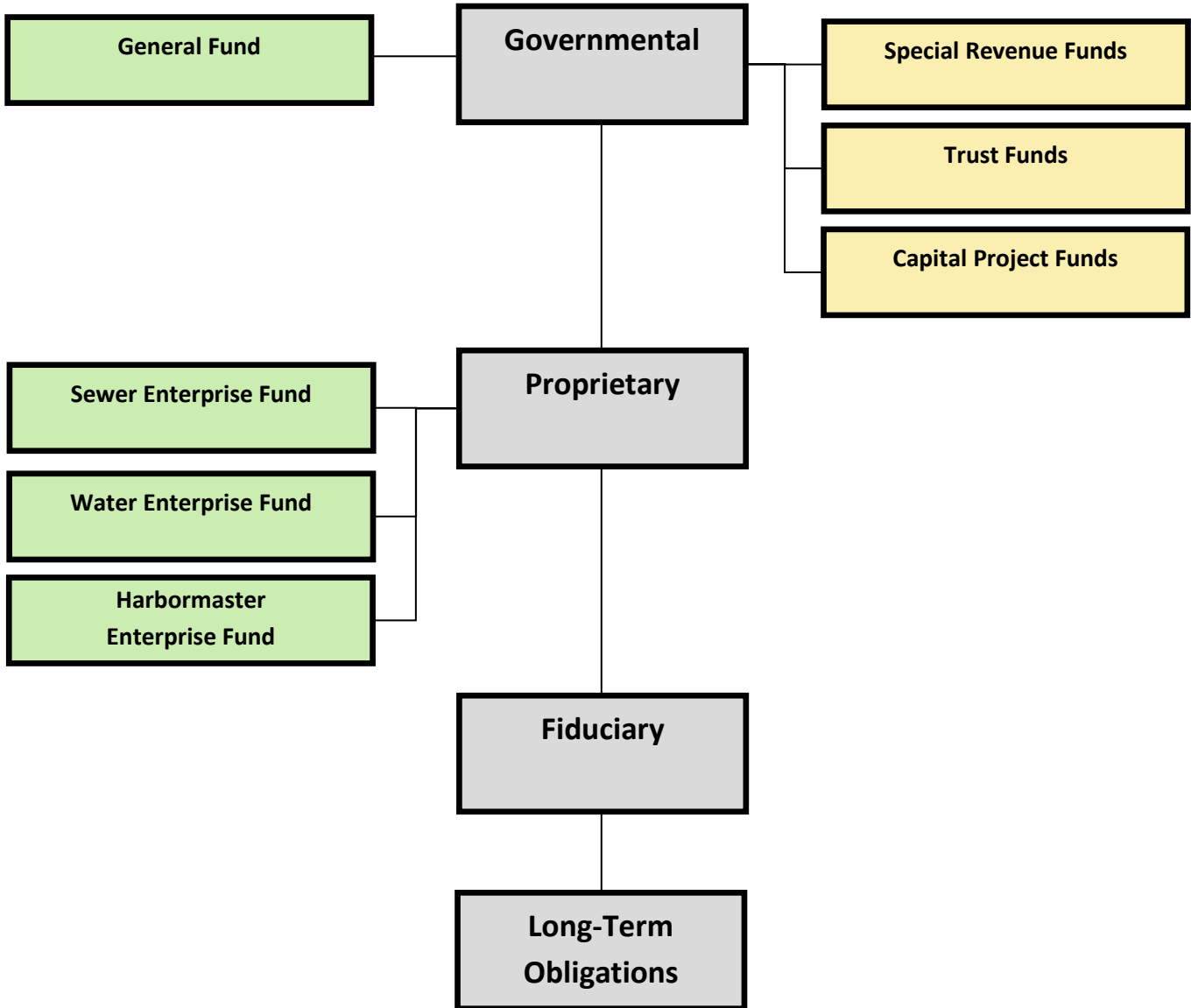


D. FUND DESCRIPTIONS & BALANCES

All Funds

Budgeted Funds

Non-Budgeted Funds



FUND DESCRIPTIONS

The financial operations of the City are organized into funds and account groups, each of which is a separate fiscal and accounting entity. All revenues received or expenditures made by the City are accounted for through one of the funds or account groups listed below.

