ 43,202,843

Business-type net position of \$35.4 million (78%) represents the net investment in capital assets while \$10.0 million (22%) is unrestricted.

The water and sewer enterprise fund net position increased by \$2.2 million in the current year. This increase is primarily due to the recognition of \$1.5 million from capital grants.

Beginning net position of the business-type activities has been restated to reflect the update of the net OPEB liability's measurement date to the current year end. Accordingly, previously reported net position which totaled \$43.18 million has been restated and totals \$43.20 million (see Note 16).

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 combined ending fund balances of \$67.4 million. This was comprised of the general fund totaling \$52.1 million, the Hurd/Wyman School fund totaling \$293,000, a deficit of \$2.0 million for the library construction fund and \$17.0 million for the nonmajor funds.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$43.6 million, while total fund balance was \$52.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 28% of the total general fund expenditures, while total fund balance represents 33% of that same amount. Committed fund balance totals \$8.4 million and consists of the affordable housing stabilization fund totaling \$3.7 million and unexpended capital articles totaling \$4.7 million that were carried forward to the subsequent year. Assigned fund balance totals \$194,000 and consists of unexpended appropriations that were encumbered to be expended in the subsequent year.

The general fund increased by \$1.2 million due to better than expected revenue collections and unexpended appropriations. These increases were offset by the use of reserves to fund appropriations and the OPEB trust fund, respectively.

The State highway grants fund recognized \$1.3 million of capital grant revenue and incurred \$1.3 million of road improvement costs.

The Hurd/Wyman School construction fund recognized \$1.0 million of capital grant revenue, \$1.1 million of proceeds from long-term debt. These funding sources were offset by \$2.3 million of additional construction costs. This project was substantially completed in fiscal 2019.

The Library Construction fund recognized \$2.0 million of capital grant revenue, \$528,000 of other revenues, \$6.3 million of proceeds from long-term debt and a \$4.6 million transfer from the library trust funds. These funding sources were offset by \$9.8 million of additional construction costs. This project was substantially completed in fiscal 2019.

General Fund Budgetary Highlights

The \$7.0 million (5%) increase between the original budget and the final amended budget was primarily due to increases in appropriations for public safety, education and capital outlay.

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, 2019, amounts to \$216.4 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, building improvements, vehicles, machinery and equipment and infrastructure.

Current year additions for the governmental investment in capital assets totaled \$18.1 million. \$12.7 million relates to building construction, \$1.9 million relates to land improvements, \$1.3 million relates to street resurfacing and \$2.2 million is for vehicles, equipment and other capital additions.

The \$402,000 in water and sewer additions are attributable to inflow and infiltration improvements as well as other water improvements.

Debt Administration. The City's credit rating was upgraded to AAA by Standard & Poor's Investors Service and the City continues to maintain strong market access for both note and bond sales.

Outstanding long-term debt of the general government totaled \$66.9 million, of which \$39.1 million relates to school projects, \$7.9 million relates to land acquisition, \$1.9 million relates to premiums on long-term debt and \$18.0 million relates to various other capital projects.

The water and sewer enterprise fund has \$23.1 million of outstanding long-term debt, which is fully supported by rates and does not rely on a general fund subsidy.

Short-term debt outstanding at year-end for the governmental activities totaled \$3.6 million of which \$390,000 is for the Hurd/Wyman Elementary School building project, \$2.2 million is for the library renovation and reconstruction project and \$1.0 million is for the Clapp Park project. The water and sewer enterprise fund did not have outstanding short-term debt at year end.

The Commonwealth has approved school construction assistance for the Hurd/Wyman elementary school. The assistance program is administered by the Massachusetts School Building Authority (MSBA) and under the program, the assistance is paid to support construction costs and reduce the total debt service of the City. Through the end of 2019, the City recorded grant proceeds totaling \$13.2 million, which is equal to 55% of approved construction costs submitted for reimbursement. The City anticipates receiving an additional \$249,000 of grant proceeds in 2020.

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

Requests for Information

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

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 45,908,068	\$ 6,701,694	\$ 52,609,762
Investments.....	26,146,811	-	26,146,811
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	712,558	-	712,558
Tax and utility liens.....	2,181,250	94,687	2,275,947
Motor vehicle and other excise taxes.....	406,652	-	406,652
User charges.....	-	9,474,899	9,474,899
Departmental and other.....	712,736	-	712,736
Intergovernmental.....	4,703,367	112,752	4,816,119
Tax foreclosures.....	702,764	-	702,764
Total current assets.....	81,474,206	16,384,042	97,858,248
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	124,689	124,689
Capital assets, nondepreciable.....	25,641,913	332,240	25,974,153
Capital assets, net of accumulated depreciation.....	223,797,038	54,956,653	278,753,691
Total noncurrent assets.....	249,438,951	55,413,582	304,852,533
TOTAL ASSETS.....	330,913,157	71,797,624	402,710,781
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	14,276,000	217,000	14,493,000
Deferred outflows related to other postemployment benefits....	9,469,098	58,116	9,527,214
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	23,745,098	275,116	24,020,214
LIABILITIES			
CURRENT:			
Warrants payable.....	1,522,198	83,526	1,605,724
Accrued payroll.....	1,285,727	-	1,285,727
Tax refunds payable.....	902,772	-	902,772
Accrued interest.....	558,837	239,626	798,463
Other liabilities.....	179,296	-	179,296
Compensated absences.....	2,005,000	46,000	2,051,000
Notes payable.....	3,579,980	-	3,579,980
Bonds payable.....	4,272,162	2,609,741	6,881,903
Total current liabilities.....	14,305,972	2,978,893	17,284,865
NONCURRENT:			
Compensated absences.....	5,015,000	140,000	5,155,000
Net pension liability.....	92,001,000	1,401,000	93,402,000
Net other postemployment benefits liability.....	254,443,786	1,561,633	256,005,419
Bonds payable.....	62,648,367	20,473,294	83,121,661
Total noncurrent liabilities.....	414,108,153	23,575,927	437,684,080
TOTAL LIABILITIES.....	428,414,125	26,554,820	454,968,945
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	366,000	6,000	372,000
Deferred inflows related to other postemployment benefits.....	11,563,125	70,988	11,634,093
TOTAL DEFERRED INFLOWS OF RESOURCES.....	11,929,125	76,988	12,006,093
NET POSITION			
Net investment in capital assets.....	180,976,369	35,448,450	216,424,819
Restricted for:			
Permanent funds:			
Expendable.....	4,752,413	-	4,752,413
Nonexpendable.....	3,708,320	-	3,708,320
Gifts and grants.....	3,479,669	-	3,479,669
Unrestricted.....	(278,601,766)	9,992,502	(268,609,264)
TOTAL NET POSITION.....	\$ (85,684,995)	\$ 45,440,952	\$ (40,244,043)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 7,734,180	\$ 870,164	\$ 1,268,772	\$ 73,652	\$ (5,521,592)
Public safety.....	35,440,758	5,431,204	281,204	-	(29,728,350)
Education.....	115,028,707	2,224,195	27,625,154	1,049,138	(84,130,220)
Public works.....	11,905,401	151,408	150,395	1,552,963	(10,050,635)
Health and human services.....	2,080,717	78,467	107,365	-	(1,894,885)
Culture and recreation.....	4,501,391	20,702	567,040	2,694,672	(1,218,977)
Interest.....	2,304,521	-	-	-	(2,304,521)
Total Governmental Activities.....	178,995,675	8,776,140	29,999,930	5,370,425	(134,849,180)
<i>Business-type Activities:</i>					
Water and sewer.....	18,888,226	19,607,360	26,475	1,492,500	2,238,109
Total Primary Government.....	\$ 197,883,901	\$ 28,383,500	\$ 30,026,405	\$ 6,862,925	\$ (132,611,071)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (continued)

YEAR ENDED JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (134,849,180)	\$ 2,238,109	\$ (132,611,071)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	107,619,812	-	107,619,812
Tax liens.....	235,103	-	235,103
Motor vehicle excise taxes.....	7,363,042	-	7,363,042
Hotel/motel tax.....	3,613,381	-	3,613,381
Meals tax.....	1,091,965	-	1,091,965
Penalties and interest on taxes.....	423,366	-	423,366
Grants and contributions not restricted to specific programs.....	6,752,802	-	6,752,802
Unrestricted investment income.....	2,710,322	-	2,710,322
Total general revenues and transfers.....	129,809,793	-	129,809,793
 Change in net position.....	 (5,039,387)	 2,238,109	 (2,801,278)
<i>Net position:</i>			
Beginning of year (as restated).....	(80,645,608)	43,202,843	(37,442,765)
 End of year.....	 \$ (85,684,995)	 \$ 45,440,952	 \$ (40,244,043)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES (continued)

YEAR ENDED JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ <u>(134,849,180)</u>	\$ <u>2,238,109</u>	\$ <u>(132,611,071)</u>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	107,619,812	-	107,619,812
Tax liens.....	235,103	-	235,103
Motor vehicle excise taxes.....	7,363,042	-	7,363,042
Hotel/motel tax.....	3,613,381	-	3,613,381
Meals tax.....	1,091,965	-	1,091,965
Penalties and interest on taxes.....	423,366	-	423,366
Grants and contributions not restricted to specific programs.....	6,752,802	-	6,752,802
Unrestricted investment income.....	<u>2,710,322</u>	<u>-</u>	<u>2,710,322</u>
Total general revenues and transfers.....	<u>129,809,793</u>	<u>-</u>	<u>129,809,793</u>
Change in net position.....	(5,039,387)	2,238,109	(2,801,278)
<i>Net position:</i>			
Beginning of year (as restated).....	<u>(80,645,608)</u>	<u>43,202,843</u>	<u>(37,442,765)</u>
End of year.....	\$ <u><u>(85,684,995)</u></u>	\$ <u><u>45,440,952</u></u>	\$ <u><u>(40,244,043)</u></u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2019

