

CITY OF EVERETT

MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Year Ended June 30, 2014

Carlo DeMaria, Jr., Mayor
Richard Viscay, City Auditor

Prepared by the City of Everett Finance Department

On the Cover – Everett High School

Everett's City Fest



CITY OF EVERETT, MASSACHUSETTS

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Prepared by the Finance Department

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JUNE 30, 2014

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Introductory Section

Frederick E. Parlin Memorial Library



Introductory Section

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City of Everett, Massachusetts

Finance Department
484 Broadway
Everett, MA 02149
Ph. (617) 394-2214
Fax (617) 394-2453

Richard.Viscay@ci.everett.ma.us

Letter of Transmittal

January 29, 2015

Richard Viscay, CFO/City Auditor

To the Honorable Mayor, Members of the City Council and Citizens of the City of Everett, Massachusetts:

At the close of each year, state law requires the City of Everett to publish a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Everett, Massachusetts, for the year ending June 30, 2014 for your review.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the year ended June 30, 2014, are fairly presented in conformity with GAAP.

The City of Everett's financial statements have been audited by Powers & Sullivan, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the year ended June 30, 2014 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with

special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Everett's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement that analysis and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City

The City of Everett is located in Middlesex County. It is bordered on the north by the City of Malden, on the east by the Cities of Revere and Chelsea, on the west by the Cities of Medford and Somerville, and on the south by the Mystic River and the City of Boston. Everett has a population of 41,667 (according to the 2010 Federal Census) and occupies a land area of 3.36 square miles. Modern transportation facilities are available to residents and commercial enterprises in the City of Everett. The City maintains a total of 56 miles of roads. Bus transportation within the City and throughout the local region is provided by the Massachusetts Bay Transportation Authority (MBTA). The MBTA maintains a major repair facility in the City.

Incorporated as a town in 1870, and as a city in 1892, Everett had been governed by a Mayor-Council-Alderman form of government, with a two year Mayor, seven aldermen (elected at large), and eighteen councilors (3 elected from each ward). However, on January 1, 2014, the City's Council/Aldermen form of government converted to an elected 11 member City Council, and the Mayor's term converted to 4 years.

The Mayor is elected for four years in November of odd-numbered years. The Mayor is the administrative head of the City. The Mayor acts with the City Council to carry out City business. The Mayor appoints his office staff, the City Solicitor, and the Assistant City Solicitor without City Council confirmation. The appointments of most City department heads, and members of the various boards and commissions, however, require City Council confirmation. The Mayor has the right to veto any order, resolution, or ordinance passed by the Council. However, a veto may be overturned by a two-thirds vote of all councilors. After reviewing and revising estimates prepared by department heads, the Mayor submits the budget to the City Council for final action. The Mayor approves all municipal payrolls, vouchers, contracts and instruments; and recommends bond issues, legislations and orders to the City Council; and represents the City with other levels of government. As the general administrator of all City departments, the Mayor is consulted by department heads pertaining to the City's welfare.

The City Council is primarily the legislative branch of the City government. As the legislative body, the Council confirms appointments made by the Mayor and appropriates all monies necessary for City operation. It can approve, disapprove, or reduce the amount of appropriations, but not add to the appropriation. The Council receives orders of recommendation by the Mayor and petitions from the public, and acts on them after committee study. The City Council also has the power to enact the ordinances and other regulations. A majority of the City Council constitutes a quorum, and the affirmative vote of a majority of all the members of the Council is necessary for the adoption of any motion resolution, or ordinance. In some instances, adoption by a two-thirds vote of the members is required by statute.

The City provides general governmental services for the territory within its boundaries, including police and fire protection, disposal of garbage and rubbish, public education in grades K-12, street maintenance, and parks and recreational facilities. Water and sewer services are provided via connections to the Massachusetts Water Resources Authority. Vocational technical education is provided at the high school level by the City. The entire area of the City is served by the municipal water and sewer system.

The Everett Housing Authority is responsible for managing 671 units of State aided elderly and family housing units for the City. Of the 671 units, 279 are for elderly and 392 are designated for families. These units are owned and operated by the Authority. The Everett Housing Authority does not meet the criteria to be considered a component unit of the City.

In the City of Everett, within 170 days after the annual organization of the city government (which is ordinarily in early January), the Mayor is required to submit a budget of proposed expenditures for the year beginning on the next July 1. The City Council may make appropriations for the recommended purposes and may reduce or reject any item. Without a recommendation of the Mayor, the council may not make any appropriation for a purpose not included in the proposed budget, except by a 2/3 vote in the case of a failure of the Mayor to recommend an appropriation for such purpose within seven days after request from the City Council. If the council fails to act on any item of the proposed budget within 45 days, that item takes effect.

The amount raised on the tax recapitulation sheet approved by the Department of Revenue for 2014 totaled approximately \$178.6 million, which includes Real & Personal Property tax revenue, State Revenues, Massachusetts School Building Authority (MSBA) Revenue, local revenues, transfers in of approximately \$2.8 million from Free Cash, Stabilization Fund and Parking Meter Receipts Reserved for appropriation, (to reduce the tax rate), and approximately \$600,000 of indirect costs from the Water & Sewer Enterprise funds. These revenues cover general fund budgeted expenses and deficits raised including snow and ice, water and sewer enterprise fund revenue deficit, and overlay deficit. These also include enterprise fund expenses.

The City includes the Everett Retirement System (the System) in its financial reporting since the City represents approximately 96% of the members of the System. The System was established to provide retirement benefits to its members, including employees and beneficiaries of the City of Everett and the Everett Housing Authority.

Factors Affecting Economic Condition

According to the Massachusetts Division of Employment and Training preliminary data, in February 2013 the City had a total labor force of 21,327 of which 19,869 were employed and 1,458 or 6.8% were unemployed as compared with 6.8% for the Commonwealth. Everett is a diverse City, a blue collar community with many of its residents working in the trade, transportation, and utility fields. Closely behind are residents working in the education and health services industry.

Power Plant

The City of Everett is home to a power plant containing a multi-unit gas-fueled 1,968 megawatt (MW) steam turbine, electric power generating station. The site was originally developed by Boston Edison Company in the early 1940's with three coal-fired steam generators. The power plant increased development in the 1950's and 1960's; which lead to the construction of three additional units that were eventually converted to oil. A 578 MW unit was added in 1975 and an 8.6 WM jet-turbine generator was added in 1969 and upgraded in 1990 that was used as a "peaking" unit.

As a result of the Massachusetts Electric Utility Restructuring Act of 1997, Boston Edison sold Mystic Station along with its other generating assets for a reported \$536 million to Sithe Energies. Exelon Generation Company, LLC acquired Sithe New England in 2002. In 2003, Exelon completed the addition of two new Raytheon built combined-cycle generators to the site, with a generating capacity of 1,400 MG.

Currently, the plant's primary fuel source is a liquefied natural gas (LNG) terminal adjacent to the facility along the Mystic River, currently owned by Distrigas of Massachusetts, who relies on off-shore supplies of LNG. The site also contains a substation, switchyards and transformers for supplying power to the electricity grid.

The City of Everett entered into a tax increment financing (TIF) agreement allowed under G.L. Chapter 40 Section 59. The TIF is for a twenty (20) year period from 2001 through 2020. The total TIF payment for this period is \$329 million dollars, paid in annual installments of \$17.9 million per year during years 2001 - 2010 and \$15 million per year during years 2011 - 2020.

For year 2014, the power plant's payment of \$15 million represented 17.7% of the total tax levy of \$84.6 million.

Wynn Everett

On September 15, 2014, the Massachusetts state gaming commission formally voted to award the eastern Massachusetts casino license to Wynn Resorts for its plan in Everett. Prior to the license being awarded to Wynn, the City and Wynn entered into a host agreement, which memorialized the economic and social commitments to the City of Everett. In summary, the City will receive a \$30 million advance payment for a Community Enhancement Fund that will be paid during the construction period. Also, once the resort opens for business, the City will receive an additional \$25 million per year that will increase 2.5% per year for the life of the agreement. Furthermore, Wynn will fund \$250,000 annually, and shall increase by 2.5% annually, to the Everett Citizens Foundation, which will support local groups, associations, and programs with important City initiatives.

These sum specific payments, as well as the conservatively estimated \$2.5 million per year in hotel and restaurant taxes paid by Wynn customers, will benefit the City and its residents for decades. No payments have been made to the City as of the date of this letter, but the administration has worked these projected payments into future planning and forecasting for the City.

Financial Planning and Forecasting

In 2014, the City modified its budget format to improve upon its content and layout. The goal was to have a comprehensive budget that would allow an average person to read and comprehend the budget and budget process of the City. It also was modeled after several budgets that were submitted and approved for the Government Financial Officer's Association (GFOA) "Distinguished Budget Presentation Award". The new model included more narrative, including goals and objectives of each department, financial forecasts, policies and glossary of financial terms. It required a significant amount of work for all department heads and especially the finance division, who had to ensure all the materials were pulled together timely for submission to both the City Council and the GFOA. The City has submitted its budget to the GFOA with the hope that the "Distinguished Budget Presentation Award" is granted for 2015.

Included in the budget was the City's Five Year Financial Forecast. This is the second year that such a forecast has been completed. This forecast acts as a useful tool to the Mayor and Council to better identify "budget busters" on the expenditure side and to also determine whether forecasted revenue growth is adequate for future expenses. Also included in the budget was the City's Five Year Capital Improvement Plan (CIP) for the purpose of planning and maintaining the City's capital and infrastructure. The CIP includes policies on debt service and capital improvement budgeting.

As part of the 2014 CIP, the City proposed \$1 million of free cash for capital improvements, including replacement of departmental vehicles, as well as infrastructure repairs of playground equipment and technology upgrades. Other highlights of the 2014 CIP include the investment of \$3 million for infrastructure repairs to streets and sidewalks, \$800,000 for smart boards in all classrooms at the Everett Public Schools, and \$600,000 for a new pumper truck for the Fire Department.

Fixed Costs - Health Insurance and Pension Assessment

Health Insurance

The City manages a self-insured health claims trust account with the help of a third party administrator. Health insurance costs are split 85% employer and 15% employee contribution and offers three plans for its employees (and retirees under 65) through Blue Cross and Harvard Pilgrim. Retirees that retired on or before April 15, 2003 were grandfathered into contribution splits of 97% employer and 3% employee; however, those who retired after April 15, 2003 have the same contribution rates as the active employees. The total appropriation needed to fund the City's share of health insurance for its employees and retirees was \$18.1 million for 2014.

The City's 2014 health claims trust ended with cash of \$7.9 million dollars and \$1.2 million of a working capital deposit. With regard to expenses, the City has booked health claims expenses that have been "incurred but not reported" (IBNR) at \$2.1 million. IBNR are expenses that have occurred, typically in May and June of 2014, but have not been processed for payment prior to June 30, 2014, and therefore, are a liability to the trust. The health claims trust account has a total net position of \$6.9 million as of June 30, 2014. The City expects to incur \$700,000 for health reimbursement expenses for certain copayments made by City employees due to plan changes.

Pension Assessment

The City contributes to the City of Everett Contributory Retirement System, established under Chapter 32 of the Massachusetts General Laws. Benefits paid under the plan include an annuity portion funded from amounts contributed by the participants, and a pension portion funded by the City. The participants contribute a percentage of their compensation annually (between 5%-11%), determined by their date of employment and annual compensation. There are approximately 590 retired persons or surviving beneficiaries currently receiving pensions under the contributory and non-contributory plans.

The Everett Retirement Board completed its most recent actuarial valuation summary for January 1, 2014. The next actuarial valuation will take place in January 2016. The study was performed by the Public Employee Retirement Administration Commission (PERAC) and was delivered to the Retirement Board in June of 2014. The study reported actuarial assets of the system as of January 1, 2014 of \$89.0 million and an unfunded liability of \$118.8 million.

The new actuarial report has revised its investment return assumption from 8.0% to 7.75%. While this assumption increases the unfunded liability, the conservative approach will allow the Board to make better decisions with regard to funding schedules. As such, the Board adopted a funding schedule which will fully amortize the existing unfunded liability with amortization payments that increase 4.5% per year. The total 2014 appropriation for the system is \$12.5 million, with the City's share of 96% amounting to \$12 million.

Other Significant Financial Matters

Financial Policy

The City has set a goal to fund the Stabilization Fund in the amount of 10% of the City's current operating budget, or \$14.5 million. As of June 30, 2014, the balance in the City's Stabilization Fund is \$10.7 million. The target date to have the Stabilization Fund fully funded is projected to occur by 2018. The Stabilization Fund shall be funded by appropriations from free cash (available funds), operating budget appropriations when available, and other one-time non-recurring revenues that become available for appropriation per Massachusetts General Law.

In 2014, the City established a second Stabilization Fund (Capital Improvement Stabilization Fund) for the funding of capital items proposed as part of the comprehensive five-year Capital Improvement Program. The City has set a goal to fund the Capital Improvement Stabilization Fund in the amount of 20% of any free cash available after funding a prior year drawdown of the Stabilization Fund. As of June 30, 2014, the balance in the City's Capital Improvement Stabilization Fund is \$500,000.

Also, in 2014, the City established a third Stabilization Fund (Employee Leave Buyback Stabilization Fund) for the funding of retirement buyouts as well as other buybacks of accrued sick and vacation time as allowed by collective bargaining agreements. As of June 30, 2014, the balance of this account was \$200,000. The goal of the Employee Leave Buyback Stabilization Fund is to pay for any unanticipated retirements and buyouts from this fund instead of using general fund appropriations. This will allow the departments to backfill vacancies and pay attendance bonuses in a timely manner without having to request a supplemental appropriation by the Council.

In 2013, the City adopted Massachusetts General Law Chapter 32B, Section 20, establishing the "Other Postemployment Benefits (OPEB) Liability Trust Fund" as a local option. This fund gives communities a mechanism to reduce the unfunded actuarial liability of health care and other postemployment benefits. The City currently has \$797,000 in the account. Future appropriations will be made to this fund in accordance with financial policies of the Finance Department of the City.

As defined by the Massachusetts budgetary basis of accounting, free cash is the remaining unrestricted funds from operations of the previous year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax rate recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30th, which is submitted by the community's auditor, accountant, or comptroller. Free cash is not available for appropriation until certified by the Massachusetts Director of Accounts. Free cash is the term used for a community's funds that are available for appropriation. Once free cash is certified, it is available for appropriation by City Council. The June 30, 2014 balance for free cash was certified in mid-October in the amount of \$5.4 million which is available for use in 2015.

Free cash may be used for any lawful municipal purpose and provides communities with flexibility to fund additional appropriations after the tax rate has been set. Free cash balances do not carry forward to the next year (July 1st). The certification expires on June 30th at the end of the year.

The City's policy is to use free cash for reserves, capital, and special uses in accordance with the policies set forth by the Mayor and Chief Financial Officer. Once free cash is certified by the Director of Accounts, any drawdown of the Stabilization Fund from the prior year shall be replenished from the certified free cash if the free cash exceeds such drawdown. Once any drawdown of Stabilization funds are replenished, allocation of the remaining free cash shall be as follows:

- 15% of any free cash available after funding a prior year drawdown will also be allocated from free cash to the Stabilization Fund up to the goal of the Stabilization Fund equaling 10% of the current operating budget of the City.
- 20% of any free cash available after funding a prior year drawdown of the Stabilization Fund will also be allocated to the Capital Improvement Fund for funding Capital.
- 15% of any free cash available after funding any drawdown will be allocated to the OPEB Liability Trust Fund.

Any free cash available after funding the above may be used to augment trust funds related to fringe benefits and unfunded liabilities related to employee benefits, including Workers' Compensation Fund, Unemployment Fund, and any health benefits payable through Police and Fire operating budgets (111f settlements). Free cash available may also be used to augment general fund appropriations for expenses that increased due to extraordinary and/or unforeseen events as detailed by the department head of the affected budget.

Awards and Acknowledgements

2014 will be the first year that the City submits a CAFR to the GFOA. It is our hope to receive this prestigious award, and we believe that our current CAFR will meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for our first certificate. The CAFR that the City has submitted is an easily readable and efficiently organized document that satisfies both generally accepted accounting principles and applicable legal requirements.

Also, the City has submitted its 2015 budget with the hope that we will receive our first "Distinguished Budget Presentation Award" for our budget document for the year beginning July 1, 2014. The GFOA established the Distinguished Budget Award in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's recommended practices on budgeting and then to recognize individual governments that succeed in achieving that goal.

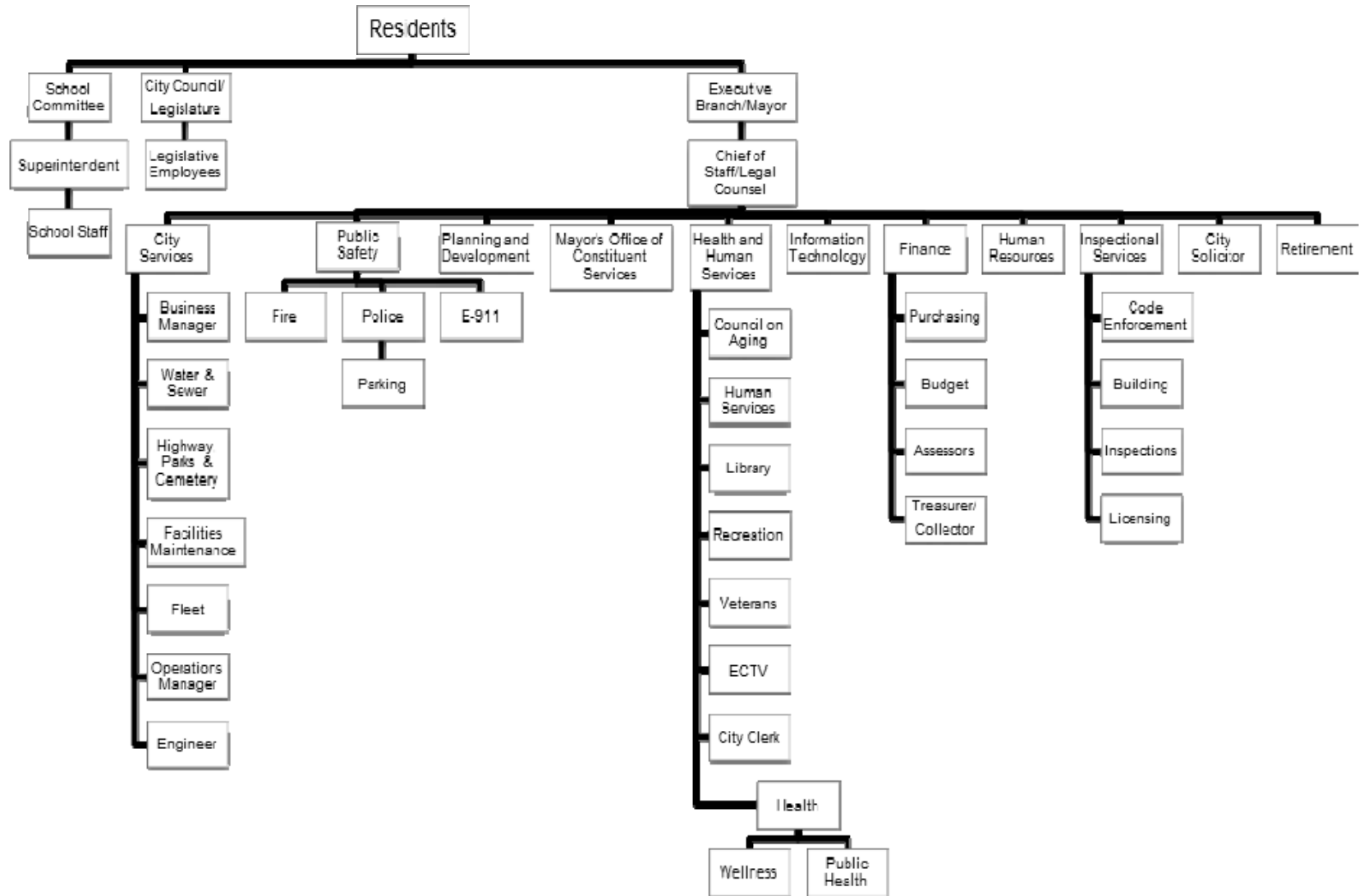
The preparation of both the CAFR and the 2015 Annual budget would not have been possible without the efficient and dedicated services of the Finance Department's staff. We would like to express our appreciation to all the members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the City Council and Mayor for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Everett's finances.