A. GOVERNMENTAL FUNDS

Most City functions are financed through what are called Governmental Funds. These are the activities generally supported by “non-exchange” revenue, such as taxes. There are four types of governmental funds maintained by the City: the General Fund, Special Revenue Funds, Permanent Funds, and the Capital Projects Fund.

General Fund: The General Fund is the major operating fund of the City government and it encompasses a majority of City operations, and it is defined as covering all resources that are not required to be accounted for elsewhere. The General Fund is supported by revenues from real estate & personal property taxes, state aid, excise taxes, investment income, fines & forfeitures, and fees & charges. Most of the City’s departments including the Schools are supported in whole or in part by the General Fund.

Special Revenue Funds: Special Revenue Funds are used to account for revenues that are legally restricted to specific purposes, with the exception of major capital projects and permanent funds. These revenues must be accounted for separately from the General Fund for a variety of reasons, and often span multiple fiscal years. The City’s Special Revenue Funds are grouped into five categories:

1. **Revolving Funds:** Revolving Funds allow the City to raise revenues from a specific program and use those revenues to support the program without appropriation. Revolving Funds are established by statute or by-law and may require reauthorization each year by the City Council. The City maintains revolving funds for a number of purposes, such as Plumbing Inspector, Gas Inspector, Electrical Inspector, Council on Aging, City Hall Maintenance, Animal Control, Transient Vendors, Medicare/Medicaid, Library, Downtown Paid Parking, Historical Commission, Planning and Zoning, Engineering Services, Disabilities Commission, Veterans Benefits and Youth Services.
2. **Receipts Reserved for Appropriation:** The funds in this grouping are restricted to a specific use by statute and also require appropriation by the City Council.
3. **School Grants:** The School Grant Funds account for specially financed education programs using revenue from grants received from the Federal or State government. These include the State Kindergarten Enhancement grant, the State Special Education Revolving Fund (Circuit Breaker), and Federal Title I and Title IIA grants.
4. **Other Intergovernmental Funds:** These funds account for revenues received by the City from the Federal or State government for specific purposes other than education. These include a variety of grants such as the Chapter 90 Highway Program, State Election Grants, State Library Aid, and the Elderly Formula Grant.
5. **Other Special Revenue Funds:** These funds account for any other miscellaneous special revenues not included in the previous categories. These include private donations for specific purposes, such as grants received from private or non-profit foundations, gifts made to specific departments, and payments from developers for infrastructure improvements related to proposed projects. This category also includes the Community Preservation Fund and the Conservation Fund.

Trust Funds: Trust (Permanent) Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used to support the government and its citizens. The acceptance of such funds generally involves acceptance by the City Council for each fund's individual specifications and/or requirements. There are two accounts associated with each permanent fund, the expendable income, and the non-expendable principal.

1. **Expendable Trust Funds:** This heading accounts for the expendable income portion of the permanent trust funds. This heading is also used to account for funds received by the City in a trustee capacity where both the principal and earnings of the fund may be expended on a restricted basis for the benefit of the City or its Citizens.
2. **Non-expendable Trusts:** are used to account for trusts where the principal must remain intact. Generally income earned on the non-expendable trust principal may be expended in accordance with the conditions of a trust instrument or statute, and is accounted for in the previous category.

Capital Project Funds: The Capital Projects Fund is used to account for monies used for the acquisition or construction of major capital facilities (buildings, roads, etc.) other than those financed by other dedicated funds, such as the Community Preservation Act Fund or Chapter 90.

B. PROPRIETARY (ENTERPRISE) FUNDS

Proprietary Funds cover the City's "business-type" activities, and are referred to as such in the financial statements. These statements comprise the Sewer, Water, and Harbormaster Enterprise Funds of the City. All direct and indirect costs including overhead of each service are intended to be captured by user fees and/or general fund subsidies. These funds account for their own fixed assets and long term liabilities. Although the long term debt of the funds is ultimately the legal obligation of the general fund, it is budgeted and paid for by the Enterprise Fund for which the project was approved. The City Council has approved the use of the Enterprise Fund accounting for the sewer, water, and harbormaster operations. However, for the purposes of the financial statements only the sewer and water operations are considered to be major funds.

C. FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. The City is the trustee, or fiduciary, and the government and its citizenry do not benefit directly from such funds. This means that the City is responsible for assets in a purely custodial manner that can be used only for the trust beneficiaries and Agency Funds. Under this heading the City maintains only Agency Funds, such funds for "special detail" for overtime labor billed to outside parties, firearms licenses and fishing permits payable to the Commonwealth, and fees derived from and expenses related to the use of school facilities by outside parties.

D. LONG-TERM OBLIGATIONS

The last category of fund account entities maintained by the City is for long-term obligations, which accounts for the balances due on long-term debt that the City has authorized. The liabilities accounted for in this fund extend to future years, versus those that affect the current year alone shown in other funds. When borrowing is approved the liability is increased in this fund, and when debt is paid down or rescinded the liability is reduced.

BASIS OF ACCOUNTING

By necessity, the City produces financial reports that have different bases of accounting. Since the goal of financial reporting is to provide useful information to its users, the measurement focuses of reporting must change with respect to the needs of the audience.

The day to day method of accounting used by the City is UMAS, the Commonwealth of Massachusetts' Universal Municipal Accounting System. This accounting system is prescribed by the Commonwealth of Massachusetts Department of Revenue and is intended to demonstrate compliance with state statutes and local near-term decisions (e.g. budget). This system prescribes the use of the modified accrual basis of accounting, which is the basis used by all governmental fund types. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available).

The full accrual basis of accounting is used for the City's financial statements, which are produced based on generally accepted accounting principles (GAAP). The statements report information about the City with a broad overview. The statements use accounting methods most similar to those used by a private-sector business and are typically used to demonstrate the long-term financial position of the City. The users of this information are often bond rating agencies and others seeking information consistent with entities in other states. The Government Accounting Standards Board (GASB) issues guidance for how GAAP-based financial statements should be prepared for government entities. The accrual basis of accounting is utilized by the proprietary and agency funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

BASIS OF BUDGETING

An annual budget is adopted for the City's General and Enterprise Funds. The City's annual budget is adopted on a statutory basis, specific to the Commonwealth of Massachusetts, and it differs in some respects from GAAP. The major differences between the budget and GAAP basis are that:

1. Budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).
2. For the budget, encumbrances are treated as expenditures in the year the commitment is made. Also, certain appropriations do not lapse and are treated as budgetary expenditures in the year they are authorized as opposed to when the liability is actually incurred (GAAP).
3. The depreciation of Fixed Assets is not recognized as a current expense on a budgetary basis, except to the extent that actual maintenance costs are included in departmental budgets.

On the following page are two tables which are excerpted from the City's financial statements prepared on a GAAP basis. These tables display the results of operations for the most recently audited fiscal year.

The City implemented GASB Statement #54 *Fund Balance Reporting and Governmental Fund Type Definitions*. In general, amounts previously reported as undesignated fund balance, are now reported as unassigned fund balance. Additionally, amounts previously reporting in stabilization funds, are now required to be presented as committed fund balance in the general fund.

General Fund Financial Statements

Balance Sheet

	<u>FY16</u>	<u>FY17</u>	<u>Amount Change</u>	<u>Percent Change</u>
Assets				
Cash and Short-Term Investments	\$12,337,452	\$10,300,561	(\$2,036,891)	-16.5%
Investments	\$146,056	\$697,223	\$551,167	377.4%
Receivables	\$2,424,949	\$2,721,591	\$296,642	12.2%
Total Assets	\$14,908,457	\$13,719,375	(\$1,189,082)	-8.0%
Liabilities				
Warrants Payable	\$2,447,735	\$1,543,474	(\$904,261)	-36.9%
Accrued Liabilities	\$1,466,304	\$1,619,000	\$152,696	10.4%
Tax Refunds Payable	\$160,286	\$152,128	(\$8,158)	-5.1%
Other	\$531,158	\$333,703	(\$197,455)	-37.2%
Total Liabilities	\$4,605,483	\$3,648,305	(\$957,178)	-20.8%
Deferred Inflows				
Unavailable revenues	\$2,109,107	\$2,756,184	\$647,077	30.7%
Fund Balances				
Committed	\$718,442	\$900,382	\$181,940	25.3%
Assigned	\$835,152	\$278,178	(\$556,974)	-66.7%
Unassigned	\$6,640,273	\$6,136,326	(\$503,947)	-7.6%
Total Fund Balances	\$8,193,867	\$7,314,886	(\$878,981)	-10.7%
Total Liabilities, Deferred Inflows and Fund Balances	\$14,908,457	\$13,719,375	(\$1,189,082)	-8.0%

