

CITY OF WOBURN, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2010

CITY OF WOBURN, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

TABLE OF CONTENTS

Independent Auditors' Report.....1
Management's Discussion and Analysis3
Basic Financial Statements12
 Statement of Net Assets13
 Statement of Activities14
 Governmental funds – balance sheet16
 Reconciliation of the governmental funds balance sheet total fund balances to the statement of net assets17
 Governmental funds – statement of revenues, expenditures and changes in fund balances18
 Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities19
 Proprietary funds – statement of net assets20
 Proprietary funds – statement of revenues, expenses and changes in fund net assets21
 Proprietary funds – statement of cash flows.....22
 Fiduciary funds – statement of fiduciary net assets.....23
 Fiduciary funds – statement of changes in fiduciary net assets24
 Notes to basic financial statements25
Required Supplementary Information.....51
 Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual52
 Other postemployment benefit plan schedules.....54
 Other postemployment benefit plan schedule of funding progress and employer contributions55
 Other postemployment benefit plan schedule of actuarial methods and assumptions.....56
 Notes to required supplementary information.....57



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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, 2010 (except for the Woburn Contributory Retirement System which is as of and for the year ended December 31, 2009), 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, 2010 (except for the Woburn Contributory Retirement System which is as of December 31, 2009), 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 17, 2011, on our consideration of the City of Woburn, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

March 17, 2011

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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, 2010. 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 liabilities at the close of the most recent fiscal year by \$184.6 million (net assets).
- Of this amount, 16% or \$28.8 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 \$14.7 million. Total fund balance represents 12% of total general fund expenditures.
- The City's total debt (short-term and long-term combined) decreased by \$7.9 million during the fiscal year.
- The City's net other postemployment benefit (OPEB) liability increased by \$7 million and totaled \$11 million at fiscal year-end.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for 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 \$184.6 million at the close of Fiscal 2010.

Net assets of \$140.8 million (76%) 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, \$15 million (8%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$28.8 million (16%) 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 \$149.7 million at the close of Fiscal 2010.

	Fiscal 2010	Fiscal 2009
Assets:		
Current assets.....	\$ 56,134,820	\$ 56,279,573
Noncurrent assets (excluding capital).....	892,711	880,840
Capital assets not being depreciated.....	17,184,493	13,644,784
Capital assets, net of accumulated depreciation.....	137,178,315	137,595,339
Total assets.....	211,390,339	208,400,536
Liabilities:		
Current liabilities (excluding debt).....	5,812,254	5,763,885
Noncurrent liabilities (excluding debt).....	15,831,837	8,859,581
Current debt.....	6,533,963	2,854,316
Noncurrent debt.....	33,544,554	39,288,517
Total liabilities.....	61,722,608	56,766,299
Net Assets:		
Capital assets net of related debt.....	117,116,656	114,742,663
Restricted.....	14,963,898	19,195,442
Unrestricted.....	17,587,177	17,696,132
Total net assets.....	\$ 149,667,731	\$ 151,634,237

	<u>Fiscal 2010</u>	<u>Fiscal 2009</u>
Program revenues:		
Charges for services.....	\$ 5,440,857	\$ 5,569,134
Operating grants and contributions.....	24,667,884	24,674,823
Capital grants and contributions.....	3,428,133	994,255
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	82,198,390	79,158,134
Tax liens.....	50,842	7,572
Motor vehicle excise taxes.....	4,556,212	4,604,376
Hotel/Motel tax.....	1,481,216	1,434,644
Penalties and interest on taxes.....	668,748	287,237
Nonrestricted grants.....	5,801,554	6,565,822
Unrestricted investment income.....	1,205,339	910,484
Total revenues.....	<u>129,499,175</u>	<u>124,206,481</u>
Expenses:		
General government.....	6,030,842	6,123,057
Public safety.....	25,171,670	23,589,950
Education.....	82,709,629	79,709,367
Public works.....	12,586,028	13,141,255
Human services.....	1,473,878	1,519,521
Culture and recreation.....	3,031,567	3,116,881
Interest.....	1,851,116	1,829,637
Total expenses.....	<u>132,854,730</u>	<u>129,029,668</u>
Increase in net assets before transfers.....	(3,355,555)	(4,823,187)
Transfers.....	<u>1,389,049</u>	<u>1,152,694</u>
Change in net assets.....	\$ <u><u>(1,966,506)</u></u>	\$ <u><u>(3,670,493)</u></u>

Governmental expenses totaled \$132.9 million of which \$33.5 million (25%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$96 million, primarily coming from property taxes, motor vehicle excise and non-restricted state aid.

Governmental net assets decreased by \$2 million during the current fiscal year. The primary components of this decrease included a \$7 million increase in the OPEB liability, an increase of \$3.4 million related to capital grants for school construction, highway construction and other purposes, and a \$1.6 million increase resulting from prior year deficits being raised on the tax rate.

Business-type Activities

For the City's business-type activities, assets exceeded liabilities by \$34.9 million at the close of Fiscal 2010.

	Fiscal 2010	Fiscal 2009
Assets:		
Current assets.....	\$ 16,040,064	\$ 26,404,344
Noncurrent assets (excluding capital).....	909,814	970,758
Capital assets not being depreciated.....	1,950,352	1,909,950
Capital assets, net of accumulated depreciation.....	40,096,566	28,580,439
Total assets.....	58,996,796	57,865,491
Liabilities:		
Current liabilities (excluding debt).....	2,511,078	1,003,237
Noncurrent liabilities (excluding debt).....	299,288	189,234
Current debt.....	2,729,272	7,672,301
Noncurrent debt.....	18,540,430	19,400,181
Total liabilities.....	24,080,068	28,264,953
Net Assets:		
Capital assets net of related debt.....	23,674,846	17,072,277
Unrestricted.....	11,241,882	12,528,261
Total net assets.....	\$ 34,916,728	\$ 29,600,538
Program revenues:		
Charges for services.....	\$ 18,895,227	\$ 17,869,609
Operating grants and contributions.....	128,021	130,470
Capital grants and contributions.....	3,947,580	-
General Revenues:		
Unrestricted investment income.....	8,918	24,176
Total revenues.....	22,979,746	18,024,255
Expenses:		
Sewer.....	10,914,633	10,443,695
Water.....	5,359,874	5,941,911
Total expenses.....	16,274,507	16,385,606
Increase in net assets before transfers.....	6,705,239	1,638,649
Transfers.....	(1,389,049)	(1,152,694)
Change in net assets.....	\$ 5,316,190	\$ 485,955

Business-type net assets of \$23.7 million (68%) represent the investment in capital assets while \$11.2 million (32%) is unrestricted. The City's business-type activities net assets increased by \$5.3 million in the current fiscal year.

The sewer operations experienced an increase of \$1.9 million in net assets, which was primarily due to rate adjustments, changes in consumption, the collection of \$487,000 of utility liens and the receipt of a \$776,000 capital grant from the Massachusetts Water Resource Authority (MWRA).