Respectfully submitted,



Richard Viscay
City Auditor

Organizational Chart





TITLE	NAME	MANNER OF SELECTION	TERM EXPIRES
Mayor	Carlo DeMaria, Jr.	Elected	2018
Ward One, City Coucil President	Fred Capone	Elected	2015
Ward Two, City Coucilor	Stephen Simonelli	Elected	2015
Ward Three, City Councilor	Michael K. Marchese	Elected	2015
Ward Four, City Coucilor	John Leo McKinnon	Elected	2015
Ward Five, City Coucilor	Rosa DiFlorio	Elected	2015
Ward Six, City Coucilor	Salvatore Sachetta	Elected	2015
At-Large Councilor	Richard J. Dell Isola, Jr.	Elected	2015
At-Large Councilor	John F. Hanlon	Elected	2015
At-Large Councilor	Michael J. Mangan	Elected	2015
At-Large Councilor	Peter A. Napolitano	Elected	2015
At-Large Councilor	Cynthia Sarnie	Elected	2015
City Auditor	Richard Viscay	Appointed	2016
Treasurer/Collector	Domenico D'Angelo	Appointed	(a)
City Solicitor	Colleen Mejia	Appointed	(a)
City Clerk	Michael Matarazzo	Appointed	n/a

(a) The term has expired however they continue to serve in that position.

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Financial Section

Welcome to Everett
Everett City Hall



City Council Chambers



Financial Section

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

Independent Auditor's Report

To the Honorable City Council
City of Everett, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everett, Massachusetts, as of and for the year ended June 30, 2014 (except for the Everett Contributory Retirement System which is as of and for the year ended December 31, 2013), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everett, Massachusetts, as of June 30, 2014 (except for the Everett Contributory Retirement System which is as of December 31, 2013), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Everett, Massachusetts' basic financial statements. The introductory section, combining and individual fund statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, as listed in the table of contents, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2015, on our consideration of the City of Everett, 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* in considering the City of Everett, Massachusetts' internal control over financial reporting and compliance.



January 29, 2015

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Everett, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2014. The City complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB).

The 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 Everett exceeded its liabilities at the close of the most recent year by \$131.7 million (net position).
- At the close of the current year, the City's general fund reported an ending fund balance of \$27.3 million, an increase of \$3.6 million in comparison with the prior year. Total fund balance represents 16% of total general fund expenditures.
- The City transferred an additional \$774,000 to the general stabilization fund in 2014. The City also appropriated \$1.1 million of general stabilization fund balance to reduce the tax levy. At year-end, the general stabilization fund balance totaled \$10.7 million.
- The City established a capital improvement stabilization fund and the employee leave buy back stabilization fund in 2014 and transferred \$500,000 and \$200,000, respectively into each fund.
- The City established the other postemployment benefit (OPEB) trust fund in 2014 and transferred \$774,000 into the fund. At year-end, the net position of the OPEB trust fund totaled \$797,000.
- The OPEB liability increased by \$9.2 million during the current year and the year-end balance totaled \$55.5 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Everett's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements focus on both the City as a whole (government-wide) and the fund 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 parts 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 supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the

change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements include not only the City of Everett itself (known as the *primary government*), but also a legally separate public employee retirement system for which the City of Everett 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. The focus of the City of Everett's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Everett's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

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 Everett adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains two types of propriety funds.

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 water and sewer activities.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to employees' health insurance, workers compensation insurance and other insurance.

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City of Everett's net position exceeded liabilities by \$131.7 million at the close of 2014.

Net position of \$137 million reflects its net investment in capital assets (e.g., land, land improvements, buildings and building improvements, machinery and equipment, vehicles and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the governmental net position, \$9.8 million, represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* has a year-end deficit of \$15.1 million. The primary reason for this deficit balance is the recognition of the other postemployment benefits liability totaling \$55.4 million.

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

Governmental Activities

The City of Everett's assets and deferred outflows or resources exceeded liabilities for governmental activities by \$84.7 million at the close of 2014.

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets.....	\$ 75,822,545	\$ 68,828,661
Noncurrent assets (excluding capital).....	8,319,916	9,778,543
Capital assets not being depreciated.....	9,629,230	11,076,123
Capital assets, net of accumulated depreciation.....	129,022,307	126,177,920
Total assets.....	<u>222,793,998</u>	<u>215,861,247</u>
Deferred Outflows of Resources:		
Deferred charges on refunding.....	<u>349,696</u>	<u>456,653</u>
Liabilities:		
Current liabilities (excluding debt).....	19,575,736	19,270,207
Noncurrent liabilities (excluding debt).....	58,406,031	49,330,665
Current debt.....	6,530,714	5,414,415
Noncurrent debt.....	53,972,430	51,283,891
Total liabilities.....	<u>138,484,911</u>	<u>125,299,178</u>
Net Position:		
Net investment in capital assets.....	94,083,135	98,104,115
Restricted.....	9,824,106	5,999,017
Unrestricted.....	(19,248,458)	(13,084,410)
Total net position.....	<u>\$ 84,658,783</u>	<u>\$ 91,018,722</u>

	2014	2013
Program revenues:		
Charges for services.....	\$ 5,096,771	\$ 4,988,408
Operating grants and contributions.....	86,695,171	75,085,851
Capital grants and contributions.....	2,179,025	1,978,776
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	82,487,277	88,633,872
Tax liens.....	1,217,971	1,387,186
Motor vehicle and other excise taxes.....	3,180,085	2,940,909
Local option meals tax.....	488,112	457,561
Penalties & interest on taxes.....	878,084	932,498
Nonrestricted grants.....	6,505,939	5,958,553
Unrestricted investment income.....	118,278	87,761
Other revenues.....	22,449	23,521
Total revenues.....	188,869,162	182,474,896
Expenses:		
General government.....	11,400,759	10,218,563
Public safety.....	41,498,564	37,783,905
Education.....	119,353,198	113,182,318
City services and facilities.....	12,761,961	13,467,451
Community development.....	1,006,713	492,590
Human services.....	3,096,636	2,986,073
Libraries and recreation.....	2,634,069	2,389,294
Interest.....	2,306,058	2,601,124
Total expenses.....	194,057,958	183,121,318
Change in net position before transfers.....	(5,188,796)	(646,422)
Transfers, net.....	(1,171,143)	466,593
Change in net position.....	(6,359,939)	(179,829)
Net position at beginning of the year.....	91,018,722	91,198,551
Net position at end of the year.....	\$ 84,658,783	\$ 91,018,722

The governmental expenses totaled \$194.1 million of which \$94.0 million (48%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$94.9 million, primarily coming from property taxes, motor vehicle excise taxes and non-restricted state aid. Property taxes decreased in 2014 due to the budgetary use of prior year surpluses to specifically reduce the tax burden on the taxpayers.

The governmental net position decreased by \$6.4 million during the current year. This was primarily due to a \$9.2 million increase in the OPEB liability and depreciation expense exceeding debt principal payments raised in the tax levy by \$1.7 million and the net effect of changes in other accruals. These decreases were offset by the recognition of \$2.2 million in capital grants and a \$3.5 million budgetary surplus.

Business-type Activities

For the City's business-type activities, assets exceeded liabilities by \$47.1 million at the close of 2014.

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets.....	\$ 7,289,571	\$ 5,466,627
Capital assets, net of accumulated depreciation.....	52,384,989	49,393,938
Total assets.....	<u>59,674,560</u>	<u>54,860,565</u>
Liabilities:		
Current liabilities (excluding debt).....	312,186	221,972
Noncurrent liabilities (excluding debt).....	430,809	342,068
Current debt.....	1,163,985	693,384
Noncurrent debt.....	10,701,849	7,353,867
Total liabilities.....	<u>12,608,829</u>	<u>8,611,291</u>
Net Position:		
Net investment in capital assets.....	42,882,536	42,401,805
Unrestricted.....	4,183,195	3,847,469
Total net position.....	<u>\$ 47,065,731</u>	<u>\$ 46,249,274</u>
Program revenues:		
Charges for services.....	\$ 13,946,348	\$ 13,891,640
Operating grants and contributions.....	21,018	8,636
Total revenues.....	<u>13,967,366</u>	<u>13,900,276</u>
Expenses:		
Water and sewer.....	14,322,052	13,475,796
Change in net position before transfers.....	(354,686)	424,480
Transfers, net.....	<u>1,171,143</u>	<u>(466,593)</u>
Change in net position.....	816,457	(42,113)
Net position at beginning of the year.....	<u>46,249,274</u>	<u>46,291,387</u>
Net position at end of the year.....	<u>\$ 47,065,731</u>	<u>\$ 46,249,274</u>

Business-type net position of \$42.9 million (91%) represents the net investment in capital assets while \$4.2 million (9%) is unrestricted. The City's business-type activities net position increased by \$816,000 in the current year.

The increase in net position was due to a budgetary revenue surplus totaling \$241,000, \$1.7 million transfer from the general fund to fund a prior year water and sewer shortfall, and a budgetary appropriation surplus totaling \$177,000. These increases were offset by \$1.0 million of depreciation expense and an \$88,000 increase in the OPEB liability.

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$42.9 million of which \$27.3 million is for the general fund; \$5.8 million is for the City capital projects fund and \$9.7 million is for nonmajor governmental funds. Cumulatively there was an increase of \$7.5 million in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$17.3 million, while total fund balance was \$27.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 10% of the total general fund expenditures, while total fund balance represents 16% of that same amount. \$2.4 million of fund balance is committed for continuing appropriations and \$7.6 million of fund balance is assigned for encumbrances to be carried forward to the next year.

In 2014, the City's general fund increased by \$3.6 million. This increase is primarily due to a \$7.9 million budgetary revenue surplus that was offset by the use of free cash to reduce the tax rate. The most significant factors contributing to the revenue surplus include \$3.8 million of real estate and personal property tax collections, \$1.2 million of tax lien collections, \$697,000 of motor vehicle excise tax collections, \$610,000 of charges for services, \$455,000 of licenses and permits, \$508,000 of charter school tuition reimbursements and \$240,000 of Medicaid reimbursements.

The City capital projects fund is used to account for the City's capital projects as identified in the City's capital plan, which includes yearly expenditures for infrastructure and other project activities. At the end of the current year, the fund had a positive balance totaling \$5.8 million. The balance is due to timing differences between the receipt and expenditure of proceeds from capital grants and long-term term borrowings that are permanently funding projects.

The internal service fund experienced an increase of \$2.8 million that is primarily due to better than anticipated claims experience and a reduction in the estimated liability for incurred but not reported claims.

General Fund Budgetary Highlights

During 2014, the City Council approved supplemental appropriations totaling \$3.4 million, which primarily related to capital articles and transfers to the other postemployment benefit trust fund and the general, capital and employee buyback stabilization funds.

Capital Asset and Debt Administration

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

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$191.0 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure.

The total additions to the governmental activities investment in capital assets for the current year were \$8.6 million. Major capital asset events during the current year included roadway improvements, Maddy English athletic field renovations, Glendale park renovations, the purchase of a new fire truck, Parlin elementary school improvements, the purchase of interactive white boards for school buildings, and renovations to the Shute library.

The \$4.0 million in additions to the business-type activities are attributable to water meter replacements and water main improvements.

Debt Administration. The City maintains a AA Bond Rating with Standard & Poor's Investors Service and continues to maintain strong market access for both note and bond sales.

Outstanding long-term debt for governmental activities, as of June 30, 2014, totaled \$59.9 million, of which \$45.1 million relates to school buildings, \$3.6 million relates to municipal buildings and \$11.2 million relates to other municipal purposes. The City issued \$8.6 million of additional long-term debt in 2014.

The Commonwealth has approved school construction assistance to the City. The assistance program which is administered by the MSBA provides resources for future debt service of general obligation school bonds outstanding. During 2014, \$1.9 million of such assistance was received and \$11.3 million will be received in future years. Of this amount, \$1.6 million represents reimbursement of long-term interest costs and \$9.7 million represents reimbursement of approved construction costs. Accordingly, a \$9.7 million intergovernmental receivable and corresponding deferred inflow of resources – unavailable revenue has been reported in the governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

At year end, the water and sewer enterprise fund has \$11.9 million of outstanding long-term debt, which funded various water and sewer infrastructure projects and is fully supported by rates and does not rely on a general fund subsidy. The City issued \$4.5 million of additional long-term debt in 2014.

Please refer to notes 4, 7, and 8 to the basic 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 Everett's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Auditor, City Hall, 484 Broadway, Everett, Massachusetts, 02149.

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Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2014

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 63,382,738	\$ 3,015,897	\$ 66,398,635
Investments.....	673,577	-	673,577
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	654,694	-	654,694
Tax liens.....	4,429,051	-	4,429,051
Motor vehicle and other excise taxes.....	542,009	-	542,009
User fees.....	-	4,273,674	4,273,674
Departmental and other.....	4,470	-	4,470
Intergovernmental.....	4,801,059	-	4,801,059
Loans.....	116,347	-	116,347
Working capital deposit.....	1,218,600	-	1,218,600
Total current assets.....	75,822,545	7,289,571	83,112,116
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	8,290,529	-	8,290,529
Loans.....	29,387	-	29,387
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	9,629,230	-	9,629,230
Depreciable.....	129,022,307	52,384,989	181,407,296
Total noncurrent assets.....	146,971,453	52,384,989	199,356,442
TOTAL ASSETS.....	222,793,998	59,674,560	282,468,558
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding.....	349,696	-	349,696
LIABILITIES			
CURRENT:			
Warrants payable.....	5,183,153	212,028	5,395,181
Accrued liabilities.....	25,210	-	25,210
Accrued payroll.....	8,863,513	10,816	8,874,329
Health claims payable.....	2,100,000	-	2,100,000
Tax refunds payable.....	529,235	-	529,235
Accrued interest.....	531,882	77,403	609,285
Other liabilities.....	364,355	-	364,355
Compensated absences.....	1,796,575	11,939	1,808,514
Workers' compensation.....	181,813	-	181,813
Bonds payable.....	6,530,714	1,163,985	7,694,699
Total current liabilities.....	26,106,450	1,476,171	27,582,621
NONCURRENT:			
Compensated absences.....	3,101,679	37,809	3,139,488
Workers' compensation.....	245,352	-	245,352
Other postemployment benefits.....	55,059,000	393,000	55,452,000
Bonds payable.....	53,972,430	10,701,849	64,674,279
Total noncurrent liabilities.....	112,378,461	11,132,658	123,511,119
TOTAL LIABILITIES.....	138,484,911	12,608,829	151,093,740
NET POSITION			
Net investment in capital assets.....	94,083,135	42,882,536	136,965,671
Restricted for:			
Loans.....	145,734	-	145,734
Permanent funds:			
Expendable.....	232,296	-	232,296
Nonexpendable.....	1,232,351	-	1,232,351
Gifts and grants.....	8,213,725	-	8,213,725
Unrestricted.....	(19,248,458)	4,183,195	(15,065,263)
TOTAL NET POSITION.....	\$ 84,658,783	\$ 47,065,731	\$ 131,724,514

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 11,400,759	\$ 1,131,393	\$ 922,943	\$ -	\$ (9,346,423)
Public safety.....	41,498,564	2,353,477	1,372,560	-	(37,772,527)
Education.....	119,353,198	1,207,084	82,317,733	-	(35,828,381)
City services and facilities.....	12,761,961	68,938	-	832,729	(11,860,294)
Community development.....	1,006,713	-	987,210	-	(19,503)
Human services.....	3,096,636	223,536	368,787	60,000	(2,444,313)
Libraries and recreation.....	2,634,069	112,343	199,965	1,286,296	(1,035,465)
Interest.....	2,306,058	-	525,973	-	(1,780,085)
Total Governmental Activities.....	194,057,958	5,096,771	86,695,171	2,179,025	(100,086,991)
<i>Business-Type Activities:</i>					
Water & Sewer.....	14,322,052	13,946,348	21,018	-	(354,686)
Total Primary Government.....	\$ 208,380,010	\$ 19,043,119	\$ 86,716,189	\$ 2,179,025	\$ (100,441,677)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (100,086,991)	\$ (354,686)	\$ (100,441,677)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	82,487,277	-	82,487,277
Tax liens.....	1,217,971	-	1,217,971
Motor vehicle excise taxes.....	3,180,085	-	3,180,085
Local options meals tax.....	488,112	-	488,112
Penalties and interest on taxes.....	878,084	-	878,084
Grants and contributions not restricted to specific programs.....	6,505,939	-	6,505,939
Unrestricted investment income.....	118,278	-	118,278
Miscellaneous.....	22,449	-	22,449
<i>Transfers, net</i>	<u>(1,171,143)</u>	<u>1,171,143</u>	<u>-</u>
Total general revenues and transfers.....	<u>93,727,052</u>	<u>1,171,143</u>	<u>94,898,195</u>
Change in net position.....	(6,359,939)	816,457	(5,543,482)
<i>Net Position:</i>			
Beginning of year.....	<u>91,018,722</u>	<u>46,249,274</u>	<u>137,267,996</u>
End of year.....	\$ <u><u>84,658,783</u></u>	\$ <u><u>47,065,731</u></u>	\$ <u><u>131,724,514</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2014

	General	City Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 38,119,167	\$ 6,621,634	\$ 10,700,262	\$ 55,441,063
Investments.....	-	-	673,577	673,577
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	654,694	-	-	654,694
Tax liens.....	4,429,051	-	-	4,429,051
Motor vehicle and other excise taxes.....	542,009	-	-	542,009
Departmental and other.....	4,470	-	-	4,470
Intergovernmental.....	9,702,057	-	3,389,531	13,091,588
Loans.....	-	-	145,734	145,734
Due from other funds.....	4,062	-	-	4,062
TOTAL ASSETS.....	\$ 53,455,510	\$ 6,621,634	\$ 14,909,104	\$ 74,986,248
LIABILITIES				
Warrants payable.....	\$ 2,408,613	\$ 784,259	\$ 1,990,281	\$ 5,183,153
Accrued payroll.....	7,609,284	-	1,254,229	8,863,513
Tax refunds payable.....	529,235	-	-	529,235
Other liabilities.....	364,355	-	-	364,355
Due to other funds.....	-	-	4,062	4,062
TOTAL LIABILITIES.....	10,911,487	784,259	3,248,572	14,944,318
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	15,245,142	-	1,943,835	17,188,977
FUND BALANCES				
Nonspendable.....	-	-	1,232,351	1,232,351
Restricted.....	-	5,837,375	8,484,346	14,321,721
Committed.....	2,397,168	-	-	2,397,168
Assigned.....	7,577,487	-	-	7,577,487
Unassigned.....	17,324,226	-	-	17,324,226
TOTAL FUND BALANCES.....	27,298,881	5,837,375	9,716,697	42,852,953
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 53,455,510	\$ 6,621,634	\$ 14,909,104	\$ 74,986,248

See notes to basic financial statements.

