

CITY OF WOBURN, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2020

CITY OF WOBURN, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

TABLE OF CONTENTS

| | |
|---|----|
| Independent Auditor's Report..... | 1 |
| Management's Discussion and Analysis | 3 |
| Basic Financial Statements | 12 |
| Statement of net position | 13 |
| Statement of activities..... | 14 |
| Governmental funds – balance sheet..... | 16 |
| Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position | 17 |
| Governmental funds – statement of revenues, expenditures and changes in fund balances..... | 18 |
| Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities..... | 19 |
| Proprietary funds – statement of net position | 20 |
| Proprietary funds – statement of revenues, expenses and changes in net position | 21 |
| Proprietary funds – statement of cash flows..... | 22 |
| Fiduciary funds – statement of fiduciary net position..... | 23 |
| Fiduciary funds – statement of changes in fiduciary net position | 24 |
| Notes to basic financial statements | 25 |
| Required Supplementary Information..... | 63 |
| Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual | 64 |
| Pension Plan Schedules – Retirement System | 66 |
| Schedule of changes in the net pension liability and related ratios | 67 |
| Schedule of contributions | 68 |
| Schedule of investment returns..... | 69 |
| Pension Plan Schedules – City..... | 70 |
| Schedule of the City's proportionate share of the net pension liability | 71 |
| Schedule of the City's contributions | 72 |
| Schedule of the special funding amounts of the net pension liability..... | 73 |
| Other postemployment benefit plan schedules..... | 74 |
| Schedule of changes in the City's net other postemployment benefit liability and related ratios | 75 |
| Schedule of the City's contributions | 76 |
| Schedule of investment returns..... | 77 |
| Notes to required supplementary information..... | 78 |



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

To the Honorable Mayor
City of Woburn, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woburn, Massachusetts, as of and for the year ended June 30, 2020 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2019), and the related notes to the financial statements, which collectively comprise the City of Woburn, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woburn, Massachusetts, as of June 30, 2020 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2019), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2021, on our consideration of the City of Woburn, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Woburn, Massachusetts' internal control over financial reporting and compliance.



May 12, 2021

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Woburn, Massachusetts (City), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2020. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators, and others) can assess the financial condition of one government compared to others.

Financial Highlights

- The liabilities and deferred inflows of resources of the City of Woburn exceeded the assets and deferred outflows of resources at the close of the most recent year for the government as a whole by \$24.7 million (net position).
- At the close of the current year, the City's general fund reported an ending fund balance of \$57.5 million. Total fund balance represents 36% of total general fund expenditures.
- The City's total debt (short-term and long-term combined) decreased by \$6.7 million during the year.
- The City's net other postemployment benefits (OPEB) liability decreased by \$1.1 million and totaled \$254.9 million at year-end.
- The City's net pension liability decreased by \$6.4 million and totaled \$87.0 million at year-end.
- The City completed a current refunding of existing debt, which became callable in 2020. The current refunding resulted in an economic gain of \$686,000.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this

statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, COVID-19, and interest. The business-type activities include the activities of the water and sewer operations.

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City of Woburn's total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$24.7 million at the close of 2020.

Net position of \$219.4 million reflects its net investment in capital assets (e.g., land, land improvements, buildings, vehicles, machinery and equipment, building improvements, and infrastructure) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the governmental net position, \$14.1 million, represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* has a year-end deficit of \$258.2 million. The primary reason for this deficit balance is the recognition of the net other postemployment benefits and net pension liabilities totaling \$254.9 million and \$87.0 million, respectively.

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

Governmental Activities

The City of Woburn's total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources for governmental activities by \$73.5 million at the close of 2020.

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Assets: | | |
| Current assets..... \$ | 90,970,841 | \$ 81,474,206 |
| Capital assets, non depreciable..... | 26,145,669 | 25,641,913 |
| Capital assets, net of accumulated depreciation.... | 222,393,216 | 223,797,038 |
| Total assets..... | 339,509,726 | 330,913,157 |
| Deferred outflows of resources..... | 29,989,915 | 23,745,098 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 7,137,586 | 6,453,830 |
| Noncurrent liabilities (excluding debt)..... | 343,892,445 | 351,459,786 |
| Current debt..... | 7,594,572 | 7,852,142 |
| Noncurrent debt..... | 58,324,543 | 62,648,367 |
| Total liabilities..... | 416,949,146 | 428,414,125 |
| Deferred inflows of resources..... | 26,032,337 | 11,929,125 |
| Net position: | | |
| Net investment in capital assets..... | 185,632,819 | 180,976,369 |
| Restricted..... | 14,136,439 | 11,940,402 |
| Unrestricted..... | (273,251,100) | (278,601,766) |
| Total net position..... \$ | (73,481,842) | (85,684,995) |

| | 2020 | 2019 |
|---|------------------------|------------------------|
| Program Revenues: | | |
| Charges for services..... | \$ 11,182,966 | \$ 8,776,140 |
| Operating grants and contributions..... | 34,283,218 | 29,999,930 |
| Capital grants and contributions..... | 4,478,503 | 5,370,425 |
| General Revenues: | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 112,034,027 | 107,619,812 |
| Tax liens..... | 314,365 | 235,103 |
| Motor vehicle excise taxes..... | 7,297,277 | 7,363,042 |
| Hotel/motel tax..... | 3,133,196 | 3,613,381 |
| Meals tax..... | 1,071,942 | 1,091,965 |
| Penalties and interest on taxes..... | 312,950 | 423,366 |
| Grants and contributions not restricted to specific programs..... | 6,664,848 | 6,752,802 |
| Unrestricted investment income..... | 895,864 | 2,710,322 |
| Gain on sale of capital assets..... | 200,925 | - |
| Total revenues..... | 181,870,081 | 173,956,288 |
| Expenses: | | |
| General government..... | 7,241,808 | 7,734,180 |
| Public safety..... | 32,334,693 | 35,440,758 |
| Education..... | 108,971,213 | 115,028,707 |
| Public works..... | 11,469,306 | 11,905,401 |
| Health and human services..... | 1,795,186 | 2,080,717 |
| Culture and recreation..... | 5,345,387 | 4,501,391 |
| COVID-19..... | 329,387 | - |
| Interest..... | 2,179,948 | 2,304,521 |
| Total expenses..... | 169,666,928 | 178,995,675 |
| Change in net position..... | 12,203,153 | (5,039,387) |
| Net position, beginning of year..... | (85,684,995) | (80,645,608) |
| Net position, end of year..... | \$ (73,481,842) | \$ (85,684,995) |

Governmental expenses totaled \$169.7 million of which \$49.9 million (29%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$131.9 million, primarily coming from property taxes, motor vehicle excise taxes, hotel/motel taxes and non-restricted state aid.

Governmental net position increased by \$12.2 million during the current year. The primary components of this increase include a \$4.1 million increase from the change in the net OPEB liability and related deferred inflows/outflows of resources, a general fund surplus of \$5.4 million, a \$3.0 million surplus in the nonmajor governmental funds, and capital grants of \$4.5 million. These increases were offset by a decrease of \$4.6 million from the change in the net pension liability and related deferred inflows/outflows of resources.

Business-type Activities

For the City's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$48.8 million at the close of 2020.

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Assets: | | |
| Current assets..... | \$ 19,105,502 | \$ 16,384,042 |
| Noncurrent assets (excluding capital)..... | - | 124,689 |
| Capital assets, non depreciable..... | 332,240 | 332,240 |
| Capital assets, net of accumulated depreciation... | 53,645,199 | 54,956,653 |
| Total assets..... | 73,082,941 | 71,797,624 |
| Deferred outflows of resources..... | 271,130 | 275,116 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 340,852 | 369,152 |
| Noncurrent liabilities (excluding debt)..... | 3,001,174 | 3,102,633 |
| Current debt..... | 2,500,804 | 2,609,741 |
| Noncurrent debt..... | 18,469,991 | 20,473,294 |
| Total liabilities..... | 24,312,821 | 26,554,820 |
| Deferred inflows of resources..... | 219,277 | 76,968 |
| Net position: | | |
| Net investment in capital assets..... | 33,774,420 | 33,098,493 |
| Unrestricted..... | 15,047,553 | 12,342,459 |
| Total net position..... | \$ 48,821,973 | \$ 45,440,952 |
| Program Revenues: | | |
| Charges for services..... | \$ 21,659,971 | \$ 19,607,360 |
| Operating grants and contributions..... | 11,774 | 26,475 |
| Capital grants and contributions..... | 1,492,500 | 1,492,500 |
| Total revenues..... | 23,164,245 | 21,126,335 |
| Expenses: | | |
| Water and sewer..... | 19,783,224 | 18,888,226 |
| Change in net position..... | 3,381,021 | 2,238,109 |
| Net position, beginning of year..... | 45,440,952 | 43,202,843 |
| Net position, end of year..... | \$ 48,821,973 | \$ 45,440,952 |

Business-type net position of \$33.8 million (69%) represents the net investment in capital assets while \$15.0 million (31%) is unrestricted.

The water and sewer enterprise fund net position increased by \$3.4 million in the current year. This increase is primarily due to the recognition of \$1.5 million from capital grants and a \$2.1 million increase in charges for services that is mainly due to rate increases that were effective January 1, 2020.

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$77.3 million. This was comprised of the general fund totaling \$57.5 million, the Hurd/Wyman School fund totaling \$12,000, a deficit of \$270,000 for the library construction fund and \$20.0 million for the nonmajor funds.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$49.1 million, while total fund balance was \$57.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30% of the total general fund expenditures, while total fund balance represents 36% of that same amount. Committed fund balance totals \$8.1 million and consists of the affordable housing stabilization fund totaling \$3.7 million and unexpended capital articles totaling \$4.4 million that were carried forward to the subsequent year. Assigned fund balance totals \$279,000 and consists of unexpended appropriations that were encumbered to be expended in the subsequent year.

The general fund increased by \$5.4 million due to better than expected revenue collections and unexpended appropriations. These increases were offset by the use of reserves to fund appropriations and the OPEB trust fund.

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

The Hurd/Wyman School construction fund recognized \$59,000 of capital grant revenue. This funding source was offset by \$356,000 of additional construction costs.

The Library Construction fund recognized \$2.0 million of capital grant revenue, and \$29,000 of other revenues. These funding sources were offset by \$302,000 of additional construction costs.

In 2020, the Federal Government approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provides federal funding to assist communities in paying costs incurred between March 1, 2020, and December 31, 2021, that are directly related to the COVID-19 pandemic. The Commonwealth of Massachusetts was awarded \$2.7 billion which is to be allocated amongst local governments based on population. The State has made a portion of these funds available as of June 30, 2020. In 2020, the City incurred \$329,000 of COVID related expenditures. The City plans to submit reimbursement requests to the Federal Emergency Management Agency (FEMA), apply for funding from the CARES Act, and use other local grant receipts to cover these costs (See Note 15 for further information).

General Fund Budgetary Highlights

The \$6.1 million (4%) increase between the original budget and the final amended budget was primarily due to increases in appropriations for public safety, employee benefits and capital outlay.

Capital Asset and Debt Administration

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

The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$302.5 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, building improvements, vehicles, machinery and equipment and infrastructure.

Current year additions for the governmental investment in capital assets totaled \$5.5 million. \$401,000 relates to land improvements, \$1.1 million relates to building construction and improvements, \$1.9 million relates to street resurfacing and \$959,000 is for vehicles, and \$1.1 million is for machinery and equipment, and other capital additions.

The \$641,000 in water and sewer additions are attributable to inflow and infiltration improvements as well as other water improvements.

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

Outstanding long-term debt of the general government totaled \$63.2 million, of which \$35.9 million relates to school projects, \$7.5 million relates to land acquisition, \$2.4 million relates to premiums on long-term debt and \$17.4 million relates to various other capital projects.

The water and sewer enterprise fund has \$21.0 million of outstanding long-term debt, which is fully supported by rates and does not rely on a general fund subsidy.

In order to take advantage of favorable interest rates, the Town issued \$4.2 million of general obligation refunding bonds, which included a premium of \$823,000, on March 12, 2020. The proceeds of the refunding bonds were used to complete a current refunding of \$4.9 million of existing debt. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$686,000 and a reduction of \$721,000 in future debt service payments.

Short-term debt outstanding at year-end for the governmental activities totaled \$2.7 million of which \$390,000 is for the Hurd/Wyman Elementary School building project, \$2.2 million is for the library renovation and reconstruction project and \$120,000 is for the Clapp Park project. The water and sewer enterprise fund did not have outstanding short-term debt at year-end.

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

approved construction costs submitted for reimbursement. The project is substantially complete, and the City anticipates receiving a final reimbursement of \$308,000 after the MSBA has completed its final review of the project costs submitted for reimbursement.