The water operations experienced an increase of \$3.4 million in net assets, which was primarily due the collection of \$366,000 of utility liens and the receipt of a \$3.2 million capital grant from the Massachusetts Water Pollution Abatement Trust (MPAT).

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported a combined ending fund balance of \$40.9 million. This was comprised of the general fund, stabilization fund, Goodyear school fund, and non-major fund balances totaling \$14.7 million, \$7.3 million, (\$1.3 million), and \$20.2 million, respectively.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$9.7 million, while total fund balance was \$14.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 8% of the total general fund expenditures, while total fund balance represents 12% of that same amount. Reservations of fund balance for encumbrances and continuing appropriations totaled \$5 million.

The general fund decreased by \$754,000, which was due to the use of \$3.8 million of fund balance to pay-down callable debt, a \$1.6 million increase resulting from prior year deficits being raised on the tax rate, a \$565,000 increase due to an increase in encumbrances, a \$456,000 reimbursement from the MSBA and \$170,000 of unexpended appropriations.

The stabilization fund decreased by \$273,000, which is due to a \$700,000 transfer to the general fund and the recognition of \$427,000 of investment income.

The Goodyear School fund decreased by \$2.8 million, which is due to construction costs associated with the new elementary school that have not yet been permanently financed.

General Fund Budgetary Highlights

The \$8.6 million (8%) 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, 2010, amounts to \$196.4 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 \$6.6 million. \$3.8 million of construction in progress (CIP) relates to the construction of the Goodyear Elementary School. \$1.7 million of infrastructure additions relates to street construction and repaving. The remaining additions relate to land and building improvements, vehicles, and machinery and equipment.

The \$12.6 million in sewer and water 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 \$36.1 million, of which \$34.4 million is related to school projects and \$1.7 million relates to various other capital projects.

The sewer and water enterprise funds have \$1.5 million and \$18.6 million, respectively, of outstanding long-term debt, which is fully supported by rates and does not rely on a general fund subsidy.

The water enterprise fund has \$1.1 million of bond anticipation notes outstanding that relates to the water treatment plant and the rag rock water tank construction projects.

In order to take advantage of favorable interest rates, the City issued \$1,405,000 of General Obligation Refunding Bonds, dated June 25, 2009, which were used together with \$3,325,359 of Massachusetts School Building Authority grant proceeds to complete a current refunding, dated July 17, 2009, which resulted in \$4,600,000 of refunded debt and an economic gain totaling \$388,746. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets.

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

Requests for Information

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

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Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2010

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 25,441,756	\$ 6,048,728	\$ 31,490,484
Investments.....	21,576,122	-	21,576,122
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	2,888,883	-	2,888,883
Tax and utility liens.....	2,031,769	371,703	2,403,472
Motor vehicle and other excise taxes.....	317,573	-	317,573
User fees.....	-	9,558,689	9,558,689
Departmental and other.....	1,152,349	-	1,152,349
Intergovernmental.....	2,726,368	60,944	2,787,312
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Real estate tax deferrals.....	254,055	-	254,055
Intergovernmental.....	-	909,814	909,814
Tax foreclosures.....	638,656	-	638,656
Capital assets not being depreciated.....	17,184,493	1,950,352	19,134,845
Capital assets, net of accumulated depreciation.....	137,178,315	40,096,566	177,274,881
TOTAL ASSETS.....	211,390,339	58,996,796	270,387,135
LIABILITIES			
CURRENT:			
Warrants payable.....	1,231,508	2,258,677	3,490,185
Accrued payroll.....	269,951	1,656	271,607
Tax refunds payable.....	1,830,000	-	1,830,000
Accrued interest.....	321,574	195,745	517,319
Payroll withholdings.....	9,840	-	9,840
Abandoned property.....	136,381	-	136,381
Compensated absences.....	2,013,000	55,000	2,068,000
Unamortized premiums on bonds and notes payable...	-	6,773	6,773
Bonds and notes payable.....	6,533,963	2,722,499	9,256,462
NONCURRENT:			
Unamortized premiums on bonds and notes payable...	-	35,958	35,958
Compensated absences.....	4,978,000	166,000	5,144,000
Other postemployment benefits.....	10,853,837	133,288	10,987,125
Bonds and notes payable.....	33,544,554	18,504,472	52,049,026
TOTAL LIABILITIES.....	61,722,608	24,080,068	85,802,676
NET ASSETS			
Invested in capital assets, net of related debt.....	117,116,656	23,674,846	140,791,502
Restricted for:			
Debt service.....	4,488,417	-	4,488,417
Permanent funds:			
Expendable.....	5,029,795	-	5,029,795
Nonexpendable.....	2,411,510	-	2,411,510
Gifts and grants.....	3,034,176	-	3,034,176
Unrestricted.....	17,587,177	11,241,882	28,829,059
TOTAL NET ASSETS.....	\$ 149,667,731	\$ 34,916,728	\$ 184,584,459

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2010

<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.....	\$ 6,030,842	\$ 1,101,645	\$ 204,673	\$ 149,300	\$ (4,575,224)
Public safety.....	25,171,670	1,870,606	1,854,380	50,132	(21,396,552)
Education.....	82,709,629	2,137,694	22,411,225	2,523,935	(55,636,775)
Public works.....	12,586,028	227,545	-	704,766	(11,653,717)
Human services.....	1,473,878	93,058	51,163	-	(1,329,657)
Culture and recreation.....	3,031,567	10,309	146,443	-	(2,874,815)
Interest.....	1,851,116	-	-	-	(1,851,116)
Total Governmental Activities..	132,854,730	5,440,857	24,667,884	3,428,133	(99,317,856)
<i>Business-Type Activities:</i>					
Sewer.....	10,914,633	12,659,798	-	776,475	2,521,640
Water.....	5,359,874	6,235,429	128,021	3,171,105	4,174,681
Total Business-Type Activities.	16,274,507	18,895,227	128,021	3,947,580	6,696,321
Total Primary Government.....	\$ 149,129,237	\$ 24,336,084	\$ 24,795,905	\$ 7,375,713	\$ (92,621,535)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (99,317,856)	\$ 6,696,321	\$ (92,621,535)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	82,198,390	-	82,198,390
Tax liens.....	50,842	-	50,842
Motor vehicle excise taxes.....	4,556,212	-	4,556,212
Hotel/motel tax.....	1,481,216	-	1,481,216
Penalties and interest on taxes.....	668,748	-	668,748
Grants and contributions not restricted to specific programs.....	5,801,554	-	5,801,554
Unrestricted investment income.....	1,205,339	8,918	1,214,257
<i>Transfers, net</i>	1,389,049	(1,389,049)	-
Total general revenues and transfers.....	<u>97,351,350</u>	<u>(1,380,131)</u>	<u>95,971,219</u>
Change in net assets.....	(1,966,506)	5,316,190	3,349,684
<i>Net Assets:</i>			
Beginning of year.....	<u>151,634,237</u>	<u>29,600,538</u>	<u>181,234,775</u>
End of year.....	\$ <u>149,667,731</u>	\$ <u>34,916,728</u>	\$ <u>184,584,459</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2010

