

CITY OF WOBURN, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2012

CITY OF WOBURN, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements	11
Statement of Net Assets	13
Statement of Activities	14
Governmental funds – balance sheet	16
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net assets	17
Governmental funds – statement of revenues, expenditures and changes in fund balances	18
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	19
Proprietary funds – statement of net assets	20
Proprietary funds – statement of revenues, expenses and changes in fund net assets	21
Proprietary funds – statement of cash flows.....	22
Fiduciary funds – statement of fiduciary net assets.....	23
Fiduciary funds – statement of changes in fiduciary net assets	24
Notes to basic financial statements	25
Required Supplementary Information.....	53
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual	54
Retirement System Schedules.....	56
Retirement system schedule of funding progress	57
Retirement system schedule of employer contributions	58
Other postemployment benefit plan schedules.....	59
Other postemployment benefit plan schedule of funding progress and employer contributions	60
Other postemployment benefit plan schedule of actuarial methods and assumptions.....	61
Notes to required supplementary information.....	62



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

Independent Auditors' Report

To the Honorable Mayor
City of Woburn, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woburn, Massachusetts, as of and for the fiscal year ended June 30, 2012 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2011), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Woburn, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Woburn, Massachusetts, as of June 30, 2012 (except for the Woburn Contributory Retirement System which is as of December 31, 2011), and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013, on our consideration of the City of Woburn, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

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

March 27, 2013

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Woburn, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. 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 assets of the City of Woburn exceeded the liabilities at the close of the most recent fiscal year by \$192.1 million (net assets).
- Of this amount, 14% or \$26.7 million is unrestricted and may be used to meet the government's on-going obligations to citizens and creditors.
- At the close of the current fiscal year, the City's general fund reported an ending fund balance of \$30.4 million. Total fund balance represents 25% of total general fund expenditures.
- The City's total debt (short-term and long-term combined) increased by \$4.6 million during the fiscal year.
- The City's net other postemployment benefit (OPEB) liability increased by \$9.5 million and totaled \$27.4 million at fiscal year-end.
- The City issued \$7,795,000 of General Obligation Refunding Bonds on June 27, 2012. This advanced refunding will reduce total debt service payments by \$470,000.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, culture and recreation, and interest. The business-type activities include the activities of 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 for which the City of Woburn is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City of Woburn's total assets exceeded total liabilities by \$192.1 million at the close of fiscal 2012.

Net assets of \$149.2 million (77%) reflects its investment in capital assets (e.g., land, land improvements, buildings, vehicles, machinery and equipment, building improvements, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the governmental net assets, \$16.1 million (9%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$26.7 million (14%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

Governmental Activities

The City of Woburn's assets exceeded liabilities for governmental activities by \$153.3 million at the close of fiscal 2012.

	<u>Fiscal 2012</u>	<u>Fiscal 2011</u>
Assets:		
Current assets.....	\$ 62,386,919	\$ 59,029,027
Noncurrent assets (excluding capital).....	1,031,087	971,872
Capital assets not being depreciated.....	22,068,936	42,173,491
Capital assets, net of accumulated depreciation.....	<u>159,036,765</u>	<u>134,403,269</u>
Total assets.....	<u>244,523,707</u>	<u>236,577,659</u>
Liabilities:		
Current liabilities (excluding debt).....	5,765,594	6,368,013
Noncurrent liabilities (excluding debt).....	32,067,680	22,737,523
Current debt.....	5,866,912	3,030,418
Noncurrent debt.....	<u>47,567,224</u>	<u>49,135,136</u>
Total liabilities.....	<u>91,267,410</u>	<u>81,271,090</u>
Net Assets:		
Capital assets net of related debt.....	130,266,848	126,432,830
Restricted.....	16,109,173	15,712,805
Unrestricted.....	<u>6,880,276</u>	<u>13,160,934</u>
Total net assets.....	<u>\$ 153,256,297</u>	<u>\$ 155,306,569</u>

	<u>Fiscal 2012</u>	<u>Fiscal 2011</u>
Program revenues:		
Charges for services.....	\$ 6,192,727	\$ 5,819,558
Operating grants and contributions.....	25,771,263	25,390,043
Capital grants and contributions.....	4,830,159	10,035,315
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	83,089,900	83,619,663
Tax liens.....	1,760,970	41,472
Motor vehicle excise taxes.....	4,935,902	4,816,613
Hotel/Motel tax.....	2,247,614	2,070,296
Meals tax.....	870,389	-
Penalties and interest on taxes.....	718,358	1,089,048
Nonrestricted grants.....	5,826,148	5,875,236
Unrestricted investment income.....	1,690,423	721,693
Total revenues.....	<u>137,933,853</u>	<u>139,478,937</u>
Expenses:		
General government.....	6,318,446	6,174,157
Public safety.....	26,486,489	24,619,111
Education.....	90,107,703	86,666,639
Public works.....	11,638,883	11,949,205
Human services.....	1,673,076	1,597,574
Culture and recreation.....	2,831,109	2,763,759
Interest.....	1,694,176	1,538,548
Total expenses.....	<u>140,749,882</u>	<u>135,308,993</u>
Increase in net assets before transfers.....	(2,816,029)	4,169,944
Transfers.....	<u>765,757</u>	<u>1,468,894</u>
Change in net assets.....	\$ <u>(2,050,272)</u>	\$ <u>5,638,838</u>

Governmental expenses totaled \$140.7 million of which \$36.8 million (26%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$101.1 million, primarily coming from property taxes, motor vehicle excise and non-restricted state aid.

Governmental net assets decreased by \$2.1 million during the current fiscal year. The primary components of this decrease included a \$9.5 million increase in the OPEB liability and a \$1 million excess of depreciation expense over debt principal payments raised in the rates. These decreases were offset by the recognition of \$4.8 million of capital grants and positive general fund budgetary results totaling \$3.1 million.

Business-type Activities

For the City's business-type activities, assets exceeded liabilities by \$38.8 million at the close of fiscal 2012.

	<u>Fiscal 2012</u>	<u>Fiscal 2011</u>
Assets:		
Current assets.....	\$ 22,455,407	\$ 19,621,520
Noncurrent assets (excluding capital).....	772,630	844,975
Capital assets not being depreciated.....	332,240	9,151,597
Capital assets, net of accumulated depreciation.....	<u>49,785,862</u>	<u>40,451,366</u>
Total assets.....	<u>73,346,139</u>	<u>70,069,458</u>
Liabilities:		
Current liabilities (excluding debt).....	402,168	1,452,667
Noncurrent liabilities (excluding debt).....	374,742	341,089
Current debt.....	6,449,518	4,059,366
Noncurrent debt.....	<u>27,307,922</u>	<u>26,986,461</u>
Total liabilities.....	<u>34,534,350</u>	<u>32,839,583</u>
Net Assets:		
Capital assets net of related debt.....	18,963,365	20,846,055
Unrestricted.....	<u>19,848,424</u>	<u>16,383,820</u>
Total net assets.....	<u>\$ 38,811,789</u>	<u>\$ 37,229,875</u>
Program revenues:		
Charges for services.....	\$ 17,778,948	\$ 18,678,930
Operating grants and contributions.....	111,051	119,530
Capital grants and contributions.....	-	355,783
General Revenues:		
Unrestricted investment income.....	<u>267</u>	<u>14,195</u>
Total revenues.....	<u>17,890,266</u>	<u>19,168,438</u>
Expenses:		
Water and sewer.....	<u>15,542,595</u>	<u>15,386,397</u>
Increase in net assets before transfers.....	2,347,671	3,782,041
Transfers.....	<u>(765,757)</u>	<u>(1,468,894)</u>
Change in net assets.....	<u>\$ 1,581,914</u>	<u>\$ 2,313,147</u>

Business-type net assets of \$19 million (49%) represent the investment in capital assets while \$19.8 million (51%) is unrestricted.