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

Requests for Information

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

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2020

| | <i>Primary Government</i> | | |
|---|----------------------------|-----------------------------|------------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and cash equivalents..... | \$ 56,874,144 | \$ 8,478,844 | \$ 65,352,988 |
| Investments..... | 24,545,856 | - | 24,545,856 |
| Receivables, net of allowance for uncollectibles: | | | |
| Real estate and personal property taxes..... | 1,639,401 | - | 1,639,401 |
| Tax and utility liens..... | 2,153,946 | 89,547 | 2,243,493 |
| Motor vehicle and other excise taxes..... | 577,144 | - | 577,144 |
| User charges..... | - | 10,412,422 | 10,412,422 |
| Departmental and other..... | 896,437 | - | 896,437 |
| Intergovernmental..... | 3,581,149 | 124,689 | 3,705,838 |
| Tax foreclosures..... | 702,764 | - | 702,764 |
| Total current assets..... | <u>90,970,841</u> | <u>19,105,502</u> | <u>110,076,343</u> |
| NONCURRENT: | | | |
| Capital assets, nondepreciable..... | 26,145,669 | 332,240 | 26,477,909 |
| Capital assets, net of accumulated depreciation..... | <u>222,393,216</u> | <u>53,645,199</u> | <u>276,038,415</u> |
| Total noncurrent assets..... | <u>248,538,885</u> | <u>53,977,439</u> | <u>302,516,324</u> |
| TOTAL ASSETS..... | <u>339,509,726</u> | <u>73,082,941</u> | <u>412,592,667</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions..... | 9,602,000 | 146,000 | 9,748,000 |
| Deferred outflows related to other postemployment benefits..... | <u>20,387,915</u> | <u>125,130</u> | <u>20,513,045</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | <u>29,989,915</u> | <u>271,130</u> | <u>30,261,045</u> |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants payable..... | 1,436,024 | 32,254 | 1,468,278 |
| Accrued payroll..... | 786,238 | - | 786,238 |
| Tax refunds payable..... | 1,042,233 | - | 1,042,233 |
| Accrued interest..... | 619,265 | 261,598 | 880,863 |
| Other liabilities..... | 189,840 | - | 189,840 |
| Unearned revenue..... | 1,145,986 | - | 1,145,986 |
| Compensated absences..... | 1,918,000 | 47,000 | 1,965,000 |
| Notes payable..... | 2,699,499 | - | 2,699,499 |
| Bonds payable..... | <u>4,895,073</u> | <u>2,500,804</u> | <u>7,395,877</u> |
| Total current liabilities..... | <u>14,732,158</u> | <u>2,841,656</u> | <u>17,573,814</u> |
| NONCURRENT: | | | |
| Compensated absences..... | 4,789,000 | 141,000 | 4,930,000 |
| Net pension liability..... | 85,712,000 | 1,305,000 | 87,017,000 |
| Net other postemployment benefits liability..... | 253,391,445 | 1,555,174 | 254,946,619 |
| Bonds payable..... | <u>58,324,543</u> | <u>18,469,991</u> | <u>76,794,534</u> |
| Total noncurrent liabilities..... | <u>402,216,988</u> | <u>21,471,165</u> | <u>423,688,153</u> |
| TOTAL LIABILITIES..... | <u>416,949,146</u> | <u>24,312,821</u> | <u>441,261,967</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions..... | 6,598,000 | 100,000 | 6,698,000 |
| Deferred inflows related to other postemployment benefits..... | <u>19,434,337</u> | <u>119,277</u> | <u>19,553,614</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | <u>26,032,337</u> | <u>219,277</u> | <u>26,251,614</u> |
| NET POSITION | | | |
| Net investment in capital assets..... | 185,632,819 | 33,774,420 | 219,407,239 |
| Restricted for: | | | |
| Permanent funds: | | | |
| Expendable..... | 4,580,164 | - | 4,580,164 |
| Nonexpendable..... | 3,699,361 | - | 3,699,361 |
| Gifts and grants..... | 5,856,914 | - | 5,856,914 |
| Unrestricted..... | <u>(273,251,100)</u> | <u>15,047,553</u> | <u>(258,203,547)</u> |
| TOTAL NET POSITION..... | <u>\$ (73,481,842)</u> | <u>\$ 48,821,973</u> | <u>\$ (24,659,869)</u> |

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|-------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary Government: | | | | | |
| <i>Governmental Activities:</i> | | | | | |
| General government..... | \$ 7,241,808 | \$ 634,825 | \$ 1,259,405 | \$ 861,345 | \$ (4,486,233) |
| Public safety..... | 32,334,693 | 8,545,772 | 457,061 | - | (23,331,860) |
| Education..... | 108,971,213 | 1,419,172 | 31,742,645 | 59,346 | (75,750,050) |
| Public works..... | 11,469,306 | 395,906 | 11,300 | 1,432,919 | (9,629,181) |
| Health and human services..... | 1,795,186 | 92,411 | 132,176 | - | (1,570,599) |
| Culture and recreation..... | 5,345,387 | 94,880 | 351,244 | 2,124,893 | (2,774,370) |
| COVID-19..... | 329,387 | - | 329,387 | - | - |
| Interest..... | 2,179,948 | - | - | - | (2,179,948) |
| Total Governmental Activities..... | 169,666,928 | 11,182,966 | 34,283,218 | 4,478,503 | (119,722,241) |
| <i>Business-type Activities:</i> | | | | | |
| Water and sewer..... | 19,783,224 | 21,659,971 | 11,774 | 1,492,500 | 3,381,021 |
| Total Primary Government..... | \$ 189,450,152 | \$ 32,842,937 | \$ 34,294,992 | \$ 5,971,003 | \$ (116,341,220) |

(Continued)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------|
| | Governmental Activities | Business-type Activities | Total |
| Changes in net position: | | | |
| Net (expense) revenue from previous page..... \$ | (119,722,241) | 3,381,021 | (116,341,220) |
| <i>General revenues:</i> | | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 112,034,027 | - | 112,034,027 |
| Tax liens..... | 314,365 | - | 314,365 |
| Motor vehicle excise taxes..... | 7,297,277 | - | 7,297,277 |
| Hotel/motel tax..... | 3,133,196 | - | 3,133,196 |
| Meals tax..... | 1,071,942 | - | 1,071,942 |
| Penalties and interest on taxes..... | 312,950 | - | 312,950 |
| Grants and contributions not restricted to specific programs..... | 6,664,848 | - | 6,664,848 |
| Unrestricted investment income..... | 895,864 | - | 895,864 |
| Gain on sale of capital assets..... | 200,925 | - | 200,925 |
| Total general revenues..... | 131,925,394 | - | 131,925,394 |
| Change in net position..... | 12,203,153 | 3,381,021 | 15,584,174 |
| <i>Net position:</i> | | | |
| Beginning of year..... | (85,684,995) | 45,440,952 | (40,244,043) |
| End of year..... \$ | (73,481,842) | 48,821,973 | (24,659,869) |

(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2020

| | General | State Highway Grants | Hurd/ Wyman School | Library Construction | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|----------------------------|-----------------------|-------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents..... | \$ 41,597,141 | \$ - | \$ 94,091 | \$ 1,922,451 | \$ 13,260,461 | \$ 56,874,144 |
| Investments..... | 16,625,153 | - | - | - | 7,920,703 | 24,545,856 |
| Receivables, net of uncollectibles: | | | | | | |
| Real estate and personal property taxes..... | 1,639,401 | - | - | - | - | 1,639,401 |
| Tax liens..... | 2,153,946 | - | - | - | - | 2,153,946 |
| Motor vehicle and other excise taxes..... | 577,144 | - | - | - | - | 577,144 |
| Departmental and other..... | - | - | - | - | 896,437 | 896,437 |
| Intergovernmental..... | - | 2,964,257 | 308,144 | - | 308,748 | 3,581,149 |
| Tax foreclosures..... | 702,764 | - | - | - | - | 702,764 |
| Due from other funds..... | 1,211,479 | - | - | - | - | 1,211,479 |
| TOTAL ASSETS..... | \$ 64,507,028 | \$ 2,964,257 | \$ 402,235 | \$ 1,922,451 | \$ 22,386,349 | \$ 92,182,320 |
| LIABILITIES | | | | | | |
| Warrants payable..... | \$ 1,119,497 | \$ 109,042 | \$ - | \$ 2,973 | \$ 204,512 | \$ 1,436,024 |
| Accrued payroll..... | 786,238 | - | - | - | - | 786,238 |
| Tax refunds payable..... | 1,042,233 | - | - | - | - | 1,042,233 |
| Due to other funds..... | - | 1,211,479 | - | - | - | 1,211,479 |
| Other liabilities..... | 189,840 | - | - | - | - | 189,840 |
| Unearned revenue..... | - | - | - | - | 1,145,986 | 1,145,986 |
| Notes payable..... | - | - | 390,000 | 2,189,499 | 120,000 | 2,699,499 |
| TOTAL LIABILITIES..... | 3,137,808 | 1,320,521 | 390,000 | 2,192,472 | 1,470,498 | 8,511,299 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue..... | 3,873,118 | 1,643,736 | - | - | 896,437 | 6,413,291 |
| FUND BALANCES | | | | | | |
| Nonspendable..... | - | - | - | - | 3,699,361 | 3,699,361 |
| Restricted..... | - | - | 12,235 | - | 16,320,053 | 16,332,288 |
| Committed..... | 8,133,994 | - | - | - | - | 8,133,994 |
| Assigned..... | 279,412 | - | - | - | - | 279,412 |
| Unassigned..... | 49,082,696 | - | - | (270,021) | - | 48,812,675 |
| TOTAL FUND BALANCES..... | 57,496,102 | - | 12,235 | (270,021) | 20,019,414 | 77,257,730 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES..... | \$ 64,507,028 | \$ 2,964,257 | \$ 402,235 | \$ 1,922,451 | \$ 22,386,349 | \$ 92,182,320 |

See notes to basic financial statements.

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

JUNE 30, 2020

| | | |
|--|--------------------|-------------------------------|
| Total governmental fund balances..... | | \$ 77,257,730 |
| Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds..... | | 248,538,885 |
| Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds..... | | 6,413,291 |
| The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred..... | | 3,957,578 |
| In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due..... | | (619,265) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: | | |
| Bonds payable..... | (63,219,616) | |
| Net pension liability..... | (85,712,000) | |
| Net other postemployment benefits liability..... | (253,391,445) | |
| Compensated absences..... | <u>(6,707,000)</u> | |
| Net effect of reporting long-term liabilities..... | | <u>(409,030,061)</u> |
| Net position of governmental activities..... | | \$ <u><u>(73,481,842)</u></u> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

| | General | State Highway Grants | Hurid/ Wyman School | Library Construction | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|----------------------------|------------------------|-------------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 112,095,683 | \$ - | \$ - | \$ - | \$ - | \$ 112,095,683 |
| Tax liens..... | 341,670 | - | - | - | - | 341,670 |
| Motor vehicle excise taxes..... | 7,126,786 | - | - | - | - | 7,126,786 |
| Hotel/motel tax..... | 3,133,196 | - | - | - | - | 3,133,196 |
| Meals tax..... | 1,071,942 | - | - | - | - | 1,071,942 |
| Penalties and interest on taxes..... | 312,950 | - | - | - | - | 312,950 |
| Intergovernmental - Teachers Retirement..... | 16,745,013 | - | - | - | - | 16,745,013 |
| Intergovernmental..... | 16,783,303 | 1,346,008 | 59,346 | 1,981,255 | 6,716,325 | 26,886,237 |
| Intergovernmental - COVID-19 relief..... | - | - | - | - | 329,387 | 329,387 |
| Departmental and other..... | 6,605,518 | - | 15,349 | 29,175 | 5,987,664 | 12,637,706 |
| Contributions and donations..... | 92,695 | - | - | - | 153,979 | 246,674 |
| Investment income..... | 712,460 | - | - | - | 183,404 | 895,864 |
| TOTAL REVENUES..... | 165,021,216 | 1,346,008 | 74,695 | 2,010,430 | 13,370,759 | 181,823,108 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General government..... | 4,006,783 | - | - | - | 355,277 | 4,362,060 |
| Public safety..... | 18,947,226 | - | - | - | 2,764,548 | 21,711,774 |
| Education..... | 66,500,159 | - | 355,863 | - | 5,063,011 | 71,919,033 |
| Public works..... | 7,607,986 | 1,346,008 | - | - | 128,317 | 9,082,311 |
| Health and human services..... | 1,216,495 | - | - | - | 282,363 | 1,498,858 |
| Culture and recreation..... | 2,493,163 | - | - | 302,359 | 1,026,940 | 3,822,462 |
| COVID-19..... | - | - | - | - | 329,387 | 329,387 |
| Pension benefits..... | 8,380,277 | - | - | - | - | 8,380,277 |
| Pension benefits - Teachers Retirement..... | 16,745,013 | - | - | - | - | 16,745,013 |
| Employee benefits..... | 20,538,503 | - | - | - | - | 20,538,503 |
| State and county charges..... | 4,340,934 | - | - | - | - | 4,340,934 |
| Capital outlay..... | 3,652,249 | - | - | - | - | 3,652,249 |
| Debt service: | | | | | | |
| Principal..... | 4,088,500 | - | - | - | - | 4,088,500 |
| Principal payment on current refunding..... | 980,000 | - | - | - | - | 980,000 |
| Interest..... | 2,338,913 | - | - | - | - | 2,338,913 |
| TOTAL EXPENDITURES..... | 161,836,201 | 1,346,008 | 355,863 | 302,359 | 9,949,843 | 173,790,274 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | 3,185,015 | - | (281,168) | 1,708,071 | 3,420,916 | 8,032,834 |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Issuance of refunding bonds..... | 886,500 | - | - | - | - | 886,500 |
| Premium from issuance of bonds..... | - | - | - | - | 700,481 | 700,481 |
| Proceeds from the sale of capital assets..... | - | - | - | - | 200,925 | 200,925 |
| Transfers in..... | 1,305,507 | - | - | - | - | 1,305,507 |
| Transfers out..... | - | - | - | - | (1,305,507) | (1,305,507) |
| TOTAL OTHER FINANCING SOURCES (USES)... | 2,192,007 | - | - | - | (404,101) | 1,787,906 |
| NET CHANGE IN FUND BALANCES..... | 5,377,022 | - | (281,168) | 1,708,071 | 3,016,815 | 9,820,740 |
| FUND BALANCES AT BEGINNING OF YEAR..... | 52,119,080 | - | 293,403 | (1,978,092) | 17,002,599 | 67,436,990 |
| FUND BALANCES AT END OF YEAR..... | \$ 57,496,102 | \$ - | \$ 12,235 | \$ (270,021) | \$ 20,019,414 | \$ 77,257,730 |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