Balance Sheet Highlights

- Assets (resources owned) = Liabilities (amounts owed) + Deferred Inflows (resources to be recognized in the future) + Fund Balance (reserves).
- Fund balance has specific restrictions: Committed (Mayor/City Council appropriations for a specific purpose), Assigned (purchase orders), and Unassigned (available).
- FY17 assigned fund balance decreased due to fewer purchase orders (encumbrances) at year-end.
- FY17 unassigned funds decreased due to use of free cash.

Statement of Revenues, Expenditures and Changes in Fund Balance

	<u>FY16</u>	<u>FY17</u>	<u>Amount Change</u>	<u>Percent Change</u>
Revenues				
Property Tax	\$49,892,638	\$51,860,623	\$1,967,985	3.9%
Excise Tax	\$2,620,498	\$2,707,801	\$87,303	3.3%
Local Receipts	\$2,824,083	\$2,670,650	(\$153,433)	-5.4%
State Aid	\$4,172,696	\$4,561,934	\$389,238	9.3%
Other	\$401,771	\$332,401	(\$69,370)	-17.3%
Total Revenue	\$59,911,686	\$62,133,409	\$2,221,723	3.7%
Expenditures				
City Services	\$16,519,863	\$17,244,060	\$724,197	4.4%
Schools	\$26,860,306	\$28,198,472	\$1,338,166	5.0%
Employee Benefits	\$11,809,048	\$12,754,684	\$945,636	8.0%
Debt Service	\$3,730,562	\$4,111,685	\$381,123	10.2%
Total Expenditures	\$58,919,779	\$62,308,901	\$3,389,122	5.8%
Excess (deficiency) of revenues over expenditures	\$991,907	(\$175,492)	(\$1,167,399)	-117.7%
Other Financing Sources (Uses)				
Refunding of Bonds	\$15,506	\$0	(\$15,506)	-100.0%
Transfers In	\$702,797	\$343,946	(\$358,851)	-51.1%
Transfers Out	(\$1,647,615)	(\$1,047,435)	\$600,180	-36.4%
Total Other Financing	(\$929,312)	(\$703,489)	\$225,823	-24.3%
Changes in Fund Balance	\$62,595	(\$878,981)	(\$941,576)	-1504.2%
Fund Balance				
Beginning of Year	\$8,131,272	\$8,193,867	\$62,595	0.8%
End of Year	\$8,193,867	\$7,314,886	(\$878,981)	-10.7%

Statement of Revenues, Expenditures and Changes in Fund Balance Highlights

- Total revenues increased by \$2.2 million, or 3.7%, from FY16 to FY17.
- Local receipts decreased by 5.4% due to fewer building permits issued in FY17 vs. FY16.
- Expenditures for employee benefits increased due to more employees, higher insurance costs and an annual 5% increase to the pension assessment.
- Debt service increased from the final issuance of bonds for the Bresnahan and Nock/Molin School projects and new issues for High School Stadium, fire trucks and drainage.
- Fund balance remains strong at 11.7% of total expenditures and unassigned fund balance at 9.8% of total expenditures.

This information is a condensed version of the City's audited financial statements for June 30, 2016 and June 30, 2017, which are accessible in [full](#) via the City website.