ASSETS	General	Stabilization	Goodyear School	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 16,950,193	\$ 2,329,817	\$ 2,508,830	\$ 3,652,916	\$ 25,441,756
Investments.....	-	4,987,292	-	16,588,830	21,576,122
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	2,888,883	-	-	-	2,888,883
Real estate tax deferrals.....	254,055	-	-	-	254,055
Tax liens.....	2,031,769	-	-	-	2,031,769
Motor vehicle and other excise taxes.....	317,573	-	-	-	317,573
Departmental and other.....	30,000	-	-	1,122,349	1,152,349
Intergovernmental.....	-	-	831,399	1,894,969	2,726,368
Tax foreclosures.....	638,656	-	-	-	638,656
TOTAL ASSETS.....	23,111,129	7,317,109	3,340,229	23,259,064	57,027,531
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	558,421	-	625,795	47,292	1,231,508
Accrued payroll.....	234,623	-	-	35,328	269,951
Tax refunds payable.....	1,830,000	-	-	-	1,830,000
Payroll withholdings.....	9,840	-	-	-	9,840
Abandoned property.....	136,381	-	-	-	136,381
Deferred revenues.....	5,675,159	-	-	2,985,747	8,660,906
Notes payable.....	-	-	4,000,000	-	4,000,000
TOTAL LIABILITIES.....	8,444,424	-	4,625,795	3,068,367	16,138,586
FUND BALANCES:					
Reserved for:					
Encumbrances and continuing					
appropriations.....	4,992,500	-	-	-	4,992,500
Perpetual permanent funds.....	-	-	-	2,411,510	2,411,510
Unreserved:					
Undesignated, reported in:					
General fund.....	9,674,205	-	-	-	9,674,205
Special revenue funds.....	-	7,317,109	-	8,061,645	15,378,754
Debt service fund.....	-	-	-	4,488,417	4,488,417
Capital projects funds.....	-	-	(1,285,566)	199,330	(1,086,236)
Permanent funds.....	-	-	-	5,029,795	5,029,795
TOTAL FUND BALANCES.....	14,666,705	7,317,109	(1,285,566)	20,190,697	40,888,945
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 23,111,129	\$ 7,317,109	\$ 3,340,229	\$ 23,259,064	\$ 57,027,531

See notes to basic financial statements.

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

JUNE 30, 2010

Total governmental fund balances.....		\$ 40,888,945
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		154,362,808
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		8,660,906
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(321,574)
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.....	(36,078,517)	
Compensated absences.....	(6,991,000)	
Other postemployment benefits.....	<u>(10,853,837)</u>	
Net effect of reporting long-term liabilities.....		<u>(53,923,354)</u>
Net assets of governmental activities.....		<u>\$ 149,667,731</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	General	Stabilization	Goodyear School	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 81,890,529	\$ -	\$ -	\$ -	\$ 81,890,529
Tax liens.....	158,177	-	-	-	158,177
Motor vehicle excise taxes.....	4,561,070	-	-	-	4,561,070
Hotel/motel tax.....	1,481,216	-	-	-	1,481,216
Penalties and interest on taxes.....	527,580	-	-	-	527,580
Intergovernmental.....	24,703,366	-	2,067,818	6,435,480	33,206,664
Departmental and other.....	1,562,573	-	-	4,939,340	6,501,913
Contributions.....	-	-	-	122,650	122,650
Investment income.....	394,495	426,635	-	352,300	1,173,430
TOTAL REVENUES.....	115,279,006	426,635	2,067,818	11,849,770	129,623,229
EXPENDITURES:					
Current:					
General government.....	3,207,751	-	-	692,716	3,900,467
Public safety.....	15,720,196	-	-	2,080,540	17,800,736
Education.....	45,436,226	-	4,858,470	6,280,285	56,574,981
Public works.....	8,927,623	-	-	1,743,842	10,671,465
Human services.....	963,652	-	-	161,464	1,125,116
Culture and recreation.....	1,700,646	-	-	271,510	1,972,156
Pension benefits.....	15,776,344	-	-	-	15,776,344
Employee benefits.....	14,954,771	-	-	-	14,954,771
State and county charges.....	3,748,959	-	-	-	3,748,959
Capital outlay.....	641,027	-	-	-	641,027
Debt service:					
Principal.....	6,064,316	-	-	-	6,064,316
Interest.....	1,873,283	-	-	-	1,873,283
TOTAL EXPENDITURES.....	119,014,794	-	4,858,470	11,230,357	135,103,621
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(3,735,788)	426,635	(2,790,652)	619,413	(5,480,392)
OTHER FINANCING SOURCES (USES):					
Transfers in.....	5,811,890	-	-	2,829,740	8,641,630
Transfers out.....	(2,829,740)	(700,000)	-	(3,722,841)	(7,252,581)
TOTAL OTHER FINANCING SOURCES (USES).....	2,982,150	(700,000)	-	(893,101)	1,389,049
NET CHANGE IN FUND BALANCES.....	(753,638)	(273,365)	(2,790,652)	(273,688)	(4,091,343)
FUND BALANCES AT BEGINNING OF YEAR.....	15,420,343	7,590,474	1,505,086	20,464,385	44,980,288
FUND BALANCES AT END OF YEAR.....	\$ 14,666,705	\$ 7,317,109	\$ (1,285,566)	\$ 20,190,697	\$ 40,888,945

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, 2010

Net change in fund balances - total governmental funds..... \$ (4,091,343)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	6,545,508
Depreciation expense.....	<u>(3,422,823)</u>

Net effect of reporting capital assets..... 3,122,685

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.....

(162,346)

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.

Debt service principal payments.....	<u>6,064,316</u>
--------------------------------------	------------------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	(48,000)
Net change in accrued interest on long-term debt.....	22,167
Net change in other postemployment benefit.....	(6,965,256)
Pension funding liability.....	<u>91,271</u>

Net effect of recording long-term liabilities and amortizing deferred losses..... (6,899,818)