The water and sewer enterprise fund net assets increased by \$1.6 million in the current fiscal year. This increase is primarily due to a \$800,000 excess of debt principal payments, raised in the rates, over depreciation expense, and a \$719,000 transfer from the general fund. This increase was offset by the use of \$685,000 of reserves to balance the operating budget.

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 fiscal year.

As of the end of the current fiscal year, governmental funds reported a combined ending fund balance of \$48.6 million. This was comprised of the general fund, Goodyear School fund, and nonmajor fund balances totaling \$30.4 million, \$1 million, and \$17.2 million, respectively.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$20.4 million, while total fund balance was \$30.4 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 17% of the total general fund expenditures, while total fund balance represents 25% of that same amount. Committed fund balance consists of the affordable housing stabilization fund and totals \$2.8 million while assigned fund balance consists of encumbrances and totals \$7.2 million.

The general fund increased by \$3.1 million, which is primarily due to \$2.7 million of better than expected revenue collections and unexpended appropriations that closed to fund balance.

The Goodyear School fund increased by \$1.2 million, which is due to the recognition of \$2 million of capital grant revenues from the Massachusetts School Building Authority, for eligible construction costs, and the receipt of \$1.5 million of bond proceeds. These revenues and other financing sources were offset by \$2.4 million of school construction expenditures.

General Fund Budgetary Highlights

The \$7.8 million (7%) increase between the original budget and the final amended budget was primarily due to increases in appropriations for public safety, capital outlay and debt service.

Capital Asset and Debt Administration

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

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$231.2 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, building improvements, vehicles, machinery and equipment and infrastructure. The total current year additions to the governmental investment in capital assets were \$8.1 million. \$3.7 million of building improvement additions relate to the roof renovations completed at the Joyce and Kennedy middle schools. \$2.4 million of building additions relate to the completion of the Goodyear School project. \$1 million of infrastructure additions relate to street construction and repaving. The remaining additions relate to land improvements, vehicles, and machinery and equipment.

The \$10.6 million in water and sewer additions are mainly attributable to infrastructure improvements that include the water treatment plant and water tank construction projects.

Debt Administration. The City maintains a Moody's bond rating of Aa2. The City continues to maintain strong market access for both note and bond sales.

Outstanding long-term debt of the general government totaled \$50.7 million, of which \$38.5 million is related to school projects and \$12.2 million relates to various other capital projects.

The governmental funds have \$2.7 million of bond anticipation notes outstanding that relate to construction of the Joyce and Kennedy middle school roofs.

The water and sewer enterprise fund has \$29.4 million of outstanding long-term debt, which is fully supported by rates and does not rely on a general fund subsidy.

The water and sewer enterprise fund has \$4.3 million of bond anticipation notes outstanding that relates to water infrastructure improvements.

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

Requests for Information

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

Basic Financial Statements

This page intentionally left blank.

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 38,224,080	\$ 12,528,699	\$ 50,752,779
Investments.....	15,208,715	-	15,208,715
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,787,147	-	1,787,147
Tax and utility liens.....	3,269,284	226,064	3,495,348
Motor vehicle and other excise taxes.....	359,144	-	359,144
User fees.....	-	9,326,434	9,326,434
Departmental and other.....	1,120,117	-	1,120,117
Intergovernmental.....	2,418,432	374,210	2,792,642
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	276,595	-	276,595
Intergovernmental.....	-	772,630	772,630
Tax foreclosures.....	754,492	-	754,492
Capital assets not being depreciated.....	22,068,936	332,240	22,401,176
Capital assets, net of accumulated depreciation.....	<u>159,036,765</u>	<u>49,785,862</u>	<u>208,822,627</u>
TOTAL ASSETS.....	<u>244,523,707</u>	<u>73,346,139</u>	<u>317,869,846</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	784,609	23,639	808,248
Accrued payroll.....	595,087	-	595,087
Tax refunds payable.....	1,935,000	-	1,935,000
Accrued interest.....	334,491	320,529	655,020
Payroll withholdings.....	8,611	-	8,611
Abandoned property.....	139,796	-	139,796
Compensated absences.....	1,968,000	58,000	2,026,000
Unamortized premiums on bonds and notes payable....	-	5,734	5,734
Notes payable.....	2,700,000	4,300,000	7,000,000
Bonds payable.....	3,166,912	2,143,784	5,310,696
NONCURRENT:			
Compensated absences.....	4,819,000	176,000	4,995,000
Other postemployment benefits.....	27,248,680	198,742	27,447,422
Unamortized premiums on bonds and notes payable....	-	23,950	23,950
Bonds payable.....	<u>47,567,224</u>	<u>27,283,972</u>	<u>74,851,196</u>
TOTAL LIABILITIES.....	<u>91,267,410</u>	<u>34,534,350</u>	<u>125,801,760</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	130,266,848	18,963,365	149,230,213
Restricted for:			
Debt service.....	3,968,890	-	3,968,890
Permanent funds:			
Expendable.....	6,150,486	-	6,150,486
Nonexpendable.....	2,502,535	-	2,502,535
Gifts and grants.....	3,487,262	-	3,487,262
Unrestricted.....	<u>6,880,276</u>	<u>19,848,424</u>	<u>26,728,700</u>
TOTAL NET ASSETS.....	<u>\$ 153,256,297</u>	<u>\$ 38,811,789</u>	<u>\$ 192,068,086</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 6,318,446	\$ 1,507,606	\$ 206,342	\$ 1,242,388	\$ (3,362,110)
Public safety.....	26,486,489	1,988,555	1,679,094	-	(22,818,840)
Education.....	90,107,703	2,393,359	23,482,289	3,446,808	(60,785,247)
Public works.....	11,638,883	214,010	199,023	140,963	(11,084,887)
Human services.....	1,673,076	79,726	50,563	-	(1,542,787)
Culture and recreation.....	2,831,109	9,471	153,952	-	(2,667,686)
Interest.....	1,694,176	-	-	-	(1,694,176)
Total Governmental Activities..	<u>140,749,882</u>	<u>6,192,727</u>	<u>25,771,263</u>	<u>4,830,159</u>	(103,955,733)
<i>Business-Type Activities:</i>					
Water and Sewer.....	<u>15,542,595</u>	<u>17,778,948</u>	<u>111,051</u>	<u>-</u>	<u>2,347,404</u>
Total Primary Government.....	<u>\$ 156,292,477</u>	<u>\$ 23,971,675</u>	<u>\$ 25,882,314</u>	<u>\$ 4,830,159</u>	\$ (101,608,329)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (103,955,733)	\$ 2,347,404	\$ (101,608,329)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	83,089,900	-	83,089,900
Tax liens.....	1,760,970	-	1,760,970
Motor vehicle excise taxes.....	4,935,902	-	4,935,902
Hotel/motel tax.....	2,247,614	-	2,247,614
Meals tax.....	870,389	-	870,389
Penalties and interest on taxes.....	718,358	-	718,358
Grants and contributions not restricted to specific programs.....	5,826,148	-	5,826,148
Unrestricted investment income.....	1,690,423	267	1,690,690
<i>Transfers, net</i>	765,757	(765,757)	-
Total general revenues and transfers.....	101,905,461	(765,490)	101,139,971
 Change in net assets.....	 (2,050,272)	 1,581,914	 (468,358)
<i>Net Assets:</i>			
Beginning of year.....	155,306,569	37,229,875	192,536,444
 End of year.....	 <u>\$ 153,256,297</u>	 <u>\$ 38,811,789</u>	 <u>\$ 192,068,086</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2012

