CITY OF WOBURN, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2018

Powers & Sullivan, LLC
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To the Honorable Mayor
City of Woburn, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woburn, Massachusetts (City), as of and for the year ended June 30, 2018 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2017), in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various City personnel, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management of the City of Woburn, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

Powers & Sullivan, LLC

March 27, 2019

CITY OF WOBURN, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2018

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CURRENT YEAR COMMENT AND RECOMMENDATION

TIMELINESS OF ACTUARIAL INFORMATION FOR PENSION AND OPEB FINANCIAL REPORTING AND DISCLOSURE

Comment

Current GASB pronouncements require information that is provided through independent actuaries in order to meet the financial reporting and disclosure requirements for Pension and Other Postemployment Benefits Other Than Pensions (OPEB). The actuaries base their reports on a significant amount of information provided by various Departments of the City. The actuarial valuations are required to be completed every two years for Trust reporting with updates required on each of the off years. The actuary also provides an annual report, which includes the employer required adjustments to the financial statements.

The City has established an annual closing process and an audit schedule that anticipates an audit fieldwork completion date of early-December, so that sufficient time is available to complete and review the audit reports prior to any deadlines. This process was delayed in 2018 due to the availability of the Pension and OPEB actuarial valuation reports.

Recommendation

We recommend that the City establish and agree to delivery dates with the actuaries that will help to ensure that information is provided by each side by the agreed-upon dates.

PRIOR YEAR COMMENTS AND RECOMMENDATIONS

PURCHASE ORDER DATES

Prior Year Comment

In the prior year, we noted that a number of purchase orders were dated past their corresponding invoice dates. Creating purchase orders after the invoice is received bypasses the City's purchasing policies and defeats the control that a purchase order system is intended to provide. Purchase orders play a primary role as they allow the City to ensure that budgetary funds are available and that the purchase has been properly approved before funds are expended.

Current Status

In 2018, no instances were noted where invoice dates were prior to the purchase order dates.

JOURNAL ENTRY AUTHORIZATION

Prior Year Comment

In the prior year, we noted that numerous manual journal entries are used to record non-system generated transactions, such as interest and transfers, and to correct account balances; which is normal and expected. The City Auditor's office is the only office with the ability to post journal entries into the system and all entries must first be approved by the City Auditor. All other departments send memos or journal entry requests to the City Auditor with the reason for the entry and supporting documentation.

We believe that supporting documentation for journal entries can be enhanced through implementation of a standardized cover sheet that includes the journal entry number, the date that the journal entry is recorded, a description of the entry, the originator of the entry and approval of the entry.

Current Status

A standardized journal entry cover sheet was implemented in 2018.

ACCOUNTING FOR LONG-TERM DEBT ACTIVITY

Prior Year Comment

In the prior year, we noted that the City maintains a long-term debt account group to account for the City's long-term debt balances. Based on our review of this group, we noted that the balances had not been updated for the debt issuances and principal payments that occurred during the fiscal year. The long-term debt account group provides an important check and balance on the Treasurer's debt balances. It should be updated on a monthly basis as debt principal payments are made and bond proceeds are received and should be reconciled to the Treasurer's long-term debt balances monthly.

Current Status

The long-term debt account group was updated to properly reflect the 2018 debt balances and activity.

IMPROVE TIMELINESS OF RECORDING DEPOSITS

Prior Year Comment

In the prior year, we noted several bank deposits on the City's general depository bank account that were not recorded on the City's general ledger. One of the deposits totaled $229,000 and related to proceeds from the auction of land that dated back to November 19, 2015. Additional deposits in April and May of 2017 totaling $103,000, related to the Industri-Plex site, were also not recorded on the City's general ledger. To properly safeguard deposits, they should be recorded on the City's general ledger when they are received.

Current Status

The deposits identified above have been recorded on the City's general ledger and no similar unrecorded deposits were noted in the current year audit.

RECONCILIATION OF WATER AND SEWER USER CHARGES

Prior Year Comment

In the prior year, the Treasurer/Collector's Office had reconciled the water and sewer user charges to the City's general ledger balances, however the reconciliation process did not recognize and correct posting errors where commitments had been posted to the wrong fiscal year receivable accounts.

Current Status

The prior year posting errors were corrected and no similar matters were noted in 2018.

AMBULANCE RECEIVABLES

Prior Year Comment

In the prior year, we noted that the City's general ledger ambulance receivable balance had not been updated or reconciled to the subsidiary receivable balance in several years. The City utilizes a third party for billing and collection of ambulance receivables. The summary outstanding balance reported on the City's general ledger should be reconciled each month to the detailed receivable report maintained by the third-party vendor. Updating and reconciling the general ledger receivable balance to the subsidiary ledger is an important control that provides a check and balance on the activity posted to the subsidiary receivable ledger.

In addition, the City transitioned to a new third-party vendor as of July1, 2014, and it does not appear that any of the existing receivable balances were transferred to the new company and have not been written-off of the City's general ledger receivable balance. It is not clear if the City went through any formal process to write-off the receivable balances at that time and what collection procedures, if any, have been taken since the transition took place.

Current Status

The City receives monthly activity reports from the third-party vendor but only receives an aging report annually. It is our understanding that the City Auditor will be implementing a write-off process for all balances greater than one year old. In instances where revenues are received after being written-off the City will recognize the monies as miscellaneous revenue.

Continuing Recommendation

We continue to recommend that the City Auditor's Office use the monthly ambulance activity reports from the third-party vendor to update the general ledger receivable balance. Once the activity is recorded, the general ledger balance should be reconciled to the subsidiary receivable balance maintained by the third-party vendor. Any write-offs should be signed-off and approved at the proper levels of management.

We also recommend that the City determine the collectability of the receivable balances that were maintained by the prior third-party vendor and pursue collection or formally write-off the balances if they are determined to be uncollectable.

FRAUD RISK ASSESSMENT

Prior Year Comment

In the prior year, we indicated that the opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommended that the City perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the City's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud. We recommended that management complete the development and implementation of a fraud risk assessment program to identify, analyze, and manage the risk of asset misappropriation.

Current Status

The City hired an outside consultant in January of 2019 to complete a fraud risk assessment.

Continuing Recommendation

We continue to recommend that the City complete a fraud risk assessment to identify, analyze and manage the risk of asset misappropriation.

RESOLVE CREDIT REAL ESTATE RECEIVABLE BALANCES

Prior Year Comment

In the prior year, we indicated that there were several old real estate tax receivable accounts (fiscal 2001 – 2016) that had credit balances totaling $325,000. As of June 30, 2018, the credit real estate accounts (fiscal 2001 – 2017) totaled $343,000. Additionally, several personal property receivable balances are in a deficit position as of June 30, 2018, (fiscal 2010 - 2015) totaling $198,000.

The Treasurer/Collector has indicated that the underlying reason for the credit balances relates to the timeliness in which the City processes taxpayer refunds for over-payments. These transactions should be processed on a timelier basis to avoid a backlog of refunds that must be processed in the future.

Current Status

While progress is being made to resolve a portion of the real estate credit balances, this was offset by additional real estate and personal property credit balances.

Continuing Recommendation

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

COMPENSATED ABSENCES

Prior Year Comment

In the prior year, we indicated that the City's system for tracking and reporting the available sick and vacation balances is inefficient. The City does not maintain an automated perpetual balance of each employee's sick and vacation balance. Therefore, the calculation of this accrual at fiscal year-end (and at any time during the year) is done manually.

These balances are not only essential in the preparation of the City's basic financials statements, but they are essential in attendance control.

Current Status

The City has purchased a software module to track employees sick and vacation balances. The City is planning to implement the software in 2019. Currently Human Resources tracks accruals manually and the Treasurer's office tracks accruals within the software.

Continuing Recommendation

We encourage the City to continue to pursue its goal of automating the accumulation and reporting of sick and vacation accruals.

POLICE DETAIL

Prior Year Comment

In prior years, we were unable to obtain support for the police detail receivable reported on the general ledger. We also noted that the general ledger balance had not been updated since 2008 and there were no formal reconciliation procedures between the Police Department and the City Auditor's Office. The summary outstanding balance reported on the general ledger should be reconciled each month to the detail maintained by the Police Department. Updating and reconciling the general ledger receivable balance to the subsidiary ledger is an important control that provides a check and balance on the activity posted to the subsidiary ledger.

Current Status

The police detail receivable balance was not recorded on the City's general ledger in 2018. The police department began providing the City Auditor with monthly accounts receivable aging reports in 2018. The City Auditor anticipates implementing a monthly process to record and reconcile the police detail receivable in 2019.

Continuing Recommendation

We continue to recommend that the City Auditor's Office record the police detail receivable balance on the City's general ledger and record the receivable activity on a monthly basis. Once the activity is recorded, the general ledger receivable balance should be reconciled to the subsidiary receivable balance maintained by the police department. Any write-offs should be signed-off and approved at the proper levels of management.

INDIRECT COST ALLOCATION

Prior Year Comment

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

Current Status

The City has hired a consultant to complete a cost allocation plan for costs associated with the enterprise operations. The City intends to adopt a formal cost allocation plan in the near future.

Continuing Recommendation

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

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

DOCUMENTATION OF INTERNAL CONTROLS FOR FEDERAL GRANTS

Prior Year Comment

In December 2013, the U.S. Office of Management and Budget (OMB) issued *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) in an effort to (1) streamline guidance for federal awards while easing the administrative burden and (2) to strengthen oversight over the expenditure of federal funds and to reduce the risks of waste, fraud and abuse.

The Uniform Guidance supersedes and streamlines requirements from eight different federal grant circulars (including OMB Circular A-133) into one set of guidance. Local governments were required to implement the new administrative requirements and cost principles for all new federal awards and for additional funding of existing awards made after December 26, 2014 (fiscal year 2016).

In conformance with the Uniform Guidance, the non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States (the Green Book) and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management is responsible for internal controls and to see that the entity is doing what needs to be done to meet its objectives. Governments have limited resources and constraints on how much can be spent on designing, implementing, and operating systems of internal control. The COSO Framework can help management consider alternative approaches and decide what action it needs to take to meet its objectives. Depending on the circumstances, these approaches and decisions can contribute to efficiencies in the design, implementation, and conduct of internal control. With the COSO Framework, management can more successfully diagnose issues and assert effectiveness regarding their internal controls and, for external financial reporting, help avoid material weaknesses or significant deficiencies.

The COSO internal control framework must incorporate the 5 major components of internal control, while addressing the 17 principles of internal control that support the COSO framework. Refer to www.coso.org for articles describing the 5 components and their 17 principles in detail.

Management should evaluate and assess the government's internal control system to determine whether: each of the five essential elements of a comprehensive framework of internal control is present throughout the organization; whether each element addresses all of the associated principles; and whether all five elements effectively function together.

Current Status

The City has not documented internal controls over federal grants using the COSO Internal Control Framework.

Continuing Recommendation

We recommend that management follow the best practice for establishing and documenting their internal control system using the COSO Internal Control Framework.