	General	State Highway Grants	Hurld/ Wyman School	Library Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents.....	\$ 34,183,306	\$ -	\$ 476,253	\$ 496,292	\$ 10,752,217	\$ 45,908,068
Investments.....	18,813,298	-	-	-	7,333,513	26,146,811
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	712,558	-	-	-	-	712,558
Tax liens.....	2,181,250	-	-	-	-	2,181,250
Motor vehicle and other excise taxes.....	406,652	-	-	-	-	406,652
Departmental and other.....	-	-	-	-	712,736	712,736
Intergovernmental.....	1,073,009	2,875,465	248,798	-	506,095	4,703,367
Tax foreclosures.....	702,764	-	-	-	-	702,764
Due from other funds.....	1,318,640	-	-	-	-	1,318,640
TOTAL ASSETS.....	\$ 59,391,477	\$ 2,875,465	\$ 725,051	\$ 496,292	\$ 19,304,561	\$ 82,792,846
LIABILITIES						
Warrants payable.....	\$ 1,113,014	\$ -	\$ 41,648	\$ 284,885	\$ 82,651	\$ 1,522,198
Accrued payroll.....	1,285,727	-	-	-	-	1,285,727
Tax refunds payable.....	902,772	-	-	-	-	902,772
Due to other funds.....	-	1,318,640	-	-	-	1,318,640
Other liabilities.....	179,296	-	-	-	-	179,296
Notes payable.....	-	-	390,000	2,189,499	1,000,481	3,579,980
TOTAL LIABILITIES.....	3,480,809	1,318,640	431,648	2,474,384	1,083,132	8,788,613
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue.....	3,791,588	1,556,825	-	-	1,218,830	6,567,243
FUND BALANCES						
Nonspendable.....	-	-	-	-	3,708,320	3,708,320
Restricted.....	-	-	293,403	-	13,877,918	14,171,321
Committed.....	8,356,035	-	-	-	-	8,356,035
Assigned.....	194,323	-	-	-	-	194,323
Unassigned.....	43,588,722	-	-	(1,978,092)	(583,639)	41,006,991
TOTAL FUND BALANCES.....	52,119,080	-	293,403	(1,978,092)	17,002,599	67,436,990
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 59,391,477	\$ 2,875,465	\$ 725,051	\$ 496,292	\$ 19,304,561	\$ 82,792,846

See notes to basic financial statements.

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

JUNE 30, 2019

Total governmental fund balances.....		\$ 67,436,990
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		249,438,951
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		6,567,243
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		11,815,973
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(558,837)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(66,920,529)	
Net pension liability.....	(92,001,000)	
Net other postemployment benefits liability.....	(254,443,786)	
Compensated absences.....	<u>(7,020,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(420,385,315)</u>
Net position of governmental activities.....		\$ <u>(85,684,995)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

	General	State Highway Grants	Hurid/ Wyman School	Library Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real estate and personal property taxes, net of tax refunds.....	\$ 107,319,478	\$ -	\$ -	\$ -	\$ -	\$ 107,319,478
Tax liens.....	570,520	-	-	-	-	570,520
Motor vehicle excise taxes.....	7,387,375	-	-	-	-	7,387,375
Hotel/motel tax.....	3,613,381	-	-	-	-	3,613,381
Meals tax.....	1,091,965	-	-	-	-	1,091,965
Penalties and interest on taxes.....	423,366	-	-	-	-	423,366
Intergovernmental - Teachers Retirement.....	13,016,680	-	-	-	-	13,016,680
Intergovernmental.....	16,788,610	1,288,188	1,049,138	1,981,255	5,718,071	26,825,262
Departmental and other.....	3,588,816	-	63,732	527,880	6,578,726	10,759,154
Contributions and donations.....	141,061	-	-	-	159,807	300,868
Investment income.....	1,820,970	-	-	-	889,352	2,710,322
TOTAL REVENUES.....	155,762,222	1,288,188	1,112,870	2,509,135	13,345,956	174,018,371
EXPENDITURES:						
Current:						
General government.....	4,072,250	-	-	-	139,515	4,211,765
Public safety.....	19,146,018	-	-	-	2,626,747	21,772,765
Education.....	65,137,494	-	2,292,944	-	7,206,524	74,636,962
Public works.....	7,574,266	1,288,188	-	-	100,580	8,963,034
Health and human services.....	1,284,803	-	-	-	217,052	1,501,855
Culture and recreation.....	2,233,411	-	-	9,772,809	1,928,482	13,934,702
Pension benefits.....	8,047,984	-	-	-	-	8,047,984
Pension benefits - Teachers Retirement.....	13,016,680	-	-	-	-	13,016,680
Employee benefits.....	21,322,248	-	-	-	-	21,322,248
State and county charges.....	3,903,575	-	-	-	-	3,903,575
Capital outlay.....	4,355,178	-	-	-	-	4,355,178
Debt service:						
Principal.....	3,396,800	-	-	-	-	3,396,800
Interest.....	2,334,948	-	-	-	-	2,334,948
TOTAL EXPENDITURES.....	155,825,655	1,288,188	2,292,944	9,772,809	12,218,900	181,398,496
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(63,433)	-	(1,180,074)	(7,263,674)	1,127,056	(7,380,125)
OTHER FINANCING SOURCES (USES):						
Issuance of bonds.....	-	-	500,000	6,260,481	299,519	7,060,000
Premium from issuance of bonds.....	-	-	602,000	-	64,500	666,500
Transfers in.....	1,272,117	-	-	4,600,000	-	5,872,117
Transfers out.....	-	-	-	-	(5,872,117)	(5,872,117)
TOTAL OTHER FINANCING SOURCES (USES)...	1,272,117	-	1,102,000	10,860,481	(5,508,098)	7,726,500
NET CHANGE IN FUND BALANCES.....	1,208,684	-	(78,074)	3,596,807	(4,381,042)	346,375
FUND BALANCES AT BEGINNING OF YEAR.....	50,910,396	-	371,477	(5,574,899)	21,383,641	67,090,615
FUND BALANCES AT END OF YEAR.....	\$ 52,119,080	\$ -	\$ 293,403	\$ (1,978,092)	\$ 17,002,599	\$ 67,436,990

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, 2019

Net change in fund balances - total governmental funds.....	\$	346,375
<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.....		18,099,902
Capital asset deletions.....		(158,158)
Depreciation expense.....		<u>(5,709,398)</u>
Net effect of reporting capital assets.....		12,232,346
<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 differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(62,083)
<p>The issuance of long-term debt 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 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 unavailable and amortized in the Statement of Activities.</p>		
Issuance of bonds.....		(7,060,000)
Premium from issuance of bonds.....		(666,500)
Net amortization of premium from issuance of bonds.....		149,157
Debt service principal payments.....		<u>3,396,800</u>
Net effect of reporting long-term debt.....		(4,180,543)
<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.....		(121,000)
Net change in accrued interest on long-term debt.....		(118,730)
Net change in deferred outflow/(inflow) of resources related to pensions.....		12,052,000
Net change in net pension liability.....		(17,984,000)
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits..		13,068,843
Net change in net other postemployment benefits liability.....		<u>(20,272,595)</u>
Net effect of recording long-term liabilities.....		<u>(13,375,482)</u>
Change in net position of governmental activities.....	\$	<u>(5,039,387)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION**

JUNE 30, 2019

		Business-type Activities - Enterprise Funds
		Water and Sewer
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$	6,701,694
Receivables, net of allowance for uncollectibles:		
Liens - user charges.....		94,697
User charges.....		9,474,899
Intergovernmental.....		112,752
Total current assets.....		16,384,042
NONCURRENT:		
Receivables, net of allowance for uncollectibles:		
Intergovernmental - other.....		124,689
Capital assets, non depreciable.....		332,240
Capital assets, net of accumulated depreciation.....		54,956,653
Total noncurrent assets.....		55,413,582
TOTAL ASSETS.....		71,797,624
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions.....		217,000
Deferred outflows related to other postemployment benefits.....		58,116
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....		275,116
LIABILITIES		
CURRENT:		
Warrants payable.....		83,526
Accrued interest.....		239,626
Compensated absences.....		46,000
Bonds payable.....		2,609,741
Total current liabilities.....		2,978,893
NONCURRENT:		
Compensated absences.....		140,000
Net pension liability.....		1,401,000
Net other postemployment benefits liability.....		1,561,633
Bonds payable.....		20,473,294
Total noncurrent liabilities.....		23,575,927
TOTAL LIABILITIES.....		26,554,820
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions.....		6,000
Deferred inflows related to other postemployment benefits.....		70,968
TOTAL DEFERRED INFLOWS OF RESOURCES.....		76,968
NET POSITION		
Net investment in capital assets.....		35,448,450
Unrestricted.....		9,992,502
TOTAL NET POSITION.....	\$	45,440,952

