

OFFICIAL STATEMENT DATED JANUARY 29, 2015

Rating: See "Rating" herein.
Standard & Poor's Ratings Group: AA

New Issue

In the opinion of Locke Lord LLP (as a successor by merger to Edwards Wildman Palmer LLP), Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. See "Tax Exemption" herein.

CITY OF NEW BEDFORD, MASSACHUSETTS
\$7,948,000 GENERAL OBLIGATION STATE QUALIFIED
MUNICIPAL PURPOSE LOAN OF 2015 BONDS

DATED
Date of Delivery

DUE
December 1
(as shown below)

The Bonds are issuable only in fully registered form, registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, with the exception of three \$1,000 denominations maturing on December 1, 2015. See ("THE BONDS - Book-Entry Transfer System" herein.)

Principal of the Bonds will be payable December 1 of the years in which the Bonds mature. Interest on the Bonds will be payable June 1 and December 1 of each year, commencing December 1, 2015. Principal and semiannual interest on the Bonds will be paid by The Treasurer and Receiver-General of The Commonwealth of Massachusetts, or its successor, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and the disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are subject to redemption prior to their stated maturity dates as described herein.

The Bonds will be valid general obligations of the City of New Bedford, Massachusetts and will be payable as to both principal and interest from taxes that may be levied upon all the property within the territorial limits of the City, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS

Due December 1	Principal Amount	Interest Rate	Yield	Cusip 642170	Due December 1	Principal Amount	Interest Rate	Yield	Cusip 642170
2015	\$ 438,000	5.00 %	0.30 %	FG4	2025	\$ 150,000	3.00 %	2.10 %	FS8
2016	375,000	5.00	0.55	FH2	2026	155,000	4.00	2.35	FT6
2017	685,000	5.00	0.75	FJ8	2027	160,000	4.00	2.40	FU3
2018	710,000	5.00	0.94	FK5	2028	165,000	4.00	2.60	FV1
2019	520,000	5.00	1.09	FL3	2029	175,000	4.00	2.70	FW9
2020	545,000	5.00	1.29	FM1	2030	180,000	4.00	2.80	FX7
2021	580,000	5.00	1.50	FN9	2031	185,000	3.00	3.10	FY5
2022	145,000	5.00	1.75	FP4	2032	190,000	3.00	3.15	FZ2
2023	150,000	5.00	1.90	FQ2	2033	200,000	3.10	3.20	GA6
2024	140,000	5.00	2.00	FR0	2034	205,000	3.10	3.25	GB4

\$430,000 Interest Rate 3.125% Term Bond Maturing December 1, 2036 Yield @ 3.25% Cusip # 642170 GD0
\$695,000 Interest Rate 3.25% Term Bond Maturing December 1, 2039 Yield @ 3.45% Cusip # 642170 GG3
\$770,000 Interest Rate 3.30% Term Bond maturing December 1, 2042 Yiled @ 3.55% Cusip # 642170 GK4

The Bonds are offered subject to the final approving opinion of Locke Lord LLP (as a successor by merger to Edwards Wildman Palmer LLP), Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale (see "Opinion of Bond Counsel.") First Southwest Company, LLC, Boston, Massachusetts, has acted as Financial Advisor to the City of New Bedford, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about February 5, 2015, against payment to the City in Federal Reserve funds.

HUTCHINSON, SHOCKEY, ERLEY & CO.

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The information set forth herein has been obtained from the City and from other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds described herein shall, under any circumstances, create any implication that there has been no change in the affairs of the City of New Bedford since the date hereof.

SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale: Thursday, January 29, 2015, 10:30 a.m. (E.T).

Location of Sale: First Southwest Company, LLC, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.

Issuer: City of New Bedford, Massachusetts.

Issue: \$7,948,000 General Obligation State Qualified Municipal Purpose Loan of 2015 Bonds, see "THE BONDS - Book-Entry Transfer System" herein.

Official Statement Dated: January 29, 2015.

Dated Date of the Bonds: Date of Delivery.

Principal Due: \$6,053,000 Serial bonds maturing on December 1, 2015 through December 1, 2034, inclusive; and three Term Bonds maturing December 1, 2036, December 1, 2039 and December 1, 2042, as set forth herein.

Purpose and Authority: The Bonds are authorized for various purposes pursuant to various orders of the City Council, a vote of the Committee on Finance, and certain provisions of the Massachusetts General Laws as detailed herein.

Redemption: The Bonds are subject to redemption prior to their stated maturity dates as described herein.

Security for the Bonds: The Bonds will be valid general obligations of the City of New Bedford, and will be payable as to both principal and interest from taxes that may be levied upon all the property within the territorial limits of the City, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

State Qualified Bonds: The Bonds will be State Qualified Bonds pursuant to Chapter 44A of the Massachusetts General Laws ("Chapter 44A"). Pursuant to Chapter 44A, the State Treasurer shall pay debt service on State Qualified Bonds and after payment shall withhold from distributable aid (as defined in Chapter 44A) payable to the City an amount which will be sufficient to pay the debt service on such State Qualified Bonds or, if the amount of such distributable aid in any year is insufficient for the purpose, from any other amounts payable by The Commonwealth of Massachusetts (the "Commonwealth") to the City under any provision of law. From the time withheld by the State Treasurer, all such distributable aid or other amounts so withheld and paid shall be exempt from being levied upon, taken, sequestered, or applied toward paying the debts of the City other than for payment of debt service on such State Qualified Bonds. Nothing in Chapter 44A shall be construed to pledge the credit and assets of the Commonwealth to the support of any State Qualified Bonds or to guarantee payment or stand as surety to the payment of any State Qualified Bonds. See "THE BONDS-State Qualified Bonds" herein.

Credit Rating: Standard & Poor's Ratings Group has assigned a rating of AA to the Bonds.

Bond Insurance: The City has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.

Basis of Award: Lowest True Interest Cost (TIC), as of the dated date. **BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$75,000.**

Tax Exemption: Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion of Bond Counsel".

Continuing Disclosure: Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate".

Bank Qualification: The Bonds **WILL NOT BE** designated by the City as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Paying Agent: The Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts.

Legal Opinion: Locke Lord LLP (as a successor by merger to Edwards Wildman Palmer LLP), Boston, Massachusetts.

Financial Advisor: First Southwest Company, LLC, Boston, Massachusetts. See "THE BONDS – Opinion of Bond Counsel".

Delivery and Payment: It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about February 5, 2015, against payment in Federal Funds.

Issuer Official: Questions concerning the Official Statement should be addressed to: Ms. R. Renee Fernandes, Treasurer, City of New Bedford, Massachusetts (telephone: 508-979-1430) or Cinder McNerney, Managing Director, First Southwest Company, LLC, Boston, Massachusetts (telephone: 617-619-4408).

Final Official Statement: Within seven (7) business days following the award of the Bonds in accordance herewith, at least 50 copies of the Final Official Statement will be available from First Southwest Company, LLC, to the successful bidder for each series for use in reoffering such series of the Bonds. Upon request, additional copies will be provided to the successful bidders to a maximum of one per \$100,000 of par amount purchased.

The New Bedford Way

New Bedford City Government STATEMENT OF VALUES

As public servants, we pride ourselves on our efforts to earn and maintain the public's trust by ensuring that our actions represent the highest standards of integrity and professional ethics.

Integrity: We hold ourselves to the highest ethical and performance standards and are professional and honest in our working relationships. We strive for equity and fairness in our decision making and in our treatment of one another. We honor our commitments and are committed to a transparent process that ensures the highest level of trust in our decisions and methods.

Accountability: We accomplish with integrity, honesty, and conscientiousness, our defined and assigned tasks within a reasonable time in order to fulfill our goals.

Innovation: In pursuit of continuous improvement, we take bold action with a shared sense of purpose and a creative approach to problem-solving. We are proactive visionaries who will use our knowledge, skills and abilities to seize opportunities and confront challenges to ensure the highest level of service to the community.

Teamwork: Our success depends upon a cooperative effort and the ability to perform as one highly effective team. We value an atmosphere of mutual respect, support and cooperation that provides a positive work environment for our employees, encourages individual creativity, and produces the highest quality of services for our residents.

Respect: We value and celebrate the diversity of our community, appreciate differing viewpoints, respond with empathy to the concerns of our residents and encourage active civic engagement as we work to provide a welcoming environment in which to conduct the People's business. We are committed to the respectful and dignified treatment of all people and to the development of meaningful and productive working relationships with our colleagues and the residents we serve.

**NOTICE OF SALE
CITY OF NEW BEDFORD, MASSACHUSETTS
\$7,948,000 GENERAL OBLIGATION STATE QUALIFIED MUNICIPAL PURPOSE LOAN OF 2015 BONDS**

The City of New Bedford, Massachusetts (the "City") will receive sealed and electronic (as described herein) proposals until 10:30 A.M., Eastern Time Thursday, January 29, 2015, for the purchase of the following described General Obligation State Qualified Municipal Purpose Loan of 2015 Bonds of the City (the "Bonds"):

\$7,948,000 General Obligation State Qualified Municipal Purpose Loan of 2015 Bonds payable December 1 of the years and in the amounts as follows:

Due December 1	Principal Amount*	Due December 1		Principal Amount*
2015	\$ 458,000	2029	**	\$ 165,000
2016	575,000	2030	**	175,000
2017	595,000	2031	**	180,000
2018	615,000	2032	**	190,000
2019	515,000	2033	**	195,000
2020	540,000	2034	**	205,000
2021	560,000	2035	**	210,000
2022	140,000	2036	**	220,000
2023	145,000	2037	**	230,000
2024	135,000	2038	**	240,000
2025 **	140,000	2039	**	250,000
2026 **	145,000	2040	**	260,000
2027 **	155,000	2041	**	270,000
2028 **	160,000	2042	**	280,000

*Preliminary, subject to change.

**Callable maturities. May be combined into one, two or three Term Bonds.

The Bonds will be dated as of their date of delivery. Principal of the Bonds will be payable on December 1 of the years in which the Bonds mature. Interest will be payable on June 1 and December 1, commencing December 1, 2015.

The Bonds will be issued by means of a book-entry system with no physical distribution of Bond certificates made to the public. One certificate for each maturity of the Bond will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with the exception of three \$1,000 denominations maturing on December 1, 2015, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures established by DTC and its Participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its Nominee as Registered Owner of the Bonds. Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners will be the responsibility of such Participants and other Nominees of Beneficial Owners. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

Principal and semiannual interest on the Bonds will be paid by the Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The Bonds are subject to redemption prior to their stated maturity dates, as described herein.

Bonds maturing on or prior to December 1, 2024 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on and after December 1, 2025 shall be subject to redemption prior to maturity, at the option of the City, on or after December 1, 2024, either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed** plus accrued interest to the redemption date.

For Bonds maturing on December 1, 2025 and thereafter, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one, two, or three maturities of Term Bonds scheduled to mature in the latest of the combined years, and shall be subject to mandatory redemption prior to maturity at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Bidders may specify no more than three maturities of Term Bonds.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent. **No bid of less than par plus a premium of at least \$75,000 will be considered.**

Bidding Parameters

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the City. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of February 5, 2015, discounts semiannually all future payments on account of principal and interest to the price bid. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the City Treasurer by lot among all such proposals.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent or c) a coupon in excess of 4.00%. **BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$75,000.**

The City reserves the right to adjust the annual principal amounts in the amount of \$5,000 or an integral multiple thereof, with the exception of the principal amount payable December 1, 2015, as necessary to structure the debt service on each purpose of the Bonds to be as close to equal on an annual basis as practicable. The successful bidder may not withdraw its bid or change the interest rates bid or the initial reoffering prices as a result of any changes made to the annual principal amounts within this limit. The dollar amount bid for principal by the successful bidder will be adjusted proportionally to reflect any reduction or increase in the annual principal amounts of the Bonds to be issued. The final amounts will be communicated to the successful bidder as soon as possible, but not later than 4:00 P.M. on the date of the sale of the Bonds.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Ms. R. Renee Fernandes, Treasurer, City of New Bedford, Massachusetts c/o First Southwest Company, LLC, 54 Canal Street, Boston, Massachusetts 02114. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, LLC, telephone (617) 619-4400, at least one-half hour prior to the 10:30 A.M. sale and after receipt of the faxed bid form by First Southwest Company, LLC. First Southwest Company, LLC will act as agent for the bidder, but neither the City nor First Southwest Company, LLC shall be responsible for any errors in connection with bids submitted in this manner.
- (b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the City or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the City.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer, Mayor, and Committee on Finance.

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The City of New Bedford has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or

commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Standard & Poor's Ratings Group for a rating on the Bonds. Any such fee paid to Standard & Poor's Ratings Group would be borne by the City.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the City a certificate acceptable to Bond Counsel generally to the effect that (i) as of January 29, 2015 (the "Sale Date"), the purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that he/she shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP (as a successor by merger to Edwards Wildman Palmer LLP), Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated January 16, 2015 (see "THE BONDS – Opinion of Bond Counsel"), (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the City to levy and collect taxes to pay them, (c) a certificate of the City Treasurer to the effect that, to the best of her knowledge and belief, as of the date of sale the Preliminary Official Statement did not, and as of the date of the delivery of the Bonds, the Final Official Statement does not, contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form appearing as Appendix C of the Preliminary Official Statement.

In order to assist bidders in complying with Rule 15c2-12 (b)(5) promulgated by the Securities and Exchange Commission, the City will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement.

The Bonds will not be designated as "qualified tax-exempt obligations" for the purpose of Section 265(b)(3) of the Code.

Additional information concerning the City of New Bedford and the Bonds is contained in the Preliminary Official Statement dated January 16, 2015, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the City except for the omission of the reoffering price(s), interest rate(s), the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from First Southwest Company, LLC, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4409). Within seven (7) business days following the award of the Bonds in accordance herewith, 25 copies of the Final Official Statement will be available from the First Southwest Company, LLC to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

CUSIP identification numbers will be printed on the Bonds at the option of the purchaser, but neither the failure to print such numbers on any Bond, nor any error with respect thereto, shall constitute a cause for a failure or refusal by the purchaser thereof to accept delivery and pay for the Bonds. All expenses in relation to the printing of CUSIP numbers on said Bonds shall be paid for by the City. The issuer assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

The Bonds in definitive form will be delivered to the Depository Trust Company, or its custodial agent, on or about February 5, 2015 for settlement in Federal Reserve Funds.

Bond counsel are not passing upon and do not assume any responsibility for the accuracy or adequacy of the information contained herein other than matters set forth as the opinion of bond counsel, and make no representation that they have independently verified the same.

January 16, 2015

CITY OF NEW BEDFORD, MASSACHUSETTS
/s/ Ms. R. Renee Fernandes, Treasurer

OFFICIAL STATEMENT

CITY OF NEW BEDFORD, MASSACHUSETTS

\$7,948,000

GENERAL OBLIGATION STATE QUALIFIED MUNICIPAL PURPOSE LOAN OF 2015 BONDS

This Official Statement is provided for the purpose of presenting certain information relating to the City of New Bedford, Massachusetts (the "City") in connection with the sale of \$7,948,000 aggregate principal amount of its General Obligation State Qualified Municipal Purpose Loan of 2015 Bonds (the "Bonds"). The information contained herein has been furnished by the City, except information attributed to another governmental agency, entity or official as the source.

THE BONDS

Description of the Bonds

The Bonds will be dated as of their date of delivery and will bear interest payable semiannually on June 1 and December 1, commencing December 1, 2015. The Bonds shall mature on December 1 of the years and in the principal amounts as set forth on the cover of this Official Statement.

The Bonds are issuable only as fully registered Bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, with the exception of three \$1,000 denominations maturing on December 1, 2015. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal and semiannual interest on the Bonds will be paid by The Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

Redemption Provisions

Optional Redemption

Bonds maturing on or prior to December 1, 2024 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on and after December 1, 2025 shall be subject to redemption prior to maturity, at the option of the City, on or after December 1, 2024, either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed**, plus accrued interest to the redemption date.

Mandatory Redemption

The Bonds maturing December 1, 2036, December 1, 2039 and December 1, 2042 (the "Term Bonds") are subject to mandatory redemption or maturity on each of the dates and in each of the principal amounts as set forth below (the particular portion of each Term Bond to be redeemed or to mature on the final maturity date to be delivered by lot), at a redemption price of par, plus accrued interest, if any, to the redemption date.

*Final maturity.

\$430,000 Term Bond Maturing December 1, 2036

<u>December 1</u>	<u>Principal Amount</u>
2035	\$ 210,000
2036 *	220,000

\$695,000 Term Bond Maturing December 1, 2039

<u>December 1</u>	<u>Principal Amount</u>
2037	\$ 225,000
2038	230,000
2039 *	240,000

\$770,000 Term Bond Maturing December 1, 2042

<u>December 1</u>	<u>Principal Amount</u>
2040	\$ 250,000
2041	255,000
2042 *	265,000

*Final maturity.

Notice of Redemption

Notice of any redemption of Bonds, prior to their dates of maturity, specifying the Bonds (or the portions thereof) to be redeemed shall be mailed to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the Direct Participants of the redemption or failure on the part of DTC's Participants, Indirect Participants or of a nominee of a Beneficial Owner having received notice from a DTC Participant or otherwise to notify the Beneficial Owners shall not affect the validity of the redemption.

Record Date

The record date for each payment of interest is the fifteenth day of the month preceding the interest payment date, provided that, if such day is not a business day, the record date shall be the next succeeding business day, and further provided that with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

State Qualified Bonds

The Bonds constitute "qualified bonds" pursuant to Chapter 44A of the General Laws. Pursuant to Chapter 44A the City Treasurer shall at the delivery date of the Bonds certify to the State Treasurer the maturity schedule, interest rates, and dates of payment of debt service on such qualified bonds. The State Treasurer shall pay the debt service on qualified bonds and after payment shall withhold from the distributable aid (as defined in Chapter 44A) payable to the City an amount which will be sufficient to pay the debt service on the qualified bonds or, if the amount of such distributable aid in any year is insufficient for the purpose, from any other amounts payable by the Commonwealth to the City under any provision of law. From the time withheld by the State Treasurer, all such distributable aid or amounts so withheld and paid shall be exempt from being levied upon, taken, sequestered, or applied toward paying the debts of the City other than for payment of debt service on such qualified bonds.