| | | |
|--|----|--------------------|
| Net change in fund balances - total governmental funds..... | \$ | 9,820,740 |
| <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..... | | 5,506,985 |
| Depreciation expense..... | | <u>(6,407,051)</u> |
| Net effect of reporting capital assets..... | | (900,066) |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p> | | |
| | | (153,952) |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p> | | |
| Issuance of refunding bonds..... | | (886,500) |
| Premium from issuance of bonds..... | | (700,480) |
| Debt service principal payments for refunded debt..... | | 980,000 |
| Net amortization of premium from issuance of bonds..... | | 219,393 |
| Debt service principal payments..... | | <u>4,088,500</u> |
| Net effect of reporting long-term debt..... | | 3,700,913 |
| <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..... | | 313,000 |
| Net change in accrued interest on long-term debt..... | | (60,428) |
| Net change in deferred outflow/(inflow) of resources related to pensions..... | | (10,906,000) |
| Net change in net pension liability..... | | 6,289,000 |
| Net change in deferred outflow/(inflow) of resources related to other postemployment benefits..... | | 3,047,605 |
| Net change in net other postemployment benefits liability..... | | <u>1,052,341</u> |
| Net effect of recording long-term liabilities..... | | <u>(264,482)</u> |
| Change in net position of governmental activities..... | \$ | <u>12,203,153</u> |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2020

| | | Business-type Activities - Enterprise Funds |
|---|----|---|
| | | <u>Water and Sewer</u> |
| ASSETS | | |
| CURRENT: | | |
| Cash and cash equivalents..... | \$ | 8,478,844 |
| Receivables, net of allowance for uncollectibles: | | |
| Liens - user charges..... | | 89,547 |
| User charges..... | | 10,412,422 |
| Intergovernmental..... | | <u>124,689</u> |
| Total current assets..... | | <u>19,105,502</u> |
| NONCURRENT: | | |
| Capital assets, non depreciable..... | | 332,240 |
| Capital assets, net of accumulated depreciation..... | | <u>53,645,199</u> |
| Total noncurrent assets..... | | <u>53,977,439</u> |
| TOTAL ASSETS..... | | <u>73,082,941</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows related to pensions..... | | 146,000 |
| Deferred outflows related to other postemployment benefits..... | | <u>125,130</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | | <u>271,130</u> |
| LIABILITIES | | |
| CURRENT: | | |
| Warrants payable..... | | 32,254 |
| Accrued interest..... | | 261,598 |
| Compensated absences..... | | 47,000 |
| Bonds payable..... | | <u>2,500,804</u> |
| Total current liabilities..... | | <u>2,841,656</u> |
| NONCURRENT: | | |
| Compensated absences..... | | 141,000 |
| Net pension liability..... | | 1,305,000 |
| Net other postemployment benefits liability..... | | 1,555,174 |
| Bonds payable..... | | <u>18,469,991</u> |
| Total noncurrent liabilities..... | | <u>21,471,165</u> |
| TOTAL LIABILITIES..... | | <u>24,312,821</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows related to pensions..... | | 100,000 |
| Deferred inflows related to other postemployment benefits..... | | <u>119,277</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | | <u>219,277</u> |
| NET POSITION | | |
| Net investment in capital assets..... | | 33,774,420 |
| Unrestricted..... | | <u>15,047,553</u> |
| TOTAL NET POSITION..... | \$ | <u><u>48,821,973</u></u> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

| | | Business-type Activities - Enterprise Funds |
|---|----|---|
| | | <u>Water and Sewer</u> |
| <u>OPERATING REVENUES:</u> | | |
| Charges for services..... | \$ | 20,967,510 |
| Liens - charges for services..... | | <u>692,461</u> |
| TOTAL OPERATING REVENUES | | <u>21,659,971</u> |
| <u>OPERATING EXPENSES:</u> | | |
| Cost of services and administration..... | | 2,773,119 |
| Salaries and wages..... | | 876,750 |
| MWRA assessment..... | | 13,577,929 |
| Depreciation..... | | <u>1,952,196</u> |
| TOTAL OPERATING EXPENSES..... | | <u>19,179,994</u> |
| OPERATING INCOME (LOSS)..... | | 2,479,977 |
| <u>NONOPERATING REVENUES (EXPENSES):</u> | | |
| Interest expense..... | | (603,230) |
| Intergovernmental..... | | <u>11,774</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES), NET..... | | <u>(591,456)</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS..... | | 1,888,521 |
| CAPITAL CONTRIBUTIONS..... | | <u>1,492,500</u> |
| CHANGE IN NET POSITION..... | | 3,381,021 |
| NET POSITION AT BEGINNING OF YEAR..... | | <u>45,440,952</u> |
| NET POSITION AT END OF YEAR..... | \$ | <u><u>48,821,973</u></u> |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

| | | Business-type Activities - Enterprise Funds |
|--|----|---|
| | | Water and Sewer |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | |
| Receipts from customers and users..... | \$ | 20,840,350 |
| Payments to vendors..... | | (16,358,484) |
| Payments to employees..... | | (874,750) |
| | | 3,607,116 |
| <u>NET CASH FROM OPERATING ACTIVITIES.....</u> | | |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u> | | |
| Proceeds from the issuance of bonds and notes..... | | 497,500 |
| Capital grants received..... | | 11,774 |
| Capital contributions..... | | 1,492,500 |
| Acquisition and construction of capital assets..... | | (640,742) |
| Principal payments on bonds and notes..... | | (2,584,942) |
| Interest expense..... | | (606,056) |
| | | (1,829,966) |
| <u>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</u> | | |
| <u>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</u> | | |
| | | 1,777,150 |
| <u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</u> | | |
| | | 6,701,694 |
| <u>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</u> | | |
| | \$ | 8,478,844 |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u> | | |
| Operating income (loss)..... | \$ | 2,479,977 |
| Adjustments to reconcile operating income to net cash from operating activities: | | |
| Depreciation..... | | 1,952,196 |
| Deferred (outflows)/inflows related to pensions..... | | 165,000 |
| Deferred (outflows)/inflows related to other postemployment benefits..... | | (18,705) |
| Changes in assets and liabilities: | | |
| Liens - user charges..... | | 5,150 |
| User charges..... | | (937,523) |
| Intergovernmental..... | | 112,752 |
| Warrants payable..... | | (51,272) |
| Compensated absences..... | | 2,000 |
| Net pension liability..... | | (96,000) |
| Other postemployment benefits..... | | (6,459) |
| Total adjustments..... | | 1,127,139 |
| <u>NET CASH FROM OPERATING ACTIVITIES.....</u> | | |
| | \$ | 3,607,116 |
| <u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u> | | |
| Issuance of refunding bonds..... | \$ | 3,303,500 |
| Long-term bonds refunded..... | | (3,895,000) |
| Refunding premium..... | | 591,500 |
| Intergovernmental subsidy of debt service..... | | 124,526 |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

| | Total Pension and Other Employee Benefit Trust Funds | Private Purpose Trust Funds | Agency Funds |
|--|--|-----------------------------------|-----------------|
| ASSETS | | | |
| Cash and cash equivalents..... | \$ 1,237,016 | \$ 59,297 | \$ 887,002 |
| Investments: | | | |
| Investments in Pension Reserve Investment Trust..... | 155,124,298 | - | - |
| Bond mutual funds..... | 1,849,497 | - | - |
| Equity securities..... | 1,763,427 | - | - |
| Equity mutual funds..... | 3,116,231 | - | - |
| Pooled alternative investments..... | 3,859,196 | - | - |
| Receivables, net of allowance for uncollectibles: | | | |
| Departmental and other..... | 11,583 | - | - |
| Interest and dividends..... | 620 | - | - |
| TOTAL ASSETS..... | 166,961,868 | 59,297 | 887,002 |
| LIABILITIES | | | |
| Warrants payable..... | 71,874 | - | 4,779 |
| Liabilities due depositors..... | - | - | 882,223 |
| TOTAL LIABILITIES..... | 71,874 | - | 887,002 |
| NET POSITION | | | |
| Restricted for pensions..... | 159,393,851 | - | - |
| Restricted for other postemployment benefits..... | 7,496,143 | - | - |
| Held in trust for other purposes..... | - | 59,297 | - |
| TOTAL NET POSITION..... | \$ 166,889,994 | \$ 59,297 | \$ - |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

| | Total Pension and Other Employee Benefit Trust Funds | Private Purpose Trust Funds |
|--|--|-----------------------------------|
| | <u>Trust Funds</u> | <u>Trust Funds</u> |
| ADDITIONS: | | |
| Contributions: | | |
| Employer contributions..... | \$ 9,570,047 | \$ - |
| Employer contributions for other postemployment benefit payments.... | 8,588,753 | - |
| Member contributions..... | 3,326,313 | - |
| Transfers from other systems..... | 678,857 | - |
| Retirement benefits - 3(8)c contributions from other systems..... | 342,817 | - |
| Intergovernmental..... | 58,000 | - |
| | <u>22,564,787</u> | <u>-</u> |
| Total contributions..... | | |
| Net investment income (loss): | | |
| Net change in fair value of investments..... | 12,603,473 | - |
| Investment income..... | 14,646,649 | 83 |
| Less: investment expense..... | (903,910) | - |
| | <u>26,346,212</u> | <u>83</u> |
| Net investment income (loss)..... | | |
| | <u>26,346,212</u> | <u>83</u> |
| TOTAL ADDITIONS..... | | |
| | <u>48,910,999</u> | <u>83</u> |
| DEDUCTIONS: | | |
| Administration..... | 556,683 | - |
| Transfers to other systems..... | 726,923 | - |
| Retirement benefits and refunds..... | 14,753,944 | - |
| Other postemployment benefit payments..... | 8,588,753 | - |
| Educational scholarships..... | - | 120 |
| | <u>24,626,303</u> | <u>120</u> |
| TOTAL DEDUCTIONS..... | | |
| | <u>24,626,303</u> | <u>120</u> |
| NET INCREASE (DECREASE) IN NET POSITION..... | | |
| | 24,284,696 | (37) |
| NET POSITION AT BEGINNING OF YEAR..... | | |
| | <u>142,605,298</u> | <u>59,334</u> |
| NET POSITION AT END OF YEAR..... | | |
| | <u>\$ 166,889,994</u> | <u>\$ 59,297</u> |

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

Joint Venture

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

The City has entered into a joint venture with the Cities of Winthrop, Chelsea, Malden, and Revere and the Towns of Melrose, North Reading, Reading, Saugus, Stoneham, Wakefield and Winchester to pool resources and share the costs, risks and rewards of providing vocational education through the Northeast Metropolitan Regional Vocational School District (NMRS). The City's assessment for 2020 was \$1,795,646. Stand-alone financial statements for the year ended June 30, 2020, are available at Northeast Metropolitan Regional Vocational School District, 100 Hemlock Road, Wakefield, Massachusetts 01880.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

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

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

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

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

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

The following fiduciary fund types are reported:

The *pension and other postemployment benefit trust fund* is used to account for the activities of the Retirement System and the Town's defined benefit healthcare plan, which accumulates resources to provide pension and other postemployment 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.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

Motor Vehicle and Other Excise Taxes

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

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

Water and Sewer User Fees

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

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

Departmental and Other

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

Intergovernmental

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

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

F. Inventories***Government-Wide and Fund Financial Statements***

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

G. Capital Assets***Government-Wide and Proprietary Fund Financial Statements***

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

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

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

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

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

Governmental Fund Financial Statements

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

H. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

Governmental Fund Financial Statements

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

I. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Net position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

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

Net position has been “restricted for” the following:

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

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

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

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

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

L. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Investment Income

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

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

N. Fair Value Measurements

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

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

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

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

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

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

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

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

O. Pensions

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

P. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

Q. Use of Estimates

Government-Wide and Fund Financial Statements

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

R. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

S. Fund Deficits

As of June 30, 2020, the library construction fund was in a deficit position. This deficit will be funded with bond proceeds and available funds in 2021.