Change in net assets of governmental activities..... \$ (1,966,506)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
ASSETS			
CURRENT:			
Cash and cash equivalents..... \$	5,890,505	\$ 158,223	\$ 6,048,728
Receivables, net of allowance for uncollectibles:			
Utility liens.....	226,480	145,223	371,703
User fees.....	6,464,679	3,094,010	9,558,689
Intergovernmental.....	-	60,944	60,944
Total current assets.....	<u>12,581,664</u>	<u>3,458,400</u>	<u>16,040,064</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	-	909,814	909,814
Capital assets not being depreciated.....	43,849	1,906,503	1,950,352
Capital assets, net of accumulated depreciation.....	<u>13,018,487</u>	<u>27,078,079</u>	<u>40,096,566</u>
Total noncurrent assets.....	<u>13,062,336</u>	<u>29,894,396</u>	<u>42,956,732</u>
TOTAL ASSETS.....	<u>25,644,000</u>	<u>33,352,796</u>	<u>58,996,796</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	489,226	1,769,451	2,258,677
Accrued payroll.....	1,234	422	1,656
Accrued interest.....	20,173	175,572	195,745
Compensated absences.....	20,000	35,000	55,000
Unamortized premiums on bonds and notes payable.....	-	6,773	6,773
Bonds and notes payable.....	<u>281,160</u>	<u>2,441,339</u>	<u>2,722,499</u>
Total current liabilities.....	<u>811,793</u>	<u>4,428,557</u>	<u>5,240,350</u>
NONCURRENT:			
Compensated absences.....	60,000	106,000	166,000
Other postemployment benefits.....	27,726	105,562	133,288
Unamortized premiums on bonds and notes payable.....	-	35,958	35,958
Bonds and notes payable.....	<u>1,245,575</u>	<u>17,258,897</u>	<u>18,504,472</u>
Total noncurrent liabilities.....	<u>1,333,301</u>	<u>17,506,417</u>	<u>18,839,718</u>
TOTAL LIABILITIES.....	<u>2,145,094</u>	<u>21,934,974</u>	<u>24,080,068</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	12,742,583	10,932,263	23,674,846
Unrestricted.....	<u>10,756,323</u>	<u>485,559</u>	<u>11,241,882</u>
TOTAL NET ASSETS..... \$	<u><u>23,498,906</u></u>	<u><u>11,417,822</u></u>	<u><u>\$ 34,916,728</u></u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
<u>OPERATING REVENUES:</u>			
Charges for services	\$ 12,173,241	\$ 5,869,172	\$ 18,042,413
Utility liens.....	486,557	366,257	852,814
TOTAL OPERATING REVENUES	12,659,798	6,235,429	18,895,227
<u>OPERATING EXPENSES:</u>			
Cost of services and administration	407,253	1,541,986	1,949,239
MWRA Assessment.....	9,931,347	2,670,355	12,601,702
Depreciation.....	525,500	640,346	1,165,846
Employee benefits	19,140	57,645	76,785
TOTAL OPERATING EXPENSES	10,883,240	4,910,332	15,793,572
OPERATING INCOME (LOSS).....	1,776,558	1,325,097	3,101,655
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Investment income.....	6,323	2,595	8,918
Interest expense.....	(31,393)	(449,542)	(480,935)
Intergovernmental.....	776,475	3,299,126	4,075,601
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	751,405	2,852,179	3,603,584
INCOME (LOSS) BEFORE TRANSFERS.....	2,527,963	4,177,276	6,705,239
<u>TRANSFERS:</u>			
Transfers out.....	(622,854)	(766,195)	(1,389,049)
CHANGE IN NET ASSETS.....	1,905,109	3,411,081	5,316,190
NET ASSETS AT BEGINNING OF YEAR.....	21,593,797	8,006,741	29,600,538
NET ASSETS AT END OF YEAR.....	\$ 23,498,906	\$ 11,417,822	\$ 34,916,728

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Fund		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users.....	\$ 13,101,315	\$ 6,581,948	\$ 19,683,263
Payments to vendors.....	(9,629,083)	(2,496,488)	(12,125,571)
Payments to employees.....	(176,792)	(532,470)	(709,262)
NET CASH FROM OPERATING ACTIVITIES.....	3,295,440	3,552,990	6,848,430
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers out.....	(622,854)	(766,195)	(1,389,049)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the issuance of bonds and notes.....	949,025	2,267,765	3,216,790
Capital grants received.....	776,475	3,171,105	3,947,580
Acquisition and construction of capital assets.....	(2,100,656)	(10,621,719)	(12,722,375)
Principal payments on bonds and notes.....	(694,155)	(8,311,265)	(9,005,420)
Interest expense.....	(24,185)	(460,996)	(485,181)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,093,496)	(13,955,110)	(15,048,606)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income.....	6,323	2,595	8,918
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,585,413	(11,165,720)	(9,580,307)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	4,305,092	11,323,943	15,629,035
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 5,890,505	\$ 158,223	\$ 6,048,728
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH			
FROM OPERATING ACTIVITIES:			
Operating income (loss).....	\$ 1,776,558	\$ 1,325,097	\$ 3,101,655
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	525,500	640,346	1,165,846
Changes in assets and liabilities:			
Utility liens.....	(109,025)	(70,114)	(179,139)
User fees.....	550,542	416,633	967,175
Warrants payable.....	482,403	1,146,635	1,629,038
Accrued payroll.....	(1,678)	(12,252)	(13,930)
Accrued compensated absences.....	52,000	49,000	101,000
Other postemployment benefits.....	19,140	57,645	76,785
Total adjustments.....	1,518,882	2,227,893	3,746,775
NET CASH FROM OPERATING ACTIVITIES.....	\$ 3,295,440	\$ 3,552,990	\$ 6,848,430
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Intergovernmental subsidy.....	\$ -	\$ 184,902	\$ 184,902

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	Pension Trust Fund (as of December 31, 2009)	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 3,279,514	\$ 77,278	\$ 818,132
Investments.....	88,577,864	-	-
Interest and dividends.....	129,429	-	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	272,122	-	-
TOTAL ASSETS.....	92,258,929	77,278	818,132
LIABILITIES			
Warrants payable.....	612,687	-	15,510
Accrued liabilities.....	-	-	2,632
Liabilities due depositors.....	-	-	799,990
TOTAL LIABILITIES.....	612,687	-	818,132
NET ASSETS			
Held in trust for pension benefits and other purposes....	\$ 91,646,242	\$ 77,278	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2010

	Pension Trust Fund (as of December 31, 2009)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 4,479,763	\$ -
Employee.....	2,529,480	-
Total contributions.....	<u>7,009,243</u>	<u>-</u>
Net investment income (loss):		
Net change in fair value of investments.....	15,533,965	-
Interest.....	1,719,016	305
Total investment income (loss).....	17,252,981	305
Less: investment expense.....	<u>(596,471)</u>	<u>-</u>
Net investment income (loss).....	<u>16,656,510</u>	<u>305</u>
Intergovernmental.....	<u>22,920</u>	<u>-</u>
Transfers from other systems.....	<u>150,044</u>	<u>-</u>
TOTAL ADDITIONS.....	<u>23,838,717</u>	<u>305</u>
DEDUCTIONS:		
Administration.....	350,963	-
Transfers to other systems.....	300,093	-
Retirement benefits and refunds.....	8,803,068	-
Educational scholarships.....	-	380
TOTAL DEDUCTIONS.....	<u>9,454,124</u>	<u>380</u>
CHANGE IN NET ASSETS.....	14,384,593	(75)
NET ASSETS AT BEGINNING OF YEAR.....	<u>77,261,649</u>	<u>77,353</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 91,646,242</u>	<u>\$ 77,278</u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

Availability of Financial Information for Component Units

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

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

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

The City's proprietary funds are:

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

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

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

The following fiduciary fund types are reported:

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

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

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

Government-Wide and Fund Financial Statements

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and 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)

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

Fund balances have been “reserved for” the following:

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

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

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

M. Investment Income

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

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

N. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

O. 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, 2010 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 employee benefits. These over-expenditures will be funded by the fiscal 2011 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 \$24,072,020 and the bank balance totaled \$27,177,710. Of the bank balance, \$2,782,398 was covered by Federal Depository Insurance, \$216,004 was covered by Depositors Insurance Fund, \$471,366 was covered by Share Insurance Fund, \$19,477,947 was collateralized and \$4,229,995 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2009, the carrying amount of deposits for the System totaled \$421,778 and the bank balance totaled \$556,313. 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 \$10,113,297 in government agencies, \$2,299,714 in government sponsored enterprises, \$699,526 in corporate bonds and \$616,553 in equity securities, the government has custodial credit risk exposure totaling \$13,729,090 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 \$1,682,747 in government agencies, \$2,569,399 in government sponsored enterprises, \$8,178,490 in corporate bonds and \$15,428,123 in equity securities, the System has custodial credit risk exposure totaling \$27,858,759 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 8.58 years.