ASSETS	General	Goodyear School	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 27,855,931	\$ 184,102	\$ 10,184,047	\$ 38,224,080
Investments.....	5,557,130	-	9,651,585	15,208,715
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	1,787,147	-	-	1,787,147
Real estate tax deferrals.....	276,595	-	-	276,595
Tax liens.....	3,269,284	-	-	3,269,284
Motor vehicle and other excise taxes.....	359,144	-	-	359,144
Departmental and other.....	18,201	-	1,101,916	1,120,117
Intergovernmental.....	-	833,250	1,585,182	2,418,432
Tax foreclosures.....	754,492	-	-	754,492
TOTAL ASSETS.....	39,877,924	1,017,352	22,522,730	63,418,006
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	735,491	1,037	48,080	784,608
Accrued payroll.....	595,087	-	-	595,087
Tax refunds payable.....	1,935,000	-	-	1,935,000
Payroll withholdings.....	8,611	-	-	8,611
Abandoned property.....	139,796	-	-	139,796
Deferred revenues.....	6,027,858	-	2,611,175	8,639,033
Notes payable.....	-	-	2,700,000	2,700,000
TOTAL LIABILITIES.....	9,441,843	1,037	5,359,255	14,802,135
 FUND BALANCES:				
Nonspendable.....	-	-	2,502,535	2,502,535
Restricted.....	-	1,016,315	16,593,218	17,609,533
Committed.....	2,829,513	-	-	2,829,513
Assigned.....	7,238,618	-	-	7,238,618
Unassigned.....	20,367,950	-	(1,932,278)	18,435,672
TOTAL FUND BALANCES.....	30,436,081	1,016,315	17,163,475	48,615,871
TOTAL LIABILITIES AND FUND BALANCES....	\$ 39,877,924	\$ 1,017,352	\$ 22,522,730	\$ 63,418,006

See notes to basic financial statements.

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

JUNE 30, 2012

Total governmental fund balances.....		\$ 48,615,871
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		181,105,700
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		8,639,033
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(334,491)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and notes payable.....	(50,734,136)	
Compensated absences.....	(6,787,000)	
Other postemployment benefits.....	<u>(27,248,680)</u>	
Net effect of reporting long-term liabilities.....		<u>(84,769,816)</u>
Net assets of governmental activities.....		<u>\$ 153,256,297</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	General	Goodyear School	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 84,226,540	\$ -	\$ -	\$ 84,226,540
Tax liens.....	183,729	-	-	183,729
Motor vehicle excise taxes.....	4,887,435	-	-	4,887,435
Hotel/motel tax.....	2,247,614	-	-	2,247,614
Meals tax.....	870,389	-	-	870,389
Penalties and interest on taxes.....	740,358	-	-	740,358
Intergovernmental.....	25,199,462	1,989,931	8,243,131	35,432,524
Departmental and other.....	1,803,643	-	6,543,661	8,347,304
Contributions.....	71,603	-	47,625	119,228
Investment income.....	824,870	-	832,991	1,657,861
TOTAL REVENUES.....	121,055,643	1,989,931	15,667,408	138,712,982
EXPENDITURES:				
Current:				
General government.....	3,352,406	-	1,132,993	4,485,399
Public safety.....	15,652,938	-	1,611,229	17,264,167
Education.....	48,347,963	2,428,975	11,016,851	61,793,789
Public works.....	7,920,792	-	1,350,190	9,270,982
Human services.....	1,184,739	-	168,349	1,353,088
Culture and recreation.....	1,829,486	-	257,174	2,086,660
Pension benefits.....	17,049,543	-	-	17,049,543
Employee benefits.....	16,910,103	-	-	16,910,103
State and county charges.....	3,227,476	-	-	3,227,476
Capital outlay.....	911,282	-	-	911,282
Debt service:				
Principal.....	2,530,418	-	-	2,530,418
Interest.....	1,607,008	-	-	1,607,008
TOTAL EXPENDITURES.....	120,524,154	2,428,975	15,536,786	138,489,915
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	531,489	(439,044)	130,622	223,067
OTHER FINANCING SOURCES (USES):				
Proceeds from bonds and notes.....	-	1,504,000	-	1,504,000
Proceeds from refunding bonds.....	4,830,000	-	-	4,830,000
Premium from issuance of refunding bonds.....	474,983	-	-	474,983
Payments to refunded bond escrow agent.....	(5,198,077)	-	-	(5,198,077)
Transfers in.....	5,391,712	157,380	2,197,444	7,746,536
Transfers out.....	(2,916,050)	-	(4,064,729)	(6,980,779)
TOTAL OTHER FINANCING SOURCES (USES).....	2,582,568	1,661,380	(1,867,285)	2,376,663
NET CHANGE IN FUND BALANCES.....	3,114,057	1,222,336	(1,736,663)	2,599,730
FUND BALANCES AT BEGINNING OF YEAR.....	27,322,024	(206,021)	18,900,138	46,016,141
FUND BALANCES AT END OF YEAR.....	\$ 30,436,081	\$ 1,016,315	\$ 17,163,475	\$ 48,615,871

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds.....		\$ 2,599,730
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	8,149,219	
Depreciation expense.....	<u>(3,572,387)</u>	
Net effect of reporting capital assets.....		4,576,832
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.....</p>		
		(47,891)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(779,129)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Proceeds from bonds and notes.....	(1,504,000)	
Proceeds from refunding bonds.....	(4,830,000)	
Defeased debt.....	4,735,000	
Debt service principal payments.....	<u>2,530,418</u>	
Net effect of reporting long-term debt.....		<u>931,418</u>
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	251,000	
Net change in accrued interest on long-term debt.....	(99,075)	
Net change in other postemployment benefit.....	<u>(9,483,157)</u>	
Net effect of recording long-term liabilities.....		<u>(9,331,232)</u>
Change in net assets of governmental activities.....		<u>\$ (2,050,272)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2012

		Business-type Activities - Enterprise Funds
		Water and Sewer
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 12,528,699	
Receivables, net of allowance for uncollectibles:		
Utility liens.....	226,064	
User fees.....	9,326,434	
Intergovernmental.....	374,210	
		22,455,407
Total current assets.....		22,455,407
NONCURRENT:		
Receivables, net of allowance for uncollectibles:		
Intergovernmental.....	772,630	
Capital assets not being depreciated.....	332,240	
Capital assets, net of accumulated depreciation.....	49,785,862	
		50,890,732
Total noncurrent assets.....		50,890,732
TOTAL ASSETS.....		73,346,139
LIABILITIES		
CURRENT:		
Warrants payable.....	23,639	
Accrued interest.....	320,529	
Compensated absences.....	58,000	
Unamortized premiums on bonds and notes payable.....	5,734	
Notes payable.....	4,300,000	
Bonds payable.....	2,143,784	
		6,851,686
Total current liabilities.....		6,851,686
NONCURRENT:		
Compensated absences.....	176,000	
Other postemployment benefits.....	198,742	
Unamortized premiums on bonds and notes payable.....	23,950	
Bonds payable.....	27,283,972	
		27,682,664
Total noncurrent liabilities.....		27,682,664
TOTAL LIABILITIES.....		34,534,350
NET ASSETS		
Invested in capital assets, net of related debt.....	18,963,365	
Unrestricted.....	19,848,424	
		38,811,789
TOTAL NET ASSETS.....	\$ 38,811,789	\$ 38,811,789

