

CITY OF WOBURN, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2007

CITY OF WOBURN, MASSACHUSETTS

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JUNE 30, 2007

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Independent Auditors' Report

To the Honorable Mayor
City of Woburn, Massachusetts

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We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woburn, Massachusetts, as of and for the fiscal year ended June 30, 2007 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2006), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Woburn, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Woburn, Massachusetts, as of June 30, 2007 (except for the Woburn Contributory Retirement System which is as of December 31, 2006), and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2008, on our consideration of the City of Woburn, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

January 4, 2008

Management's Discussion and Analysis

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Management's Discussion and Analysis

As management of the City of Woburn, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2007. 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 principals (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Financial Highlights

- The assets of the City of Woburn exceeded liabilities at the close of the most recent fiscal year by \$173.8 million (net assets).
- Of this amount, 24% or \$41.2 million (unrestricted governmental net assets) may be used to meet the government's on-going obligations to citizens and creditors.
- At the close of the current fiscal year, the City's general fund reported an ending fund balance of \$21.7 million, an increase of \$9.0 million in comparison with the prior year. Total fund balance represents 20% of total general fund expenditures.
- The City's total debt (short-term and long-term combined) decreased by \$56.5 million during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City of Woburn's total assets exceeded total liabilities by \$173.8 million at the close of Fiscal 2007.

Net assets of \$118.0 million (68%) reflects its investment in capital assets (e.g., land, land improvements, buildings, vehicles, machinery and equipment, building improvements, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the governmental net assets, \$14.6 million (8%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$41.2 million (24%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

Governmental Activities

The City of Woburn's assets exceeded liabilities for governmental activities by \$151.1 million at the close of Fiscal 2007.

	<u>Fiscal 2007</u>	<u>Fiscal 2006</u>
Assets:		
Current assets.....	\$ 58,493,788	\$ 79,221,682
Noncurrent assets (excluding capital).....	666,708	35,186,970
Capital assets not being depreciated.....	13,576,646	70,266,123
Capital assets, net of accumulated depreciation.....	<u>133,178,745</u>	<u>67,908,428</u>
Total assets.....	<u>205,915,887</u>	<u>252,583,203</u>
Liabilities:		
Current liabilities (excluding debt).....	4,657,543	10,309,441
Noncurrent liabilities (excluding debt).....	4,959,782	4,748,032
Current debt.....	3,008,449	57,357,300
Noncurrent debt.....	<u>42,206,570</u>	<u>44,499,006</u>
Total liabilities.....	<u>54,832,344</u>	<u>116,913,779</u>
Net Assets:		
Capital assets net of related debt.....	102,523,688	94,238,212
Restricted.....	14,615,493	16,425,692
Unrestricted.....	<u>33,944,362</u>	<u>25,005,520</u>
Total net assets.....	<u>\$ 151,083,543</u>	<u>\$ 135,669,424</u>

	<u>Fiscal 2007</u>	<u>Fiscal 2006</u>
Program revenues:		
Charges for services.....	\$ 7,202,495	\$ 8,442,947
Operating grants and contributions.....	20,323,220	18,870,334
Capital grants and contributions.....	12,262,917	10,885,363
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	71,559,967	67,560,841
Tax liens.....	394,566	627,541
Motor vehicle and other excise taxes.....	4,715,136	5,005,859
Hotel/Motel tax.....	1,182,032	1,122,957
Penalties and interest on taxes.....	756,580	1,305,432
Nonrestricted grants.....	9,946,372	7,474,950
Unrestricted investment income.....	2,436,598	1,870,180
Miscellaneous.....	-	362,056
Total revenues.....	<u>130,779,883</u>	<u>123,528,460</u>
Expenses:		
General government.....	5,647,971	6,162,890
Public safety.....	21,822,896	20,964,353
Education.....	72,042,410	67,794,399
Public works.....	9,871,565	10,054,732
Human services.....	1,114,062	1,002,180
Culture and recreation.....	2,492,293	2,389,128
Interest.....	2,565,476	3,510,544
Total expenses.....	<u>115,556,673</u>	<u>111,878,226</u>
Increase in net assets before transfers.....	15,223,210	11,650,234
Transfers.....	<u>190,909</u>	<u>1,442,778</u>
Change in net assets.....	<u>\$ 15,414,119</u>	<u>\$ 13,093,012</u>

The governmental expenses totaled \$115.6 million of which \$39.8 million (34%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$91.0 million, primarily coming from property taxes, motor vehicle excise and non-restricted state aid.

The governmental net assets increased by \$15.4 million during the current fiscal year. This was due to the recognition of \$11.7 million of grant revenue from the Massachusetts School Building Authority, a \$2.5 million contribution to the affordable housing trust, a \$1.7 million decrease in accrued interest, and a \$400,000 decrease in the mitigation fund.

Business-type Activities

For the City's business-type activities, assets exceeded liabilities by \$22.7 million at the close of Fiscal 2007.

	<u>Fiscal 2007</u>	<u>Fiscal 2006</u>
Assets:		
Current assets.....	\$ 10,558,843	\$ 10,732,197
Noncurrent assets (excluding capital).....	1,083,473	1,136,858
Capital assets not being depreciated.....	332,240	332,240
Capital assets, net of accumulated depreciation.....	<u>25,002,843</u>	<u>23,755,922</u>
Total assets.....	<u>36,977,399</u>	<u>35,957,217</u>
Liabilities:		
Current liabilities (excluding debt).....	287,830	569,181
Noncurrent liabilities (excluding debt).....	140,779	89,484
Current debt.....	1,303,218	1,156,769
Noncurrent debt.....	<u>12,516,195</u>	<u>12,537,638</u>
Total liabilities.....	<u>14,248,022</u>	<u>14,353,072</u>
Net Assets:		
Capital assets net of related debt.....	15,481,276	14,359,361
Unrestricted.....	<u>7,248,101</u>	<u>7,244,784</u>
Total net assets.....	<u>\$ 22,729,377</u>	<u>\$ 21,604,145</u>
Program revenues:		
Charges for services.....	\$ 14,728,653	\$ 14,107,702
Operating grants and contributions.....	143,588	147,137
Capital grants and contributions.....	148,725	-
General Revenues:		
Unrestricted investment income.....	-	11,376
Total revenues.....	<u>15,020,966</u>	<u>14,266,215</u>
Expenses:		
Sewer.....	9,078,571	8,486,861
Water.....	<u>4,626,254</u>	<u>3,684,135</u>
Total expenses.....	<u>13,704,825</u>	<u>12,170,996</u>
Increase in net assets before transfers.....	1,316,141	2,095,219
Transfers.....	<u>(190,909)</u>	<u>(1,442,778)</u>
Change in net assets.....	<u>\$ 1,125,232</u>	<u>\$ 652,441</u>

Business-type net assets of \$15.5 million (68%) represent the investment in capital assets while \$7.2 million (32%) is unrestricted. The City's business-type activities net assets increased by \$1.1 million in the current fiscal year.

The sewer operations experienced an increase of \$1.0 million, which is primarily due to collections of \$240,000 of cross connection fees, \$282,000 of utility liens and a \$383,000 favorable variance in MWRA charges.

At the same time, the water operations experienced an increase of \$83,000 in net assets, which is consistent with anticipated results of operations.

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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported a combined ending fund balance of \$49.3 million. This was comprised of the general fund, stabilization fund, white elementary fund, high school fund, and non-major fund surpluses totaling \$21.7 million, \$8.4 million, \$75,000, \$83,000, and \$19.0 million, respectively.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$15.2 million, while total fund balance was \$21.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and the total fund balance to total fund expenditures. Unreserved fund balance represents 14% of the total general fund expenditures, while total fund balance represents 20% of that same amount. Reservation of fund balance for encumbrances and continuing appropriations totaled \$6.5 million.