As of June 30, 2010, 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
<u>Debt Securities</u>					
Government Agencies.....	\$ 10,113,297	\$ 4,712,918	\$ -	\$ 99,921	\$ 5,300,458
Government Sponsored Enterprises	2,299,714	2,924	60,758	577,712	1,658,320
Corporate Bonds.....	699,526	-	107,677	541,013	50,836
Bond Mutual Fund.....	7,847,032	-	5,542,344	940,092	1,364,596
Total Debt Securities.....	20,959,569	\$ <u>4,715,842</u>	\$ <u>5,710,779</u>	\$ <u>2,158,738</u>	\$ <u>8,374,210</u>
<u>Other Investments</u>					
Equity Securities.....	616,553				
Money Market Mutual Funds.....	4,733,900				
MMDT.....	3,579,974				
Total Investments.....	\$ <u>29,889,996</u>				

As of December 31, 2009, the System had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities					
Government Agencies.....	\$ 1,682,747	\$ -	\$ -	\$ 490,753	\$ 1,191,994
Government Sponsored Enterprises.....	2,569,399	-	-	346,858	2,222,541
Corporate Bonds.....	8,178,490	250,598	1,305,830	1,024,466	5,597,596
Bond Mutual Fund.....	<u>9,505,767</u>	<u>-</u>	<u>-</u>	<u>9,505,767</u>	<u>-</u>
Total Debt Securities.....	21,936,403	<u>\$ 250,598</u>	<u>\$ 1,305,830</u>	<u>\$ 11,367,844</u>	<u>\$ 9,012,131</u>
Other Investments					
Equity Securities.....	15,428,123				
Equity Mutual Funds.....	21,973,574				
Pooled Real Estate Funds.....	2,048,277				
Pooled Alternative Investments...	6,708,697				
Money Market Mutual Fund.....	2,857,736				
PRIT.....	<u>20,482,790</u>				
Total Investments.....	<u>\$ 91,435,600</u>				

Credit Risk

The City has not adopted a formal policy related to Credit Risk. As of June 30, 2010, the City had the following quality ratings for their investments:

Investment Type	Fair Value	Quality Ratings	
		AAA	A
Government Sponsored			
Enterprises.....	\$ 2,299,714	\$ 2,299,714	\$ -
Corporate Bonds.....	699,526	482,541	216,985
Bond Mutual Fund.....	<u>7,847,032</u>	<u>7,847,032</u>	<u>-</u>
Total.....	<u>\$ 10,846,272</u>	<u>\$ 10,629,287</u>	<u>\$ 216,985</u>

The System has not adopted a formal policy related to Credit Risk. As of December 31, 2009, the System had the following quality ratings for their investments:

Investment Type	Fair Value	Quality Ratings				
		AAA	A	BBB	BB	Unrated
Government Sponsored						
Enterprise.....	\$ 2,569,399	\$ 2,210,628	\$ -	\$ -	\$ -	\$ 358,771
Corporate Bonds.....	8,178,490	831,277	1,413,261	510,867	-	5,423,085
Bond Mutual Fund.....	<u>9,505,767</u>	<u>3,252,076</u>	<u>-</u>	<u>-</u>	<u>6,253,691</u>	<u>-</u>
Total.....	<u>\$ 20,253,656</u>	<u>\$ 6,293,981</u>	<u>\$ 1,413,261</u>	<u>\$ 510,867</u>	<u>\$ 6,253,691</u>	<u>\$ 5,781,856</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, 2010, receivables for the individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 4,188,395	\$ (1,299,512)	\$ 2,888,883
Real estate tax deferrals.....	254,055	-	254,055
Tax liens.....	2,031,769	-	2,031,769
Motor vehicle and other excise taxes.....	1,115,329	(797,756)	317,573
Departmental and other.....	1,162,550	(10,201)	1,152,349
Intergovernmental.....	<u>2,726,368</u>	<u>-</u>	<u>2,726,368</u>
 Total.....	 <u>\$ 11,478,466</u>	 <u>\$ (2,107,469)</u>	 <u>\$ 9,370,997</u>

At June 30, 2010, receivables for the water and sewer enterprise funds consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Sewer utility liens.....	\$ 226,480	\$ -	\$ 226,480
Sewer user fees.....	6,464,679	-	6,464,679
Water utility liens.....	145,223	-	145,223
Water user fees.....	3,094,010	-	3,094,010
Water intergovernmental.....	<u>970,758</u>	<u>-</u>	<u>970,758</u>
 Total.....	 <u>\$ 10,901,150</u>	 <u>\$ -</u>	 <u>\$ 10,901,150</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:

<u>Asset type:</u>	General Fund	Other Governmental Funds	Total
Real estate and personal property taxes.....	\$ 2,403,106	\$ -	\$ 2,403,106
Tax liens.....	2,031,769	-	2,031,769
Motor vehicle and other excise taxes.....	317,573	-	317,573
Departmental and other.....	30,000	1,122,348	1,152,348
Intergovernmental.....	-	1,863,399	1,863,399
Real estate tax deferrals.....	254,055	-	254,055
Tax foreclosures.....	638,656	-	638,656
Total.....	\$ 5,675,159	\$ 2,985,747	\$ 8,660,906

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 12,963,436	\$ -	\$ -	\$ 12,963,436
Construction in progress.....	681,348	3,777,901	(238,192)	4,221,057
Total capital assets not being depreciated...	13,644,784	3,777,901	(238,192)	17,184,493
<u>Capital assets being depreciated:</u>				
Land improvements.....	3,131,600	72,500	-	3,204,100
Building improvements.....	12,992,277	133,941	-	13,126,218
Buildings.....	130,469,847	238,191	-	130,708,038
Vehicles.....	2,318,380	245,074	(18,647)	2,544,807
Machinery and equipment.....	6,908,993	588,393	(140,961)	7,356,425
Infrastructure.....	47,930,710	1,727,700	-	49,658,410
Total capital assets being depreciated.....	203,751,807	3,005,799	(159,608)	206,597,998
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,455,854)	(103,787)	-	(1,559,641)
Building improvements.....	(6,820,259)	(563,119)	-	(7,383,378)
Buildings.....	(22,959,478)	(821,038)	-	(23,780,516)
Vehicles.....	(1,490,727)	(181,355)	18,647	(1,653,435)
Machinery and equipment.....	(4,432,636)	(477,989)	140,961	(4,769,664)
Infrastructure.....	(28,997,514)	(1,275,535)	-	(30,273,049)
Total accumulated depreciation.....	(66,156,468)	(3,422,823)	159,608	(69,419,683)
Total capital assets being depreciated, net.....	137,595,339	(417,024)	-	137,178,315
Total governmental activities capital assets, net....	\$ 151,240,123	\$ 3,360,877	\$ (238,192)	\$ 154,362,808