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Water and Sewer</u>
<u>OPERATING REVENUES:</u>	
Charges for services.....	\$ 18,915,963
Liens - charges for services.....	<u>691,397</u>
TOTAL OPERATING REVENUES	<u>19,607,360</u>
<u>OPERATING EXPENSES:</u>	
Cost of services and administration.....	2,792,653
Salaries and wages.....	876,864
MWRA assessment.....	12,651,672
Depreciation.....	<u>1,969,122</u>
TOTAL OPERATING EXPENSES.....	<u>18,290,311</u>
OPERATING INCOME (LOSS).....	1,317,049
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Interest expense.....	<u>(597,915)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS.....	719,134
CAPITAL CONTRIBUTIONS.....	<u>1,518,975</u>
CHANGE IN NET POSITION.....	2,238,109
NET POSITION AT BEGINNING OF YEAR (AS RESTATED).....	<u>43,202,843</u>
NET POSITION AT END OF YEAR.....	<u>\$ 45,440,952</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds
	Water and Sewer
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 19,162,357
Payments to vendors.....	(15,641,896)
Payments to employees.....	(908,864)
	2,611,597
NET CASH FROM OPERATING ACTIVITIES.....	2,611,597
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Proceeds from the issuance of bonds and notes.....	497,500
Premium from the issuance of bonds.....	143,500
Capital contributions.....	1,518,975
Acquisition and construction of capital assets.....	(401,783)
Principal payments on bonds and notes.....	(2,578,764)
Interest expense.....	(618,498)
	(1,439,070)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,439,070)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,172,527
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	5,529,167
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 6,701,694
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ 1,317,049
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation.....	1,969,122
Deferred (outflows)/inflows related to pensions.....	(183,000)
Deferred (outflows)/inflows related to other postemployment benefits.....	(80,210)
Changes in assets and liabilities:	
Liens - user charges.....	(30,358)
User charges.....	(520,241)
Intergovernmental.....	105,596
Warrants payable.....	(332,783)
Compensated absences.....	(32,000)
Net pension liability.....	274,000
Other postemployment benefits.....	124,422
	1,294,548
NET CASH FROM OPERATING ACTIVITIES.....	\$ 2,611,597
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>	
Intergovernmental subsidy of debt service.....	\$ 132,071

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	Total Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 2,844,086	\$ 59,414	\$ 548,534
Investments:			
Investments in Pension Reserve Investment Trust.....	68,278,495	-	-
Government agencies.....	2,652,751	-	-
Government sponsored enterprises.....	1,878,383	-	-
Corporate bonds.....	5,618,835	-	-
Bond mutual funds.....	9,969,849	-	-
Equity securities.....	21,360,937	-	-
Equity mutual funds.....	22,379,753	-	-
Pooled real estate funds.....	1,697,945	-	-
Pooled alternative investments.....	5,916,065	-	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	33,849	-	-
Interest and dividends.....	87,545	-	-
TOTAL ASSETS.....	142,718,493	59,414	548,534
LIABILITIES			
Warrants payable.....	113,195	80	12,574
Liabilities due depositors.....	-	-	535,960
TOTAL LIABILITIES.....	113,195	80	548,534
NET POSITION			
Restricted for pensions.....	136,187,357	-	-
Restricted for other postemployment benefits.....	6,417,941	-	-
Held in trust for other purposes.....	-	59,334	-
TOTAL NET POSITION.....	\$ 142,605,298	\$ 59,334	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2019

	<u>Total Pension and Other Employee Benefit Trust Funds</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 9,252,325	\$ -
Employer contributions for other postemployment benefit payments....	8,240,381	-
Member contributions.....	3,388,457	-
Transfers from other systems.....	177,555	-
Intergovernmental.....	15,270	-
 Total contributions.....	 21,073,988	 -
Net investment income (loss):		
Net change in fair value of investments.....	(11,953,383)	-
Investment income.....	3,881,173	120
Less: investment expense.....	(1,099,656)	-
 Net investment income (loss).....	 (9,171,866)	 120
 TOTAL ADDITIONS.....	 11,902,122	 120
DEDUCTIONS:		
Administration.....	430,099	-
Transfers to other systems.....	626,858	-
Retirement benefits and refunds.....	13,845,511	-
Other postemployment benefit payments.....	8,240,381	-
Educational scholarships.....	-	240
Miscellaneous.....	27,200	-
 TOTAL DEDUCTIONS.....	 23,170,049	 240
 NET INCREASE (DECREASE) IN NET POSITION.....	 (11,267,927)	 (120)
 NET POSITION AT BEGINNING OF YEAR.....	 153,873,225	 59,454
 NET POSITION AT END OF YEAR.....	 \$ 142,605,298	 \$ 59,334

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

Joint Ventures

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

The City has entered into a joint venture with the Cities of Winthrop, Chelsea, Malden, and Revere and the Towns of Melrose, North Reading, Reading, Saugus, Stoneham, Wakefield and Winchester to pool resources and share the costs, risks and rewards of providing vocational education through the Northeast Metropolitan Regional Vocational School District (NMRS). The City's assessment for 2019 was \$1,728,898. Stand-alone financial statements for the year ended June 30, 2019, are available at Northeast Metropolitan Regional Vocational School District, 100 Hemlock Road, Wakefield, Massachusetts 01880.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position and statement of activities) 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. The stabilization fund is also classified as part of the general fund.

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

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

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

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

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

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

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

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

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

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

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

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

The following fiduciary fund types are reported:

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

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

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

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

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

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

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

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

Personal property taxes cannot be secured through the lien process. The allowance for 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 for 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
Buildings and improvements.....	20
Machinery and equipment.....	5 - 10
Vehicles.....	5 - 10
Infrastructure.....	10 - 40

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

Governmental Fund Financial Statements

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

H. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

I. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Net position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

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

Net position has been "restricted for" the following:

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

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

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

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

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

L. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Investment Income

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

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

N. Fair Value Measurements

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

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

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

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

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

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

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

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

O. Pensions

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

P. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

Q. Use of Estimates

Government-Wide and Fund Financial Statements

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

R. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

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 \$46,950,726 and the bank balance totaled \$48,073,357. Of the bank balance, \$3,362,033 was covered by Federal Depository Insurance, \$8,700,138 was covered by Depositors Insurance Fund, \$28,360,988 was collateralized and \$7,650,198 was uncollateralized.

At December 31, 2018, the carrying amount of deposits for the System totaled \$451,587 and the bank balance totaled \$710,769. All of the bank balance was covered by Federal Depository Insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The City's investments subject to custodial credit risk include \$549,686 in government agencies \$9,565,803 in government sponsored enterprises, \$3,252,658 in corporate bonds, \$13,773,628 in equity securities and \$487,764 in international equity securities, which have custodial credit risk exposure totaling \$27,629,539 because the related securities are uninsured, unregistered and held by the counterparty. The City does not have an investment policy for custodial credit risk.

The System's investments subject to custodial credit risk include \$2,652,751 in government agencies, \$1,878,383 in government sponsored enterprises, \$5,618,835 in corporate bonds and \$19,709,742 in equity securities, which have custodial credit risk exposure totaling \$29,859,711 because the related securities are uninsured, unregistered and held by the counterparty. The System does not have an investment policy for custodial credit risk.

Interest Rate Risk

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

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

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from 0.18 to 15.31 years.

As of June 30, 2019, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>			
		<u>Under 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
<u>Debt Securities:</u>					
Government Agencies.....	\$ 549,686	\$ 549,686	\$ -	\$ -	\$ -
Government Sponsored Enterprises.....	9,565,803	4,941,104	4,369,108	185,006	70,585
Corporate Bonds.....	3,252,658	871,628	2,381,030	-	-
Bond Mutual Funds.....	1,574,906	-	1,574,906	-	-
Total debt securities.....	14,943,053	\$ 6,362,418	\$ 8,325,044	\$ 185,006	\$ 70,585
<u>Other Investments:</u>					
Equity Securities.....	13,773,628				
International Equity Securities.....	487,764				
Equity Mutual Funds.....	3,287,507				
Real Estate Investment Trust.....	38,628				
Money Market Mutual Funds.....	441,650				
MMDT - Cash Portfolio.....	5,859,506				
Total Investments.....	\$ 38,831,736				

As of December 31, 2018, the System had the following investments and maturities:

Investment Type	Fair value	Maturities			
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years
Debt Securities:					
Government Agencies.....	\$ 2,652,751	\$ -	\$ 13,221	\$ 95,499	\$ 2,544,031
Government Sponsored enterprises.....	1,878,383	256,208	427,346	75,253	1,119,576
Corporate Bonds.....	5,618,835	2,470	1,883,766	1,610,835	2,121,764
Bond Mutual Funds.....	8,394,943	-	-	8,394,943	-
Total Debt Securities.....	18,544,912	\$ 258,678	\$ 2,324,333	\$ 10,176,530	\$ 5,785,371
Other Investments:					
Equity Securities.....	19,709,742				
Equity Mutual Funds.....	19,222,085				
Pooled Real Estate Funds.....	1,697,945				
Pooled Alternative Investments.....	5,916,065				
Money Market Mutual Funds.....	2,358,327				
Pension Reserve Investment Trust (PRIT)....	68,278,495				
Total Investments.....	\$ 135,727,571				

Credit Risk

The City's investment policy limits investments in debt securities to United States Treasuries and Agency obligations, which carry an AA+ rating and other investments which are legal for the investment of funds of savings banks under the laws of the Commonwealth. As of June 30, 2019, Standard & Poor's Investors Service rated the City's investments as follows:

Quality Rating	Government Agencies	Government Sponsored Enterprises	Corporate Bonds	Bond Mutual Funds
AA+.....	\$ 549,686	\$ 9,565,803	\$ -	\$ -
A+.....	-	-	1,420,850	-
A.....	-	-	456,564	-
AA-.....	-	-	605,521	-
A-.....	-	-	600,540	-
BBB+.....	-	-	144,193	-
BBB.....	-	-	24,990	-
Not Rated.....	-	-	-	1,574,906
Total.....	\$ 549,686	\$ 9,565,803	\$ 3,252,658	\$ 1,574,906

The City's investments in MMDT were unrated.

The System has not adopted a formal policy related to credit risk. As of December 31, 2018, Standard & Poor's Investors Service rated the System's investments as follows:

Quality Rating	Government Agencies	Government Sponsored Enterprises	Corporate Bonds	Bond Mutual Funds
AA+.....	\$ 2,652,751	\$ 1,878,383	\$ 91,960	\$ -
AA.....			98,575	-
AA-.....	-	-	218,490	-
A+.....	-	-	63,539	-
A.....	-	-	795,476	-
A-.....	-	-	316,090	-
B.....	-	-	-	6,214,309
BBB+.....	-	-	532,129	-
BBB.....	-	-	549,029	-
Not Rated.....	-	-	2,953,547	2,180,634
Total.....	\$ <u>2,652,751</u>	\$ <u>1,878,383</u>	\$ <u>5,618,835</u>	\$ <u>8,394,943</u>

The System's investments in PRIT were unrated.