The General Fund increased by \$9.0 million in Fiscal 2007. This increase is primarily due to the recognition of \$5.2 million of school construction assistance, \$542,000 of tax liens revenue, \$506,000 of investment income and a \$1.7 million decrease in interest expenditures which was due to the change in accrued interest on short-term debt.

General Fund Budgetary Highlights

The \$10.5 million (10.4%) increase between the original budget and the final amended budget was primarily due to \$4.9 million for debt principal and interest payments and \$3.6 million for 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 fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$172.1 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, building improvements, vehicles, machinery and equipment and infrastructure.

The total current year additions to the governmental investment in capital assets were \$11.7 million. Major capital asset events during the current fiscal year included significant school construction. At the same time, additions were made to the City's infrastructure, buildings, vehicles and machinery and equipment.

The \$2.0 million in additions to sewer and water fund fixed assets are attributable to infrastructure improvements.

Debt Administration. The City maintains a Moody's bond rating of Aa3. The City continues to maintain strong market access for both note and bond sales. Outstanding long-term debt of the general government, as of June 30, 2007, totaled \$45.2 million, of which \$41.2 million is related to school projects, leaving a balance of \$4.0 million for other capital projects. During fiscal 2007 the City issued \$716,000 of general obligation bonds to permanently finance school construction costs.

In fiscal 2005, the Commonwealth enacted legislation that changed the method for funding the school building assistance program. During fiscal 2007, the City received a final lump-sum payment totaling \$57,908,514. Of the total lump-sum payment received, \$52,680,503 was used to pay down outstanding BANS and has been recognized as intergovernmental revenue in the applicable capital project funds. The remaining balance of \$5,228,011 represents reimbursement of prior year's general fund interest expenditures and accordingly has been recognized as intergovernmental revenue in the general fund.

At June 30, 2007, the City had \$716,013 of bond anticipation notes outstanding. These bond anticipation notes were permanently financed on July 27, 2007, the maturity date of the notes. This transaction meets the GASB criteria for treatment as long-term debt. Accordingly, \$716,013 has been recorded as long-term debt as of June 30, 2007.

The City has no short-term notes outstanding at year end.

At year end, the sewer and water enterprise funds have \$1.5 million and \$12.3 million, respectively, of outstanding long-term debt, which is fully supported by rates and does not rely on a general fund subsidy.

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

Requests for Information

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

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Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and short-term investments.....	\$ 32,113,173	\$ 2,724,623	\$ 34,837,796
Investments.....	18,341,815	-	18,341,815
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,552,035	-	1,552,035
Tax and utility liens.....	2,481,118	120,209	2,601,327
Motor vehicle and other excise taxes.....	293,836	-	293,836
User fees.....	-	7,330,126	7,330,126
Departmental and other.....	1,108,083	-	1,108,083
Intergovernmental.....	2,603,728	383,885	2,987,613
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	171,296	-	171,296
Intergovernmental.....	-	1,083,473	1,083,473
Tax foreclosures.....	495,412	-	495,412
Capital assets not being depreciated.....	13,576,646	332,240	13,908,886
Capital assets, net of accumulated depreciation.....	133,178,745	25,002,843	158,181,588
TOTAL ASSETS.....	205,915,887	36,977,399	242,893,286
LIABILITIES			
CURRENT:			
Warrants payable.....	1,065,691	44,277	1,109,968
Tax refunds payable.....	1,165,000	-	1,165,000
Accrued interest.....	384,903	207,423	592,326
Payroll withholdings.....	11,862	-	11,862
Abandoned property.....	105,837	-	105,837
Unamortized premiums on bonds and notes payable....	-	8,130	8,130
Compensated absences.....	1,846,000	28,000	1,874,000
Pension funding liability.....	78,250	-	78,250
Bonds and notes payable.....	3,008,449	1,303,218	4,311,667
NONCURRENT:			
Unamortized premiums on bonds and notes payable....	-	57,779	57,779
Compensated absences.....	4,784,000	83,000	4,867,000
Pension funding liability.....	175,782	-	175,782
Bonds and notes payable.....	42,206,570	12,516,195	54,722,765
TOTAL LIABILITIES.....	54,832,344	14,248,022	69,080,366
NET ASSETS			
Invested in capital assets, net of related debt.....	102,523,688	15,481,276	118,004,964
Restricted for:			
Debt service.....	4,492,387	-	4,492,387
Permanent funds:			
Expendable.....	4,880,696	-	4,880,696
Nonexpendable.....	2,241,550	-	2,241,550
Gifts and grants.....	3,000,860	-	3,000,860
Unrestricted.....	33,944,362	7,248,101	41,192,463
TOTAL NET ASSETS.....	\$ 151,083,543	\$ 22,729,377	\$ 173,812,920

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2007

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.....	\$ 5,647,971	\$ 1,136,460	\$ 171,614	\$ 219,784	\$ (4,120,113)
Public safety.....	21,822,896	2,096,387	1,464,831	100,000	(18,161,678)
Education.....	72,042,410	3,121,835	18,002,004	11,746,867	(39,171,704)
Public works.....	9,871,565	720,576	66,175	196,266	(8,888,548)
Human services.....	1,114,062	115,620	52,764	-	(945,678)
Culture and recreation.....	2,492,293	11,617	204,828	-	(2,275,848)
Interest.....	2,565,476	-	361,004	-	(2,204,472)
Total Governmental Activities..	<u>115,556,673</u>	<u>7,202,495</u>	<u>20,323,220</u>	<u>12,262,917</u>	(75,768,041)
<i>Business-Type Activities:</i>					
Sewer.....	9,078,571	10,398,147	-	148,725	1,468,301
Water.....	<u>4,626,254</u>	<u>4,330,506</u>	<u>143,588</u>	<u>-</u>	<u>(152,160)</u>
Total Business-Type Activities.	<u>13,704,825</u>	<u>14,728,653</u>	<u>143,588</u>	<u>148,725</u>	1,316,141
Total Primary Government.....	<u>\$ 129,261,498</u>	<u>\$ 21,931,148</u>	<u>\$ 20,466,808</u>	<u>\$ 12,411,642</u>	\$ (74,451,900)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (75,768,041)	\$ 1,316,141	\$ (74,451,900)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	71,559,967	-	71,559,967
Tax liens.....	394,566	-	394,566
Motor vehicle and other excise taxes.....	4,715,136	-	4,715,136
Hotel/motel tax.....	1,182,032	-	1,182,032
Penalties and interest on taxes.....	756,580	-	756,580
Grants and contributions not restricted to specific programs.....	9,946,372	-	9,946,372
Unrestricted investment income.....	2,436,598	-	2,436,598
<i>Transfers, net</i>	190,909	(190,909)	-
Total general revenues and transfers.....	<u>91,182,160</u>	<u>(190,909)</u>	<u>90,991,251</u>
Change in net assets.....	15,414,119	1,125,232	16,539,351
<i>Net Assets:</i>			
Beginning of year.....	<u>135,669,424</u>	<u>21,604,145</u>	<u>157,273,569</u>
End of year.....	\$ <u><u>151,083,543</u></u>	\$ <u><u>22,729,377</u></u>	\$ <u><u>173,812,920</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2007