The Commonwealth covenants in Section 8 of Chapter 44A with the purchasers, holders and owners, from time to time, of qualified bonds that it will not repeal, revoke, rescind, modify, or amend the above described provisions so as to create any lien or charge on or pledge, assignment, diversion, withholding of payment, or other use of or deduction from any distributable aid or other amounts to be paid to any holder of qualified bonds which is prior in time or superior

in right to the payment required by said provisions; provided, however, that nothing therein contained shall be deemed or construed to require the Commonwealth to continue to make payments of distributable aid or other amounts or to limit or prohibit the Commonwealth from repealing or amending any law heretofore or hereafter enacted for the payment or apportionment of such aid or other amounts, or of the manner, time, or amount thereof.

Chapter 44A also provides that the certification to the State Treasurer as to the amount payable in any year for debt service on qualified bonds shall be fully conclusive as to such qualified bonds from and after the time of issuance of such qualified bonds, notwithstanding any irregularity, omission, or failure as to compliance with any of the provisions of Chapter 44A with respect to such qualified bonds.

Chapter 44A further provides that nothing therein shall be construed to relieve the City of the obligation imposed on it by law to appropriate and to include in its annual tax levy amounts necessary to pay, in each year, the principal and interest maturing and becoming due on any qualified bonds issued by the City; provided, however, that to the extent of the amounts of distributable aid or other amounts payable to the City which have been or are to be applied to the payment of such qualified bonds, the State Treasurer shall certify to the City Auditor the amounts so withheld and thereafter such amounts shall be credited to the appropriations of the City for the current fiscal year; and provided, further that to the extent to which distributable aid is not appropriated by the Commonwealth in any fiscal year, such appropriated amounts of the City shall be used to pay the debt service maturing and becoming due in such year on such qualified bonds of the City.

Nothing in Chapter 44A shall be construed to pledge the credit and assets of the Commonwealth to the support of any qualified bonds or to guarantee payment or stand as surety for the payment of any qualified bonds.

Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited by DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities deposited by DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with DTC; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the securities deposited with DTC at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Authorization of the Bonds and Use of Proceeds

The following table sets forth purposes, principal amounts, statutory references and dates of approval for the current offering of Bonds.

This Issue	Purpose	BANs Outstanding	Total Authorization	Statutory Reference	Dates of Mayoral Approval
\$ 4,754,861	Keith School Project	\$ 5,415,346 (1)	\$ 34,564,165	C. 44 s. 7(3A)	12/1/2006
3,093,139	Management Information System	4,200,000 (2)	4,200,000	C. 44 s. 7(28) & 7(29)	11/16/2011
100,000	High School Soil Remediation	300,000 (3)	1,000,000	C. 44 s. 7(32)	6/18/2013
<u>\$ 7,948,000</u>		<u>\$ 9,915,346</u>			

(1) This issue, along with \$660,485 of pending bond anticipation note sale proceeds, will retire a like amount of notes maturing February 6, 2015.

(2) This issue, along with \$1,000,000 of pending bond anticipation note sale proceeds and \$106,861 of revenue funds, will retire a like amount of notes maturing February 6, 2015.

(3) This issue, along with \$200,000 of pending bond anticipation note sale proceeds, will retire a like amount of notes maturing February 6, 2015.

Tax Exemption

In the opinion of Locke Lord LLP (as a successor by merger to Edwards Wildman Palmer LLP), Bond Counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The City has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers).

The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted by law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on

the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

Rating

Standard & Poor's Ratings Group has assigned a rating of AA- to the Bonds. The rating reflects only the rating agency's views and is subject to revision or withdrawal, which could affect the market price of the Bonds.

Security and Remedies

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "TYPES OF OBLIGATIONS - Serial Bonds and Notes" under "INDEBTEDNESS") and setoffs of state distributions as described below (see "State Distributions" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments." Specific provision is also made for including in the next tax levy payment of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "Debt Limits" below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the

past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, and community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" (See "*Serial Bonds and Notes*" under "TYPES OF OBLIGATIONS" below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority, MBTA or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority "MWRA" if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority "MSBA", or for charges necessary to meet obligations under the Commonwealth's Clean Water or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the Massachusetts legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of

federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

Opinion of Bond Counsel

The purchaser will be furnished the legal opinion of the firm of Locke Lord LLP (as a successor by merger to Edwards Wildman Palmer LLP), of Boston, Massachusetts. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same.

Financial Advisory Services of First Southwest Company, LLC

First Southwest Company, LLC, Boston, Massachusetts serves as financial advisor to the City of New Bedford, Massachusetts.

Continuing Disclosure

In order to assist Underwriters in complying with Rule 15c2-12 (b)(5) promulgated by the Securities and Exchange Commission, (the "Rule"), the City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain significant events. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

In the past five years, the City has complied in all material respects with any previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.

CITY OF NEW BEDFORD, MASSACHUSETTS

General

The City of New Bedford is located in Southern Massachusetts, approximately 56 miles from Boston. It is bordered by Dartmouth on the west, Freetown on the north, Acushnet and Fairhaven on the east and Buzzard's Bay on the south. The City has a population of 95,072 (2010 U.S. Bureau Census estimate) and occupies a land area of 30.1 square miles. Established in 1787, New Bedford was incorporated as a City in 1847. The City is governed by an elected Mayor and an eleven member City Council.

The following table sets forth the principal executive officers of the City.

Principal Executive Officers

<u>Title</u>	<u>Name</u>	<u>First Took Office</u>	<u>Term Expires</u>
Mayor	Jonathan F. Mitchell	January 2012	January 2016
Chief Financial Officer	Ari J. Sky	March 2013	March 2016
Treasurer/Tax Collector	R. Renee Fernandes	April 2007	---
City Clerk	Dennis Farias	August 2014	---
City Auditor	Robert Ekstrom	September 2014	---

Municipal Services

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, including vocational-technical education at the high school level, water and sewer services, parking, street maintenance, parks, recreational and historical and cultural facilities.

The principal services provided by the county are a jail and house of correction, a registry of deeds, and an agricultural extension service.

Education

The City's school facilities include 22 elementary schools, 3 middle schools, 1 high school and 1 alternate junior-senior high school. In September 2003, Normandin Junior High School was replaced by the new Normandin Middle School. Keith Middle School opened December 2006 replacing Keith Junior High School, which is now a middle school (grades 6-8). Total capacity of the schools is estimated at 16,500 students. Vocational education is provided by the Greater New Bedford Regional Vocational Technical School District, comprised of New Bedford, Fairhaven and Dartmouth.

The Massachusetts School Building Authority increased the 90% funding for the Keith Middle School to include the additional costs associated with the contamination at the Keith Middle School and surrounding area.

Public School Enrollments – October 1

	<u>Actual</u>					<u>Projected</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Pre-School	501	501	609	575	531	565
Elementary	6,438	6,438	6,621	6,982	7,086	7,100
Middle School (6-8)	2,820	2,820	2,772	2,645	2,692	2,700
High School (9-12)	2,779	2,779	2,549	2,543	2,256	2,450
Total	<u>12,538</u>	<u>12,538</u>	<u>12,551</u>	<u>12,745</u>	<u>12,565</u>	<u>12,815</u>

Economic Overview

New Bedford's beautiful coastal setting has been gradually shaped over 200 years by land use patterns tied to the whaling, fishing, and textile industries. In the mid-1850s, New Bedford's whaling fleet launched more whaling voyages than all other American ports combined and was the wealthiest city per-capita in the United States. At the same time investment in the textile industry had already begun. When the whale fishery declined, the looms in the mills continued to drive the City's economy. However, by the mid-20th century, New Bedford, like many mid-size American cities, struggled to meet daunting challenges in adapting its largely textile based economy in a post-industrial and post-war era.

While the past 40 years have witnessed a steady contraction in the traditional manufacturing base, New Bedford has proven resilient. Today, the City remains the number one commercial fishing port in America and is home to 5,000 businesses that support more than 40,000 jobs in the manufacturing, healthcare, service, and emerging sectors such as medical device manufacturing and renewable energy. New Bedford is home to such companies as Titleist, Joseph Abboud, Symmetry Medical, Precix, Ahead Head Gear and many more.

As the nation emerges from the most challenging economy since the Great Depression, New Bedford leads in new growth among the 11 Gateway Cities in Commonwealth—creating nearly 2,000 permanent and construction jobs, and capturing more than \$350 million in private investment and \$150 million in public investment over the past eight years. The City has accomplished this by employing a balanced and aggressive strategy that builds on assets that include a diverse waterfront industry, a vibrant downtown, significant infrastructure capacity, wonderful historic buildings and neighborhoods, and a hard-working and culturally diverse citizenry. The City's strategic approach is to support existing business, attract emerging industries, communicate a positive message, develop strategic sites, prepare a ready workforce, and capture long-term catalytic opportunities for growth.

New Bedford has also developed a successful business assistance program through its economic development council that offers a variety of loan programs and incentives to aid businesses in their decisions to locate, maintain or expand their operations. Funded with a combination of Community Development Block Grants, U.S. Department of Commerce Economic Development Administration funds and participation agreements with local and regional banks, these programs provide more than \$1 million annually in loans to new and existing businesses for working capital, inventory, equipment, façade and building improvements, vessel rehabilitation and general economic development needs for those enterprises not able to gain traditional financing.

New Bedford receives in excess of \$5 million in U.S. Department of Housing and Urban Development Community Development Block Grants and Federal HOME Investment Partnership Program funds. These programs are used, in part, to support a master development plan of the City to revitalize its infrastructure, housing stock and public facilities.

Population, Income and Wealth Levels

According to the 2010 federal census, median family income for the City of New Bedford was \$45,347 compared with \$81,165 for the state as a whole. The median age for the City was 36.6 years as compared to 39.1 for the state as a whole. The following table compares the 2010, 2000, 1990, and 1980 averages for New Bedford, the state and the country.

	<u>City of New Bedford</u>	<u>Massachusetts</u>	<u>U.S.</u>
Median Age			
2010	36.6	39.1	36.8
2000	35.9	36.5	35.3
1990	35.3	35.1	33.3
1980	33.2	31.2	30.0
Median Family Income			
2010	\$45,347	\$81,165	\$63,331
2000	35,708	61,664	50,046
1990	28,373	44,367	35,225
1980	14,930	21,166	19,908
Per Capita Income			
2010	\$20,447	\$33,966	\$27,270
2000	15,602	25,952	21,587
1990	10,923	17,224	14,420
1980	5,431	7,457	7,313

Source: Federal Census.

Population Trends

<u>2010</u> 95,072	<u>2000</u> 93,768	<u>1990</u> 99,922	<u>1980</u> 98,478	<u>1970</u> 101,770
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Source: Federal Census.

Industry and Commerce

Due to the reclassification of economic data by industry, the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

Industry	Calendar Year Average			
	2010	2011	2012	2013
Construction	788	842	881	946
Manufacturing	6,590	6,555	6,328	5,760
Trade, Transportation and Utilities	5,548	5,812	5,742	6,127
Information	477	516	478	446
Financial Activities	1,169	1,153	1,120	1,146
Professional and Business Services	2,681	2,721	3,344	3,058
Education and Health Services	10,620	10,639	10,821	12,656
Leisure and Hospitality	2,713	2,779	2,888	2,850
Other Services	2,157	4,072	2,468	3,035
Total Employment	32,743	35,089	34,070	36,024
Number of Establishments	3,026	3,062	3,129	3,202
Average Weekly Wages	\$ 785	\$ 804	\$ 820	\$ 836
Total Wages	\$ 1,461,488,376	\$ 1,527,313,011	\$ 1,572,447,318	\$ 1,598,802,940

Source: Massachusetts Department of Labor and Workforce Development. Data based upon place of employment, not place of residence.

The following table lists the largest employers in New Bedford, exclusive of federal, state and City employers.

Largest Employers

Name	Product/Function	Number of Employees
St. Luke's Hospital	Hospital	5,000 - 9,999
Southcoast Hospital Radiology	Hospital	1,000 - 4,999
Acushnet Company	Manufacturing	500 - 999
Community Health Center	Hospital	500 - 999
Joseph Abboud	Manufacturing	500 - 999
Market Basket	Supermarket	500 - 999
Ahead Inc.	Apparel	250 - 499
Brittany Dyeing & Printing Co.	Printing	250 - 499
Sacred Heart Home	Nursing Home	250 - 499
Shaw's Supermarket	Supermarket	250 - 499
Sid Wainer & Son Specialty	Specialty Foods	250 - 499
New Bedford Rehab Hospital	Hospital	250 - 499
Standard-Times	Newspaper	250 - 499
Symmetry Medical	Medical	250 - 499
Tremblay Bus Co. LLC	Busing	250 - 499
ABC Disposal Services Inc.	Disposal	100 - 249
Aerovox Corp.	Manufacturing	100 - 249
Allegheny Ludlum Corp.	Steel	100 - 249
America Cable Systems	Cable	100 - 249
American Seafoods International	Seafood	100 - 249
Brandon Woods	Nursing Home	100 - 249
Commercial Drywall and Construction	Construction	100 - 249
Five Star MFG	Manufacturing	100 - 249
Morgan Advanced Ceramics	Medical	100 - 249
Precix Inc.	Manufacturing	100 - 249
Mar-Lees Seafood	Seafood	50 - 99

SOURCE: Massachusetts Department of Labor and Workforce Development, January 2015.

Labor Force, Employment and Unemployment Rate

According to the Massachusetts Executive Office of Labor and Workforce Development, in November 2014, the City had a total labor force of 44,712, of which 40,509 were employed and 4,203, or 9.4% were unemployed, as compared with 5.2% for the Commonwealth (unadjusted).

Year	City of New Bedford		Massachusetts	U.S.
	Labor Force	Unemployment Rate	Unemployment Rate	Unemployment Rate
2013	44,560	13.5%	7.1%	7.4%
2012	43,961	12.5	6.7	8.1
2011	43,359	12.8	6.6	8.3
2010	42,789	13.9	8.3	9.4
2009	42,719	13.8	8.4	9.3

SOURCE: Massachusetts Executive Office of Labor and Workforce Development. Data based upon place of residence, not place of employment. All data is unadjusted.

Building Permits

The following table sets forth the trend in total number and value of building permits issued for new construction as well as additions and alterations for residential and non-residential public and private projects in the City.

Building Permits Issued		
Fiscal Year	No.	Value
2015 (1)	1,473	\$29,223,582
2014	2,402	46,194,372
2013	2,440	46,428,068
2012	2,452	53,996,087
2011	2,098	38,420,848
2010	1,516	76,337,923

(1) As of December 31, 2014.

Transportation

New Bedford is located 56 miles south of Boston and 33 miles east of Providence, Rhode Island. Major roadways serving the City are State Route 140 and Interstate Route I-195 connecting with State Route 24 and Interstate 95. Rail freight service is provided by the CSX Railroad. Commuter bus service is available to Boston. Regional bus service is provided by the South Eastern Regional Transit Authority ("SRTA"). Commuter flights to Martha's Vineyard and Nantucket are available from the New Bedford Municipal Airport and full scheduled commercial flights are available 40 miles from New Bedford in Warwick, Rhode Island at T. F. Green Airport. New Bedford Harbor is an international deep water port and home to a fishing fleet of over 250 vessels. Ferry service is available from New Bedford to Martha's Vineyard and Cuttyhunk year round. Service from New Bedford to Martha's Vineyard began in May 2000 from a new \$4.7 million ferry terminal.

Overview of Tourism, Recreation, and Cultural Activities

The City of New Bedford offers a wide variety of recreational facilities including 33 parks and playgrounds, 3.5 miles of beaches, 20 outdoor basketball courts, 19 outdoor tennis courts, an 18-hole municipal golf course, an ice-skating pond, and a \$10 million expansion of its 9-acre Zoo at Buttonwood Park. Riverside Park sits on a 10-acre reclaimed brownfield site at the edge of the Acushnet River. Combining a skate park, FIFA regulation sized artificial turf soccer field, basketball, water features and play equipment, it serves a densely populated residential area in the North End. Fort Taber Park is located at the City's southern-most tip and features a Civil War era fort and 47 acres of walking paths and picnic areas with sweeping views of Buzzards Bay. The park also includes a 3,000 square foot military museum, a community center, playground, concession stand, boating facilities and a 500-foot stone pier promenade.

The Historic District was designated the New Bedford Whaling National Historical Park in 1996. This 13-block federal park is staffed with park rangers who oversee a wide range of visitor activities year-round, including walking tours, a visitor center, interpretive waysides, concerts, exhibits and films. Paved with cobblestone streets, the National Park features original whaling era buildings with many unique examples of authentic historic architecture illustrating the City's vast history.

Spanning a city block within the National Park is the century-old New Bedford Whaling Museum, the largest of its kind in the world with over 350,000 objects in its collection. Nearby, the Museum's Research Library maintains a vast collection of whaler's logs and letters and historic documents, which attract historians and scholars interested in whaling and maritime history. Other City museums include: the New Bedford Art Museum, Museum of Madeira Heritage, the New Bedford Museum of Glass, and the Rotch-Jones-Duff House and Garden Museum.

Adjacent to the National Park is the City's Central Business District ('CBD') which contains many shops, galleries and artists. Non-profit cultural institutions such as the New Bedford Art Museum/Artworks! and Gallery X, as well as the University of Massachusetts Dartmouth's College of Visual and Performing Arts, are located in the business district. Downtown is also home to the world-class Zeiterion Performing Arts Center, a historic early 20th century theater with 1,250 seats. In addition to providing a full calendar of performers from around the world, the Zeiterion is also home to the New Bedford Symphony Orchestra and the New Bedford Festival Theater Company.

The newly state designated Seaport Cultural District consists of 20 blocks, 49 cultural attractions, 29 creative economy businesses and 14 galleries with dozens of exhibit openings. The Seaport Cultural District is a walkable, compact area that is easily identifiable to visitors and residents and serves as the center of cultural, artistic and economic activity.

In addition, visitors are drawn to New Bedford because of its many cultural festivals. From March through December, visitors can experience music and art from around the world and sample food representing the City's diverse ethnic population. A complete listing of festivals and other activities can be found at www.DestinationNewBedford.org.

With its cobblestone streets and authentic 19th and 20th century architecture, New Bedford has served as the backdrop for films ranging from the 1950s *Moby Dick* starring Gregory Peck to the 2002 feature-length film, *Passionada*.