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>
	<u>Water and Sewer</u>
<u>OPERATING REVENUES:</u>	
Charges for services	\$ 17,143,600
Utility liens.....	<u>635,348</u>
TOTAL OPERATING REVENUES	<u>17,778,948</u>
<u>OPERATING EXPENSES:</u>	
Cost of services and administration	2,013,489
MWRA Assessment.....	11,336,618
Depreciation.....	1,292,447
Employee benefits	<u>31,653</u>
TOTAL OPERATING EXPENSES	<u>14,674,207</u>
OPERATING INCOME (LOSS).....	<u>3,104,741</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Investment income.....	267
Interest expense.....	(868,388)
Intergovernmental.....	<u>111,051</u>
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	<u>(757,070)</u>
INCOME (LOSS) BEFORE TRANSFERS.....	<u>2,347,671</u>
<u>TRANSFERS:</u>	
Transfers in.....	718,606
Transfers out.....	<u>(1,484,363)</u>
TOTAL TRANSFERS.....	<u>(765,757)</u>
CHANGE IN NET ASSETS.....	1,581,914
NET ASSETS AT BEGINNING OF YEAR.....	<u>37,229,875</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 38,811,789</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - <u>Enterprise Funds</u>
	<u>Water and Sewer</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 18,344,304
Payments to vendors.....	(13,567,522)
Payments to employees.....	<u>(779,035)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>3,997,747</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>	
Transfers in.....	718,606
Transfers out.....	<u>(1,484,363)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Proceeds from the issuance of bonds and notes.....	7,508,433
Proceeds from the issuance of refunding bonds.....	2,965,000
Acquisition and construction of capital assets.....	(1,807,586)
Principal payments on bonds and notes.....	(3,707,301)
Payment to refunded bonds escrow agent.....	(3,190,952)
Interest expense.....	<u>(815,659)</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>951,935</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Investment income.....	<u>267</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	4,184,192
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>8,344,507</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ <u><u>12,528,699</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>	
<u>FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ <u>3,104,741</u>
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation.....	1,292,447
Changes in assets and liabilities:	
Utility liens.....	189,464
User fees.....	375,892
Warrants payable.....	(999,450)
Accrued compensated absences.....	3,000
Other postemployment benefits.....	<u>31,653</u>
Total adjustments.....	<u>893,006</u>
NET CASH FROM OPERATING ACTIVITIES.....	\$ <u><u>3,997,747</u></u>
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>	
Intergovernmental subsidy.....	\$ <u>175,890</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Pension Trust Fund (as of December 31, 2011)	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 4,581,671	\$ 76,962	\$ 346,493
Investments.....	93,191,258	-	-
Interest and dividends.....	96,563	-	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	1,464,637	-	-
TOTAL ASSETS.....	<u>99,334,129</u>	<u>76,962</u>	<u>346,493</u>
LIABILITIES			
Warrants payable.....	183,160	-	437
Liabilities due depositors.....	-	-	346,056
TOTAL LIABILITIES.....	<u>183,160</u>	<u>-</u>	<u>346,493</u>
NET ASSETS			
Held in trust for pension benefits and other purposes....	<u>\$ 99,150,969</u>	<u>\$ 76,962</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2012

	Pension Trust Fund (as of December 31, 2011)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 4,913,904	\$ -
Employee.....	2,581,572	-
Total contributions.....	7,495,476	-
Net investment income (loss):		
Net change in fair value of investments.....	(1,488,204)	-
Interest.....	2,189,788	98
Total investment income (loss).....	701,584	98
Less: investment expense.....	(770,620)	-
Net investment income (loss).....	(69,036)	98
Intergovernmental.....	1,248,447	-
Transfers from other systems.....	107,172	-
TOTAL ADDITIONS.....	8,782,059	98
DEDUCTIONS:		
Administration.....	347,457	-
Transfers to other systems.....	351,260	-
Retirement benefits and refunds.....	10,113,437	-
Educational scholarships.....	-	550
TOTAL DEDUCTIONS.....	10,812,154	550
CHANGE IN NET ASSETS.....	(2,030,095)	(452)
NET ASSETS AT BEGINNING OF YEAR.....	101,181,064	77,414
NET ASSETS AT END OF YEAR.....	\$ 99,150,969	\$ 76,962

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

Availability of Financial Information for Component Units

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

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

The *Goodyear School fund* is used to account for financial resources associated with the construction of the new Goodyear Elementary School.

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

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

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

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

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

Government-Wide and Fund Financial Statements

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and 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 Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

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

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

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

Motor Vehicle and Other Excise Taxes

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

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

Water and Sewer User Fees

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

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

Departmental and Other

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

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

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

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Deferred Revenue

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

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets reported as “invested in capital assets, net of related debt” 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 assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been “restricted for” the following:

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

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

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

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

Fund Financial Statements (Fund Balances)

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.

“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.

Sometimes the City will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the City’s policy to consider restricted fund balance to have been depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Investment Income

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

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

N. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

O. Use of Estimates

Government-Wide and Fund Financial Statements

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

P. 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.

Q. Appropriation and Fund Deficits

Several individual fund deficits exist at June 30, 2012 in the special revenue and capital project funds. These deficits will be funded by grants, bond proceeds, departmental revenues and available fund balance. Actual expenditures and encumbrances exceeded appropriations for snow and ice and state and county charges. These over-expenditures will be funded by the fiscal 2013 tax rate.

NOTE 2 - CASH AND INVESTMENTS

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. 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 does not have a deposit policy for custodial risk. At fiscal year-end, the carrying amount of deposits totaled \$36,545,618 and the bank balance totaled \$39,248,934. Of the bank balance, \$2,723,734 was covered by Federal Depository Insurance, \$559,367 was covered by Share Insurance Fund, \$29,777,126 was collateralized and \$6,188,707 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2011, the carrying amount of deposits for the System totaled \$800,401 and the bank balance totaled \$920,509. 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. Of the investments of \$955,630 in government agencies, \$9,104,952 in government sponsored enterprises, \$3,687,789 in corporate bonds and \$1,460,344 in equity securities, the government has custodial credit risk exposure totaling \$15,208,715 because the related securities are uninsured, unregistered and held by the counterparty. The City does not have an investment policy for custodial credit risk.

Of the investments of \$2,183,912 in government agencies, \$2,549,612 in government sponsored enterprises, \$5,903,845 in corporate bonds and \$18,145,495 in equity securities, the System has custodial credit risk exposure totaling \$28,782,864 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 and the System do not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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 .08 to 9.69 years.

As of June 30, 2012, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities					
Government Agencies.....	\$ 955,630	\$ -	\$ -	\$ 59,402	\$ 896,228
Government Sponsored Enterprises	9,104,952	6,000,480	2,321,980	177,372	605,120
Corporate Bonds.....	3,687,789	-	652,198	2,864,754	170,837
Total Debt Securities.....	13,748,371	\$ 6,000,480	\$ 2,974,178	\$ 3,101,528	\$ 1,672,185
Other Investments					
Equity Securities.....	1,460,344				
Money Market Mutual Funds.....	13,243,425				
MMDT.....	1,387,191				
Total Investments.....	\$ 29,839,331				

As of December 31, 2011, the System had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities					
Government Agencies.....	\$ 2,183,912	\$ -	\$ -	\$ 229,032	\$ 1,954,880
Government Sponsored Enterprises.....	2,549,612	-	117,347	757,281	1,674,984
Corporate Bonds.....	5,903,845	132,947	945,721	1,587,234	3,237,943
Bond Mutual Funds.....	8,496,879	-	-	3,476,923	5,019,956
Total Debt Securities.....	19,134,248	\$ 132,947	\$ 1,063,068	\$ 6,050,470	\$ 11,887,763
Other Investments					
Equity Securities.....	18,145,495				
Equity Mutual Funds.....	18,388,454				
Pooled Real Estate Funds.....	2,633,558				
Pooled Alternative Investments.....	10,747,324				
Money Market Mutual Funds.....	3,781,270				
PRIT.....	24,142,179				
Total Investments.....	\$ 96,972,528				

Credit Risk

The City has not adopted a formal policy related to Credit Risk. As of June 30, 2012, Standard & Poor’s Investors Service rated the City’s as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>		
		<u>AA</u>	<u>A</u>	<u>BBB</u>
Government Sponsored				
Enterprises.....	\$ 9,104,952	\$ 9,104,952	\$ -	\$ -
Corporate Bonds.....	<u>3,687,789</u>	<u>359,437</u>	<u>2,718,758</u>	<u>609,594</u>
Total.....	<u>\$ 12,792,741</u>	<u>\$ 9,464,389</u>	<u>\$ 2,718,758</u>	<u>\$ 609,594</u>

The City’s investments in MMDT and PRIT were unrated.