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

JUNE 30, 2014

Total governmental fund balances.....	\$	42,852,953
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		138,651,537
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		17,188,977
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities:		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		7,035,065
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(531,882)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable.....	(60,503,144)	
Workers' compensation claims.....	(427,165)	
Compensated absences.....	(4,898,254)	
Other postemployment benefits.....	<u>(55,059,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(120,887,563)</u>
In the statement of activities, deferred losses are reported for refundings of debt, which are amortized over the shorter of the remaining life of the refunding bonds or refunded bonds. In governmental funds, defeasances of debt are expensed when the refunding bonds are issued.....		<u>349,696</u>
Net position of governmental activities.....	\$	<u><u>84,658,783</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	General	City Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 86,690,275	\$ -	\$ -	\$ 86,690,275
Tax liens.....	1,217,971	-	-	1,217,971
Motor vehicle excise taxes.....	3,397,069	-	-	3,397,069
Local options meals tax.....	488,112	-	-	488,112
Charges for services.....	971,820	-	1,547,993	2,519,813
Penalties and interest on taxes.....	878,084	-	-	878,084
Licenses and permits.....	1,030,195	-	-	1,030,195
Fines and forfeitures.....	880,428	-	-	880,428
Intergovernmental.....	76,858,683	671,679	17,149,600	94,679,962
Departmental and other.....	738,108	-	466,095	1,204,203
Contributions.....	-	-	692,386	692,386
Investment income.....	96,948	-	22,129	119,077
Miscellaneous.....	-	-	22,449	22,449
TOTAL REVENUES.....	173,247,693	671,679	19,900,652	193,820,024
EXPENDITURES:				
Current:				
General government.....	5,580,622	6,284	1,047,178	6,634,084
Public safety.....	21,963,713	739,939	2,035,296	24,738,948
Education.....	65,853,458	-	14,794,191	80,647,649
City services and facilities.....	10,860,638	1,709,384	44,096	12,614,118
Community development.....	-	-	1,006,713	1,006,713
Human services.....	1,891,351	-	266,073	2,157,424
Libraries and recreation.....	1,152,168	2,660,228	308,593	4,120,989
Pension benefits.....	22,973,735	-	-	22,973,735
Property and liability insurance.....	1,996,230	-	-	1,996,230
Employee benefits.....	19,452,261	-	-	19,452,261
State and county charges.....	10,418,587	-	-	10,418,587
Debt service:				
Principal.....	5,414,415	-	-	5,414,415
Interest.....	2,186,221	-	-	2,186,221
TOTAL EXPENDITURES.....	169,743,399	5,115,835	19,502,140	194,361,374
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	3,504,294	(4,444,156)	398,512	(541,350)
OTHER FINANCING SOURCES (USES):				
Issuance of debt.....	-	7,291,000	1,300,000	8,591,000
Premium from issuance of debt.....	641,248	-	-	641,248
Transfers in.....	1,178,544	-	-	1,178,544
Transfers out.....	(1,699,687)	-	(650,000)	(2,349,687)
TOTAL OTHER FINANCING SOURCES (USES).....	120,105	7,291,000	650,000	8,061,105
NET CHANGE IN FUND BALANCES.....	3,624,399	2,846,844	1,048,512	7,519,755
FUND BALANCES AT BEGINNING OF YEAR.....	23,674,482	2,990,531	8,668,185	35,333,198
FUND BALANCES AT END OF YEAR.....	\$ 27,298,881	\$ 5,837,375	\$ 9,716,697	\$ 42,852,953

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds.....		\$ 7,519,755
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	8,565,559	
Depreciation expense.....	<u>(7,168,065)</u>	
Net effect of reporting capital assets.....		1,397,494
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully unavailable 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 unavailable revenue.....</p>		
		(4,950,862)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of debt.....	(8,591,000)	
Premium from issuance of debt.....	(641,248)	
Debt service principal payments.....	<u>5,414,415</u>	
Net effect of reporting long-term debt.....		(3,817,833)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(96,044)	
Net change in workers' compensation accrual.....	96,179	
Net change in other postemployment benefits accrual.....	(9,157,000)	
Net change in accrued interest on long-term debt.....	(25,875)	
Amortization of premium from issuance of bonds.....	12,995	
Amortization of deferred charges on refunding.....	<u>(106,957)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		(9,276,702)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>2,768,209</u>
Change in net position of governmental activities.....		<u>\$ (6,359,939)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
	Water & Sewer Fund	
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 3,015,897	\$ 7,941,675
Receivables, net of allowance for uncollectibles:		
User fees.....	4,273,674	-
Working capital deposit.....	-	1,218,600
Total current assets.....	<u>7,289,571</u>	<u>9,160,275</u>
NONCURRENT:		
Capital assets, net of accumulated depreciation:		
Depreciable.....	<u>52,384,989</u>	<u>-</u>
TOTAL ASSETS.....	<u>59,674,560</u>	<u>9,160,275</u>
LIABILITIES		
CURRENT:		
Warrants payable.....	212,028	-
Accrued liabilities.....	-	25,210
Accrued payroll.....	10,816	-
Health claims payable.....	-	2,100,000
Accrued interest.....	77,403	-
Compensated absences.....	11,939	-
Bonds payable.....	<u>1,163,985</u>	<u>-</u>
Total current liabilities.....	<u>1,476,171</u>	<u>2,125,210</u>
NONCURRENT:		
Compensated absences.....	37,809	-
Other postemployment benefits.....	393,000	-
Bonds payable.....	<u>10,701,849</u>	<u>-</u>
Total noncurrent liabilities.....	<u>11,132,658</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>12,608,829</u>	<u>2,125,210</u>
NET POSITION		
Net investment in capital assets.....	42,882,536	-
Unrestricted.....	<u>4,183,195</u>	<u>7,035,065</u>
TOTAL NET POSITION.....	<u>\$ 47,065,731</u>	<u>\$ 7,035,065</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds		Water & Sewer Fund	Governmental Activities - Internal Service Funds
OPERATING REVENUES:				
Employee contributions.....	\$ -	\$		6,034,358
Employer contributions.....	-			17,229,500
Charges for services - water.....	5,337,310			-
Charges for services - sewer.....	8,626,236			-
TOTAL OPERATING REVENUES	13,963,546			23,263,858
OPERATING EXPENSES:				
Cost of services and administration.....	1,047,016			20,502,764
MWRA assessments - water.....	4,486,488			-
MWRA assessments - sewer.....	7,612,435			-
Depreciation.....	1,047,779			-
TOTAL OPERATING EXPENSES	14,193,718			20,502,764
OPERATING INCOME (LOSS).....	(230,172)			2,761,094
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	3,820			7,115
Interest expense.....	(128,334)			-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(124,514)			7,115
INCOME (LOSS) BEFORE TRANSFERS.....	(354,686)			2,768,209
TRANSFERS:				
Transfers in.....	1,699,687			-
Transfers out.....	(528,544)			-
TOTAL TRANSFERS.....	1,171,143			-
CHANGE IN NET POSITION.....	816,457			2,768,209
NET POSITION AT BEGINNING OF YEAR.....	46,249,274			4,266,856
NET POSITION AT END OF YEAR.....	\$ 47,065,731	\$		7,035,065

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
	Water & Sewer Fund	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users.....	\$ 14,757,444	\$ -
Receipts from interfund services provided.....	-	23,263,858
Payments to vendors.....	(12,440,716)	-
Payments to employees.....	(588,977)	-
Payments for interfund services used.....	-	(22,040,770)
NET CASH FROM OPERATING ACTIVITIES.....	1,727,751	1,223,088
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Transfers in.....	1,699,687	-
Transfers out.....	(528,544)	-
Change in advances to/from other funds.....	(447,411)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	723,732	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Proceeds from the issuance of bonds and notes.....	5,358,433	-
Acquisition and construction of capital assets.....	(4,038,830)	-
Principal payments on bonds and notes.....	(693,384)	-
Interest expense.....	(65,625)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	560,594	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment income.....	3,820	7,115
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	3,015,897	1,230,203
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	-	6,711,472
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 3,015,897	\$ 7,941,675
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>		
Operating income (loss).....	\$ (230,172)	\$ 2,761,094
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation.....	1,047,779	-
Changes in assets and liabilities:		
User fees.....	793,898	-
Working capital deposit.....	-	179,400
Warrants payable.....	24,412	(541,258)
Accrued payroll.....	2,859	-
Health claims payable.....	-	(1,176,148)
Other postemployment benefits.....	88,000	-
Accrued compensated absences.....	975	-
Total adjustments.....	1,957,923	(1,538,006)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,727,751	\$ 1,223,088
<u>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</u>		
Interest subsidy - long-term debt.....	\$ 5,914	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Pension Trust Fund (as of December 31, 2013)	Other Postemployment Benefits Fund	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 287,963	\$ 17,945	\$ 46,227
Investments:			
PRIT.....	94,623,166	-	-
Bond mutual funds.....	-	337,710	-
Equity mutual funds.....	-	441,575	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	9,687	-	378,004
TOTAL ASSETS.....	94,920,816	797,230	424,231
LIABILITIES			
Warrants payable.....	22,225	-	-
Accrued payroll.....	-	-	112,613
Liabilities due depositors.....	-	-	311,618
TOTAL LIABILITIES.....	22,225	-	424,231
NET POSITION			
Restricted for pension benefits.....	94,898,591	-	-
Held in trust for OPEB benefits.....	-	797,230	-
	\$ 94,898,591	\$ 797,230	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2014

	Pension Trust Fund (as of December 31, 2013)	Other Postemployment Benefits Fund
ADDITIONS:		
Contributions:		
Employer.....	\$ 12,520,873	\$ 773,500
Employee.....	3,450,891	-
Total contributions.....	<u>15,971,764</u>	<u>773,500</u>
Net investment income (loss):		
Net change in fair value of investments.....	10,101,277	-
Interest and dividends.....	2,510,298	23,730
Total investment income (loss).....	12,611,575	23,730
Less: investment expense.....	<u>(479,622)</u>	<u>-</u>
Net investment income (loss).....	<u>12,131,953</u>	<u>23,730</u>
Intergovernmental.....	410,483	-
Transfers from other systems.....	511,434	-
TOTAL ADDITIONS.....	<u>29,025,634</u>	<u>797,230</u>
DEDUCTIONS:		
Administration.....	199,105	-
Transfers to other systems.....	930,116	-
Retirement benefits and refunds.....	<u>12,155,260</u>	<u>-</u>
TOTAL DEDUCTIONS.....	<u>13,284,481</u>	<u>-</u>
CHANGE IN NET ASSETS.....	15,741,153	797,230
NET POSITION AT BEGINNING OF YEAR.....	<u>79,157,438</u>	<u>-</u>
NET POSITION AT END OF YEAR.....	<u>\$ 94,898,591</u>	<u>\$ 797,230</u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the City of Everett, 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 an elected City 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.

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

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

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited 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 484 Broadway, Everett, MA 02149.

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Internal service funds and fiduciary funds are reported by fund type.

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

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

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

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are 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. Exceptions are charges between the general fund and enterprise funds. 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 and claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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

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

The following major governmental funds are reported:

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

The *City capital projects fund* is used to account for financial activities associated with City capital acquisitions and improvements that have been authorized and approved by City Council. These projects will be funded through the issuance of long-term bonds and notes, state grants and other available funds.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements.

The following describes the general use of these fund types:

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

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

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

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

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

The City reports one major proprietary fund. The *water and sewer enterprise fund* is used to account for water and sewer activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to employees' health insurance, workers' compensation claims, and property and liability insurance.

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

The following fiduciary fund types are reported:

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

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future OPEB liabilities.

The *agency fund* is used to account for assets held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus. The City's agency fund is used to account for off-duty work details, student activity accounts, and contractor bid deposits.

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 and Tax Liens

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

Real estate tax liens are processed during the fourth quarter of every year on delinquent properties and are recorded as receivables in the year they are processed.

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 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 are levied monthly and quarterly based on individual meter readings and 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 charges and liens are recorded as receivables in the year of the levy.

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

Departmental and Other

Departmental and other receivables consist primarily of police details, various penalties, fees and fines and are recorded as receivables in the 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.

Loans

The Department of Community Development administers loan programs that provide housing assistance to residents and capital needs assistance for small businesses. Upon issuance, a receivable is recorded for the principal amount of the loan.

Since the loans are secured via the lien process, these accounts 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, machinery and equipment, vehicles, 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 \$25,000 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>
Buildings and building improvements.....	5-40
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 year of the purchase.

H. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City does not have any items that qualify for reporting in this category.

Governmental Fund Financial Statements

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

I. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Unavailable Revenue

Unavailable 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, i.e. receivables that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

L. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

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

Net position has been “restricted for” the following:

“Loans” represents community development outstanding loan receivable balances.

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

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

“Gifts and grants” represents assets that have restrictions placed on them from outside parties.

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

Fund Financial Statements (Fund Balances)

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Approval by the City

Council is the highest level of decision-making authority for the government that can, by approval of a council order prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the order remains in place until a similar action is taken to remove or revise the limitation.

“Assigned” fund balance includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Auditor has the authority to assign fund balance. Funds are assigned when the City has an obligation to purchase goods or services from the current years' appropriation. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

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

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

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

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.

N. 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 from recreation and senior citizens proprietary funds is retained by those funds.

O. 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.

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

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

Q. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

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 combined balance sheet as "Cash and Cash Equivalents." The deposits and investments of the trust funds are held separately from those of other funds.

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

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

The City Treasurer is the custodian of funds held in the OPEB trust fund. As of June 30, 2014, \$797,230 from the OPEB trust fund is included within the City's cash and investments balances in the following disclosures.

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 (PRIM), 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 year-end, the carrying amount of deposits totaled \$64,761,143 and the bank balance totaled \$67,370,669. Of the bank balance, \$1,805,430 was covered by Federal Depository Insurance, \$4,320,404 was covered by Depository Insurance Fund, \$11,479,219 was covered by Share Insurance Fund, \$14,309,025 was collateralized and \$35,456,591 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2013, the carrying amount of deposits for the System totaled \$287,963 and the bank balance totaled \$319,264. The entire bank balance was covered by Federal Depository Insurance. The System does not have a deposit policy for custodial risk.

Interest Rate Risk

The City does 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 System follows PRIM policies for interest rate risk.

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

As of June 30, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u> <u>1-5 Years</u>
<u>Debt Securities</u>		
Government Sponsored Enterprises....	\$ 194,355	\$ 194,355
U.S. Treasury Notes.....	34,174	34,174
Corporate Bonds.....	<u>152,827</u>	<u>152,827</u>
Total Debt Securities.....	381,356	<u>\$ 381,356</u>
<u>Other Investments</u>		
Equity Securities.....	177,575	
Equity Mutual Funds.....	556,221	
Bond Mutual Funds.....	337,710	
MMDT.....	<u>1,701,664</u>	
Total Investments.....	<u>\$ 3,154,526</u>	

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .25 to 10.78 years. As of December 31, 2013, the Retirement System had investments in PRIT totaling \$94,623,166.

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 possession of an outside party. The City does not have an investment policy for custodial risk. Of the City’s investments, \$194,355 of government sponsored enterprises, \$34,174 of U.S. Treasury notes, \$152,827 of corporate bonds, and \$177,575 of equity securities are

exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty.

At December 31, 2013, the System did not have investments that were subject to custodial credit risk. The System follows PRIM policies for custodial credit risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. The City and the System do not have formal investment policies for credit risk; however investments subject to credit risk are limited by Massachusetts general laws. Standard & Poor’s Investors Service rated \$76,257 of corporate bonds A and \$76,570 were rated BBB+. \$194,355 of government sponsored enterprise securities were rated AAA, \$337,710 of bond mutual funds and \$1,701,664 of investments in MMDT were unrated. The System’s investments in PRIT shares were unrated.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. The City did not have any investments that were subject to concentration of credit risk.

The System follows PRIM policies for concentration of credit risk. The System did not have any investments that were subject to concentration of credit risk.