ASSETS	General	Stabilization	White Elementary School	High School	Nonmajor Governmental Funds	Total Governmental Funds
Cash and short-term investments.....	\$ 17,747,667	\$ 1,543,713	\$ 75,262	\$ 525,040	\$ 12,221,491	\$ 32,113,173
Investments.....	5,383,677	6,860,265	-	-	6,097,873	18,341,815
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	1,552,035	-	-	-	-	1,552,035
Real estate tax deferrals.....	171,296	-	-	-	-	171,296
Tax liens.....	2,481,118	-	-	-	-	2,481,118
Motor vehicle and other excise taxes.....	293,836	-	-	-	-	293,836
Departmental and other.....	30,000	-	-	-	1,078,083	1,108,083
Intergovernmental.....	-	-	-	-	2,603,728	2,603,728
Tax foreclosures.....	495,412	-	-	-	-	495,412
TOTAL ASSETS.....	28,155,041	8,403,978	75,262	525,040	22,001,175	59,160,496
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants payable.....	451,037	-	-	441,724	172,930	1,065,691
Tax refunds payable.....	1,165,000	-	-	-	-	1,165,000
Payroll withholdings.....	11,862	-	-	-	-	11,862
Abandoned property.....	105,837	-	-	-	-	105,837
Deferred revenues.....	4,691,696	-	-	-	2,792,463	7,484,159
TOTAL LIABILITIES.....	6,425,432	-	-	441,724	2,965,393	9,832,549
FUND BALANCES:						
Reserved for:						
Encumbrances and continuing appropriations.....	6,533,268	-	-	-	-	6,533,268
Perpetual permanent funds.....	-	-	-	-	2,241,550	2,241,550
Unreserved:						
Undesignated, reported in:						
General fund.....	15,196,341	-	-	-	-	15,196,341
Special revenue funds.....	-	8,403,978	-	-	7,916,145	16,320,123
Debt service fund.....	-	-	-	-	4,492,387	4,492,387
Capital projects funds.....	-	-	75,262	83,316	(494,996)	(336,418)
Permanent funds.....	-	-	-	-	4,880,696	4,880,696
TOTAL FUND BALANCES.....	21,729,609	8,403,978	75,262	83,316	19,035,782	49,327,947
TOTAL LIABILITIES AND FUND BALANCES..	\$ 28,155,041	\$ 8,403,978	\$ 75,262	\$ 525,040	\$ 22,001,175	\$ 59,160,496

See notes to basic financial statements.

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

JUNE 30, 2007

Total governmental fund balances.....		\$ 49,327,947
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		146,755,391
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		7,484,159
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(384,903)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(45,215,019)	
Pension funding liability.....	(254,032)	
Compensated absences.....	<u>(6,630,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(52,099,051)</u>
Net assets of governmental activities.....		<u>\$ 151,083,543</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2007

	General	Stabilization	White Elementary School	High School	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real estate and personal property taxes, net of tax refunds.....	\$ 71,316,299	\$ -	\$ -	\$ -	\$ -	\$ 71,316,299
Tax liens.....	541,761	-	-	-	-	541,761
Motor vehicle and other excise taxes.....	4,733,952	-	-	-	-	4,733,952
Hotel/motel tax.....	1,182,032	-	-	-	-	1,182,032
Penalties and interest on taxes.....	756,580	-	-	-	-	756,580
Intergovernmental.....	23,673,825	-	7,626,422	41,076,242	9,048,806	81,425,295
Intergovernmental - school construction grant..	5,228,011	-	-	-	-	5,228,011
Departmental and other.....	1,830,439	-	-	448,209	5,176,902	7,455,550
Contributions.....	-	160,000	-	-	2,552,773	2,712,773
Investment income.....	1,430,962	416,751	-	-	588,885	2,436,598
TOTAL REVENUES.....	110,693,861	576,751	7,626,422	41,524,451	17,367,366	177,788,851
EXPENDITURES:						
Current:						
General government.....	3,167,596	-	-	-	735,075	3,902,671
Public safety.....	14,744,859	-	-	-	1,552,849	16,297,708
Education.....	42,396,216	-	3,390	10,072,929	5,659,292	58,131,827
Public works.....	7,203,239	-	-	-	1,332,360	8,535,599
Human services.....	745,305	-	-	-	145,110	890,415
Culture and recreation.....	1,850,103	-	-	-	144,354	1,994,457
Pension benefits.....	13,981,112	-	-	-	-	13,981,112
Employee benefits.....	13,085,228	-	-	-	-	13,085,228
State and county charges.....	3,666,858	-	-	-	-	3,666,858
Capital outlay.....	764,616	-	-	-	-	764,616
Debt service:						
Principal.....	3,115,866	-	-	-	-	3,115,866
Interest.....	2,813,032	-	-	-	-	2,813,032
TOTAL EXPENDITURES.....	107,534,030	-	3,390	10,072,929	9,569,040	127,179,389
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	3,159,831	576,751	7,623,032	31,451,522	7,798,326	50,609,462
OTHER FINANCING SOURCES (USES):						
Proceeds from bonds and notes.....	-	-	-	716,013	-	716,013
Premium from issuance of bonds.....	-	-	-	-	173,139	173,139
Transfers in.....	10,173,620	-	-	-	2,837,554	13,011,174
Transfers out.....	(4,295,755)	(2,500,000)	-	-	(6,024,510)	(12,820,265)
TOTAL OTHER FINANCING SOURCES (USES).....	5,877,865	(2,500,000)	-	716,013	(3,013,817)	1,080,061
NET CHANGE IN FUND BALANCES.....	9,037,696	(1,923,249)	7,623,032	32,167,535	4,784,509	51,689,523
FUND BALANCES AT BEGINNING OF YEAR.....	12,691,913	10,327,227	(7,547,770)	(32,084,219)	14,251,273	(2,361,576)
FUND BALANCES AT END OF YEAR.....	\$ 21,729,609	\$ 8,403,978	\$ 75,262	\$ 83,316	\$ 19,035,782	\$ 49,327,947

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds.....		\$ 51,689,523
<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.....	11,731,639	
Depreciation expense.....	<u>(3,150,799)</u>	
Net effect of reporting capital assets.....		8,580,840
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(47,008,968)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Proceeds from bonds and notes.....	(716,013)	
Debt service principal payments.....	<u>3,115,866</u>	
Net effect of reporting long-term debt.....		2,399,853
<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.....	(394,000)	
Net change in accrued interest on long-term debt.....	74,417	
Pension funding liability.....	<u>72,454</u>	
Net effect of recording long-term liabilities and amortizing deferred losses...		<u>(247,129)</u>
Change in net assets of governmental activities.....		<u>\$ 15,414,119</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2007