Concentration of Credit Risk

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

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

Fair Market Value of Investments

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

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

The City has the following recurring fair value measurements as of June 30, 2019:

Investment Type	June 30, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments Measured at Fair Value:				
<u>Debt Securities:</u>				
Government Agencies.....	\$ 549,686	\$ 549,686	\$ -	\$ -
Government Sponsored Enterprises.....	9,565,803	9,565,803	-	-
Corporate Bonds.....	3,252,658	-	3,252,658	-
Bond Mutual Funds.....	1,574,906	1,574,906	-	-
Total Debt Securities.....	14,943,053	11,690,395	3,252,658	-
<u>Other Investments:</u>				
Equity Securities.....	13,773,628	13,773,628	-	-
International Equity Securities.....	487,764	487,764	-	-
Equity Mutual Funds.....	3,287,507	3,287,507	-	-
Real Estate Investment Trust.....	38,628	-	-	38,628
Money Market Mutual Funds.....	441,650	441,650	-	-
Total Other Investments.....	18,029,177	17,990,549	-	38,628
Total Investments Measured at Fair Value.....	32,972,230	\$ 29,680,944	\$ 3,252,658	\$ 38,628
Investments Measured at Amortized Cost:				
MMDT - Cash Portfolio.....	5,859,506			
Total Investments.....	\$ 38,831,736			

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

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

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

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following recurring fair value measurements as of December 31, 2018:

Investment Type	December 31, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments Measured at Fair Value:				
<u>Debt Securities:</u>				
Government Agencies.....	\$ 2,652,751	\$ 2,652,751	\$ -	-
Government Sponsored Enterprises.....	1,878,383	1,878,383	-	-
Corporate Bonds.....	5,618,835	-	5,618,835	-
Bond Mutual Funds.....	8,394,943	8,394,943	-	-
Total Debt Securities.....	18,544,912	12,926,077	5,618,835	-
<u>Other Investments:</u>				
Equity Securities.....	19,709,742	19,709,742	-	-
Equity Mutual Funds.....	19,222,085	19,222,085	-	-
Pooled Real Estate Funds.....	1,697,945	-	-	1,697,945
Pooled Alternative Investments.....	5,916,065	-	-	5,916,065
Money Market Mutual Funds.....	2,358,327	2,358,327	-	-
Total Other Investments.....	48,904,164	41,290,154	-	7,614,010
Total Investments measured at Fair Value.....	67,449,076	\$ 54,216,231	\$ 5,618,835	\$ 7,614,010
Investments Measured at Net Asset Value:				
Pension Reserve Investment Trust (PRIT).....	68,278,495			
Total Investments.....	\$ 135,727,571			

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

PRIT Investments are valued using the net asset value (NAV) method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment

Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 - RECEIVABLES

At June 30, 2019, receivables for the individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,523,997	\$ (811,439)	\$ 712,558
Tax liens.....	2,181,250	-	2,181,250
Motor vehicle and other excise taxes.....	1,534,267	(1,127,615)	406,652
Departmental and other.....	881,659	(168,923)	712,736
Intergovernmental.....	4,703,367	-	4,703,367
Total.....	<u>\$ 10,824,540</u>	<u>\$ (2,107,977)</u>	<u>\$ 8,716,563</u>

At June 30, 2019, receivables for the water and sewer enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Utility liens.....	\$ 94,697	\$ -	\$ 94,697
User fees.....	9,474,899	-	9,474,899
Intergovernmental.....	237,441	-	237,441
Total.....	<u>\$ 9,807,037</u>	<u>\$ -</u>	<u>\$ 9,807,037</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>Receivables:</u>			
Real estate and personal property taxes.....	\$ 500,922	\$ -	\$ 500,922
Tax liens.....	2,181,250	-	2,181,250
Motor vehicle and other excise taxes.....	406,652	-	406,652
Departmental and other.....	-	712,736	712,736
Intergovernmental.....	-	2,062,919	2,062,919
Tax foreclosures.....	702,764	-	702,764
Total.....	<u>\$ 3,791,588</u>	<u>\$ 2,775,655</u>	<u>\$ 6,567,243</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 24,908,730	\$ -	\$ -	\$ 24,908,730
Construction in progress.....	50,996,767	534,292	(50,797,876)	733,183
Total capital assets not being depreciated.....	75,905,497	534,292	(50,797,876)	25,641,913
<u>Capital assets being depreciated:</u>				
Land improvements.....	7,343,661	1,917,724	-	9,261,385
Building improvements.....	21,366,031	571,418	-	21,937,449
Buildings.....	147,948,682	63,494,628	(247,933)	211,195,377
Vehicles.....	5,484,377	268,090	(250,890)	5,501,577
Machinery and equipment.....	9,822,237	824,397	(642,181)	10,004,453
Infrastructure.....	61,926,788	1,287,229	(76,830)	63,137,187
Total capital assets being depreciated.....	253,891,776	68,363,486	(1,217,834)	321,037,428
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,986,399)	(295,241)	-	(3,281,640)
Buildings improvements.....	(13,127,517)	(865,821)	-	(13,993,338)
Buildings.....	(25,145,434)	(1,699,451)	247,933	(26,596,952)
Vehicles.....	(3,492,075)	(569,750)	250,890	(3,810,935)
Machinery and equipment.....	(6,466,742)	(526,582)	560,853	(6,432,471)
Infrastructure.....	(41,372,501)	(1,752,553)	-	(43,125,054)
Total accumulated depreciation.....	(92,590,668)	(5,709,398)	1,059,676	(97,240,390)
Total capital assets being depreciated, net.....	161,301,108	62,654,088	(158,158)	223,797,038
Total governmental activities capital assets, net.....	\$ 237,206,605	\$ 63,188,380	\$ (50,956,034)	\$ 249,438,951

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 332,240	\$ -	\$ -	\$ 332,240
Construction in progress.....	153,397	-	(153,397)	-
Total capital assets not being depreciated....	485,637	-	(153,397)	332,240
<u>Capital assets being depreciated:</u>				
Buildings.....	7,734,993	-	-	7,734,993
Vehicles.....	68,015	-	-	68,015
Machinery and equipment.....	466,565	-	-	466,565
Infrastructure.....	82,292,993	555,180	-	82,848,173
Total capital assets being depreciated.....	90,562,566	555,180	-	91,117,746
<u>Less accumulated depreciation for:</u>				
Buildings.....	(3,513,495)	(191,064)	-	(3,704,559)
Vehicles.....	(38,252)	(7,003)	-	(45,255)
Machinery and equipment.....	(438,475)	(10,934)	-	(449,409)
Infrastructure.....	(30,201,749)	(1,760,121)	-	(31,961,870)
Total accumulated depreciation.....	(34,191,971)	(1,969,122)	-	(36,161,093)
Total capital assets being depreciated, net.....	56,370,595	(1,413,942)	-	54,956,653
Total business-type activities capital assets, net....	\$ 56,856,232	\$ (1,413,942)	\$ (153,397)	\$ 55,288,893

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

Governmental Activities:

General government.....	\$ 159,558
Public safety.....	662,082
Education.....	2,135,250
Public works.....	2,188,905
Human services.....	31,808
Culture and recreation.....	531,795
Total depreciation expense - governmental activities.....	\$ 5,709,398

Business-Type Activities:

Water and sewer.....	\$ 1,969,122
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NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due To/From Other Funds

As of June 30, 2019, the City has an interfund receivable/payable of \$1,318,640 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, 2019, are summarized as follows:

	Transfers In:		
Transfers Out:	General fund	Library construction	Total
Nonmajor governmental funds.....	\$ 1,272,117	\$ 4,600,000	\$ 5,872,117 (1)

(1) Represents budgeted transfers to the general fund from other available funds, as well as a transfer from the library trust funds to the library construction fund.

NOTE 6 - SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the year ended June 30, 2019, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2018	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2019
Governmental Activities:							
BAN	Wyman-Hurld Elementary School...	2.00%	09/28/18	\$ 602,000	\$ -	\$ 602,000	\$ -
BAN	Library Reconstruction.....	2.00%	09/28/18	2,900,000	-	2,900,000	-
BAN	Ice Rink.....	2.50%	09/28/18	64,500	-	64,500	-
BAN	Library Design & Construction.....	2.50%	09/28/18	6,145,000	-	6,145,000	-
BAN	Library Design & Construction.....	3.00%	09/27/19	-	6,100,000	-	6,100,000
BAN	Library.....	1.50%	09/27/19	-	2,349,980	-	2,349,980
BAN	Wyman Elementary School.....	1.50%	09/27/19	-	890,000	-	890,000
BAN	Clapp Park.....	1.50%	09/27/19	-	1,300,000	-	1,300,000
Total Governmental Activities.....				9,711,500	10,639,980	9,711,500	10,639,980
General Obligation Bonds Issued After Year End.....				-	(7,060,000)	-	(7,060,000)
Total Governmental Activities.....				\$ 9,711,500	\$ 3,579,980	\$ 9,711,500	\$ 3,579,980
Business-Type Activities:							
BAN	Water Projects.....	2.50%	09/28/18	\$ 198,500	\$ -	\$ 198,500	\$ -

\$10,639,980 of BAN's matured on September 27, 2019, of which \$7,060,000 were redeemed through the issuance of general obligation bonds which are reported in the governmental funds. \$2,699,499 of BAN's were renewed with an interest rate of 2.0% per annum and a maturity date of September 25, 2020. The remaining balance of \$880,481 was redeemed with grant proceeds and available funds.