NOTE 3 - RECEIVABLES

At June 30, 2014, 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.....	\$ 1,015,777	\$ (361,083)	\$ 654,694
Tax liens.....	4,429,051	-	4,429,051
Motor vehicle and other excise taxes.....	1,696,309	(1,154,300)	542,009
Departmental and other.....	4,470	-	4,470
Intergovernmental.....	13,091,588	-	13,091,588
Loans.....	145,734	-	145,734
Total.....	<u>\$ 20,382,929</u>	<u>\$ (1,515,383)</u>	<u>\$ 18,867,546</u>

At June 30, 2014, receivables for the water and sewer enterprise fund consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
User fees - water & sewer.....	<u>\$ 4,273,674</u>	<u>\$ -</u>	<u>\$ 4,273,674</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 560,265	\$ -	\$ 560,265
Tax liens.....	4,429,051	-	4,429,051
Motor vehicle and other excise taxes.....	542,009	-	542,009
Departmental and other.....	4,470	-	4,470
Intergovernmental.....	9,709,347	1,943,835	11,653,182
Total.....	<u>\$ 15,245,142</u>	<u>\$ 1,943,835</u>	<u>\$ 17,188,977</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,077,274	\$ -	\$ -	\$ 9,077,274
Construction in progress.....	-	551,956	-	551,956
Total capital assets not being depreciated.....	<u>9,077,274</u>	<u>551,956</u>	<u>-</u>	<u>9,629,230</u>
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	119,075,086	3,924,812	-	122,999,898
Machinery and equipment.....	28,557,387	1,512,937	-	30,070,324
Infrastructure.....	72,109,081	2,575,854	-	74,684,935
Total capital assets being depreciated.....	<u>219,741,554</u>	<u>8,013,603</u>	<u>-</u>	<u>227,755,157</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(43,749,009)	(3,829,978)	-	(47,578,987)
Machinery and equipment.....	(26,469,695)	(1,612,904)	-	(28,082,599)
Infrastructure.....	(21,346,081)	(1,725,183)	-	(23,071,264)
Total accumulated depreciation.....	<u>(91,564,785)</u>	<u>(7,168,065)</u>	<u>-</u>	<u>(98,732,850)</u>
Total capital assets being depreciated, net.....	<u>128,176,769</u>	<u>845,538</u>	<u>-</u>	<u>129,022,307</u>
Total governmental activities capital assets, net.....	<u>\$ 137,254,043</u>	<u>\$ 1,397,494</u>	<u>\$ -</u>	<u>\$ 138,651,537</u>

Water and Sewer Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	\$ 123,434	\$ -	\$ -	\$ 123,434
Machinery and equipment.....	122,603	-	-	122,603
Infrastructure.....	<u>66,438,947</u>	<u>4,038,830</u>	<u>-</u>	<u>70,477,777</u>
Total capital assets being depreciated.....	<u>66,684,984</u>	<u>4,038,830</u>	<u>-</u>	<u>70,723,814</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(52,227)	(17,633)	-	(69,860)
Machinery and equipment.....	(25,644)	(25,644)	-	(51,288)
Infrastructure.....	<u>(17,213,175)</u>	<u>(1,004,502)</u>	<u>-</u>	<u>(18,217,677)</u>
Total accumulated depreciation.....	<u>(17,291,046)</u>	<u>(1,047,779)</u>	<u>-</u>	<u>(18,338,825)</u>
Total capital assets being depreciated, net.....	<u>49,393,938</u>	<u>2,991,051</u>	<u>-</u>	<u>52,384,989</u>
Total water and sewer activities capital assets, net... \$	<u>49,393,938</u>	<u>2,991,051</u>	<u>-</u>	<u>52,384,989</u>

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

Governmental Activities:

General government.....	\$ 328,258
Public safety.....	500,031
Education.....	3,867,481
City services and facilities.....	1,998,362
Libraries and recreation.....	<u>473,933</u>
Total depreciation expense - governmental activities.....	<u>\$ 7,168,065</u>

Business-Type Activities:

Water and sewer.....	<u>\$ 1,047,779</u>
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NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables, for the year ended June 30, 2014, total \$4,062 and represent temporary funding by the general fund for a cash deficit in the highway improvements capital project fund.

Interfund transfers for the year ended June 30, 2014, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Water & Sewer Enterprise Fund	Total
General Fund.....	\$ -	\$ 1,699,687	\$ 1,699,687 (1)
Nonmajor Governmental Funds.....	650,000	-	650,000 (2)
Water & Sewer Enterprise Fund.....	528,544	-	528,544 (3)
Total.....	\$ 1,178,544	\$ 1,699,687	\$ 2,878,231

- (1) Budgeted transfer to fund the prior year water and sewer enterprise fund operating deficit.
- (2) Budgeted transfer from parking meter receipts to the general fund to fund the operating budget.
- (3) Budgeted transfer from the water and sewer enterprise fund for indirect costs.

NOTE 6 – OPERATING LEASE

The City entered into a ten year commercial lease, on June 17, 2013, for a building to be used by the school department for the Devan’s Elementary School. The lease agreement includes level annual payments totaling \$429,742 beginning on July 1, 2013 with the final lease payment due on July 1, 2022.

NOTE 7 – SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the year ended June 30, 2014, are as follows:

Type	Purpose	Rate (%)	Due Date	Beginning Balance	Renewed/ Issued	Retired/ Redeemed	Ending Balance
Governmental Notes Payable							
BAN	Bond anticipation note.....	1.0	3/1/2014	\$ 4,370,000	\$ -	\$ 4,370,000	\$ -
	General obligation bonds issued 12/15/13.....			(4,370,000)			
	Total.....			\$ -			
Enterprise Notes Payable							
BAN	Bond anticipation note.....	1.0	3/1/2014	\$ 1,130,000	\$ -	\$ 1,130,000	\$ -
	General obligation bonds issued 12/15/13.....			(1,130,000)			
	Total.....			\$ -			

On December 15, 2013, the City issued \$9,566,000 of long-term bonds payable of which \$5,500,000 was used to permanently finance bond anticipation notes that matured on March 13, 2014. In accordance with GAAP, the short-term debt was reclassified and presented as long-term debt in the prior year.

NOTE 8 - LONG-TERM DEBT

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

Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
General Obligation Bonds of 2004.....	2014	\$ 5,835,000	3.60	\$ 350,000	\$ -	\$ 350,000	\$ -
General Obligation Refunding Bonds of 2005...	2020	22,270,000	4.11	19,265,000	-	2,380,000	16,885,000
General Obligation Bonds of 2007.....	2026	18,187,000	4.13	11,075,000	-	1,185,000	9,890,000
General Obligation Bonds of 2008.....	2033	11,235,383	1.99	8,988,306	-	449,415	8,538,891
Section 108 HUD Loan.....	2028	1,000,000	0.00	1,000,000	-	-	1,000,000
General Obligation Bonds of 2010.....	2030	11,268,000	3.91	9,220,000	-	1,025,000	8,195,000
General Obligation Refunding Bonds of 2013...	2022	2,445,000	1.43	2,430,000	-	25,000	2,405,000
General Obligation Bonds of 2014.....	2034	7,636,000	2.81	4,370,000	3,266,000	-	7,636,000
General Obligation Bonds of 2014.....	2029	5,325,000	3.08	-	5,325,000	-	5,325,000
Total governmental bonds payable.....				56,698,306	8,591,000	5,414,415	59,874,891
Add: unamortized premium.....				-	641,248	12,995	628,253
Total governmental bonds payable, net.....				\$ 56,698,306	\$ 9,232,248	\$ 5,427,410	\$ 60,503,144

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

Year	Principal	Interest	Total
2015..... \$	6,445,415	\$ 2,176,845	\$ 8,622,260
2016.....	6,579,415	1,899,805	8,479,220
2017.....	6,817,415	1,614,483	8,431,898
2018.....	6,960,415	1,314,962	8,275,377
2019.....	7,163,415	1,021,502	8,184,917
2020.....	7,082,415	719,112	7,801,527
2021.....	2,455,415	532,392	2,987,807
2022.....	2,394,422	461,443	2,855,865
2023.....	2,278,415	388,774	2,667,189
2024.....	2,232,415	319,254	2,551,669
2025.....	1,882,415	255,341	2,137,756
2026.....	1,866,415	196,616	2,063,031
2027.....	1,166,415	138,221	1,304,636
2028.....	1,173,415	108,513	1,281,928
2029.....	929,415	80,640	1,010,055
2030.....	659,415	54,413	713,828
2031.....	559,415	39,670	599,085
2032.....	559,415	27,052	586,467
2033.....	559,414	14,433	573,847
2034.....	110,000	1,815	111,815
Total..... \$	<u>59,874,891</u>	<u>\$ 11,365,286</u>	<u>\$ 71,240,177</u>

Bonds Payable Schedule – Water and Sewer Enterprise Fund

Project	Maturities Through	Loan Amount	Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
MWRA Bonds.....	2023	\$ 5,843,221	0.00	\$ 3,638,561	\$ -	\$ 550,736	\$ 3,087,825
MCWT Bonds.....	2033	4,054,425	2.00	3,278,690	661,967	142,648	3,798,009
General Obligation Bonds of 2014.....	2034	1,930,000	2.81	1,130,000	800,000	-	1,930,000
General Obligation Bonds of 2014.....	2034	3,050,000	3.08	-	3,050,000	-	3,050,000
Total enterprise bonds payable.....				<u>\$ 8,047,251</u>	<u>\$ 4,511,967</u>	<u>\$ 693,384</u>	<u>\$ 11,865,834</u>

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

Year	Principal	Interest	Total
2015..... \$	1,163,985	\$ 216,683	\$ 1,380,668
2016.....	1,113,915	201,820	1,315,735
2017.....	1,062,277	185,900	1,248,177
2018.....	1,075,714	169,579	1,245,293
2019.....	1,028,824	153,373	1,182,197
2020.....	882,603	137,556	1,020,159
2021.....	891,268	120,827	1,012,095
2022.....	860,011	102,870	962,881
2023.....	845,991	83,864	929,855
2024.....	574,554	66,293	640,847
2025.....	288,545	53,149	341,694
2026.....	292,623	46,377	339,000
2027.....	296,788	39,523	336,311
2028.....	301,043	32,459	333,502
2029.....	303,392	25,187	328,579
2030.....	209,833	17,578	227,411
2031.....	214,372	13,377	227,749
2032.....	207,647	9,202	216,849
2033.....	212,160	5,048	217,208
2034.....	40,289	806	41,095
Total..... \$	<u>11,865,834</u>	<u>\$ 1,681,471</u>	<u>\$ 13,547,305</u>

The Commonwealth has approved school construction assistance to the City. The assistance program which is administered by the MSBA provides resources for future debt service of general obligation school bonds outstanding. During 2014, \$1,882,459 of such assistance was received and \$11,294,754 will be received in future years. Of this amount, \$1,585,405 represents reimbursement of long-term interest costs and \$9,709,349 represents reimbursement of approved construction costs. Accordingly, a \$9,709,349 intergovernmental receivable and corresponding deferred inflow of resources – unavailable revenue has been reported in the governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

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, 2014, the City had the following authorized and unissued debt:

Purpose	Amount
Schute library construction.....	\$ 894,597
Water system improvements.....	3,172,000
Total.....	\$ 4,066,597

Changes in Long-term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities:					
Long-term bonds payable.....	\$ 56,698,306	\$ 8,591,000	\$ (5,414,415)	\$ 59,874,891	\$ 6,445,415
Add: unamortized premium.....	-	641,248	(12,995)	628,253	85,299
Total bonds payable.....	56,698,306	9,232,248	(5,427,410)	60,503,144	6,530,714
Compensated absences.....	4,802,210	1,857,392	(1,761,348)	4,898,254	1,796,575
Workers' compensation.....	523,344	714,916	(811,095)	427,165	181,813
Other postemployment benefits.....	45,902,000	16,508,000	(7,351,000)	55,059,000	-
Total governmental activity long-term liabilities.....	<u>\$ 107,925,860</u>	<u>\$ 28,312,556</u>	<u>\$ (15,350,853)</u>	<u>\$ 120,887,563</u>	<u>\$ 8,509,102</u>
Business-Type Activities:					
Long-term bonds payable.....	\$ 8,047,251	\$ 4,511,967	\$ (693,384)	\$ 11,865,834	\$ 1,163,985
Other postemployment benefits.....	305,000	108,000	(20,000)	393,000	-
Compensated absences.....	48,773	12,680	(11,705)	49,748	11,939
Total business type activity long-term liabilities.....	<u>\$ 8,401,024</u>	<u>\$ 4,632,647</u>	<u>\$ (725,089)</u>	<u>\$ 12,308,582</u>	<u>\$ 1,175,924</u>

The long-term liabilities will be liquidated in the future by the general fund and enterprise fund.

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

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

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

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

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

At year end, the balances of the general, capital improvement and employee leave buyback stabilization funds totaled \$10,654,748, \$500,000 and \$200,000, respectively and are reported as unassigned fund balance within the general fund.

The City has classified its fund balances with the following hierarchy:

	GOVERNMENTAL FUNDS			
	General	City Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 1,232,351	\$ 1,232,351
Restricted for:				
City capital projects fund.....	-	5,837,375	-	5,837,375
City federal and state grant funds.....	-	-	244,034	244,034
City gifts and other grants.....	-	-	1,380,082	1,380,082
School federal and state grant funds.....	-	-	297,829	297,829
School gifts and other grants.....	-	-	32,759	32,759
City/School revolving funds.....	-	-	683,896	683,896
School lunch fund.....	-	-	3,543,181	3,543,181
Receipts reserved for appropriations.....	-	-	1,219,847	1,219,847
Community development.....	-	-	812,097	812,097
School capital projects.....	-	-	38,325	38,325
Permanent trust funds.....	-	-	232,296	232,296
Committed to:				
General government.....	972,425	-	-	972,425
Public safety.....	141,456	-	-	141,456
City services and facilities.....	656,287	-	-	656,287
Human services.....	500,000	-	-	500,000
Library and recreation.....	127,000	-	-	127,000
Assigned to:				
General government.....	120,803	-	-	120,803
Public safety.....	40,493	-	-	40,493
Education.....	7,082,792	-	-	7,082,792
City services and facilities.....	162,359	-	-	162,359
Human services.....	21,892	-	-	21,892
Library and recreation.....	12,710	-	-	12,710
Property and liability insurance.....	88,602	-	-	88,602
Employee benefits.....	47,836	-	-	47,836
Unassigned.....	17,324,226	-	-	17,324,226
TOTAL FUND BALANCES.....	\$ 27,298,881	\$ 5,837,375	\$ 9,716,697	\$ 42,852,953

The committed balances in the general fund are capital articles carried forward to the next year. Assigned balances in the general fund are encumbrances carried forward to next year. The detail of each article and encumbrance is included in the budgetary comparison schedule presented as required supplementary information.

NOTE 10 - RISK FINANCING

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

The City is self-insured for its workers' compensation and its health insurance activities. The health insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses

are recorded when the liability is incurred and the workers' compensation activities are accounted for in the general fund and the internal service fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors.

Health Insurance

The estimate of IBNR claims is based on a historical trend analysis and recent trends. The City purchases individual stop loss insurance for claims in excess of \$110,000. Settled claims have not exceeded this third party insurance coverage in any of the previous past three years. Changes in the reported liability since July 1, 2012, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2013.....	\$ 2,175,209	\$ 21,243,844	\$ (20,117,694)	\$ 3,301,359
2014.....	3,301,359	20,475,038	(21,676,397)	2,100,000

Workers' Compensation

Workers' compensation claims are administered by the City's Personnel Department and is funded on a pay-as-you-go basis from annual appropriations. The estimated future workers' compensation liability is based on history and injury type. Changes in the reported liability since July 1, 2012, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2013.....	\$ 537,817	\$ 638,857	\$ (653,330)	\$ 523,344
2014.....	523,344	714,916	(811,095)	427,165

NOTE 11 - PENSION PLAN

Plan Description - The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Everett 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 \$10,936,000 for the year ended June 30, 2014, 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 Everett Contributory Retirement 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 484 Broadway, Everett, Massachusetts, 02149.

At December 31, 2013, the System's membership consists of the following:

Active members.....	733
Inactive members.....	107
Disabled members.....	90
Retirees and beneficiaries currently receiving benefits.....	<u>451</u>
 Total.....	 <u><u>1,381</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. Administrative expenses are funded through investment earnings. The apportionment of the annual pension cost between the two employers required the City to contribute 96% for the current and previous two years, respectively. 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 years ended June 30, 2014, 2013, and 2012 were \$11,968,081, \$11,647,309, and \$11,687,835, respectively, which equaled its required contribution for each year. At June 30, 2014, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2012, actuarial valuation using the individual entry age normal actuarial cost method. The actuarial assumptions included an 8% investment rate of return and projected salary increases of 4.75% to 5.25% per year. The actuarial value of the System's assets was determined using the actuarial value method (5-year smoothing). The System's unfunded actuarial accrued liability is being amortized with payments increasing 3.7% each year, on closed basis. The remaining amortization period at January 1, 2012, was 18 years.

Schedule of Funding Progress

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)
1/1/14	\$ 88,966,000	\$ 207,807,000	\$ 118,841,000	42.8%	\$ 36,167,000	328.6%
1/1/12	72,235,000	187,928,000	115,693,000	38.4%	31,557,000	366.6%
1/1/10	63,848,000	169,041,000	105,193,000	37.8%	31,213,000	337.0%
1/1/08	57,880,000	156,991,000	99,111,000	36.9%	31,005,000	319.7%
1/1/07	50,378,000	151,136,000	100,758,000	33.3%	27,430,000	367.3%
1/1/06	48,092,000	143,150,000	95,058,000	33.6%	24,164,000	393.4%

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

NOTE 12– POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The City of Everett administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the City’s group health insurance plan, which covers both 1,356 active and 723 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 healthcare plan, the City contributes between 85 to 97 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 3 to 15 percent of their premium costs. For life insurance, the City contributes 85 to 90 percent of the cost of current year premiums and plan members contribute the remaining 10 to 15 percent. For 2014, the City contributed \$7.4 million to the plan.

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 the July 1, 2011 actuarial valuation 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 table shown below:

Annual required contribution.....	\$	15,230,000
Interest on net OPEB obligation.....		1,850,000
Adjustments to annual required contribution.....		<u>(464,000)</u>
Annual OPEB cost (expense).....		16,616,000
Contributions made.....		<u>(7,371,000)</u>
Increase in net OPEB obligation.....		9,245,000
Net OPEB obligation--beginning of year.....		<u>46,207,000</u>
Net OPEB obligation--end of year.....	\$	<u><u>55,452,000</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 16,616,000	44%	\$ 55,452,000
6/30/2013	15,552,000	41%	46,207,000
6/30/2012	14,285,000	42%	37,005,287

Funded Status and Funding Progress – For the most recent actuarial valuation, the actuarial accrued liability for benefits was \$150.9 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$33.2 million, and the ratio of the UAAL to the covered payroll was 454.1 percent.