Multi-Year Analysis

	6/30/2009	6/30/2010	(GASB 54) 6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Total General F/B	15,420,343	14,666,705	27,322,024	30,436,081	33,936,718	34,718,151	37,020,520	45,955,557	48,129,864	50,910,396
% of Budget	13.51%	12.68%	25.02%	26.58%	27.81%	26.60%	28.38%	34.51%	34.57%	34.10%
Unassigned Fund Balance			19,819,688	20,367,950	25,952,264	26,770,464	29,248,358	36,030,476	37,720,090	41,306,665
% of Budget			18.1%	17.8%	21.3%	20.5%	22.4%	27.1%	27.1%	27.7%
General Stabilization Fund - Unassingned	7,590,474	7,317,109	7,340,348	8,043,193	7,858,061	11,903,531	11,289,484	11,724,818	11,752,695	11,235,493
% of Budget	6.7%	6.3%	6.7%	7.0%	6.4%	9.1%	8.7%	8.8%	8.4%	7.5%
Unreserved Fund Balance	6,408,129	9,674,205	12,479,340	12,324,757	18,094,203	14,866,933	17,958,874	24,305,658	25,967,395	30,071,172
% of Budget	5.62%	8.36%	11.43%	10.76%	14.83%	11.39%	13.77%	18.25%	18.65%	20.14%
Reserved for:										
Committed - Includes Affordable Housing Stab Fund & Continuing Appropriatior			2,755,616	2,829,513	5,983,007	6,052,467	7,252,496	9,452,571	9,511,346	8,829,631
Encumbrances/Assigned	4,427,285	4,992,500	4,746,720	7,238,618	2,001,447	1,895,220	519,666	472,510	898,428	774,100
Debt service	4,584,929	-	-	-	-	-	-	-	-	-
Debt service fund	4,499,018	4,488,417	4,478,374	3,968,890	1,006,729	623,563	315,373	7,208	-	-
% of Budget	3.9%	3.9%	4.1%	3.5%	0.8%	0.5%	0.2%	0.0%	0.0%	0.0%
GAAP Surplus (Deficit)	(1,613,893)	(753,638)	2,823,208	3,114,057	3,500,637	781,433	2,302,369	8,935,037	2,174,307	2,780,532
Budget Surplus (Deficit)	(917,629)	(1,044,661)	2,741,218	3,839,822	3,644,751	(1,633,696)	2,765,964	5,727,940	2,406,868	3,337,251
Free Cash budgeted	3,600,000	4,200,000	1,425,195	2,821,780	578,000	5,970,374	2,016,500	123,090	2,514,560	3,890,214
Free Cash used (positive = no FC used)	(917,629)	(753,638)	-	-	-	(1,633,696)	-	-	-	-
Total GF - GAAP Revenues + OFS	118,021,555	121,090,896	123,600,596	126,447,355	132,304,378	135,810,817	132,576,758	142,934,351	146,035,323	156,851,824
% increase	3.14%	2.60%	2.07%	2.30%	4.63%	2.65%	-2.38%	7.81%	2.17%	7.41%
Total GF - GAAP Expenditures + OFU	119,635,448	121,844,534	120,777,388	123,440,204	128,803,741	135,029,384	130,274,389	133,999,314	143,861,016	154,071,292
% increase	0.43%	1.85%	-0.88%	2.20%	4.35%	4.83%	-3.52%	2.86%	7.36%	7.10%
Total Appropriations - current year	114,122,054	115,698,429	109,221,248	114,524,258	122,032,716	130,519,498	130,442,236	133,155,700	139,234,088	149,276,769
% increase	1.77%	1.38%	-5.60%	4.86%	6.56%	6.95%	-0.06%	2.08%	4.56%	7.21%
Debt Service	4,825,254	8,066,519	3,922,458	4,127,349	4,735,523	4,877,394	4,680,214	4,543,164	4,234,899	4,641,810
% of Budget	4.23%	6.97%	3.59%	3.60%	3.88%	3.74%	3.59%	3.41%	3.04%	3.11%
Debt Issued										
Capital Projects Fund	250,000	-	18,121,000	1,504,000	1,826,000	-	-	-	8,672,400	21,952,900
Water & Sewer Enterprise										1,734,750
Long Term:Debt:										
Governmental Activities	42,142,833	36,078,517	51,665,554	50,734,136	47,003,224	43,683,686	40,363,467	36,680,000	42,487,400	61,315,300
Water Activities	19,300,617	18,586,801	27,764,294	28,463,341	31,478,541	28,710,499	26,456,601	24,759,157	25,131,602	24,049,944
Sewer Activities	1,271,865	1,526,735	1,245,575	964,415	1,203,660	868,045	898,605	716,177	533,749	784,571
Short Term Debt										
Governmental Activities	-	4,000,000	500,000	2,700,000	-	-	1,600,000	7,511,754	4,997,600	9,711,500
Water Activities	6,500,000	1,113,435	2,000,000	4,300,000	-	-	800,000	2,300,000	1,541,800	198,500
RE & PPT Committment	78,933,940	81,944,498	82,905,022	84,872,540	86,870,044	89,836,980	91,510,362	94,275,616	96,271,532	101,750,146
% increase	5.63%	3.81%	1.17%	2.37%	2.35%	3.42%	1.86%	3.02%	2.12%	5.69%
RE & PPT Receivable	2,387,158	2,888,883	2,717,761	1,787,147	837,591	712,329	48,643	365,827	40,750	489,000
% increase	18.99%	21.02%	-5.92%	-34.24%	-53.13%	-14.96%	-93.17%	652.07%	-88.86%	1100.00%
Receivables as a % of Commitment	3.02%	3.53%	3.28%	2.11%	0.96%	0.79%	0.05%	0.39%	0.04%	0.48%

WOBURN CONTRIBUTORY RETIREMENT SYSTEM

AUDIT OF SPECIFIC ELEMENTS, ACCOUNTS AND ITEMS OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

WOBURN CONTRIBUTORY RETIREMENT SYSTEM

AUDIT OF SPECIFIC ELEMENTS, ACCOUNTS AND ITEMS OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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Audit of Specific Elements, Accounts and Items of Financial Statements

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Independent Auditor's Report

To the Honorable Woburn Retirement Board
Woburn Contributory Retirement System
Woburn, Massachusetts

We have audited the accompanying schedule of employer allocations of the Woburn Contributory Retirement System (WCRS) as of and for the year ended December 31, 2017, and the related notes. We have also audited the total for all entities of the rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, total covered payroll, total pension expense and contributions included in the accompanying schedule of pension amounts by employer of the WCRS Pension Plan as of and for the year ended December 31, 2017, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules 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 the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified row totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer, 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 schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer 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 schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer.

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 schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, total covered payroll, total pension expense and contributions for the total of all participating entities for the Woburn Contributory Retirement System as of and for the year ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of Woburn, Massachusetts, which includes the Woburn Contributory Retirement System reported as a fiduciary component unit, as of and for the year ended June 30, 2018 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2017), and our report thereon, March 27, 2019, expressed an unmodified opinion on those financial statements.

Restriction on Use

This report is intended solely for the information and use of the Woburn Contributory Retirement System management, the Woburn Contributory Retirement System employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Powers & Sullivan, LLC

March 27, 2019

SCHEDULE OF EMPLOYER ALLOCATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

Employer		FY2018 Pension Fund Appropriation		Direct Appropriation E.R.I.		FY2018 Total Appropriation	Percent of Total Appropriation
City of Woburn....................	$	7,009,543	$	331,033	$	7,340,576	96.41%
Woburn Housing Authority.....		261,013		14,483		275,496	3.59%
Total..................................	$	7,270,556	$	345,516	$	7,616,072	100.00%

See notes to schedule of employer allocations and schedule of pension amounts by employer.

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

FOR THE YEAR ENDED DECEMBER 31, 2017

	City of Woburn	Woburn Housing Authority	Totals
Net Pension Liability			
Beginning net pension liability	$ 78,889,000	$ 2,574,000	$ 81,463,000
Ending net pension liability	$ 75,144,000	$ 2,798,000	$ 77,942,000
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 1,559,000	$ 58,000	$ 1,617,000
Changes of assumptions	5,124,000	191,000	5,315,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	194,000	243,000	437,000
Total Deferred Outflows of Resources	$ 6,877,000	$ 492,000	$ 7,369,000
Deferred Inflows of Resources			
Net difference between projected and actual investment earnings on pension plan investments	$ 4,748,000	$ 177,000	$ 4,925,000
Changes of assumptions	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	243,000	194,000	437,000
Total Deferred Inflows of Resources	$ 4,991,000	$ 371,000	$ 5,362,000
Pension Expense			
Proportionate share of plan pension expense	$ 15,499,000	$ 570,000	$ 16,069,000
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	8,000	(8,000)	-
Total Employer Pension Expense	$ 15,507,000	$ 562,000	$ 16,069,000

(Continued)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

FOR THE YEAR ENDED DECEMBER 31, 2017

	City of Woburn	Woburn Housing Authority	Totals
Contributions			
Statutory required contribution	$ 7,341,000	$ 275,000	$ 7,616,000
Contribution in relation to statutory required contribution	(7,341,000)	(275,000)	(7,616,000)
Contribution deficiency/(excess)	$ -	$ -	$ -
Contributions as a percentage of covered payroll	24.65%	24.80%	24.65%
Deferred Inflows/(Outflows) Recognized in Future Pension Expense			
June 30, 2019	$ 3,171,000	$ 110,000	$ 3,281,000
June 30, 2020	2,328,000	79,000	2,407,000
June 30, 2021	(2,021,000)	(87,000)	(2,108,000)
June 30, 2022	(1,770,000)	(10,000)	(1,780,000)
Thereafter	178,000	29,000	207,000
Total Deferred Inflows/(Outflows) Recognized in Future Pension Expense	$ 1,886,000	$ 121,000	$ 2,007,000
Discount Rate Sensitivity			
1% decrease (6.75%)	$ 99,454,000	$ 3,703,000	$ 103,157,000
Current discount rate (7.75%)	$ 75,144,000	$ 2,798,000	$ 77,942,000
1% increase (8.75%)	$ 54,538,000	$ 2,031,000	$ 56,569,000
Covered Payroll	$ 29,784,000	$ 1,109,000	$ 30,893,000

(Concluded)

See notes to schedule of employer allocations and schedule of pension amounts by employer

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

Year Ended December 31, 2017

NOTE 1 – Plan Description

The Woburn Contributory Retirement System (System) is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Woburn Contributory Retirement Board (Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the System is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 20 hours per week and who earn a minimum of $5,000 per year. As of January 1, 2018, the System had two participating employers.

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 a component unit of the City of Woburn and is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. That report may be obtained by contacting the City Auditor located at 10 Common Street, Woburn, Massachusetts 01801.

NOTE 2 – Schedule of Employer Allocations

Governmental Accounting Standards Board (GASB) Statement #68 requires employers participating in a cost-sharing pension plan to recognize pension liabilities as employees provide services to the government and earn their pension benefits. Employers participating in cost-sharing plans are required to recognize their proportionate share of the plan's collective pension amounts for all benefits provided through the plan including the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense, and contributions.

GASB Statement #68 requires the allocation of the collective pension amounts be consistent with the manner in which contributions to the plan are determined. As permissible under GASB Statement #68, the Schedule of Employer Allocations is used to demonstrate the allocation of Woburn Contributory Retirement System's collective pension amounts.

Massachusetts General Law (MGL) Chapter 32 Section 22 Paragraph 7c dictates that Massachusetts cost sharing defined benefit pension plans allocate the annual required pension fund appropriation to employer units based on their proportionate share of the aggregate of the annual rates of regular compensation of all members in service of the system who are employees of any government unit at the close of business on the September 30th immediately preceding the fiscal year unless another methodology is approved by the Board. The member unit appropriations were based on the proportionate aggregate rates of regular compensation as of the close of business on September 30. The allocation of the net pension liability, deferred outflows, and pension expense were allocated based on the proportionate aggregate rates of regular compensation as of the close of business on September 30, attributable to each member unit, which was the regular compensation used to allocate the employer unit appropriations and is the long-term expected contribution rate for the WCRS.

When a member unit accepts an Early Retirement Incentive Program (E.R.I. or ERIP), PERAC completes an analysis of the costs and liabilities attributable to the additional benefits payable in accordance with the ERIP. The accrued liability for the members who accept the ERIP as retirees including the ERIP less the accrued liability for the members as active employees excluding the ERIP represents the increase in accrued liability due to the ERIP. The net increase is amortized for each member unit accepting the ERIP, and is separately identified in the System's funding schedule. The remaining 2002 and 2003 ERIPs are being amortized using level payments over 5 and 6 year periods, respectively to reduce the unfunded actuarial accrued liability attributable to the ERIPs to zero.

NOTE 3 – Schedule of Pension Amounts by Employer

The Schedule of Pension Amounts by Employer presents the net pension liability, the various categories of deferred outflows of resources and deferred inflows of resources, total covered payroll, pension expense and contributions for all participating employers including differences between expected and actual economic experience; differences between projected and actual investment earnings, net; changes of assumptions and changes in proportion.

NOTE 4 – Pension Plan Information

Benefits Provided

The System provides 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.

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.

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 actuarial determined contribution 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.

Pension Liabilities

The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating members.

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, 2017 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
Equity.................	8.46%	46.46%
Fixed Income.........	1.83%	10.05%
Alternatives...........	7.92%	43.49%
		100.00%

Changes of Assumptions – The discount rate has been reduced from 7.75% to 7.50% and the mortality assumptions have been updated.

Changes in Plan Provisions – The plan was amended to increase the maximum annual amount of pension benefit subject to COLA from $12,000 to $18,000, in $1,000 increments from 2018 through 2024.

Actuarial Assumptions

The total pension liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement that was rolled back to December 31, 2017:

Valuation date	January 1, 2018
Actuarial cost method	Individual Entry Age Normal Cost Method.
Amortization method	Increase at 4.0% per year.
Remaining amortization period	17 years at January 1, 2018, closed.
Asset valuation method	Assets are reported at fair market value.
Inflation rate	3.00%
Projected salary increases	3.5% increasing to an ultimate rate of 4% over 2 years.
Cost of living adjustments	3.0% of the lesser of the pension amount and $12,000 per year.
Rates of retirement	Varies based upon age for general employees, police and fire employees.
Rates of disability	Varies based upon age for general employees, police and fire employees.
Mortality Rates:	
Healthy mortality	Is based on the RP-2014 Total Employee and Health Annuitant Mortality Tables, rolled back to 2006 and projected with Mortality Improvement Scale MP-2017.
Disabled mortality	Is based on the RP-2014 Disabled Mortality Table, rolled back to 2006 and projected with Mortality Improvement Scale MP-2017.
Investment rate of return/Discount rate	7.50%, previously 7.75%.