ALL FUNDS SUMMARY

As of 5.1.2018

Fund Name	Code	Beginning Balance	FY18 Revenue	FY18 Expended	Transfers In/ (Out)	Ending Balance
General Fund						
General Fund	001	\$3,320,035	\$52,861,344	(\$50,821,817)	(\$240,599)	\$5,118,963
Total General Fund		\$3,320,035	\$52,861,344	(\$50,821,817)	(\$240,599)	\$5,118,963
Enterprise Funds						
Water Enterprise Fund	060	\$1,787,846	\$4,426,349	(\$4,175,565)	\$0	\$2,038,630
Sewer Enterprise Fund	061	\$1,132,955	\$5,463,520	(\$6,004,695)		\$591,780
Harbormaster Enterprise Fund	6520	\$536,265	\$294,501	(\$339,904)		\$490,862
Total Enterprise Funds		\$3,457,066	\$10,184,370	(\$10,520,165)	\$0	\$3,121,271
Departmental Revolving Funds						
Engineering Services	2801	\$69,615	\$83,139	(\$89,032)	\$0	\$63,722
Council on Aging	2802	\$43,536	\$30,075	(\$28,040)	\$0	\$45,571
Recreational Services	2803	\$251,343	\$117,713	(\$297,015)	\$0	\$72,040
Historical Commission	2804	\$7,922	\$450	(\$150)	\$0	\$8,222
Electrical Inspector	2806	\$51,295	\$54,627	(\$48,082)	\$0	\$57,839
Plumbing Inspector	2807	\$21,433	\$29,155	(\$45,684)	\$0	\$4,904
Gas Inspector	2808	\$16,611	\$21,753	(\$26,923)	\$0	\$11,442
Disabilities Commission	2809	\$12,312	\$5,245	\$0	\$0	\$17,557
Emma Andrews Library	2810	\$28,557	\$15,000	(\$8,218)	\$0	\$35,339
M-School Drop-in Center	2811	\$71,853	\$12,294	(\$37,430)	\$0	\$46,717
Transient Vendors	2812	\$29,882	\$14,330	(\$5,823)	\$0	\$38,389
Planning & Zoning	2813	\$39,231	\$46,314	(\$33,825)	\$0	\$51,720
Animal Control	2817	\$12,489	\$1,085	\$0	\$0	\$13,574
Tree Commission	2818	\$8,097	\$3,809	(\$5,218)	\$0	\$6,688
Medicare/Medicaid	2835	\$35,083	\$10,072	(\$12,458)	\$0	\$32,696
Veterans Services	2836	\$1,552	\$0	\$0	\$0	\$1,552
Downtown Paid Parking	2839	\$951,855	\$651,442	(\$419,728)	\$0	\$1,183,569
City Hall Maintenance	2840	\$4,398	\$1,140	(\$1,935)	\$0	\$3,604
Senior Comm. Ctr. Maint.	2841	\$9,471	\$25,360	(\$6,040)	\$0	\$28,791
Parks Maint.	2842	\$2	\$4,085	(\$3,090)	\$0	\$996
Total Departmental Revolving Funds		\$1,666,537	\$1,127,087	(\$1,068,690)	\$0	\$1,724,934
Receipts Reserved for Appropriation Funds						
Cemetery Receipts	2721	\$8,649	\$2,100	\$0	\$0	\$10,749
Gasoline	2722	\$139,283	\$70,576	\$0	(\$128,223)	\$81,637
Inflow/Infiltration Fees	2723	\$336,103	\$67,220	\$0	\$0	\$403,323
Assessor Service Fees	2724	\$1,850	\$460	\$0	\$0	\$2,310
Insurance Claims	2741	\$51,864	\$0	\$0	\$0	\$51,864
Settlements	2745	\$108,421	\$903	\$0	\$0	\$109,323
Solid Waste Fees	2747	\$308,464	\$42,859	\$0	(\$40,000)	\$311,323
Green Initiatives	2755	\$161,910	\$0	\$0	\$0	\$161,910
Sale of Muni. Buildings/Equipment	2760	\$748,000	\$0	\$0	\$0	\$748,000
Total Receipts Reserved for Approp. Funds		\$1,864,544	\$184,118	\$0	(\$168,223)	\$1,880,439
Community Preservation Fund						
Community Preservation Fund	070	\$621,523	\$872,696	(\$916,549)		\$577,670
Total Community Preservation Fund		\$621,523	\$872,696	(\$916,549)	\$0	\$577,670
Capital Project Funds						
Sidewalks	3002	\$9,954	\$75,264	(\$13,697)	\$0	\$71,522
Street Relo North Reservation Terrace	3006	\$13,378	\$0	\$0	\$0	\$13,378
School Bldg Improvements	3009	\$5,696	\$0	(\$1,078)	\$0	\$4,619
Brown Square	3011	\$1,001	\$0	\$0	\$0	\$1,001
Water System Improvements	3202	\$99,909	\$0	(\$66,510)	\$0	\$33,399
Water Main Replacement	3204	\$360,162	\$0	\$0	\$0	\$360,162
DPS Building	3403	\$134,789	\$0	(\$42,258)	\$0	\$92,531