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 the 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 most recent actuarial valuation, the actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4% 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, salary increases at 3% per year, a general inflation rate of 2.5%, an annual medical care inflation rate of 11% initially, graded to 5% over 7 years, and an annual dental care inflation rate of 8.5% initially, graded to 5% over 7 years. The UAAL is being amortized over a 26 year period, using a level dollar amortization method on a closed basis. The remaining amortization period at June 30, 2014 is 23 years.

NOTE 13 – COMMITMENTS AND 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, 2014, 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 that such amounts, if any, will 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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

The City has entered into, or is planning to enter into, contracts totaling approximately \$894,000 for a library construction and renovation project.

The City has entered into, or is planning to enter into, contracts totaling approximately \$3.2 million for water infrastructure improvements.

NOTE 14 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2014, the following GASB pronouncements were implemented:

- GASB Statement #65, *Items Previously Reported as Assets and Liabilities*. Financial statement changes include the presentation of deferred outflows and inflows in the Statement of Net Position and Balance Sheet. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future years:

- The GASB issued Statement #67, *Financial Reporting for Pension Plans*, which is required to be implemented in 2015.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in 2015.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with GASB Statement #68 in 2015.

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

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the City. It is used to account for all of the City's financial resources, except those required to be accounted for in another fund.

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	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.....	\$ -	\$ 82,523,405	\$ 82,523,405	\$ 82,523,405	\$ 86,308,356	\$ -	\$ 3,784,951
Tax liens.....	-	-	-	-	1,217,971	-	1,217,971
Motor vehicle excise taxes.....	-	2,700,000	2,700,000	2,700,000	3,397,069	-	697,069
Local options meals tax.....	-	400,000	400,000	400,000	488,112	-	88,112
Charges for services.....	-	362,000	362,000	362,000	971,820	-	609,820
Penalties and interest on taxes.....	-	775,000	775,000	775,000	878,084	-	103,084
Licenses and permits.....	-	575,000	575,000	575,000	1,030,195	-	455,195
Fines and forfeitures.....	-	1,000,000	1,000,000	1,000,000	880,428	-	(119,572)
Intergovernmental.....	-	66,851,985	66,851,985	65,180,148	65,922,683	-	742,535
Departmental and other.....	-	415,000	415,000	415,000	738,108	-	323,108
Investment income.....	-	35,000	35,000	35,000	45,925	-	10,925
TOTAL REVENUES.....	-	155,637,390	155,637,390	153,965,553	161,878,751	-	7,913,198
EXPENDITURES:							
Current:							
General government:							
City council:							
Personal services.....	-	247,120	247,120	247,120	243,577	-	3,543
General expenditures.....	-	31,680	31,680	31,680	7,336	16,272	8,072
TOTAL.....	-	278,800	278,800	278,800	250,913	16,272	11,615
Mayor:							
Personal services.....	-	506,104	506,104	495,583	458,276	-	37,307
General expenditures.....	137,026	118,350	255,376	275,376	237,150	3,796	34,430
After school program.....	-	85,000	85,000	85,000	110,776	-	(25,776)
Capital improvement plan.....	929,585	500,000	1,429,585	1,429,585	666,880	762,705	-
Reserve fund.....	-	400,000	400,000	-	-	-	-
TOTAL.....	1,066,611	1,609,454	2,676,065	2,285,544	1,473,082	766,501	45,961
City auditor:							
Personal services.....	-	238,882	238,882	239,232	239,119	-	113
General expenditures.....	172,327	189,750	362,077	362,078	328,265	17,171	16,642
TOTAL.....	172,327	428,632	600,959	601,310	567,384	17,171	16,755
Budget:							
Personal services.....	-	66,925	66,925	66,925	66,925	-	-
General expenditures.....	-	2,800	2,800	2,800	1,343	1,280	177
TOTAL.....	-	69,725	69,725	69,725	68,268	1,280	177
Purchasing:							
Personal services.....	-	114,393	114,393	114,393	109,297	-	5,096
General expenditures.....	8,302	42,150	50,452	50,452	39,937	2,542	7,973
TOTAL.....	8,302	156,543	164,845	164,845	149,234	2,542	13,069
Assessors:							
Personal services.....	-	274,142	274,142	291,792	288,954	-	2,838
General expenditures.....	-	7,825	7,825	7,825	3,241	1,955	2,629
Professional services.....	101,837	100,000	201,837	201,837	158,221	43,616	-
TOTAL.....	101,837	381,967	483,804	501,454	450,416	45,571	5,467
Treasurer/ collector:							
Personal services.....	-	448,692	448,692	448,692	419,367	-	29,325
General expenditures.....	1,750	358,750	360,500	360,500	317,263	16,419	26,818
Postage.....	-	55,000	55,000	55,000	55,000	-	-
TOTAL.....	1,750	862,442	864,192	864,192	791,630	16,419	56,143

(Continued)

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
City solicitor:							
Personal services.....	-	209,699	209,699	209,881	209,100	-	781
General expenditures.....	2,998	33,750	36,748	36,748	34,634	-	2,114
TOTAL.....	2,998	243,449	246,447	246,629	243,734	-	2,895
Human resources:							
Personal services.....	-	201,988	201,988	212,038	212,697	-	(659)
General expenditures.....	19,462	21,000	40,462	17,200	17,188	-	12
Employee leave buyback.....	-	70,000	70,000	249,462	249,462	-	-
TOTAL.....	19,462	292,988	312,450	478,700	479,347	-	(647)
Information technologies:							
Personal services.....	-	238,917	238,917	238,917	188,550	-	50,367
General expenditures.....	83,818	140,000	223,818	338,818	288,001	49,648	1,169
Capital Articles.....	49,916	115,000	164,916	199,916	22,927	176,989	-
TOTAL.....	133,734	493,917	627,651	777,651	499,478	226,637	51,536
City clerk:							
Personal services.....	-	271,832	271,832	271,832	268,884	-	2,948
General expenditures.....	-	12,700	12,700	12,700	10,938	724	1,038
Election expenditures.....	-	26,700	26,700	26,700	16,546	-	10,154
TOTAL.....	-	311,232	311,232	311,232	296,368	724	14,140
Voter registrations:							
Personal services.....	-	92,995	92,995	94,836	94,136	-	700
General expenditures.....	-	20,820	20,820	20,820	18,078	-	2,742
TOTAL.....	-	113,815	113,815	115,656	112,214	-	3,442
Licensing:							
Personal services.....	-	4,200	4,200	4,200	2,850	-	1,350
General expenditures.....	-	500	500	500	102	-	398
TOTAL.....	-	4,700	4,700	4,700	2,952	-	1,748
Conservation commission:							
Personal services.....	-	28,388	28,388	28,388	27,688	-	700
General expenditures.....	-	640	640	640	570	-	70
TOTAL.....	-	29,028	29,028	29,028	28,258	-	770
Planning board:							
Personal services.....	-	5,200	5,200	5,200	5,200	-	-
General expenditures.....	-	371	371	371	260	111	-
TOTAL.....	-	5,571	5,571	5,571	5,460	111	-
Appeals board:							
Personal services.....	-	7,600	7,600	7,600	6,600	-	1,000
General expenditures.....	-	596	596	596	516	-	80
TOTAL.....	-	8,196	8,196	8,196	7,116	-	1,080
Total general government.....	1,507,021	5,290,459	6,797,480	6,743,233	5,425,854	1,093,228	224,151
Public safety:							
Police:							
Personal services.....	-	9,774,075	9,774,075	9,774,075	9,636,820	-	137,255
General expenditures.....	11,018	149,900	160,918	160,918	152,489	10,000	(1,571)
New patrol vehicles.....	-	100,000	100,000	100,000	100,000	-	-
TOTAL.....	11,018	10,023,975	10,034,993	10,034,993	9,889,309	10,000	135,684

(Continued)

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
Fire:							
Personal services.....	-	8,246,409	8,246,409	8,606,409	8,601,210	-	5,199
General expenditures.....	82,009	201,100	283,109	283,109	263,524	20,869	(1,284)
TOTAL.....	82,009	8,447,509	8,529,518	8,889,518	8,864,734	20,869	3,915
Inspectional services:							
Personal services.....	-	946,867	946,867	956,867	956,503	-	364
General expenditures.....	79,622	805,150	884,772	884,772	763,107	12,882	108,783
Capital Articles.....	108,000	50,000	158,000	239,000	100,859	138,141	-
TOTAL.....	187,622	1,802,017	1,989,639	2,080,639	1,820,469	151,023	109,147
Parking clerk:							
Personal services.....	-	479,858	479,858	491,873	486,449	-	5,424
General expenditures.....	13,186	92,400	105,586	105,586	89,334	57	16,195
TOTAL.....	13,186	572,258	585,444	597,459	575,783	57	21,619
Emergency communications center:							
Personal services.....	-	787,103	787,103	787,103	786,633	-	470
General expenditures.....	357	28,300	28,657	28,657	26,785	-	1,872
TOTAL.....	357	815,403	815,760	815,760	813,418	-	2,342
Total public safety.....	294,192	21,661,162	21,955,354	22,418,369	21,963,713	181,949	272,707
Education.....	5,995,659	67,079,532	73,075,191	72,274,655	65,147,518	7,082,792	44,345
City services facility:							
Personal services.....	965,989	2,601,304	3,567,293	3,932,005	3,806,167	122,287	3,551
Facilities/maintenance.....	-	1,125,000	1,125,000	1,649,000	1,299,029	349,971	-
Engineering.....	21,026	12,450	33,476	243,475	12,163	212,744	18,568
Parks and cemeteries.....	209,016	498,500	707,516	757,516	746,689	10,827	-
Stadium.....	-	22,500	22,500	22,500	19,988	2,512	-
Highway.....	81,958	1,016,500	1,098,458	1,086,147	918,996	113,386	53,765
Snow & Ice.....	-	190,000	190,000	190,000	749,239	-	(559,239)
Solid Waste.....	266,626	3,048,661	3,315,287	3,315,286	3,308,367	6,919	-
Total city services and facilities.....	1,544,615	8,514,915	10,059,530	11,195,929	10,860,638	818,646	(483,355)
Human services:							
Health inspection services:							
Personal services.....	-	891,683	891,683	891,683	876,035	-	15,648
General expenditures.....	-	17,725	17,725	17,725	16,507	1,218	-
Inspection of school children.....	-	4,925	4,925	4,925	4,851	74	-
TOTAL.....	-	914,333	914,333	914,333	897,393	1,292	15,648
Planning & development:							
Personal services.....	-	203,320	203,320	203,320	176,442	-	26,878
General expenditures.....	-	11,000	11,000	11,000	10,981	-	19
Capital Outlay.....	-	-	-	350,000	-	350,000	-
TOTAL.....	-	214,320	214,320	564,320	187,423	350,000	26,897
Council on aging:							
General expenditures.....	-	41,500	41,500	41,500	41,330	-	170
Veterans services:							
Personal services.....	-	62,709	62,709	63,609	62,815	-	794
General expenditures.....	15,714	453,650	469,364	469,364	372,543	20,600	76,221
TOTAL.....	15,714	516,359	532,073	532,973	435,358	20,600	77,015
Commission on disability:							
Personal services.....	-	3,700	3,700	3,700	1,500	-	2,200
General expenditures.....	-	250	250	250	-	-	250
TOTAL.....	-	3,950	3,950	3,950	1,500	-	2,450

(Continued)

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
Mayor's office of human services:							
Personal services.....	-	245,719	245,719	257,249	252,547	-	4,702
General expenditures.....	-	65,000	65,000	75,800	75,800	-	-
Capital Outlay.....	-	-	-	150,000	-	150,000	-
TOTAL.....	-	310,719	310,719	483,049	328,347	150,000	4,702
Total human services.....	15,714	2,001,181	2,016,895	2,540,125	1,891,351	521,892	126,882
Libraries and recreation:							
Library - parlin and shute:							
Personal services.....	-	717,851	717,851	717,851	694,838	-	23,013
General expenditures.....	-	168,826	168,826	168,826	152,830	10,623	5,373
Capital Outlay.....	-	-	-	80,000	-	80,000	-
TOTAL.....	-	886,677	886,677	966,677	847,668	90,623	28,386
Recreation:							
Personal services.....	-	286,007	286,007	286,007	280,787	-	5,220
General expenditures.....	50,000	22,800	72,800	22,800	20,713	2,087	-
Capital Outlay.....	-	-	-	50,000	3,000	47,000	-
TOTAL.....	50,000	308,807	358,807	358,807	304,500	49,087	5,220
Total libraries and recreation.....	50,000	1,195,484	1,245,484	1,325,484	1,152,168	139,710	33,606
Pension benefits:							
Retirement board:							
Pension fund contribution.....	-	11,955,980	11,955,980	11,955,980	11,968,081	-	(12,101)
Non-contributory pen/ ann.....	-	105,000	105,000	105,000	69,654	-	35,346
Total pension benefits.....	-	12,060,980	12,060,980	12,060,980	12,037,735	-	23,245
Property and liability insurance:							
Employee injuries.....	41,595	619,500	661,095	811,095	811,095	86,882	(86,882)
Property/ liability insurance.....	9,618	1,087,000	1,096,618	1,190,905	1,185,135	1,720	4,050
Total property and liability insurance.....	51,213	1,706,500	1,757,713	2,002,000	1,996,230	88,602	(82,832)
Employee benefits:							
Unemployment compenstaion.....	74,756	400,000	474,756	474,756	352,164	47,836	74,756
Employee insurance:							
Life insurance.....	-	81,885	81,885	81,885	76,240	-	5,645
Health insurance.....	-	17,686,519	17,686,519	18,059,423	17,901,344	-	158,079
AD&D Insurance.....	-	18,000	18,000	18,597	18,597	-	-
FICA.....	-	1,050,000	1,050,000	1,049,999	1,103,916	-	(53,917)
Total employee benefits.....	74,756	19,236,404	19,311,160	19,684,660	19,452,261	47,836	184,563
State and county charges.....	-	10,246,135	10,246,135	10,246,135	10,418,587	-	(172,452)
Debt service:							
Principal.....	-	5,414,415	5,414,415	5,414,415	5,414,415	-	-
Interest.....	-	2,134,162	2,134,162	2,134,162	2,186,221	-	(52,059)
TOTAL EXPENDITURES.....	9,533,170	156,541,329	166,074,499	168,040,147	157,946,691	9,974,655	118,801
EXCESS (DEFICIENCY) OF REVENUES.....							
OVER (UNDER) EXPENDITURES.....	(9,533,170)	(903,939)	(10,437,109)	(14,074,594)	3,932,060	(9,974,655)	8,031,999
OTHER FINANCING SOURCES (USES):							
Premium from issuance of debt.....	-	-	-	-	486,480	-	486,480
Transfers in.....	-	2,289,921	2,289,921	2,289,921	2,289,921	-	-
Transfers out.....	-	(1,699,687)	(1,699,687)	(3,173,187)	(3,173,187)	-	-
TOTAL OTHER FINANCING SOURCES (USES)...	-	590,234	590,234	(883,266)	(396,786)	-	486,480
NET CHANGE IN FUND BALANCE.....	(9,533,170)	(313,705)	(9,846,875)	(14,957,860)	3,535,274	(9,974,655)	8,518,479
BUDGETARY FUND BALANCE, Beginning of year.....	-	18,830,382	18,830,382	18,830,382	18,830,382	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (9,533,170)	\$ 18,516,677	\$ 8,983,507	\$ 3,872,522	\$ 22,365,656	\$ (9,974,655)	\$ 8,518,479

See notes to required supplementary information.

(Concluded)

Retirement System Schedules of Funding Progress and Employer Contributions

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

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

EVERETT CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

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)
1/1/14	\$ 88,966,000	\$ 207,807,000	\$ 118,841,000	42.8%	\$ 36,167,000	328.6%
1/1/12	72,235,000	187,928,000	115,693,000	38.4%	31,557,000	366.6%
1/1/10	63,848,000	169,041,000	105,193,000	37.8%	31,213,000	337.0%
1/1/08	57,880,000	156,991,000	99,111,000	36.9%	31,005,000	319.7%
1/1/07	50,378,000	151,136,000	100,758,000	33.3%	27,430,000	367.3%
1/1/06	48,092,000	143,150,000	95,058,000	33.6%	24,164,000	393.4%
1/1/04	50,498,000	128,181,000	77,683,000	39.4%	20,907,000	371.6%
1/1/01	51,660,000	113,565,000	61,905,000	45.5%	21,179,000	292.3%
1/1/99	55,875,000	108,557,000	52,682,000	51.5%	18,994,000	277.4%
1/1/98	53,566,000	100,338,000	46,772,000	53.4%	16,895,000	276.8%

See notes to required supplementary information.

EVERETT CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	System Wide			City of Everett	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) City's Percentage of System Wide Actual Contributions
2014	\$ 12,520,873	\$ 12,520,873	100%	\$ 11,968,000	95.58%
2013	12,151,278	12,151,278	100%	11,647,000	95.85%
2012	12,193,010	12,193,010	100%	11,687,000	96.07%
2011	11,649,452	11,649,452	100%	11,166,000	96.16%
2010	10,960,876	10,960,876	100%	10,506,000	96.45%

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

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

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)
7/1/2011	\$ -	\$ 150,920,638	\$ 150,920,638	0%	\$ 85,170,639	177.20%
7/1/2009	-	145,636,000	145,636,000	0%	not available	not available
7/1/2007	-	137,107,329	137,107,329	0%	74,848,000	183.18%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2014	\$ 15,230,000	\$ 7,371,000	48%
2013	15,552,000	6,350,000	41%
2012	13,602,000	5,969,000	44%
2011	12,902,000	6,341,000	49%
2010	13,043,000	6,143,000	47%
2009	12,574,000	5,183,000	41%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	July 1, 2011
Actuarial cost method.....	Projected unit credit
Amortization method.....	Level dollar amortization, closed basis
Remaining amortization period.....	26 years at July 1, 2011

Actuarial Assumptions:

Investment rate of return.....	4.0%
Medical care inflation rate.....	11% decreasing to 5% over 7 years
Dental care inflation rate.....	8.5% decreasing to 5% over 7 years
General inflation rate.....	2.5%
Annual salary increases.....	3.0%

Plan Membership:

Current retirees, beneficiaries, and dependents.....	723
Current active members.....	<u>1,356</u>
Total.....	<u><u>2,079</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 Mayor and the City Council (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. Expenditures are budgeted by categories that are broken down by personal services, expenses, debt service and capital outlay, which are mandated by Municipal Law. 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 departments subsequent to the approval of the annual budget, requires majority Council approval via a supplemental appropriation or Council order.