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.53%. 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%. 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.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued City of Woburn, Massachusetts' basic financial statements.

CITY OF WOBURN, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

CITY OF WOBURN, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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Independent Auditor's Report

To the Honorable Mayor
City of Woburn, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woburn, Massachusetts, as of and for the year ended June 30, 2018 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2017), 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, 2018 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2017), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2019, on our consideration of the City of Woburn, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Woburn, Massachusetts' internal control over financial reporting and compliance.

Powers & Sullivan, LLC

March 27, 2019

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, 2018. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

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

Financial Highlights

- The liabilities and deferred inflows of resources of the City of Woburn exceeded the assets and deferred outflows of resources at the close of the most recent year by $32.6 million (net position).
- Beginning net position of the governmental activities, the business-type activities and the enterprise funds have been revised to reflect the implementation of GASB Statement #75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". The implementation of this standard required the calculation of the OPEB liability to be revised due to the use of different methods and assumptions as previously required by GASB Statement #45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*". Accordingly, the City's net position as of June 30, 2017, has been revised to reflect these changes. (See Note 17 for further details regarding the revised balances).
- At the close of the current year, the City's general fund reported an ending fund balance of $50.9 million. Total fund balance represents 34% of total general fund expenditures.
- The City's total debt (short-term and long-term combined) increased by $21.4 million during the year.
- The City's net other postemployment benefits (OPEB) liability increased by $9.8 million and totaled $254.4 million at year-end.
- The City's net pension liability decreased by $3.7 million and totaled $75.1 million at year-end.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City of Woburn's total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by $32.6 million at the close of 2018.

Net position of $203.7 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, $16 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 $252.3 million. The primary reason for this deficit balance is the recognition of the net other postemployment benefits and net pension liabilities totaling $254.4 million and $75.1 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 $75.8 million at the close of 2018.

	2018	2017 (As Revised)
Assets:		
Current assets	$ 95,593,441	$ 86,483,222
Noncurrent assets (excluding capital)	-	1,123,293
Capital assets, non depreciable	75,905,497	38,639,246
Capital assets, net of accumulated depreciation	161,301,108	159,462,467
Total assets	**332,800,046**	**285,708,228**
Deferred outflows of resources	**15,354,663**	**22,498,000**
Liabilities:		
Current liabilities (excluding debt)	14,557,107	8,627,392
Noncurrent liabilities (excluding debt)	331,796,694	325,529,494
Current debt	13,860,627	8,122,600
Noncurrent debt	58,590,859	39,362,400
Total liabilities	**418,805,287**	**381,641,886**
Deferred inflows of resources	**5,130,972**	**1,253,000**
Net position:		
Net investment in capital assets	170,055,252	157,023,141
Restricted	16,037,855	15,475,911
Unrestricted	(261,874,657)	(247,187,710)
Total net position	**$ (75,781,550)**	**$ (74,688,658)**

		2018		2017 (As Revised)
Program Revenues:				
Charges for services	$	7,878,289	$	6,753,786
Operating grants and contributions		29,210,570		29,544,035
Capital grants and contributions		9,845,700		6,635,343
General Revenues:				
Real estate and personal property taxes, net of tax refunds payable		106,594,084		96,970,971
Tax liens		762,383		743,822
Motor vehicle excise taxes		7,075,417		7,101,091
Hotel/motel tax		3,288,794		3,182,058
Meals tax		1,067,729		1,021,682
Penalties and interest on taxes		359,855		504,770
Grants and contributions not restricted to specific programs		6,303,975		6,172,440
Unrestricted investment income		1,417,263		1,903,242
Miscellaneous		-		37,116
Total revenues		**173,804,059**		**160,570,356**
Expenses:				
General government		8,075,178		7,151,619
Public safety		37,262,132		33,094,560
Education		108,814,545		105,597,983
Public works		14,850,710		13,467,850
Health and human services		2,078,669		1,962,301
Culture and recreation		3,764,729		3,484,464
Interest		1,595,120		1,382,498
Total expenses		**176,441,083**		**166,141,275**
Excess (Deficiency) before transfers		**(2,637,024)**		**(5,570,919)**
Transfers		**1,544,132**		**1,421,036**
Change in net position		**(1,092,892)**		**(4,149,883)**
Net position, beginning of year (as revised)		**(74,688,658)**		**(70,538,775)**
Net position, end of year	**$**	**(75,781,550)**	**$**	**(74,688,658)**

Beginning net position of the governmental activities has been revised to reflect the implementation of GASB Statement #75. The implementation of this standard required the OPEB liability to be revised due to the use of different methods and assumptions as previously required by GASB Statement #45. Accordingly, previously reported net position of $95.1 million has been revised and totals a deficit of $74.7 million (see note 17).

Governmental expenses totaled $176.4 million of which $46.9 million (27%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled $126.9 million, primarily coming from property taxes, motor vehicle excise taxes, hotel/motel taxes and non-restricted state aid.

Governmental net position decreased by $1.1 million during the current year. The primary components of this decrease include a $9 million increase in the net OPEB liability and deferred outflows/inflows of resources related to OPEB and a $8 million increase in the net pension liability and deferred outflows/inflows of resources related to pensions. These decreases were offset by the recognition of $9.8 million of capital grants, a general fund surplus of $2.8 million and $4.5 million of capital additions funded in the operating budget.

Business-type Activities

For the City's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $43.2 million at the close of 2018.

		2018		2017 (As Revised)
Assets:				
Current assets	$	14,653,760	$	15,719,906
Noncurrent assets (excluding capital)		237,441		343,037
Capital assets, non depreciable		485,637		631,788
Capital assets, net of accumulated depreciation		56,370,595		56,209,200
Total assets		**71,747,433**		**72,903,931**
Deferred outflows of resources		**103,000**		**226,000**
Liabilities:				
Current liabilities (excluding debt)		718,302		715,646
Noncurrent liabilities (excluding debt)		2,842,763		2,855,051
Current debt		2,710,264		4,107,386
Noncurrent debt		22,322,751		23,099,765
Total liabilities		**28,594,080**		**30,777,848**
Deferred inflows of resources		**76,319**		**19,000**
Net position:				
Net investment in capital assets		33,639,027		31,929,666
Unrestricted		9,541,007		10,403,417
Total net position	$	**43,180,034**	$	**42,333,083**
Program Revenues:				
Charges for services	$	18,759,934	$	18,786,678
Operating grants and contributions		43,293		57,499
Capital grants and contributions		1,299,750		867,444
Expenses:				
Water and sewer		17,711,894		17,474,820
Excess (Deficiency) before transfers		**2,391,083**		**2,236,801**
Transfers		**(1,544,132)**		**(1,421,036)**
Change in net position		**846,951**		**815,765**
Net position, beginning of year (as revised)		**42,333,083**		**41,517,318**
Net position, end of year	$	**43,180,034**	$	**42,333,083**

Beginning net position of the business-type activities has been revised to reflect the implementation of GASB Statement #75. The implementation of this standard required the OPEB liability to be revised due to the use of different methods and assumptions as previously required by GASB Statement #45. Accordingly, previously reported net position of $43.6 million has been revised and totals $42.3 million (see note 17).

Business-type net position of $33.6 million (78%) represents the net investment in capital assets while $9.5 million (22%) is unrestricted.

The water and sewer enterprise fund net position increased by $847,000 in the current year. This increase is primarily due to the recognition of $1.3 million from capital grants.

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of $67.1 million. This was comprised of the general fund totaling $50.9 million, the Hurld/Wyman School fund totaling $371,000, a deficit of $5.6 million for the library construction fund and $21.4 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 $41.3 million, while total fund balance was $50.9 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 27% of the total general fund expenditures, while total fund balance represents 34% of that same amount. Committed fund balance totals $8.8 million and consists of the affordable housing stabilization fund totaling $3.3 million and unexpended capital articles totaling $5.5 million that were carried forward to the subsequent year. Assigned fund balance totals $774,000 and consists of unexpended appropriations that were encumbered to be expended in the subsequent year.

The general fund increased by $2.8 million due to better than expected revenue collections and unexpended appropriations. These increases were offset by the use of reserves to fund appropriations and the OPEB trust fund, respectively.

The State highway grants fund recognized $580,000 of capital grant revenue and incurred $580,000 of road improvement costs.

The Hurld/Wyman School fund recognized $6.8 million of capital grant revenue along with $11.2 million in debt; and incurred $18.8 million of school building costs for the construction of the new elementary school.

The Library Construction fund recognized $1.5 million of capital grant revenue along with $10 million in debt and premiums; and incurred $16.9 million of expenditures related to the renovation and expansion of the Woburn Public Library.

General Fund Budgetary Highlights

The $10.4 million (8%) increase between the original budget and the final amended budget was primarily due to increases in appropriations for public safety, capital outlay, debt service and a transfer to the general stabilization fund.

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, 2018, amounts to $294.1 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 $43.4 million. $16.9 million of additions relate to the public library project, $18.8 million is for the Hurld/Wyman elementary school construction project, $580,000 relates to street resurfacing, $2.7 million is for various building improvements and $4.4 million is for vehicles, equipment and other capital additions.

The $2 million in water and sewer additions are mainly attributable to inflow and infiltration improvements as well as other water and sewer infrastructure improvements.

Debt Administration. The City maintains a AA credit rating with Standard and Poor's Financial Services and continues to maintain strong market access for both note and bond sales.

Outstanding long-term debt of the general government totaled $62.7 million, of which $41.2 million relates to school projects, $8.4 million relates to land acquisition and $13.1 million relates to various other capital projects.

The water and sewer enterprise fund has $24.8 million of outstanding long-term debt, which is fully supported by rates and does not rely on a general fund subsidy.

Short-term debt outstanding at year-end for the governmental activities totaled $9.7 million of which $602,000 is for the Hurld/Wyman Elementary School building project, $9.0 million is for the Library Reconstruction and $65,000 is for the ice rink. The water and sewer enterprise fund outstanding short-term debt totaled $199,000 million and was used to finance water infrastructure improvements.

The Commonwealth has approved school construction assistance for the Hurld/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 2018, the City recorded grant proceeds totaling $12.4 million, which is equal to 55% of approved construction costs submitted for reimbursement. The City anticipates receiving an additional $1.6 of grant proceeds in 2019.

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

Requests for Information

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

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents	$ 62,793,088	$ 5,529,167	$ 68,322,255
Investments	23,636,233	-	23,636,233
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	489,000	-	489,000
Tax and utility liens	2,516,667	64,339	2,581,006
Motor vehicle and other excise taxes	430,986	-	430,986
User charges	-	8,954,658	8,954,658
Departmental and other	1,008,759	-	1,008,759
Intergovernmental	4,015,944	105,596	4,121,540
Tax foreclosures	702,764	-	702,764
Total current assets	95,593,441	14,653,760	110,247,201
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental	-	237,441	237,441
Capital assets, nondepreciable	75,905,497	485,637	76,391,134
Capital assets, net of accumulated depreciation	161,301,108	56,370,595	217,671,703
Total noncurrent assets	237,206,605	57,093,673	294,300,278
TOTAL ASSETS	332,800,046	71,747,433	404,547,479
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	6,774,000	103,000	6,877,000
Deferred outflows related to other postemployment benefits	8,580,663	-	8,580,663
TOTAL DEFERRED OUTFLOWS OF RESOURCES	15,354,663	103,000	15,457,663
LIABILITIES			
CURRENT:			
Warrants payable	9,884,509	416,309	10,300,818
Accrued payroll	651,557	-	651,557
Tax refunds payable	1,443,913	-	1,443,913
Accrued interest	440,107	247,993	688,100
Other liabilities	182,021	-	182,021
Compensated absences	1,955,000	54,000	2,009,000
Notes payable	9,711,500	198,500	9,910,000
Bonds payable	4,149,127	2,511,764	6,660,891
Total current liabilities	28,417,734	3,428,566	31,846,300
NONCURRENT:			
Compensated absences	4,944,000	164,000	5,108,000
Net pension liability	74,017,000	1,127,000	75,144,000
Net other postemployment benefits liability	252,835,694	1,551,763	254,387,457
Bonds payable	58,590,859	22,322,751	80,913,610
Total noncurrent liabilities	390,387,553	25,165,514	415,553,067
TOTAL LIABILITIES	418,805,287	28,594,080	447,399,367
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	4,916,000	75,000	4,991,000
Deferred inflows related to other postemployment benefits	214,972	1,319	216,291
TOTAL DEFERRED INFLOWS OF RESOURCES	5,130,972	76,319	5,207,291
NET POSITION			
Net investment in capital assets	170,055,252	33,639,027	203,694,279
Restricted for:			
Permanent funds:			
Expendable	9,063,690	-	9,063,690
Nonexpendable	3,353,070	-	3,353,070
Gifts and grants	3,621,095	-	3,621,095
Unrestricted	(261,874,657)	9,541,007	(252,333,650)
TOTAL NET POSITION	$ (75,781,550)	$ 43,180,034	$ (32,601,516)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
Governmental Activities:					
General government	$ 8,075,178	$ 856,749	$ 912,610	$ 18,245	$ (6,287,574)
Public safety	37,262,132	4,488,127	1,255,387	-	(31,518,618)
Education	108,814,545	2,199,504	26,345,064	6,826,514	(73,443,463)
Public works	14,850,710	216,905	1,600	1,469,686	(13,162,519)
Health and human services	2,078,669	90,973	96,880	-	(1,890,816)
Culture and recreation	3,764,729	26,031	599,029	1,531,255	(1,608,414)
Interest	1,595,120	-	-	-	(1,595,120)
Total Governmental Activities	176,441,083	7,878,289	29,210,570	9,845,700	**(129,506,524)**
Business-Type Activities:					
Water and sewer	17,711,894	18,759,934	43,293	1,299,750	**2,391,083**
Total Primary Government	$ 194,152,977	$ 26,638,223	$ 29,253,863	$ 11,145,450	$ **(127,115,441)**