Recently, film crews from Boston, California, Rhode Island, Japan, Spain and Great Britain have filmed in the City. Since July 2007, the following projects have been filmed in the City:

- The film *Whaling City* is a dramatic narrative feature-length film set in New Bedford in the rapidly changing world of the modern fishing industry finished filming in the fall of 2010 and is now in post production.
- *Fairhaven (The Movie)*, an independent comic drama full feature is currently in pre-production with scenes slated to shoot in Fairhaven and New Bedford.
- WSBE, Rhode Island PBS, filmed a segment on the City's waterfront, *New England Fishing Communities: The Challenges and Sacrifices*, as part of its New England Portrait Series.
- Hidden Hills Productions filmed several outdoor scenes and two internal scenes for a documentary on Walt Whitman for PBS's American Experience series.
- A crew from Mullen Advertising was in the City to film in the historic district and at the Whaling Museum for two commercials for the Massachusetts Office of Travel and Tourism.
- Visa View, a tourism channel, filmed at the Whaling Museum and the waterfront during set up for the Working Waterfront Festival for a tourism segment on former whaling cities and current uses of their waterfronts.
- Spike TV filmed an episode of Bar Rescue which transforms a local Bar & Grille to attract locals and visitors as a destination dining experience with a theme of whales, fishing & history.
- New England Boating TV filmed an episode that aired on NESN during the summer of 2014 and is available online. New England Boating TV highlights the City as a boating destination with things to do, places to dine and sites to see.

The City had 27 cruise calls in 2013, freighters entering the harbor for the first time in decades, and ferry services bringing over 125,000 passengers between New Bedford and Martha's Vineyard and Cuttyhunk. The City has also seen a dramatic increase in sailing tours to the Harbor and the Harbor Development Commission ("HDC") has a robust marketing program and has made significant improvements to vessel services and a strong waterfront presence.

ECONOMIC DEVELOPMENT INITIATIVES

The Emergence of Offshore Wind in New Bedford

A little over a year ago, Mayor Mitchell established the Wind Energy Center (or “WEC”) and charged it with securing a leadership role for New Bedford in the emerging offshore wind sector in the United States. Since then, remarkable progress has been made to advance the development of the offshore wind industry in America and to solidify New Bedford’s role at the center of this clean energy sector. Through the efforts of many, the offshore wind industry is only a few months away from finally emerging in America, and numerous data points lead WEC to believe that New Bedford is well positioned to compete for a significant amount of the industry’s long-term job creation, investment and supply chain opportunities.

While these direct positive impacts assure the City of the potential of the offshore wind industry, the City anticipates the beginning of indirect effects of this emerging industry on the community – such as an increase in land-use planning for the renowned port and harbor, intensification of the workforce and education efforts, and a community-wide consensus behind taking pride in New Bedford.

Through the work of the WEC, along with its many partners, New Bedford already is recognized as the city that has done the most in the nation to prepare itself for offshore wind.

The Commonwealth is on schedule to complete the \$100 million New Bedford Marine Commerce Terminal, the first terminal in the United States built specifically for the needs of offshore. Along with that project comes dredging that is essential in order for the New Bedford Harbor to develop as a commercial port. The new terminal makes New Bedford home to the first in the nation offshore wind purpose-built terminal, which not only draws the offshore wind industry to our city, but also provides complimentary benefits to the City, such as the possibility of new cargo business through the Port of New Bedford.

The terminal is on schedule to be completed by late January 2015.

Cape Wind, a \$4.6 billion dollar offshore wind farm project, officially announced with Governor Patrick its intent to sign a multi-year lease of the terminal for construction, assembly, and deployment of its turbines in Nantucket Sound. The WEC will work closely with MassCEC and Cape Wind to ensure that New Bedford captures the maximum opportunity possible from this project.

Cape Wind is just weeks from closing its financing to build the nation’s first offshore wind farm, using the Port of New Bedford to assemble and deploy its more than 100 turbines.

The Wind Energy Center’s goal is for Cape Wind to be just the first in a pipeline of commercial offshore wind projects not only assembled and deployed in New Bedford, but also engineered and manufactured in the City. The Deepwater Wind project, consisting of 200 turbines, will be the largest offshore wind project ever planned in the United States. Further, the Bureau of Energy Management announced that in fiscal 2015, it will hold a competitive lease for the Massachusetts Wind Energy Area and the Rhode Island Wind Energy Area. Combined, these two Wind Energy Areas off the Massachusetts coast represent approximately 10 commercial scale wind farms – each requiring manufacturing, assembly, deployment, operations and maintenance for the life of the project. If it takes root, the offshore wind industry could generate thousands of jobs and many millions of dollars in economic development over the coming two decades.

With an eye on that potential, the Wind Energy Center has spent the past year laying the foundation in key areas: **Funding, Business Development, Policy and Advocacy, Workforce Development, Land-Use Planning, and Education and Outreach.**

Business Development

The WEC coordinated trade missions, spoke at industry trade shows, hosted investor delegations and maintained close, sometimes daily, contact with the offshore wind industry - all to position New Bedford as the logical port for offshore wind development and prepare local companies for the opportunity this new industry represents.

- Direct industry contact: Constant communications with both Cape Wind and Deepwater Wind. These close working relationships have allowed WEC to support these first-in-the-nation projects as necessary, and it has given these developers another layer of comfort when they consider basing their multi-billion dollar, complex,

projects out of New Bedford. The City and WEC also have strong working relationships with Siemens, BLG Logistics, Fisherman's Energy, Vineyard Power and Offshore Wind MW – amongst many others.

- Supply Chain Development Study: Partnered with the Department of Energy's leading supply chain consultant, Global Wind Network, to implement a comprehensive study of New Bedford companies that are viable candidates to participate in the offshore wind supply chain. This project has given WEC the important early data on which local companies are already positioned for economic opportunity from the development of the industry, and also the local companies that could be available for joint venture opportunities. WEC hosted a technical workshop for over twenty of these local companies, and has made numerous industry connections for local firms.
- Hosted International Delegations: Facilitated by the Wind Energy Center, New Bedford accommodated delegations from Germany, Scotland, UK, and China. WEC used these visits to explore offshore wind-related investment opportunities in New Bedford, create critical contacts overseas and highlight the good work of New Bedford on an international stage.
- Major Roles at Industry Trade Shows: WEC hosted a technical workshop for more than 20 New Bedford companies that were identified in a supply chain study as candidates to support or act as joint venture partners in the offshore wind industry and helped these companies make industry contacts. At the Offshore Wind Power USA Conference in Boston in February, WEC played a leading role with Mayor Mitchell highlighting the need for sound PPA policies to ensure that energy generated by offshore wind projects can be utilized by consumers. At the Good Jobs, Green Jobs Conference in Washington, Mayor Mitchell spoke alongside EPA Administrator Gina McCarthy as a keynote speaker to start the conference attended by thousands of business leaders, labor leaders and environmentalists. The Wind Energy Center spoke on a panel and highlighted the actions that New Bedford has taken to prepare to launch and construct this new green industry in America. WEC was also represented at AWEA Windpower 2014, where the New Bedford Wind Energy Center headlined a panel with an audience of hundreds of international companies.

Looking forward, plans are in place for the WEC to continue aggressively marketing the competitive advantages of New Bedford as the logical port for offshore wind development, while positioning local companies for expanded economic growth from this emerging industry and representing New Bedford on a national and international stage as a city of offshore wind excellence at industry trade shows.

Policy and Advocacy

The offshore wind industry will thrive only with the appropriate federal and state policies. With the Mayor's leadership, the Wind Energy Center has worked to help shape policy with our federal and state delegations and industry partners. To develop favorable public opinion, WEC has hosted panels on offshore wind, generated news coverage and briefed Congressional aides.

- Policy was the topic of a forum that included Mayor Mitchell, Congressman Keating, officials from Bremerhaven, Germany, and leaders of the American offshore wind industry from Cape Wind, Deepwater Wind, Fishermen's Energy and Siemens. Over 150 members of the community attended the event, which was covered in *The Boston Globe* and *Standard-Times*.
- Wind Energy Center staff briefed about 50 Congressional staffers on the importance of extending the Investment Tax Credit (ITC) for offshore wind projects. In July, Mayor Mitchell and Virginia Beach Mayor Will Sessoms penned an op-ed, published in *The Hill*, that made a powerful, bipartisan call to Congress to extend the ITC.
- At the state level, a Power Purchase Agreement (PPA) that requires utilities to buy power generated by offshore wind is crucial to the industry's development in the Commonwealth. The Wind Energy Center worked with the mayor, the City's legislative delegation and a coalition of stakeholders from the offshore wind industry, organized labor, environmental organizations and private sector to amend the Clean Energy Resources bill to include a PPA for offshore wind. When that did not happen, we helped stop the bill.

Looking forward, the Wind Energy Center will continue to advocate and build consensus around policy that supports job creation and energy diversification. The WEC is working to shape a new energy bill that will include a meaningful PPA for offshore wind will continue to call for the extension of the Investment Tax Credit. The center will continue

routine communication with all levels of delegation serving as a critical resource for offshore wind data and understanding.

Workforce Development

In collaboration with local workforce and educational institutions, WEC started the task of preparing City residents for the green energy jobs of the future.

- Attracting Resources for Workforce Development: In collaboration with Bristol Community College, the Workforce Investment Board, Career Center, and local organized labor partners, WEC landed \$500,000 in funding for local workforce development programming. BCC has been the lead partner on the two grants, which support training for low-income, disconnected and unemployed residents in Greater New Bedford. The Commonwealth Corporation “Pre-Apprenticeship” grant has supported training for more than 20 students, nine of whom were so far placed in jobs. A second cohort of students is being recruited for training, and efforts continue to match students with job opportunities. For the Massachusetts Clean Energy Center’s “Pathways out of Poverty” program, students are moving into their second year of classes and continue to earn credits towards an engineering degree.
- “The Way to be in New Bedford.” developed in collaboration with Mayor Mitchell, the WIB and other partners, communicates to investors the importance of hiring, contracting and spending locally. Over the next 12 months, WEC is working to develop a clearinghouse of local workers and companies prepared to work in offshore wind, as well as to insure that processes are in place to take advantage of the investments likely to develop in New Bedford with this new industry.
- The Offshore Wind Workforce Development Task Force was established to ensure that close collaboration occurs around offshore wind workforce development. Comprising more than 40 representatives of local high schools and community colleges, workforce development entities, union and labor halls, and community organizations, the task force is charged with implementing programming and advising the city on workforce needs.

Looking forward, the Wind Energy Center will continue to seek grant opportunities and modes of collaboration with its workforce development partners. WEC sees its partnership with New Bedford High School as a pathway for real strides in education, awareness and a comprehensive integration of offshore wind in the curriculum.

Land-Use Planning

Smart land-use planning will help ensure growth for all sectors that use the port, commercial fishing, fish processing, cultural tourism and offshore wind development.

- Waterfront Visioning Project: Sasaki, the renowned urban planning firm, helped build a vision of the waterfront that encompasses offshore wind development while supporting our economically-critical commercial fishing industry. Working sessions with city departments and community leaders analyzed the City waterfront’s existing and potential uses, resulting in renderings and potential program uses for State Pier and along the Upper Harbor.
- Waterfront Master Plan and Urban Renewal Plan: The \$200,000 federal Economic Development Administration grant was received to support commercial fishing, fish processing, tourism and offshore wind energy development through land-use planning. This project will result in a Master Plan and an Urban Renewal Plan for the waterfront district.
- Cargo Business Development and direct market analysis: WEC has worked closely with the Harbor Development Commission to better understand, document and support with data the future cargo opportunities for the Port of New Bedford through the infrastructure asset that is the New Bedford Marine Commerce Terminal. In addition to landing new cargo opportunities, a better understanding of market opportunities will also position the City well to advocate for increased infrastructure and support funding for the harbor. These efforts are ramping up with the completion of an updated economic analysis of the harbor’s potential with increased infrastructure funding, an important tool when making the case to federal and state stakeholders.

Looking forward, WEC will continue to drive our ongoing efforts to prepare and better utilize New Bedford's port and landscape. Through effective Land-Use Planning, the Wind Energy Center will leverage offshore wind to attract resources to New Bedford that will benefit the development of this new industry as well as compliment the growth of existing industries.

Education and Outreach

WEC has developed exciting partnerships with City schools and universities through our efforts of achieving a comprehensive outreach and education plan. With the support of the Jacobs Foundation, WEC has begun an initiative to better connect local education programs with the offshore wind sector to synchronize curriculums and skills training with industry needs.

- The Jacobs Offshore Wind Education Connection Master Plan: WEC has begun creating the five-year Jacobs Offshore Wind Education Connection Master Plan, with a focus on stakeholder buy-in, and putting a plan in place to inform STEM curriculums, create internship opportunities and leverage offshore wind as a tool for student retention and motivation. This plan includes collaborating directly with offshore wind industry leaders to obtain and catalog their education needs, and disseminating this critical data with all of the key education stakeholders to ensure that curriculum is aligned directly with the needs of future industry.
- Partnerships with UMASS Dartmouth and New Bedford High School: WEC has established and implemented a MOU with UMASS Dartmouth's Engineering program. This will allow UMD Engineers to work directly with the offshore wind industry in areas including research and studies and repurposing fishing vessels for oceanography work. WEC has also begun collaborative efforts with SMAST to use the program's underwater robotics technology on active industry projects like Cape Wind and Deepwater Wind. The New Bedford Wind Energy Center identified numerous areas of collaboration with New Bedford High School to introduce students to the emerging offshore wind sector and the various fields of work it provides. These efforts include planning presentations and field trips for students, serving on New Bedford High School's Academy of Engineering and Academy of Information Technology boards, and participating in SeaPerch at New Bedford High School and SeaPerch Nationals at UMASS Dartmouth, a high school robotics competition with students from around the globe.
- Corporate Engagement: The Wind Energy Center has held meetings and phone calls with industry contacts to develop a plan to have WEC's industry partners visit students to present the offshore wind industry and to participate in meetings with education staff and administration to discuss synchronizing curriculums with the needs of the offshore wind industry.
- Public Outreach: Helping local residents understand the emerging offshore wind industry and the promise it holds for the City is an important part of the Wind Energy Center's mission. We have held meetings, presentations, panels and forums and other events for the public, as well as business leaders, educators and community organizations.

Looking ahead, WEC and the City are particularly optimistic about the opportunities to collaborate with local education programs to find new ways to engage students, create a stronger bridge between high school and higher-education, and link students to the opportunity that offshore wind presents while preparing a ready workforce. WEC will continue its initiative of The Jacobs Offshore Wind Education Connection Master Plan as the offshore wind industry grows more and more prevalent in New Bedford to ensure that maximum opportunities are captured for the City's young people.

New Development and Job Creation in Targeted Growth Districts

Key projects throughout the City, totaling more than \$209 million in investment, advanced in every point of the development cycle in 2014. In addition to the \$100 in new investment in the Marine Commerce Terminal in the City's South End, two other targeted districts have seen significant growth—the Upper Harbor and the Downtown.

The Upper Harbor

New Bedford's Upper Harbor District has long been home to companies such as Joseph Abboud, Titleist, and Precix (formally Acushnet Company) but in the 1980's and 1990's became an almost forgotten corner of the City as mill buildings became vacant and the river ignored—cut off from the adjacent neighborhoods. Since 2008, the City has placed a new focus on the district as an area of potential growth, and today New Bedford's Upper Harbor is fast becoming an economic center for job growth and new investment.

In total, more than 300 jobs across a wide range of sectors and \$85M in investment are changing the face of the district. Examples include:

- *Joseph Abboud Manufacturing*
In a historic mill building Joseph Abboud continued to expand after their merger with Men's Wearhouse this past summer, bringing on more than 200 new employees during 2014. With 600 employees, Abboud is one of the largest private sector employers in the City and is producing more than 1,000 men's suits every day, with the real potential for greater expansion in 2015.
- *Precix*
Across the street from Joseph Abboud is Precix, a manufacturer of O-rings and specialized products for the automotive, aerospace, and energy industries that has been in business for more than a century, and is one of only 13 companies certified to manufacture synthetic elastic materials for the aerospace industry. Precix is in the midst of an ongoing expansion, having invested \$22 million on equipment and facility upgrades over the past several years, with an additional \$4 million invested in 2014. An additional 45 jobs have been created over the past year to add to their current roster of 356 highly skilled employees. New equipment upgrades to expand operational capacity are planned for early 2015 while the company also explores ways to create their own energy on site.
- *UpSource*
The high-tech back office company located in the recently and dramatically renovated mill space at 645 Belleville Avenue added 65 jobs in the last quarter of 2013. Since cutting the ribbon on its new 10,000 square-foot space in June of 2012, UpSource has steadily increased the number of employees to more than 100 with their latest round of hires—bringing the new center to full capacity with an additional \$1.3 million per year in additional payroll.

To help make this expansion possible for UpSource, the City was instrumental in securing leased parking at the former Areovox site for the raft of new employees coming into an already busy area the City. A new expansion plan to a new service line was completed in 2014—adding a total of 50 new jobs to their New Bedford facility over the next several years.

- *Mother Freedom*
In addition to the expansion of established manufacturers, new start-ups such as Mother Freedom are also starting to call the Upper Harbor home. Mother Freedom is a heritage inspired men's sportswear brand that cited its facility in New Bedford to make use of the City's skilled workforce. Their 12,000 square foot factory space is home to 27 employees as the company successfully completed its second year.
- *Manomet Place*
The initial phase of this award-winning mill restoration project, which was completed in Summer 2013, includes 76 residential units, and the waiting list for the second phase is currently full. The \$25 million project employed more than 100 skilled tradespeople, most from New Bedford.
- *Riverbank Lofts*
This \$23 million mill restoration project, utilizing a combination of private financing and State and Federal historic preservation tax credits, was completed in 2014. The development provides 126 market-rate loft apartments with riverfront views and a high level of amenities. At the end of 2014 the rental of new units was ahead of schedule and is expected to reach full occupancy in early 2015—nearly 6 months ahead of schedule.
- *Riverside Landing*
This mixed-use development includes retail and commercial spaces near the Acushnet River. Phase 2 includes a retail building and a medical building (both completed in 2014), which represents investments of more than \$7 million and provides approximately 110 new jobs. The final retail building of this phase is currently in planning and it is anticipated that final permitting will start in the spring of 2015. Planning for Phase 3, which will include waterfront facilities, is currently underway with planning for the river walk and Chapter 91 in the permitting phase. The entire project will represent an investment of approximately \$35 million, and will employ more than 800 at full build-out.
- *Acushnet Avenue International Market Place*
Construction came to an end for the first phase of the International Market Place in 2013. A new gateway intersection at Coggeshall Street set the stage for new sidewalks, ornamental streetlights, decorative paving, and

trees that will enable businesses to thrive. Planning for Phase 2 was completed in 2013 and the City has received more than \$1 million in new funding from the MassWorks Infrastructure Program, which funded Phase 1. Final design for phase 2 is complete and construction will begin in early 2015 and be completed by the summer.