Fund Name	Code	Beginning Balance	FY18 Revenue	FY18 Expended	Transfers In/ (Out)	Ending Balance
West End Sewer Project	3406	\$300,963	\$0	(\$127,177)	\$0	\$173,786
Graf Road Force Main	3407	\$1	\$0	\$0	\$0	\$1
Sewer Main	3408	\$13,081	\$0	\$0	\$0	\$13,081
Meter Replacement Program	3409	\$383,812	\$0	\$0	\$0	\$383,812
Vacuum Truck	3412	\$15,092	\$0	\$0	\$0	\$15,092
HVAC Improvements	3415	\$43,569	\$0	\$0	\$0	\$43,569
VOIP Phone System	3506	\$2,308	\$0	\$0	\$0	\$2,308
Cashman Park Right Field Netting	3508	\$5	\$0	\$0	\$0	\$5
Brown School Gym Handicapped Ramp	3509	\$5,625	\$0	\$0	\$0	\$5,625
Nock/Molin (Bradley Fuller/Richard Eaton) Field	3510	\$55,975	\$25,221	(\$35,437)	\$0	\$45,758
(2) World War Memorial Stadium Multi-Purpose Field	3512	\$73,829	\$0	(\$73,829)	\$0	\$0
(3) Cherry Hill Parcel B Soccer Field Improvement Project	3513	\$14,871	\$0	(\$4,007)	\$0	\$10,864
FY15 - Fire Trucks - "2"	3514	\$247	\$0	\$0	\$0	\$247
Parking Rev Collection System	3517	\$40,000	\$0	\$0	\$0	\$40,000
Colby Farm Lot 1 Feasibility Study	3519	\$7,500	\$0	\$0	\$0	\$7,500
Electronic Rec/PO/Cnt Mgr	3521	\$6,047	\$0	(\$2,939)	\$0	\$3,107
Master Plan Upgrade	3603	\$154	\$0	(\$154)	\$0	\$0
Parking Facility	3605	\$510,300	\$5,898,072	(\$2,793,174)	\$0	\$3,615,198
Rail Trail Phase 2	3608	\$71,612	\$284,153	(\$194,400)	\$0	\$161,365
High Hazard Tree Removal	3610	\$11,250	\$0	(\$8,390)	\$0	\$2,860
IT Hardware	3613	\$1,445	\$0	(\$1,445)	\$0	\$0
Laptops for Cruisers	3614	\$2,554	\$0	(\$110)	\$0	\$2,444
Various Drainage Projects	3700	\$386,000	\$0	(\$273,039)	\$0	\$112,961
Acquisition for Transit Parking Facility	3701	\$10,000	\$0	(\$10,000)	\$0	\$0
Police Utility Vehicle	3702	\$4,565	\$0	(\$2,794)	\$0	\$1,771
Groundskeeper/Landscaping Equipment	3703	\$5,700	\$0	(\$3,434)	\$0	\$2,266
Clean River Project	3704	\$18,163	\$0	\$0	\$0	\$18,163
Sidewalk Improvements	3705	\$60,000	\$0	\$0	\$0	\$60,000
2 Ton Dump Truck w/Plow	3706	\$940	\$0	\$0	\$0	\$940
Sch - Nock/Molin Elevator Controls Modernization	3707	\$140,000	\$0	(\$15,143)	\$163,710	\$288,567
Multipurpose Tractor	3708	\$35,000	\$0	(\$31,728)	\$0	\$3,272
3/4 Ton Pickup Truck w/Plow	3709	\$43,000	\$0	(\$42,860)	\$0	\$140
1 1/2 Ton Dump Truck w/Plow	3710	\$85,000	\$0	(\$85,000)	\$0	\$0
Replace/Update Radio Equipment	3711	\$3,667	\$0	(\$2,414)	\$0	\$1,253
Sch - High School Fire Alarm Panel Replacement	3712	\$52,436	\$0	(\$52,436)	\$0	\$0
Sch - Nock/Molin Furniture Replacement	3713	\$25,000	\$0	\$0	\$0	\$25,000
Sch - 1 Ton Pickup w/Plow	3714	\$46,830	\$0	(\$46,830)	\$0	\$0
LED Streetlight Conversion	3715	\$98,000	\$0	(\$98,000)	\$0	\$0
Communication System	3716	\$70,050	\$0	(\$48,215)	\$0	\$21,835
IT Hardware	3717	\$52,500	\$0	(\$6,909)	\$0	\$45,591
High School Roof Repairs	3800	\$20,000	\$0	(\$3,251)	\$0	\$16,749
Roadway Reconstruction Program	3801	\$300,000	\$0	\$0	\$0	\$300,000
Tractor - Parks	3802	\$0	\$0	(\$47,322)	\$47,322	\$0
HS Addition Feasibility Study	3803	\$0	\$0	(\$6,500)	\$6,500	\$0
Well Cleaning & Rehab	4000	\$60,000	\$0	\$0	\$0	\$60,000
Water Safe Yield Est	4001	\$68,608	\$0	(\$57,001)	\$0	\$11,607
WTP Sump Pump Repair	4002	\$50,000	\$0	(\$20,450)	\$0	\$29,550
Artichoke Pump Station Skylight/Roof Repairs	4003	\$25,000	\$0	(\$4,500)	\$0	\$20,500
Sludge Removal in the Lagoons	4004	\$40,000	\$0	(\$11,960)	\$0	\$28,040
PI Hydrant Replacement	4005	\$0	\$0	(\$1,857,457)	\$3,377,460	\$1,520,003
WW Odor Control/Facility Upgrades	4101	\$3,996,959	\$1,000,000	(\$3,982,547)	\$0	\$1,014,412
Hale/Graf Force Main	4102	\$835,810	\$0	(\$372,759)	\$0	\$463,051