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (continued)

YEAR ENDED JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page	$ **(129,506,524)**	$ **2,391,083**	$ **(127,115,441)**
General revenues:			
Real estate and personal property taxes, net of tax refunds payable	106,594,084	-	106,594,084
Tax liens	762,383	-	762,383
Motor vehicle excise taxes	7,075,417	-	7,075,417
Hotel/motel tax	3,288,794	-	3,288,794
Meals tax	1,067,729	-	1,067,729
Penalties and interest on taxes	359,855	-	359,855
Grants and contributions not restricted to specific programs	6,303,975	-	6,303,975
Unrestricted investment income	1,417,263	-	1,417,263
Transfers, net	1,544,132	(1,544,132)	-
Total general revenues and transfers	128,413,632	(1,544,132)	126,869,500
Change in net position	(1,092,892)	846,951	(245,941)
Net position:			
Beginning of year (as revised)	(74,688,658)	42,333,083	(32,355,575)
End of year	$ (75,781,550)	$ 43,180,034	$ (32,601,516)

See notes to basic financial statements.

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2018

	General	State Highway Grants	Hurld/ Wyman School	Library Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 37,259,699	$ 20,625	$ 2,830,543	$ 8,476,724	$ 14,205,497	$ 62,793,088
Investments	15,957,588	-	-	-	7,678,645	23,636,233
Receivables, net of uncollectibles:						
Real estate and personal property taxes	489,000	-	-	-	-	489,000
Tax liens	2,516,667	-	-	-	-	2,516,667
Motor vehicle and other excise taxes	430,986	-	-	-	-	430,986
Departmental and other	-	-	-	-	1,008,759	1,008,759
Intergovernmental	-	1,936,759	1,601,672	-	477,513	4,015,944
Tax foreclosures	702,764	-	-	-	-	702,764
Due from other funds	644,709	-	-	-	-	644,709
TOTAL ASSETS	$ 58,001,413	$ 1,957,384	$ 4,432,215	$ 8,476,724	$ 23,370,414	$ 96,238,150
LIABILITIES						
Warrants payable	$ 962,522	$ 20,625	$ 3,458,738	$ 5,006,623	$ 436,001	$ 9,884,509
Accrued payroll	651,557	-	-	-	-	651,557
Tax refunds payable	1,443,913	-	-	-	-	1,443,913
Due to other funds	-	644,709	-	-	-	644,709
Other liabilities	182,021	-	-	-	-	182,021
Notes payable	-	-	602,000	9,045,000	64,500	9,711,500
TOTAL LIABILITIES	3,240,013	665,334	4,060,738	14,051,623	500,501	22,518,209
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	3,851,004	1,292,050	-	-	1,486,272	6,629,326
FUND BALANCES						
Nonspendable	-	-	-	-	3,353,069	3,353,069
Restricted	-	-	371,477	-	18,030,572	18,402,049
Committed	8,829,631	-	-	-	-	8,829,631
Assigned	774,100	-	-	-	-	774,100
Unassigned	41,306,665	-	-	(5,574,899)	-	35,731,766
TOTAL FUND BALANCES	50,910,396	-	371,477	(5,574,899)	21,383,641	67,090,615
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 58,001,413	$ 1,957,384	$ 4,432,215	$ 8,476,724	$ 23,370,414	$ 96,238,150

See notes to basic financial statements.

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

JUNE 30, 2018

Total governmental fund balances		$ 67,090,615
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds		237,206,605
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds		6,629,326
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		10,223,691
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due		(440,107)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable	(62,739,986)	
Net pension liability	(74,017,000)	
Net other postemployment benefits liability	(252,835,694)	
Compensated absences	(6,899,000)	
Net effect of reporting long-term liabilities		(396,491,680)
Net position of governmental activities		$ (75,781,550)

See notes to basic financial statements.

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2018

	General	State Highway Grants	Hurld/ Wyman School	Library Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real estate and personal property taxes,						
net of tax refunds	$ 106,541,503	$ -	$ -	$ -	$ -	$ 106,541,503
Tax liens	587,897	-	-	-	-	587,897
Motor vehicle excise taxes	7,157,670	-	-	-	-	7,157,670
Hotel/motel tax	3,288,794	-	-	-	-	3,288,794
Meals tax	1,067,729	-	-	-	-	1,067,729
Penalties and interest on taxes	359,855	-	-	-	-	359,855
Intergovernmental	28,995,037	579,952	6,826,514	1,531,255	4,431,264	42,364,022
Departmental and other	3,614,967	-	-	-	6,189,054	9,804,021
Contributions and donations	86,462	-	-	-	381,550	468,012
Investment income	481,453	-	-	-	935,810	1,417,263
TOTAL REVENUES	152,181,367	579,952	6,826,514	1,531,255	11,937,678	173,056,766
EXPENDITURES:						
Current:						
General government	4,145,294	-	-	-	162,124	4,307,418
Public safety	19,822,494	-	-	-	3,703,294	23,525,788
Education	61,868,876	-	18,787,781	-	6,832,211	87,488,868
Public works	8,495,210	579,952	-	-	536,370	9,611,532
Health and human services	1,297,962	-	-	-	129,790	1,427,752
Culture and recreation	1,953,306	-	-	16,880,356	1,393,310	20,226,972
Pension benefits	7,341,416	-	-	-	-	7,341,416
Pension benefits - Teachers Retirement	12,951,418	-	-	-	-	12,951,418
Employee benefits	21,367,451	-	-	-	-	21,367,451
State and county charges	3,809,433	-	-	-	-	3,809,433
Capital outlay	4,493,297	-	-	-	-	4,493,297
Debt service:						
Principal	3,125,000	-	-	-	-	3,125,000
Interest	1,516,810	-	-	-	-	1,516,810
TOTAL EXPENDITURES	152,187,967	579,952	18,787,781	16,880,356	12,757,099	201,193,155
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,600)	-	(11,961,267)	(15,349,101)	(819,421)	(28,136,389)
OTHER FINANCING SOURCES (USES):						
Issuance of bonds	-	-	11,198,000	9,019,000	1,735,900	21,952,900
Premium from issuance of bonds	-	-	-	981,000	497,200	1,478,200
Transfers in	4,670,457	-	-	-	1,883,325	6,553,782
Transfers out	(1,883,325)	-	-	-	(3,126,325)	(5,009,650)
TOTAL OTHER FINANCING SOURCES (USES)	2,787,132	-	11,198,000	10,000,000	990,100	24,975,232
NET CHANGE IN FUND BALANCES	2,780,532	-	(763,267)	(5,349,101)	170,679	(3,161,157)
FUND BALANCES AT BEGINNING OF YEAR	48,129,864	-	1,134,744	(225,798)	21,212,962	70,251,772
FUND BALANCES AT END OF YEAR	$ 50,910,396	$ -	$ 371,477	$ (5,574,899)	$ 21,383,641	$ 67,090,615

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, 2018

Net change in fund balances - total governmental funds		$ (3,161,157)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	43,423,693	
Depreciation expense	(4,318,801)	
Net effect of reporting capital assets		39,104,892
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		747,293
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.		
Issuance of bonds	(21,952,900)	
Premium from issuance of bonds	(1,478,200)	
Net amortization of premium from issuance of bonds	53,514	
Debt service principal payments	3,125,000	
Net effect of reporting long-term debt		(20,252,586)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Net change in compensated absences accrual	(338,000)	
Net change in accrued interest on long-term debt	(131,825)	
Net change in deferred outflow/(inflow) of resources related to pensions	(11,732,000)	
Net change in net pension liability	3,689,000	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits	710,691	
Net change in net other postemployment benefits liability	(9,729,200)	
Net effect of recording long-term liabilities		(17,531,334)
Change in net position of governmental activities		$ (1,092,892)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2018

		Business-type Activities - Enterprise Funds
		Water and Sewer
ASSETS		
CURRENT:		
Cash and cash equivalents	$	5,529,167
Receivables, net of allowance for uncollectibles:		
Liens - user charges		64,339
User charges		8,954,658
Intergovernmental		105,596
Total current assets		14,653,760
NONCURRENT:		
Receivables, net of allowance for uncollectibles:		
Intergovernmental - other		237,441
Capital assets, non depreciable		485,637
Capital assets, net of accumulated depreciation		56,370,595
Total noncurrent assets		57,093,673
TOTAL ASSETS		71,747,433
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		103,000
LIABILITIES		
CURRENT:		
Warrants payable		416,309
Accrued interest		247,993
Compensated absences		54,000
Notes payable		198,500
Bonds payable		2,511,764
Total current liabilities		3,428,566
NONCURRENT:		
Compensated absences		164,000
Net pension liability		1,127,000
Net other postemployment benefits liability		1,551,763
Bonds payable		22,322,751
Total noncurrent liabilities		25,165,514
TOTAL LIABILITIES		28,594,080
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		75,000
Deferred inflows related to other postemployment benefits		1,319
TOTAL DEFERRED INFLOWS OF RESOURCES		76,319
NET POSITION		
Net investment in capital assets		33,639,027
Unrestricted		9,541,007
TOTAL NET POSITION	$	43,180,034

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

		Business-type Activities - Enterprise Funds
		Water and Sewer
OPERATING REVENUES:		
Charges for services	$	18,261,838
Liens - charges for services		498,096
TOTAL OPERATING REVENUES		18,759,934
OPERATING EXPENSES:		
Cost of services and administration		1,293,850
Salaries and wages		778,795
MWRA assessment		13,085,619
Depreciation		1,940,935
TOTAL OPERATING EXPENSES		17,099,199
OPERATING INCOME (LOSS)		1,660,735
NONOPERATING REVENUES (EXPENSES):		
Interest expense		(612,695)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS		1,048,040
CAPITAL CONTRIBUTIONS		1,343,043
TRANSFERS:		
Transfers out		(1,544,132)
CHANGE IN NET POSITION		846,951
NET POSITION AT BEGINNING OF YEAR (AS REVISED)		42,333,083
NET POSITION AT END OF YEAR	$	43,180,034

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

		Business-type Activities - Enterprise Funds
		Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	$	19,260,963
Payments to vendors		(14,164,411)
Payments to employees		(800,795)
NET CASH FROM OPERATING ACTIVITIES		4,295,757
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers out		(1,544,132)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds and notes		1,933,250
Premium from the issuance of bonds		41,800
Capital contributions		1,343,043
Acquisition and construction of capital assets		(1,956,179)
Principal payments on bonds and notes		(4,107,386)
Interest expense		(676,868)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES		(3,422,340)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(670,715)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		6,199,882
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	5,529,167
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:		
Operating income (loss)	$	1,660,735
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation		1,940,935
Deferred (outflows)/inflows related to pensions		179,000
Deferred (outflows)/inflows related to other postemployment benefits		1,319
Changes in assets and liabilities:		
Liens - user charges		593,894
User charges		(190,294)
Intergovernmental		97,429
Warrants payable		31,027
Compensated absences		(22,000)
Net pension liability		(56,000)
Other postemployment benefits		59,712
Total adjustments		2,635,022
NET CASH FROM OPERATING ACTIVITIES	$	4,295,757
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Intergovernmental subsidy of debt service	$	140,722

See notes to basic financial statements.