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

Generally, expenditures may not exceed the legal level of spending authorized (functional level). 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 two-thirds majority vote of the Council.

The City adopts an annual budget for the General Fund in conformity with the guidelines described above. The original 2014 budget authorized \$167.8 million in appropriations and other amounts to be raised; which includes \$9.5 million of amounts carried forward from the prior year. During 2014, the Council also approved supplemental appropriations totaling \$3.4 million, which primarily consisted of increases in public safety, city services, planning and development, health insurance and stabilization fund transfers. The Office of the City Auditor has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation basis. Budgetary control is exercised through the City’s accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2014, is presented below:

Net change in fund balance - budgetary basis.....	\$ 3,535,274
<u>Perspective differences:</u>	
Activity of the stabilization funds recorded in the general fund for GAAP.....	413,146
<u>Basis of accounting differences:</u>	
Net change in recording accrued payroll.....	(705,940)
Net change in recording tax refunds payable.....	298,765
Net change in recording 60 day receipts.....	83,154
Recognition of revenue for on-behalf payments.....	10,936,000
Recognition of expenditures for on-behalf payments.....	<u>(10,936,000)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 3,624,399</u>

3. Appropriation Deficits

During 2014, actual expenditures and encumbrances exceeded budgeted appropriations for the after school program, human resources - personal services, police - general expenditures, fire - general expenditures, snow and ice removal, the pension fund contribution, employee injuries, FICA tax, state and county charges, and interest expense. State and county charges are assessments from the Commonwealth which are directly deducted from local receipts provided by the state. The over-expenditure in state county charges relates to charter school sending tuition. The over-expenditure in snow and ice removal costs is allowable per Massachusetts general law. These over-expenditures will be funded by the subsequent years' tax levy.

NOTE B – PENSION PLAN

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

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

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

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2014
Actuarial Cost Method.....	Individual entry age normal cost method
Amortization Method.....	4.5% increasing total appropriation
Remaining Amortization Period.....	15 years remaining as of January 1, 2014
Asset Valuation Method.....	Actuarial value, 5-year smoothing

Actuarial Assumptions:

Investment rate of return.....	7.75%
Projected salary increases.....	4.25 - 4.75%
Cost of living adjustments.....	3.00% for the first \$14,000 of retirement income

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare and life insurance 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 (OPEB) 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 presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

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.

Combining and Individual Fund Statements

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

City Federal & State Grants Fund – This fund is used to account for non-school related activity specifically financed by federal and state grants which are designated for specific programs.

Other City Grants & Gifts Fund – This fund is used to account for non-school related activity specifically financed by other grants and gifts which are designated for specific programs.

School Federal & State Grants Fund – This fund is used to account for the educational programs specifically financed by federal and state grants which are designated for specific programs.

Other School Grants & Gifts Fund – This fund is used to account for the educational programs specifically financed by other grants and gifts which are designated for specific programs.

City/School Revolving Fund – This fund is used to account for revolving funds specifically allowed by the laws of the Commonwealth of Massachusetts. These funds are expended for purposes specified by the enabling statutes.

School Lunch Fund – This fund is used to account for all cafeteria activities and is funded by user charges, federal and state grants and commodities received.

Receipts Reserved Fund – This fund is used to account for receipts reserved for appropriation.

Community Development Grants Fund – This fund is used to account for community development activity specifically financed by federal, state, and other grants which are designated for specific programs.

Capital Project Funds

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

School Capital Projects Fund – The school capital projects fund is used to account for school capital projects as identified in the City's capital plan, which includes yearly expenditures for infrastructure and other project activities.

Highway Improvements Fund – This fund is used to account for construction, reconstruction and improvements to roadways, streets and sidewalks. Funding is provided primarily by grants.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support governmental programs.

City/School Trust Fund – This fund is used to account for various contributions associated with educational, cemetery and library operations.

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**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2014

	Special Revenue Funds			
	City Federal & State Grants	Other City Grants & Gifts	School Federal & State Grants	Other School Grants & Gifts
ASSETS				
Cash and cash equivalents.....	\$ 513,166	\$ 1,400,961	\$ 955,713	\$ 32,759
Investments.....	-	-	-	-
Receivables, net of uncollectibles:				
Intergovernmental.....	-	-	1,134,023	-
Loans.....	-	-	-	-
TOTAL ASSETS.....	\$ 513,166	\$ 1,400,961	\$ 2,089,736	\$ 32,759
LIABILITIES				
Warrants payable.....	\$ 237,794	\$ 12,405	\$ 578,026	\$ -
Accrued payroll.....	31,338	8,474	1,213,881	-
Due to other funds.....	-	-	-	-
TOTAL LIABILITIES.....	269,132	20,879	1,791,907	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	-	-	-	-
FUND BALANCES				
Nonspendable.....	-	-	-	-
Restricted.....	244,034	1,380,082	297,829	32,759
TOTAL FUND BALANCES.....	244,034	1,380,082	297,829	32,759
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES....	\$ 513,166	\$ 1,400,961	\$ 2,089,736	\$ 32,759

Special Revenue Funds

City/School Revolving Fund	School Lunch	Receipts Reserved	Community Development	Subtotal
\$ 728,566	\$ 3,726,617	\$ 1,219,847	\$ 741,282	\$ 9,318,911
-	-	-	-	-
-	307,611	-	-	1,441,634
-	-	-	145,734	145,734
<u>\$ 728,566</u>	<u>\$ 4,034,228</u>	<u>\$ 1,219,847</u>	<u>\$ 887,016</u>	<u>\$ 10,906,279</u>
\$ 44,134	\$ 491,047	\$ -	\$ 74,919	\$ 1,438,325
536	-	-	-	1,254,229
-	-	-	-	-
<u>44,670</u>	<u>491,047</u>	<u>-</u>	<u>74,919</u>	<u>2,692,554</u>
-	-	-	-	-
-	-	-	-	-
<u>683,896</u>	<u>3,543,181</u>	<u>1,219,847</u>	<u>812,097</u>	<u>8,213,725</u>
<u>683,896</u>	<u>3,543,181</u>	<u>1,219,847</u>	<u>812,097</u>	<u>8,213,725</u>
<u>\$ 728,566</u>	<u>\$ 4,034,228</u>	<u>\$ 1,219,847</u>	<u>\$ 887,016</u>	<u>\$ 10,906,279</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2014

	Capital Project Funds			Permanent Funds	Total Nonmajor Governmental Funds
	School Capital Projects Fund	Highway Improvements	Subtotal	City/School Trust Fund	
ASSETS					
Cash and cash equivalents.....	\$ 590,281	\$ -	\$ 590,281	\$ 791,070	\$ 10,700,262
Investments.....	-	-	-	673,577	673,577
Receivables, net of uncollectibles:					
Intergovernmental.....	-	1,947,897	1,947,897	-	3,389,531
Loans.....	-	-	-	-	145,734
TOTAL ASSETS.....	\$ 590,281	\$ 1,947,897	\$ 2,538,178	\$ 1,464,647	\$ 14,909,104
LIABILITIES					
Warrants payable.....	\$ 551,956	\$ -	\$ 551,956	\$ -	\$ 1,990,281
Accrued payroll.....	-	-	-	-	1,254,229
Due to other funds.....	-	4,062	4,062	-	4,062
TOTAL LIABILITIES.....	551,956	4,062	556,018	-	3,248,572
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues.....	-	1,943,835	1,943,835	-	1,943,835
FUND BALANCES					
Nonspendable.....	-	-	-	1,232,351	1,232,351
Restricted.....	38,325	-	38,325	232,296	8,484,346
TOTAL FUND BALANCES.....	38,325	-	38,325	1,464,647	9,716,697
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES....	\$ 590,281	\$ 1,947,897	\$ 2,538,178	\$ 1,464,647	\$ 14,909,104

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

YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	City Federal & State Grants	Other City Grants & Gifts	School Federal & State Grants	Other School Grants & Gifts
REVENUES:				
Charges for services.....	\$ -	\$ -	\$ -	\$ -
Intergovernmental.....	2,549,371	-	9,525,546	-
Departmental and other.....	-	143,167	-	28,341
Contributions.....	-	688,967	-	3,374
Investment income.....	-	-	-	-
Miscellaneous.....	-	-	-	-
TOTAL REVENUES.....	2,549,371	832,134	9,525,546	31,715
EXPENDITURES:				
Current:				
General government.....	446,095	492,659	-	-
Public safety.....	1,850,696	55,311	-	-
Education.....	-	-	9,283,384	-
Public works.....	-	9,900	-	-
Community development.....	34,688	-	-	-
Health and human services.....	137,151	62,740	-	-
Library and recreation.....	147,900	26,767	-	-
TOTAL EXPENDITURES.....	2,616,530	647,377	9,283,384	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(67,159)	184,757	242,162	31,715
OTHER FINANCING SOURCES (USES):				
Issuance of debt.....	-	-	-	-
Transfers out.....	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	-	-	-
NET CHANGE IN FUND BALANCES.....	(67,159)	184,757	242,162	31,715
FUND BALANCES AT BEGINNING OF YEAR.....	311,193	1,195,325	55,667	1,044
FUND BALANCES AT END OF YEAR.....	\$ 244,034	\$ 1,380,082	\$ 297,829	\$ 32,759

Special Revenue Funds

City/School Revolving Fund	School Lunch	Receipts Reserved	Community Development	Subtotal
\$ 166,602	\$ 1,090,428	\$ 290,963	\$ -	\$ 1,547,993
53,348	4,023,809	-	986,407	17,138,481
293,525	-	1,062	-	466,095
-	-	-	-	692,341
-	-	-	799	799
22,449	-	-	-	22,449
<u>535,924</u>	<u>5,114,237</u>	<u>292,025</u>	<u>987,206</u>	<u>19,868,158</u>
108,424	-	-	-	1,047,178
129,289	-	-	-	2,035,296
281,091	3,361,386	-	-	12,925,861
30,134	-	-	-	40,034
-	-	-	972,025	1,006,713
66,182	-	-	-	266,073
130,875	-	-	-	305,542
<u>745,995</u>	<u>3,361,386</u>	<u>-</u>	<u>972,025</u>	<u>17,626,697</u>
<u>(210,071)</u>	<u>1,752,851</u>	<u>292,025</u>	<u>15,181</u>	<u>2,241,461</u>
-	-	-	-	-
-	-	(650,000)	-	(650,000)
-	-	(650,000)	-	(650,000)
<u>(210,071)</u>	<u>1,752,851</u>	<u>(357,975)</u>	<u>15,181</u>	<u>1,591,461</u>
893,967	1,790,330	1,577,822	796,916	6,622,264
<u>\$ 683,896</u>	<u>\$ 3,543,181</u>	<u>\$ 1,219,847</u>	<u>\$ 812,097</u>	<u>\$ 8,213,725</u>

(Continued)

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

YEAR ENDED JUNE 30, 2014

	Capital Project Funds			Permanent Funds	Total Nonmajor Governmental Funds
	School Capital Projects Fund	Highway Improvements	Subtotal	City/School Trust Fund	
REVENUES:					
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ 1,547,993
Intergovernmental.....	-	11,119	11,119	-	17,149,600
Departmental and other.....	-	-	-	-	466,095
Contributions.....	-	-	-	45	692,386
Investment income.....	-	-	-	21,330	22,129
Miscellaneous.....	-	-	-	-	22,449
TOTAL REVENUES.....	-	11,119	11,119	21,375	19,900,652
EXPENDITURES:					
Current:					
General government.....	-	-	-	-	1,047,178
Public safety.....	-	-	-	-	2,035,296
Education.....	1,868,330	-	1,868,330	-	14,794,191
Public works.....	-	4,062	4,062	-	44,096
Community development.....	-	-	-	-	1,006,713
Health and human services.....	-	-	-	-	266,073
Library and recreation.....	-	-	-	3,051	308,593
TOTAL EXPENDITURES.....	1,868,330	4,062	1,872,392	3,051	19,502,140
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,868,330)	7,057	(1,861,273)	18,324	398,512
OTHER FINANCING SOURCES (USES):					
Issuance of debt.....	1,300,000	-	1,300,000	-	1,300,000
Transfers out.....	-	-	-	-	(650,000)
TOTAL OTHER FINANCING SOURCES (USES).....	1,300,000	-	1,300,000	-	650,000
NET CHANGE IN FUND BALANCES.....	(568,330)	7,057	(561,273)	18,324	1,048,512
FUND BALANCES AT BEGINNING OF YEAR...	606,655	(7,057)	599,598	1,446,323	8,668,185
FUND BALANCES AT END OF YEAR.....	\$ 38,325	\$ -	\$ 38,325	\$ 1,464,647	\$ 9,716,697

(Concluded)

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Health Insurance Fund – This fund is used to account for the accumulation of costs, and employer and employee contributions associated with health insurance.

Workers' Compensation and Other Insurance Fund – This fund is used to account for the accumulation of costs, and employer contributions associated with worker's compensation and property and liability insurance.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION

JUNE 30, 2014

	Health Insurance	Workers' Compensation & Other Insurance	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 7,737,663	\$ 204,012	\$ 7,941,675
Working capital deposit.....	1,218,600	-	1,218,600
TOTAL ASSETS.....	8,956,263	204,012	9,160,275
LIABILITIES			
CURRENT:			
Accrued liabilities.....	-	25,210	25,210
Health claims payable.....	2,100,000	-	2,100,000
TOTAL LIABILITIES.....	2,100,000	25,210	2,125,210
NET POSITION			
Unrestricted.....	\$ <u>6,856,263</u>	\$ <u>178,802</u>	\$ <u>7,035,065</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2014

	Health Insurance	Workers' Compensation & Other Insurance	Total
OPERATING REVENUES:			
Employee contributions	\$ 6,034,358	\$ -	\$ 6,034,358
Employer contributions	17,098,507	130,993	17,229,500
TOTAL OPERATING REVENUES	23,132,865	130,993	23,263,858
OPERATING EXPENSES:			
Cost of interfund services provided.....	20,502,764	-	20,502,764
OPERATING INCOME (LOSS).....	2,630,101	130,993	2,761,094
NONOPERATING REVENUES (EXPENSES):			
Investment income.....	-	7,115	7,115
CHANGE IN NET ASSETS.....	2,630,101	138,108	2,768,209
NET POSITION AT BEGINNING OF YEAR.....	4,226,162	40,694	4,266,856
NET POSITION AT END OF YEAR.....	\$ 6,856,263	\$ 178,802	\$ 7,035,065

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

	Health Insurance	Workers' Compensation & Other Insurance	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from interfund services provided.....	\$ 23,132,865	\$ 130,993	\$ 23,263,858
Payments for interfund services used.....	(22,040,770)	-	(22,040,770)
NET CASH FROM OPERATING ACTIVITIES.....	1,092,095	130,993	1,223,088
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Investment income.....	-	7,115	7,115
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,092,095	138,108	1,230,203
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	6,645,568	65,904	6,711,472
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 7,737,663	\$ 204,012	\$ 7,941,675
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>			
<u>TO NET CASH FROM OPERATING ACTIVITIES:</u>			
Operating income (loss).....	\$ 2,630,101	\$ 130,993	\$ 2,761,094
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Changes in assets and liabilities:			
Working capital deposit.....	179,400	-	179,400
Warrants payable.....	(541,258)	-	(541,258)
Health claims payable.....	(1,176,148)	-	(1,176,148)
Total adjustments.....	(1,538,006)	-	(1,538,006)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,092,095	\$ 130,993	\$ 1,223,088

Agency Fund

The Agency fund is used to account for off-duty work details, student activity accounts, and contractor bid deposits.

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2014

	Beginning of Year	Additions	Deletions	End of Year
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 196,355	\$ 3,320,504	\$ (3,470,632)	\$ 46,227
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	343,334	2,532,390	(2,497,720)	378,004
TOTAL ASSETS.....	\$ 539,689	\$ 5,852,894	\$ (5,968,352)	\$ 424,231
LIABILITIES				
Warrants payable.....	\$ 10,020	\$ -	\$ (10,020)	\$ -
Accrued payroll.....	70,157	112,613	(70,157)	112,613
Liabilities due depositors.....	459,512	5,740,281	(5,888,175)	311,618
TOTAL LIABILITIES.....	\$ 539,689	\$ 5,852,894	\$ (5,968,352)	\$ 424,231

Statistical Section

Aerial View of Everett



Statistical Section

This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

- These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

- These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

- These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

- These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

SOURCES: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Net Position By Component

Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets.....	\$ 48,383,874	\$ 71,123,993	\$ 104,811,292	\$ 114,658,086	\$ 117,273,796	\$ 118,277,758	\$ 124,490,889	\$ 82,438,762	\$ 98,104,115	\$ 94,083,135
Restricted.....	2,836,975	5,574,699	5,176,712	5,673,871	5,990,073	6,898,579	7,940,594	11,308,017	5,999,017	9,824,106
Unrestricted.....	23,152,805	22,247,682	26,514,171	18,719,343	14,221,046	5,870,743	(5,361,232)	(2,010,411)	(13,084,410)	(19,248,458)
Total governmental activities net position.....	\$ 74,373,654	\$ 98,946,374	\$ 136,502,175	\$ 139,051,300	\$ 137,484,915	\$ 131,047,080	\$ 127,070,251	\$ 91,736,368	\$ 91,018,722	\$ 84,658,783
Business-type activities										
Net investment in capital assets (A).....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,501,105	\$ 42,401,805	\$ 42,882,536
Unrestricted (A).....	-	-	-	-	-	-	-	2,790,282	3,847,469	4,183,195
Total business-type activities net position.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,291,387	\$ 46,249,274	\$ 47,065,731
Primary government										
Net investment in capital assets.....	\$ 48,383,874	\$ 71,123,993	\$ 104,811,292	\$ 114,658,086	\$ 117,273,796	\$ 118,277,758	\$ 124,490,889	\$ 125,939,867	\$ 140,505,920	\$ 136,965,671
Restricted.....	2,836,975	5,574,699	5,176,712	5,673,871	5,990,073	6,898,579	7,940,594	11,308,017	5,999,017	9,824,106
Unrestricted.....	23,152,805	22,247,682	26,514,171	18,719,343	14,221,046	5,870,743	(5,361,232)	779,871	(9,236,941)	(15,065,263)
Total primary government net position.....	\$ 74,373,654	\$ 98,946,374	\$ 136,502,175	\$ 139,051,300	\$ 137,484,915	\$ 131,047,080	\$ 127,070,251	\$ 138,027,755	\$ 137,267,996	\$ 131,724,514

(A) Prior to 2012, water and sewer activities were accounted for in governmental funds.