- *Sid Wainer & Son*

Sid Wainer and Son recently received all permitting approvals for a 50,000 square foot expansion to its specialty produce/food distribution center and gourmet outlet. This New Bedford business is also celebrating its 100th year in operation in 2014 and supplies over 25,000 of the finest restaurants, hotels, and retailers nationally and internationally. Construction of the expansion is scheduled to begin in the spring of 2015.

The Downtown

Successful cities must have a vibrant and active downtown. Building on the anchors of the National Historical Park and the University of Massachusetts College of Visual and Performing Arts, the growth of the City's downtown (highlighted by 60 new or expanding businesses in the downtown since 2007) continued throughout 2014, culminating in the naming of downtown as one of only 8 Transformative Development Districts in the Commonwealth by Governor Patrick and MassDevelopment. Examples of private sector and public investment include:

- *Historic Standard Times Building*

During Summer 2013, construction crews gave way to a ribbon cutting at the historic Standard Times Building located in the heart of the city's downtown. The building had been vacant for 18 years before the development team, New Bedford Urban Renaissance, purchased the building to transform it into an exciting mixed-use project that includes both retail and professional office components. In August, 2013 tenants began to occupy the renovated building, which included a \$6.5 million investment. A new restaurant opened to much fan fair in the late summer of 2014 and NBC Channel 10 has recently opened a new studio space as well.

- *Candle Works Hotel*

Full design development and all permitting were completed in 2013 for a boutique hotel project located near the City's waterfront. This project will include approximately \$15 million in investment and will directly employ approximately 40 permanent jobs. The facility will feature 140 guestrooms, 10 residential condominiums, a 7,000 square foot meeting/banquet facility, a bar and restaurant. The project is currently in financing and a ground breaking is planned for Fall 2015.

- *Whaling Museum Expansion*

The Whaling Museum broke ground in June 2014 on a new education and research library on Water Street and construction is currently ahead of schedule. This \$5 million expansion will also free space on Purchase Street for redevelopment, potentially a new residential building with a restaurant at the street level.

- *Black Whale*

A new waterfront restaurant at the former location of the Harbor Development Commission offices on Pier 3 completed a major renovation and opened in July 2014. The Black Whale is a high-end seafood eatery with a large outdoor deck overlooking the fishing fleet. Located in the National Park, a new retail component to the restaurant serving as the Black Whale gift shop opened in Fall 2014. The restaurant represents an investment of approximately \$1.5 million and employs 60.

- *Route 18 Redesign and Reconstruction*

Construction is now completed, one year ahead of schedule, on the \$15 million Route 18 Access Improvement Project. This major infrastructure project ensures that the City's historic downtown is connected to the waterfront with a new pedestrian-friendly boulevard, and has already resulted in substantial improvements to the downtown's development climate. While enhanced landscaping details will be executed in the spring of 2015, the southern second phase of the project is the queue for state funding in 2016.

- *Custom House Square*

Construction was completed in Summer 2013 on the redevelopment of a former parking area into a new public green space in the heart of the National Park. This concept was first envisioned in the *Connections Charette*, hosted by WHALE in 1996 and then most recently in the downtown land-use study, *Live, Work, Play, Learn* completed in 2009. The park was designed by Boston architectural firm, STOSS and its founder, Chris Reed, a New Bedford native.

Assisting Existing & Small Business

The small and family owned businesses of New Bedford serve as a tangible benchmark for the City's economic wellbeing. When they are strong and growing, so is the community, and as such assisting existing businesses will always be at the core of the City's mission. 2014 witnessed a continued up-tick of activity in the NBEDC's lending, business assistance, and incentive programs. All these programs have the unifying goals of strengthening existing businesses and creating new jobs for New Bedford residents.

Lending

As of June 30, 2014 the Lending Program portfolio totaled \$4.62 million and was comprised of 82 loans. During fiscal 2014, the SBA Massachusetts Division recognized the NBEDC once again as one of their top Microlenders in its portfolio. The Lending Program funded 20 New Bedford small businesses a total of \$1,702,000—a 51% increase in value over the previous year. These loans helped to create or retain 32 jobs and leveraged more than \$13 million in conventional financing and more than \$9 million in private investment.

Business and Real Estate Assistance

In 2014 the City continued to assist New Bedford's small businesses, reaching over 50 existing businesses and start-ups—impacting close to 500 employees. The City recognizes that small business is the backbone of the community and continues to provide hands-on service with assistance in the permitting process, which is critical to open or expand a business.

During the past year the City has continued to see an increase in small businesses participating in the City's lending and training programs—such as those offered by our partners at Interise. Their Streetwise MBA Program is a unique course designed to give small business owners the tools, training, and networks to turn their plans into action. The City forged a strong partnership with Interise several years ago, housing its SouthCoast office in the Quest Center, and offering training space for their monthly classes. A highlight of the 2014 class was a visit from then Secretary of Housing and Economic Development, Greg Bialecki, touting the success of the program and interviewing graduates. Interise has become the State's designated small business training and development program.

The City also continued the concept of the one-stop shop by promoting its relationship with the Small Business Administration, teaming with the consultants at the Massachusetts Small Business Development Center Network, and working closely with the talent from SCORE – the network of retired executives giving back to the business community with expert advice on business planning and development. The City looks forward to building on these services in the year ahead.

Quest Center Business Incubator

The City maintains a business incubator, which is utilized to assist start-up companies and create partnerships in a number of fields. In 2014, entities in the fields of renewable energy, information technology and marine science maintained space at the Quest Center, employing sixteen. Planning has been underway for the development of an “innovation campus” by combining the Quest Center and the adjacent former armory building.

Currently a new co-working partnership called “Ground Works” is about to launch in a 3,000 square foot space that will bring 20-30 new entrepreneurs to the center. In 2014 the City and NBEDC received a \$150,000 grant from MassDevelopment (the only such award given in the state) to build-out this space to first class standards. Groundworks is currently in a temporary space in the Quest Center until build-out of their new space is complete in Fall 2015.

Planning for the future development facility—including the relocation of the Workforce Investment Board staff offices—is occurring in concert with the City Master Plan and regional planning for the South Coast Rail project.

Current Business Development and Strategic Planning Activity

New Bedford Business Park

- 2 new distribution companies are now located in the park and a regional manufacturer of renewable and high efficiency heating systems also secured an expansion to the park in late 2014—creating more than 100 new jobs.
- A national leading textile company with strong ties to the golfing industry in the park began planning for expansion late in 2014. Land acquisition and final planning are expected to take place in early to mid-2015. The project is expected to add approximately 40,000 square feet of new space and create a significant number of new jobs.

- A marketing proposal for available lots has been completed and will be fully implemented over the next 6 months with partnerships by Mass Econ and MassDevelopment. Goal is to drive leads to 2 priority sites for potential medical device manufacturing companies—new job potential is in the hundreds for these sites.

Downtown Housing/Business & Retail Development

- In mid-October the City was host to more than 50 individuals in the New England development community for a Developers Day and Tour. The day included four tours of key development districts, panel discussions, and networking opportunities and a harbor tour of the new Marine Commerce Terminal. Leads from this event have already gained interested in several of the two-dozen sites highlighted, and personal follow-up with regional developers will continue through early 2015 to help drive an active pipeline of activity.
- As key components to the TDI District activity, we continue to work on 2 large-scale residential housing infill construction projects through preliminary planning and design. Combined value is greater than \$50 million and will create nearly 100 new residential units.
- BayCoast Bank will expand to a new 7,000 square foot facility in early 2015 and efforts with Bristol County Savings Bank continue to find a suitable downtown location—likely at a William Street location.

Good Year Site

- With retail and housing development interest at a high level (leads gained from the developer's tour) work on a master plan of preferred development scenarios is nearly complete—a project done in partnership with MassDevelopment. This proposed development concept outlines a pathway for a build-out scenario that can meet these goals over a period of 5 years and transform this area of the south end. The development concept at full build-out will support more than 200 new jobs, offer appropriate new residential opportunities, and generate nearly \$470,000 in new annual tax revenue—more than 8 times the revenue currently generated as a vacant parcel. With the site becoming a source of strength for the south end, rather than an icon of decline, the entire area surrounding the Goodyear site can benefit from the new recreational, shopping, and job opportunities.
- During this planning, meetings with local hospital group have progressed in a highly positive fashion and a potential ground breaking is likely for 2015—either at the Goodyear site or another suitable south-end location.

New Bedford Airport

- This spring the City and the Administrator of the Aeronautics Division of MassDot begin conversation about new business development opportunities—likely aviation related opportunities could yield up to 100 jobs. Preliminary planning work on potential sites began in the winter of 2014 and will continue in early 2015 and a strategic development plan for the airport emerges given new funding opportunities for enhanced terminal development.

PROPERTY TAXATION

Tax Levy Computation

Aside from state aid, the principal revenue source of the City is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations" below. As to the inclusion of debt service and final judgments, see "Security and Remedies" above.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay," below), no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits," below).

The following table illustrates the manner in which the tax levy is determined.

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Total Appropriations (1)	\$ 273,099,234	\$ 285,417,229	\$ 285,365,817	\$ 297,659,756	\$ 307,065,056
Other Local Expenses	233,792	702,178	256,543	230,434	318,528
State & County Assessments	7,051,138	8,971,004	9,485,866	10,445,873	12,231,590
Overlay for Current Year	1,424,363	1,551,366	1,452,843	2,151,685	1,168,709
Gross Amount to be Raised	<u>281,808,527</u>	<u>296,641,777</u>	<u>296,561,069</u>	<u>310,487,748</u>	<u>320,783,883</u>
Offsets:					
Estimated Receipts from State (2)	131,942,439	137,421,703	139,978,823	146,986,825	151,944,662
Local Estimated Receipts	55,012,563	59,402,167	59,698,508	59,025,408	62,384,211
Free Cash	485,884	3,199,535	1,313,236	7,561,187	3,944,500
Other	1,207,443	2,224,879	352,000	230,400	914,400
Total Offsets	<u>188,648,329</u>	<u>202,248,284</u>	<u>201,342,567</u>	<u>213,803,820</u>	<u>219,187,773</u>
Tax Levy	<u>\$ 93,160,198</u>	<u>\$ 94,393,493</u>	<u>\$ 95,218,502</u>	<u>\$ 96,683,928</u>	<u>\$ 101,596,110</u>

(1) Includes water and sewer department budgets, each of which is self-supporting.

(2) Estimated by the State Department of Revenue and required by law to be used in setting the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State deducts from semi-annual distributions the State assessments, which are appropriated automatically as a component of the gross amount to be raised.

The City's state aid increased from fiscal 2013 to fiscal 2014 by approximately \$7 million, the majority of which was associated with an increase in Chapter 70 education aid. These recent increases notwithstanding, the City is prepared to implement, as it has in the past, a comprehensive plan to reduce expenditures to address any unexpected shortfalls in revenue, including state aid reductions, if necessary.

Assessed Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 percent of its share of the total taxable valuation; the effective rate for open space must be at least 75 percent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

The City has used multiple tax rates under classifications since fiscal 1986 when it revalued all real and personal property in the City to full value. Professional updates of the valuation were completed for use most recently in fiscal years 2004, 2007, 2010 and 2014.

The following table sets forth the trend in the City's assessed valuations, tax levies and tax rates.

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Levy	Tax Rates	
					Residential	Other (1)
2015	\$ 5,049,130,480	\$ 188,082,010	\$ 5,237,212,490	\$ 101,596,110	\$ 15.73	\$ 33.56
2014 (2)	5,029,498,650	196,935,110	5,226,433,760	96,683,928	15.16	31.08
2013	5,295,653,540	183,916,080	5,479,569,620	95,218,502	14.33	29.54
2012	5,484,684,000	190,843,230	5,675,527,230	94,393,493	13.76	28.44
2011	5,818,182,500	189,461,030	6,007,643,530	93,160,198	12.88	27.14

(1) Commercial, industrial and personal property.

(2) Revaluation year.

Classification of Property

The following is a breakdown of the City's total assessed valuation in fiscal years 2015, 2014 and 2013.

Classification	Assessed Valuation		Assessed Valuation		Assessed Valuation	
	Fiscal 2015	%	Fiscal 2014 (1)	%	Fiscal 2013	%
Real Estate:						
Residential	\$ 4,159,548,043	79.4 %	\$ 4,130,253,323	79.0 %	\$ 4,381,853,008	80.0 %
Commercial	617,099,037	11.8	619,997,827	11.9	635,661,832	11.6
Industrial	272,483,400	5.2	279,247,500	5.3	278,138,700	5.1
Total Real Estate	5,049,130,480	96.4	5,029,498,650	96.2	5,295,653,540	96.6
Personal Property Valuation	188,082,010	3.6	196,935,110	3.8	183,916,080	3.4
	\$ 5,237,212,490	100.0 %	\$ 5,226,433,760	100.0 %	\$ 5,479,569,620	100.0 %

(1) Revaluation year.

Largest Taxpayers

The following table sets forth the ten largest taxpayers in the City of New Bedford based on assessed valuations for fiscal 2014. All of the taxpayers listed are current with their payments.

<u>Name</u>	<u>Nature of Business</u>	<u>Fiscal 2014 Assessed Valuation</u>	<u>% of Total Assessed Value</u>
Cedar - Fieldstone LLC	Retail Properties	\$ 29,131,700	0.6 %
Patrick Carney (1)	Real Estate Developer	29,093,700	0.6
Wamsutta LLC	Apartments	17,665,500	0.3
Demoulas Supermarkets	Supermarket	10,958,800	0.2
AFC Cable Systems Inc.	Manufacturing	10,850,700	0.2
Compass Bank/Sovereign Bank	Banking	10,494,500	0.2
Nstar	Utility	9,906,100	0.2
Acushnet Company	Rubber Products	9,511,100	0.2
Acushnet Avenue	Private Hospital	8,997,800	0.2
O'Hara Realty Company	Real Estate Broker	8,889,300	0.2
Total		<u>\$ 145,499,200</u>	<u>2.8 %</u>

(1) Includes the following properties: Rockdale West at New Bedford, Bayberry at New Bedford, Car Barn Associates and Buttonwood Park LLC at New Bedford.

State Equalized Valuation and Estimated Full Value Tax Rate

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality as of January 1 of even numbered years. This is known as the "equalized value". The following table sets forth the trend in equalized valuations of the City of New Bedford.

<u>January 1,</u>	<u>State Equalized Valuations</u>
2014 (proposed)	\$5,343,618,200
2012	5,818,718,300
2010	6,474,455,300
2008	7,140,048,800
2006	6,311,715,700
2004	4,687,147,600
2002	3,278,457,000
2000	2,825,891,000

Local assessed valuations are determined annually as of January 1 and used for the fiscal year beginning on the next July 1. The City's most recent revaluation was completed for use in setting the 2014 fiscal year's tax rate and levy. The most recent prior reevaluations were completed for use in setting the fiscal 2001, 2004, 2007 and 2010 tax rates and levies. On the basis of said revaluations, the City's local tax rates for fiscal years 2001, 2004, 2007, 2010 and 2014 are believed to have approximated "full value" tax rates.

Abatements and Overlay

A city or town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is either required to be either added to the next tax levy or to be transferred from available overlay reserves from other years.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The following table sets forth the trend in the overlay reserve and exemption and abatement activity.

Fiscal Year	Overlay Reserve		As a % of Net Levy	Exemptions and Abatements Granted Through June 30, 2014
	Net Tax Levy (1)	Dollar Amount		
2014 (2)	\$ 94,532,243	\$ 2,151,685	2.29 %	\$ 1,112,068
2013	93,765,659	1,462,843	1.56	856,504
2012	92,842,127	1,551,366	1.67	1,018,122
2011	91,735,835	1,424,363	1.55	1,071,090
2010 (2)	90,847,260	1,301,468	1.43	973,044

(1) Tax levy prior to addition of overlay reserve.

(2) Revaluation years.

Tax Collections

The City switched to quarterly tax bills beginning in fiscal 1992. Property taxes are payable in four installments on August 1, November 1, February 1 and May 1. Interest accrues on delinquent taxes currently at the rate of 14 percent per annum the day after the due date. Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below. The following table compares the City's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies.

TAX LEVIES AND COLLECTIONS

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy (1)	Collections During Fiscal Year Payable(2)		Collections as of June 30, 2014 (2)	
				\$ Amount	% of Net	\$ Amount	% of Net
2014 (3)	\$ 96,683,928	\$ 2,151,685	\$ 94,532,243	\$ 91,596,294	96.9 %	\$ 91,596,294	96.9 %
2013	95,218,502	1,452,843	93,765,659	90,161,708	96.2	92,005,411	98.1
2012	94,393,493	1,551,366	92,842,127	89,104,284	96.0	90,800,961	97.8
2011	93,160,198	1,424,363	91,735,835	88,316,833	96.3	88,305,581	96.3
2010 (3)	92,148,728	1,301,468	90,847,260	86,712,074	95.4	88,913,946	97.9

(1) Net after deductions of overlay for abatements.

(2) Actual dollar collections less refunds.

(3) Revaluation year.

Tax Titles and Possessions

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a “tax possession” and may be held and disposed of in the same manner as other land held for municipal purposes.

The following table sets forth the trend in tax titles and possessions as of the end of the fiscal year.

<u>Fiscal Year End</u>	<u>Total Tax Titles and Possessions</u>
2014	\$26,136,727
2013	24,188,306
2012	22,589,564
2011	19,650,934
2010	19,991,349

Sale of Tax Receivables

Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction either individually or in bulk. The City is currently exploring this option.