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Total Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	$ 5,225,613	$ 59,454	$ 987,233
Investments:			
Investments in Pension Reserve Investment Trust	65,874,923	-	-
Government agencies	1,820,486	-	-
Government sponsored enterprises	2,238,215	-	-
Corporate bonds	6,094,911	-	-
Bond mutual funds	11,049,010	-	-
Equity securities	26,361,737	-	-
Equity mutual funds	23,982,517	-	-
Pooled real estate funds	175,336	-	-
Pooled alternative investments	10,940,402	-	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental	124,785	-	-
Interest and dividends	108,349	-	-
TOTAL ASSETS	153,996,284	59,454	987,233
LIABILITIES			
Warrants payable	123,059	-	11,402
Liabilities due depositors	-	-	975,831
TOTAL LIABILITIES	123,059	-	987,233
NET POSITION			
Restricted for pensions	148,441,287	-	-
Restricted for other postemployment benefits	5,431,938	-	-
Held in trust for other purposes	-	59,454	-
TOTAL NET POSITION	$ 153,873,225	$ 59,454	$ -

See notes to basic financial statements.

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2018

	Total Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions	$ 8,366,072	$ -
Employer contributions for other postemployment benefit payments	7,830,663	-
Member contributions	3,027,006	-
Transfers from other systems	272,773	-
Intergovernmental	68,400	-
Total contributions	19,564,914	-
Net investment income:		
Net change in fair value of investments	18,799,914	-
Investment income	3,708,152	43
Less: investment expense	(1,026,441)	-
Net investment income (loss)	21,481,625	43
TOTAL ADDITIONS	41,046,539	43
DEDUCTIONS:		
Administration	446,801	-
Transfers to other systems	692,471	-
Retirement benefits and refunds	13,492,851	-
Other postemployment benefit payments	7,830,663	-
Miscellaneous	36,188	-
TOTAL DEDUCTIONS	22,498,974	-
NET INCREASE (DECREASE) IN NET POSITION	18,547,565	43
NET POSITION AT BEGINNING OF YEAR	135,325,660	59,411
NET POSITION AT END OF YEAR	$ 153,873,225	$ 59,454

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

Joint Ventures

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

The City has entered into a joint venture with the Cities of Winthrop, Chelsea, Malden, and Revere and the Towns of Melrose, North Reading, Reading, Saugus, Stoneham, Wakefield and Winchester to pool resources and share the costs, risks and rewards of providing vocational education through the Northeast Metropolitan Regional Vocational School District (NMRS). The City's assessment for 2018 was $1,673,149. Stand-alone financial statements for the year ended June 30, 2018, 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 *Hurld/ Wyman School fund* is used to account for financial resources associated with the construction of the new Hurld/Wyman elementary school.

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

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

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

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

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

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

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

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

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

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

The following fiduciary fund types are reported:

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

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

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

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

Motor Vehicle and Other Excise Taxes

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

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

Water and Sewer User Fees

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

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

Departmental and Other

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

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

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

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

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

Governmental Fund Financial Statements

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

H. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

Governmental Fund Financial Statements

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

I. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Net position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

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

Net position has been "restricted for" the following:

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

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

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

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

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

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

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

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

L. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Investment Income

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

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

N. Fair Value Measurements

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

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

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

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

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

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

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the City's financial instruments, see Note 2 – Cash and Investments.

O. Pensions

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

P. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

Q. Use of Estimates

Government-Wide and Fund Financial Statements

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

R. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

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

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

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

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

Custodial Credit Risk – Deposits

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

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

At year-end, the carrying amount of deposits totaled $64,773,003 and the bank balance totaled $65,960,510. Of the bank balance, $8,835,237 was covered by Federal Depository Insurance, $12,590,634 was covered by Depositors Insurance Fund, $44,378,672 was collateralized and $155,967 was uncollateralized.

At December 31, 2017, the carrying amount of deposits for the System totaled $273,679 and the bank balance totaled $649,778. 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 $5,071,648 in government sponsored enterprises, $6,557,575 in corporate bonds and $13,235,089 in equity securities, which have custodial credit risk exposure totaling $24,864,312 because the related securities are uninsured, unregistered and held by the counterparty. The City does not have an investment policy for custodial credit risk.

The System's investments subject to custodial credit risk include $1,820,486 in government agencies, $2,238,215 in government sponsored enterprises, $6,094,911 in corporate bonds and $24,996,044 in equity securities, which have custodial credit risk exposure totaling $35,149,656 because the related securities are uninsured, unregistered and held by the counterparty. The System does not have an investment policy for custodial credit risk.

Interest Rate Risk

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

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

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from 0.15 to 16.31 years.

As of June 30, 2018, the City had the following investments and maturities:

		Maturities			
Investment Type	**Fair value**	**Under 1 Year**	**1-5 Years**	**6-10 Years**	**Over 10 Years**
Debt Securities:					
Government Sponsored Enterprises.....	$ 5,071,648	$ 399,190	$ 4,345,578	$ 179,503	$ 147,377
Corporate Bonds....................................	6,557,575	2,714,590	3,741,978	101,007	-
Bond mutual funds..........................	1,330,773	137,614	1,193,159	-	-
Total debt securities..............................	12,959,996	$ 3,251,394	$ 9,280,715	$ 280,510	$ 147,377
Other Investments:					
Equity Securities....................................	13,235,089				
Equity Mutual Funds..........................	1,980,668				
Money Market Mutual Funds...............	1,728,280				
MMDT - Cash Portfolio......................	3,760,077				
Total Investments..................................	$ 33,664,110				

As of December 31, 2017, the System had the following investments and maturities:

Investment Type	Fair value	Maturities: Under 1 Year	1-5 Years	6-10 Years	Over 10 Years
Debt Securities:					
Government Agencies................................	$ 1,820,486	$ -	$ 22,849	$ -	$ 1,797,637
Government Sponsored enterprises..............	2,238,215	-	602,905	334,333	1,300,977
Corporate Bonds..	6,094,911	93,405	1,246,740	1,538,010	3,216,756
Bond Mutual Funds....................................	9,855,851	-	-	9,855,851	-
Total Debt Securities..................................	20,009,463	$ 93,405	$ 1,872,494	$ 11,728,194	$ 6,315,370
Other Investments:					
Equity Securities..	24,996,044				
Equity Mutual Funds....................................	22,001,849				
Pooled Real Estate Funds...........................	175,336				
Pooled Alternative Investments....................	10,940,402				
Money Market Mutual Funds.........................	4,059,516				
Pension Reserve Investment Trust (PRIT)......	65,874,923				
Total Investments..	$ 148,057,533				

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, 2018, Standard & Poor's Investors Service rated the City's investments as follows:

Quality Rating	Government Sponsored Enterprises	Corporate Bonds	Bond Mutual Funds
AAA................	$ -	$ 800,724	$ -
AA+................	5,071,648	-	-
A+..................	-	1,599,808	-
A....................	-	1,032,665	137,614
AA-.................	-	1,818,327	-
A-...................	-	952,930	-
BBB+...............	-	160,616	-
BBB................	-	141,153	-
BBB-................	-	51,352	-
Not Rated.........	-	-	1,193,159
Total...............	$ 5,071,648	$ 6,557,575	$ 1,330,773

The City's investments in MMDT were unrated.

The System has not adopted a formal policy related to credit risk. As of December 31, 2017, Standard & Poor's Investors Service rated the System's investments as follows:

Quality Rating	Government Sponsored Enterprises	Corporate Bonds	Bond Mutual Funds
AAA................	$ -	$ 477,428	$ -
AA+................	2,238,215	-	-
AA..................	-	808,521	-
A....................	-	919,432	9,855,851
BBB................	-	864,989	-
Not Rated........	-	3,024,541	-
Total...............	$ 2,238,215	$ 6,094,911	$ 9,855,851

The System's investments in PRIT were unrated.

Concentration of Credit Risk

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

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

Fair Market Value of Investments

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

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

The City has the following recurring fair value measurements as of June 30, 2018:

		Fair Value Measurements Using		
Investment Type	June 30, 2018	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:				
Debt Securities:				
Government Sponsored Enterprises...............	$ 5,071,648	$ 5,071,648	$ -	$ -
Corporate Bonds...	6,557,575	-	6,557,575	-
Bond mutual funds..	1,330,773	1,330,773	-	-
Total Debt Securities...	12,959,996	6,402,421	6,557,575	-
Other Investments:				
Equity Securities...	13,235,089	13,235,089	-	-
Equity Mutual Funds....................................	1,980,668	1,980,668	-	-
Money Market Mutual Funds.........................	1,728,280	1,728,280	-	-
Total Other Investments..................................	16,944,037	16,944,037	-	-
Total Investments Measured at Fair Value............	29,904,033	$ 23,346,458	$ 6,557,575	$ -
Investments Measured at Amortized Cost:				
MMDT - Cash Portfolio.................................	3,760,077			
Total Investments..	$ 33,664,110			

Government sponsored enterprises, bond mutual funds, equity securities, equity mutual funds, 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. Corporate bonds 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.

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

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

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following recurring fair value measurements as of December 31, 2017:

		Fair Value Measurements Using		
Investment Type	December 31, 2017	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:				
Debt Securities:				
Government Agencies	$ 1,820,486	$ 1,820,486	$ -	$ -
Government Sponsored Enterprises	2,238,215	2,238,215	-	-
Corporate Bonds	6,094,911	-	6,094,911	-
Bond Mutual Funds	9,855,851	9,855,851	-	-
Total Debt Securities	20,009,463	13,914,552	6,094,911	-
Other Investments:				
Equity securities	24,996,044	24,996,044	-	-
Equity mutual funds	22,001,849	22,001,849	-	-
Pooled Real Estate Funds	175,336	-	-	175,336
Pooled Alternative Investments	10,940,402	-	-	10,940,402
Money market mutual funds	4,059,516	4,059,516	-	-
Total Other Investments	62,173,147	51,057,409	-	11,115,738
Total Investments measured at Fair Value	82,182,610	$ 64,971,961	$ 6,094,911	$ 11,115,738
Investments Measured at Net Asset Value:				
Pension Reserve Investment Trust (PRIT)	65,874,923			
Total Investments	$ 148,057,533			

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

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

NOTE 3 - RECEIVABLES

At June 30, 2018, 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
Receivables:			
Real estate and personal property taxes	$ 1,239,055	$ (750,055)	$ 489,000
Tax liens	2,516,667	-	2,516,667
Motor vehicle and other excise taxes	1,517,923	(1,086,937)	430,986
Departmental and other	1,856,470	(847,711)	1,008,759
Intergovernmental	4,015,944	-	4,015,944
Total	$ 11,146,059	$ (2,684,703)	$ 8,461,356

At June 30, 2018, receivables for the water and sewer enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Utility liens	$ 64,339	$ -	$ 64,339
User fees	8,954,658	-	8,954,658
Intergovernmental	343,037	-	343,037
Total	$ 9,362,034	$ -	$ 9,362,034

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
Receivables:			
Real estate and personal property taxes	$ 451,296	$ -	$ 451,296
Real estate tax deferrals	452,055	-	452,055
Tax liens	2,516,667	-	2,516,667
Motor vehicle and other excise taxes	430,986	-	430,986
Departmental and other	-	1,008,759	1,008,759
Intergovernmental	-	1,769,563	1,769,563
Total	$ 3,851,004	$ 2,778,322	$ 6,629,326

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 23,571,454	$ 1,337,276	$ -	$ 24,908,730
Construction in progress	15,067,792	38,224,904	(2,295,929)	50,996,767
Total capital assets not being depreciated	38,639,246	39,562,180	(2,295,929)	75,905,497
Capital assets being depreciated:				
Land improvements	6,813,356	530,305	-	7,343,661
Building improvements	18,713,384	2,652,647	-	21,366,031
Buildings	147,948,682	-	-	147,948,682
Vehicles	3,617,389	1,967,933	(100,945)	5,484,377
Machinery and equipment	9,959,685	426,604	(564,052)	9,822,237
Infrastructure	61,346,835	579,953	-	61,926,788
Total capital assets being depreciated	248,399,331	6,157,442	(664,997)	253,891,776
Less accumulated depreciation for:				
Land improvements	(2,742,358)	(244,041)	-	(2,986,399)
Buildings improvements	(12,330,881)	(796,636)	-	(13,127,517)
Buildings	(24,359,094)	(786,340)	-	(25,145,434)
Vehicles	(3,020,039)	(572,981)	100,945	(3,492,075)
Machinery and equipment	(6,493,395)	(537,399)	564,052	(6,466,742)
Infrastructure	(39,991,097)	(1,381,404)	-	(41,372,501)
Total accumulated depreciation	(88,936,864)	(4,318,801)	664,997	(92,590,668)
Total capital assets being depreciated, net	159,462,467	1,838,641	-	161,301,108
Total governmental activities capital assets, net	$ 198,101,713	$ 41,400,821	$ (2,295,929)	$ 237,206,605