The System has not adopted a formal policy related to Credit Risk. As of December 31, 2011, the System had the following quality ratings for their investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>					
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>B</u>	<u>Unrated</u>
Government Sponsored							
Enterprise.....	\$ 2,549,612	\$ -	\$ 2,549,612	\$ -	\$ -	\$ -	\$ -
Corporate Bonds.....	5,903,845	325,067	106,400	1,488,565	550,629	-	3,433,184
Bond Mutual Fund.....	<u>8,496,879</u>	<u>3,476,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,019,956</u>	<u>-</u>
Total.....	<u>\$ 16,950,336</u>	<u>\$ 3,801,990</u>	<u>\$ 2,656,012</u>	<u>\$ 1,488,565</u>	<u>\$ 550,629</u>	<u>\$ 5,019,956</u>	<u>\$ 3,433,184</u>

Concentration of Credit Risk

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

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

NOTE 3 - RECEIVABLES

At June 30, 2012, receivables for the individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 3,191,177	\$ (1,404,030)	\$ 1,787,147
Real estate tax deferrals.....	276,595	-	276,595
Tax liens.....	3,269,284	-	3,269,284
Motor vehicle and other excise taxes.....	1,262,916	(903,772)	359,144
Departmental and other.....	1,120,117	-	1,120,117
Intergovernmental.....	2,418,432	-	2,418,432
Total.....	<u>\$ 11,538,521</u>	<u>\$ (2,307,802)</u>	<u>\$ 9,230,719</u>

At June 30, 2012, receivables for the water and sewer enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Utility liens.....	\$ 226,064	\$ -	\$ 226,064
User fees.....	9,326,434	-	9,326,434
Intergovernmental.....	1,146,840	-	1,146,840
Total.....	<u>\$ 10,699,338</u>	<u>\$ -</u>	<u>\$ 10,699,338</u>

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

	General Fund	Other Governmental Funds	Total
<u>Asset type:</u>			
Real estate and personal property taxes.....	\$ 1,350,142	\$ -	\$ 1,350,142
Real estate tax deferrals.....	276,595	-	276,595
Tax liens.....	3,269,284	-	3,269,284
Motor vehicle and other excise taxes.....	359,144	-	359,144
Departmental and other.....	18,201	1,101,916	1,120,117
Intergovernmental.....	-	1,509,259	1,509,259
Tax foreclosures.....	754,492	-	754,492
Total.....	<u>\$ 6,027,858</u>	<u>\$ 2,611,175</u>	<u>\$ 8,639,033</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 22,068,936	\$ -	\$ -	\$ 22,068,936
Construction in progress.....	20,104,555	-	(20,104,555)	-
Total capital assets not being depreciated.....	42,173,491	-	(20,104,555)	22,068,936
<u>Capital assets being depreciated:</u>				
Land improvements.....	3,204,100	281,846	-	3,485,946
Building improvements.....	13,126,218	3,910,752	-	17,036,970
Buildings.....	130,708,038	22,337,040	(5,121,376)	147,923,702
Vehicles.....	2,608,009	474,345	(230,649)	2,851,705
Machinery and equipment.....	6,925,687	172,338	(276,116)	6,821,909
Infrastructure.....	50,205,029	1,077,453	-	51,282,482
Total capital assets being depreciated.....	206,777,081	28,253,774	(5,628,141)	229,402,714
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,662,038)	(100,267)	-	(1,762,305)
Building improvements.....	(7,946,776)	(646,479)	-	(8,593,255)
Buildings.....	(24,599,049)	(864,193)	5,086,276	(20,376,966)
Vehicles.....	(1,845,499)	(262,681)	230,649	(1,877,531)
Machinery and equipment.....	(4,755,088)	(448,938)	263,325	(4,940,701)
Infrastructure.....	(31,565,362)	(1,249,829)	-	(32,815,191)
Total accumulated depreciation.....	(72,373,812)	(3,572,387)	5,580,250	(70,365,949)
Total capital assets being depreciated, net.....	134,403,269	24,681,387	(47,891)	159,036,765
Total governmental activities capital assets, net.....	\$ 176,576,760	\$ 24,681,387	\$ (20,152,446)	\$ 181,105,701

	Beginning Balance	Increases	Decreases	Ending Balance
Water and Sewer Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 332,240	\$ -	\$ -	\$ 332,240
Construction in Progress.....	8,819,357	-	(8,819,357)	-
Total capital assets not being depreciated.....	<u>9,151,597</u>	<u>-</u>	<u>(8,819,357)</u>	<u>332,240</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	6,953,303	-	-	6,953,303
Vehicles.....	177,750	-	-	177,750
Machinery and equipment.....	502,126	57,339	-	559,465
Infrastructure.....	55,768,458	10,569,604	-	66,338,062
Total capital assets being depreciated.....	<u>63,401,637</u>	<u>10,626,943</u>	<u>-</u>	<u>74,028,580</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(2,319,065)	(184,183)	-	(2,503,248)
Vehicles.....	(177,750)	-	-	(177,750)
Machinery and equipment.....	(444,902)	(16,957)	-	(461,859)
Infrastructure.....	(20,008,554)	(1,091,307)	-	(21,099,861)
Total accumulated depreciation.....	<u>(22,950,271)</u>	<u>(1,292,447)</u>	<u>-</u>	<u>(24,242,718)</u>
Total capital assets being depreciated, net.....	<u>40,451,366</u>	<u>9,334,496</u>	<u>-</u>	<u>49,785,862</u>
Total water and sewer activities capital assets, net.....	<u>\$ 49,602,963</u>	<u>\$ 9,334,496</u>	<u>\$ (8,819,357)</u>	<u>\$ 50,118,102</u>

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

Governmental Activities:

General government.....	\$ 82,405
Public safety.....	493,176
Education.....	1,320,785
Public works.....	1,601,708
Human services.....	11,046
Culture and recreation.....	<u>63,268</u>

Total depreciation expense - governmental activities..... \$ 3,572,388

Business-Type Activities:

Water and sewer.....	<u>\$ 1,292,447</u>
----------------------	---------------------

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

Transfers Out:	Transfers In:				Total
	General Fund	Goodyear School	Nonmajor Governmental Funds	Water and Sewer Enterprise Fund	
General Fund.....	\$ -	\$ -	\$ 2,197,444	\$ 718,606	\$ 2,916,050 (1)
Nonmajor Governmental Funds.....	3,907,349	157,380	-	-	4,064,729 (2)
Water and Sewer Enterprise Fund.....	1,484,363	-	-	-	1,484,363 (3)
Total.....	<u>\$ 5,391,712</u>	<u>\$ 157,380</u>	<u>\$ 2,197,444</u>	<u>\$ 718,606</u>	<u>\$ 8,465,142</u>

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

NOTE 6 - SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2012, is as follows:

Type	Purpose	Interest Rate	Due Date	Balance at June 30, 2011	Issued	Redeemed	Balance at June 30, 2012
Governmental Activities:							
BAN	Municipal Purpose.....	1.50%	10/28/11	\$ 250,000	\$ -	\$ (250,000)	\$ -
BAN	Municipal Purpose.....	1.50%	10/28/11	250,000	-	(250,000)	-
BAN	Municipal Purpose.....	1.00%	10/26/12	-	2,000,000	-	2,000,000
BAN	Municipal Purpose.....	1.00%	10/26/12	-	700,000	-	700,000
Total Governmental.....				<u>500,000</u>	<u>2,700,000</u>	<u>(500,000)</u>	<u>2,700,000</u>
Business-Type Activities:							
BAN	Water System Improvements.....	1.50%	10/28/11	2,000,000	-	(2,000,000)	-
BAN	Water System Improvements.....	1.50%	10/26/12	-	2,000,000	-	2,000,000
BAN	Water System Improvements.....	1.00%	10/26/12	-	2,300,000	-	2,300,000
Total Business-Type Activities.....				<u>2,000,000</u>	<u>4,300,000</u>	<u>(2,000,000)</u>	<u>4,300,000</u>
Total Short-term Debt.....				<u>\$ 2,500,000</u>	<u>\$ 7,000,000</u>	<u>\$ (2,500,000)</u>	<u>\$ 7,000,000</u>

On October 26, 2012, the maturity date, \$760,000 of the remaining \$7,000,000 of outstanding short term debt was paid down and \$6,240,000 was rolled-over into a new BAN that is due May 3, 2013 and carries an interest rate of 1% per annum.