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 43,849	\$ -	\$ -	\$ 43,849
<u>Capital assets being depreciated:</u>				
Buildings.....	984,264	-	-	984,264
Vehicles.....	149,750	-	-	149,750
Machinery and equipment.....	27,000	-	-	27,000
Infrastructure.....	24,678,405	2,100,656	-	26,779,061
Total capital assets being depreciated.....	25,839,419	2,100,656	-	27,940,075
<u>Less accumulated depreciation for:</u>				
Buildings.....	(531,623)	(24,607)	-	(556,230)
Vehicles.....	(149,750)	-	-	(149,750)
Machinery and equipment.....	(27,000)	-	-	(27,000)
Infrastructure.....	(13,687,715)	(500,893)	-	(14,188,608)
Total accumulated depreciation.....	(14,396,088)	(525,500)	-	(14,921,588)
Total capital assets being depreciated, net.....	11,443,331	1,575,156	-	13,018,487
Total sewer activities capital assets, net.....	\$ 11,487,180	\$ 1,575,156	\$ -	\$ 13,062,336
Water Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 288,391	\$ -	\$ -	\$ 288,391
Construction in Progress.....	1,577,710	40,402	-	1,618,112
Total capital assets not being depreciated...	1,866,101	40,402	-	1,906,503
<u>Capital assets being depreciated:</u>				
Buildings.....	5,969,039	-	-	5,969,039
Vehicles.....	28,000	-	-	28,000
Machinery and equipment.....	423,126	52,000	-	475,126
Infrastructure.....	16,816,320	10,529,317	-	27,345,637
Total capital assets being depreciated.....	23,236,485	10,581,317	-	33,817,802
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,450,405)	(144,864)	-	(1,595,269)
Vehicles.....	(28,000)	-	-	(28,000)
Machinery and equipment.....	(362,648)	(29,058)	-	(391,706)
Infrastructure.....	(4,258,324)	(466,424)	-	(4,724,748)
Total accumulated depreciation.....	(6,099,377)	(640,346)	-	(6,739,723)
Total capital assets being depreciated, net.....	17,137,108	9,940,971	-	27,078,079
Total water activities capital assets, net.....	\$ 19,003,209	\$ 9,981,373	\$ -	\$ 28,984,582

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

Governmental Activities:

General government.....	\$ 72,170
Public safety.....	465,362
Education.....	1,197,814
Public works.....	1,627,524
Human services.....	6,371
Culture and recreation.....	<u>53,582</u>

Total depreciation expense - governmental activities..... \$ 3,422,823

Business-Type Activities:

Sewer.....	\$ 525,500
Water.....	<u>640,346</u>

Total depreciation expense - business-type activities..... \$ 1,165,846

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2010, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 2,829,740	\$ 2,829,740 (1)
Stabilization Fund.....	700,000	-	700,000 (2)
Nonmajor Governmental Funds....	3,722,841	-	3,722,841 (3)
Sewer Enterprise Fund.....	622,854	-	622,854 (4)
Water Enterprise Fund.....	<u>766,195</u>	<u>-</u>	<u>766,195</u> (4)
Total.....	<u>\$ 5,811,890</u>	<u>\$ 2,829,740</u>	<u>\$ 8,641,630</u>

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

NOTE 6 - SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2010, is as follows:

Type	Purpose	Interest Rate	Due Date	Balance at June 30, 2009	Issued	Redeemed	Balance at June 30, 2010
Governmental Activities:							
BAN	Goodyear Elementary School.....	1.50%	04/08/11	\$ -	\$ 4,000,000	\$ -	\$ 4,000,000
Business-Type Activities:							
BAN	Water System Improvements.....	2.25%	7/24/2009	6,500,000	-	6,500,000	-
BAN	MWPAT - Water Treatment Plant.	2.00%	2/15/2011	-	343,919	-	343,919
BAN	MWPAT - Rag Rock Water Tank..	2.00%	2/15/2011	-	769,516	-	769,516
Total Business-Type Activities.....				<u>6,500,000</u>	<u>1,113,435</u>	<u>6,500,000</u>	<u>1,113,435</u>
Total Short-term Debt.....				<u>\$ 6,500,000</u>	<u>\$ 5,113,435</u>	<u>\$ 6,500,000</u>	<u>\$ 5,113,435</u>

The MWPAT notes are interim financing notes that automatically renewed at maturity. The new notes are due on February 15, 2012 and carry interest rates of 2% 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 \$1,405,000 of General Obligation Refunding Bonds, dated June 25, 2009, which were used together with \$3,325,359 of Massachusetts School Building Authority grant proceeds to complete a current refunding, dated July 17, 2009, which resulted in \$4,600,000 of refunded debt and an economic gain totaling \$388,746. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets.

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, 2010, \$1,445,000 of general obligation bonds outstanding are considered defeased.

Details related to the outstanding indebtedness at June 30, 2010, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
Refunding.....	4.19	\$ 1,750,000	\$ -	\$ 300,000	\$ 1,450,000
School remodeling.....	5.03	3,531,000	-	3,531,000	-
Reeves school.....	3.90	3,375,000	-	225,000	3,150,000
Shamrock school.....	3.90	3,520,000	-	220,000	3,300,000
Ice rink.....	3.40	70,000	-	10,000	60,000
Landfill closure.....	3.99	800,000	-	50,000	750,000
MWPAT - stormwater (03-21).....	2.00	179,027	-	8,275	170,752
School Construction.....	4.46	25,500,000	-	1,500,000	24,000,000
High school.....	4.37	2,555,000	-	145,000	2,410,000
Shamrock school.....	4.63	135,000	-	15,000	120,000
MWPAT - stormwater (06-05).....	2.00	273,032	-	27,967	245,065
MWPAT - stormwater (05-12).....	2.00	204,774	-	20,975	183,799
MWPAT - stormwater (07-15).....	2.00	250,000	-	11,099	238,901
Total.....		\$ 42,142,833	\$ -	\$ 6,064,316	\$ 36,078,517