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
ASSETS			
CURRENT:			
Cash and short-term investments.....	\$ 2,117,903	\$ 606,720	\$ 2,724,623
Receivables, net of allowance for uncollectibles:			
Utility liens.....	66,190	54,019	120,209
User fees.....	5,061,326	2,268,800	7,330,126
Intergovernmental.....	330,500	53,385	383,885
Total current assets.....	<u>7,575,919</u>	<u>2,982,924</u>	<u>10,558,843</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	1,083,473	1,083,473
Capital assets not being depreciated.....	43,849	288,391	332,240
Capital assets, net of accumulated depreciation.....	11,755,090	13,247,753	25,002,843
Total noncurrent assets.....	<u>11,798,939</u>	<u>14,619,617</u>	<u>26,418,556</u>
TOTAL ASSETS.....	<u>19,374,858</u>	<u>17,602,541</u>	<u>36,977,399</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	2,000	42,277	44,277
Accrued interest.....	15,051	192,372	207,423
Unamortized premiums on bonds and notes payable.....	-	8,130	8,130
Compensated absences.....	12,000	16,000	28,000
Bonds and notes payable.....	479,086	824,132	1,303,218
Total current liabilities.....	<u>508,137</u>	<u>1,082,911</u>	<u>1,591,048</u>
NONCURRENT:			
Unamortized premiums on bonds and notes payable.....	-	57,779	57,779
Compensated absences.....	36,000	47,000	83,000
Bonds and notes payable.....	1,065,773	11,450,422	12,516,195
Total noncurrent liabilities.....	<u>1,101,773</u>	<u>11,555,201</u>	<u>12,656,974</u>
TOTAL LIABILITIES.....	<u>1,609,910</u>	<u>12,638,112</u>	<u>14,248,022</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	10,885,534	3,122,167	14,007,701
Unrestricted.....	6,879,414	1,842,262	8,721,676
TOTAL NET ASSETS.....	<u>\$ 17,764,948</u>	<u>\$ 4,964,429</u>	<u>\$ 22,729,377</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
OPERATING REVENUES:			
Charges for services	\$ 10,076,742	\$ 4,163,146	\$ 14,239,888
Utility liens.....	321,405	167,360	488,765
TOTAL OPERATING REVENUES	10,398,147	4,330,506	14,728,653
OPERATING EXPENSES:			
Cost of services and administration	207,362	1,630,133	1,837,495
MWRA Assessment.....	8,430,920	2,098,870	10,529,790
Depreciation.....	407,359	381,096	788,455
TOTAL OPERATING EXPENSES	9,045,641	4,110,099	13,155,740
OPERATING INCOME (LOSS).....	1,352,506	220,407	1,572,913
NONOPERATING REVENUES (EXPENSES):			
Interest expense.....	(32,930)	(516,155)	(549,085)
Intergovernmental.....	148,725	143,588	292,313
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	115,795	(372,567)	(256,772)
INCOME (LOSS) BEFORE TRANSFERS.....	1,468,301	(152,160)	1,316,141
TRANSFERS:			
Transfers in.....	318,747	1,139,454	1,458,201
Transfers out.....	(745,154)	(903,956)	(1,649,110)
TOTAL TRANSFERS.....	(426,407)	235,498	(190,909)
CHANGE IN NET ASSETS.....	1,041,894	83,338	1,125,232
NET ASSETS AT BEGINNING OF YEAR.....	16,723,054	4,881,091	21,604,145
NET ASSETS AT END OF YEAR.....	\$ 17,764,948	\$ 4,964,429	\$ 22,729,377

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Fund		
	Sewer	Water	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from customers and users.....	\$ 10,483,950	\$ 4,406,797	\$ 14,890,747
Payments to vendors.....	(8,731,981)	(3,172,639)	(11,904,620)
Payments to employees.....	(133,753)	(575,395)	(709,148)
NET CASH FROM OPERATING ACTIVITIES.....	1,618,216	658,763	2,276,979
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Transfers in.....	318,747	1,139,454	1,458,201
Transfers out.....	(745,154)	(903,956)	(1,649,110)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(426,407)	235,498	(190,909)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Proceeds from the issuance of bonds and notes.....	-	1,100,000	1,100,000
Acquisition and construction of capital assets.....	(1,081,726)	(953,650)	(2,035,376)
Principal payments on bonds and notes.....	(442,731)	(663,038)	(1,105,769)
Interest expense.....	(33,938)	(355,132)	(389,070)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,558,395)	(871,820)	(2,430,215)
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS.....	(366,586)	22,441	(344,145)
CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF YEAR.....	2,484,489	584,279	3,068,768
CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR.....	\$ 2,117,903	\$ 606,720	\$ 2,724,623
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>			
<u>FROM OPERATING ACTIVITIES:</u>			
Operating income (loss).....	\$ 1,352,506	\$ 220,407	\$ 1,572,913
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	407,359	381,096	788,455
Changes in assets and liabilities:			
Utility liens.....	(16,761)	(28,546)	(45,307)
User fees.....	102,564	104,837	207,401
Warrants payable.....	(232,269)	(5,558)	(237,827)
Accrued payroll.....	(2,183)	(9,473)	(11,656)
Accrued compensated absences.....	7,000	(4,000)	3,000
Total adjustments.....	265,710	438,356	704,066
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,618,216	\$ 658,763	\$ 2,276,979
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>			
Intergovernmental subsidy.....	\$ -	\$ 194,588	\$ 194,588

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	<u>Pension Trust Fund (as of December 31, 2006)</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS			
CURRENT:			
Cash and short-term investments.....	\$ 2,265,694	\$ 77,241	\$ 971,997
Investments.....	99,935,510	-	-
Interest and dividends.....	167,015	-	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	<u>173,635</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>102,541,854</u>	<u>77,241</u>	<u>971,997</u>
LIABILITIES			
Warrants payable.....	187,621	-	4,091
Liabilities due depositors.....	<u>-</u>	<u>-</u>	<u>967,906</u>
TOTAL LIABILITIES	<u>187,621</u>	<u>-</u>	<u>971,997</u>
NET ASSETS			
Held in trust for pension benefits and other purposes.....	<u>\$ 102,354,233</u>	<u>\$ 77,241</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2007

	Pension Trust Fund (as of December 31, 2006)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 4,150,000	\$ -
Employee.....	2,189,712	-
Total contributions.....	6,339,712	-
Net investment income (loss):		
Net change in fair value of investments.....	10,346,268	-
Interest.....	2,266,582	2,135
Total investment income (loss).....	12,612,850	2,135
Less: investment expense.....	(710,271)	-
Net investment income (loss).....	11,902,579	2,135
Intergovernmental.....	191,319	-
Transfers from other systems.....	88,760	-
TOTAL ADDITIONS.....	18,522,370	2,135
DEDUCTIONS:		
Administration.....	393,667	-
Transfers to other systems.....	489,945	-
Retirement benefits and refunds.....	7,744,140	-
Educational scholarships.....	-	1,119
TOTAL DEDUCTIONS.....	8,627,752	1,119
CHANGE IN NET ASSETS.....	9,894,618	1,016
NET ASSETS AT BEGINNING OF YEAR.....	92,459,615	76,225
NET ASSETS AT END OF YEAR.....	\$ 102,354,233	\$ 77,241

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

Availability of Financial Information for Component Units

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

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

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

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

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions restricted to meeting the capital requirements of a particular function or segment.

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

The *stabilization fund* is used to account for the accumulation of resources to provide general and/or capital reserves.

The *White Elementary and High School capital project funds* are used to account for financial resources to expand and upgrade the school facilities.

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

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *debt service fund* is used to reduce the amount of tax levy raised to pay principal and interest on long-term debt.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for 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 following major proprietary funds are reported:

The *sewer enterprise fund* is used to account for the sewer activities.

The *water enterprise fund* is used to account for the water activities.

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

The following fiduciary fund types are reported:

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

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

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

Government-Wide and Fund Financial Statements

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and short-term investments 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 Assessor's 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 fiscal year of the levy.

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

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

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

Motor Vehicle and Other Excise Taxes

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

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

Water and Sewer User Fees

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

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

Departmental and Other

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

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

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

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Deferred Revenue

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

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

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

Net assets have been “restricted for” the following:

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

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

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

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

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Investment Income

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

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

N. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

O. Post Retirement Benefits*Government-Wide and Fund Financial Statements*

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's share of insurance premiums in the general fund in the fiscal year paid. The City's share of insurance premiums during fiscal 2007 ranged from 75% to 90%. For the fiscal year ended June 30, 2007, the City's share of premiums resulted in expenditures totaling approximately \$2,337,000. There were 479 participants eligible to receive benefits at June 30, 2007.