NOTE 7 - LONG-TERM DEBT

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

In order to take advantage of favorable interest rates, the City issued \$7,795,000 of General Obligation Refunding Bonds on June 27, 2012. \$7,645,000 of general obligation bonds were advance refunded by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$744,000. This advance refunding was undertaken to reduce total debt service payments by \$470,000 and resulted in an economic gain of \$415,000. At June 30, 2012, \$7,645,000 of bonds outstanding from the advance refunding is considered defeased.

In prior years, the City defeased certain of its outstanding general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable escrow account to provide amounts sufficient for the future payment of principal and interest on those bonds. Accordingly, neither the assets in escrow nor the liability for the defeased bonds are included in the City's financial statements. At June 30, 2012, \$865,000 of general obligation bonds outstanding are considered defeased.

Details related to the outstanding indebtedness at June 30, 2012, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
Municipal Purpose Bonds of 2004.....	2026	\$ 10,003,033	3.44	\$ 6,917,160	\$ -	\$ (5,248,829)	\$ 1,668,331
Municipal Purpose Bonds of 2005.....	2006	30,000,000	4.46	22,500,000	-	(1,500,000)	21,000,000
Municipal Purpose Refunding Bonds of 2005....	2015	2,370,000	4.19	1,150,000	-	(295,000)	855,000
Municipal Purpose Bonds of 2007.....	2027	2,851,000	2.00	2,370,000	-	(160,000)	2,210,000
MWPAT CW-06-05.....	2018	300,000	2.00	216,533	-	(29,108)	187,425
MWPAT CW-05-12.....	2018	225,000	2.00	162,400	-	(21,831)	140,569
MWPAT CW-07-15.....	2029	250,000	2.00	228,461	-	(10,650)	217,811
Municipal Purpose Bonds of 2012.....	2037	70,154,000	3.16	18,121,000	1,504,000	-	19,625,000
Municipal Purpose Refunding Bonds of 2012....	2025	4,830,000	3.26	-	4,830,000	-	4,830,000
Total.....				\$ 51,665,554	\$ 6,334,000	\$ (7,265,418)	\$ 50,734,136

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

Year	Principal	Interest	Total
2013.....	\$ 3,166,912	\$ 1,753,557	\$ 4,920,469
2014.....	3,128,538	1,691,806	4,820,344
2015.....	3,130,219	1,574,018	4,704,237
2016.....	3,096,721	1,461,361	4,558,082
2017.....	3,083,069	1,363,502	4,446,571
2018.....	3,069,443	1,264,307	4,333,750
2019.....	2,977,251	1,162,295	4,139,546
2020.....	2,977,499	1,052,923	4,030,422
2021.....	2,972,751	937,295	3,910,046
2022.....	2,973,009	820,962	3,793,971
2023.....	2,963,271	702,675	3,665,946
2024.....	2,958,540	584,657	3,543,197
2025.....	2,743,813	469,158	3,212,971
2026.....	2,469,092	361,654	2,830,746
2027.....	969,377	295,343	1,264,720
2028.....	829,667	267,424	1,097,091
2029.....	829,964	242,063	1,072,027
2030.....	810,000	216,268	1,026,268
2031.....	800,000	190,108	990,108
2032.....	800,000	163,459	963,459
2033.....	800,000	135,209	935,209
2034.....	800,000	105,709	905,709
2035.....	795,000	75,800	870,800
2036.....	795,000	45,480	840,480
2037.....	795,000	15,145	810,145
Total.....	\$ 50,734,136	\$ 16,952,178	\$ 67,686,314

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
MWPAT 00-07.....	2021	\$ 5,046,059	4.46	\$ 3,010,000	\$ -	\$ (255,000)	\$ 2,755,000
Municipal Purpose Bonds of 2004.....	2025	6,879,262	3.85	4,465,000	-	(3,305,000)	1,160,000
MWRA Notes of 2007.....	2017	1,100,000	0.00	660,000	-	(110,000)	550,000
Municipal Purpose Bonds of 2008.....	2018	220,000	4.63	160,000	-	(20,000)	140,000
MWRA Notes of 2008.....	2018	1,200,000	0.00	840,000	-	(120,000)	720,000
Municipal Purpose Bonds of 2009.....	2030	6,500,000	4.18	6,280,000	-	(230,000)	6,050,000
Municipal Purpose Refunding Bonds of 2009....	2020	900,000	3.83	805,000	-	(95,000)	710,000
MWRA Notes of 2010.....	2015	1,154,330	0.00	1,038,897	-	(115,433)	923,464
MWPAT DWS 08-19.....	2031	6,241,464	2.00	6,241,464	-	(256,362)	5,985,102
MWPAT DWS 07-17.....	2031	3,644,754	2.00	3,644,754	-	(175,137)	3,469,617
MWRA Notes of 2012.....	2022	1,000,000	0.00	-	1,000,000	-	1,000,000
MWPAT DWS 08-19-A.....	2033	2,035,158	2.00	-	2,035,158	-	2,035,158
Municipal Purpose Refunding Bonds of 2012....	2025	2,965,000	3.38	-	2,965,000	-	2,965,000
Sub-total water.....				27,145,115	6,000,158	(4,681,932)	28,463,341
MWRA Notes of 2007.....	2012	109,065	0.00	36,355	-	(36,355)	-
Municipal Purpose Refunding Bonds of 2009....	2020	505,000	3.83	450,000	-	(55,000)	395,000
MWRA Notes of 2010.....	2015	949,025	0.00	759,220	-	(189,805)	569,415
Sub-total sewer.....				1,245,575	-	(281,160)	964,415
Total enterprise funds.....				\$ 28,390,690	\$ 6,000,158	\$ (4,963,092)	\$ 29,427,756

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

Year	Principal	Interest	Total
2013.....	\$ 2,143,784	\$ 756,739	\$ 2,900,523
2014.....	2,219,421	743,371	2,962,792
2015.....	2,249,692	691,260	2,940,952
2016.....	2,000,366	634,115	2,634,481
2017.....	2,026,059	580,961	2,607,020
2018.....	1,931,970	522,970	2,454,940
2019.....	1,823,103	460,854	2,283,957
2020.....	1,849,463	399,982	2,249,445
2021.....	1,635,621	355,234	1,990,855
2022.....	1,317,449	313,078	1,630,527
2023.....	1,234,517	276,011	1,510,528
2024.....	1,256,832	238,397	1,495,229
2025.....	1,284,398	199,799	1,484,197
2026.....	1,042,220	165,347	1,207,567
2027.....	1,060,303	135,113	1,195,416
2028.....	1,098,654	103,609	1,202,263
2029.....	1,132,276	70,849	1,203,125
2030.....	1,166,175	36,645	1,202,820
2031.....	710,360	12,008	722,368
2032.....	121,229	3,690	124,919
2033.....	123,864	1,239	125,103
Total.....	\$ 29,427,756	\$ 6,701,271	\$ 36,129,027

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, 2012, the outstanding principal amount of these loans totaled \$569,415.

The governmental funds are scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$1,223 and interest costs for \$29,045. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$186,708. Since the City is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements. The fiscal year 2012 interest subsidy totaled \$3,300.

The water and sewer enterprise fund is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$844,975 and interest costs for \$478,612. Thus, net MWPAT loan repayments, including interest, are schedule to be \$2,251,112. The principal subsidies are guaranteed and therefore an \$844,975 intergovernmental receivable has been reported in the proprietary fund financial statements. Since the City is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements. The fiscal year 2012 principal and interest subsidies totaled \$64,839 and \$111,051, respectively.