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, 2019, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2019
Municipal Purpose Bonds of 2007.....	2027	\$ 2,697,000	2.00	\$ 1,120,000
Municipal Purpose Bonds of 2012.....	2037	70,154,000	3.16	14,560,000
Municipal Purpose Refunding Bonds of 2012...	2025	4,830,000	3.26	2,680,000
Municipal Purpose Bonds of 2013.....	2023	1,826,000	3.64	720,000
Municipal Purpose Refunding Bonds of 2013...	2026	12,610,000	3.78	9,110,000
Municipal Purpose Bonds of 2017.....	2042	7,070,000	3.75	6,500,000
Municipal Purpose Bonds of 2018.....	2032	1,602,400	4.00-5.00	1,525,000
Municipal Purpose Bonds of 2018.....	2043	9,019,000	3.25-5.00	8,820,000
Municipal Purpose Bonds of 2018.....	2031	1,100,400	4.00-5.00	1,050,000
Municipal Purpose Bonds of 2018.....	2038	11,198,000	3.00-5.00	11,198,000
Municipal Purpose Bonds of 2018	2027	635,500	5.00	635,500
Municipal Purpose Bonds of 2019.....	2040	7,060,000	3.00-5.00	7,060,000
Total Bonds Payable.....				64,978,500
Add: Unamortized premium on bonds.....				1,942,029
Total Bonds Payable, net.....				\$ 66,920,529

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

Year	Principal	Interest	Total
2020..... \$	4,088,500 \$	2,224,509 \$	6,313,009
2021.....	4,655,000	2,208,045	6,863,045
2022.....	4,665,000	2,024,821	6,689,821
2023.....	4,745,000	1,835,420	6,580,420
2024.....	4,765,000	1,641,645	6,406,645
2025.....	4,515,000	1,461,495	5,976,495
2026.....	4,100,000	1,301,401	5,401,401
2027.....	2,825,000	1,166,081	3,991,081
2028.....	2,675,000	1,050,477	3,725,477
2029.....	2,605,000	939,462	3,544,462
2030.....	2,595,000	834,341	3,429,341
2031.....	2,575,000	734,632	3,309,632
2032.....	2,575,000	642,333	3,217,333
2033.....	2,445,000	557,058	3,002,058
2034.....	2,365,000	474,008	2,839,008
2035.....	2,340,000	394,074	2,734,074
2036.....	2,340,000	315,655	2,655,655
2037.....	2,340,000	236,551	2,576,551
2038.....	1,545,000	172,287	1,717,287
2039.....	1,540,000	122,340	1,662,340
2040.....	985,000	80,220	1,065,220
2041.....	650,000	50,789	700,789
2042.....	650,000	27,863	677,863
2043.....	395,000	6,431	401,431
Total..... \$	64,978,500 \$	20,501,940 \$	85,480,440

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2019
MWPAT - Stormwater (03-21).....	2025	\$ 210,033	2.00	\$ 85,000
MCWT 00-07.....	2021	5,046,059	4.46	685,000
MCWT CW-07-15.....	2029	250,000	2.00	136,983
Municipal Purpose Bonds of 2009.....	2020	900,000	3.83	85,000
Municipal Purpose Bonds of 2009.....	2030	6,500,000	4.18	4,200,000
MWRA Notes of 2010.....	2016	1,154,330	0.00	115,433
MCWT DWS 08-19.....	2031	6,241,464	2.00	4,039,547
MCWT DWS 07-17.....	2031	3,162,577	2.00	2,339,797
MWRA Notes of 2012.....	2022	1,000,000	0.00	300,000
MCWT DWS 08-19-A.....	2033	2,035,158	2.00	1,512,070
Municipal Purpose Refunding Bonds of 2012....	2025	2,965,000	3.38	1,710,000
Municipal Purpose Bonds of 2013.....	2033	4,300,000	3.32	3,010,000
MCWT DWS-07-17-A.....	2031	619,179	2.00	14,541
MWRA Inflow/Infiltration Notes of 2016.....	2026	67,075	0.00	46,952
MWRA Water Bonds 2017.....	2037	2,381,000	3.13	1,982,800
Municipal Purpose Bonds of 2018.....	2028	268,200	5.00	235,000
Municipal Purpose Bonds of 2018.....	2028	1,301,500	5.00	1,301,500
Sub-total water.....				21,799,623
Municipal Purpose Refunding Bonds of 2009....	2020	505,000	3.83	45,000
MWRA Inflow/Infiltration Notes of 2015.....	2025	366,175	0.00	219,703
MWRA Inflow/Infiltration Notes of 2018.....	2028	433,250	0.00	389,925
MWRA Inflow/Infiltration Notes of 2019.....	2029	497,500	0.00	497,500
Sub-total Sewer.....				1,152,128
Total Bonds Payable.....				22,951,751
Add: Unamortized premium on bonds.....				131,284
Total Bonds Payable, net.....				\$ 23,083,035

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
2020.....	\$ 2,584,942	\$ 605,712	\$ 3,190,654
2021.....	2,374,875	541,602	2,916,477
2022.....	2,056,981	479,977	2,536,958
2023.....	1,974,334	423,421	2,397,755
2024.....	1,996,940	366,527	2,363,467
2025.....	2,024,798	309,702	2,334,500
2026.....	1,731,308	258,630	1,989,938
2027.....	1,737,994	212,255	1,950,249
2028.....	1,592,560	164,934	1,757,494
2029.....	1,583,179	116,961	1,700,140
2030.....	1,422,390	70,923	1,493,313
2031.....	966,602	37,834	1,004,436
2032.....	376,108	20,913	397,021
2033.....	378,740	10,465	389,205
2034.....	40,000	4,588	44,588
2035.....	40,000	3,388	43,388
2036.....	35,000	2,188	37,188
2037.....	35,000	1,094	36,094
Total.....	\$ 22,951,751	\$ 3,631,105	\$ 26,582,856

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, 2019, the outstanding principal amount of these loans totaled \$1,154,080.

The water and sewer enterprise fund is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of \$237,441 and interest costs for \$20,397. Thus, net MCWT loan repayments, including interest, are scheduled to be \$452,912. The principal subsidies are guaranteed and therefore a \$237,441 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 2019 principal and interest subsidies totaled \$105,596 and \$26,475, respectively.

The Commonwealth has approved school construction assistance for the Hurd/Wyman elementary school with a project budget of \$34,647,722. The assistance program is administered by the MSBA. Under the program, the assistance is paid to support construction costs and reduce the total debt service of the City. Through the end of 2019, the City recorded grant proceeds totaling \$13,231,223, which is equal to 54.74% of approved construction costs submitted for reimbursement. The City anticipates receiving an additional \$248,798 of grant proceeds in 2020.

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, 2019, the City had the following authorized and unissued debt:

Purpose	Amount
Water system improvements.....	\$ 33,756,989
Water meters.....	310,000
Infiltration and inflow reduction.....	2,856,000
Library design and construction.....	23,050,020
Elementary school replacement.....	32,187,427
Total.....	\$ 92,160,436

Changes in Long-term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance (as Restated)	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 61,315,300	\$ 7,060,000	\$ (3,396,800)	\$ -	\$ -	\$ 64,978,500	\$ 4,088,500
Add: Unamortized premium on bonds...	1,424,686	666,500	(149,157)	-	-	1,942,029	183,662
Total bonds payable.....	62,739,986	7,726,500	(3,545,957)	-	-	66,920,529	4,272,162
Compensated absences.....	6,899,000	-	-	2,076,000	(1,955,000)	7,020,000	2,005,000
Net pension liability.....	74,017,000	-	-	48,253,000	(30,269,000)	92,001,000	-
Net other postemployment benefits liability.....	234,171,191	-	-	57,395,167	(37,122,572)	254,443,786	-
Total governmental activity long-term liabilities, as restated.....	\$ 377,827,177	\$ 7,726,500	\$ (3,545,957)	\$ 107,724,167	\$ (69,346,572)	\$ 420,385,315	\$ 6,277,162
Business-Type Activities:							
Long-term bonds payable.....	\$ 24,834,515	\$ 497,500	\$ (2,380,264)	\$ -	\$ -	\$ 22,951,751	\$ 2,584,942
Add: Unamortized premium on bonds...	-	143,500	(12,216)	-	-	131,284	24,799
Total bonds payable.....	24,834,515	641,000	(2,392,480)	-	-	23,083,035	2,609,741
Compensated absences.....	218,000	-	-	22,000	(54,000)	186,000	46,000
Net pension liability.....	1,127,000	-	-	735,000	(461,000)	1,401,000	-
Net other postemployment benefits liability.....	1,437,211	-	-	352,260	(227,838)	1,561,633	-
Total business-type activity long-term liabilities, as restated.....	\$ 27,616,726	\$ 641,000	\$ (2,392,480)	\$ 1,109,260	\$ (742,838)	\$ 26,231,668	\$ 2,655,741

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, 2019, the governmental fund balances consisted of the following:

	General	Hurd/Wyman School Project	Library Construction	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Permanent fund principal..... \$	-	-	-	3,708,320	\$ 3,708,320
Restricted for:					
Hurd/Wyman school project.....	-	293,403	-	-	293,403
Municipal federal and state grants.....	-	-	-	278,727	278,727
Education federal and state grants.....	-	-	-	686,135	686,135
Receipts reserved for appropriation.....	-	-	-	1,671,077	1,671,077
Municipal revolving funds.....	-	-	-	856,737	856,737
School lunch.....	-	-	-	795,994	795,994
Other special revenue funds.....	-	-	-	3,137,255	3,137,255
Library trust funds - special revenue funds.....	-	-	-	550,880	550,880
Mitigation Funds.....	-	-	-	722,425	722,425
Other capital projects fund.....	-	-	-	426,275	426,275
Library trust funds - permanent funds.....	-	-	-	4,380,150	4,380,150
Cemetery perpetual care funds.....	-	-	-	372,263	372,263
Committed to:					
Articles and continuing appropriations:					
Affordable housing stabilization fund.....	3,658,893	-	-	-	3,658,893
General government.....	271,625	-	-	-	271,625
Public safety.....	32,500	-	-	-	32,500
Public works.....	75,391	-	-	-	75,391
Human services.....	22,467	-	-	-	22,467
Culture and recreation.....	280	-	-	-	280
Employee benefits.....	301,000	-	-	-	301,000
Capital outlay.....	3,978,879	-	-	-	3,978,879
Debt service - interest.....	15,000	-	-	-	15,000
Assigned to:					
Encumbrances:					
General government.....	146,268	-	-	-	146,268
Public safety.....	7,707	-	-	-	7,707
Public works.....	36,583	-	-	-	36,583
Human services.....	456	-	-	-	456
Culture and recreation.....	3,309	-	-	-	3,309
Unassigned.....	43,588,722	-	(1,978,092)	(583,639)	41,006,991
Total Fund Balances.....	\$ 52,119,080	\$ 293,403	\$ (1,978,092)	\$ 17,002,599	\$ 67,436,990

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 require a two-thirds vote of the legislative body.