P. Use of Estimates*Government-Wide and Fund Financial Statements*

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

Q. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

R. Appropriation and Fund Deficits

Several individual fund deficits exist at June 30, 2007 in the special revenue and capital project funds. These deficits will be funded by grants, bond proceeds, departmental revenues and available fund balance. Actual expenditures and encumbrances exceeded appropriations for snow and ice and employee benefits. These over-expenditures will be funded by the fiscal 2007 tax rate.

NOTE 2 - CASH AND INVESTMENTS

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

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

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 government does not have a deposit policy for custodial risk. At fiscal year-end, the carrying amount of deposits totaled \$26,909,604 and the bank balance totaled \$29,348,843. Of the bank balance, \$1,223,550 was covered by Federal Depository Insurance, \$7,350 was covered by the Depositors Insurance Fund, \$24,941,071 was collateralized and \$3,176,872 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2006, the carrying amount of deposits for the System totaled \$334,313 and the bank balance totaled \$464,772. 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 government will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the investments of \$4,661,295 in government agencies, \$922,128 in equity securities, \$1,933,400 in corporate bonds, and \$7,411,755 in government sponsored enterprises, the government has a custodial credit risk

exposure of \$14,928,578 because the related securities are uninsured, unregistered and held by the counterparty. The government does not have an investment policy for custodial credit risk.

Of the investments of \$1,485,693 in government agencies, \$23,653,751 in equity securities, \$8,973,011 in corporate bonds and \$1,236,680 in government sponsored enterprises the System has a custodial credit risk exposure of \$35,349,135 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 government and the System do not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2007, the government had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities					
Government Agencies.....	\$ 4,661,295	\$ 4,473,510	\$ -	\$ 93,407	\$ 94,378
Government Sponsored Enterprises.....	7,411,755	501,830	1,611,892	480,877	4,817,156
Corporate Bonds.....	1,933,400	-	-	-	1,933,400
Bond Mutual Fund.....	3,367,217	2,450,000	-	917,217	-
Total Debt Securities.....	17,373,667	\$ 7,425,340	\$ 1,611,892	\$ 1,491,501	\$ 6,844,934
Other Investments					
Equity Securities.....	922,128				
Pooled Real Estate Funds.....	46,020				
Money Market Mutual Funds.....	4,148,138				
MMDT.....	4,829,292				
Total Investments.....	\$ 27,319,245				

As of December 31, 2006, the System had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities					
Government Agencies.....	\$ 1,485,693	\$ -	\$ -	\$ 189,028	\$ 1,296,665
Government Sponsored Enterprises.....	1,236,680	-	-	-	1,236,680
Corporate Bonds.....	8,973,011	322,872	1,398,368	1,725,761	5,526,010
Bond Mutual Fund.....	10,684,645	-	-	10,684,645	-
Total Debt Securities.....	22,380,029	\$ 322,872	\$ 1,398,368	\$ 12,599,434	\$ 8,059,355
Other Investments					
Equity Securities.....	23,653,751				
Equity Mutual Funds.....	23,451,895				
Mutual Funds.....	2,094,190				
Pooled Real Estate Funds.....	3,348,082				
Money Market Mutual Funds..	1,931,381				
PRIT.....	25,007,563				
Total Investments.....	\$ 101,866,891				

Credit Risk

The City has not adopted a formal policy related to Credit Risk. As of June 30, 2007, the City had the following quality ratings for their investments:

Investment Type	Fair Value	Quality Ratings		
		AAA	AA	A
Government Sponsored Enterprises.....	\$ 7,411,755	\$ 7,411,755	\$ -	\$ -
Corporate Bonds.....	1,933,400	466,800	974,000	492,600
Bond Mutual Fund.....	3,367,217	3,367,217	-	-
Total.....	\$ 12,712,372	\$ 11,245,772	\$ 974,000	\$ 492,600

The System has not adopted a formal policy related to Credit Risk. As of December 31, 2006, the System had the following quality ratings for their investments:

Investment Type	Fair Value	Quality Ratings					
		AAA	AA	A	BBB	B	Unrated
Government Sponsored Enterprises.....	\$ 1,236,680	\$ 1,236,680	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Bonds.....	8,973,011	1,738,230	406,743	1,537,233	451,100	-	4,839,705
Bond Mutual Fund.....	10,684,645	-	-	-	-	10,684,645	-
Total.....	\$ 20,894,336	\$ 2,974,910	\$ 406,743	\$ 1,537,233	\$ 451,100	\$ 10,684,645	\$ 4,839,705

Concentration of Credit Risk

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

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

NOTE 3 - RECEIVABLES

At June 30, 2007, receivables for the individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes...	\$2,473,130	\$ (921,095)	\$1,552,035
Real estate tax deferrals.....	171,296	-	171,296
Tax liens.....	2,481,118	-	2,481,118
Motor vehicle and other excise taxes.....	1,013,490	(719,654)	293,836
Departmental and other.....	1,118,284	(10,201)	1,108,083
Intergovernmental.....	2,603,728	-	2,603,728
Total.....	<u>\$9,861,046</u>	<u>\$ (1,650,950)</u>	<u>\$8,210,096</u>

At June 30, 2007, receivables for the water and sewer enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Sewer utility liens.....	\$ 66,190	\$ -	\$ 66,190
Sewer user fees.....	5,061,326	-	5,061,326
Sewer intergovernmental.....	330,500	-	330,500
Water utility liens.....	54,019	-	54,019
Water user fees.....	2,268,800	-	2,268,800
Water intergovernmental.....	1,136,858	-	1,136,858
Total.....	<u>\$8,917,693</u>	<u>\$ -</u>	<u>\$8,917,693</u>