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

Year	Principal	Interest	Total
2011.....	\$ 2,533,963	\$ 1,494,609	\$ 4,028,572
2012.....	2,530,418	1,393,542	3,923,960
2013.....	2,526,912	1,292,637	3,819,549
2014.....	2,523,538	1,191,793	3,715,331
2015.....	2,520,219	1,083,205	3,603,424
2016.....	2,241,721	980,273	3,221,994
2017.....	2,228,069	891,114	3,119,183
2018.....	2,229,443	834,026	3,063,469
2019.....	2,157,251	711,182	2,868,433
2020.....	2,157,499	615,310	2,772,809
2021.....	2,162,751	513,374	2,676,125
2022.....	2,163,009	414,439	2,577,448
2023.....	2,163,271	318,815	2,482,086
2024.....	2,163,540	222,814	2,386,354
2025.....	1,938,813	129,500	2,068,313
2026.....	1,654,092	45,571	1,699,663
2027.....	154,377	3,710	158,087
2028.....	14,667	446	15,113
2029.....	14,964	150	15,114
Total.....	\$ 36,078,517	\$ 12,136,510	\$ 48,215,027

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Interest Rate (%)	Beginning Balance	Proceeds	Payments	Ending Balance
Water system improvements.....	5.03	\$ 979,000	\$ -	\$ 979,000	\$ -
MWPAT - water (00-07).....	0.00	3,496,617	-	239,146	3,257,471
Water mains and well development 1.....	3.97	730,000	-	50,000	680,000
Water mains and well development 2.....	3.97	1,545,000	-	100,000	1,445,000
Water mains and well development 3.....	3.99	480,000	-	30,000	450,000
Water mains and well development 4.....	3.97	1,400,000	-	90,000	1,310,000
Shaker Glenn pump station 2.....	3.96	585,000	-	40,000	545,000
Rag Rock tank improvements 2.....	3.25	525,000	-	90,000	435,000
MWRA - pipeline assistance.....	0.00	880,000	-	110,000	770,000
Water system improvements.....	4.63	200,000	-	20,000	180,000
MWRA - pipeline assistance.....	0.00	1,080,000	-	120,000	960,000
Water system improvements.....	4.18	6,500,000	-	-	6,500,000
Refunding - water system improvements.....	3.83	900,000	-	-	900,000
MWRA - pipeline assistance.....	0.00	-	1,154,330	-	1,154,330
Sub-total water.....		<u>19,300,617</u>	<u>1,154,330</u>	<u>1,868,146</u>	<u>18,586,801</u>
Sewer system improvements.....	5.03	550,000	-	550,000	-
MWRA - infiltration/inflow.....	0.00	107,800	-	107,800	-
MWRA - infiltration/inflow.....	0.00	109,065	-	36,355	72,710
Refunding - sewer system improvements.....	3.83	505,000	-	-	505,000
MWRA - infiltration/inflow.....	0.00	-	949,025	-	949,025
Sub-total sewer.....		<u>1,271,865</u>	<u>949,025</u>	<u>694,155</u>	<u>1,526,735</u>
Total enterprise funds.....		<u>\$ 20,572,482</u>	<u>\$ 2,103,355</u>	<u>\$ 2,562,301</u>	<u>\$ 20,113,536</u>

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
2011.....	\$ 1,609,064	\$ 694,097	\$ 2,303,161
2012.....	1,621,593	651,148	2,272,741
2013.....	1,590,238	600,853	2,191,091
2014.....	1,605,238	555,102	2,160,340
2015.....	1,620,238	513,428	2,133,666
2016.....	1,365,433	465,501	1,830,934
2017.....	1,380,433	418,777	1,799,210
2018.....	1,285,433	367,308	1,652,741
2019.....	1,165,433	313,335	1,478,768
2020.....	1,180,433	260,830	1,441,263
2021.....	955,000	223,049	1,178,049
2022.....	625,000	189,180	814,180
2023.....	640,000	163,084	803,084
2024.....	650,000	136,271	786,271
2025.....	665,000	108,430	773,430
2026.....	400,000	85,768	485,768
2027.....	405,000	68,509	473,509
2028.....	430,000	50,244	480,244
2029.....	450,000	30,994	480,994
2030.....	470,000	10,575	480,575
Total.....	\$ <u>20,113,536</u>	\$ <u>5,906,483</u>	\$ <u>26,020,019</u>

The Massachusetts Water Resource 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. The loans are payable in five equal annual installments. At June 30, 2010, the outstanding principal amount of these loans totaled \$1,021,735.

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 \$35,759. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$205,680. 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 2010 interest subsidy totaled \$3,524.

The Water Enterprise Fund is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$970,758 and interest costs for \$709,193. Thus, net MWPAT loan repayments, including interest, are schedule to be \$2,565,081. The principal subsidies are guaranteed and therefore a \$970,758 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 2010 principal and interest subsidies totaled \$56,881 and \$128,021, respectively.

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, 2010, the City had the following authorized and unissued debt:

Purpose	Amount
Landfill closure.....	\$ 500,000
School construction and repairs.....	30,345,724
Storm water/drainage improvements.....	6,824,422
Sewer improvements.....	1,373,225
Water improvements.....	9,621,561
Land acquisition.....	9,700,000
Total.....	\$ 58,364,932

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities:					
Compensated absences.....	\$ 6,943,000	\$ 2,021,000	\$ (1,973,000)	\$ 6,991,000	\$ 2,013,000
Pension funding liability.....	91,271	-	(91,271)	-	-
Other postemployment benefits....	3,888,581	13,128,630	(6,163,374)	10,853,837	-
Long-term bonds and notes.....	42,142,833	-	(6,064,316)	36,078,517	2,533,963
Total.....	\$ 53,065,685	\$ 15,149,630	\$ (14,291,961)	\$ 53,923,354	\$ 4,546,963
Business-type Activities:					
Unamortized bond premiums.....	\$ 50,011	\$ -	\$ (7,280)	\$ 42,731	\$ 6,773
Compensated absences.....	120,000	155,000	(54,000)	221,000	55,000
Other postemployment benefits....	56,503	144,731	(67,946)	133,288	-
Long-term bonds and notes.....	20,572,482	2,103,355	(2,562,301)	20,113,536	1,609,064
Total.....	\$ 20,798,996	\$ 2,403,086	\$ (2,691,527)	\$ 20,510,555	\$ 1,670,837

NOTE 8 - 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 9 - 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 \$11,403,819 for the fiscal year ended June 30, 2010, 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, 2009, the System’s membership consists of the following:

Active members.....	570
Inactive members.....	83
Disabled members.....	35
Retirees and beneficiaries currently receiving benefits.....	<u>367</u>
 Total.....	 <u><u>1,055</u></u>

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

Annual Pension Cost - The City’s contributions to the System for the fiscal years ended June 30, 2010, 2009, and 2008 were \$4,333,616, \$4,200,465, and \$4,086,559, respectively, which equaled its required contribution for each fiscal year. At June 30, 2010, 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, 2010, was 26 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.

Noncontributory Retirement Allowance - The City pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for Fiscal 2010 totaled approximately \$39,000.