Changes in Net Position

Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government (B).....	\$ 6,013,761	\$ 5,118,279	\$ 5,937,418	\$ 7,740,656	\$ 7,231,594	\$ 6,560,589	\$ 6,609,901	\$ 9,445,386	\$ 10,218,563	\$ 11,400,759
Public safety.....	16,950,203	16,977,690	18,222,831	19,338,874	20,322,856	18,719,453	18,943,531	26,249,785	37,783,905	41,498,564
Education.....	51,032,558	54,162,104	58,967,084	67,613,849	71,312,196	75,765,242	79,171,561	111,173,712	113,182,318	119,353,198
City services and facilities.....	9,739,510	7,574,213	8,841,289	8,996,815	8,817,415	8,850,504	10,194,913	12,256,790	13,467,451	12,761,961
Water & Sewer (A).....	8,815,708	9,337,776	9,505,056	10,270,891	10,700,171	11,498,967	11,327,039	-	-	-
Community development (B).....	-	-	-	-	-	-	-	-	492,590	1,006,713
Human services.....	1,596,152	1,952,842	2,098,774	1,975,423	1,947,477	1,909,596	1,926,020	2,093,982	2,986,073	3,096,636
Libraries and recreation.....	1,122,075	1,061,563	1,215,480	1,252,932	1,488,016	1,350,901	1,346,732	2,066,192	2,389,294	2,634,069
Employee Benefits.....	18,936,536	20,308,828	20,622,351	32,694,849	34,454,036	34,400,055	36,235,857	-	-	-
Interest.....	4,202,055	4,079,027	3,006,127	3,409,078	3,255,936	2,321,225	2,778,837	2,639,622	2,601,124	2,306,058
Intergovernmental (C).....	5,866,809	6,238,382	7,162,529	7,468,292	8,426,222	9,058,965	8,851,801	9,180,689	-	-
Total government activities expenses.....	124,275,367	126,810,704	135,578,939	160,761,659	167,955,919	170,435,497	177,386,192	175,106,158	183,121,318	194,057,958
Business-type activities:										
Water & Sewer (A).....	-	-	-	-	-	-	-	12,885,454	13,475,796	14,322,052
Total primary government expenses.....	\$ 124,275,367	\$ 126,810,704	\$ 135,578,939	\$ 160,761,659	\$ 167,955,919	\$ 170,435,497	\$ 177,386,192	\$ 187,991,612	\$ 196,597,114	\$ 208,380,010
Program Revenues										
Governmental activities:										
General government charges for services.....	\$ 965,851	\$ 956,940	\$ 1,036,809	\$ 1,002,266	\$ 919,967	\$ 893,294	\$ 1,124,204	\$ 1,300,567	\$ 934,003	\$ 1,131,393
Public Safety charges for services.....	1,593,736	2,346,868	2,045,821	2,641,714	2,077,219	2,150,594	1,982,510	1,652,923	2,850,724	2,353,477
Education charges for services.....	1,112,938	848,844	1,011,315	1,069,192	1,134,942	952,887	892,832	994,766	829,899	1,207,084
Other charges for services.....	14,415,245	10,578,273	11,749,365	15,598,685	11,281,732	10,601,840	9,065,255	433,779	373,782	404,817
Education operating grants and contributions.....	32,401,285	34,555,133	38,937,917	45,112,147	52,015,568	55,811,485	60,542,836	63,266,603	72,050,490	82,317,733
Public safety operating grants and contributions.....	2,193,549	1,416,784	1,555,986	1,228,876	1,420,846	1,458,037	2,122,973	922,474	881,640	1,372,560
Other operating grants and contributions.....	3,324,265	789,004	265,394	2,013,118	2,687,906	1,245,364	1,605,839	1,599,040	2,153,721	3,004,878
City services and facilities capital grants and contributions.....	822,347	792,857	508,637	567,371	356,301	653,207	1,270,635	1,461,575	1,307,829	832,729
Education capital grants and contributions.....	-	21,005,458	32,473,692	3,911,268	-	-	-	-	-	-
Other capital grants and contributions.....	3,220,891	3,114,586	3,037,721	38,351	-	9,918	471,750	677,021	670,947	1,346,296
Total government activities program revenues.....	60,050,107	76,404,747	92,622,657	73,182,988	71,894,481	73,776,626	79,078,834	72,308,748	82,053,035	93,970,967
Business-type activities:										
Charges for services - Water & Sewer.....	-	-	-	-	-	-	-	11,133,398	13,891,640	13,946,348
Operating grants and contributions - Water & Sewer.....	-	-	-	-	-	-	-	-	8,636	21,018
Total business-type activities program revenues.....	-	-	-	-	-	-	-	11,133,398	13,900,276	13,967,366
Total primary government program revenues.....	\$ 60,050,107	\$ 76,404,747	\$ 92,622,657	\$ 73,182,988	\$ 71,894,481	\$ 73,776,626	\$ 79,078,834	\$ 83,442,146	\$ 95,953,311	\$ 107,938,333
Net (Expense)/Revenue										
Governmental activities.....	\$ (64,225,260)	\$ (50,405,957)	\$ (42,956,282)	\$ (87,578,671)	\$ (96,061,438)	\$ (96,658,871)	\$ (98,307,358)	\$ (102,797,410)	\$ (101,068,283)	\$ (100,086,991)
Business-type activities.....	-	-	-	-	-	-	-	(1,752,056)	424,480	(354,686)
Total primary government net expense.....	\$ (64,225,260)	\$ (50,405,957)	\$ (42,956,282)	\$ (87,578,671)	\$ (96,061,438)	\$ (96,658,871)	\$ (98,307,358)	\$ (104,549,466)	\$ (100,643,803)	\$ (100,441,677)

(Continued)

Changes in Net Position

Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 58,280,469	\$ 60,669,190	\$ 63,225,476	\$ 66,462,361	\$ 71,751,780	\$ 77,682,298	\$ 78,396,428	\$ 81,146,891	\$ 88,633,872	\$ 82,487,277
Tax liens (D).....	-	-	-	-	-	-	-	-	1,387,186	1,217,971
Motor vehicle excise taxes.....	2,486,504	4,030,677	2,815,180	3,364,667	2,642,652	2,607,898	2,741,051	2,810,116	2,940,909	3,180,085
Local options meals tax.....	-	-	-	-	-	-	-	-	457,561	488,112
Penalties, interest on taxes, and other taxes.....	1,945,098	1,386,997	2,826,429	2,417,251	3,204,544	3,455,534	3,473,012	6,783,311	932,498	878,084
Grants and contributions not restricted to specific programs.....	7,765,382	7,727,847	8,724,177	11,807,447	10,922,399	8,955,937	8,709,312	6,066,395	5,958,553	6,505,939
Unrestricted investment income.....	545,420	875,913	1,388,757	1,056,395	577,393	342,719	315,099	82,234	87,761	118,278
Miscellaneous.....	1,548,466	1,244,600	1,532,064	1,548,670	5,396,285	1,144,086	695,627	1,893,325	23,521	22,449
Transfers, net.....	-	-	-	-	-	-	-	(108,482)	466,593	(1,171,143)
Total governmental activities	72,571,339	75,935,224	80,512,083	86,656,791	94,495,053	94,188,472	94,330,529	98,673,790	100,888,454	93,727,052
Business-type activities:										
Transfers, net.....	-	-	-	-	-	-	-	108,482	(466,593)	1,171,143
Total primary government	\$ 72,571,339	\$ 75,935,224	\$ 80,512,083	\$ 86,656,791	\$ 94,495,053	\$ 94,188,472	\$ 94,330,529	\$ 98,782,272	\$ 100,421,861	\$ 94,898,195
Changes in Net Position										
Governmental activities.....	\$ 8,346,079	\$ 25,529,267	\$ 37,555,801	\$ (921,880)	\$ (1,566,385)	\$ (2,470,399)	\$ (3,976,829)	\$ (4,123,620)	\$ (179,829)	\$ (6,359,939)
Business-type activities.....	-	-	-	-	-	-	-	(1,643,574)	(42,113)	816,457
Total primary government	\$ 8,346,079	\$ 25,529,267	\$ 37,555,801	\$ (921,880)	\$ (1,566,385)	\$ (2,470,399)	\$ (3,976,829)	\$ (5,767,194)	\$ (221,942)	\$ (5,543,482)

- (A) Prior to 2012, water and sewer activities were accounted for in governmental funds. (Concluded)
- (B) Prior to 2013, community development expenditures were reported as general government expenditures.
- (C) Prior to 2013, employee benefits and state and county charges (intergovernmental) were not charged to functional line-items.
- (D) Prior to 2013, tax liens were reported as penalties and interest on taxes.

Fund Balances, Governmental Funds

Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved.....	\$ 1,008,683	\$ 1,211,877	\$ 938,495	\$ 2,563,356	\$ 2,587,913	\$ 3,057,027	\$ -	\$ -	\$ -	\$ -
Unreserved.....	7,068,611	10,395,649	13,743,780	7,494,555	6,475,706	4,163,863	-	-	-	-
Committed.....	-	-	-	-	-	-	-	838,622	2,000,446	2,397,168
Assigned.....	-	-	-	-	-	-	723,121	980,880	7,532,724	7,577,487
Unassigned.....	-	-	-	-	-	-	15,528,899	16,464,364	14,141,312	17,324,226
Total general fund.....	\$ 8,077,294	\$ 11,607,526	\$ 14,682,275	\$ 10,057,911	\$ 9,063,619	\$ 7,220,890	\$ 16,252,020	\$ 18,283,866	\$ 23,674,482	\$ 27,298,881
All Other Governmental Funds										
Unreserved, reported in:										
Special revenue funds.....	\$ 8,682,824	\$ 10,150,234	\$ 10,570,745	\$ 12,818,986	\$ 13,499,740	\$ 14,580,651	\$ -	\$ -	\$ -	\$ -
Capital projects funds.....	(19,281,289)	(21,818,905)	(5,420,227)	2,985,866	5,335,790	3,812,981	-	-	-	-
Permanent funds.....	-	362,599	309,305	331,256	207,010	212,089	-	-	-	-
Nonspendable.....	1,231,485	1,232,401	1,232,239	1,237,051	1,239,784	1,227,921	1,228,670	1,227,488	1,180,193	1,232,351
Restricted.....	-	-	-	-	-	-	9,105,484	8,781,762	10,790,455	14,321,721
Unassigned.....	-	-	-	-	-	-	(91,118)	(235,241)	(311,932)	-
Total all other governmental funds....	\$ (9,366,980)	\$ (10,073,671)	\$ 6,692,062	\$ 17,373,159	\$ 20,282,324	\$ 19,833,642	\$ 10,243,036	\$ 9,774,009	\$ 11,658,716	\$ 15,554,072

(A) Prior to 2012, water and sewer activities were accounted for in governmental funds.

Changes in Fund Balances, Governmental Funds

Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 60,750,859	\$ 60,826,611	\$ 63,183,960	\$ 66,486,677	\$ 70,861,889	\$ 76,516,681	\$ 80,110,135	\$ 82,642,350	\$ 85,418,506	\$ 86,690,275
Tax liens (C).....	-	-	-	-	-	-	-	-	1,387,186	1,217,971
Motor vehicle excise taxes.....	2,795,562	3,713,719	3,030,908	3,273,301	2,896,358	2,561,308	2,805,452	2,780,238	2,751,895	3,397,069
Local options meals tax (B).....	-	-	-	-	-	-	-	-	457,561	488,112
Penalties and interest on taxes (C).....	1,581,606	1,585,430	2,426,692	2,323,439	3,195,309	3,276,698	3,110,150	2,195,506	918,384	878,084
Charges for services.....	2,964,954	2,341,487	3,013,383	3,190,137	3,292,530	3,003,980	2,930,244	3,154,253	2,562,994	2,519,813
Charges for service-water & sewer (A).....	10,769,008	11,004,766	11,815,721	10,754,599	10,619,705	10,509,979	10,306,220	-	-	-
Licenses and permits.....	784,489	1,081,510	502,486	654,005	339,958	463,831	450,644	276,832	1,128,765	1,030,195
Fines and forfeitures.....	786,377	906,097	1,002,611	1,367,717	1,130,956	1,099,831	1,033,634	950,950	1,062,118	880,428
Intergovernmental.....	48,071,643	69,716,954	85,425,034	63,523,303	65,758,923	67,971,020	74,474,637	75,950,473	83,012,265	94,679,962
Departmental & other (B).....	-	-	-	-	-	-	-	-	414,673	1,204,203
Contributions (B).....	-	-	-	-	-	-	-	-	407,191	692,386
Investment income.....	508,863	822,767	1,420,316	998,581	604,505	387,816	345,758	121,509	90,054	119,077
Other (B).....	1,519,433	1,278,571	8,144,039	1,652,642	5,634,009	1,557,224	1,011,751	2,172,710	-	22,449
Total Revenue.....	130,532,794	153,277,912	179,965,150	154,224,401	164,334,142	167,348,368	176,578,625	170,244,821	179,611,592	193,820,024
Expenditures:										
General government.....	5,651,612	5,134,831	5,630,789	6,378,800	5,987,552	6,160,773	6,049,347	5,918,735	5,023,161	5,996,564
Public safety.....	16,678,435	16,762,506	18,089,425	18,957,985	20,221,569	18,761,928	19,154,247	19,518,680	21,315,481	23,762,446
Education.....	54,809,684	52,347,457	57,030,700	64,602,482	71,232,999	73,987,685	77,929,114	80,278,029	72,222,186	78,728,794
City services and facilities.....	8,604,831	7,360,174	8,161,326	8,507,750	9,867,089	8,235,036	10,382,560	9,740,880	9,214,646	10,365,574
Water & Sewer (A).....	8,815,708	9,337,776	9,546,269	10,272,030	10,409,070	11,104,702	10,781,046	-	-	-
Community development (D).....	-	-	-	-	-	-	-	-	492,590	1,006,713
Human services.....	1,166,303	1,499,686	1,638,853	1,954,593	1,951,303	1,905,598	1,906,595	1,661,168	2,027,407	2,157,424
Libraries and recreation.....	1,121,503	1,000,986	1,120,397	1,166,324	1,130,516	1,037,818	1,033,459	1,057,040	1,165,247	1,336,851
Pension benefits.....	-	-	-	-	-	-	-	-	22,257,469	22,973,735
Property and liability insurance.....	-	-	-	-	-	-	-	-	1,729,712	1,996,230
Employee benefits.....	16,388,838	18,944,251	21,145,043	24,802,889	24,708,998	28,473,455	29,256,093	30,746,642	18,334,278	19,452,261
State and county charges.....	5,866,809	6,238,382	7,162,529	7,468,292	8,426,222	9,058,965	8,851,801	9,180,689	10,211,682	10,418,587
Capital outlay.....	3,576,550	25,374,581	43,996,163	8,103,776	1,226,876	4,487,033	3,790,538	2,103,799	5,560,342	8,565,559
Debt service										
Principal.....	6,937,201	7,397,541	6,956,174	8,492,130	8,805,131	8,426,786	8,753,301	8,263,363	5,279,415	5,414,415
Interest.....	-	-	-	-	-	-	-	-	2,423,492	2,186,221
Total Expenditures.....	129,617,474	151,398,171	180,477,668	160,707,051	163,967,325	171,639,779	177,888,101	168,469,025	177,257,108	194,361,374
Excess of revenues over (under) expenditures.....	915,320	1,879,741	(512,518)	(6,482,650)	366,817	(4,291,411)	(1,309,476)	1,775,796	2,354,484	(541,350)
Other Financing Sources (Uses)										
Issuance of debt.....	613,632	943,800	20,353,000	12,539,383	1,548,056	2,000,000	750,000	-	4,370,000	8,591,000
Issuance of refunding bonds.....	-	-	-	-	-	-	-	-	2,445,000	-
Premium from issuance of debt.....	-	-	-	-	-	-	-	-	104,024	641,248
Payments to refunded bond escrow agent.....	-	-	-	-	-	-	-	-	(2,464,779)	-
Transfers in.....	1,077,078	2,377,203	1,495,136	1,845,642	4,137,593	908,000	671,472	202,033	827,086	1,178,544
Transfers out.....	(1,082,078)	(2,377,203)	(1,495,136)	(1,845,642)	(4,137,593)	(908,000)	(671,472)	(310,515)	(360,493)	(2,349,687)
Total other financing sources (uses).....	608,632	943,800	20,353,000	12,539,383	1,548,056	2,000,000	750,000	(108,482)	4,920,838	8,061,105
Net change in fund balance.....	\$ 1,523,952	\$ 2,823,541	\$ 19,840,482	\$ 6,056,733	\$ 1,914,873	\$ (2,291,411)	\$ (559,476)	\$ 1,667,314	\$ 7,275,322	\$ 7,519,755
Debt service as a percentage of noncapital expenditures.....	5.50%	5.87%	3.85%	5.56%	5.41%	5.04%	5.03%	4.97%	4.59%	4.09%

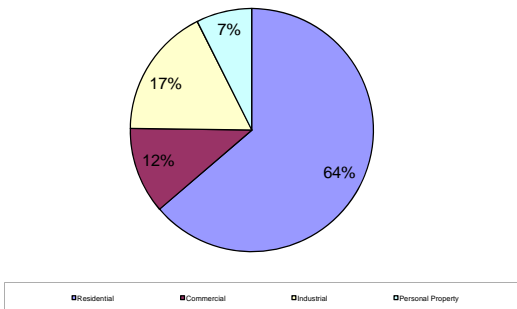
- (A) Prior to 2012, water and sewer activities were accounted for in governmental funds.
- (B) Prior to 2013, local options meals tax, departmental and other revenues, and contributions were reported as other income.
- (C) Prior to 2013, tax liens were reported as penalties and interest on taxes.
- (D) Prior to 2013, community development expenditures were reported as general government expenditures.
- (E) Prior to 2013, pension benefits were reported as employee benefits.
- (F) Prior to 2013, property and liability insurance was reported as general government expenditures.
- (G) Prior to 2013, debt principal and interest were reported as one line-item.

Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates

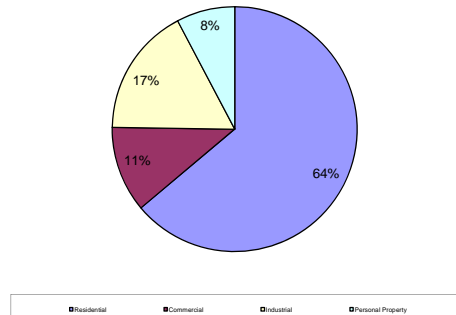
Last Ten Years

Year	Assessed and Actual Values and Tax Rates									
	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate (2)	Total City Value	
2005	\$ 2,668,223,143	\$ 8.52	\$ 299,152,507	\$ 808,048,781	\$ 151,218,200	\$ 1,258,419,488	\$ 30.95	\$ 15.71	\$ 3,926,642,631	
2006	3,096,499,500	9.01	343,071,595	934,921,471	186,133,800	1,464,126,866	25.69	14.36	4,560,626,366	
2007	(1) 3,256,839,000	8.34	353,528,995	965,056,994	191,549,000	1,510,134,989	24.80	13.55	4,766,973,989	
2008	3,280,413,000	10.35	391,596,195	959,875,707	203,966,200	1,555,438,102	24.61	14.94	4,835,851,102	
2009	2,866,802,631	11.18	479,870,815	833,114,957	208,591,600	1,521,577,372	28.98	17.35	4,388,380,003	
2010	(1) 2,331,177,875	13.51	417,812,915	736,864,600	221,547,200	1,376,224,715	37.02	22.24	3,707,402,590	
2011	2,083,037,260	15.89	391,577,840	565,481,528	236,601,200	1,193,660,568	43.74	26.04	3,276,697,828	
2012	2,279,045,425	15.52	389,212,235	620,877,328	246,297,300	1,256,386,863	41.66	24.81	3,535,432,288	
2013	(1) 2,260,825,559	15.64	407,665,811	616,972,410	262,526,300	1,287,164,521	43.04	25.58	3,547,990,080	
2014	2,309,644,676	15.04	409,935,794	616,975,000	278,875,000	1,305,785,794	40.95	24.40	3,615,430,470	

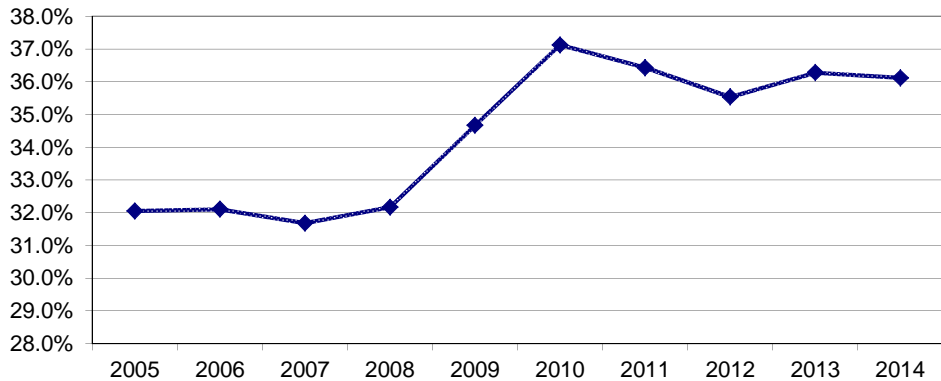
Total Assessed Value by Classification Year Ended June 30, 2013



Total Assessed Value by Classification Year Ended June 30, 2014



Commercial Value as % of Total Value



(1) Revaluation year.

(2) The direct rate is the weighted average of the residential and commercial tax rates.

Source: Assessor's Department

All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the City. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value.

The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

Principal Taxpayers
Current Year and Nine Years Ago

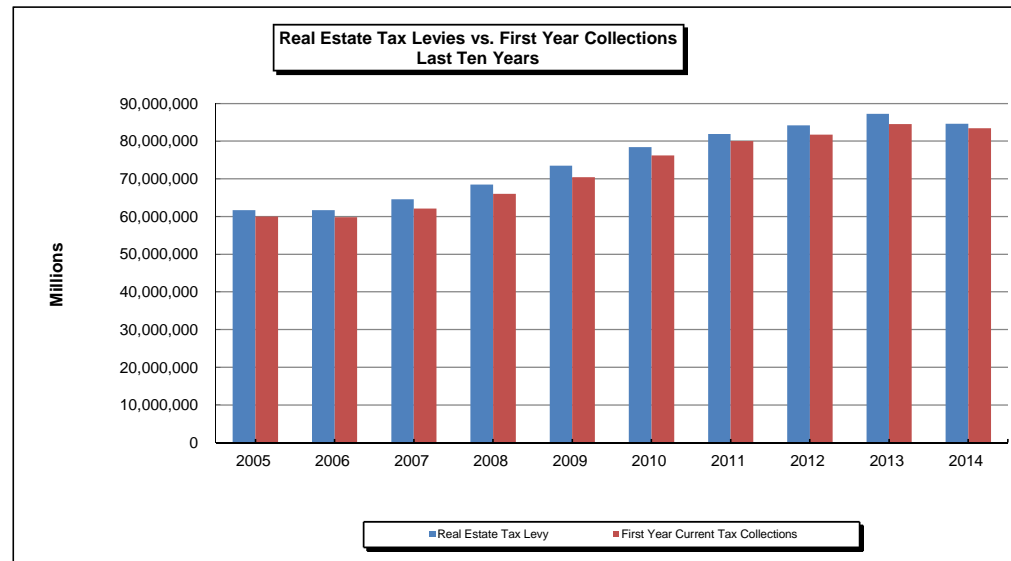
Name	Nature of Business	2014			2005		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Exelon formerly Sithe Mystic, LLC	Electric Power Plant	\$ 364,285,500	1	10.1%	\$ 578,352,181	1	14.7%
Distrigas/Suez Energy North	LNG Facility	\$ 166,307,000	2	4.6%	\$ 41,285,300	3	1.1%
DDRC Gateway LLC	Power Shopping Center	\$ 73,554,100	3	2.0%	\$ 74,172,900	2	1.9%
Nstar Electric Company	Transmission of Electricity	\$ 47,376,100	4	1.3%	\$ 25,230,500	-	0.6%
Massachusetts Electric Co.	Transmission of Electricity	\$ 32,596,700	5	0.9%	\$ 16,269,300	-	0.4%
GP Portland Investment Co.	Banking	\$ 26,878,600	6	0.7%	\$ 9,990,600	5	0.3%
Exxon Corp	Oil Tank Field	\$ 25,219,200	7	0.7%	\$ 21,211,100	4	0.5%
Boston Gas Co.	Natural Gas Transmission	\$ 19,031,300	8	0.5%	\$ 11,724,600	-	0.3%
THT Development LLC	Apartment	\$ 17,480,400	9	0.5%	\$ -	-	0.0%
Prolerized New England Co.	Scrap Metal Processing & Shipment	\$ 15,838,000	10	0.4%	\$ -	-	0.0%
General Electric Corp.	Manufacturing	\$ -	-	0.0%	\$ 9,722,700	6	0.2%
Everett Realty, LLC	Realty	\$ -	-	0.0%	\$ 7,914,100	7	0.2%
JP Foodservice, Inc.	Food Processing	\$ -	-	0.0%	\$ 7,845,600	8	0.2%
Massgas, Inc.	Utility	\$ -	-	0.0%	\$ 7,841,000	9	0.2%
Mystic Landing, LLC	Mixed Use Development	\$ -	-	0.0%	\$ 7,170,900	10	0.2%
Totals		<u>\$788,566,900</u>		<u>21.8%</u>	<u>\$818,730,781</u>		<u>20.9%</u>

Source: Board of Assessors

Property Tax Levies and Collections

Last Ten Years

Year	(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	(3) Percent of Total Tax Collections to Net Tax Levy
2005	\$ 61,681,344	\$ 810,199	\$ 60,871,145	\$ 60,018,949	98.6%	\$ 1,057,264	\$ 61,076,213	100.3%
2006	61,665,663	1,077,668	60,587,995	59,800,351	98.7%	773,444	60,573,795	100.0%
2007	(1) 64,613,385	875,909	63,737,476	62,080,302	97.4%	668,155	62,748,457	98.4%
2008	68,496,349	746,500	67,749,849	66,056,103	97.5%	212,195	66,268,298	97.8%
2009	73,489,234	975,427	72,513,807	70,483,420	97.2%	571,030	71,054,450	98.0%
2010	(1) 78,427,724	692,767	77,734,957	76,257,993	98.1%	133,009	76,391,002	98.3%
2011	81,890,151	1,212,547	80,677,604	80,032,183	99.2%	1,038,463	81,070,646	100.5%
2012	84,165,711	660,938	83,504,773	81,751,173	97.9%	1,987,605	83,738,778	100.3%
2013	(1) 87,262,044	1,355,084	85,906,960	84,532,449	98.4%	2,477,064	87,009,513	101.3%
2014	84,594,327	89,641	84,504,686	83,456,003	98.8%	-	83,456,003	98.8%



(1) Revaluation Year

(2) Includes tax liens.

(3) If the actual abatements and exemptions are lower than the estimate the actual collections can exceed the net levy.

Source: Massachusetts Department of Revenue; Board of Assessors

Ratios of Outstanding Debt and General Bonded Debt

Last Ten Years

Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities Debt				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2005	38,037	\$ 754,844,265	\$ 3,926,642,631	\$ 57,586,244	\$ -	\$ 1,514	7.63%	1.47%
2006	38,037	769,941,150	4,560,626,366	55,246,180	-	1,452	7.18%	1.21%
2007	38,037	785,339,973	4,766,973,989	72,148,112	-	1,897	9.19%	1.51%
2008	38,037	801,046,773	4,835,851,102	78,553,071	-	2,065	9.81%	1.62%
2009	38,037	817,067,708	4,388,380,003	75,596,165	-	1,753	9.25%	1.72%
2010	41,667	912,944,118	3,707,402,590	71,462,003	-	1,715	7.83%	1.93%
2011	41,667	931,203,000	3,276,697,828	66,245,379	-	1,590	7.11%	2.02%
2012	41,667	970,343,160	3,535,432,288	57,497,721	-	1,449	5.93%	1.63%
2013	41,667	996,493,470	3,547,990,080	56,698,306	-	1,422	5.69%	1.60%
2014	41,667	1,016,423,339	3,615,430,470	60,503,144	-	1,422	5.95%	1.67%

Year	Business-type Activities (1)		Total Primary Government			
	General Obligation Bonds	Capital Leases	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2005	\$ -	\$ -	\$ 57,586,244	\$ 1,514	7.63%	1.47%
2006	-	-	55,246,180	1,452	7.18%	1.21%
2007	-	-	72,148,112	1,897	9.19%	1.51%
2008	-	-	78,553,071	2,065	9.81%	1.62%
2009	-	-	75,596,165	1,987	9.25%	1.72%
2010	-	-	71,462,003	1,715	7.83%	1.93%
2011	-	-	66,245,379	1,590	7.11%	2.02%
2012	2,871,636	-	60,369,357	1,449	6.22%	1.71%
2013	8,047,251	-	64,745,557	1,554	6.50%	1.82%
2014	11,865,834	-	72,368,978	1,737	7.12%	2.00%

(1) Prior to 2012, water and sewer enterprise long-term debt activity was accounted for in the general fund.
Source: Audited Financial Statements, U. S. Census

Direct and Overlapping Governmental Activities Debt

As of June 30, 2014

<u>City of Everett, Massachusetts</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Massachusetts Bay Transportation Authority.....	\$ 5,561,383,476	1.48%	\$ <u>82,141,634</u>
City direct debt.....			<u>60,503,144</u>
Total direct and overlapping debt.....			<u>\$ <u>142,644,778</u></u>

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of the overlapping governments that is borne by the taxpayers of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage applicable for the Massachusetts Bay Transportation Authority is based on total assessments issued on services.

Source: Official Statement for Sale of Bonds

Computation of Legal Debt Margin

Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Equalized Valuation.....	\$ 3,874,131,200	\$ 4,750,510,800	\$ 4,750,510,800	\$ 5,037,814,900	\$ 5,037,814,900	\$ 4,013,223,400	\$ 4,013,223,400	\$ 3,653,316,400	\$ 3,653,316,400	\$ 3,794,616,400
Debt Limit -5% of Equalized Valuation.....	\$ 193,706,560	\$ 237,525,540	\$ 237,525,540	\$ 251,890,745	\$ 251,890,745	\$ 200,661,170	\$ 200,661,170	\$ 182,665,820	\$ 182,665,820	\$ 189,730,820
Less:										
Outstanding debt applicable to limit.....	7,586,244	6,869,373	21,606,216	19,705,302	18,009,665	18,321,634	16,867,141	15,172,538	16,923,690	28,562,042
Authorized and unissued debt.....	30,200,575	52,322,776	-	45,870,299	-	-	-	59,481,367	17,765,907	4,066,597
Legal debt margin.....	\$ 155,919,741	\$ 178,333,391	\$ 215,919,324	\$ 186,315,144	\$ 233,881,080	\$ 182,339,536	\$ 183,794,029	\$ 108,011,915	\$ 147,976,223	\$ 157,102,181
Total debt applicable to the limit as a percentage of debt limit.....	19.51%	24.92%	9.10%	26.03%	7.15%	9.13%	8.41%	40.87%	18.99%	17.20%

Source: Audited Financial Statements; Statement of Indebtedness; and the Massachusetts Department of Revenue, Bureau of Local Assessment.

Demographic and Economic Statistics

Last Ten Years

Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2005	38,037	\$ 754,844,265	\$ 19,845	35.3	5,430	5.4%
2006	38,037	769,941,150	20,242	35.3	5,353	5.5%
2007	38,037	785,339,973	20,647	35.3	5,526	4.4%
2008	38,037	801,046,773	21,060	35.3	5,690	5.7%
2009	38,037	817,067,708	21,481	35.3	5,710	8.8%
2010	41,667	912,944,118	21,910	35.3	5,992	9.1%
2011	41,667	931,203,000	22,349	35.3	6,262	7.8%
2012	42,567	970,343,160	22,796	35.3	6,498	6.9%
2013	42,567	996,493,470	23,410	35.3	6,796	6.9%
2014	42,567	1,016,423,339	23,878	35.3	7,008	6.9%

Note: Per Capita Personal Income based on 2010 U.S Census

Source: Massachusetts Department of Revenue, Division of Local Services; U.S. Census Bureau

Principal Employers (excluding City)

Current Year and Nine Years Ago

Employer	Nature of Business	2014			2005		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mellon Bank	Banking/Financial Institution	1286	1	6.3%	1200	1	6.7%
Cambridge Health Alliance	Hospital	825	2	4.0%	715	2	4.0%
MBTA	Transportation	600	3	2.9%	-	-	-
Boston Coach	Transportation	299	4	1.5%	-	-	-
Target	Retail	235	5	1.1%	230	8	1.3%
Distrigas GDF/SUEZ	LNG Terminal	170	6	0.8%	-	-	-
Everett Nursing and Rehab	Health Care/Rehabilitation	165	7	0.8%	-	-	-
Home Depot	Retail	150	8	0.7%	250	7	1.4%
Alliance Detection	Security	150	9	0.7%	170	9	1.0%
Schnitzer Northeaster	Metal Recycling	139	10	0.7%	-	-	-
US Food	Food Distribution	-	-	-	359	3	2.0%
Merril Daniels	Printing Company	-	-	-	325	4	1.8%
Stop & Shop	Retail/Food	-	-	-	300	5	1.7%
Bond Brothers	Construction	-	-	-	275	6	1.5%
Costco	Wholesale	-	-	-	133	10	0.7%
		<u>4,019</u>		<u>19.6%</u>	<u>3,957</u>		<u>22.2%</u>

Source: Official Statement for Sale of Bonds

Full-time Equivalent City Employees by Function

Last Ten Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function										
General government.....	47	45	55	56	52	42	42	42	63	66
Public safety.....	221	221	235	246	249	224	240	235	245	253
Education.....	392	419	448	479	513	457	509	547	517	485
Public works.....	59	59	61	60	58	52	58	43	45	47
Health and human services.....	24	22	26	31	31	27	36	23	25	28
Culture and recreation.....	13	14	14	18	15	15	23	15	16	16
Total	<u>756</u>	<u>780</u>	<u>839</u>	<u>890</u>	<u>918</u>	<u>817</u>	<u>908</u>	<u>904</u>	<u>910</u>	<u>895</u>

Source: Various City Departments

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Marriage recordings.....	341	340	320	356	340	359	329	385	384	332
Birth recordings.....	491	527	531	560	557	561	598	613	637	592
Death recordings.....	594	536	504	484	469	455	470	441	423	398
Police										
Physical arrests.....	1,026	1,351	1,481	1,375	956	875	822	833	752	810
Motor vehicle violations.....	5,477	9,059	9,189	7,450	1,026	5,762	3,575	4,135	3,262	3889
Police personnel and officers.....	92	92	98	100	100	95	98	89	94	100
Fire										
Inspections.....	2,414	2,452	2,773	2,784	2,832	2,785	2,477	4,413	2,988	2650
Emergency responses.....	4,795	5,143	5,391	5,268	5,010	4,898	4,575	4,781	5,167	5259
Fire personnel and officers.....	100	100	106	107	107	93	99	95	95	95
Education										
Number of students.....	5,353	5,526	5,690	5,710	5,995	6,262	6,498	6,796	7,008	7168
Number of graduates.....	365	353	352	340	367	411	324	348	408	404
Number of teachers.....	395	386	402	402	423	416	434	464	463	484.9
Health and human services										
Number of persons using COA transportation...	-	-	-	1,150	717	498	526	1,491	2,307	1,205

Source: Various City Departments; Massachusetts Department of Education

Capital Asset Statistics by Function/Program

Last Ten Years

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government										
Number of buildings.....	3	3	3	3	3	3	3	3	3	3
Police										
Number of stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of stations.....	3	3	3	3	3	3	3	3	3	3
Education										
Number of elementary schools.....	6	6	6	6	6	6	6	6	6	6
Number of middle schools.....	5	5	5	5	5	5	5	5	5	5
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Cemeteries.....	3	3	3	3	3	3	3	3	3	3

Source: Various City Departments, Manual of the City Government

Free Cash and Stabilization Fund Balances

Last Ten Years

<u>Year</u>	<u>Free Cash</u>	<u>Stabilization Fund</u>
2014.....	\$ 5,435,464	\$ 11,354,748
2013.....	\$ 5,156,668	\$ 10,941,602
2012.....	\$ 5,305,529	\$ 9,001,217
2011.....	\$ 3,578,286	\$ 9,224,016
2010.....	\$ 830,286	\$ 9,122,082
2009.....	\$ 3,631,421	\$ 8,974,432
2008.....	\$ 5,683,502	\$ 8,713,422
2007.....	\$ 11,625,470	\$ 6,935,577
2006.....	\$ 4,864,104	\$ 6,775,993
2005.....	\$ 5,366,898	\$ 4,971,998

Source: City Records & Annual Report from FirstSouthwest