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

	General Fund	Other Governmental Funds	Total
<u>Asset type:</u>			
Real estate and personal property taxes.....	\$1,220,034	\$ -	\$1,220,034
Real estate tax deferrals.....	171,296	-	171,296
Tax liens.....	2,481,118	-	2,481,118
Motor vehicle and other excise taxes.....	293,836	-	293,836
Departmental and other.....	30,000	1,078,083	1,108,083
Intergovernmental.....	-	1,714,380	1,714,380
Tax foreclosures.....	495,412	-	495,412
Total.....	<u>\$4,691,696</u>	<u>\$ 2,792,463</u>	<u>\$7,484,159</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 12,963,436	\$ -	\$ -	\$ 12,963,436
Construction in progress.....	57,302,687	10,073,504	(66,762,981)	613,210
Total capital assets not being depreciated	70,266,123	10,073,504	(66,762,981)	13,576,646
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,963,265	-	-	1,963,265
Building improvements.....	12,576,649	20,781	-	12,597,430
Buildings.....	57,492,573	66,742,200	-	124,234,773
Vehicles.....	1,936,256	598,143	-	2,534,399
Machinery and equipment.....	7,078,317	410,956	-	7,489,273
Infrastructure.....	45,237,043	649,036	-	45,886,079
Total capital assets being depreciated.....	126,284,103	68,421,116	-	194,705,219
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,258,460)	(42,764)	-	(1,301,224)
Building improvements.....	(5,224,784)	(491,510)	-	(5,716,294)
Buildings.....	(19,524,020)	(832,954)	-	(20,356,974)
Vehicles.....	(1,653,517)	(110,165)	-	(1,763,682)
Machinery and equipment.....	(4,748,235)	(337,189)	-	(5,085,424)
Infrastructure.....	(25,966,659)	(1,336,217)	-	(27,302,876)
Total accumulated depreciation.....	(58,375,675)	(3,150,799)	-	(61,526,474)
Total capital assets being depreciated, net.....	67,908,428	65,270,317	-	133,178,745
Total governmental activities capital assets, net....	<u>\$138,174,551</u>	<u>\$75,343,821</u>	<u>\$(66,762,981)</u>	<u>\$146,755,391</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Sewer Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 43,849	\$ -	\$ -	\$ 43,849
<u>Capital assets being depreciated:</u>				
Buildings.....	984,264	-	-	984,264
Vehicles.....	149,750	-	-	149,750
Machinery and equipment.....	27,000	-	-	27,000
Infrastructure.....	22,851,708	1,081,726	-	23,933,434
Total capital assets being depreciated....	24,012,722	1,081,726	-	25,094,448
<u>Less accumulated depreciation for:</u>				
Buildings.....	(459,855)	(22,556)	-	(482,411)
Vehicles.....	(149,750)	-	-	(149,750)
Machinery and equipment.....	(27,000)	-	-	(27,000)
Infrastructure.....	(12,295,394)	(384,803)	-	(12,680,197)
Total accumulated depreciation.....	(12,931,999)	(407,359)	-	(13,339,358)
Total capital assets being depreciated, net.....	11,080,723	674,367	-	11,755,090
Total sewer activities capital assets, net.....	<u>\$ 11,124,572</u>	<u>\$ 674,367</u>	<u>\$ -</u>	<u>\$ 11,798,939</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 288,391	\$ -	\$ -	\$ 288,391
<u>Capital assets being depreciated:</u>				
Buildings.....	5,969,039	-	-	5,969,039
Vehicles.....	28,000	-	-	28,000
Machinery and equipment.....	423,126	-	-	423,126
Infrastructure.....	11,086,549	953,650	-	12,040,199
Total capital assets being depreciated....	17,506,714	953,650	-	18,460,364
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,022,327)	(134,539)	-	(1,156,866)
Vehicles.....	(28,000)	-	-	(28,000)
Machinery and equipment.....	(282,189)	(25,287)	-	(307,476)
Infrastructure.....	(3,498,999)	(221,270)	-	(3,720,269)
Total accumulated depreciation.....	(4,831,515)	(381,096)	-	(5,212,611)
Total capital assets being depreciated, net.....	12,675,199	572,554	-	13,247,753
Total water activities capital assets, net.....	<u>\$ 12,963,590</u>	<u>\$ 572,554</u>	<u>\$ -</u>	<u>\$ 13,536,144</u>

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

Governmental Activities:

General government.....	\$ 32,270
Public safety.....	365,009
Education.....	1,954,063
Public works.....	740,404
Human services.....	11,266
Culture and recreation.....	<u>47,787</u>

Total depreciation expense - governmental activities..... \$ 3,150,799

Business-Type Activities:

Sewer.....	\$ 407,359
Water.....	<u>381,096</u>

Total depreciation expense - business-type activities..... \$ 788,455

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2007, are summarized as follows:

Transfers Out:	Transfers In:				Total
	General Fund	Nonmajor Governmental Funds	Sewer Enterprise Fund	Water Enterprise Fund	
General Fund.....	\$ -	\$ 2,837,554	\$ 318,747	\$ 1,139,454	\$ 4,295,755 (1)
Stabilization Fund.....	2,500,000	-	-	-	2,500,000 (2)
Nonmajor Governmental Funds....	6,024,510	-	-	-	6,024,510 (3)
Sewer Enterprise Fund.....	745,154	-	-	-	745,154 (4)
Water Enterprise Fund.....	903,956	-	-	-	903,956 (4)
Total.....	<u>\$ 10,173,620</u>	<u>\$ 2,837,554</u>	<u>\$ 318,747</u>	<u>\$ 1,139,454</u>	<u>\$ 14,469,375</u>

- (1) Represents budgeted transfers from the general fund to the debt service fund and the sewer and water enterprise funds.
- (2) Represents a budgeted transfer from the stabilization fund to the general fund.
- (3) Represents budgeted transfers of other available funds to the general fund from the ambulance fund, the school energy account fund, and the debt service fund.
- (4) Represents the transfer of indirect costs from the sewer and water enterprise funds to the general fund.

NOTE 6 - SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2007, is as follows:

Type	Purpose	Interest Rate	Due Date	Balance at June 30, 2006	Issued	Redeemed	Balance at June 30, 2007
Governmental Activities:							
BAN	Shamrock school construction...	3.50%	07/21/06	\$ 1,986,067	\$ -	\$ 1,986,067	\$ -
BAN	Reeves school construction.....	3.50%	07/21/06	1,255,367	-	1,255,367	-
BAN	White school construction.....	3.75 - 4.50%	10/06/06	8,026,201	-	8,026,201	-
BAN	High school construction.....	3.75 - 4.50%	10/06/06	42,973,799	-	42,973,799	-
BAN	High school construction.....	3.75%	04/05/07	-	10,000,000	10,000,000	-
Total.....				<u>\$ 54,241,434</u>	<u>\$ 10,000,000</u>	<u>\$ 64,241,434</u>	<u>\$ -</u>

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."

At June 30, 2007, the City had \$716,013 of bond anticipation notes outstanding. These bond anticipation notes were permanently financed on July 27, 2007, the maturity date of the notes. This transaction meets the GASB criteria for treatment as long-term debt. Accordingly, \$716,013 has been recorded as long-term debt as of June 30, 2007.

Details related to the outstanding indebtedness at June 30, 2007, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
Building remodeling.....	5.08	\$ 290,000	\$ -	\$ 290,000	\$ -
Court judgment	4.88	110,000	-	110,000	-
Refunding.....	4.19	2,370,000	-	10,000	2,360,000
Ice rink.....	4.52	120,000	-	40,000	80,000
School remodeling.....	5.03	4,494,000	-	321,000	4,173,000
MWPAT - stormwater plan (02-33).....	2.00	255,341	-	83,246	172,095
Reeves school construction.....	3.90	4,050,000	-	225,000	3,825,000
Shamrock school construction.....	3.90	4,185,000	-	225,000	3,960,000
Ice rink.....	3.40	100,000	-	10,000	90,000
Landfill closure.....	3.99	950,000	-	50,000	900,000
Departmental equipment.....	2.31	488,000	-	244,000	244,000
MWPAT - stormwater plan (03-21).....	2.00	202,531	-	7,620	194,911
High school and White school construction.....	4.46	30,000,000	-	1,500,000	28,500,000
High school construction.....	4.18	-	716,013	-	716,013
Total.....		<u>\$ 47,614,872</u>	<u>\$ 716,013</u>	<u>\$ 3,115,866</u>	<u>\$ 45,215,019</u>

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

Year	Principal	Interest	Total
2008.....	\$ 3,008,449	\$ 1,879,922	\$ 4,888,371
2009.....	2,803,229	1,777,888	4,581,117
2010.....	2,672,770	1,669,181	4,341,951
2011.....	2,673,087	1,559,209	4,232,296
2012.....	2,668,324	1,448,932	4,117,256
2013.....	2,663,571	1,338,642	4,002,213
2014.....	2,658,930	1,228,036	3,886,966
2015.....	2,654,315	1,109,507	3,763,822
2016.....	2,374,495	996,664	3,371,159
2017.....	2,363,168	897,537	3,260,705
2018.....	2,363,168	830,423	3,193,591
2019.....	2,363,168	696,451	3,059,619
2020.....	2,363,168	588,343	2,951,511
2021.....	2,047,168	482,605	2,529,773
2022.....	2,047,168	388,298	2,435,466
2023.....	2,047,168	297,306	2,344,474
2024.....	2,047,168	205,944	2,253,112
2025.....	1,822,168	117,274	1,939,442
2026.....	1,537,168	37,994	1,575,162
2027.....	37,169	789	37,958
Total.....	<u>\$ 45,215,019</u>	<u>\$ 17,550,945</u>	<u>\$ 62,765,964</u>

In fiscal 2005, the Commonwealth enacted legislation that changed the method for funding the school building assistance program. During fiscal 2007, the City received a final lump-sum payment totaling \$57,908,514. Of the total lump-sum payment received, \$52,680,503 was used to pay down outstanding BANS and has been recognized as intergovernmental revenue in the applicable capital project funds. The remaining balance of \$5,228,011 represents a reimbursement of prior year's general fund interest expenditures and out-of-pocket costs and accordingly has been recognized as intergovernmental revenue in the general fund.