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 332,240	$ -	$ -	$ 332,240
Construction in progress	299,548	153,397	(299,548)	153,397
Total capital assets not being depreciated	631,788	153,397	(299,548)	485,637
Capital assets being depreciated:				
Buildings	7,734,993	-	-	7,734,993
Vehicles	33,000	35,015	-	68,015
Machinery and equipment	466,565	-	-	466,565
Infrastructure	80,225,678	2,067,315	-	82,292,993
Total capital assets being depreciated	88,460,236	2,102,330	-	90,562,566
Less accumulated depreciation for:				
Buildings	(3,322,835)	(190,660)	-	(3,513,495)
Vehicles	(33,000)	(5,252)	-	(38,252)
Machinery and equipment	(427,541)	(10,934)	-	(438,475)
Infrastructure	(28,467,660)	(1,734,089)	-	(30,201,749)
Total accumulated depreciation	(32,251,036)	(1,940,935)	-	(34,191,971)
Total capital assets being depreciated, net	56,209,200	161,395	-	56,370,595
Total business-type activities capital assets, net	$ 56,840,988	$ 314,792	$ (299,548)	$ 56,856,232

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

Governmental Activities:	
General government	$ 160,804
Public safety	724,567
Education	1,399,245
Public works	1,820,867
Human services	19,558
Culture and recreation	193,760
Total depreciation expense - governmental activities	$ 4,318,801
Business-Type Activities:	
Water and sewer	$ 1,940,935

NOTE 5 - INTERFUND TRANSFERS

Due To/From Other Funds

As of June 30, 2018, the City has an interfund receivable/payable of $644,709 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, 2018, are summarized as follows:

	Transfers In:			
Transfers Out:	General fund	Nonmajor governmental funds	Total	
General fund	$ -	$ 1,883,325	$ 1,883,325	(1)
Nonmajor governmental funds	3,126,325	-	3,126,325	(2)
Water & Sewer Enterprise fund	1,544,132	-	1,544,132	(3)
Total	$ 4,670,457	$ 1,883,325	$ 6,553,782	

(1) Represents budgeted transfers from the general fund to the debt service fund.
(2) Represents budgeted transfers to the general fund from the debt service fund and other available funds.
(3) Represents the transfer of indirect costs from the water and sewer enterprise fund to the general fund.

NOTE 6 – LEASES

Operating Lease

The City entered into a commercial lease for temporary library space due to the renovation of the City's Library. The remaining lease payments total $30,419 as of June 30, 2018, and the lease was set to expire on October 30, 2018. The City extended the lease through February 28, 2019, with monthly payments totaling $16,684 throughout the extension.

NOTE 7 - 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, 2018, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2017	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2018
Governmental Activities:							
BAN	Municipal Purpose	1.85%	09/29/17	$ 4,997,600	$ -	$ 4,997,600	$ -
BAN	Wyman-Hurld Elementary School	2.00%	09/28/18	-	11,800,000	-	11,800,000
BAN	Library Reconstruction	2.00%	09/28/18	-	2,900,000	-	2,900,000
BAN	Ice Rink	2.50%	09/28/18	-	700,000	-	700,000
BAN	Library Design & Construction	2.50%	09/28/18		6,145,000		6,145,000
	Total Governmental Activities			4,997,600	21,545,000	4,997,600	21,545,000
	General Obligation Bonds Issued 9/27/18			-	(11,833,500)	-	(11,833,500)
	Total Governmental Activities			4,997,600	9,711,500	4,997,600	9,711,500
Business-Type Activities:							
BAN	Municipal Purpose	1.85%	09/29/17	41,800	-	41,800	-
BAN	Water Improvements	1.25%	03/29/18	1,500,000	-	1,500,000	-
BAN	Water Projects	2.50%	09/28/18	-	1,500,000	-	1,500,000
	Total Business-Type Activities			1,541,800	1,500,000	1,541,800	1,500,000
	General Obligation Bonds Issued 9/27/18			-	(1,301,500)	-	(1,301,500)
	Total Business-Type Activities			$ 1,541,800	$ 198,500	$ 1,541,800	$ 198,500

$23,045,000 of BAN's matured on September 28, 2018, of which $13,135,000 were redeemed through the issuance of general obligation bonds totaling $11,833,500 and $1,301,500, which are reported in the governmental and enterprise funds, respectively. An additional $666,500 and $143,500 of governmental and enterprise BAN's were redeemed with premiums from the sale of the bonds. $6,100,000 of the library BAN's were renewed with an interest rate of 3.0% per annum and a maturity date of September 27, 2019. The remaining balance of $3,000,000 was redeemed with grant proceeds and available funds.

NOTE 8 - 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, 2018, 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, 2018
Municipal Purpose Bonds of 2007..................	2027	$ 2,370,000	2.00	$ 1,260,000
Municipal Purpose Bonds of 2012..................	2037	70,154,000	3.16	15,380,000
Municipal Purpose Refunding Bonds of 2012...	2025	4,830,000	3.26	3,175,000
Municipal Purpose Bonds of 2013..................	2023	1,826,000	3.64	900,000
Municipal Purpose Refunding Bonds of 2013...	2026	12,610,000	3.78	10,260,000
Municipal Purpose Bonds of 2017..................	2042	7,070,000	3.75	6,785,000
Municipal Purpose Bonds of 2018..................	2032	1,602,400	4.00-5.00	1,602,400
Municipal Purpose Bonds of 2018..................	2043	9,019,000	3.25-5.00	9,019,000
Municipal Purpose Bonds of 2018..................	2031	1,100,400	4.00-5.00	1,100,400
Municipal Purpose Bonds of 2018..................	2038	11,198,000	3.00-5.00	11,198,000
Municipal Purpose Bonds of 2018	2027	635,500	5.00	635,500
Total Bonds Payable..................				61,315,300
Add: Unamortized premium on bonds..................				1,424,686
Total Bonds Payable, net..................				$ 62,739,986

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

Year	Principal	Interest	Total
2018.............	$ 4,035,300	$ 1,964,652	$ 5,999,952
2019.............	4,080,000	2,092,783	6,172,783
2020.............	4,290,000	1,936,570	6,226,570
2021.............	4,300,000	1,771,596	6,071,596
2022.............	4,380,000	1,600,445	5,980,445
2023.............	4,400,000	1,424,920	5,824,920
2024.............	4,155,000	1,259,295	5,414,295
2025.............	3,740,000	1,113,601	4,853,601
2026.............	2,465,000	996,281	3,461,281
2027.............	2,245,000	898,677	3,143,677
2028.............	2,245,000	805,662	3,050,662
2029.............	2,235,000	716,741	2,951,741
2030.............	2,215,000	633,232	2,848,232
2031.............	2,215,000	555,333	2,770,333
2032.............	2,090,000	480,783	2,570,783
2033.............	2,010,000	408,383	2,418,383
2034.............	2,005,000	338,799	2,343,799
2035.............	2,005,000	270,430	2,275,430
2036.............	2,005,000	201,376	2,206,376
2037.............	1,205,000	147,162	1,352,162
2038.............	650,000	107,265	757,265
2039.............	650,000	75,195	725,195
2040.............	650,000	50,789	700,789
2041.............	650,000	27,863	677,863
2042.............	395,000	6,431	401,431
Total.............	$ 61,315,300	$ 19,884,267	$ 81,199,567

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2018
MWPAT - Stormwater (03-21)	2025	$ 210,033	2.00	$ 95,000
MCWT 00-07	2021	5,046,059	4.46	1,015,000
MCWT CW-05-12	2018	225,000	2.00	170,000
MCWT CW-07-15	2029	250,000	2.00	149,234
Municipal Purpose Bonds of 2009	2030	6,500,000	4.18	4,495,000
MWRA Notes of 2010	2016	1,154,330	0.00	230,866
MCWT DWS 08-19	2031	6,241,464	2.00	4,334,435
MCWT DWS 07-17	2031	3,162,577	2.00	2,510,911
MWRA Notes of 2012	2022	1,000,000	0.00	400,000
MCWT DWS 08-19-A	2033	2,035,158	2.00	1,603,646
Municipal Purpose Refunding Bonds of 2012	2025	2,965,000	3.38	2,000,000
Municipal Purpose Bonds of 2013	2033	4,300,000	3.32	3,225,000
MCWT DWS-07-17-A	2031	619,179	2.00	15,592
MWRA Water Bnd Loan #859	2026	67,075	0.00	53,660
MWRA Water Bonds 2017	2037	2,381,000	3.13	2,181,900
Municipal Purpose Bonds of 2018	2028	268,200	5.00	268,200
Municipal Purpose Bonds of 2018	2028	1,301,500	5.00	1,301,500
Sub-total water				24,049,944
Municipal Purpose Refunding Bonds of 2009	2020	505,000	3.83	95,000
MWRA Inflow/Infiltration Notes of 2015	2025	366,175	0.00	256,321
MWRA Inflow/Infiltration Notes of 2018	2028	433,250	0.00	433,250
Sub-total Sewer				784,571
Total Bonds Payable				$ 24,834,515

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

Year	Principal	Interest	Total
2019	$ 2,511,764	$ 649,309	$ 3,161,073
2020	2,533,692	605,712	3,139,404
2021	2,325,125	541,602	2,866,727
2022	2,007,231	479,977	2,487,208
2023	1,924,584	423,421	2,348,005
2024	1,947,190	366,527	2,313,717
2025	1,975,048	309,702	2,284,750
2026	1,681,558	258,630	1,940,188
2027	1,688,244	212,255	1,900,499
2028	1,542,810	164,934	1,707,744
2029	1,403,429	116,961	1,520,390
2030	1,422,390	70,923	1,493,313
2031	966,602	37,834	1,004,436
2032	376,108	20,913	397,021
2033	378,740	10,465	389,205
2034	40,000	4,588	44,588
2035	40,000	3,388	43,388
2036	35,000	2,188	37,188
2037	35,000	1,094	36,094
Total	$ 24,834,515	$ 4,280,414	$ 29,114,929

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, 2018, the outstanding principal amount of these loans totaled $743,231.

The water and sewer enterprise fund is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of $343,037 and interest costs for $46,872. Thus, net MCWT loan repayments, including interest, are scheduled to be $687,861. The principal subsidies are guaranteed and therefore a $343,037 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 2018 principal and interest subsidies totaled $97,429 and $43,293, respectively.

The Commonwealth has approved school construction assistance for the Hurld/Wyman elementary school with a project budget of $34,647,722. The assistance program is administered by the Massachusetts School Building Authority 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 2018, the City recorded grant proceeds totaling $12,430,881, which is equal to 55% of approved construction costs submitted for reimbursement. The City anticipates receiving an additional $1,601,672 of grant proceeds in 2019.