Taxation to Meet Deficits

As noted elsewhere (see “Abatements and Overlay,” above) overlay deficits, i.e., tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits; i.e., those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates; and certain established salaries, e.g., civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as “free cash” deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations

Chapter 59, Section 21C of the General Laws, also known as Proposition 2½, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2 ½ percent of the full and fair cash value. If a town or city exceeds the primary limitation, it must reduce its tax levy by at least 15 per cent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7 ½ percent by majority vote of the voters, or to less than 7 ½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a 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 ½ percent, subject to an exception for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year’s valuation. This “growth” limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit

under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the “growth” limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of the city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit “to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year”.

Proposition 2 ½ further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2 ½ limits the amount required to pay specified capital outlay expenditures as for the city or town’s apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor may vote to exclude from the Proposition 2 ½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water and sewer purposes, provided that the municipality’s sewer or water charges are reduced accordingly.

The City has been in full compliance with Proposition 2 ½ since fiscal 1983 following the completion of a professional revaluation of all real and personal property in the City to full value.

Proposition 2 ½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA, and certain districts for which special legislation provides otherwise) to the sum of (a) 2 ½ per cent of the prior year’s assessments and (b) “any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option”. Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district’s governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under the statute any State law to take effect on or after January 1, 1981 imposing a direct debt service of cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if the State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

The following table sets forth the trend in the City’s tax levies and levy limits under Proposition 2 ½.

Fiscal Year	Estimated Full Valuation (1)	Primary Levy Limit	Maximum Levy Limit	Actual Levy	Under (Over) Primary Levy Limit	Under (Over) Maximum Levy Limit
2015	\$ 5,237,212,490	\$ 130,930,312	\$ 110,181,767	\$ 101,596,110	\$ 29,334,202	\$ 8,585,657
2014	5,226,433,760	130,660,844	106,400,750	96,683,928	33,976,916	9,716,822
2013	5,479,569,620	136,989,241	102,384,407	95,218,502	41,770,739	7,165,905
2012	5,675,527,230	141,888,181	99,066,782	94,393,493	47,494,688	4,673,289
2011	6,007,643,530	150,191,088	95,474,693	93,160,198	57,030,890	2,314,495

(1) Reflects local assessed valuations.

Pledged Taxes

Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes.

Community Preservation Act

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "*Tax Limitations*" under "PROPERTY TAXATION" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The City has adopted the CPA, effective July 1, 2015. The administration anticipates submitting an enabling ordinance to the City Council for consideration in February 2015.

CITY FINANCES

Budget and Appropriation Process

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 fiscal 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 City Council may not make any appropriation for a purpose not included in the proposed budget, except by a two-thirds vote in case of a failure of the Mayor to recommend an appropriation for such a purpose within 7 days after a request from the City Council. The City Council may not increase any item without the recommendation of the Mayor (except as provided by legislation, subject to local acceptance, under which the school budget or regional school district assessment can be increased upon recommendation of the school committee or regional district school committee and by two-thirds vote of the City Council, provided that such increase does not cause the total annual budget to exceed property tax limitations). If the City Council fails to act on any item of the proposed budget within 45 days, that item takes effect.

City department heads are generally required to submit their budget requests to the Mayor between January 1 and February 1. This does not apply to the school department, which must submit its requests in time for the Mayor to include them in his submission to the City Council.

If the Mayor does not make a timely budget submission, provision is made for preparation of a budget by the City Council. Provision is also made for supplementary appropriations upon recommendation of the Mayor. Water, wastewater, airport and the Commission for Citizens with Disabilities (CCw/D) are included in the budget adopted by the City Council. Under certain legislation any town or city which accepts the legislation may provide that the appropriations for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. The school budget is limited to the total amount appropriated by the City Council, but the school committee retains full power to allocate the funds appropriated.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy.

Budget Trends

The table below sets forth the trend in operating budgets in the format recommended by the Mayor and voted by the City Council. As such, the budgets are inclusive of expenditures made from state local distribution monies but do not estimate revenues, do not reflect expenditures for state and county assessments, overlay for tax abatements and certain other mandatory items and do not reflect supplemental appropriations and transfers between appropriation items made during the course of the fiscal year.

	FY11 Budget	FY12 Budget	FY13 Budget	FY14 Budget	FY15 Budget
EXPENDITURES:					
Debt	\$ 9,546,758	\$ 9,347,221	\$ 9,688,981	\$ 9,815,456	\$ 10,159,934
Insurance and Pension	59,698,522	62,421,981	59,004,695	61,567,690	63,208,112
General Government	23,215,141	25,417,993	25,003,765	23,191,356	24,305,665
Public Safety	36,623,067	36,023,241	36,997,026	36,727,735	38,519,921
Highways and Streets	1,439,394	2,169,267	2,890,620	5,541,475	5,280,083
Sanitation	809,472	778,797	733,917	745,701	762,090
Inspectional Services	598,480	671,752	676,389	735,649	840,045
Education - School Dept. NSS	101,082,495	103,606,147	104,712,400	109,000,000	116,400,000
Education - School Dept. Additional Support	-	-	500,000	400,000	-
Education - Vocational	4,573,560	4,482,898	4,705,357	4,748,283	4,837,457
Human Services	4,757,386	5,296,970	5,337,422	5,574,318	5,374,561
Culture and Recreation	3,104,533	3,350,424	3,943,264	4,226,345	4,431,127
CCw/D	26,167	29,505	67,067	44,400	44,400
TOTAL APPROPRIATIONS	\$ 245,474,975	\$ 253,596,196	\$ 254,260,903	\$ 262,318,408	\$ 274,163,395
Airport	637,965	689,197	676,258	731,696	759,144
Water	10,375,212	11,128,979	10,921,315	11,340,332	11,708,383
Wastewater	18,195,475	19,069,988	18,841,137	19,615,870	20,123,200
Downtown Parking	-	-	-	-	850,366
TOTAL APPROPRIATIONS - ALL FUNDS	\$ 274,683,627	\$ 284,484,360	\$ 284,699,613	\$ 294,006,306	\$ 307,604,488

The City became aware of a potential shortfall in the School Department's budget in mid-FY 2013, caused by the improper budgeting of positions that were previously grant funded. The FY 2013 budget was made whole with a supplemental appropriation of \$3.5 million, while the FY 2014 budget included the elimination of approximately 200 positions to provide for a sustainable budget over the long term.

Room Occupancy Tax: Under this tax, local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed six percent (6%) of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel or lodging house to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. Effective January 1, 2012, the City increased the local room occupancy excise tax to a rate of 5%. On January 1, 2013, the rate increased to 6% by a City Council vote. The trend in room occupancy tax revenue collections is shown in the table below.

Fiscal Year	Room Occupancy Tax Revenue
2014	\$ 224,951
2013	182,155
2012	145,811

Local Option Meals Tax: The City adopted the local meals tax excise tax to be effective October 1, 2010. The local meals excise tax is a 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The trend in meals tax revenue collections is shown in the table below.

Fiscal Year	Meals Tax Revenue
2014	\$ 1,004,124
2013	918,827
2012	909,553

Education Reform

State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs, and may affect the level of state aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. Since the inception of the Act, the City has exceeded the minimum required funding each year.

State School Building Assistance Program

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions,

the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The maximum reimbursement rate for new project grant applications submitted to the Authority on or after July 1, 2007 is 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

Investment of City Funds

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC – registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with Section 54 of Chapter 44, which permits a broader range of investments than Section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by Sections 54 and 55 do not apply to city and town retirement systems.

A breakdown of such investments may be obtained from the City Treasurer.

Fiscal Policies

In 2013 the City Council approved a set of policies relative to debt issuance and fund balance management, copies of which can be found in Appendix D, "City of New Bedford Fiscal Policies". The City is in the process of developing additional policies and products relative to indirect costs, grants, and multi-year forecasting.

Program Performance Measurement

The City of New Bedford embarked on an organization-wide initiative aimed at improving government operations in 2012. Initial efforts were supported by a contract with the Collins Center at the University of Massachusetts and involved program-specific evaluations of various functions. The hiring of a chief financial officer allowed the City to implement program performance management throughout the organization. The fiscal 2015 budget incorporated narrative information, goals, objectives and performance measures for all departments, utilizing a combination of dedicated staff resources and targeted assistance from the Collins Center. Beginning in fiscal 2015, departments have begun to maintain and track performance measurement data, a process which will increase transparency and allow for more informed decision making regarding the City's limited resources.

Annual Audits

The City's accounts were most recently audited for fiscal 2013 by Hague, Sahady & Co., P.C., Certified Public Accountants, New Bedford, Massachusetts. Said audit is attached hereto and reports the City's financial position in accordance with governmental accounting standards.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for the fiscal years ended June 30, 2014 (draft), June 30, 2013, June 30, 2012 and June 30, 2011, and Statements of Revenues, Expenditures and Changes in Fund Balances for the fiscal years ended June 30, 2014 (draft) and June 30, 2013 through June 30, 2009. Said statements are excerpts from the City's audited financial statements, prepared in accordance with generally accepted accounting principles, with the exception of fiscal 2014 which are draft financials prepared by the City and subject to revision and change.

CITY OF NEW BEDFORD, MASSACHUSETTS

**Balance Sheet
Governmental Funds
June 30, 2014 (1)
UNAUDITED**

	General Fund	Wastewater	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments, unrestricted	\$ 29,070,837	\$ 14,662,397	\$ 38,971,295	\$ 82,704,529
Receivables, net:				
Real estate and personal property taxes	2,107,386	-	-	2,107,386
Tax liens and foreclosures	25,524,929	-	-	25,524,929
Motor vehicle and boat excise	2,084,776	-	-	2,084,776
User charges receivables	-	2,290,536	-	2,290,536
Departmental and other	9,405,352	2,200	-	9,407,552
Loans receivable	-	-	21,879,240	21,879,240
Other receivables	793,388	-	36,301	829,689
Special assessments	454	215,913	-	216,367
Due from federal or state government	301,190	-	6,619,078	6,920,268
Due from other funds	2,775,608	424,114	60,715	3,260,437
Intraentity receivable	1,900,816	-	-	1,900,816
Inventories	-	71,860	246,918	318,778
Prepaid assets	-	-	-	-
Other assets	50,197	-	-	50,197
Total assets	\$ 74,014,933	\$ 17,667,020	\$ 67,813,547	\$ 159,495,500
Deferred Outflows of Resources				
None	-	-	-	-
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 74,014,933	\$ 17,667,020	\$ 67,813,547	\$ 159,495,500
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	\$ 6,003,799	\$ 1,756,831	\$ 7,569,613	\$ 15,330,243
Accounts payable and accrued expenses	8,299,709	-	413,299	8,713,008
Retainage payable	-	-	90,855	90,855
Bonds and notes payable	-	-	25,183,346	25,183,346
Interim loan payable	-	-	2,483,175	2,483,175
Due to other funds	1,441,359	3,115,855	60,733	4,617,947
Deposits held	215,061	-	-	215,061
Due to other governments	-	-	-	-
Payroll withholdings	(5,189)	-	-	(5,189)
Taxes paid in advance	73,588	-	-	73,588
Other liabilities	135,185	-	42,310	177,495
Total liabilities	16,163,512	4,872,686	35,843,331	56,879,529
Deferred Inflows Of Resources				
Deferred departmental and other receipts	29,257,378	2,508,649	36,301	31,802,328
Unearned grant income	-	-	794,649	794,649
Unearned loan income	-	-	21,876,175	21,876,175
Total Deferred Inflows of Resources	29,257,378	2,508,649	22,707,125	54,473,152
FUND BALANCES				
Nonspendable	-	71,860	5,127,411	5,199,271
Restricted	-	1,910,861	5,669,516	7,580,377
Committed	10,719,658	8,302,964	9,923,524	28,946,146
Assigned	-	-	-	-
Unassigned	17,874,385	-	(11,457,360)	6,417,025
Total Fund Balances	28,594,043	10,285,685	9,263,091	48,142,819
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 74,014,933	\$ 17,667,020	\$ 67,813,547	\$ 159,495,500

(1) Extracted from draft financial statements, subject to revision and change.

CITY OF NEW BEDFORD, MASSACHUSETTS

Balance Sheet

Governmental Funds

June 30, 2013 (1)

ASSETS	General Fund	Wastewater	Non-Major Governmental Funds	Total Governmental Funds
Cash and investments, unrestricted	\$ 25,251,947	\$ 8,348,370	\$ 24,780,875	\$ 58,381,192
Cash, restricted	-	5,219,109	-	5,219,109
Receivables, net:				
Real estate and personal property taxes	4,399,412	-	-	4,399,412
Tax liens and foreclosures	24,178,923	-	-	24,178,923
Motor vehicle and boat excise	1,863,940	-	-	1,863,940
User charges receivables	-	2,180,738	-	2,180,738
Departmental and other	8,131,174	2,445	-	8,133,619
Loans receivable	-	-	20,421,589	20,421,589
Other receivables	1,170,430	-	142,016	1,312,446
Special assessments	804	231,810	-	232,614
Due from federal or state government	311,215	-	10,473,064	10,784,279
Due from other funds	2,776,281	319,500	-	3,095,781
Intraentity receivable	1,900,816	-	-	1,900,816
Inventories	-	71,860	-	71,860
Prepaid assets	-	423,388	-	423,388
Other assets	5,278	-	-	5,278
Land inventory	-	-	246,918	246,918
Total assets	\$ 69,990,220	\$ 16,797,220	\$ 56,064,462	\$ 142,851,902
Deferred Outflows of Resources				
None	-	-	-	-
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 69,990,220	\$ 16,797,220	\$ 56,064,462	\$ 142,851,902
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	\$ 2,702,367	\$ 1,176,471	\$ 2,888,368	\$ 6,767,206
Accounts payable and accrued expenses	8,598,707	53,906	1,862,116	10,514,729
Retainage payable	-	-	30,123	30,123
Bonds and notes payable	-	-	22,750,000	22,750,000
Interim loan payable	-	-	483,175	483,175
Due to other funds	164,739	2,994,134	28,497	3,187,370
Deposits held	211,473	426,198	-	637,671
Due to other governments	-	-	209	209
Payroll withholdings	1,096,109	-	-	1,096,109
Other liabilities	391,629	-	4,770	396,399
Total liabilities	13,165,024	4,650,709	28,047,258	45,862,991
Deferred Inflows Of Resources				
Property taxes paid in advance	5,715	-	-	5,715
Deferred property and excise tax revenue	21,283,700	-	-	21,283,700
Deferred departmental and other receipts	6,899,763	-	14,143	6,913,906
Deferred user fees, fines and charges for services	-	-	-	-
Unearned grant income	-	2,415,866	1,316,398	3,732,264
Unearned loan income	-	-	20,421,589	20,421,589
Total Deferred Inflows of Resources	28,189,178	2,415,866	21,752,130	52,357,174
Net Position				
Nonspendable	1,900,816	71,860	5,374,329	7,347,005
Restricted	-	3,845,093	12,242,138	16,087,231
Committed	8,841,931	5,813,692	2,688,125	17,343,748
Assigned	1,063,133	-	-	1,063,133
Unassigned	16,830,138	-	(14,039,518)	2,790,620
Total Net Position	28,636,018	9,730,645	6,265,074	44,631,737
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 69,990,220	\$ 16,797,220	\$ 56,064,462	\$ 142,851,902

(2) Extracted from audited financial statements.

**CITY OF NEW BEDFORD, MASSACHUSETTS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012(1)**

	General Fund	Wastewater Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments, Unrestricted	\$ 28,818,052	\$ 3,877,390	\$ 16,826,577	\$ 49,522,019
Cash, Restricted	-	8,585,028	-	8,585,028
Receivables, Net:				
Real Estate and Personal Property Taxes	4,562,717	-	-	4,562,717
Tax Liens and Foreclosures	21,665,691	-	-	21,665,691
Motor Vehicle and boat excise	1,698,319	-	-	1,698,319
User charges receivables	-	1,764,689	-	1,764,689
Departmental and other	6,946,762	27,177	-	6,973,939
Loans Receivable	-	-	20,380,174	20,380,174
Other Receivable	149,407	-	224,386	373,793
Special Assessments	1,057	252,408	-	253,465
Due from federal or state government	202,703	-	18,053,459	18,256,162
Due from Other Funds	2,697,141	1,479,868	1,697	4,178,706
Intra-entity receivable	1,959,321	-	-	1,959,321
Inventories	-	71,323	-	71,323
Prepaid assets	-	404,501	-	404,501
Other assets	4,293	-	-	4,293
Land inventory	-	-	246,918	246,918
TOTAL ASSETS	\$ 68,705,463	\$ 16,462,384	\$ 55,733,211	\$ 140,901,058
LIABILITIES AND FUND BALANCES (DEFICITS)				
Liabilities:				
Warrants Payable	\$ 2,547,742	\$ 937,533	\$ 1,789,245	\$ 5,274,520
Accounts Payable and Accrued Expenses	8,027,234	337,043	2,703,972	11,068,249
Retainage Payable	-	-	233,204	233,204
Bonds and Notes Payable	-	-	26,929,625	26,929,625
Interim Loan Payable	-	-	483,175	483,175
Due to Other Funds	3,697,150	4,152,606	6,842	7,856,598
Deposits held	(178)	405,901	165,546	571,269
Due to other governments	-	-	142,558	142,558
Payroll withholdings	338,487	-	-	338,487
Other liabilities	425,472	-	111	425,583
Deferred revenue	24,955,584	2,044,273	21,625,820	48,625,677
TOTAL LIABILITIES	39,991,491	7,877,356	54,080,098	101,948,945
Fund Balances:				
Nonspendable	1,959,143	-	5,313,219	7,272,362
Restricted	-	71,323	11,169,110	11,240,433
Committed	6,884,927	3,702,452	1,577,863	12,165,242
Assigned	639,281	4,811,253	-	5,450,534
Unassigned	19,230,621	-	(16,407,079)	2,823,542
TOTAL FUND BALANCES	28,713,972	8,585,028	1,653,113	38,952,113
TOTAL LIABILITIES AND FUND BALANCES	\$ 68,705,463	\$ 16,462,384	\$ 55,733,211	\$ 140,901,058

(1) Extracted from the City's audited financial statements.