In prior years, the City defeased certain of its outstanding general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable escrow account to provide amounts sufficient for the future payment of principal and interest on those bonds. Accordingly, neither the assets in escrow nor the liability for the defeased bonds are included in the City's financial statements. At June 30, June 30, 2007, \$2,025,000 of general obligation bonds outstanding are considered defeased.

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
Water.....	5.03	\$ 1,246,000	\$ -	\$ 89,000	\$ 1,157,000
MWPAT - water (00-07).....	0.00	4,170,592	-	219,038	3,951,554
Water mains and well development 1....	3.97	882,000	-	51,000	831,000
Water mains and well development 2....	3.97	1,845,000	-	100,000	1,745,000
Water mains and well development 3....	3.99	570,000	-	30,000	540,000
Water mains and well development 4....	3.97	1,670,000	-	90,000	1,580,000
Shaker Glenn pump station 1.....	2.25	5,000	-	5,000	-
Shaker Glenn pump station 2.....	3.96	705,000	-	40,000	665,000
Rag Rock tank improvements 2.....	3.25	795,000	-	90,000	705,000
MWRA - water mains and lining.....	0.00	-	1,100,000	-	1,100,000
Sub-total water.....		11,888,592	1,100,000	714,038	12,274,554
MWRA Infiltration/Inflow - sewer.....	0.00	360,356	-	180,178	180,178
Sewer.....	5.03	700,000	-	50,000	650,000
MWRA Infiltration/Inflow - sewer.....	0.00	314,259	-	104,753	209,506
MWRA Infiltration/Inflow - sewer.....	0.00	431,200	-	107,800	323,400
MWRA Infiltration/Inflow - sewer.....	0.00	-	181,775	-	181,775
Sub-total sewer.....		1,805,815	181,775	442,731	1,544,859
Total enterprise funds.....		\$ 13,694,407	\$ 1,281,775	\$ 1,156,769	\$ 13,819,413

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

Year	Principal	Interest	Total
2008.....	\$ 1,303,218	\$ 519,338	\$ 1,822,556
2009.....	1,128,713	488,269	1,616,982
2010.....	1,032,301	461,435	1,493,736
2011.....	932,826	426,139	1,358,965
2012.....	935,355	390,915	1,326,270
2013.....	904,000	348,442	1,252,442
2014.....	914,000	310,474	1,224,474
2015.....	914,000	279,830	1,193,830
2016.....	839,000	243,350	1,082,350
2017.....	849,000	207,385	1,056,385
2018.....	744,000	169,000	913,000
2019.....	759,000	127,932	886,932
2020.....	769,000	89,140	858,140
2021.....	635,000	65,211	700,211
2022.....	290,000	44,443	334,443
2023.....	290,000	32,046	322,046
2024.....	290,000	19,433	309,433
2025.....	290,000	6,527	296,527
Total.....	<u>\$ 13,819,413</u>	<u>\$ 4,229,309</u>	<u>\$ 18,048,722</u>

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. The loans are payable in five equal annual installments. During fiscal year 2007, the Town received \$330,500 from this program. Of this amount, \$148,725 represents a grant and \$181,775 a non-interest bearing loan. At June 30, 2007, the outstanding principal amount of these loans totaled \$894,859.

The Water Enterprise Fund is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$1,136,858 and interest costs for \$1,104,663. Thus, net MWPAT loan repayments, including interest, are schedule to be \$3,260,332. The principal subsidies are guaranteed and therefore a \$1,136,858 intergovernmental receivable has been reported in the proprietary fund financial statements. Since the City is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements. The fiscal year 2007 principal and interest subsidies totaled \$51,000 and \$143,588, respectively.

The Governmental Funds are scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$1,223 and interest costs for \$46,647. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$245,998. Since the City is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements. The fiscal year 2007 interest subsidy totaled \$3,836.

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, 2007, the City had the following authorized and unissued debt:

Purpose	Amount
White elementary school.....	\$ 8,026,200
High school.....	43,373,800
Shamrock elementary school.....	8,092,000
Reeves elementary school.....	6,975,000
Refinancing.....	350,000
Water improvements.....	330,000
Water treatment plant.....	1,760,482
MWPAT - stormwater phase 2.....	225,000
Refunding bonds.....	13,630,000
MWRA/MWPAT - water improvements.....	33,850,000
MWRA - sewers and drains improvements.....	558,800
MWPAT - stormwater phase 3.....	300,000
MWPAT - stormwater phase 2.....	250,000
Total.....	<u><u>\$ 117,721,282</u></u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2007, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities:					
Compensated absences.....	\$ 6,236,000	\$ 2,203,080	\$ (1,809,080)	\$ 6,630,000	\$ 1,846,000
Pension funding liability.....	326,486	-	(72,454)	254,032	78,250
Long-term bonds and notes.....	47,614,872	716,013	(3,115,866)	45,215,019	3,008,449
Total.....	<u><u>\$ 54,177,358</u></u>	<u><u>\$ 2,919,093</u></u>	<u><u>\$ (4,997,400)</u></u>	<u><u>\$ 52,099,051</u></u>	<u><u>\$ 4,932,699</u></u>
Business-type Activities:					
Unamortized bond premiums....	\$ 74,393	\$ -	\$ (8,484)	\$ 65,909	\$ 8,130
Compensated absences.....	108,000	30,440	(27,440)	111,000	28,000
Long-term bonds and notes.....	13,694,407	1,281,775	(1,156,769)	13,819,413	1,300,218
Total.....	<u><u>\$ 13,876,800</u></u>	<u><u>\$ 1,312,215</u></u>	<u><u>\$ (1,192,693)</u></u>	<u><u>\$ 13,996,322</u></u>	<u><u>\$ 1,336,348</u></u>

NOTE 8 - PENSION FUNDING LIABILITY

The City entered into an agreement with the Massachusetts Teachers' Retirement Board in December of 1994 for the purpose of funding an early retirement incentive (ERI) program. Under the agreement the City agreed to pay annually its share of costs of the actuarial liabilities attributable to the additional benefits payable under the ERI program established under Section 83 of Chapter 71 of the Acts of 1993. The agreement called for total ERI costs of \$911,232 to be paid over a 15 year period with interest compounded annually at 8% totaling \$567,363 for total payments of \$1,478,595.

The future minimum obligations and the net present value of these payments as of June 30, 2007, were as follows:

Fiscal Years Ending June 30	Governmental Activities
2008.....	\$ 98,573
2009.....	98,573
2010.....	98,573
Total minimum payments.....	295,719
Less: amounts representing interest.....	(41,687)
Present value of minimum payments.....	<u>\$ 254,032</u>

NOTE 9 - RISK FINANCING

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City administers various premium-based health care plans, workers compensation and other insurance for its employees and retirees.

NOTE 10 - PENSION PLAN

Plan Description - The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Woburn Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$9,866,928 for the fiscal year ended June 30, 2007, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

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

At December 31, 2006, the System's membership consists of the following:

Active members.....	580
Inactive members.....	77
Disabled members.....	40
Retirees and beneficiaries currently receiving benefits.....	<u>369</u>
Total.....	<u><u>1,066</u></u>

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the City to contribute approximately 96% of the total. Chapter 32 of the MGL governs the contributions of plan members and the City.