NOTE 2 - CASH AND INVESTMENTS

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

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

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

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

Custodial Credit Risk – Deposits

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

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

At year-end, the carrying amount of deposits totaled \$57,896,904 and the bank balance totaled \$57,937,247. Of the bank balance, \$2,967,340 was covered by Federal Depository Insurance, \$15,204,478 was covered by Depositors Insurance Fund, \$39,765,429 was collateralized.

At December 31, 2019, the carrying amount of deposits for the System totaled \$77,541 and the bank balance totaled \$215,337. All of the bank balance was covered by Federal Depository Insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The City's investments subject to custodial credit risk include \$7,762,843 in U.S. government securities, \$3,890,745 in

government sponsored enterprises, \$1,078,398 in corporate bonds, \$12,487,951 in equity securities and \$397,394 in international equity securities, which have custodial credit risk exposure totaling \$25,616,971 because the related securities are uninsured, unregistered and held by the counterparty. The City does not have an investment policy for custodial credit risk.

At December 31, 2019, the System did not have any investments that were subject to custodial credit risk exposure. The System has not adopted a formal policy related to custodial credit risk.

Interest Rate Risk

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

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

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from 0.14 to 16.03 years.

As of June 30, 2020, the City had the following investments and maturities:

| <u>Investment Type</u> | <u>Fair value</u> | <u>Maturities</u> | | | |
|--------------------------------------|-------------------|---------------------|------------------|-------------------|----------------------|
| | | <u>Under 1 Year</u> | <u>1-5 Years</u> | <u>6-10 Years</u> | <u>Over 10 Years</u> |
| <u>Debt Securities:</u> | | | | | |
| U.S. Government Securities..... | \$ 7,762,843 | \$ 6,697,176 | \$ 1,065,667 | \$ - | \$ - |
| Government Sponsored Enterprises... | 3,890,745 | 3,185,543 | 704,004 | - | 1,198 |
| Corporate Bonds..... | 1,078,398 | 530,287 | 548,111 | - | - |
| Bond Mutual Funds..... | 2,218,456 | - | 2,218,456 | - | - |
| Total debt securities..... | 14,950,442 | \$ 10,413,006 | \$ 4,536,238 | \$ - | \$ 1,198 |
| <u>Other Investments:</u> | | | | | |
| Equity Securities..... | 12,487,591 | | | | |
| International Equity Securities..... | 397,394 | | | | |
| Equity Mutual Funds..... | 3,414,021 | | | | |
| Real Estate Investment Trust..... | 25,563 | | | | |
| Money Market Mutual Funds..... | 3,022,948 | | | | |
| MMDT - Cash Portfolio..... | 6,146,423 | | | | |
| Total Investments..... | \$ 40,444,382 | | | | |

As of December 31, 2019, the System had \$3,859,196 in pooled alternative investments, \$155,124,298 in PRIT and \$392,487 in money market mutual funds.

Credit Risk

The City’s investment policy limits investments in debt securities to United States Treasuries and Agency obligations, which carry an AA+ rating and other investments which are legal for the investment of funds of savings banks under the laws of the Commonwealth. As of June 30, 2020, Standard & Poor’s Investors Service rated the City’s investments as follows:

| <u>Quality Rating</u> | <u>Government Sponsored Enterprises</u> | <u>Corporate Bonds</u> | <u>Bond Mutual Funds</u> |
|-----------------------|---|------------------------|--------------------------|
| AA+..... | \$ 3,890,745 | \$ - | \$ - |
| A+..... | - | 240,116 | - |
| A..... | - | 15,532 | - |
| AA-..... | - | 15,625 | - |
| A-..... | - | 132,774 | - |
| BBB+..... | - | 519,886 | - |
| BBB..... | - | 83,210 | - |
| BBB-..... | - | 71,255 | - |
| Not Rated..... | - | - | 2,218,456 |
| Total..... | \$ 3,890,745 | \$ 1,078,398 | \$ 2,218,456 |

The City’s investments in MMDT were unrated.

The System has not adopted a formal policy related to Credit Risk. The System’s investments in PRIT are unrated.

Concentration of Credit Risk

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

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

Fair Value of Investments

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

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

The City has the following recurring fair value measurements as of June 30, 2020:

| Investment Type | June 30, 2020 | Fair Value Measurements Using | | |
|--|------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments Measured at Fair Value: | | | | |
| <u>Debt Securities:</u> | | | | |
| U.S. Government Securities..... | \$ 7,762,843 | \$ 7,762,843 | \$ - | \$ - |
| Government Sponsored Enterprises..... | 3,890,745 | 3,890,745 | - | - |
| Corporate Bonds..... | 1,078,398 | - | 1,078,398 | - |
| Bond Mutual Funds..... | 2,218,456 | 2,218,456 | - | - |
| Total Debt Securities..... | 14,950,442 | 13,872,044 | 1,078,398 | - |
| <u>Other Investments:</u> | | | | |
| Equity Securities..... | 12,487,591 | 12,487,591 | - | - |
| International Equity Securities..... | 397,394 | 397,394 | - | - |
| Equity Mutual Funds..... | 3,414,021 | 3,414,021 | - | - |
| Real Estate Investment Trust..... | 25,563 | - | - | 25,563 |
| Money Market Mutual Funds..... | 3,022,948 | 3,022,948 | - | - |
| Total Other Investments..... | 19,347,517 | 19,321,954 | - | 25,563 |
| Total Investments Measured at Fair Value..... | 34,297,959 | \$ 33,193,998 | \$ 1,078,398 | \$ 25,563 |
| Investments Measured at Amortized Cost: | | | | |
| MMDT - Cash Portfolio..... | 6,146,423 | | | |
| Total Investments..... | \$ 40,444,382 | | | |

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

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

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

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following recurring fair value measurements as of December 31, 2019:

| Investment Type | December 31, 2019 | Fair Value Measurements Using | | |
|---|----------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments Measured at Fair Value: | | | | |
| Pooled Alternative Investments..... | \$ 3,859,196 | \$ - | \$ - | \$ 3,859,196 |
| Money Market Mutual Funds..... | 392,487 | 392,487 | - | - |
| Total Other Investments..... | 4,251,683 | 392,487 | - | 3,859,196 |
| Total Investments measured at Fair Value..... | 4,251,683 | \$ 392,487 | \$ - | \$ 3,859,196 |
| Investments Measured at Net Asset Value: | | | | |
| Pension Reserve Investment Trust (PRIT)..... | 155,124,298 | | | |
| Total Investments..... | \$ 159,375,981 | | | |

Money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Pooled alternative investments classified in Level 3 are valued using either a discounted cash flow or market comparable company’s technique.

PRIT Investments are valued using the net asset value (NAV) method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool’s shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 - RECEIVABLES

At June 30, 2020, receivables for the individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|--|----------------------|------------------------------------|---------------------|
| <u>Receivables:</u> | | | |
| Real estate and personal property taxes..... | \$ 2,895,442 | \$ (1,256,041) | \$ 1,639,401 |
| Tax liens..... | 2,153,946 | - | 2,153,946 |
| Motor vehicle and other excise taxes..... | 1,736,285 | (1,159,141) | 577,144 |
| Departmental and other..... | 1,208,858 | (312,421) | 896,437 |
| Intergovernmental..... | 3,581,149 | - | 3,581,149 |
| Total..... | <u>\$ 11,575,680</u> | <u>\$ (2,727,603)</u> | <u>\$ 8,848,077</u> |

At June 30, 2020, receivables for the water and sewer enterprise funds consist of the following:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|------------------------|----------------------|------------------------------------|----------------------|
| <u>Receivables:</u> | | | |
| Utility liens..... | \$ 89,547 | \$ - | \$ 89,547 |
| User fees..... | 10,412,422 | - | 10,412,422 |
| Intergovernmental..... | 124,689 | - | 124,689 |
| Total..... | <u>\$ 10,626,658</u> | <u>\$ -</u> | <u>\$ 10,626,658</u> |

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

| | General Fund | Other Governmental Funds | Total |
|--|---------------------|--------------------------------|---------------------|
| <u>Receivables and other asset type:</u> | | | |
| Real estate and personal property taxes..... | \$ 439,264 | \$ - | \$ 439,264 |
| Tax liens..... | 2,153,946 | - | 2,153,946 |
| Motor vehicle and other excise taxes..... | 577,144 | - | 577,144 |
| Departmental and other..... | - | 896,437 | 896,437 |
| Intergovernmental..... | - | 1,643,736 | 1,643,736 |
| Tax foreclosures..... | 702,764 | - | 702,764 |
| Total..... | <u>\$ 3,873,118</u> | <u>\$ 2,540,173</u> | <u>\$ 6,413,291</u> |

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-----------------------|---------------------|---------------------|-----------------------|
| Governmental Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 24,908,730 | \$ - | \$ - | \$ 24,908,730 |
| Construction in progress..... | 733,183 | 825,540 | (321,784) | 1,236,939 |
| Total capital assets not being depreciated.... | <u>25,641,913</u> | <u>825,540</u> | <u>(321,784)</u> | <u>26,145,669</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Land improvements..... | 9,261,385 | 401,008 | - | 9,662,393 |
| Building improvements..... | 21,937,449 | 218,641 | - | 22,156,090 |
| Buildings..... | 211,195,377 | 887,169 | - | 212,082,546 |
| Vehicles..... | 5,501,577 | 959,391 | (29,200) | 6,431,768 |
| Machinery and equipment..... | 10,004,453 | 604,228 | - | 10,608,681 |
| Infrastructure..... | 63,137,187 | 1,932,792 | - | 65,069,979 |
| Total capital assets being depreciated..... | <u>321,037,428</u> | <u>5,003,229</u> | <u>(29,200)</u> | <u>326,011,457</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Land improvements..... | (3,281,640) | (325,026) | - | (3,606,666) |
| Buildings improvements..... | (13,993,338) | (830,390) | - | (14,823,728) |
| Buildings..... | (26,596,952) | (2,373,303) | - | (28,970,255) |
| Vehicles..... | (3,810,935) | (517,564) | 29,200 | (4,299,299) |
| Machinery and equipment..... | (6,432,471) | (453,712) | - | (6,886,183) |
| Infrastructure..... | (43,125,054) | (1,907,056) | - | (45,032,110) |
| Total accumulated depreciation..... | <u>(97,240,390)</u> | <u>(6,407,051)</u> | <u>29,200</u> | <u>(103,618,241)</u> |
| Total capital assets being depreciated, net..... | <u>223,797,038</u> | <u>(1,403,822)</u> | <u>-</u> | <u>222,393,216</u> |
| Total governmental activities capital assets, net..... | <u>\$ 249,438,951</u> | <u>\$ (578,282)</u> | <u>\$ (321,784)</u> | <u>\$ 248,538,885</u> |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|----------------|-----------|-------------------|
| Business-Type Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 332,240 | \$ - | \$ - | \$ 332,240 |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings..... | 7,734,993 | - | - | 7,734,993 |
| Vehicles..... | 68,015 | - | (33,000) | 35,015 |
| Machinery and equipment..... | 466,565 | - | - | 466,565 |
| Infrastructure..... | 82,848,173 | 640,742 | - | 83,488,915 |
| Total capital assets being depreciated..... | 91,117,746 | 640,742 | (33,000) | 91,725,488 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings..... | (3,704,559) | (191,407) | - | (3,895,966) |
| Vehicles..... | (45,255) | (7,003) | 33,000 | (19,258) |
| Machinery and equipment..... | (449,409) | (6,167) | - | (455,576) |
| Infrastructure..... | (31,961,870) | (1,747,619) | - | (33,709,489) |
| Total accumulated depreciation..... | (36,161,093) | (1,952,196) | 33,000 | (38,080,289) |
| Total capital assets being depreciated, net..... | 54,956,653 | (1,311,454) | - | 53,645,199 |
| Total business-type activities capital assets, net.... | \$ 55,288,893 | \$ (1,311,454) | \$ - | \$ 53,977,439 |

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

Governmental Activities:

| | |
|---|--------------|
| General government..... | \$ 163,473 |
| Public safety..... | 590,231 |
| Education..... | 2,245,459 |
| Public works..... | 2,261,188 |
| Human services..... | 47,710 |
| Culture and recreation..... | 1,098,990 |
| Total depreciation expense - governmental activities..... | \$ 6,407,051 |

Business-Type Activities:

| | |
|----------------------|--------------|
| Water and sewer..... | \$ 1,952,196 |
|----------------------|--------------|

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due To/From Other Funds

As of June 30, 2020, the City has an interfund receivable/payable of \$1,211,479 which exists between the general fund and the state highway grants fund. The purpose of this balance is to cover short-term cash needs that will be funded by future grant proceeds.

Interfund Transfers

Interfund transfers for the year ended June 30, 2020, totaled \$1,305,507 and consisted of budgeted transfers to the general fund from the ambulance revolving fund and the cemetery perpetual care fund totaling \$1,149,507 and \$156,000, respectively.