**CITY OF NEW BEDFORD, MASSACHUSETTS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011(1)**

	General Fund	Wastewater Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments, Unrestricted	\$ 20,095,906	\$ 3,814,825	\$ 21,757,655	\$ 45,668,386
Cash, Restricted	-	8,318,308	-	8,318,308
Receivables, Net:				
Real Estate and Personal Property Taxes	5,027,890	-	-	5,027,890
Tax Liens and Foreclosures	21,236,073	-	-	21,236,073
Motor Vehicle and boat excise	1,643,874	-	-	1,643,874
User charges receivables	-	1,799,274	-	1,799,274
Departmental and other	8,145,341	26,189	-	8,171,530
Loans Receivable	-	-	20,878,265	20,878,265
Other Receivable	372,676	-	352,985	725,661
Special Assessments	1,575	286,786	-	288,361
Due from federal or state government	389,963	-	18,645,224	19,035,187
Due from Other Funds	4,187,104	4,987	77,811	4,269,902
Due from external parties	1,986,974	-	-	1,986,974
Inventories	-	71,476	-	71,476
Other assets	2,617	-	-	2,617
Land inventory	-	-	246,918	246,918
TOTAL ASSETS	\$ 63,089,993	\$ 14,321,845	\$ 61,958,858	\$ 139,370,696
LIABILITIES AND FUND BALANCES (DEFICITS)				
Liabilities:				
Warrants Payable	\$ 3,610,945	\$ 671,876	\$ 2,974,201	\$ 7,257,022
Accounts Payable and Accrued Expenses	11,035,453	539,812	4,227,028	15,802,293
Retainage Payable	-	-	870,606	870,606
Bonds and Notes Payable	-	-	30,005,125	30,005,125
Interim Loan Payable	-	-	11,060,061	11,060,061
Due to Other Funds	1,801,279	2,679,600	115,452	4,596,331
Deposits held	3,347	-	162,554	165,901
Due to other governments	-	-	613,907	613,907
Payroll withholdings	129,607	-	-	129,607
Other liabilities	197,414	-	371	197,785
Deferred revenue	26,141,406	2,112,249	23,648,661	51,902,316
TOTAL LIABILITIES	42,919,451	6,003,537	73,677,966	122,600,954
Fund Balances (Deficits):				
Reserved For:				
Nonspendable	1,990,321	71,476	5,374,329	7,436,126
Restricted	-	-	(10,040,455)	(10,040,455)
Committed	5,726,798	6,692,579	(7,096,511)	5,322,866
Assigned	7,519	1,554,253	77,877	1,639,649
Unassigned	12,445,904	-	(34,348)	12,411,556
TOTAL FUND BALANCES (Deficits)	20,170,542	8,318,308	(11,719,108)	16,769,742
TOTAL LIABILITIES AND FUND BALANCES (deficits)	\$ 63,089,993	\$ 14,321,845	\$ 61,958,858	\$ 139,370,696

(1) Extracted from the City's audited financial statements.

CITY OF NEW BEDFORD, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
June 30, 2014 (1)
UNAUDITED

	General Fund	Wastewater	Non-major Governmental Funds	Total Governmental Funds
REVENUE				
Real estate and personal property taxes	\$ 92,959,921	\$ -	\$ -	\$ 92,959,921
Motor vehicle and other excise taxes	7,676,636	-	-	7,676,636
Tax liens and foreclosures	2,025,500	127,300	-	2,152,800
Penalties and interest on taxes	1,202,840	-	-	1,202,840
Licenses and permits	2,178,801	-	-	2,178,801
Fines and forfeitures	199,204	-	-	199,204
Investment income	164,478	68,953	654,320	887,751
Intergovernmental - operating grants	180,720,930	-	38,229,184	218,950,114
Intergovernmental - capital grants	-	-	3,729,625	3,729,625
Charges for services	1,752,807	19,883,078	1,629,085	23,264,970
Other - indirects	4,454,896	-	-	4,454,896
Special assessments and betterments	349	17,353	-	17,702
Departmental	12,925,336	6,966	-	12,932,302
Payment in lieu of taxes	321,660	-	-	321,660
Miscellaneous	536,371	31,119	4,911,044	5,478,534
TOTAL REVENUES	307,119,729	20,134,769	49,153,258	376,407,756
EXPENDITURES				
General Government	7,016,401	-	1,369,591	8,385,992
Public Safety	40,063,889	-	7,239,568	47,303,457
Education	147,876,203	-	25,283,527	173,159,730
Public works	14,616,410	13,002,969	7,253,790	34,873,169
Community and economic development	-	-	5,551,303	5,551,303
Health and human services	4,237,272	-	694,130	4,931,402
Municipal Airport	-	-	6,965,544	6,965,544
Culture and recreation	4,203,758	-	1,664,508	5,868,266
Pension benefits	23,692,690	-	-	23,692,690
Health and other insurance	36,800,963	-	-	36,800,963
Miscellaneous	8,955,341	-	-	8,955,341
State and county charges	10,252,470	-	-	10,252,470
Debt service:				
Principal payments	6,784,825	4,152,890	-	10,937,715
Interest payment	2,681,601	2,310,166	-	4,991,767
Short-term note interest	226,867	-	-	226,867
TOTAL EXPENDITURES	307,408,690	19,466,025	56,021,961	382,896,676
Excess (deficiency) of Revenues Over Expenditures	(288,961)	668,744	(6,868,703)	(6,488,920)
OTHER FINANCING SOURCES (Uses)				
Bond proceeds	-	-	10,000,000	10,000,000
Transfers in	746,986	5,080,656	136,225	5,963,867
Transfers out	(500,000)	(5,194,361)	(269,506)	(5,963,867)
Total Other Financing Sources and Uses	246,986	(113,705)	9,866,719	10,000,000
Change in Net Position	(41,975)	555,039	2,998,016	3,511,080
Fund balances - July 1, 2013	28,636,018	9,730,646	6,265,075	44,631,739
Fund balances - June 30, 2014	\$ 28,594,043	\$ 10,285,685	\$ 9,263,091	\$ 48,142,819

(1) Extracted from City's draft financial statements, subject to revision and change.

(1) Extracted from draft financial statements, subject to revision and change.

CITY OF NEW BEDFORD, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
June 30, 2013 (1)

	General Fund	Wastewater	Non-major Governmental Funds	Total Governmental Funds
REVENUE				
Real estate and personal property taxes	\$ 91,935,611	\$ -	\$ -	\$ 91,935,611
Motor vehicle and other excise taxes	7,495,147	-	-	7,495,147
MSBA assistance	-	-	2,583,007	2,583,007
Tax liens and foreclosures	2,373,605	242,610	-	2,616,215
Penalties and interest on taxes	1,389,535	-	-	1,389,535
Licenses and permits	2,228,837	-	-	2,228,837
Fines and forfeitures	183,325	-	-	183,325
Investment income	160,173	48,230	584,430	792,833
Intergovernmental - operating grants	169,685,913	5,729,836	41,354,167	216,769,916
Intergovernmental - capital grants	2,045,350	-	13,872,524	15,917,874
Charges for services	14,942,109	19,571,417	1,513,158	36,026,684
Other - indirects	1,511,236	-	-	1,511,236
Special assessments and betterments	253	40,175	-	40,428
Payment in lieu of taxes	281,810	-	-	281,810
Miscellaneous	2,929,139	43,167	3,915,665	6,887,971
TOTAL REVENUES	297,162,043	25,675,435	63,822,951	386,660,429
EXPENDITURES				
General Government	6,509,251	-	2,390,267	8,899,518
Public Safety	37,827,386	-	9,262,770	47,090,156
Education	146,979,124	-	26,363,469	173,342,593
Public works	13,042,250	10,748,253	9,573,128	33,363,631
Community and economic development	-	-	6,048,771	6,048,771
Health and human services	5,163,611	-	775,960	5,939,571
Municipal Airport	-	-	9,064,427	9,064,427
Culture and recreation	3,928,783	-	1,583,392	5,512,175
Pension benefits	22,629,695	-	-	22,629,695
Health and other insurance	36,322,214	-	-	36,322,214
Miscellaneous	8,572,875	-	-	8,572,875
State and county charges	9,581,904	-	-	9,581,904
Debt service:				
Principal payments	6,035,695	6,752,084	58,505	12,846,284
Short-term note interest	494,872	-	-	494,872
Bond interest costs	2,925,722	5,126,091	-	8,051,813
TOTAL EXPENDITURES	300,013,382	22,626,428	65,120,689	387,760,499
Excess (deficiency) of Revenues Over Expenditures	(2,851,339)	3,049,007	(1,297,738)	(1,100,070)
OTHER FINANCING SOURCES (Uses)				
Bond proceeds	-	-	4,373,000	4,373,000
Special item - insurance proceeds	-	-	80,645	80,645
Transfers in	5,491,074	6,054,007	2,138,476	13,683,557
Transfers out	(2,717,689)	(7,957,397)	(682,422)	(11,357,508)
Total Other Financing Sources and Uses	2,773,385	(1,903,390)	5,909,699	6,779,694
Change in Net Position	(77,954)	1,145,617	4,611,961	5,679,624
Net Position - July 1, 2012, restated	28,713,972	8,585,028	1,653,113	38,952,113
Net Position - June 30, 2013	\$ 28,636,018	\$ 9,730,645	\$ 6,265,074	\$ 44,631,737

(1) Extracted from City's audited financial statements.

CITY OF NEW BEDFORD, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
June 30, 2012 (1)

	General Fund	Wastewater Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUE				
Real estate and personal property taxes	\$ 91,509,765	\$ -	\$ -	\$ 91,509,765
Motor vehicle and other excise taxes	7,238,544	-	-	7,238,544
School building authority reimbursement	-	-	10,029,155	10,029,155
Tax liens and foreclosures	2,005,909	-	-	2,005,909
Penalties and interest on taxes	1,308,064	-	-	1,308,064
Licenses and permits	2,337,636	-	-	2,337,636
Fines and forfeitures	178,068	-	-	178,068
Investment income	157,504	157,543	(153,048)	161,999
Intergovernmental - operating grants	165,462,537	5,858,169	50,357,044	221,677,750
Intergovernmental - capital grants	2,115,614	-	4,398,797	6,514,411
Charges for services	15,234,506	19,001,178	-	34,235,684
Other - indirect	1,738,171	-	-	1,738,171
Special assessments & betterments	595	-	-	595
Payment in lieu of taxes	286,155	-	-	286,155
Miscellaneous	1,514,467	396,111	9,161,693	11,072,271
TOTAL REVENUES	291,087,535	25,413,001	73,793,641	390,294,177
EXPENDITURES				
General Government	6,123,547	-	4,991,174	11,114,721
Public Safety	35,776,919	-	9,110,420	44,887,339
Education	138,705,071	-	36,567,912	175,272,983
Public works	13,177,260	11,427,207	18,323,935	42,928,402
Community and economic development	-	-	7,121,079	7,121,079
Health and human services	4,308,234	-	914,784	5,223,018
Municipal Airport	-	-	1,900,951	1,900,951
Culture and recreation	4,229,805	-	638,140	4,867,945
Pension benefits	22,246,981	-	-	22,246,981
Zoo	-	-	-	-
Health and other charges	35,442,224	-	-	35,442,224
Miscellaneous	8,947,755	-	-	8,947,755
State and county charges	8,613,392	-	-	8,613,392
Debt service:				
Principal payments	5,726,521	6,549,834	60,000	12,336,355
Short-term note payments	-	-	-	-
Interest and costs	2,827,613	5,308,206	-	8,135,819
TOTAL EXPENDITURES	286,125,322	23,285,247	79,628,395	389,038,964
Excess (deficiency) of Revenues Over Expenditures	4,962,213	2,127,754	(5,834,754)	1,255,213
OTHER FINANCING SOURCES (Uses)				
Bond proceeds	-	-	19,612,962	19,612,962
Bond premiums	-	-	-	-
Transfer out bills of prior years	-	-	-	-
Fund deficit raised	-	-	-	-
Transfers in	6,160,474	5,509,023	481,269	12,150,766
Transfers out	(2,401,757)	(7,370,057)	(404,081)	(10,175,895)
Total Other Financing Sources and Uses	3,758,717	(1,861,034)	19,690,150	21,587,833
Net Change in Fund Balances	8,720,930	266,720	13,855,396	22,843,046
Fund balances-beginning, restated	19,993,042	8,318,308	(12,202,283)	16,109,067
Fund balances-ending	\$ 28,713,972	\$ 8,585,028	\$ 1,653,113	\$ 38,952,113

(1) Extracted from City's audited financial statements.

CITY OF NEW BEDFORD, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
June 30, 2011 (1)

	General Fund	Wastewater Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUE				
Real estate and personal property taxes	\$ 88,635,177	\$ -	\$ -	\$ 88,635,177
Motor vehicle and other excise taxes	6,389,451	-	-	6,389,451
School building authority reimbursement	-	-	6,412,464	6,412,464
Tax liens and foreclosures	1,564,609	-	-	1,564,609
Penalties and interest on taxes	1,171,587	-	-	1,171,587
Licenses and permits	2,043,090	-	-	2,043,090
Fines and forfeitures	182,871	-	-	182,871
Investment income	87,805	177,022	840,531	1,105,358
Intergovernmental - operating grants	158,179,669	6,139,299	50,827,307	215,146,275
Intergovernmental - capital grants	2,291,978	-	14,063,854	16,355,832
Charges for services	14,900,008	18,895,106	2,714,376	36,509,490
Other - indirect	1,058,366	-	-	1,058,366
Special assessments & betterments	442	-	-	442
Payment in lieu of taxes	243,203	-	-	243,203
Miscellaneous	292,401	349,127	3,289,367	3,930,895
TOTAL REVENUES	277,040,657	25,560,554	78,147,899	380,749,110
EXPENDITURES				
General Government	5,412,605	-	2,140,761	7,553,366
Public Safety	37,361,457	-	5,396,230	42,757,687
Education	134,589,936	-	45,305,653	179,895,589
Public works	12,039,271	11,400,968	21,158,248	44,598,487
Community and economic development	-	-	11,581,020	11,581,020
Health and human services	4,274,537	-	1,149,869	5,424,406
Municipal Airport	-	-	3,775,917	3,775,917
Culture and recreation	3,875,883	-	873,366	4,749,249
Pension benefits	22,079,203	-	-	22,079,203
Health and other charges	37,578,611	-	-	37,578,611
Miscellaneous	9,056,400	-	-	9,056,400
State and county charges	7,046,706	-	-	7,046,706
Debt service:				
Principal payments	5,765,325	6,206,805	60,000	12,032,130
Interest and fiscal charges	2,990,948	5,768,464	-	8,759,412
TOTAL EXPENDITURES	282,070,882	23,376,237	91,441,064	396,888,183
Excess (deficiency) of Revenues Over Expenditures	(5,030,225)	2,184,317	(13,293,165)	(16,139,073)
OTHER FINANCING SOURCES (Uses)				
Bond proceeds	-	-	6,628,741	6,628,741
Transfers in	8,567,739	5,268,730	1,460,134	15,296,603
Transfers out	(5,558,745)	(6,335,568)	(1,403,482)	(13,297,795)
Total Other Financing Sources and Uses	3,008,994	(1,066,838)	6,685,393	8,627,549
Net Change in Fund Balances	(2,021,231)	1,117,479	(6,607,772)	(7,511,524)
Fund balances-beginning, restated	22,191,773	7,200,829	(5,111,336)	24,281,266
Fund balances-ending	<u>\$ 20,170,542</u>	<u>\$ 8,318,308</u>	<u>\$ (11,719,108)</u>	<u>\$ 16,769,742</u>

(1) Extracted from City's audited financial statements.

CITY OF NEW BEDFORD, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
June 30, 2010 (1)

	General Fund	Wastewater Fund	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
REVENUE					
Real estate and personal property taxes	\$ 88,855,232	\$ -	\$ -	\$ -	\$ 88,855,232
Motor vehicle and other excise taxes	5,660,486	-	-	-	5,660,486
School building authority reimbursement	-	-	-	24,404,955	24,404,955
Tax liens and foreclosures	1,675,949	-	-	-	1,675,949
Penalties and interest on taxes	1,340,464	-	-	-	1,340,464
Licenses and permits	2,289,056	-	-	-	2,289,056
Fines and forfeitures	201,354	-	-	-	201,354
Investment income	143,933	143,098	111,856	932,877	1,331,764
Intergovernmental - operating grants	160,877,131	6,289,399	-	45,441,232	212,607,762
Intergovernmental - capital grants	2,459,562	-	-	12,759,789	15,219,351
Charges for services	14,978,510	18,197,398	-	2,350,244	35,526,152
Other - indirect	1,065,500	-	-	-	1,065,500
Special assessments & betterments	291	-	-	-	291
Payment in lieu of taxes	208,854	-	-	-	208,854
Miscellaneous	624,957	425,206	-	4,551,902	5,602,065
TOTAL REVENUES	280,381,279	25,055,101	111,856	90,440,999	395,989,235
EXPENDITURES					
General Government	8,735,973	-	-	2,112,670	10,848,643
Public Safety	37,845,282	-	-	4,265,418	42,110,700
Public Infrastructure	-	-	-	9,782,233	9,782,233
Education	137,847,243	-	60	60,627,275	198,474,578
Public works	14,828,235	10,988,209	-	4,503,254	30,319,698
Community and economic development	-	-	-	7,671,419	7,671,419
Health and human services	4,085,111	-	-	1,159,409	5,244,520
Municipal Airport	-	-	-	599,251	599,251
Culture and recreation	3,862,809	-	-	801,555	4,664,364
Pension benefits	22,224,935	-	-	-	22,224,935
Health and other insurance	38,995,217	-	-	-	38,995,217
State and county charges	6,687,713	-	-	-	6,687,713
Principal payments	5,473,600	6,715,550	-	-	12,189,150
Interest and fiscal charges	3,885,095	5,502,742	-	-	9,387,837
TOTAL EXPENDITURES	284,471,213	23,206,501	60	91,522,484	399,200,258
Excess (deficiency) of Revenues Over Expenditures	(4,089,934)	1,848,600	111,796	(1,081,485)	(3,211,023)
OTHER FINANCING SOURCES (Uses)					
Bond proceeds	-	-	-	15,521,000	15,521,000
Transfers in	5,349,020	4,885,379	485,879	609,475	11,329,753
Transfers out	(739,268)	(6,028,764)	(2,384,420)	(186,810)	(9,339,262)
Total Other Financing Sources and Uses	4,609,752	(1,143,385)	(1,898,541)	15,943,665	17,511,491
Net Change in Fund Balances	519,818	705,215	(1,786,745)	14,862,180	14,300,468
Fund balances-beginning, restated	17,036,666	6,495,614	6,466,560	(16,688,967)	13,309,873
Fund balances-ending	\$ 17,556,484	\$ 7,200,829	\$ 4,679,815	\$ 1,826,787	\$ 27,610,341

(1) Extracted from City's audited financial statements.