Annual Pension Cost - The City's contributions to the System for the fiscal years ended June 30, 2007, 2006, and 2005 were \$3,984,051, \$3,987,805, and \$3,498,556, respectively, which equaled its required contribution for each fiscal year. At June 30, 2007, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2006, actuarial valuation using the individual entry age normal actuarial cost method. The actuarial assumptions included an 8.00% investment rate of return and projected salary increases of 4.75% per year. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at January 1, 2007, was 15 years.

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/07	\$ 102,354	\$ 132,433	\$ 30,079	77.3%	\$ 24,258	124.0%
01/01/05	87,819	120,595	32,776	72.8%	22,624	144.9%
01/01/00	75,960	88,763	12,803	85.6%	17,183	74.5%
01/01/99	66,860	85,472	18,612	78.2%	16,269	114.4%
01/01/98	55,481	78,261	22,780	70.9%	15,427	147.7%
01/01/96	42,673	66,033	23,360	64.6%	14,541	160.6%

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

Noncontributory Retirement Allowance - The City pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for Fiscal 2007 totaled approximately \$130,000.

NOTE 11 - COMMITMENTS

The City has entered into contracts totaling approximately \$83,400,000 for school construction and renovations and has spent approximately \$79,300,000 as of June 30, 2007.

The City has also entered into, or is planning to enter into, contracts totaling approximately \$35,940,000 for improvements to water infrastructure and the water treatment plant.

NOTE 12 - CONTINGENCIES

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2007, 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, 2007, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2007.

NOTE 13 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2007, the following GASB pronouncements were implemented:

- The GASB issued Statement #49, Accounting and Financial Reporting for Pollution Remediation Obligations, which is required to be implemented in fiscal year 2008. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.
- The GASB issued Statement #51, Accounting and Financial Reporting for Intangible Assets, which is required to be implemented in fiscal year 2010. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.

Future Implementation of GASB Pronouncements

- The GASB issued Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which is required to be implemented in fiscal year 2008. The standards in this statement currently do not apply and therefore will not impact the basic financial statements.
- The GASB issued Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which is required to be implemented in fiscal year 2009. Management expects that this pronouncement will require additional disclosure and impact the basic financial statements.
- The GASB issued Statement #50, Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27, which is required to be implemented in fiscal year 2008. This GASB will change the disclosures related to pensions.

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 71,435,215	\$ 71,435,215	\$ 71,435,215
Tax liens.....	-		-	-
Motor vehicle and other excise taxes.....	-	5,025,000	5,025,000	5,025,000
Hotel/motel tax.....	-	1,120,000	1,120,000	1,120,000
Penalties and interest on taxes.....	-	935,000	935,000	935,000
Intergovernmental.....	-	13,623,014	13,623,014	13,623,014
Intergovernmental - school construction grant.....	-	325,860	325,860	325,860
Departmental and other.....	-	1,945,000	1,945,000	1,945,000
Investment income.....	-	950,000	950,000	950,000
TOTAL REVENUES.....	-	95,359,089	95,359,089	95,359,089
EXPENDITURES:				
Current:				
General government.....	256,420	3,123,736	3,380,156	3,591,560
Public safety.....	414,888	13,782,339	14,197,227	15,091,078
Education.....	184,758	42,022,472	42,207,230	42,378,045
Public works.....	956,183	7,257,132	8,213,315	8,491,318
Human services.....	34,839	652,444	687,283	829,383
Culture and recreation.....	94,229	1,842,071	1,936,300	1,958,700
Pension benefits.....	-	4,114,247	4,114,247	4,114,247
Employee benefits.....	336,979	13,022,447	13,359,426	13,400,243
State and county charges.....	-	3,685,595	3,685,595	3,685,595
Capital outlay.....	1,712,875	-	1,712,875	5,337,449
Debt service:				
Principal.....	-	1,615,866	1,615,866	3,115,866
Interest.....	-	891,724	891,724	4,500,452
TOTAL EXPENDITURES.....	3,991,171	92,010,073	96,001,244	106,493,936
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(3,991,171)	3,349,016	(642,155)	(11,134,847)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	1,649,111	1,649,111	10,173,620
Transfers out.....	-	(4,295,754)	(4,295,754)	(4,295,754)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(2,646,643)	(2,646,643)	5,877,866
NET CHANGE IN FUND BALANCE.....	(3,991,171)	702,373	(3,288,798)	(5,256,981)
BUDGETARY FUND BALANCE, Beginning of year.....	15,650,490	15,650,490	15,650,490	15,650,490
BUDGETARY FUND BALANCE, End of year.....	\$ 11,659,319	\$ 16,352,863	\$ 12,361,692	\$ 10,393,509

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance Over/(Under)
\$	71,353,255	\$ -	\$ (81,960)
	541,761	-	541,761
	4,733,952	-	(291,048)
	1,182,032	-	62,032
	756,580	-	(178,420)
	13,806,897	-	183,883
	5,228,011	-	4,902,151
	1,830,439	-	(114,561)
	1,455,938	-	505,938
	<u>100,888,865</u>	<u>-</u>	<u>5,529,776</u>
	3,167,596	387,238	36,726
	14,729,415	230,518	131,145
	42,303,598	74,444	3
	7,591,440	932,637	(32,759)
	745,305	74,550	9,528
	1,850,123	96,107	12,470
	4,114,184	-	63
	13,085,228	317,010	(1,995)
	3,666,858	-	18,737
	764,616	4,549,519	23,314
	3,115,866	-	-
	4,500,032	-	420
	<u>99,634,261</u>	<u>6,662,023</u>	<u>197,652</u>
	<u>1,254,604</u>	<u>(6,662,023)</u>	<u>5,727,428</u>
	10,173,620	-	-
	<u>(4,295,754)</u>	<u>-</u>	<u>-</u>
	<u>5,877,866</u>	<u>-</u>	<u>-</u>
	7,132,470	(6,662,023)	5,727,428
	<u>15,650,490</u>	<u>-</u>	<u>-</u>
\$	<u><u>22,782,960</u></u>	<u><u>(6,662,023)</u></u>	<u><u>5,727,428</u></u>

NOTE A - BUDGETARY BASIS OF ACCOUNTING

1. Budgetary Information

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

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

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

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

An annual budget is adopted for the General Fund in conformity with the guidelines described above. The original Fiscal 2007 approved budget authorized approximately \$100.3 million in appropriations, carryforwards, and other amounts to be raised. During fiscal year 2007, the Council also approved supplemental appropriations totaling approximately \$10.4 million. The increase is primarily due to \$4.9 million for debt principal and interest payments and \$3.6 million for 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 fiscal year ended June 30, 2007, is presented below:

Net change in fund balance - budgetary basis.....	\$ 7,132,470
<u>Basis of accounting differences:</u>	
Net change in recording 60-day receipts.....	6,000
Net change in recording market value adjustment.....	(24,957)
Net change in recording tax refunds payable.....	(42,956)
Net change in recording the search for unrecorded liabilities.....	259,572
Net change in recording accrued interest.....	1,707,567
Increase in revenues due to on-behalf payments.....	9,866,928
Increase in expenditures due to on-behalf payments.....	<u>(9,866,928)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 9,037,696</u>

3. Appropriation Deficits

For the fiscal year ended June 30, 2007, actual expenditures and encumbrances exceeded appropriations for snow and ice and employee benefits. These over-expenditures will be funded by the fiscal 2008 tax rate.