NOTE 6 - SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the year ended June 30, 2020, are as follows:

| Type | Purpose | Rate (%) | Due Date | Balance at June 30, 2019 | Renewed/ Issued | Retired/ Redeemed | Balance at June 30, 2020 |
|------------------------------------|------------------------------------|----------|----------|--------------------------|-----------------|-------------------|--------------------------|
| Governmental Activities: | | | | | | | |
| BAN | Library Design & Construction..... | 3.00 | 09/27/19 | \$ 6,100,000 | \$ - | \$ 6,100,000 | \$ - |
| BAN | Library..... | 1.50 | 09/27/19 | 2,349,980 | - | 2,349,980 | - |
| BAN | Hurld/Wyman Elementary School. | 1.50 | 09/27/19 | 890,000 | - | 890,000 | - |
| BAN | Clapp Park..... | 1.50 | 09/27/19 | 1,300,000 | - | 1,300,000 | - |
| BAN | Library..... | 2.00 | 09/25/20 | - | 2,189,499 | - | 2,189,499 |
| BAN | Hurld/Wyman Elementary School. | 2.00 | 09/25/20 | - | 390,000 | - | 390,000 |
| BAN | Clapp Park..... | 2.00 | 09/25/20 | - | 120,000 | - | 120,000 |
| Total Governmental Activities..... | | | | \$ 10,639,980 | \$ 2,699,499 | \$ 10,639,980 | \$ 2,699,499 |

\$2,699,499 of BAN’s matured on September 25, 2020, which were redeemed with available funds.

NOTE 7 - LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

Details related to the outstanding indebtedness at June 30, 2020, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

| Project | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2020 |
|--|--------------------|----------------------|-------------------|------------------------------|
| Municipal Purpose Bonds of 2012..... | 2037 | \$ 19,625,000 | 3.11-3.30 | \$ 13,740,000 |
| Municipal Purpose Refunding Bonds of 2012... | 2025 | 4,830,000 | 3.26 | 2,185,000 |
| Municipal Purpose Bonds of 2013..... | 2023 | 1,826,000 | 3.64 | 540,000 |
| Municipal Purpose Refunding Bonds of 2013... | 2026 | 12,610,000 | 3.78 | 7,940,000 |
| Municipal Purpose Bonds of 2017..... | 2042 | 7,070,000 | 3.30-3.75 | 6,205,000 |
| Municipal Purpose Bonds of 2018..... | 2043 | 11,721,800 | 3.25-5.00 | 11,045,000 |
| Municipal Purpose Bonds of 2018..... | 2039 | 11,198,000 | 3.00-5.00 | 10,635,000 |
| Municipal Purpose Bonds of 2018 | 2028 | 635,500 | 5.00 | 560,000 |
| Municipal Purpose Bonds of 2019..... | 2040 | 7,060,000 | 3.00-5.00 | 7,060,000 |
| Municipal Purpose Refunding Bonds of 2020... | 2027 | 886,500 | 5.00 | 886,500 |
| Total Bonds Payable..... | | | | 60,796,500 |
| Add: Unamortized premium on bonds..... | | | | 2,423,116 |
| Total Bonds Payable, net..... | | | | \$ 63,219,616 |

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

| Year | Principal | Interest | Total |
|---------------|---------------|---------------|------------|
| 2021.....\$ | 4,646,500 \$ | 2,242,064 \$ | 6,888,564 |
| 2022..... | 4,655,000 | 2,059,321 | 6,714,321 |
| 2023..... | 4,730,000 | 1,863,545 | 6,593,545 |
| 2024..... | 4,750,000 | 1,663,520 | 6,413,520 |
| 2025..... | 4,500,000 | 1,477,120 | 5,977,120 |
| 2026..... | 4,085,000 | 1,310,776 | 5,395,776 |
| 2027..... | 2,810,000 | 1,169,206 | 3,979,206 |
| 2028..... | 2,675,000 | 1,050,477 | 3,725,477 |
| 2029..... | 2,605,000 | 939,462 | 3,544,462 |
| 2030..... | 2,595,000 | 834,341 | 3,429,341 |
| 2031..... | 2,575,000 | 734,632 | 3,309,632 |
| 2032..... | 2,575,000 | 642,333 | 3,217,333 |
| 2033..... | 2,445,000 | 557,058 | 3,002,058 |
| 2034..... | 2,365,000 | 474,008 | 2,839,008 |
| 2035..... | 2,340,000 | 394,074 | 2,734,074 |
| 2036..... | 2,340,000 | 315,655 | 2,655,655 |
| 2037..... | 2,340,000 | 236,551 | 2,576,551 |
| 2038..... | 1,545,000 | 172,287 | 1,717,287 |
| 2039..... | 1,540,000 | 122,340 | 1,662,340 |
| 2040..... | 985,000 | 80,220 | 1,065,220 |
| 2041..... | 650,000 | 50,789 | 700,789 |
| 2042..... | 650,000 | 27,863 | 677,863 |
| 2043..... | 395,000 | 6,431 | 401,431 |
| Total..... \$ | 60,796,500 \$ | 18,424,075 \$ | 79,220,575 |

Bonds and Notes Payable Schedule – Enterprise Funds

| Project | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2020 |
|---|--------------------|----------------------|-------------------|------------------------------|
| Water | | | | |
| Municipal Purpose Refunding Bonds of 2012.... | 2025 | \$ 2,965,000 | 3.38 | \$ 1,420,000 |
| Municipal Purpose Bonds of 2013..... | 2033 | 4,300,000 | 3.32 | 2,795,000 |
| Municipal Purpose Bonds of 2018..... | 2027 | 268,200 | 5.00 | 205,000 |
| Municipal Purpose Bonds of 2018..... | 2029 | 1,301,500 | 5.00 | 1,170,000 |
| Municipal Purpose Refunding Bonds of 2020.... | 2030 | 3,303,500 | 5.00 | 3,303,500 |
| Sub-total water general obligation bonds payable..... | | | | 8,893,500 |
| MWPAT - Stormwater (03-21)..... | 2025 | 210,033 | 2.00 | 75,000 |
| MCWT 00-07..... | 2021 | 5,046,059 | 4.46 | 345,000 |
| MCWT CW-07-15..... | 2029 | 250,000 | 2.00 | 124,484 |
| MCWT DWS 08-19..... | 2031 | 6,241,464 | 2.00 | 3,738,702 |
| MCWT DWS 07-17..... | 2031 | 3,162,577 | 2.00 | 2,165,272 |
| MWRA Notes of 2012..... | 2022 | 1,000,000 | 0.00 | 200,000 |
| MCWT DWS 08-19-A..... | 2033 | 2,035,158 | 2.00 | 1,418,504 |
| MCWT DWS-07-17-A..... | 2031 | 619,179 | 2.00 | 13,467 |
| MWRA Inflow/Infiltration Notes of 2016..... | 2026 | 67,075 | 0.00 | 40,245 |
| MWRA Water Bonds 2017..... | 2037 | 2,381,000 | 3.13 | 1,783,700 |
| Sub-total water direct borrowings payable..... | | | | 9,904,374 |
| Sub-total water..... | | | | 18,797,874 |
| Sewer | | | | |
| MWRA Inflow/Infiltration Notes of 2015..... | 2025 | 366,175 | 0.00 | 183,085 |
| MWRA Inflow/Infiltration Notes of 2018..... | 2028 | 433,250 | 0.00 | 346,600 |
| MWRA Inflow/Infiltration Notes of 2019..... | 2029 | 497,500 | 0.00 | 447,750 |
| MWRA Inflow/Infiltration Notes of 2020..... | 2030 | 497,500 | 0.00 | 497,500 |
| Sub-total sewer direct borrowings payable..... | | | | 1,474,935 |
| Total bonds payable..... | | | | 20,272,809 |
| Add: Unamortized premium on bonds..... | | | | 697,986 |
| Total bonds payable, net..... | | | | \$ 20,970,795 |

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

| Year | General Obligation Bonds Payable | | | Direct Borrowings Payable | | | Grand Total |
|------------|----------------------------------|--------------|---------------|---------------------------|--------------|---------------|---------------|
| | Principal | Interest | Total | Principal | Interest | Total | |
| 2021..... | \$ 948,500 | \$ 490,215 | \$ 1,438,715 | \$ 1,439,625 | \$ 183,322 | \$ 1,622,947 | \$ 3,061,662 |
| 2022..... | 940,000 | 464,004 | 1,404,004 | 1,106,731 | 160,098 | 1,266,829 | 2,670,833 |
| 2023..... | 940,000 | 408,305 | 1,348,305 | 1,019,084 | 145,241 | 1,164,325 | 2,512,630 |
| 2024..... | 955,000 | 351,905 | 1,306,905 | 1,031,690 | 130,122 | 1,161,812 | 2,468,717 |
| 2025..... | 970,000 | 295,095 | 1,265,095 | 1,044,548 | 114,732 | 1,159,280 | 2,424,375 |
| 2026..... | 710,000 | 243,064 | 953,064 | 1,006,058 | 99,441 | 1,105,499 | 2,058,563 |
| 2027..... | 720,000 | 194,759 | 914,759 | 1,012,744 | 84,246 | 1,096,990 | 2,011,749 |
| 2028..... | 715,000 | 144,919 | 859,919 | 867,310 | 68,765 | 936,075 | 1,795,994 |
| 2029..... | 730,000 | 93,844 | 823,844 | 837,929 | 52,992 | 890,921 | 1,714,765 |
| 2030..... | 620,000 | 43,975 | 663,975 | 787,140 | 37,073 | 824,213 | 1,488,188 |
| 2031..... | 215,000 | 16,825 | 231,825 | 751,602 | 21,009 | 772,611 | 1,004,436 |
| 2032..... | 215,000 | 10,240 | 225,240 | 161,108 | 10,673 | 171,781 | 397,021 |
| 2033..... | 215,000 | 3,440 | 218,440 | 163,740 | 7,025 | 170,765 | 389,205 |
| 2034..... | - | - | - | 40,000 | 4,588 | 44,588 | 44,588 |
| 2035..... | - | - | - | 40,000 | 3,388 | 43,388 | 43,388 |
| 2036..... | - | - | - | 35,000 | 2,188 | 37,188 | 37,188 |
| 2037..... | - | - | - | 35,000 | 1,094 | 36,094 | 36,094 |
| Total..... | \$ 8,893,500 | \$ 2,760,590 | \$ 11,654,090 | \$ 11,379,309 | \$ 1,125,989 | \$ 12,505,298 | \$ 24,159,388 |

The Massachusetts Water Resources Authority (MWRA) operates an Infiltration/Inflow Local Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. At June 30, 2020, the outstanding principal amount of these loans totaled \$1,515,180.

The water and sewer enterprise fund is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of \$124,689 and interest costs for \$8,623. Thus, net MCWT loan repayments, including interest, are scheduled to be \$220,313. The principal subsidies are guaranteed and therefore a \$124,689 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 2020 principal and interest subsidies totaled \$112,752 and \$11,774, respectively.

The Commonwealth has approved school construction assistance for the Hurd/Wyman elementary school with a project budget of \$34,647,722. The assistance program is administered by the MSBA. Under the program, the assistance is paid to support construction costs and reduce the total debt service of the City. Through the end of 2020, the City recorded grant proceeds totaling \$13,231,221, which is equal to 54.74% of approved construction costs submitted for reimbursement. The project is substantially complete, and the City anticipates receiving a final reimbursement of \$308,114 after the MSBA has completed its final review of the project costs submitted for reimbursement.

In order to take advantage of favorable interest rates, the Town issued \$4,190,000 of general obligation refunding bonds, which included a premium of \$823,287, on March 12, 2020. The proceeds of the refunding bonds were used to complete a current refunding of \$4,875,000 of existing debt. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$685,765 and a reduction of \$721,390 in future debt service payments.