CITY OF NEW BEDFORD, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
June 30, 2009 (1)

	General Fund	Wastewater Fund	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
REVENUE					
Real estate and personal property taxes	\$ 85,226,605	\$ -	\$ -	\$ -	\$ 85,226,605
Motor vehicle and other excise taxes	5,754,497	-	-	-	5,754,497
Tax liens and foreclosures	2,044,574	-	-	-	2,044,574
Penalties and interest on taxes	1,582,118	-	-	-	1,582,118
Licenses and permits	1,999,820	-	-	-	1,999,820
Fines and forfeitures	244,203	-	-	-	244,203
Investment income	508,629	345,397	277,298	(1,026,407)	104,917
Intergovernmental - operating grants	159,690,419	6,406,650	-	53,080,972	219,178,041
Intergovernmental - capital grants	-	-	-	7,296,070	7,296,070
Charges for services	15,143,553	17,322,512	-	2,322,500	34,788,565
Other - indirect	502,941	-	-	-	502,941
Special assessments & betterments	18,334	-	-	-	18,334
Payment in lieu of taxes	321,223	-	-	-	321,223
Miscellaneous	806,209	400,406	-	3,240,037	4,446,652
TOTAL REVENUES	273,843,125	24,474,965	277,298	64,913,172	363,508,560
EXPENDITURES					
General Government	6,555,038	-	-	1,261,994	7,817,032
Public Safety	41,565,424	-	-	4,591,386	46,156,810
Public Infrastructure	-	-	-	8,824,912	8,824,912
Education	131,139,140	-	65	49,164,615	180,303,820
Public works	16,718,858	19,385,930	-	5,179,259	41,284,047
Community and economic development	-	-	-	7,213,619	7,213,619
Health and human services	3,943,484	-	-	1,030,259	4,973,743
Municipal Airport	-	-	-	737,080	737,080
Culture and recreation	4,532,348	-	-	902,843	5,435,191
Pension benefits	20,112,623	-	-	-	20,112,623
Health and other insurance	38,243,298	-	-	-	38,243,298
Miscellaneous	204,191	-	-	-	204,191
State and county charges	6,336,508	-	-	-	6,336,508
Debt service:					-
Principal payments	5,321,598	5,030,442	-	-	10,352,040
Interest and fiscal charges	4,633,439	-	-	-	4,633,439
TOTAL EXPENDITURES	279,305,949	24,416,372	65	78,905,967	382,628,353
Excess (deficiency) of Revenues Over Expenditures	(5,462,824)	58,593	277,233	(13,992,795)	(19,119,793)
OTHER FINANCING SOURCES (Uses)					
Bond proceeds	-	-	-	8,644,082	8,644,082
Transfers in	8,441,318	4,339,497	3,950,052	693,983	17,424,850
Transfers out	(4,599,104)	(4,608,562)	(7,111,142)	(1,544,119)	(17,862,927)
Total Other Financing Sources and Uses	3,842,214	(269,065)	(3,161,090)	7,793,946	8,206,005
Net Change in Fund Balances	(1,520,610)	(210,472)	(2,883,857)	(6,198,849)	(10,813,788)
Fund balances-beginning, restated	18,557,276	6,706,086	9,350,417	(9,670,600)	24,943,179
Fund balances-ending	<u>\$ 17,036,666</u>	<u>\$ 6,495,614</u>	<u>\$ 6,466,560</u>	<u>\$ (15,869,449)</u>	<u>\$ 14,129,391</u>

(1) Extracted from the City's audited financial statements.

Free Cash

Under the Massachusetts Uniform System of Accounting an amount known as "free cash" is certified as of the beginning of each fiscal year by the Massachusetts Department of Revenue, Bureau of Accounts. This unrestricted fund balance (known as "free cash") is generated when actual revenue collections exceed budget estimates and/or unexpended appropriation balances lapse at year end to the general treasury.

<u>July 1</u>	<u>Free Cash</u>
2014	\$ 2,056,315 (1)
2013	4,280,305 (2)
2012	7,561,187 (3)
2011	1,313,236 (4)
2010	3,199,535 (5)

- (1) In addition, the City had \$614,039 free cash associated with the water enterprise fund and \$371,477 associated with the airport enterprise fund. Free cash for FY 2015 was certified by the State in November 2014, which is earlier than in past years and an indicator of continuing efforts by the City to close the prior year on a more timely basis. As part of this effort, the City has engaged in discussions with the Department of Revenue to allow recertification for grant reimbursements that the City received subsequent to the free cash certification. As a result, the City has submitted a request to the State for recertification of approximately \$588,000 in additional free cash for FY 2015.
- (2) The City became aware of a potential shortfall in the School Department's budget in mid-FY 2013, caused by the improper budgeting of positions that were previously grant funded. The FY 2013 budget was made whole before fiscal year end with a supplemental appropriation of \$3.5 million from 2012 certified free cash, while the FY 2014 budget included the elimination of approximately 200 positions to provide for a sustainable budget over the long term. Additionally, the City has hired a new school superintendent and a new school business manager to further ensure the efficient management of the School Department.
- (3) In addition, the City had \$820,535 free cash associated with the water enterprise fund and \$303,343 free cash associated with the airport enterprise fund.
- (4) In addition, the City had \$1,881,099 free cash associated with the water enterprise fund and \$164,325 free cash associated with the airport enterprise fund.
- (5) In addition, the City had \$2,590,861 free cash associated with the water enterprise fund and \$39,801 free cash associated with the airport enterprise fund.

Stabilization Fund

The City maintains a general purpose stabilization fund, a school purpose stabilization fund and a water purpose stabilization fund. The general purpose and school purpose Stabilization Funds are maintained in the Non-major Governmental Funds; the water purpose stabilization funds are maintained in the proprietary funds. Under Massachusetts statutes, funds may be appropriated from the stabilization fund for any municipal purpose by the City Council. The following is the recent trend in the balance in the accounts as of July 1 of a fiscal year.

<u>July 1</u>	<u>City Stabilization</u>	<u>School Stabilization</u>	<u>Water Stabilization</u>
2014	\$ 8,205,018	\$ 1,212,000	\$ 3,725,000
2013	7,689,587	1,152,344	3,885,863
2012	5,772,091	1,112,836	3,631,798
2011	4,446,493	1,280,305	1,881,099
2010	3,139,353	1,540,462	2,591,209

INDEBTEDNESS

Authorization Procedure and Limitations

Serial bonds and notes are authorized by vote of two-thirds of all the members of the City Council. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Refunding bonds and notes are authorized by the City Council. Borrowings for some purposes require State administrative approval. When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary loans in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be made by the treasurer with the approval of the Mayor and the Committee on Finance.

Debt Limits

The General Debt Limit of a city or town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. A city or town can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years as determined by the DOR. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as "qualified bonds" with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. Revenue Anticipation Notes are issued to meet current expenses in anticipation of taxes and other revenues. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See “Taxation to Meet Deficits” under “PROPERTY TAXATION” above.) In any event, the period from an original borrowing to its final maturity cannot exceed one year.

The City issued the following amounts of revenue anticipation notes in fiscal years 2010 through 2013. The City did not issue RANs in fiscal 2014 and does not anticipate the need to issue RANs in fiscal 2015.

Revenue Anticipation Notes (1)

<u>Fiscal Year</u>	<u>RANs Issued During Fiscal Year</u>	<u>RANs Outstanding At Fiscal Year-End</u>
2014	None	None
2013	\$ 10,000,000	None
2012	10,000,000	None
2011	12,000,000	None
2010	10,000,000	None

(1) Exclusive of refunding notes.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth’s Clean Water or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy. This section is not intended to summarize laws relating to revenue bonds or to notes issued in anticipation of them. Industrial revenue bonds are also outside the scope of this section.

As of June 30, 2014, the City had \$78,730,000 sewer revenue bonds outstanding issued by it to the Massachusetts Clean Water Trust (the “Trust”).

CITY OF NEW BEDFORD
General Obligation Direct Debt Summary
As of June 30, 2014,
Including Subsequent Issues

General Obligation Bonds:

Outstanding as of June 30, 2014

School (1)	\$ 38,943,700	
Water (2)	10,983,200	
Sewer (3)	9,006,950	
MCWT (3)	43,198,799	
General (4)	32,956,150	
Total Outstanding		\$ 135,088,799

Bonds to be Dated February 5, 2015 7,948,000

Temporary Loans:

Bond Anticipation Notes Outstanding (5)	36,519,106	
To be retired with Bond Proceeds	(7,948,000)	
To be retired with grant funds	(5,499,587)	
To be retired with unexpended note proceeds	(700,000)	
To be retired with revenue funds	(106,861)	
Bond Anticipation Notes Outstanding After This Issue (6)		22,264,658

Total Direct Debt \$ 165,301,457

- (1) Outstanding Massachusetts School Building Assistance (MSBA) grants to pay a portion of the principal and interest on these bonds as of June 30, 2014 is estimated at \$16,908,355. This represents the Roosevelt Junior High School project, which has been audited by the MSBA. \$10,000,000 is outside the City's debt limit.
- (2) Subject to a special separate debt limit of 10% of the City's state equalized valuation. Self-supporting.
- (3) Issued to Massachusetts Clean Water Trust (the "Trust"). Not subject to the City's general debt limit. Self-supporting.
- (4) \$43,198,799 is outside the City's debt limit.
- (5) Payable February 6, 2015.
- (6) Payable February 5, 2016 (pending issue).

In addition to the General Obligation Bonds outstanding, as of June 30, 2014, the City had \$78,730,000 sewer revenue bonds outstanding (at an effective interest rate of 0%) issued to the Trust. The City has consistently raised sewer rates to ensure that all such sewer bonds be self-supporting.

General Obligation Debt Ratios

The following table sets forth the trend in the ratio of general obligation debt to equalized valuation and per capita general obligation debt ratios at the end of the fiscal year.

Fiscal Year End	General Obligation Bonds Outstanding	Population (1)	Equalized Valuation (2)	Per Capita Debt	Ratio G.O. Debt To Equalized Valuation
2014	\$ 135,638,799	95,072	\$ 5,818,718,300	\$ 1,426.70	2.33 %
2013	136,162,848	95,072	5,818,718,300	1,432.21	2.34
2012	141,120,946	95,072	6,474,455,300	1,484.36	2.18
2011	130,449,956	95,072	6,474,455,300	1,372.12	2.01
2010	132,544,342	93,768	7,140,048,800	1,413.53	1.86

- (1) 2000 U.S. Bureau of the Census for fiscal 2010; 2010 U.S. Bureau of the Census for fiscal 2011 through 2014.
- (2) 2008 equalized valuation used for fiscal 2010; 2010 equalized valuation used for fiscal 2011 and 2012; 2012 equalized valuation used for fiscal 2013 and 2014.

General Obligation Debt Service Requirements

The following table sets forth the required principal and interest payments on outstanding general obligation bonds of the City, together with grant amounts expected to be received from the Massachusetts School Building Authority and subsidies expected to be received from the Massachusetts Clean Water Trust ("MCWT") to pay portion of such debt service.

**CITY OF NEW BEDFORD
GENERAL OBLIGATION BONDS (1)
As of June 30, 2014,
Including Subsequent Issue but Excluding This Issue**

Fiscal Year	Outstanding		Less MSBA Payments (2)	Less MCWT Subsidies	Total Net Debt Service
	Principal	Interest			
2015	\$ 10,588,536	\$ 4,873,255	\$ (2,415,193)	\$ (325,091)	\$ 12,721,507
2016	10,932,188	4,400,858	(2,415,527)	(314,894)	12,602,625
2017	10,434,442	4,002,047	(2,415,527)	(304,072)	11,716,890
2018	10,135,684	3,592,546	(2,415,527)	(293,848)	11,018,855
2019	10,709,320	3,254,913	(2,415,527)	(283,821)	11,264,885
2020	10,368,671	2,812,300	(2,415,527)	(272,655)	10,492,789
2021	9,968,755	2,382,422	(2,415,527)	(263,354)	9,672,296
2022	6,229,584	1,958,970	-	(252,329)	7,936,225
2023	6,046,179	1,741,092	-	(237,895)	7,549,376
2024	5,769,267	1,531,208	-	(177,060)	7,123,415
2025	5,890,748	1,282,074	-	(192,756)	6,980,066
2026	4,753,199	1,169,487	-	(126,885)	5,795,800
2027	4,274,418	1,028,442	-	(121,471)	5,181,389
2028	3,236,452	910,550	-	(115,847)	4,031,155
2029	3,227,552	807,144	-	(110,065)	3,924,631
2030	2,848,450	705,852	-	(104,073)	3,450,228
2031	2,866,084	605,712	-	(93,138)	3,378,657
2032	2,539,267	511,793	-	-	3,051,060
2033	2,173,014	423,359	-	-	2,596,373
2034	2,058,517	351,680	-	-	2,410,197
2035	2,130,850	279,668	-	-	2,410,518
2036	1,498,733	204,941	-	-	1,703,675
2037	1,268,045	163,054	-	-	1,431,099
2038	1,305,518	122,650	-	-	1,428,168
2039	1,348,428	80,540	-	-	1,428,968
2040	751,788	50,168	-	-	801,956
2041	770,606	32,036	-	-	802,642
2042	476,176	17,216	-	-	493,392
2043	488,328	5,787	-	-	494,115
	<u>\$ 135,088,799</u>	<u>\$ 39,301,763</u>	<u>\$ (16,908,355)</u>	<u>\$ (3,589,256)</u>	<u>\$ 153,892,951</u>

(1) Does not include debt service on the \$78,730,000 outstanding sewer revenue bonds issued to the MCWT, the debt service on which is and is expected to be self-supporting.

(2) Represents the revised grant payment of principal and interest on the Roosevelt Junior High School after the effects of refunding the original issuance of bonds.

Projected Principal Payments by Purpose

The following table sets forth the projected principal payments by purpose on outstanding issues of general obligation bonds of the City as of June 30, 2014, including subsequent issue but excluding this issue.

Fiscal Year	School (1)	Water (2)	Sewer (3)	MCWT (4)	General (5)	Total
2015	\$ 3,474,000	\$ 771,000	\$ 1,039,650	\$ 1,938,536	\$ 3,365,350	\$ 10,588,536
2016	3,694,300	782,200	1,063,300	1,992,188	3,400,200	10,932,188
2017	3,791,500	428,000	1,112,000	2,049,442	3,053,500	10,434,442
2018	3,747,400	437,000	734,000	2,090,684	3,126,600	10,135,684
2019	4,056,500	450,000	763,000	2,149,320	3,290,500	10,709,320
2020	3,982,500	460,000	525,000	2,208,671	3,192,500	10,368,671
2021	4,056,000	475,000	545,000	2,268,755	2,624,000	9,968,755
2022	970,500	380,000	570,000	2,329,584	1,979,500	6,229,584
2023	989,000	400,000	595,000	2,391,179	1,671,000	6,046,179
2024	999,000	415,000	615,000	2,294,267	1,446,000	5,769,267
2025	1,014,000	430,000	640,000	2,345,748	1,461,000	5,890,748
2026	759,000	450,000	395,000	1,968,199	1,181,000	4,753,199
2027	765,000	470,000	410,000	1,984,418	645,000	4,274,418
2028	610,000	495,000	-	1,631,452	500,000	3,236,452
2029	520,000	515,000	-	1,672,552	520,000	3,227,552
2030	540,000	540,000	-	1,223,450	545,000	2,848,450
2031	560,000	560,000	-	1,251,084	495,000	2,866,084
2032	580,000	585,000	-	979,267	395,000	2,539,267
2033	485,000	620,000	-	1,003,014	65,000	2,173,014
2034	505,000	645,000	-	908,517	-	2,058,517
2035	525,000	675,000	-	930,850	-	2,130,850
2036	545,000	-	-	953,733	-	1,498,733
2037	570,000	-	-	698,045	-	1,268,045
2038	590,000	-	-	715,518	-	1,305,518
2039	615,000	-	-	733,428	-	1,348,428
2040	-	-	-	751,788	-	751,788
2041	-	-	-	770,606	-	770,606
2042	-	-	-	476,176	-	476,176
2043	-	-	-	488,328	-	488,328
	<u>\$ 38,943,700</u>	<u>\$ 10,983,200</u>	<u>\$ 9,006,950</u>	<u>\$ 43,198,799</u>	<u>\$ 32,956,150</u>	<u>\$ 135,088,799</u>

- (1) These amounts do not include the revised grant payments to be received from the MSBA with respect to the Roosevelt Junior High School project, which has been audited by the MSBA. \$10,000,000 is outside the City's debt limit.
- (2) Subject to a special separate debt limit of 10% of the City's state equalized valuation. Self-supporting.
- (3) Not subject to the City's general debt limit. Self-supporting. Does not include principal on \$78,730,000 outstanding revenue bonds issued to the MCWT.
- (4) Does not reflect MCWT subsidies. Not subject to the City's general debt limit. Self-supporting.
- (5) \$43,198,799 is outside the City's debt limit.

Authorized Unissued Debt and Prospective Financing

The City has a total of approximately \$294.1 million of bonds authorized for various school construction (\$111 million), sewer (\$106 million), water (\$21 million), contamination clean-up (\$14.3 million) and miscellaneous other purposes. As much as \$65 million of the school bonds authorized may be rescinded and the balance of school debt is expected to be eligible for 90% School Building Authority grant funds. The sewer debt authorized is expected to be issued over time to the Massachusetts Clean Water Trust.

In FY 2013, the City developed its initial capital improvement program, which provided a plan for debt issuance and management from FY 2014 through FY 2018. The plan was updated in 2014 to cover the period from FY 2015 through FY 2019, a copy of which can be found in Appendix E, "City of New Bedford FY15-19 Capital Improvement Program." The *Debt Impact Analysis* prepared in conjunction with the capital improvement program is shown below.