At year end, the general stabilization fund totaled \$8,780,986 and is reported as unassigned fund balance within the general fund; the affordable housing stabilization fund totaled \$3,658,893 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 amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

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

NOTE 10 - PENSION PLAN

Plan Descriptions

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

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

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2018. The City's portion of the collective pension expense, contributed by the Commonwealth, of \$13,016,680 is reported in the general fund as intergovernmental revenue and pension benefits in the current year. The portion of the Commonwealth's collective net pension liability associated with the City is \$128,451,311 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service. There were no changes in benefit terms that affected the measurement of the total pension liability at December 31, 2018.

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

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

At December 31, 2018, the System's membership consists of the following:

Active members.....	613
Inactive members.....	132
Disabled members.....	35
Retirees and beneficiaries currently receiving benefits.....	<u>449</u>
 Total.....	 <u><u>1,229</u></u>

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the System a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2018, was \$8,502,325, 26.46% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City's proportionate share of the required contribution was \$8,170,542 which equaled its actual contribution.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2019, were as follows:

Total pension liability.....	\$	233,369,774
Total pension plan's fiduciary net position.....		<u>(136,187,357)</u>
Total net pension liability.....	\$	<u>97,182,417</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....		58.36%

At June 30, 2019, the City reported a liability of \$93,402,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2018, the City's proportion was 96.11%, which decreased by 0.30% from its proportion measured at December 31, 2017.

Pension Expense

For the year ended June 30, 2019, the City recognized pension expense of \$14,193,000. At June 30, 2019, the City reported deferred outflows of resources related to pensions of \$14,493,000 and deferred inflows of resources related to pensions of \$372,000.

The balances of deferred outflows and (inflows) at June 30, 2019 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 831,000	\$ -	\$ 831,000
Difference between projected and actual earnings, (net).....	10,664,000	-	10,664,000
Changes in assumptions.....	2,869,000	-	2,869,000
Changes in proportion and proportionate share of contributions...	<u>129,000</u>	<u>(372,000)</u>	<u>(243,000)</u>
Total deferred outflows/(inflows) of resources.....	\$ <u>14,493,000</u>	\$ <u>(372,000)</u>	\$ <u>14,121,000</u>

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

<u>Year ended June 30:</u>	
2020.....	\$ 6,177,000
2021.....	1,840,000
2022.....	2,091,000
2023.....	4,031,000
Thereafter.....	<u>(18,000)</u>
Total.....	\$ <u>14,121,000</u>

Actuarial Assumptions - The total pension liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2019:

Valuation date.....	January 1, 2018
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Amortization method.....	Increase at 4.0% per year.
Remaining amortization period.....	17 years at January 1, 2018, closed.
Asset valuation method.....	Assets are reported at fair value.
Inflation rate.....	3.00%
Projected salary increases.....	3.5% increasing to 4.0% in 1 year.
Cost of living adjustments.....	3.0% of the lesser of the pension amount and the maximum pension amount increasing to \$18,000 in \$1,000 increments through 2024.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	Varies based upon age for general employees, police and fire employees.
Mortality Rates:	
Healthy mortality.....	Is based on the RP-2014 Total Employee and Health Annuitant Mortality Tables, rolled back to 2006 and projected with Mortality Improvement Scale MP-2017.
Disabled mortality.....	Is based on the RP-2014 Disabled Mortality Table, rolled back to 2006 and projected with Mortality Improvement Scale MP-2017.
Investment rate of return/Discount rate.....	7.50%

Investment policy

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Equity.....	46.5%	8.46%
Fixed Income.....	10.0%	1.83%
Alternatives.....	43.5%	7.92%
Total.....	100.00%	

Rate of return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -6.30%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.50% as of December 31, 2018 and 7.50% as of December 31, 2017. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
The City's proportionate share of the net pension liability.....	\$ 118,072,000	\$ 93,402,000	\$ 72,471,000

Changes of Assumptions – None.

Changes in Plan Provisions – None.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Summary of Significant Accounting Policies – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

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.

The Commonwealth of Massachusetts passed special legislation that has allowed the City to establish the other postemployment benefit trust fund to begin pre-funding its OPEB liabilities. During 2019, the City pre-funded future OPEB liabilities totaling \$750,000 by contributing funds to the Other Postemployment Benefits Trust Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2019, the balance of this fund totaled \$6,417,941. The City has not formally adopted a policy of pre-funding future OPEB liabilities.

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

Employees Covered by Benefit Terms – The following table represents the Plan's membership at June 30, 2019:

Active members.....	1,028
Inactive members currently receiving benefits.....	740
Inactive members entitled to but not yet receiving benefits...	<u>1</u>
Total.....	<u>1,769</u>

Components of OPEB Liability – The following table represents the components of the Plan's OPEB liability as of June 30, 2019:

Total OPEB liability.....	\$ 262,423,360
Less: OPEB plan's fiduciary net position.....	<u>(6,417,941)</u>
Net OPEB liability.....	<u>\$ 256,005,419</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	2.45%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2017, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement date that was updated to June 30, 2019, to be in accordance with GASB #74 and GASB #75.

Valuation date.....	July 1, 2017
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Asset valuation method.....	Market value of assets with payables and receivables.
Discount rate.....	3.89% net of investment expenses, previously 4.21%.
Projected salary increases.....	3.75% for non-teachers. Teachers increases are based on service.
Healthcare cost trend rate.....	8.00% initially decreasing to 5.00% over 25 years.
Mortality rates:	
Actives.....	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Employees projected using generational mortality and scale MP-2016.
Retirees.....	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016.
Disabled.....	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016. Set forward 2 years.

Rate of return - For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 2.65%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The System's expected future real rate of return is added to the expected inflation to produce the long-term expected nominal rate of return. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2019, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equities.....	34.0%	5.25%
International equities	22.0%	5.43%
Domestic bonds.....	20.0%	2.96%
International bonds.....	4.0%	2.96%
Alternatives.....	20.0%	4.08%
Total.....	100.00%	

Discount Rate - The discount rate used to measure the total OPEB liability was 3.89% as of June 30, 2019 and 4.21% as of June 30, 2018. The discount rate is a blend of the long-term expected rate of return of 7.50% on OPEB Trust Fund assets and a yield or index rate of 3.50% for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher as shown in the Bond-Buyer 20 Bond Index. The blending is based on the sufficiency of projected assets to make projected benefit payments.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 3.89%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1- percentage-point lower 2.89% or 1-percentage-point higher 4.89% than the current rate.

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability.....	\$ 299,260,960	\$ 256,005,419	\$ 221,706,701

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

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 213,355,864	\$ 256,005,419	\$ 311,757,553

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018.....	\$ 241,040,340	\$ 5,431,938	\$ 235,608,402
Changes for the year:			
Service cost.....	7,556,725	-	7,556,725
Interest.....	10,292,477	-	10,292,477
Changes in assumptions and other inputs.....	11,774,199	-	11,774,199
Contributions - employer.....	-	8,990,381	(8,990,381)
Net investment income.....	-	236,003	(236,003)
Benefit payments.....	(8,240,381)	(8,240,381)	-
Net change.....	21,383,020	986,003	20,397,017
Balances at June 30, 2019.....	\$ 262,423,360	\$ 6,417,941	\$ 256,005,419

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the City recognized OPEB expense of \$16,238,343. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (7,768,509)	\$ (7,768,509)
Net difference between projected and actual earnings.....	-	(162,496)	(162,496)
Changes in assumptions.....	9,527,214	(3,703,088)	5,824,126
Total deferred outflows/(inflows) of resources.....	\$ 9,527,214	\$ (11,634,093)	\$ (2,106,879)

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized in OPEB expense in the subsequent year. Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement date year ended June 30:

2020.....	\$ (1,366,386)
2021.....	(1,366,386)
2022.....	(1,312,313)
2023.....	1,398,931
2024.....	539,275
Total.....	\$ (2,106,879)

Changes of Assumptions – The discount rate changed from 4.21% to 3.89%. Changes were also made in the mortality and claim cost method and liabilities have been included due to the impact of the “Cadillac Tax” for the first time.

Changes in Plan Provisions – The City changed its retiree contribution rates, requiring retirees to pay more for medical care.

NOTE 12 – FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS

GAAP requires that all Pension and Other Postemployment Trust Funds be combined and presented in one column in the Fiduciary Funds financial statements and that the individual financial statements for each trust fund plan are reported in the notes to the financial statements. Provided below are the individual financial statements for the pension and OPEB plans that are included in the Fiduciary Funds as Pension and Other Postemployment Benefit Trust Funds.