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, 2018, the City had the following authorized and unissued debt:

Purpose	Amount
Water system improvements	$ 1,593,011
Surface drainage	6,800,000
Water meters	5,690,000
Infiltration and inflow reduction	5,933,500
Library design and construction	17,087,500
Elementary school replacement	21,600,846
Playground Construction	1,000,000
Ned O'Brien Ice Rink	700,000
Total	$ 60,404,857

Changes in Long-term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance (As Revised)	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable	$ 42,487,400	$ 21,952,900	$ (3,125,000)	$ -	$ -	$ 61,315,300	$ 4,035,300
Add: Unamortized premium on bonds	-	1,478,200	(53,514)	-	-	1,424,686	113,827
Total bonds payable	42,487,400	23,431,100	(3,178,514)	-	-	62,739,986	4,149,127
Compensated absences	6,561,000	-	-	2,182,000	(1,844,000)	6,899,000	1,955,000
Net pension liability	77,706,000	-	-	24,394,000	(28,083,000)	74,017,000	-
Net other postemployment benefits liability	243,106,494	-	-	46,851,772	(37,122,572)	252,835,694	-
Total governmental activity long-term liabilities, as revised	$ 369,860,894	$ 23,431,100	$ (3,178,514)	$ 73,427,772	$ (67,049,572)	$ 396,491,680	$ 6,104,127
Business-Type Activities:							
Long-term bonds payable	$ 25,665,351	$ 1,734,750	$ (2,565,586)	$ -	$ -	$ 24,834,515	$ 2,511,764
Compensated absences	240,000	-	-	38,000	(60,000)	218,000	54,000
Net pension liability	1,183,000	-	-	372,000	(428,000)	1,127,000	-
Net other postemployment benefits liability	1,492,051	-	-	287,550	(227,838)	1,551,763	-
Total business-type activity long-term liabilities, as revised	$ 28,580,402	$ 1,734,750	$ (2,565,586)	$ 697,550	$ (715,838)	$ 27,731,278	$ 2,565,764

NOTE 9 – 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, 2018, the governmental fund balances consisted of the following:

	General	Hurld/Wyman School Project	Library Construction	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Permanent fund principal	$ -	$ -	$ -	$ 3,353,069	$ 3,353,069
Restricted for:					
Hurld/Wyman school project	-	371,477	-	-	371,477
Municipal federal and state grants	-	-	-	327,825	327,825
Education federal and state grants	-	-	-	864,696	864,696
Receipts reserved for appropriation	-	-	-	1,596,205	1,596,205
Municipal revolving funds	-	-	-	756,700	756,700
School lunch	-	-	-	741,707	741,707
Other special revenue funds	-	-	-	2,877,216	2,877,216
Library trust funds - special revenue funds	-	-	-	547,402	547,402
Mitigation Funds	-	-	-	813,075	813,075
Other capital projects fund	-	-	-	442,055	442,055
Library trust funds - permanent funds	-	-	-	8,742,278	8,742,278
Cemetery perpetual care funds	-	-	-	321,413	321,413
Committed to:					
Articles and continuing appropriations:					
Affordable housing stabilization fund	3,341,934	-	-	-	3,341,934
General government	312,420	-	-	-	312,420
Public safety	11,185	-	-	-	11,185
Public works	72,721	-	-	-	72,721
Human services	13,800	-	-	-	13,800
Employee benefits	400,000	-	-	-	400,000
Capital outlay	4,647,571	-	-	-	4,647,571
Debt service - interest	30,000	-	-	-	30,000
Assigned to:					
Encumbrances:					
General government	177,449	-	-	-	177,449
Public safety	90,726	-	-	-	90,726
Education	445,569	-	-	-	445,569
Public works	51,176	-	-	-	51,176
Human services	2,680	-	-	-	2,680
Culture and recreation	6,500	-	-	-	6,500
Unassigned	41,306,665	-	(5,574,899)	-	35,731,766
Total Fund Balances	$ 50,910,396	$ 371,477	$ (5,574,899)	$ 21,383,641	$ 67,090,615

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 $11,235,493 and is reported as unassigned fund balance within the general fund; the affordable housing stabilization fund totaled $3,341,934 and is reported as committed fund balance within the general fund.

NOTE 10 - 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 11 - 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, 2017. The City's portion of the collective pension expense, contributed by the Commonwealth, of $12,951,418 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 $124,087,927 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, 2017.

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, 2017, the System's membership consists of the following:

Active members	617
Inactive members	103
Disabled members	33
Retirees and beneficiaries currently receiving benefits	441
Total	1,194

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, 2017, was $7,616,072, 24.65% 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 $7,340,576 which equaled its actual contribution.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2018, were as follows:

Total pension liability	$	226,383,224
Total pension plan's fiduciary net position		(148,441,287)
Total net pension liability	$	77,941,937
The pension plan's fiduciary net position as a percentage of the total pension liability		65.57%

At June 30, 2018, the City reported a liability of $75,144,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, update procedures were used to roll 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, 2017, the City's proportion was 96.41%, which decreased by 0.43% from its proportion measured at December 31, 2016.

Pension Expense

For the year ended June 30, 2018, the City recognized pension expense of $15,507,000. At June 30, 2018, the City reported deferred outflows of resources related to pensions of $6,877,000 and deferred inflows of resources related to pensions of $4,991,000.

The balances of deferred outflows and (inflows) at June 30, 2018 consist of the following:

Deferred Category		Deferred Outflows of Resources		Deferred Inflows of Resources		Total
Differences between expected and actual experience	$	1,559,000	$	-	$	1,559,000
Difference between projected and actual earnings		-		(4,748,000)		(4,748,000)
Changes in assumptions		5,124,000		-		5,124,000
Changes in proportion and proportionate share of contributions		194,000		(243,000)		(49,000)
Total deferred outflows/(inflows) of resources	$	6,877,000	$	(4,991,000)	$	1,886,000

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

Year ended June 30:		
2019	$	3,171,000
2020		2,328,000
2021		(2,021,000)
2022		(1,770,000)
Thereafter		178,000
Total	$	1,886,000

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

Valuation date	January 1, 2018
Actuarial cost method	Individual Entry Age Normal Cost Method.
Amortization method	Increase at 4.0% per year.
Remaining amortization period	17 years at January 1, 2018, closed.
Asset valuation method	Assets are reported at fair market value.
Inflation rate	3.00%
Projected salary increases	3.5% increasing to an ultimate rate of 4% over 2 years.
Cost of living adjustments	3.0% of the lesser of the pension amount and $12,000 per year.
Rates of retirement	Varies based upon age for general employees, police and fire employees.
Rates of disability	Varies based upon age for general employees, police and fire employees.
Mortality Rates:	
Healthy mortality	Is based on the RP-2014 Total Employee and Health Annuitant Mortality Tables, rolled back to 2006 and projected with Mortality Improvement Scale MP-2017.
Disabled mortality	Is based on the RP-2014 Disabled Mortality Table, rolled back to 2006 and projected with Mortality Improvement Scale MP-2017.
Investment rate of return/Discount rate	7.50%, perviously 7.75%

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, 2017 are summarized in the following table:

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

Rate of return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.53%. 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, 2017 and 7.75% as of December 31, 2016. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
The City's proportionate share of the net pension liability	$ 99,454,000	$ 75,144,000	$ 54,538,000

Changes of Assumptions – The discount rate has been reduced from 7.75% to 7.50% and the mortality assumptions have been updated.

Changes in Plan Provisions – The plan was amended to increase the maximum annual amount of pension benefit subject to COLA from $12,000 to $18,000, in $1,000 increments from 2018 through 2024.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

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

The Commonwealth of Massachusetts passed special legislation that has allowed the City to establish the other postemployment benefit trust fund to begin pre-funding its OPEB liabilities. During 2018, 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, 2018, the balance of this fund totaled $5,431,938. The City has not formally adopted a policy of pre-funding future OPEB liabilities.

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

GASB Statement #74 – OPEB Plan Financial Reporting

Measurement Date – GASB #74 requires the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Employees Covered by Benefit Terms – The following table represents the Plan's membership at June 30, 2018:

Active members	1,353
Inactive members currently receiving benefits	728
Total	2,081

Components of OPEB Liability – The following table represents the components of the Plan's OPEB liability as of June 30, 2018:

Total OPEB liability	$	241,040,340
Less: OPEB plan's fiduciary net position		(5,431,938)
Net OPEB liability	$	235,608,402
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability		2.25%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2017, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement date that was updated to June 30, 2018, to be in accordance with GASB #74.

Valuation date..	July 1, 2017
Actuarial cost method..............................	Individual Entry Age Normal Cost Method.
Asset valuation method............................	Market value of assets with payables and receivables.
Discount rate..	4.21% per year, net of investment expenses.
Projected salary increases........................	3.75% for non-teachers. Teachers increases are based on service.
Healthcare cost trend rate.........................	9.00% 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-2016.
Retirees...	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016.
Disabled..	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational mortality and scale MP-2016. Set forward 2 years.

Rate of return - For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 6.29%. 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 arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equities..............................	35.0%	6.11%
International equities	20.0%	2.78%
Domestic bonds.................................	20.0%	3.82%
International bonds............................	5.0%	3.94%
Alternatives......................................	20.0%	3.67%
Total..	100.00%	

Discount Rate - The discount rate used to measure the total OPEB liability was 4.21% as of June 30, 2018 and 3.82% as of June 30, 2017. The discount rate is a blend of the long-term expected rate of return of 7.50% on OPEB Trust Fund assets and a yield or index rate of 3.87% for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher. The blending is based on the sufficiency of projected assets to make projected benefit payments.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 4.21%, 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 3.21% or 1-percentage-point higher 5.21% than the current rate.

	1% Decrease (3.21%)	Current Discount Rate (4.21%)	1% Increase (5.21%)
Net OPEB liability	$ 274,480,634	$ 235,608,402	$ 204,655,485

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	$ 199,069,837	$ 235,608,402	$ 282,948,834

Changes of Assumptions – The discount rate changed from 3.82% to 4.21%. Changes were also made in the mortality and claim cost method and this report reflects the "Cadillac Tax" that is part of the Patient Protection and Affordable Care Act.

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

GASB Statement #75 – OPEB Employer Financial Reporting

Measurement Date – GASB Statement #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2016.

Plan Membership – The following table represents the Plan's membership at June 30, 2017:

Active members	1,340
Inactive employees or beneficiaries currently receiving benefits	728
Total	2,068

Significant Actuarial Methods and Assumptions – The total OPEB liability in the January 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was rolled forward to June 30, 2017, to be in accordance with GASB Statement #75:

Valuation date.........................	January 1, 2016
Actuarial cost method...............	Individual Entry Age Normal Cost Method.
Asset valuation method............	Market value of assets with payables and receivables.
Discount rate.........................	3.82% per year, net of investment expenses.
Projected salary increases.........	3.75% for non-teachers. Teachers increases are based on service.
Healthcare cost trend rate.........	9.0%, decreasing to 5.00% over 26 years.
Mortality rates:	
Actives..............................	The RP-2000 Mortality Tables (Sex-distinct) for Employees projected using generational mortality and scale BB.
Retirees.............................	The RP-2000 Mortality Tables (Sex-distinct) for Healthy Annuitants projected using generational mortality and scale BB.
Disabled.............................	The RP-2000 Mortality Tables (Sex-distinct) for Healthy Annuitants projected using generational mortality and scale BB. Set forward 2 years.

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 arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equities................................	35.0%	5.05%
International equities	20.0%	5.80%
Domestic bonds..................................	20.0%	2.47%
International bonds..............................	5.0%	2.40%
Alternatives.......................................	20.0%	4.80%
Total..	100.00%	

Discount Rate - The discount rate used to measure the total OPEB liability was 3.82% as of June 30, 2017. The discount rate is a blend of the long-term expected rate of return of 7.50% on OPEB Trust Fund assets and a yield or index rate of 3.58% for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher. The blending is based on the sufficiency of projected assets to make projected benefit payments.

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, 2016	$ 247,837,856	$ 3,239,311	$ 244,598,545
Changes for the year:			
Service cost	8,202,635	-	8,202,635
Interest	9,650,090	-	9,650,090
Contributions - employer	-	7,655,383	(7,655,383)
Net investment income	-	408,430	(408,430)
Benefit payments	(6,905,383)	(6,905,383)	-
Net change	10,947,342	1,158,430	9,788,912
Balances at June 30, 2017	$ 258,785,198	4,397,741	254,387,457

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the net other postemployment benefit liability, calculated using the discount rate of 3.82%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.82%) or 1-percentage-point higher (4.82%) than the current discount rate.

	1% Decrease (2.82%)	Current Discount Rate (3.82%)	1% Increase (4.82%)
Net OPEB liability	$ 299,262,397	$ 254,387,457	$ 219,036,108

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability 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	$ 211,639,378	$ 254,387,457	$ 310,663,575

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2017, the GASB Statement #75 measurement date, the City recognized OPEB expense of $17,660,586. At June 30, 2017, 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
Difference between projected and actual earnings..............	$	-	$	(216,291)	$	(216,291)
Contributions made subsequent to the measurement date...		8,580,663		-		8,580,663
Total deferred outflows/(inflows) of resources....................	$	8,580,663	$	(216,291)	$	8,364,372

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

Measurement date year ended June 30:		
2019...	$	(54,073)
2020...		(54,073)
2021...		(54,073)
2022...		(54,072)
		(216,291)
Contributions made subsequent to the measurement date.........		8,580,663
Total...	$	8,364,372

Changes of Assumptions – None.

Changes in Plan Provisions – None.