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, 2020, the City had the following authorized and unissued debt:

| Purpose | Amount |
|--|----------------------|
| Water system improvements..... | \$ 93,011 |
| Surface drainage..... | 6,800,000 |
| Water meters..... | 5,690,000 |
| Infiltration and inflow reduction..... | 4,938,500 |
| Library design and construction..... | 2,189,499 |
| Elementary school replacement..... | 2,312,573 |
| Playground construction..... | 120,000 |
| Water main cleaning and relining..... | 5,000,000 |
| Total..... | <u>\$ 27,143,583</u> |

Changes in Long-term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

| | Beginning Balance | Bonds and Notes Issued | Bonds and Notes Redeemed | Other Increases | Other Decreases | Ending Balance | Due Within One Year |
|---|-------------------|------------------------|--------------------------|-----------------|-----------------|----------------|---------------------|
| Governmental Activities: | | | | | | | |
| Long-term bonds payable..... | \$ 64,978,500 | \$ 886,500 | \$ (5,068,500) | \$ - | \$ - | \$ 60,796,500 | \$ 4,646,500 |
| Add: Unamortized premium on bonds..... | 1,942,029 | 700,480 | (219,393) | - | - | 2,423,116 | 248,573 |
| Total bonds payable..... | 66,920,529 | 1,586,980 | (5,287,893) | - | - | 63,219,616 | 4,895,073 |
| Compensated absences..... | 7,020,000 | - | - | 1,692,000 | (2,005,000) | 6,707,000 | 1,918,000 |
| Net pension liability..... | 92,001,000 | - | - | 31,738,000 | (38,027,000) | 85,712,000 | - |
| Net other postemployment benefits liability..... | 254,443,786 | - | - | 8,555,646 | (9,607,987) | 253,391,445 | - |
| Total governmental activity long-term liabilities..... | \$ 420,385,315 | \$ 1,586,980 | \$ (5,287,893) | \$ 41,985,646 | \$ (49,639,987) | \$ 409,030,061 | \$ 6,813,073 |
| Business-Type Activities: | | | | | | | |
| Long-term general obligation bonds payable...\$ | 10,586,500 | \$ 3,303,500 | \$ (4,996,500) | \$ - | \$ - | \$ 8,893,500 | \$ 948,500 |
| Add: Unamortized premium on bonds..... | 131,284 | 591,500 | (24,798) | - | - | 697,986 | 112,679 |
| Direct borrowings payable..... | 12,365,251 | 497,500 | (1,483,442) | - | - | 11,379,309 | 1,439,625 |
| Total bonds payable..... | 23,083,035 | 4,392,500 | (6,504,740) | - | - | 20,970,795 | 2,500,804 |
| Compensated absences..... | 186,000 | - | - | 48,000 | (46,000) | 188,000 | 47,000 |
| Net pension liability..... | 1,401,000 | - | - | 483,000 | (579,000) | 1,305,000 | - |
| Net other postemployment benefits liability..... | 1,561,633 | - | - | 52,509 | (58,968) | 1,555,174 | - |
| Total business-type activity long-term liabilities..... | \$ 26,231,668 | \$ 4,392,500 | \$ (6,504,740) | \$ 583,509 | \$ (683,968) | \$ 24,018,969 | \$ 2,547,804 |

NOTE 8 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

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

As of June 30, 2020, the governmental fund balances consisted of the following:

| | General | Hurd/Wyman School Project | Library Construction | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------------------|-------------------------|-----------------------------------|--------------------------------|
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Permanent fund principal..... | \$ - | \$ - | \$ - | \$ 3,699,361 | \$ 3,699,361 |
| Restricted for: | | | | | |
| Hurd/Wyman school project..... | - | 12,235 | - | - | 12,235 |
| Municipal federal and state grants..... | - | - | - | 324,678 | 324,678 |
| Education federal and state grants..... | - | - | - | 3,177,834 | 3,177,834 |
| Receipts reserved for appropriation..... | - | - | - | 2,190,966 | 2,190,966 |
| Municipal revolving funds..... | - | - | - | 1,398,186 | 1,398,186 |
| School lunch..... | - | - | - | 399,879 | 399,879 |
| Other special revenue funds..... | - | - | - | 2,492,611 | 2,492,611 |
| Library trust funds - special revenue funds... | - | - | - | 555,278 | 555,278 |
| Mitigation Funds..... | - | - | - | 879,121 | 879,121 |
| Other capital projects fund..... | - | - | - | 321,336 | 321,336 |
| Library trust funds - permanent funds..... | - | - | - | 4,258,527 | 4,258,527 |
| Cemetery perpetual care funds..... | - | - | - | 321,637 | 321,637 |
| Committed to: | | | | | |
| Articles and continuing appropriations: | | | | | |
| Affordable housing stabilization fund..... | 3,705,456 | - | - | - | 3,705,456 |
| General government..... | 388,300 | - | - | - | 388,300 |
| Public safety..... | 30,000 | - | - | - | 30,000 |
| Public works..... | 177,236 | - | - | - | 177,236 |
| Human services..... | 28,900 | - | - | - | 28,900 |
| Employee benefits..... | 519,500 | - | - | - | 519,500 |
| Capital outlay..... | 3,284,602 | - | - | - | 3,284,602 |
| Assigned to: | | | | | |
| Encumbrances: | | | | | |
| General government..... | 104,789 | - | - | - | 104,789 |
| Public safety..... | 47,580 | - | - | - | 47,580 |
| Public works..... | 116,489 | - | - | - | 116,489 |
| Human services..... | 184 | - | - | - | 184 |
| Culture and recreation..... | 10,370 | - | - | - | 10,370 |
| Unassigned..... | 49,082,696 | - | (270,021) | - | 48,812,675 |
| Total Fund Balances..... | \$ 57,496,102 | \$ 12,235 | \$ (270,021) | \$ 20,019,414 | \$ 77,257,730 |

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

At year end, the general stabilization fund totaled \$5,443,364 and is reported as unassigned fund balance within the general fund; the affordable housing stabilization fund totaled \$3,705,456 and is reported as committed fund balance within the general fund.

NOTE 9 - RISK FINANCING

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

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

NOTE 10 - PENSION PLAN*Plan Descriptions*

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

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

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2019,. The City's portion of the collective pension expense, contributed by the Commonwealth, of \$16,745,013 is reported in the general fund as intergovernmental revenue and pension benefits in the current year. The portion of the Commonwealth's collective net pension liability associated with the City is \$138,083,433 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service. There were no changes in benefit terms that affected the measurement of the total pension liability at December 31, 2019.

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

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

At December 31, 2019, the System’s membership consists of the following:

| | |
|--|---------------------|
| Active members..... | 545 |
| Inactive members..... | 125 |
| Disabled members..... | 39 |
| Retirees and beneficiaries currently receiving benefits..... | <u>439</u> |
| Total..... | <u><u>1,148</u></u> |

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the System a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The total member units’ contribution for the year ended December 31, 2019, was \$8,820,047, 29.99% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City’s proportionate share of the required contribution was \$8,507,895 which equaled its actual contribution.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2020, were as follows:

| | | |
|--|----|--------------------------|
| Total pension liability..... | \$ | 249,632,270 |
| Total pension plan's fiduciary net position..... | | <u>(159,393,851)</u> |
| Total net pension liability..... | \$ | <u><u>90,238,419</u></u> |
| The pension plan's fiduciary net position as a percentage of the total pension liability..... | | 63.85% |

At June 30, 2020, the City reported a liability of \$87,017,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, update procedures were used to roll back the total pension liability to the measurement date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2019, the City’s proportion was 96.43%, which increased by 0.32% from its proportion measured at December 31, 2018.

Pension Expense

For the year ended June 30, 2020, the City recognized pension expense of \$13,194,000. At June 30, 2020, the City reported deferred outflows of resources related to pensions of \$9,748,000 and deferred inflows of resources related to pensions of \$6,698,000.

The balances of deferred outflows and (inflows) at June 30, 2020, consist of the following:

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|---|--------------------------------------|-------------------------------------|---------------------|
| Differences between expected and actual experience..... | \$ 8,444,000 | \$ - | \$ 8,444,000 |
| Difference between projected and actual earnings, (net)..... | - | (5,301,000) | (5,301,000) |
| Changes in assumptions..... | 1,034,000 | (1,124,000) | (90,000) |
| Changes in proportion and proportionate share of contributions... | 270,000 | (273,000) | (3,000) |
| Total deferred outflows/(inflows) of resources..... | \$ 9,748,000 | \$ (6,698,000) | \$ 3,050,000 |

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

| Year ended June 30: | |
|---------------------|---------------------|
| 2021..... | \$ 863,000 |
| 2022..... | 1,115,000 |
| 2023..... | 3,060,000 |
| 2024..... | (1,988,000) |
| Total..... | \$ 3,050,000 |

Actuarial Assumptions - The total pension liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2019:

- Valuation date..... January 1, 2020
- Actuarial cost method..... Individual Entry Age Normal Cost Method.
- Amortization method..... Increase at 4.5% per year.
- Remaining amortization period..... 15 years at January 1, 2020, closed.
- Asset valuation method..... Assets are reported at fair value.
- Inflation rate..... 3.00%
- Projected salary increases..... 4.00% per annum.
- Cost of living adjustments..... 3.0% of the lesser of the pension amount and the maximum pension amount increasing to \$18,000 in \$1,000 increments through 2024.
- Rates of retirement..... Varies based upon age for general employees, police and fire employees.
- Rates of disability..... Varies based upon age for general employees, police and fire employees.

Mortality Rates:

Healthy mortality..... Is based on the RP-2014 Total Employee and Health Annuitant Mortality Tables, rolled back to 2006 and projected with Mortality Improvement Scale MP-2019.

Disabled mortality..... Is based on the RP-2014 Disabled Mortality Table, rolled back to 2006 and projected with Mortality Improvement Scale MP-2019.

Investment rate of return/Discount rate..... 7.50%

Investment policy

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2019, are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------------------|--|---|
| Global equity | | |
| U.S. equities..... | 22.50% | 6.90% |
| International equities..... | 15.10% | 7.00% |
| Emerging international equities..... | 6.40% | 9.20% |
| Hedged equities..... | 9.20% | 6.20% |
| Core fixed income..... | 14.70% | 2.93% |
| Value added fixed income..... | 7.50% | 6.80% |
| Private equity..... | 11.00% | 10.90% |
| Real estate..... | 9.50% | 6.10% |
| Timberland..... | 3.50% | 6.70% |
| Portfolio completion..... | 0.60% | 5.80% |
| | <hr/> | |
| Total..... | <u>100.00%</u> | |

Rate of return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 19.36%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.50% as of December 31, 2019 and 7.50% as of December 31, 2018. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

| | 1% Decrease (6.50%) | Current Discount (7.50%) | 1% Increase (8.50%) |
|---|-----------------------------|--------------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| The City's proportionate share of the net pension liability..... \$ | \$ 113,123,000 | \$ 87,017,000 | \$ 64,851,000 |
| | <u> </u> | <u> </u> | <u> </u> |

Changes of Assumptions – The mortality assumption was changed to the RP-2014 Total Employee and Healthy Annuitant Mortality Tables, rolled back to 2006 and projected with Mortality Improvement Scale MP-2019. Mortality for disabled members is represented by the RP-2014 Disabled Mortality Table, rolled back to 2006 and projected with Mortality Improvement Scale MP-2019.

Changes in Plan Provisions – None.

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

Funding Policy – Contribution requirements are also negotiated between the City and union representatives. The required contribution is based on a pay-as-you-go financing requirement. Depending on the plan selected, the City contributes various percentages of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs.

The Commonwealth of Massachusetts passed special legislation that has allowed the City to establish the other postemployment benefit trust fund to begin pre-funding its OPEB liabilities. During 2020, the City pre-funded future OPEB liabilities totaling \$750,000 by contributing funds to the Other Postemployment Benefits Trust Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2020, the balance of this fund totaled \$7,496,143.

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

Employees Covered by Benefit Terms – The following table represents the Plan’s membership at July 1, 2019, the valuation date:

| | |
|--|---------------------|
| Active members..... | 1,021 |
| Inactive members currently receiving benefits..... | <u>765</u> |
| Total..... | <u><u>1,786</u></u> |

Components of OPEB Liability – The following table represents the components of the Plan’s OPEB liability as of June 30, 2020:

| | |
|--|------------------------------|
| Total OPEB liability..... | \$ 262,442,762 |
| Less: OPEB plan’s fiduciary net position..... | <u>(7,496,143)</u> |
| Net OPEB liability..... | <u><u>\$ 254,946,619</u></u> |
| The OPEB plan’s fiduciary net position as a percentage of the total OPEB liability..... | 2.86% |

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2019, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement date that was updated to June 30, 2020, to be in accordance with GASB #74 and GASB #75.

| | |
|---------------------------------|---|
| Valuation date..... | July 1, 2019 |
| Actuarial cost method..... | Individual Entry Age Normal Cost Method. |
| Asset valuation method..... | Market value of assets with payables and receivables. |
| Discount rate..... | 2.61% net of investment expenses, previously 3.89%. |
| Projected salary increases..... | 3.50%. Overall payroll increase rate, including new entrants of 3.00% per year. |
| Healthcare cost trend rate..... | 7.00% initially decreasing to 5.00% over 26 years. |

Mortality rates:

| | |
|---------------|--|
| Actives..... | The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Employees projected using generational mortality and scale MP-2020. |
| Retirees..... | The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2020. |
| Disabled..... | The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2020. Set forward 2 years. |

Rate of return - For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 5.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The System’s expected future real rate of return is added to the expected inflation to produce the long-term expected nominal rate of return. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2020, are summarized in the following table:

| Asset Class | Long-Term Expected Asset Allocation | Long-Term Expected Real Rate of Return |
|--------------------------|--|---|
| Domestic equities..... | 34.0% | 4.96% |
| International equities | 22.0% | 7.01% |
| Domestic bonds..... | 20.0% | 2.22% |
| International bonds..... | 4.0% | 1.53% |
| Liquid alternatives..... | 15.0% | 2.76% |
| Private equity..... | 5.0% | 8.59% |
| Total..... | 100.00% | |

Discount Rate - The discount rate used to measure the total OPEB liability was 2.61% as of June 30, 2020 and 3.89% as of June 30, 2019. The discount rate is a blend of the long-term expected rate of return of 7.00% on OPEB Trust Fund assets and a yield or index rate of 2.21% for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher as shown in the Bond-Buyer 20 Bond Index. The blending is based on the sufficiency of projected assets to make projected benefit payments, which is approximately 16 years.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 2.61%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1- percentage-point lower 1.61% or 1-percentage-point higher 3.61% than the current rate.