In fiscal year 2011, the City received a preliminary MWPAT loan repayment schedule, dated July 8, 2010, that totaled \$4,263,933. In fiscal 2012, the City received a revised loan repayment schedule, dated June 6, 2012 reflecting the actual loan proceeds that were drawn down to complete the construction of a new water tank. The revised loan schedule totaled \$3,644,754, which resulted in a \$619,179 decrease in future anticipated principal payments.

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2012, the City had the following authorized and unissued debt:

Purpose	Amount
School construction and repairs.....	\$ 9,008,310
Storm water/drainage improvements.....	6,800,000
Sewer improvements.....	685,500
Recreation facilities remodeling.....	876,000
Water improvements.....	<u>8,284,011</u>
Total.....	<u>\$ 25,653,821</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities:					
Compensated absences.....	\$ 7,038,000	\$ 1,815,000	\$ (2,066,000)	\$ 6,787,000	\$ 1,968,000
Other postemployment benefits.....	17,765,523	15,989,707	(6,506,550)	27,248,680	-
Bonds payable.....	51,665,554	6,334,000	(7,265,418)	50,734,136	3,166,912
Total.....	<u>\$ 76,469,077</u>	<u>\$ 24,138,707</u>	<u>\$ (15,837,968)</u>	<u>\$ 84,769,816</u>	<u>\$ 5,134,912</u>
Business-type Activities:					
Unamortized bond premiums.....	\$ 35,958	\$ -	\$ (6,274)	\$ 29,684	\$ 5,734
Compensated absences.....	231,000	60,000	(57,000)	234,000	58,000
Other postemployment benefits.....	167,089	189,667	(158,014)	198,742	-
Bonds payable.....	28,390,690	6,000,158	(4,963,092)	29,427,756	2,143,784
Total.....	<u>\$ 28,824,737</u>	<u>\$ 6,249,825</u>	<u>\$ (5,184,380)</u>	<u>\$ 29,890,182</u>	<u>\$ 2,207,518</u>

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

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

As of June 30, 2012, the governmental fund balances consisted of the following:

	Governmental Funds			
	General	Major Fund Goodyear School	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances				
Nonspendable:				
Permanent fund principal..... \$	- \$	- \$	2,502,535 \$	2,502,535
Restricted for:				
Municipal federal and state grants.....	-	-	601,591	601,591
Education federal and state grants.....	-	-	70,121	70,121
Receipts reserved for appropriation funds ...	-	-	2,236,487	2,236,487
Municipal revolving funds	-	-	540,216	540,216
School lunch	-	-	367,839	367,839
Infrastructure fund.....	-	-	1,128,767	1,128,767
Other special revenue.....	-	-	712,128	712,128
Capital projects funds.....	-	1,016,315	277,187	1,293,502
Debt service funds.....	-	-	3,968,890	3,968,890
Library trust funds.....	-	-	6,536,791	6,536,791
Cemetery perpetual care funds.....	-	-	153,201	153,201
Committed to:				
Affordable housing stabilization fund.....	2,829,513	-	-	2,829,513
Assigned to:				
General government.....	248,288	-	-	248,288
Public safety.....	237,773	-	-	237,773
Education.....	211,411	-	-	211,411
Public works.....	540,325	-	-	540,325
Human services.....	22,722	-	-	22,722
Culture and recreation.....	53,720	-	-	53,720
Employee benefits.....	1,286,783	-	-	1,286,783
Capital outlay.....	4,637,596	-	-	4,637,596
Unassigned.....	20,367,950	-	(1,932,278)	18,435,672
Total Fund Balances..... \$	<u>30,436,081</u> \$	<u>1,016,315</u> \$	<u>17,163,475</u> \$	<u>48,615,871</u>

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

At year end, the general stabilization fund totaled \$6,349,664 and is reported as unassigned fund balance within the general fund; and the affordable housing stabilization fund totaled \$2,829,513 and is reported as committed fund balance within the general fund.

NOTE 9 - RISK FINANCING

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

NOTE 10 - PENSION PLAN

Plan Description - The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Woburn Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$12,311,000 for the fiscal year ended June 30, 2012, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

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

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

At December 31, 2011, the System’s membership consists of the following:

Active members.....	572
Inactive members.....	69
Disabled members.....	35
Retirees and beneficiaries currently receiving benefits.....	<u>378</u>
Total.....	<u>1,054</u>

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

Annual Pension Cost - The City’s contributions to the System for the fiscal years ended June 30, 2012, 2011, and 2010 were \$4,712,121, \$4,464,665, and \$4,333,616, respectively, which equaled its required contribution for each fiscal year. At June 30, 2012, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2010, actuarial valuation using the individual entry age normal actuarial cost method. The actuarial assumptions included an 8.25% investment rate of return and projected salary increases of 4.75% per year. The actuarial value of the System’s assets was determined using a 5 year smoothing method.

The System’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at January 1, 2012, was 24 years.

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/10	\$ 104,707	\$ 154,300	\$ 49,593	67.9%	\$ 27,433	180.8%
01/01/08	110,478	141,758	31,280	77.9%	24,432	128.0%
01/01/07	102,354	132,433	30,079	77.3%	24,258	124.0%
01/01/05	87,819	120,595	32,776	72.8%	22,624	144.9%
01/01/00	75,960	88,763	12,803	85.6%	17,183	74.5%
01/01/99	66,860	85,472	18,612	78.2%	16,269	114.4%

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

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

Annual OPEB Cost and Net OPEB Obligation – The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$	16,026,905
Interest on net OPEB obligation.....		806,968
Adjustment to annual required contribution.....		<u>(654,499)</u>
Annual OPEB cost (expense).....		16,179,374
Contributions made.....		<u>(6,664,564)</u>
Increase in net OPEB obligation.....		9,514,810
Net OPEB obligation-beginning of year.....		<u>17,932,612</u>
Net OPEB obligation-end of year.....	\$	<u><u>27,447,422</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 16,179,374	41%	\$ 27,447,422
6/30/2011	14,005,095	50%	17,932,612
6/30/2010	13,273,361	47%	10,987,125

Funded Status and Funding Progress – As of June 30, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$243,982,941, all of which was unfunded.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.5% investment return assumption, which is based on the expected yield on the assets of the City, calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend rate of 9% initially, graded to 5% over 8 years and included a 4% inflation

assumption. The UAAL is being amortized using a 30 year open amortization method, with amortization payments increasing at 4% per year. The remaining amortization period at June 30, 2012 is 30 years.

NOTE 12 - CONTINGENCIES

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2012, 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, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

NOTE 13 - COMMITMENTS

The City is in the process of constructing the Goodyear School and has entered into contracts totaling \$24.5 million and has expended \$23.3 million to complete the project. The remaining commitment as of June 30, 2012 was \$1.2 million.

The City is in the process of completing various water, sewer and drainage infrastructure improvements, such as construction of the Rag Rock water tank and the Horn Pond water treatment plant, and has entered into, or is planning to enter into, contracts totaling approximately \$15.8 million to complete the projects.

NOTE 14 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2012, the following GASB pronouncements were implemented:

- GASB Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The implementation of this pronouncement did not impact the basic financial statements.
- The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.

- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.