Fund Name	Code	Beginning Balance	FY18 Revenue	FY18 Expended	Transfers In/ (Out)	Ending Balance
PI Sewer Valve Pit Monitoring	4103	(\$412,991)	\$428,993	(\$26,870)	\$0	(\$10,867)
Graf Road Sewer Pump Station	4105	\$2,933,309	\$500,000	(\$499,879)	\$0	\$2,933,430
WW Collection System Capacity Analysis	4106	\$66,342	\$0	(\$66,342)	\$0	\$0
Sewer & Manhole Replacement Project	4107	\$250,000	\$0	(\$98,708)	\$0	\$151,292
Pump & Valve Replacements	4108	\$90,000	\$0	(\$24,790)	\$0	\$65,210
Transient Boater Facility Project	4200	\$9,400	\$0	(\$61)	\$0	\$9,339
Ballot Bresnahan School Construction (Excluded)	4501	\$952,595	\$0	\$0	(\$132,447)	\$820,148
CC Nock/Molin School Construction	4504	\$31,263	\$0	\$0	(\$31,263)	\$0
Ballot Senior & Community Center (Excluded)	4505	\$25,872	\$0	(\$1,450)	\$0	\$24,422
Pilings	5701	\$6	\$0	\$0	\$0	\$6
Total Capital Project Funds		\$12,672,276	\$8,211,703	(\$11,165,253)	\$3,431,282	\$13,150,008