| | 1% Decrease (1.61%) | Current Discount Rate (2.61%) | 1% Increase (3.61%) |
|-------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability..... | \$ 299,659,291 | \$ 254,946,619 | \$ 218,131,443 |

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

| | 1% Decrease | Current Trend | 1% Increase |
|-------------------------|----------------|----------------|----------------|
| Net OPEB liability..... | \$ 211,532,458 | \$ 254,946,619 | \$ 310,246,765 |

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|---|--------------------------------|--|------------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances at June 30, 2019..... | \$ 262,423,360 | \$ 6,417,941 | \$ 256,005,419 |
| Changes for the year: | | | |
| Service cost..... | 8,584,478 | - | 8,584,478 |
| Interest..... | 10,375,154 | - | 10,375,154 |
| Changes of benefit terms..... | (12,521,488) | - | (12,521,488) |
| Differences between expected and actual experience... | (14,228,550) | - | (14,228,550) |
| Changes in assumptions..... | 16,398,561 | - | 16,398,561 |
| Contributions - employer..... | - | 9,338,753 | (9,338,753) |
| Net investment income..... | - | 328,202 | (328,202) |
| Benefit payments..... | (8,588,753) | (8,588,753) | - |
| Net change..... | 19,402 | 1,078,202 | (1,058,800) |
| Balances at June 30, 2020..... | \$ 262,442,762 | \$ 7,496,143 | \$ 254,946,619 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the City recognized OPEB expense of \$5,213,642. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|--|--------------------------------------|-------------------------------------|-----------------|
| Differences between expected and actual experience..... \$ | - | \$ (16,852,546) | \$ (16,852,546) |
| Net difference between projected and actual earnings..... | - | (140,908) | (140,908) |
| Changes in assumptions..... | 20,513,045 | (2,560,160) | 17,952,885 |
| Total deferred outflows/(inflows) of resources..... \$ | 20,513,045 | \$ (19,553,614) | \$ 959,431 |

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement date year ended June 30:

| | |
|------------|--------------|
| 2021..... | \$ (960,256) |
| 2022..... | (906,184) |
| 2023..... | 1,805,060 |
| 2024..... | 945,406 |
| 2025..... | 75,405 |
| Total..... | \$ 959,431 |

Changes of Assumptions – The discount rate changed from 3.89% to 2.61%. Mortality projection was updated to the latest scale. Liabilities due to the impact of the Cadillac tax were removed. The participation percentage was reduced from 92.5% to 90.0% for the Teachers and from 92.5% to 85.0% for the City.

Changes in Plan Provisions – Plan coinsurance (the amount paid by the retiree) was increased from 10%/25% to 25%/35% on various plans for City retirees who retire after December 31, 2019.

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

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

| | Pension Trust Fund (as of December 31, 2019) | Other Postemployment Benefit Trust Fund | Total Pension and Other Employee Benefit Trust Funds |
|--|---|--|--|
| ASSETS | | | |
| Cash and cash equivalents..... | \$ 470,028 | \$ 766,988 | \$ 1,237,016 |
| Investments: | | | |
| Investments in Pension Reserve Investment Trust..... | 155,124,298 | - | 155,124,298 |
| Bond mutual funds..... | - | 1,849,497 | 1,849,497 |
| Equity securities..... | - | 1,763,427 | 1,763,427 |
| Equity mutual funds..... | - | 3,116,231 | 3,116,231 |
| Pooled alternative investments..... | 3,859,196 | - | 3,859,196 |
| Receivables, net of allowance for uncollectibles: | | | |
| Departmental and other..... | 11,583 | - | 11,583 |
| Interest and dividends..... | 620 | - | 620 |
| TOTAL ASSETS..... | 159,465,725 | 7,496,143 | 166,961,868 |
| LIABILITIES | | | |
| Warrants payable..... | 71,874 | - | 71,874 |
| NET POSITION | | | |
| Restricted for pensions..... | 159,393,851 | - | 159,393,851 |
| Restricted for other postemployment benefits..... | - | 7,496,143 | 7,496,143 |
| TOTAL NET POSITION..... | \$ 159,393,851 | \$ 7,496,143 | \$ 166,889,994 |

| | Pension Trust Fund (as of December 31, 2019) | Other Postemployment Benefit Trust Fund | Total Pension and Other Employee Benefit Trust Funds |
|--|---|--|--|
| ADDITIONS: | | | |
| Contributions: | | | |
| Employer contributions..... | \$ 8,820,047 | \$ 750,000 | \$ 9,570,047 |
| Employer contributions for other postemployment benefit payments.. | - | 8,588,753 | 8,588,753 |
| Member contributions..... | 3,326,313 | - | 3,326,313 |
| Transfers from other systems..... | 678,857 | - | 678,857 |
| 3(8)c contributions from other systems..... | 342,817 | - | 342,817 |
| Intergovernmental..... | 58,000 | - | 58,000 |
| Total contributions..... | 13,226,034 | 9,338,753 | 22,564,787 |
| Net investment income: | | | |
| Net change in fair value of investments..... | 12,603,473 | - | 12,603,473 |
| Investment income..... | 14,296,267 | 350,382 | 14,646,649 |
| Less: investment expense..... | (881,730) | (22,180) | (903,910) |
| Net investment income (loss)..... | 26,018,010 | 328,202 | 26,346,212 |
| TOTAL ADDITIONS..... | 39,244,044 | 9,666,955 | 48,910,999 |
| DEDUCTIONS: | | | |
| Administration..... | 556,683 | - | 556,683 |
| Transfers to other systems..... | 726,923 | - | 726,923 |
| Retirement benefits and refunds..... | 14,753,944 | - | 14,753,944 |
| Other postemployment benefit payments..... | - | 8,588,753 | 8,588,753 |
| TOTAL DEDUCTIONS..... | 16,037,550 | 8,588,753 | 24,626,303 |
| NET INCREASE (DECREASE) IN NET POSITION..... | 23,206,494 | 1,078,202 | 24,284,696 |
| NET POSITION AT BEGINNING OF YEAR..... | 136,187,357 | 6,417,941 | 142,605,298 |
| NET POSITION AT END OF YEAR..... | \$ 159,393,851 | \$ 7,496,143 | \$ 166,889,994 |

NOTE 13 - CONTINGENCIES

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2020, 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, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

NOTE 14 - COMMITMENTS

The City has entered into contracts, or is planning to enter into contracts, totaling \$4.9 million for sewer infiltration and inflow. The purpose of these projects is to reduce inflow and infiltration of the sewer system.

The City has entered into contracts, or is planning to enter into contracts, totaling \$6.8 million for surface drainage, \$5.7 million for water meters and \$5.0 million for water main cleaning and relining.

NOTE 15 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The City is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties.

A number of businesses have been forced to stop or significantly reduce operations decreasing, the City's portion of certain revenue. The City has also incurred unanticipated costs specifically related to the pandemic.

On March 27, 2020 the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 12, 2021, which is the date the financial statements were available to be issued.

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2020, the following GASB pronouncement was implemented:

- GASB Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, in which certain paragraphs are required to be implemented in 2021 and 2022.

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

Required Supplementary Information

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

YEAR ENDED JUNE 30, 2020

| | 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..... | \$ - | \$ 111,316,799 | \$ 111,316,799 | \$ 111,706,771 |
| Tax liens..... | - | | - | - |
| Motor vehicle excise taxes..... | - | 6,500,000 | 6,500,000 | 6,500,000 |
| Hotel/motel tax..... | - | 3,000,000 | 3,000,000 | 3,000,000 |
| Meals tax..... | - | 1,000,000 | 1,000,000 | 1,000,000 |
| Penalties and interest on taxes..... | - | 400,000 | 400,000 | 400,000 |
| Intergovernmental..... | - | 16,927,237 | 16,927,237 | 16,927,237 |
| Departmental and other..... | - | 2,635,000 | 2,635,000 | 2,635,000 |
| Investment income..... | - | 500,000 | 500,000 | 500,000 |
| TOTAL REVENUES..... | - | 142,279,036 | 142,279,036 | 142,669,008 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government..... | 417,893 | 4,426,183 | 4,844,076 | 4,786,600 |
| Public safety..... | 40,207 | 18,627,021 | 18,667,228 | 19,994,451 |
| Education..... | - | 67,864,044 | 67,864,044 | 68,021,955 |
| Public works..... | 111,974 | 7,852,682 | 7,964,656 | 8,244,613 |
| Health and human services..... | 22,923 | 1,198,384 | 1,221,307 | 1,390,950 |
| Culture and recreation..... | 3,589 | 2,532,281 | 2,535,870 | 2,694,358 |
| Pension benefits..... | - | 8,384,183 | 8,384,183 | 8,384,183 |
| Employee benefits..... | 301,000 | 20,219,107 | 20,520,107 | 21,270,107 |
| State and county charges..... | - | 4,340,934 | 4,340,934 | 4,340,934 |
| Capital outlay..... | 3,978,879 | - | 3,978,879 | 7,295,269 |
| Debt service: | | | | |
| Principal..... | - | 4,088,500 | 4,088,500 | 4,088,500 |
| Interest..... | 15,000 | 2,567,283 | 2,582,283 | 2,582,283 |
| TOTAL EXPENDITURES..... | 4,891,465 | 142,100,602 | 146,992,067 | 153,094,203 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (4,891,465) | 178,434 | (4,713,031) | (10,425,195) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in..... | - | - | - | 4,637,034 |
| NET CHANGE IN FUND BALANCE..... | (4,891,465) | 178,434 | (4,713,031) | (5,788,161) |
| BUDGETARY FUND BALANCE, Beginning of year..... | - | 41,669,700 | 41,669,700 | 41,669,700 |
| BUDGETARY FUND BALANCE, End of year..... | \$ (4,891,465) | \$ 41,848,134 | \$ 36,956,669 | \$ 35,881,539 |

See notes to required supplementary information.

| | Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|----|--------------------------------|--|--------------------------------|
| \$ | 111,254,144 | \$ - | \$ (452,627) |
| | 341,670 | - | 341,670 |
| | 7,126,786 | - | 626,786 |
| | 3,133,196 | - | 133,196 |
| | 1,071,942 | - | 71,942 |
| | 312,950 | - | (87,050) |
| | 16,783,303 | - | (143,934) |
| | 6,605,518 | - | 3,970,518 |
| | 764,687 | - | 264,687 |
| | <u>147,394,196</u> | <u>-</u> | <u>4,725,188</u> |
| | 4,036,887 | 493,089 | 256,624 |
| | 19,124,435 | 77,580 | 792,436 |
| | 66,635,045 | - | 1,386,910 |
| | 7,658,537 | 293,725 | 292,351 |
| | 1,225,569 | 29,084 | 136,297 |
| | 2,536,337 | 10,370 | 147,651 |
| | 8,380,277 | - | 3,906 |
| | 20,592,994 | 519,500 | 157,613 |
| | 4,340,934 | - | - |
| | 3,652,249 | 3,284,602 | 358,418 |
| | 4,088,500 | - | - |
| | <u>2,432,413</u> | <u>-</u> | <u>149,870</u> |
| | <u>144,704,177</u> | <u>4,707,950</u> | <u>3,682,076</u> |
| | <u>2,690,019</u> | <u>(4,707,950)</u> | <u>8,407,264</u> |
| | <u>4,637,034</u> | <u>-</u> | <u>-</u> |
| | 7,327,053 | (4,707,950) | 8,407,264 |
| | <u>41,669,700</u> | <u>-</u> | <u>-</u> |
| \$ | <u><u>48,996,753</u></u> | <u><u>(4,707,950)</u></u> | <u><u>8,407,264</u></u> |