	Pension Trust Fund (as of December 31, 2018)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
ASSETS			
Cash and cash equivalents.....	\$ 2,809,914	\$ 34,172	\$ 2,844,086
Investments:			
Investments in Pension Reserve Investment Trust.....	68,278,495	-	68,278,495
Government agencies.....	2,652,751	-	2,652,751
Government sponsored enterprises.....	1,878,383	-	1,878,383
Corporate bonds.....	5,618,835	-	5,618,835
Bond mutual funds.....	8,394,943	1,574,906	9,969,849
Equity securities.....	19,709,742	1,651,195	21,360,937
Equity mutual funds.....	19,222,085	3,157,668	22,379,753
Pooled real estate funds.....	1,697,945	-	1,697,945
Pooled alternative investments.....	5,916,065	-	5,916,065
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	33,849	-	33,849
Interest and dividends.....	87,545	-	87,545
TOTAL ASSETS.....	136,300,552	6,417,941	142,718,493
LIABILITIES			
Warrants payable.....	113,195	-	113,195
NET POSITION			
Restricted for pensions.....	136,187,357	-	136,187,357
Restricted for other postemployment benefits.....	-	6,417,941	6,417,941
TOTAL NET POSITION.....	\$ 136,187,357	\$ 6,417,941	\$ 142,605,298

	Pension Trust Fund (as of December 31, 2018)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 8,502,325	\$ 750,000	\$ 9,252,325
Employer contributions for other postemployment benefit payments.....	-	8,240,381	8,240,381
Member contributions.....	3,388,457	-	3,388,457
Transfers from other systems.....	177,555	-	177,555
Intergovernmental.....	15,270	-	15,270
Total contributions.....	<u>12,083,607</u>	<u>8,990,381</u>	<u>21,073,988</u>
Net investment income:			
Net change in fair value of investments.....	(11,953,383)	-	(11,953,383)
Investment income.....	3,629,304	251,869	3,881,173
Less: investment expense.....	<u>(1,083,790)</u>	<u>(15,866)</u>	<u>(1,099,656)</u>
Net investment income (loss).....	<u>(9,407,869)</u>	<u>236,003</u>	<u>(9,171,866)</u>
TOTAL ADDITIONS.....	<u>2,675,738</u>	<u>9,226,384</u>	<u>11,902,122</u>
DEDUCTIONS:			
Administration.....	430,099	-	430,099
Transfers to other systems.....	626,858	-	626,858
Retirement benefits and refunds.....	13,845,511	-	13,845,511
Other postemployment benefit payments.....	-	8,240,381	8,240,381
Miscellaneous.....	<u>27,200</u>	<u>-</u>	<u>27,200</u>
TOTAL DEDUCTIONS.....	<u>14,929,668</u>	<u>8,240,381</u>	<u>23,170,049</u>
NET INCREASE (DECREASE) IN NET POSITION.....	(12,253,930)	986,003	(11,267,927)
NET POSITION AT BEGINNING OF YEAR.....	<u>148,441,287</u>	<u>5,431,938</u>	<u>153,873,225</u>
NET POSITION AT END OF YEAR.....	<u>\$ 136,187,357</u>	<u>\$ 6,417,941</u>	<u>\$ 142,605,298</u>

NOTE 13 - CONTINGENCIES

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2019, 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, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2019.

NOTE 14 - COMMITMENTS

The City has entered into contracts, or is planning to enter into contracts, totaling \$2.9 million for sewer infiltration and inflow. The purpose of this project is to reduce inflow and infiltration of the sewer system.

The City has entered into contracts, or is planning to enter into contracts, totaling \$33.8 million for water infrastructure improvements.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 31, 2020, which is the date the financial statements were available to be issued.

NOTE 16 – RESTATEMENT OF PREVIOUSLY REPORT NET POSITION

Beginning net position of the governmental activities, business-type activities and the sewer enterprise fund has been restated as management has determined that it would be preferable to use the respective year-end measurement dates for GASB Statement #75 to coincide with similar information reported for GASB Statement #74. Accordingly, the beginning net position was updated to restate the measurement date from June 30, 2017 to June 30, 2018. The restated balances are summarized in the following table:

	06/30/2018 Previously Reported Balances	6/30/2018 Restated for update of OPEB measurement date	06/30/2018 Revised Balances
Government-Wide Financial Statements			
Governmental activities.....	\$ (75,781,550)	\$ (4,864,058)	\$ (80,645,608)
Business-type activities.....	43,180,034	22,809	43,202,843
Total.....	\$ (32,601,516)	\$ (4,841,249)	\$ (37,442,765)
Business-type Activities - Enterprise Funds			
Water and Sewer enterprise fund.....	\$ 43,180,034	\$ 22,809	\$ 43,202,843

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2019, the following GASB pronouncements were implemented:

- GASB Statement #83, Certain Asset Retirement Obligations. This pronouncement did not impact the basic financial statements.
- GASB Statement #88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, Fiduciary Activities, which is required to be implemented in 2020.
- The GASB issued Statement #87, Leases, which is required to be implemented in 2021.
- The GASB issued Statement #89, Accounting for Interest Cost Incurred before the End of a Construction Period, which is required to be implemented in 2021.
- The GASB issued Statement #90, Majority Equity Interests – an amendment of GASB Statements #14 and #61, which is required to be implemented in 2020.
- The GASB issued Statement #91, Conduit Debt Obligations, which is required to be implemented in 2022.
- The GASB issued Statement #92, Omnibus 2020, which is required to be implemented in 2021.

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

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Required Supplementary Information

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

YEAR ENDED JUNE 30, 2019

	Amounts Carried Forward From Prior Year	Budgeted Amounts		
		Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 106,044,332	\$ 106,044,332	\$ 106,314,332
Tax liens.....	-	-	-	-
Motor vehicle excise taxes.....	-	6,500,000	6,500,000	6,500,000
Hotel/motel tax.....	-	3,000,000	3,000,000	3,000,000
Meals tax.....	-	900,000	900,000	900,000
Penalties and interest on taxes.....	-	465,000	465,000	465,000
Intergovernmental.....	-	16,134,167	16,134,167	16,134,167
Departmental and other.....	-	2,195,000	2,195,000	2,195,000
Investment income.....	-	475,000	475,000	475,000
TOTAL REVENUES.....	-	135,713,499	135,713,499	135,983,499
EXPENDITURES:				
Current:				
General government.....	489,869	5,293,307	5,783,176	4,705,480
Public safety.....	101,911	17,798,271	17,900,182	19,530,809
Education.....	445,569	63,261,490	63,707,059	64,712,058
Public works.....	123,897	7,529,678	7,653,575	7,755,490
Health and human services.....	16,480	1,169,497	1,185,977	1,334,770
Culture and recreation.....	6,500	2,156,082	2,162,582	2,337,332
Pension benefits.....	-	8,051,890	8,051,890	8,051,890
Employee benefits.....	400,000	20,533,817	20,933,817	21,586,595
State and county charges.....	-	3,903,575	3,903,575	3,903,575
Capital outlay.....	4,647,571	7,500	4,655,071	8,739,071
Debt service:				
Principal.....	-	3,396,800	3,396,800	3,396,800
Interest.....	30,000	2,085,416	2,115,416	2,350,415
TOTAL EXPENDITURES.....	6,261,797	135,187,323	141,449,120	148,404,285
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(6,261,797)	526,176	(5,735,621)	(12,420,786)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	-	-	4,411,117
NET CHANGE IN FUND BALANCE.....	(6,261,797)	526,176	(5,735,621)	(8,009,669)
BUDGETARY FUND BALANCE, Beginning of year.....	-	38,149,438	38,149,438	38,149,438
BUDGETARY FUND BALANCE, End of year.....	\$ (6,261,797)	\$ 38,675,614	\$ 32,413,817	\$ 30,139,769

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	106,859,337	\$ -	\$ 545,005
	570,520	-	570,520
	7,387,375	-	887,375
	3,613,381	-	613,381
	1,091,965	-	191,965
	423,366	-	(41,634)
	16,788,610	-	654,443
	3,588,816	-	1,393,816
	960,579	-	485,579
	<u>141,283,949</u>	<u>-</u>	<u>5,300,450</u>
	4,070,597	417,893	216,990
	19,182,496	40,207	308,106
	64,554,033	-	158,025
	7,553,360	111,974	90,156
	1,284,465	22,923	27,382
	2,210,206	3,589	123,537
	8,047,984	-	3,906
	21,281,162	301,000	4,433
	3,903,575	-	-
	4,355,178	3,978,879	405,014
	3,396,800	-	-
	2,334,948	15,000	467
	<u>142,174,804</u>	<u>4,891,465</u>	<u>1,338,016</u>
	<u>(890,855)</u>	<u>(4,891,465)</u>	<u>6,638,466</u>
	<u>4,411,117</u>	<u>-</u>	<u>-</u>
	3,520,262	(4,891,465)	6,638,466
	<u>38,149,438</u>	<u>-</u>	<u>-</u>
\$	<u>41,669,700</u>	\$ <u>(4,891,465)</u>	\$ <u>6,638,466</u>