NOTE 10 – 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 between 75% to 90% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 10% to 25% 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.....	\$ 13,220,391
Interest on net OPEB obligation.....	197,254
Adjustment to annual required contribution.....	<u>(144,284)</u>
Annual OPEB cost (expense).....	13,273,361
Contributions made.....	<u>(6,231,320)</u>
Increase in net OPEB obligation.....	7,042,041
Net OPEB obligation--beginning of year.....	<u>3,945,084</u>
Net OPEB obligation--end of year.....	<u>\$ 10,987,125</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 2010 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>
6/30/2010	\$ 13,273,361	47%	\$ 10,987,125
6/30/2009	12,545,242	69%	3,945,084

Funded Status and Funding Progress – As of June 30, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$208,491,596, 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, 2009, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 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 10% initially, graded to 5% over 7 years and included a 4.5% inflation assumption. The UAAL is being amortized using a 30 year open amortization method, with amortization payments increasing at 4.5% per year. The remaining amortization period at June 30, 2010 is 29 years.

NOTE 11 - 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, 2010, 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, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2010.

NOTE 12 - COMMITMENTS

The City is in the process of constructing the Goodyear Elementary School and has entered into, or is planning to enter into, contracts totaling approximately \$26.5 million to complete the project.

The City is in the process of completing various water 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 \$9.3 million to complete the projects.

NOTE 13 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2010, the following GASB pronouncements were implemented:

- The GASB issued Statement #57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which is required to be implemented in fiscal year 2010. This standard did not impact the basic financial statements.
- The GASB issued Statement #58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which is required to be implemented in fiscal year 2010. This standard did not impact the basic financial statements.

Future Implementation of GASB Pronouncements

- The GASB issued Statement #54, *Fund Balance Reporting and Government Fund Type Definitions*, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.
- The GASB issued Statement #59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010.

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Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2010

	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..... \$	-	\$ 81,944,498	\$ 81,944,498	\$ 81,944,498
Tax liens.....	-	-	-	-
Motor vehicle excise taxes.....	-	4,653,000	4,653,000	4,653,000
Hotel/motel tax.....	-	1,600,000	1,600,000	1,600,000
Penalties and interest on taxes.....	-	476,000	476,000	476,000
Intergovernmental.....	-	12,887,012	12,887,012	12,887,012
Departmental and other.....	-	1,196,000	1,196,000	1,196,000
Investment income.....	-	500,000	500,000	500,000
TOTAL REVENUES.....	-	103,256,510	103,256,510	103,256,510
EXPENDITURES:				
Current:				
General government.....	283,827	3,038,165	3,321,992	3,578,076
Public safety.....	208,293	14,935,729	15,144,022	15,982,524
Education.....	610,061	46,482,722	47,092,783	47,077,787
Public works.....	904,741	8,555,513	9,460,254	9,098,547
Human services.....	44,318	550,897	595,215	1,027,036
Culture and recreation.....	71,657	1,731,481	1,803,138	1,816,959
Pension benefits.....	-	4,399,090	4,399,090	4,380,269
Employee benefits.....	451,944	15,010,940	15,462,884	15,537,884
State and county charges.....	-	3,750,644	3,750,644	3,750,644
Capital outlay.....	1,852,444	-	1,852,444	2,552,444
Debt service:				
Principal.....	-	900,959	900,959	6,064,316
Interest.....	-	504,798	504,798	2,002,203
TOTAL EXPENDITURES.....	4,427,285	99,860,938	104,288,223	112,868,689
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(4,427,285)	3,395,572	(1,031,713)	(9,612,179)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	1,389,049	1,389,049	5,811,890
Transfers out.....	-	(2,829,740)	(2,829,740)	(2,829,740)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(1,440,691)	(1,440,691)	2,982,150
NET CHANGE IN FUND BALANCE.....	(4,427,285)	1,954,881	(2,472,404)	(6,630,029)
BUDGETARY FUND BALANCE, Beginning of year.....	17,082,587	17,082,587	17,082,587	17,082,587
BUDGETARY FUND BALANCE, End of year..... \$	12,655,302	19,037,468	14,610,183	10,452,558

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	81,726,529	\$ -	\$ (217,969)
	158,177	-	158,177
	4,561,070	-	(91,930)
	1,481,216	-	(118,784)
	527,580	-	51,580
	13,299,547	-	412,535
	1,562,573	-	366,573
	363,111	-	(136,889)
	<u>103,679,803</u>	<u>-</u>	<u>423,293</u>
	3,207,751	148,382	221,943
	15,683,596	165,355	133,573
	45,568,465	1,281,650	227,672
	8,927,623	711,530	(540,606)
	963,652	51,301	12,083
	1,700,646	74,361	41,952
	4,372,525	-	7,744
	14,954,771	656,919	(73,806)
	3,748,959	-	1,685
	641,027	1,903,002	8,415
	6,064,316	-	-
	<u>1,873,283</u>	<u>-</u>	<u>128,920</u>
	<u>107,706,614</u>	<u>4,992,500</u>	<u>169,575</u>
	<u>(4,026,811)</u>	<u>(4,992,500)</u>	<u>592,868</u>
	5,811,890	-	-
	<u>(2,829,740)</u>	<u>-</u>	<u>-</u>
	<u>2,982,150</u>	<u>-</u>	<u>-</u>
	(1,044,661)	(4,992,500)	592,868
	<u>17,082,587</u>	<u>-</u>	<u>-</u>
\$	<u><u>16,037,926</u></u>	<u><u>(4,992,500)</u></u>	<u><u>592,868</u></u>

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)
6/30/2009	\$ -	\$ 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
6/30/2010	\$ 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.

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	June 30, 2009
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	30 year open amortization method with payments increasing at 4.5% per year
Remaining amortization period.....	29 years as of July 1, 2010

Actuarial Assumptions:

Investment rate of return.....	5.0%, pay-as-you-go
Medical cost trend rate.....	10.0% graded to 5.0% over 7 years
Inflation assumption.....	4.5%

Plan Membership:

Current retirees, beneficiaries, and dependents....	937
Current active members.....	<u>876</u>
Total.....	<u><u>1,813</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 2010 approved budget authorized approximately \$107.1 million in appropriations, carryforwards, and other amounts to be raised. During fiscal year 2010, the Council also approved supplemental appropriations totaling approximately \$8.6 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, 2010, is presented below:

Net change in fund balance - budgetary basis.....	\$ (1,044,661)
<u>Basis of accounting differences:</u>	
Net change in market value of investments.....	31,384
Net change in recording 60-day receipts.....	194,000
Net change in recording tax refunds payable.....	(30,000)
Net change in recording the search for unrecorded liabilities.....	95,639
Increase in revenues due to on-behalf payments.....	11,403,819
Increase in expenditures due to on-behalf payments.....	<u>(11,403,819)</u>
Net change in fund balance - GAAP basis.....	<u>\$ (753,638)</u>

3. Appropriation Deficits

For the fiscal year ended June 30, 2010, actual expenditures and encumbrances exceeded appropriations for snow and ice and employee benefits. These over-expenditures will be funded by the fiscal 2011 tax rate.

NOTE B – 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.