Pension Plan Schedules – Retirement System

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

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

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

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

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

| | December 31, 2014 | December 31, 2015 | December 31, 2016 | December 31, 2017 | December 31, 2018 | December 31, 2019 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability: | | | | | | |
| Service cost..... | \$ 3,301,279 | \$ 3,556,688 | \$ 3,796,168 | \$ 3,948,015 | \$ 4,058,044 | \$ 4,221,773 |
| Interest..... | 14,163,908 | 15,138,154 | 15,740,525 | 16,253,162 | 16,773,327 | 17,219,059 |
| Changes in benefit terms..... | - | - | - | 4,633,026 | - | - |
| Differences between expected and actual experience..... | - | 3,531,873 | - | 250,301 | - | 11,094,128 |
| Changes in assumptions..... | 6,330,561 | 3,810,330 | - | 2,400,814 | - | (1,496,268) |
| Benefit payments..... | (11,623,361) | (12,132,587) | (12,670,224) | (13,492,850) | (13,845,511) | (14,775,506) |
| Net change in total pension liability..... | 12,172,387 | 13,904,458 | 6,866,469 | 13,992,468 | 6,985,860 | 16,263,186 |
| Total pension liability - beginning..... | 179,447,442 | 191,619,829 | 205,524,287 | 212,390,756 | 226,383,224 | 233,369,084 |
| Total pension liability - ending (a)..... | <u>\$ 191,619,829</u> | <u>\$ 205,524,287</u> | <u>\$ 212,390,756</u> | <u>\$ 226,383,224</u> | <u>\$ 233,369,084</u> | <u>\$ 249,632,270</u> |
| Plan fiduciary net position: | | | | | | |
| Employer contributions..... | \$ 5,509,350 | \$ 6,000,000 | \$ 6,300,000 | \$ 7,616,072 | \$ 8,502,325 | \$ 8,820,047 |
| Member contributions..... | 2,818,594 | 2,889,924 | 2,980,864 | 3,027,006 | 3,388,457 | 3,326,313 |
| Net investment income (loss)..... | 7,589,834 | (1,511,397) | 11,076,788 | 21,330,344 | (9,252,877) | 26,018,010 |
| Administrative expenses..... | (502,889) | (567,097) | (656,009) | (615,906) | (612,291) | (556,683) |
| Retirement benefits and refunds..... | (11,623,361) | (12,132,587) | (12,670,224) | (13,492,850) | (13,845,511) | (14,775,506) |
| Other income/(expenses)..... | 275,496 | (48,597) | (76,343) | (351,298) | (434,033) | 374,313 |
| Net increase (decrease) in fiduciary net position..... | 4,067,024 | (5,369,754) | 6,955,076 | 17,513,368 | (12,253,930) | 23,206,494 |
| Fiduciary net position - beginning of year..... | 125,275,573 | 129,342,597 | 123,972,843 | 130,927,919 | 148,441,287 | 136,187,357 |
| Fiduciary net position - end of year (b)..... | <u>\$ 129,342,597</u> | <u>\$ 123,972,843</u> | <u>\$ 130,927,919</u> | <u>\$ 148,441,287</u> | <u>\$ 136,187,357</u> | <u>\$ 159,393,851</u> |
| Net pension liability - ending (a)-(b)..... | <u>\$ 62,277,232</u> | <u>\$ 81,551,444</u> | <u>\$ 81,462,837</u> | <u>\$ 77,941,937</u> | <u>\$ 97,181,727</u> | <u>\$ 90,238,419</u> |
| Plan fiduciary net position as a percentage of the total pension liability..... | 67.50% | 60.32% | 61.64% | 65.57% | 58.36% | 63.85% |
| Covered-employee payroll..... | \$ 30,103,112 | \$ 29,187,382 | \$ 30,354,877 | \$ 30,893,029 | \$ 32,128,750 | \$ 29,406,301 |
| Net pension liability as a percentage of covered payroll..... | 206.88% | 279.41% | 268.37% | 252.30% | 302.48% | 306.87% |

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

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
WOBURN CONTRIBUTORY RETIREMENT SYSTEM

| Year | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|------------------------|---|--|--|--------------------|---|
| December 31, 2019..... | \$ 8,820,047 | \$ (8,820,047) | - | \$ 29,406,301 | 29.99% |
| December 31, 2018..... | 8,502,325 | (8,502,325) | - | 32,128,750 | 26.46% |
| December 31, 2017..... | 7,616,072 | (7,616,072) | - | 30,893,029 | 24.65% |
| December 31, 2016..... | 6,300,000 | (6,300,000) | - | 30,354,877 | 20.75% |
| December 31, 2015..... | 6,000,000 | (6,000,000) | - | 29,187,382 | 20.56% |
| December 31, 2014..... | 5,509,350 | (5,509,350) | - | 30,103,112 | 18.30% |

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

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
WOBURN CONTRIBUTORY RETIREMENT SYSTEM

| <u>Year</u> | <u>Annual money-weighted rate of return, net of investment expense</u> |
|------------------------|--|
| December 31, 2019..... | 19.36% |
| December 31, 2018..... | -6.30% |
| December 31, 2017..... | 16.53% |
| December 31, 2016..... | 9.09% |
| December 31, 2015..... | -1.19% |
| December 31, 2014..... | 6.14% |

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

See notes to required supplementary information.

Pension Plan Schedules – City

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

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

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

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

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

| Year | Proportion of the net pension liability (asset) | Proportionate share of the net pension liability (asset) | Covered payroll | Net pension liability as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|------------------------|---|---|--------------------|--|--|
| December 31, 2019..... | 96.43% | \$ 87,017,000 | \$ 28,356,000 | 306.87% | 63.85% |
| December 31, 2018..... | 96.11% | 93,402,000 | 30,879,000 | 302.48% | 58.36% |
| December 31, 2017..... | 96.41% | 75,144,000 | 29,784,000 | 252.30% | 65.57% |
| December 31, 2016..... | 96.84% | 78,889,000 | 29,396,000 | 268.37% | 61.64% |
| December 31, 2015..... | 96.31% | 78,542,000 | 28,110,000 | 279.41% | 60.32% |
| December 31, 2014..... | 96.34% | 59,998,000 | 29,001,000 | 206.88% | 67.50% |

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

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

See notes to required supplementary information.

SCHEDULE OF THE CITY'S CONTRIBUTIONS
WOBURN CONTRIBUTORY RETIREMENT SYSTEM

| Year | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|--------------------|---|--|--|--------------------|---|
| June 30, 2020..... | \$ 8,508,000 | \$ (8,508,000) | - | \$ 28,923,000 | 29.42% |
| June 30, 2019..... | 8,170,000 | (8,170,000) | - | 31,497,000 | 25.94% |
| June 30, 2018..... | 7,341,000 | (7,341,000) | - | 30,380,000 | 24.16% |
| June 30, 2017..... | 6,097,000 | (6,097,000) | - | 29,984,000 | 20.33% |
| June 30, 2016..... | 5,777,000 | (5,777,000) | - | 28,672,000 | 20.15% |
| June 30, 2015..... | 5,306,000 | (5,306,000) | - | 29,581,000 | 17.94% |

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

See notes to required supplementary information.

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

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

| Year | Commonwealth's 100% Share of the Associated Net Pension Liability | Expense and Revenue Recognized for the Commonwealth's Support | Plan Fiduciary Net Position as a Percentage of the Total Liability |
|-----------|--|---|---|
| 2020..... | \$ 138,083,433 | \$ 16,745,013 | 53.95% |
| 2019..... | 128,451,311 | 13,016,680 | 54.84% |
| 2018..... | 124,087,927 | 12,951,418 | 54.25% |
| 2017..... | 120,532,427 | 12,295,098 | 52.73% |
| 2016..... | 105,773,079 | 8,579,138 | 55.38% |
| 2015..... | 83,789,311 | 5,821,247 | 61.64% |

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

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

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

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

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

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

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

| | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Total OPEB Liability | | | | |
| Service Cost..... | \$ 8,202,635 | \$ 8,510,235 | \$ 7,556,725 | \$ 8,584,478 |
| Interest..... | 9,650,090 | 10,061,120 | 10,292,477 | 10,375,154 |
| Changes of benefit terms..... | - | (9,932,721) | - | (12,521,488) |
| Differences between expected and actual experience.... | - | (12,563,884) | - | (14,228,550) |
| Changes of assumptions..... | - | (5,988,945) | 11,774,199 | 16,398,561 |
| Benefit payments..... | (6,905,383) | (7,830,663) | (8,240,381) | (8,588,753) |
| Net change in total OPEB liability..... | 10,947,342 | (17,744,858) | 21,383,020 | 19,402 |
| Total OPEB liability - beginning..... | 247,837,856 | 258,785,198 | 241,040,340 | 262,423,360 |
| Total OPEB liability - ending (a)..... | \$ 258,785,198 | \$ 241,040,340 | \$ 262,423,360 | \$ 262,442,762 |
| Plan fiduciary net position | | | | |
| Employer contributions..... | \$ 750,000 | \$ 750,000 | \$ 750,000 | \$ 750,000 |
| Employer contributions for OPEB payments..... | 6,905,383 | 7,830,663 | 8,240,381 | 8,588,753 |
| Net investment income..... | 408,430 | 284,197 | 236,003 | 328,202 |
| Benefit payments..... | (6,905,383) | (7,830,663) | (8,240,381) | (8,588,753) |
| Net change in plan fiduciary net position..... | 1,158,430 | 1,034,197 | 986,003 | 1,078,202 |
| Plan fiduciary net position - beginning of year..... | 3,239,311 | 4,397,741 | 5,431,938 | 6,417,941 |
| Plan fiduciary net position - end of year (b)..... | \$ 4,397,741 | \$ 5,431,938 | \$ 6,417,941 | \$ 7,496,143 |
| Net OPEB liability - ending (a)-(b)..... | \$ 254,387,457 | \$ 235,608,402 | \$ 256,005,419 | \$ 254,946,619 |
| Plan fiduciary net position as a percentage of the total OPEB liability..... | 1.70% | 2.25% | 2.45% | 2.86% |
| Covered-employee payroll..... | \$ 64,772,079 | \$ 66,067,521 | \$ 70,430,873 | \$ 72,887,798 |
| Net OPEB liability as a percentage of covered-employee payroll..... | 392.74% | 356.62% | 363.48% | 349.78% |

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

See notes to required supplementary information.

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

| Year | Statutorily required contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered- employee payroll | Contributions as a percentage of covered- employee payroll |
|--------------------|---|--|--|------------------------------|---|
| June 30, 2020..... | \$ 9,338,753 | \$ (9,338,753) | \$ - | 72,887,798 | 12.81% |
| June 30, 2019..... | 8,990,381 | (8,990,381) | - | 70,430,873 | 12.76% |
| June 30, 2018..... | 8,580,663 | (8,580,663) | - | 64,772,079 | 13.25% |
| June 30, 2017..... | 7,655,383 | (7,655,383) | - | 64,772,079 | 11.82% |

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

| <u>Year</u> | <u>Annual money-weighted rate of return, net of investment expense</u> |
|--------------------|--|
| June 30, 2020..... | 5.04% |
| June 30, 2019..... | 2.65% |
| June 30, 2018..... | 6.29% |
| June 30, 2017..... | 11.63% |

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

See notes to required supplementary information.

NOTE A - BUDGETARY BASIS OF ACCOUNTING1. Budgetary Information

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

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2020 approved budget authorized approximately \$147.0 million in appropriations, carryforwards, and other amounts to be raised. During 2020, the Council also approved supplemental appropriations totaling approximately \$6.1 million. The change is primarily due to increases in appropriations for public safety, employee benefits and capital outlay.

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2020, is presented below:

| | | |
|--|----|---------------------|
| Net change in fund balance - budgetary basis..... | \$ | 7,327,053 |
| <u>Perspective differences:</u> | | |
| Activity of the stabilization fund recorded in the general fund for GAAP..... | | (3,291,059) |
| <u>Basis of accounting differences:</u> | | |
| Net change in recording tax refunds payable..... | | (139,461) |
| Net change in recording 60 day receipts..... | | 981,000 |
| Net change in recording accrued payroll..... | | 499,489 |
| Recognition of revenue for on-behalf payments..... | | 16,745,013 |
| Recognition of expenditures for on-behalf payments..... | | <u>(16,745,013)</u> |
| Net change in fund balance - GAAP basis..... | \$ | <u>5,377,022</u> |

NOTE B – PENSION PLAN***Pension Plan Schedules – Retirement System***Schedule of Changes in the Net Pension Liability and Related Ratios

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

Schedule of Contributions

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

Schedule of Investment Return

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

Pension Plan Schedules – CitySchedule of the City's Proportionate Share of the Net Pension Liability

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

Schedule of the City's Contributions

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

Schedule of the Special Funding Amounts of the Net Pension Liabilities

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

Changes of Assumptions – The mortality assumption was changed to the RP-2014 Total Employee and Healthy Annuitant Mortality Tables, rolled back to 2006 and projected with Mortality Improvement Scale MP-2019. Mortality for disabled members is represented by the RP-2014 Disabled Mortality Table, rolled back to 2006 and projected with Mortality Improvement Scale MP-2019.

Changes in Plan Provisions – None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

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

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

B. Schedule of the City's Contributions

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

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

| | |
|---------------------------------|---|
| Valuation date..... | July 1, 2019 |
| Actuarial cost method..... | Individual Entry Age Normal Cost Method. |
| Asset valuation method..... | Market value of assets with payables and receivables. |
| Discount rate..... | 2.61% net of investment expenses, previously 3.89%. |
| Projected salary increases..... | 3.50%. Overall payroll increase rate, including new entrants of 3.00% per year. |
| Healthcare cost trend rate..... | 7.00% initially decreasing to 5.00% over 26 years. |

Mortality rates:

| | |
|---------------|--|
| Actives..... | The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Employees projected using generational mortality and scale MP-2020. |
| Retirees..... | The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2020. |
| Disabled..... | The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2020. Set forward 2 years. |

C. Schedule of Investment Returns

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

D. Changes of Assumptions

The discount rate changed from 3.89% to 2.61%. Mortality projection was updated to the latest scale. Liabilities due to the impact of the Cadillac tax were removed. The participation percentage was reduced from 92.5% to 90.0% for the Teachers and from 92.5% to 85.0% for the City.

E. Changes in Plan Provisions

Plan coinsurance (the amount paid by the retiree) was increased from 10%/25% to 25%/35% on various plans for City retirees who retire after December 31, 2019.