NOTE 13 – 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, 2017)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
ASSETS			
Cash and cash equivalents	$ 4,333,195	$ 892,418	$ 5,225,613
Investments:			
Investments in Pension Reserve Investment Trust	65,874,923	-	65,874,923
Government agencies	1,820,486	-	1,820,486
Government sponsored enterprises	2,238,215	-	2,238,215
Corporate bonds	6,094,911	-	6,094,911
Bond mutual funds	9,855,851	1,193,159	11,049,010
Equity securities	24,996,044	1,365,693	26,361,737
Equity mutual funds	22,001,849	1,980,668	23,982,517
Real real estate funds	175,336		175,336
Pooled alternative investments	10,940,402	-	10,940,402
Receivables, net of allowance for uncollectibles:			
Intergovernmental	124,785	-	124,785
Interest and dividends	108,349	-	108,349
TOTAL ASSETS	148,564,346	5,431,938	153,996,284
LIABILITIES			
Warrants payable	123,059	-	123,059
NET POSITION			
Restricted for pensions	148,441,287	-	148,441,287
Restricted for other postemployment benefits	-	5,431,938	5,431,938
TOTAL NET POSITION	$ 148,441,287	$ 5,431,938	$ 153,873,225

	Pension Trust Fund (as of December 31, 2017)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
ADDITIONS:			
Contributions:			
Employer contributions	$ 7,616,072	$ 750,000	$ 8,366,072
Employer contributions for other postemployment benefit payments	-	7,830,663	7,830,663
Member contributions	3,027,006	-	3,027,006
Transfers from other systems	272,773	-	272,773
Intergovernmental	68,400	-	68,400
Total contributions	10,984,251	8,580,663	19,564,914
Net investment income:			
Net change in fair value of investments	18,799,914	-	18,799,914
Investment income	3,408,394	299,758	3,708,152
Less: investment expense	(1,010,880)	(15,561)	(1,026,441)
Net investment income (loss)	21,197,428	284,197	21,481,625
TOTAL ADDITIONS	32,181,679	8,864,860	41,046,539
DEDUCTIONS:			
Administration	446,801	-	446,801
Transfers to other systems	692,471	-	692,471
Retirement benefits and refunds	13,492,851	-	13,492,851
Other postemployment benefit payments	-	7,830,663	7,830,663
Miscellaneous	36,188	-	36,188
TOTAL DEDUCTIONS	14,668,311	7,830,663	22,498,974
NET INCREASE (DECREASE) IN NET POSITION	17,513,368	1,034,197	18,547,565
NET POSITION AT BEGINNING OF YEAR	130,927,919	4,397,741	135,325,660
NET POSITION AT END OF YEAR	$ 148,441,287	$ 5,431,938	$ 153,873,225

NOTE 14 - 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, 2018, 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, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2018.

NOTE 15 - COMMITMENTS

The City has entered into contracts, or is planning to enter into contracts, totaling $ 21.6 million for the Hurld/Wyman elementary school building project.

The City has entered into contracts, or is planning to enter into contracts, totaling $17.1 million for the Library Design and Reconstruction project.

The City has entered into contracts, or is planning to enter into contracts, totaling $5.9 million for sewer infiltration and inflow. The purpose of this project is to reduce inflow and infiltration of the sewer system.

The City has entered into contracts, or is planning to enter into contracts, totaling $5.7 million for the installation of water meters. This project involves installing new water meters for all residential and commercial properties in the City.

The City has entered into contracts, or is planning to enter into contracts, totaling $6.8 million for surface drainage projects. The purpose of the projects is to improve management of surface run-off throughout the City.

The City has entered into contracts, or is planning to enter into contracts, totaling $1.6 million for water infrastructure improvements.

The City has entered into contracts, or is planning to enter into contracts, totaling $1 million for playground construction.

The City has entered into contracts, or is planning to enter into contracts, totaling $700,000 for refrigeration equipment and mechanical room renovations for the Ned O'Brien Ice Rink.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 27, 2019, which is the date the financial statements were available to be issued.

NOTE 17 – REVISION OF PREVIOUSLY REPORT NET POSITION

Beginning net position of governmental activities, business-type activities and the enterprise fund activities has been revised to reflect the implementation of GASB Statement #68. The revised balances are summarized in the following table:

	06/30/2017 Previously Reported Balances	Implementation of GASB #75	06/30/2017 Revised Balances
Government-Wide Financial Statements			
Governmental activities	$ 95,096,676	$ (169,785,334)	$ (74,688,658)
Business-type activities	43,561,611	(1,228,528)	42,333,083
Total	$ 138,658,287	$ (171,013,862)	$ (32,355,575)
Business-type Activities - Enterpise Funds			
Water and Sewer enterprise fund	$ 43,561,611	$ (1,228,528)	$ 42,333,083

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2018, the following GASB pronouncements were implemented:

- GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.

- GASB Statement #81, *Irrevocable Split-Interest Agreements.* This pronouncement did not impact the basic financial statements.

- GASB Statement #85, *Omnibus 2017.* This pronouncement did not impact the basic financial statements.

- GASB Statement #86, *Certain Debt Extinguishment Issues.* This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2019.

- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

- The GASB issued Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented in 2019.

- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021.

- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2020.

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

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Required Supplementary Information

GENERAL FUND

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

YEAR ENDED JUNE 30, 2018

	Amounts Carried Forward From Prior Year	Budgeted Amounts Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds	$ -	$ 101,750,146	$ 101,750,146	$ 101,750,146
Tax liens	-	-	-	-
Motor vehicle excise taxes	-	6,500,000	6,500,000	6,500,000
Hotel/motel tax	-	2,900,000	2,900,000	2,900,000
Meals tax	-	900,000	900,000	900,000
Penalties and interest on taxes	-	450,000	450,000	450,000
Intergovernmental	-	15,754,576	15,754,576	15,754,576
Departmental and other	-	2,175,000	2,175,000	2,175,000
Investment income	-	450,000	450,000	450,000
TOTAL REVENUES	-	130,879,722	130,879,722	130,879,722
EXPENDITURES:				
Current:				
General government	1,698,781	5,584,995	7,283,776	4,796,953
Public safety	143,224	16,140,158	16,283,382	20,066,073
Education	315,292	62,053,835	62,369,127	62,369,127
Public works	169,563	8,077,632	8,247,195	8,422,823
Health and human services	17,948	1,180,296	1,198,244	1,438,244
Culture and recreation	4,759	2,007,780	2,012,539	2,016,268
Pension benefits	-	7,344,482	7,344,482	7,344,482
Employee benefits	507,900	20,774,261	21,282,161	22,032,161
State and county charges	-	3,809,433	3,809,433	3,809,433
Capital outlay	4,168,721	-	4,168,721	9,188,179
Debt service:				
Principal	-	1,815,000	1,815,000	3,125,000
Interest	29,000	1,207,376	1,236,376	1,709,701
TOTAL EXPENDITURES	7,055,188	129,995,248	137,050,436	146,318,444
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,055,188)	884,474	(6,170,714)	(15,438,722)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,551,134	1,551,134	6,025,700
Transfers out	-	(1,783,325)	(1,783,325)	(2,958,325)
TOTAL OTHER FINANCING SOURCES (USES)	-	(232,191)	(232,191)	3,067,375
NET CHANGE IN FUND BALANCE	(7,055,188)	652,283	(6,402,905)	(12,371,347)
BUDGETARY FUND BALANCE, Beginning of year	-	34,812,187	34,812,187	34,812,187
BUDGETARY FUND BALANCE, End of year	$ (7,055,188)	$ 35,464,470	$ 28,409,282	$ 22,440,840

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
$ 106,468,059	$ -	$ 4,717,913
587,897	-	587,897
7,157,670	-	657,670
3,288,794	-	388,794
1,067,729	-	167,729
359,855	-	(90,145)
16,043,619	-	289,043
3,614,967	-	1,439,967
817,526	-	367,526
139,406,116	-	8,526,394
4,136,667	489,869	170,417
19,743,772	101,911	220,390
61,882,464	445,569	41,094
8,488,774	123,897	(189,848)
1,295,835	16,480	125,929
1,946,622	6,500	63,146
7,341,416	-	3,066
21,356,150	400,000	276,011
3,809,433	-	-
4,493,297	4,647,571	47,311
3,125,000	-	-
1,516,810	30,000	162,891
139,136,240	6,261,797	920,407
269,876	(6,261,797)	9,446,801
6,025,700	-	-
(2,958,325)	-	-
3,067,375	-	-
3,337,251	(6,261,797)	9,446,801
34,812,187	-	-
$ 38,149,438	$ (6,261,797)	$ 9,446,801

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

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 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, 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

Year	Annual money-weighted rate of return, net of investment expense
December 31, 2017	16.53%
December 31, 2016	9.09%
December 31, 2015	-1.19%
December 31, 2014	6.14%

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

See notes to required supplementary information.

Pension Plan Schedules – City

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

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

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

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

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

WOBURN CONTRIBUTORY RETIREMENT SYSTEM

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, 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, 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
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
Total OPEB Liability				
Service Cost	$	8,202,635	$	8,510,235
Interest		9,650,090		10,061,120
Changes of benefit terms		-		(9,932,721)
Differences between expected and actual experience		-		(12,563,884)
Changes of assumptions		-		(5,988,945)
Benefit payments		(6,905,383)		(7,830,663)
Net change in total OPEB liability		10,947,342		(17,744,858)
Total OPEB liability - beginning		247,837,856		258,785,198
Total OPEB liability - ending (a)	$	258,785,198	$	241,040,340
Plan fiduciary net position				
Employer contributions	$	750,000	$	750,000
Employer contributions for OPEB payments		6,905,383		7,830,663
Net investment income		408,430		284,197
Benefit payments		(6,905,383)		(7,830,663)
Net change in plan fiduciary net position		1,158,430		1,034,197
Plan fiduciary net position - beginning of year		3,239,311		4,397,741
Plan fiduciary net position - end of year (b)	$	4,397,741	$	5,431,938
Net OPEB liability - ending (a)-(b)	$	254,387,457	$	235,608,402
Plan fiduciary net position as a percentage of the total OPEB liability		1.70%		2.25%
Covered-employee payroll	$	64,772,079	$	66,067,521
Net OPEB liability as a percentage of covered-employee payroll		392.74%		356.62%

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	Actuarially determined 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, 2018...............	$ Not Available	$ (8,580,663)	$ -	$ 66,067,521	12.99%
June 30, 2017...............	17,949,000	(7,655,000)	10,294,000	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

Year	Annual money-weighted rate of return, net of investment expense
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 ACCOUNTING

1. Budgetary Information

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

Increases or transfers between and within departments subsequent to the approval of the annual budget 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 2018 approved budget authorized approximately $138.8 million in appropriations, carryforwards, and other amounts to be raised. During 2018, the Council also approved supplemental appropriations totaling approximately $10.4 million. The change is primarily due to increases in appropriations for public safety, capital outlay, debt service and a transfer to the general stabilization fund.

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, 2018, is presented below:

Net change in fund balance - budgetary basis	$	3,337,251
Perspective differences:		
Activity of the stabilization fund recorded in the general fund for GAAP		(529,854)
Basis of accounting differences:		
Net change in recording tax refunds payable		103,444
Net change in recording 60 day receipts		(30,000)
Net change in recording accrued payroll		(100,309)
Recognition of revenue for on-behalf payments		12,951,418
Recognition of expenditures for on-behalf payments		(12,951,418)
Net change in fund balance - GAAP basis	$	2,780,532

3. Budgetary - GAAP Reconciliation

During 2018, actual expenditures and encumbrances exceeded budgeted appropriations for snow and ice. This over-expenditure will be funded by the subsequent years' tax levy.

NOTE B – PENSION PLAN

Pension Plan Schedules – Retirement System

Schedule of Changes in the Net Pension Liability and Related Ratios

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

Schedule of Contributions

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

Schedule of Investment Return

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

Pension Plan Schedules – City

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

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

Schedule of the City's Contributions

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

Schedule of the Special Funding Amounts of the Net Pension Liabilities

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

Changes of Assumptions

The discount rate has been reduced from 7.75% to 7.50% and the mortality assumptions have been updated.

Changes in Plan Provisions

The plan was amended to increase the maximum annual amount of pension benefit subject to COLA from $12,000 to $18,000, in $1,000 increments from 2018 through 2024.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Other Postemployment Benefit Plan

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

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

B. Schedule of the City's Contributions

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

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

Valuation date........................	January 1, 2016
Actuarial cost method...............	Individual Entry Age Normal Cost Method.
Asset valuation method.............	Market value of assets with payables and receivables.
Discount rate..........................	3.82% per year, net of investment expenses.
Projected salary increases.........	3.75% for non-teachers. Teachers increases are based on service.
Healthcare cost trend rate..........	9.0%, decreasing to 5.00% over 26 years.
Mortality rates:	
Actives...............................	The RP-2000 Mortality Tables (Sex-distinct) for Employees projected using generational mortality and scale BB.
Retirees...............................	The RP-2000 Mortality Tables (Sex-distinct) for Healthy Annuitants projected using generational mortality and scale BB.
Disabled..............................	The RP-2000 Mortality Tables (Sex-distinct) for Healthy Annuitants projected using generational mortality and scale BB. 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 3.82% to 4.21%. Changes were also made in the mortality and claim cost method and this report reflects the "Cadillac Tax" that is part of the Patient Protection and Affordable Care Act.

E. Changes in Plan Provisions

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