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

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds..... \$	-	\$ 84,397,765	\$ 84,397,765	\$ 84,397,765
Tax liens.....	-	-	-	-
Motor vehicle excise taxes.....	-	4,655,000	4,655,000	4,655,000
Hotel/motel tax.....	-	2,050,000	2,050,000	2,050,000
Meals tax.....	-	500,000	500,000	500,000
Penalties and interest on taxes.....	-	730,000	730,000	690,000
Intergovernmental.....	-	12,256,077	12,256,077	12,436,077
Departmental and other.....	-	1,215,000	1,215,000	1,075,000
Investment income.....	-	350,000	350,000	350,000
TOTAL REVENUES.....	-	106,153,842	106,153,842	106,153,842
EXPENDITURES:				
Current:				
General government.....	186,962	3,334,899	3,521,861	3,755,977
Public safety.....	274,144	14,866,393	15,140,537	16,189,798
Education.....	464,350	47,985,650	48,450,000	48,538,568
Public works.....	747,964	8,069,865	8,817,829	8,781,650
Human services.....	42,948	941,522	984,470	1,236,409
Culture and recreation.....	102,262	1,769,403	1,871,665	1,896,024
Pension benefits.....	-	4,738,982	4,738,982	4,738,982
Employee benefits.....	790,016	17,814,662	18,604,678	18,604,678
State and county charges.....	-	3,230,541	3,230,541	3,230,541
Capital outlay.....	2,138,074	-	2,138,074	5,605,849
Debt service:				
Principal.....	-	815,000	815,000	2,460,000
Interest.....	-	961,426	961,426	2,023,354
TOTAL EXPENDITURES.....	4,746,720	104,528,343	109,275,063	117,061,830
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(4,746,720)	1,625,499	(3,121,221)	(10,907,988)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	1,413,945	1,413,945	5,321,294
Transfers out.....	-	(2,197,444)	(2,197,444)	(2,209,148)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(783,499)	(783,499)	3,112,146
NET CHANGE IN FUND BALANCE.....	(4,746,720)	842,000	(3,904,720)	(7,795,842)
BUDGETARY FUND BALANCE, Beginning of year.....	-	18,060,538	18,060,538	18,060,538
BUDGETARY FUND BALANCE, End of year..... \$	(4,746,720)	18,902,538	14,155,818	10,264,696

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	84,872,540	\$ -	\$ 474,775
	183,729	-	183,729
	4,887,435	-	232,435
	2,247,614	-	197,614
	870,389	-	370,389
	740,358	-	50,358
	12,888,902	-	452,825
	1,803,643	-	728,643
	364,448	-	14,448
	<u>108,859,058</u>	<u>-</u>	<u>2,705,216</u>
	3,343,507	248,288	164,182
	15,640,236	237,773	311,789
	48,315,605	211,411	11,552
	7,908,989	540,325	332,336
	1,187,389	22,722	26,298
	1,820,463	53,720	21,841
	4,738,982	-	-
	16,910,103	1,286,783	407,792
	3,227,476	-	3,065
	911,283	4,637,596	56,970
	2,460,000	-	-
	<u>1,667,349</u>	<u>-</u>	<u>356,005</u>
	<u>108,131,382</u>	<u>7,238,618</u>	<u>1,691,830</u>
	<u>727,676</u>	<u>(7,238,618)</u>	<u>4,397,046</u>
	5,321,294	-	-
	<u>(2,209,148)</u>	<u>-</u>	<u>-</u>
	<u>3,112,146</u>	<u>-</u>	<u>-</u>
	3,839,822	(7,238,618)	4,397,046
	<u>18,060,538</u>	<u>-</u>	<u>-</u>
\$	<u>21,900,360</u>	\$ <u>(7,238,618)</u>	\$ <u>4,397,046</u>

Retirement System Schedules of Funding Progress and Employer Contributions

The Retirement System Schedule of Funding Progress presents multiyear trend information relating to the cost-sharing plan as a whole, of which the City is one participating employer, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the City is one participating employer, as well as the City's proportionate share of the plan's annual contributions.

WOBURN CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/10	\$ 104,707	\$ 154,300	\$ 49,593	67.9%	\$ 27,433	180.8%
01/01/08	110,478	141,758	31,280	77.9%	24,432	128.0%
01/01/07	102,354	132,433	30,079	77.3%	24,258	124.0%
01/01/05	87,819	120,595	32,776	72.8%	22,624	144.9%
01/01/00	75,960	88,763	12,803	85.6%	17,183	74.5%
01/01/99	66,860	85,472	18,612	78.2%	16,269	114.4%
01/01/98	55,481	78,261	22,780	70.9%	15,427	147.7%

See notes to required supplementary information.

WOBURN CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollar amounts in thousands)

Fiscal Year Ended June 30	System Wide			City of Woburn	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) City's Percentage of System Wide Actual Contributions
2012	\$ 4,914	\$ 4,914	100%	\$ 4,712	95.89%
2011	4,663	4,663	100%	4,465	95.75%
2010	4,524	4,524	100%	4,334	95.80%
2009	4,369	4,369	100%	4,200	96.13%
2008	4,259	4,259	100%	4,087	95.96%
2007	4,150	4,150	100%	3,984	96.00%

The City's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Funding Progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets. The Schedule of Employer Contributions compares, over time, the annual required contribution with the actual contributions made.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2011	\$ -	\$ 243,982,491	\$ 243,982,491	0%	\$ N/A	N/A
6/30/2009	-	208,491,596	208,491,596	0%	N/A	N/A
6/30/2007	-	198,799,831	198,799,831	0%	N/A	N/A

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2012	\$ 16,026,905	\$ 6,664,564	42%
6/30/2011	13,857,572	7,059,608	51%
6/30/2010	13,220,391	6,231,320	47%
6/30/2009	12,545,242	8,600,158	69%

The City implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009. Information for prior years is not available.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	June 30, 2011
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	30 year open amortization method with payments increasing at 4.0% per year
Remaining amortization period.....	30 years as of June 30, 2012

Actuarial Assumptions:

Investment rate of return.....	4.5%, pay-as-you-go
Medical cost trend rate.....	9.0% graded to 5.0% over 8 years
Inflation assumption.....	4.0%

Plan Membership:

Current retirees, beneficiaries, and dependents....	930
Current active members.....	<u>863</u>
Total.....	<u><u>1,793</u></u>

See notes to required supplementary information.

NOTE A - BUDGETARY BASIS OF ACCOUNTING**1. Budgetary Information**

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

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

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

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

An annual budget is adopted for the General Fund in conformity with the guidelines described above. The original fiscal 2012 approved budget authorized approximately \$111.5 million in appropriations, carryforwards, and other amounts to be raised. During fiscal year 2012, the Council also approved supplemental appropriations totaling approximately \$7.8 million. The change is primarily due to increases in appropriations for public safety, capital outlay and debt service.

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2012, is presented on the subsequent page:

Net change in fund balance - budgetary basis.....	\$ 3,839,822
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	2,007,322
Transfer to the MWRA infiltration/inflow fund.....	(718,606)
<u>Basis of accounting differences:</u>	
Net change in market value of investments.....	(1,463,593)
Net change in recording 60-day receipts.....	234,000
Net change in recording tax refunds payable.....	(880,000)
Net change in recording accrued payroll.....	(72,135)
Net change in recording accrued interest.....	167,247
Increase in revenues due to on-behalf payments.....	12,310,561
Increase in expenditures due to on-behalf payments.....	<u>(12,310,561)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 3,114,057</u>

NOTE B – PENSION PLAN

The City contributes to the System, a cost-sharing, multiple-employer defined benefit pension plan ("Plan") administered by the Woburn Contributory Retirement Board. The System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. The City is required to pay into the Retirement System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information presents multi-year trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the City is one participating employer, as well as the City's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the City.

The following actuarial methods and assumptions were used in the Retirement System's most recent actuarial valuation:

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2010
Actuarial Cost Method.....	Individual Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.5% per year
Remaining Amortization Period.....	24 years remaining as of January 1, 2012, closed
Asset Valuation Method.....	Market value with a 5 year smoothing
Actuarial Assumptions	
Investment rate of return.....	8.25%
Projected salary increases.....	4.75%
Cost of living adjustments.....	3.00% of the lesser of the pension amount and \$12,000 per year

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare and prescription drug benefits for eligible retirees and their spouses through the City’s health insurance plan, which covers both active and retired members, including teachers.

The City currently finances its other postemployment benefits on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the City has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets. The Schedule of Employer Contributions compares, over time, the annual required contribution with the actual contributions made.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.