Pension Plan Schedules – Retirement System

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

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

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

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

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

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Total pension liability:					
Service cost.....	\$ 3,301,279	\$ 3,556,688	\$ 3,796,168	\$ 3,948,015	\$ 4,058,734
Interest.....	14,163,908	15,138,154	15,740,525	16,253,162	16,773,327
Changes in benefit terms.....	-	-	-	4,633,026	-
Differences between expected and actual experience.....	-	3,531,873	-	250,301	-
Changes in assumptions.....	6,330,561	3,810,330	-	2,400,814	-
Benefit payments.....	<u>(11,623,361)</u>	<u>(12,132,587)</u>	<u>(12,670,224)</u>	<u>(13,492,850)</u>	<u>(13,845,511)</u>
Net change in total pension liability.....	12,172,387	13,904,458	6,866,469	13,992,468	6,986,550
Total pension liability - beginning.....	<u>179,447,442</u>	<u>191,619,829</u>	<u>205,524,287</u>	<u>212,390,756</u>	<u>226,383,224</u>
Total pension liability - ending (a).....	<u>\$ 191,619,829</u>	<u>\$ 205,524,287</u>	<u>\$ 212,390,756</u>	<u>\$ 226,383,224</u>	<u>\$ 233,369,774</u>
Plan fiduciary net position:					
Employer contributions.....	\$ 5,509,350	\$ 6,000,000	\$ 6,300,000	\$ 7,616,072	\$ 8,502,325
Member contributions.....	2,818,594	2,889,924	2,980,864	3,027,006	3,388,457
Net investment income (loss).....	7,589,834	(1,511,397)	11,076,788	21,330,344	(9,252,877)
Administrative expenses.....	(502,889)	(567,097)	(656,009)	(615,906)	(612,291)
Retirement benefits and refunds.....	(11,623,361)	(12,132,587)	(12,670,224)	(13,492,850)	(13,845,511)
Other expenses.....	<u>275,496</u>	<u>(48,597)</u>	<u>(76,343)</u>	<u>(351,298)</u>	<u>(433,343)</u>
Net increase (decrease) in fiduciary net position.....	4,067,024	(5,369,754)	6,955,076	17,513,368	(12,253,240)
Fiduciary net position - beginning of year.....	<u>125,275,573</u>	<u>129,342,597</u>	<u>123,972,843</u>	<u>130,927,919</u>	<u>148,441,287</u>
Fiduciary net position - end of year (b).....	<u>\$ 129,342,597</u>	<u>\$ 123,972,843</u>	<u>\$ 130,927,919</u>	<u>\$ 148,441,287</u>	<u>\$ 136,188,047</u>
Net pension liability - ending (a)-(b).....	<u>\$ 62,277,232</u>	<u>\$ 81,551,444</u>	<u>\$ 81,462,837</u>	<u>\$ 77,941,937</u>	<u>\$ 97,181,727</u>
Plan fiduciary net position as a percentage of the total pension liability.....	67.50%	60.32%	61.64%	65.57%	58.36%
Covered-employee payroll.....	\$ 30,103,112	\$ 29,187,382	\$ 30,354,877	\$ 30,893,029	\$ 32,128,750
Net pension liability as a percentage of covered payroll.....	206.88%	279.41%	268.37%	252.30%	302.48%

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

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
WOBURN CONTRIBUTORY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2018.....	\$ 8,502,325	\$ (8,502,325)	-	\$ 32,128,750	26.46%
December 31, 2017.....	7,616,072	(7,616,072)	-	30,893,029	24.65%
December 31, 2016.....	6,300,000	(6,300,000)	-	30,354,877	20.75%
December 31, 2015.....	6,000,000	(6,000,000)	-	29,187,382	20.56%
December 31, 2014.....	5,509,350	(5,509,350)	-	30,103,112	18.30%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
WOBURN CONTRIBUTORY RETIREMENT SYSTEM

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
December 31, 2018.....	-6.30%
December 31, 2017.....	16.53%
December 31, 2016.....	9.09%
December 31, 2015.....	-1.19%
December 31, 2014.....	6.14%

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

See notes to required supplementary information.

Pension Plan Schedules – City

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

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

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

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

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

<u>Year</u>	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered payroll</u>	<u>Net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
December 31, 2018.....	96.11%	\$ 93,402,000	\$ 30,879,000	302.48%	58.36%
December 31, 2017.....	96.41%	75,144,000	29,784,000	252.30%	65.57%
December 31, 2016.....	96.84%	78,889,000	29,396,000	268.37%	61.64%
December 31, 2015.....	96.31%	78,542,000	28,110,000	279.41%	60.32%
December 31, 2014.....	96.34%	59,998,000	29,001,000	206.88%	67.50%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2019.....	\$ 8,170,000	\$ (8,170,000)	-	\$ 31,497,000	25.94%
June 30, 2018.....	7,341,000	(7,341,000)	-	30,380,000	24.16%
June 30, 2017.....	6,097,000	(6,097,000)	-	29,984,000	20.33%
June 30, 2016.....	5,777,000	(5,777,000)	-	28,672,000	20.15%
June 30, 2015.....	5,306,000	(5,306,000)	-	29,581,000	17.94%

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

See notes to required supplementary information.

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

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

<u>Year</u>	<u>Commonwealth's 100% Share of the Associated Net Pension Liability</u>	<u>Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2019.....	\$ 128,451,311	\$ 13,016,680	54.84%
2018.....	124,087,927	12,951,418	54.25%
2017.....	120,532,427	12,295,098	52.73%
2016.....	105,773,079	8,579,138	55.38%
2015.....	83,789,311	5,821,247	61.64%

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

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

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

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

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

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

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

	June 30, 2017	June 30, 2018	June 30, 2019
Total OPEB Liability			
Service Cost.....	\$ 8,202,635	\$ 8,510,235	\$ 7,556,725
Interest.....	9,650,090	10,061,120	10,292,477
Changes of benefit terms.....		(9,932,721)	-
Differences between expected and actual experience...		(12,563,884)	-
Changes of assumptions.....		(5,988,945)	11,774,199
Benefit payments.....	(6,905,383)	(7,830,663)	(8,240,381)
Net change in total OPEB liability.....	10,947,342	(17,744,858)	21,383,020
Total OPEB liability - beginning.....	247,837,856	258,785,198	241,040,340
Total OPEB liability - ending (a).....	<u>\$ 258,785,198</u>	<u>\$ 241,040,340</u>	<u>\$ 262,423,360</u>
Plan fiduciary net position			
Employer contributions.....	\$ 750,000	\$ 750,000	\$ 750,000
Employer contributions for OPEB payments.....	6,905,383	7,830,663	8,240,381
Net investment income.....	408,430	284,197	236,003
Benefit payments.....	(6,905,383)	(7,830,663)	(8,240,381)
Net change in plan fiduciary net position.....	1,158,430	1,034,197	986,003
Plan fiduciary net position - beginning of year.....	3,239,311	4,397,741	5,431,938
Plan fiduciary net position - end of year (b).....	<u>\$ 4,397,741</u>	<u>\$ 5,431,938</u>	<u>\$ 6,417,941</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 254,387,457</u>	<u>\$ 235,608,402</u>	<u>\$ 256,005,419</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.70%	2.25%	2.45%
Covered-employee payroll.....	\$ 64,772,079	\$ 66,067,521	\$ 70,430,873
Net OPEB liability as a percentage of covered-employee payroll.....	392.74%	356.62%	363.48%

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

See notes to required supplementary information.

**SCHEDULE OF THE CITY'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Year	Statutorily required contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2019.....	\$ 8,990,381	\$ (8,990,381)	-	\$ 70,430,873	12.76%
June 30, 2018.....	8,580,663	(8,580,663)	-	66,067,521	12.99%
June 30, 2017.....	7,655,383	(7,655,383)	-	64,772,079	11.82%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2019.....	2.65%
June 30, 2018.....	6.29%
June 30, 2017.....	11.63%

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

See notes to required supplementary information.

NOTE A - BUDGETARY BASIS OF ACCOUNTING1. 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 require 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 2019 approved budget authorized approximately \$141.4 million in appropriations, carryforwards, and other amounts to be raised. During 2019, the Council also approved supplemental appropriations totaling approximately \$7.0 million. The change is primarily due to increases in appropriations for public safety, education and capital outlay.

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, 2019, is presented below:

Net change in fund balance - budgetary basis.....	\$	3,520,262
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		(2,137,548)
<u>Basis of accounting differences:</u>		
Net change in recording tax refunds payable.....		541,141
Net change in recording 60 day receipts.....		(81,000)
Net change in recording accrued payroll.....		(634,171)
Recognition of revenue for on-behalf payments.....		13,016,680
Recognition of expenditures for on-behalf payments.....		<u>(13,016,680)</u>
Net change in fund balance - GAAP basis.....	\$	<u>1,208,684</u>

During 2019, there were no instances where actual expenditures and encumbrances exceeded budgeted appropriations.

NOTE B – PENSION PLAN

Pension Plan Schedules – Retirement System

Schedule of Changes in the Net Pension Liability and Related Ratios

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

Schedule of Contributions

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

Schedule of Investment Return

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

Pension Plan Schedules – City

Schedule of the City's Proportionate Share of the Net Pension Liability

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

Schedule of the City's Contributions

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

Schedule of the Special Funding Amounts of the Net Pension Liabilities

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

Changes of Assumptions

None

Changes in Plan Provisions

None

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

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

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

B. Schedule of the City's Contributions

The Schedule of the City's Contributions includes the City's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The City is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2017
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Asset valuation method.....	Market value of assets with payables and receivables.
Discount rate.....	3.89% net of investment expenses, previously 4.21%.
Projected salary increases.....	3.75% for non-teachers. Teachers increases are based on service.
Healthcare cost trend rate.....	8.00% initially decreasing to 5.00% over 25 years.

Mortality rates:

Actives.....	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Employees projected using generational mortality and scale MP-2016.
Retirees.....	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016.
Disabled.....	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016. Set forward 2 years.

C. Schedule of Investment Returns

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

D. Changes of Assumptions

The discount rate changed from 4.21% to 3.89%. Changes were also made in the mortality and claim cost method and liabilities have been included due to the impact of the "Cadillac Tax" for the first time.

E. Changes in Plan Provisions

The City changed its retiree contribution rates, requiring retirees to pay more for medical care.