Debt Impact Analysis – Tax Supported Debt Only

FY 2015-2019 Capital Improvement Program

Debt Impact Analysis

Description	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Debt Issuance (1)					
Existing Debt	\$71,899,850	\$77,513,500	\$77,785,000	\$75,856,000	\$81,521,333
Plus New Issues	12,453,000	8,084,000	6,220,000	14,180,000	4,610,000
Less Retirement	(6,839,350)	(7,812,500)	(8,149,000)	(8,514,667)	(9,681,000)
Net Outstanding Debt	\$77,513,500	\$77,785,000	\$75,856,000	\$81,521,333	\$76,450,333
Projected Debt Service	9,801,989	11,001,761	11,353,078	11,529,278	12,784,389
<u>Projected Lease Payments (3)</u>	335,761	494,166	599,216	832,904	832,904
Total Debt Payments:	\$10,137,750	\$11,495,927	\$11,952,294	\$12,362,182	\$13,617,293
Less ESCO Project Savings (4)	(\$224,582)	(\$449,164)	(\$449,164)	(\$449,164)	(\$449,164)
Net Debt Payments:	\$9,913,168	\$11,046,763	\$11,503,130	\$11,913,018	\$13,168,129

Note: ESCO project debt beyond streetlight project TBD, pending outcome of PEA process.

Debt to Est. Property Value (1% growth after FY 16): < 3%	1.5%	1.5%	1.4%	1.5%	1.4%
Debt to Per Capita Income (1% annual growth): < 6%	3.7%	3.7%	3.6%	3.8%	3.5%
Debt Payments to GF Expenditures (1% annual growth): < 10%	3.7%	4.1%	4.2%	4.3%	4.7%

⁽¹⁾ Includes projected long-term issues in 2015 (\$12,453,000), 2016 (\$8,084,000) and 2017 (\$1,250,000) of previously-authorized debt.

⁽²⁾ Does not include short-term BAN or RAN debt, or MSBA Annual Aid Payments. Estimates will vary based on the City's cash flow needs and individual project schedules:

FY 2015: \$402,321

FY 2016: \$589,054

FY 2017: \$589,520

FY 2018: \$219,150

FY 2019: \$329,250

⁽³⁾ Lease purchase payments on capital vehicles are assigned to individual departments.

⁽⁴⁾ Does not include debt service resulting from financing for ESCO facilities projects.

Coverage of Qualified Debt Service

It is projected that state aid distributions from The Commonwealth of Massachusetts to the City will provide ample coverage of qualified debt service throughout the term of the City's issues of State Qualified Bonds. The following table presents debt service on the City's State Qualified Bonds and the coverage ratio of total state aid to qualified debt service.

Fiscal Year	Existing Qualified Bond Debt Service (1)	Total State Aid (2)	Coverage Ratio
2015	\$ 10,874,171	\$ 149,363,147	13.74 %
2016	11,748,740	152,350,410	12.97
2017	10,873,316	155,397,418	14.29
2018	10,193,388	158,505,367	15.55
2019	10,440,825	161,675,474	15.48
2020	9,672,238	164,908,983	17.05
2021	8,852,304	168,207,163	19.00
2022	4,715,734	171,571,306	36.38
2023	4,318,159	175,002,732	40.53
2024	4,117,345	178,502,787	43.35
2025	4,055,795	182,072,843	44.89
2026	3,182,789	185,714,300	58.35
2027	2,589,851	189,428,586	73.14
2028	1,896,898	193,217,157	101.86
2029	1,790,595	197,081,500	110.06
2030	1,793,328	201,023,130	112.10
2031	1,792,584	205,043,593	114.38
2032	1,792,918	209,144,465	116.65
2033	1,339,446	213,327,354	159.27
2034	1,336,126	217,593,901	162.85
2035	1,335,856	221,945,779	166.14
2036	628,406	226,384,695	360.25
2037	631,106	230,912,389	365.89
2038	627,538	235,530,637	375.33
2039	627,684	240,241,249	382.74
	\$ 111,227,141		

(1) As of June 30, 2014, including subsequent issue but excluding this issue.

(2) Includes total state aid available for coverage based on the City's estimated FY 2015 Cherry Sheet. State aid is increased at a rate of 2% each year after FY 2015. The State aid figures above exclude school building assistance grants as such grants are no longer paid by the Commonwealth and are now paid by the Massachusetts School Building Authority. Therefore, such payments no longer constitute "distributable aid" of the Commonwealth under the Qualified Bond Act.

Overlapping Debt

The City is located in Bristol County and is a member of the Greater New Bedford Regional Refuse Management District, the Southeastern Regional Transportation Authority and the Greater New Bedford Regional Vocational Technical High School District. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue, of the County, the Authority and the Districts as of June 30, 2014, the City's gross share of such debt and the fiscal 2015 dollar assessment to the City by each entity.

<u>Overlapping Entity</u>	<u>Outstanding Debt</u>	<u>New Bedford Estimated Share (1)</u>	<u>2015 Dollar Assessment (2)</u>
Greater New Bedford Regional Refuse Management District (3)	\$0	89.22%	\$762,090
Bristol County (4)	\$1,055,504	11.89%	\$593,821
Southeastern Regional Transportation Authority (5)	\$0	N.A.	\$840,774
Greater New Bedford Regional Vocational Technical High School District (6)	\$2,000,000	77.00%	\$4,837,457

- (1) Estimated share based upon debt service and operating costs.
- (2) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.
- (3) SOURCE: Greater New Bedford Regional Refuse Management District.
- (4) SOURCE: Bristol County Treasurer. County expenses including debt service on county bonds are assessed upon the cities and towns within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. Estimated share and dollar assessment shown here are based on the 2002 equalized valuation. Legislation enacted in 1997 abolished the county governments of Franklin and Middlesex Counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the County in the payment of general obligation notes of the County. The legislation also abolished the county governments of Hampden and Worcester Counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each city and town for the fiscal year immediately prior to the abolishment of the county until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county governments in all the remaining counties.
- (5) SOURCE: Southeastern Regional Transit Authority. It has been state practice in recent years to absorb up to approximately 50 per cent of the net cost of service of the Authority, including debt service on the Authority's bonds, if any. The remainder of the net cost of service is assessed on the member municipalities within the territory of the Southeastern Regional Transit Authority.
- (6) SOURCE: Greater New Bedford Regional Vocational Technical High School District. Towns may organize regional school districts to carry out general or specialized educational functions. Pursuant to special laws a number of cities may also participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts. The municipal share is based on the ratio of that member's pupil enrollment to the total pupil enrollment from all the member municipalities in the regional school district as of October 1 of the year proceeding the year for which the apportionment is being determined.

Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long term contractual obligations not subject to annual appropriations, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The City currently has two long term contracts to operate and manage its newly constructed wastewater facility. The City and Veolia (formerly Professional Services Group, Inc., "PSG"), a division of Air & Water Technologies, Inc. and Vivendi, formerly Compagnie Generale des Eaux, entered into a contract effective July 1, 1998 for a ten-year term with options for renewal for two additional five-year terms at the sole option of the City. The ten-year term ended July 1, 2008, and the five-year options have been renewed with no changes to the contract terms, beginning July 1, 2008 and expiring June 30, 2018. The cost of the contract for fiscal 2014 was \$3,992,885 and the budgeted cost for fiscal 2015 is \$4,112,671. The City also has an agreement with Synagro to provide long-term disposal of sludge for a period of ten years with options for renewal. The Synagro contract has been renewed to October 2, 2016, with the provision for two annual price adjustments. The cost of this contract in fiscal 2014 was \$2,312,547 and the budgeted cost for fiscal 2015 is \$2,381,923. The City has a contract for solid waste collection with ABC Corporation that is effective through June 30, 2023. The cost of this contract in fiscal 2014 was \$4,167,136 and the budgeted cost for fiscal 2015 is \$4,560,637.

RETIREMENT PLAN

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each

system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked. The City has adopted the provisions for cost-of-living increases.

All full-time employees, other than teachers, whose employment commences prior to age sixty-five are eligible to participate in the City of New Bedford's Contributory Employees' Retirement System. Teachers and certain administrative employees of the School Department participate in a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board. The City does not contribute to this plan.

The employee contributions to the System are 5% of regular compensation for employees who entered service before January 1, 1975 and 7% for those who entered on or after that date through December 31, 1983 and 8% for those who entered after January 1, 1984. As of July 1, 1996 the employee contribution rate for those entering service is 9%. All employees hired after January 1, 1979 pay an additional 2% for earnings greater than \$30,000 per year.

Investments of system assets in bonds are valued at amortized cost and equity investments are valued in the manner determined by the state Commissioner of Insurance.

There are 6 retired persons and surviving beneficiaries currently receiving pensions under the non-contributory plan and 1,730 retired persons and surviving beneficiaries currently receiving pensions under the contributory plan.

The following tables show the trend in contributions to the contributory and non-contributory retirement systems by the City.

Fiscal Year Ending June 30	City	
	Contributory	Non-Contributory (1)
2015 (budgeted)	\$24,433,112	\$15,500
2014	23,692,690	15,500
2013	22,626,695	17,019
2012	22,246,981	18,839
2011	22,048,522	19,500
2010	22,224,935	39,012

(1) Non-Contributory payments are made to retired persons and surviving beneficiaries on a weekly basis.

The City's unfunded actuarial accrued liability at January 1, 2014 is estimated at \$348,792,526 assuming a 7.75% rate of return. The City's Retirement Board voted to extend out until 2036 the funding of its unfunded pension liability in order to give the City some options if further relief is ever needed.

The amortization of the City's unfunded pension benefit obligation (as of the January 1, 2014 valuation) is shown below.

Appropriation Forecast

<u>Fiscal Year Ending</u>	<u>Payroll*</u>	<u>Employee Contribution</u>	<u>Employer Normal Cost with Interest</u>	<u>Amortization Payments with Interest</u>	<u>Employer Total Cost with Interest</u>	<u>Employer Total Cost % of Payroll</u>	<u>Funded Ratio %**</u>
2015	\$84,425,116	\$7,212,866	\$4,811,627	\$23,442,324	\$28,253,951	33.5	42.5
2016	\$86,957,869	\$7,487,918	\$4,894,699	\$24,864,207	\$29,758,906	34.2	44.0
2017	\$89,566,606	\$7,772,982	\$4,978,424	\$25,832,405	\$30,810,829	34.4	45.7
2018	\$92,253,604	\$8,068,411	\$5,062,768	\$26,839,332	\$31,902,100	34.6	47.4
2019	\$95,021,212	\$8,374,569	\$5,147,692	\$27,886,536	\$33,034,228	34.8	49.2
2020	\$97,871,848	\$8,691,836	\$5,233,155	\$28,316,394	\$33,549,549	34.3	51.1
2021	\$100,808,004	\$9,020,602	\$5,319,112	\$29,449,049	\$34,768,161	34.5	53.0
2022	\$103,832,244	\$9,361,270	\$5,405,517	\$30,627,011	\$36,032,528	34.7	55.1
2023	\$106,947,211	\$9,714,261	\$5,492,319	\$31,852,092	\$37,344,411	34.9	57.2
2024	\$110,155,627	\$10,080,005	\$5,579,465	\$33,126,175	\$38,705,640	35.1	59.4
2025	\$113,460,296	\$10,458,952	\$5,666,896	\$34,451,222	\$40,118,118	35.4	61.7
2026	\$116,864,105	\$10,851,563	\$5,754,551	\$35,829,271	\$41,583,822	35.6	64.2
2027	\$120,370,028	\$11,258,318	\$5,842,366	\$37,262,442	\$43,104,808	35.8	66.8
2028	\$123,981,129	\$11,679,711	\$5,930,270	\$38,752,940	\$44,683,210	36.0	69.5
2029	\$127,700,563	\$12,116,256	\$6,018,190	\$40,303,057	\$46,321,247	36.3	72.3
2030	\$131,531,580	\$12,568,482	\$6,106,049	\$41,915,180	\$48,021,229	36.5	75.3
2031	\$135,477,527	\$13,036,937	\$6,193,762	\$43,591,787	\$49,785,549	36.7	78.5
2032	\$139,541,853	\$13,522,187	\$6,281,243	\$45,335,458	\$51,616,701	37.0	81.7
2033	\$143,728,109	\$14,024,819	\$6,368,399	\$47,148,877	\$53,517,276	37.2	85.1
2034	\$148,039,952	\$14,545,440	\$6,455,130	\$49,034,832	\$55,489,962	37.5	88.7
2035	\$152,481,150	\$15,084,675	\$6,541,334	\$50,996,225	\$57,537,559	37.7	92.3
2036	\$157,055,585	\$15,643,173	\$6,626,901	\$53,036,074	\$59,662,975	38.0	96.1
2037	\$161,767,253	\$16,221,605	\$6,711,714	\$0	\$6,711,714	4.1	100.0
2038	\$166,620,270	\$16,820,664	\$6,795,652	\$0	\$6,795,652	4.1	100.0
2039	\$171,618,878	\$17,441,067	\$6,878,585	\$0	\$6,878,585	4.0	100.0
2040	\$176,767,445	\$18,083,555	\$6,960,379	\$0	\$6,960,379	3.9	100.0
2041	\$182,070,468	\$18,748,896	\$7,040,889	\$0	\$7,040,889	3.9	100.0
2042	\$187,532,582	\$19,437,882	\$7,119,966	\$0	\$7,119,966	3.8	100.0
2043	\$193,158,559	\$20,151,334	\$7,197,451	\$0	\$7,197,451	3.7	100.0
2044	\$198,953,316	\$20,890,098	\$7,273,176	\$0	\$7,273,176	3.7	100.0
2045	\$204,921,916	\$21,516,801	\$7,491,372	\$0	\$7,491,372	3.7	100.0
2046	\$211,069,573	\$22,162,305	\$7,716,113	\$0	\$7,716,113	3.7	100.0

*Calendar basis.

** Beginning of Fiscal Year.

SOURCE: January 1, 2014 Actuarial Valuation of the New Bedford Contributory Retirement System, Sherman Actuarial Services LLC.

Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The recent trend in the City's annual contributions for its other post-employment benefits is as follows:

Fiscal Year	Benefit Costs (1)
2015 (budgeted)	\$ 15,773,532
2014	15,108,747
2013	13,723,364
2012	12,796,325
2011	11,731,198
2010	9,832,538

(1) Excludes annual life insurance costs of approximately \$250,000 to \$275,000 appropriated annually for this purpose.

The Governmental Accounting Standards Board ("GASB") has promulgated its Statement Nos. 43 and 45, which will require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The City was required to implement the new GASB reporting requirements for other post-employment benefits beginning in its fiscal year 2007 audit. The City hired Sherman Actuarial Services, LLC to perform the actuarial valuation of the non-pension, post-employment benefits. As of July 1, 2012 the City's unfunded actuarial accrued liability was approximately \$563,121,325 assuming a 4.0% investment return and the Annual Required Contribution was approximately \$39,802,641.

The City recently completed an exhaustive review of its health care program, with the objective of reducing retiree health care costs. In addition, the City is actively considering a plan to accept MGL Chapter 32B to establish an OPEB liability trust fund. It is anticipated that the combined impact of these efforts will significantly reduce the potential liability. The City has scheduled a full actuarial valuation, incorporating the impact of revisions to benefits support and reimbursement schedules, for early 2015.

EMPLOYEE RELATIONS

As of January, 2015 the City employed approximately 2,938 full-time workers, of whom 1,863 are employed by the School Department, 266 by the Police Department, 223 by the Fire Department, 73 by the Department of Facilities and Fleet Management, and the balance of 350 by various other departments of the City. City employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. Of the City's 2,500 employees, approximately 95% are represented by unions in seven separate bargaining units: police, fire, teachers and school nurses, school administrators, school paraprofessionals, school support staff (clerks, custodians) and general municipal employees.

The contract with the police union is in place through June 30, 2015. Local 841, IAFF (fire fighters) is currently under a three year agreement that is scheduled to expire on June 30, 2015. The contract with the teachers' and school administrators' union is in place through June 30, 2015. The general municipal government union contract expired June 30, 2012 and the parties are in mediation. AFSCME, Local 641, which represents school support staff (clerks, building custodians, cafeteria, maintenance and MIS employees) is currently under agreement for the period July 1, 2014 through June 30, 2017. The school paraprofessionals' contract expired August 31, 2011; negotiations for a new contract are currently underway.

LITIGATION

At present there are several cases pending in various courts or administrative bodies throughout the Commonwealth where the City is a defendant. In the opinion of the City Solicitor, none of the pending litigation is likely to result, either individually or in the aggregate, in final judgment against the City that would materially affect its financial position.

January 29, 2015

CITY OF NEW BEDFORD, MASSACHUSETTS
/s/ Ms. R. Renee Fernandes, City Treasurer

CITY OF NEW BEDFORD, MASSACHUSETTS

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

CITY OF NEW BEDFORD, MASSACHUSETTS

Year Ended June 30, 2013

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CITY OF NEW BEDFORD, MASSACHUSETTS

Year Ended June 30, 2013

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HAGUE, SAHADY & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
126 President Avenue
Fall River, MA 02720
TEL. (508) 675-7889
FAX (508) 675-7859

To the Honorable Mayor and Members of the City Council
City of New Bedford
New Bedford, Massachusetts

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Bedford, Massachusetts ("the City"), as of and for the year ended June 30, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Bedford, Massachusetts, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 15 and 77 through 84 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 New Bedford, Massachusetts' basic financial statements. The supplementary statements and schedules on pages 89 through 100 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary statements and schedules on pages 89 through 100 are the responsibility of management and were derived from and relate 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 supplementary statements and schedules on pages 89 through 100 are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of funding progress and employers' contributions on pages 85 through 88 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 March 31, 2014, on our consideration of the City of New Bedford, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of New Bedford, Massachusetts' internal control over financial reporting and compliance.

Hague, Sabady & Co. PC

Fall River, Massachusetts
March 31, 2014

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013 (Unaudited)

The management of the **City of New Bedford, Massachusetts** ("the City"), offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL Highlights:

- The assets plus deferred outflows of resources of the City exceeded liabilities plus deferred inflows of resources at June 30, 2013 and 2012, respectively, by \$149,185,835 and \$148,217,058 (restated). Of this amount, \$(40,756,816) represents unrestricted net position at June 30, 2013 and \$(33,011,252) at June 30, 2012.
- The City's total net position increased by \$968,777 for the fiscal year ended June 30, 2013.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$44,631,737. As of June 30, 2012 ending fund balances for governmental funds were \$38,952,113.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$16,830,138 or 5.6% of total general fund expenditures.
- The City's total long term debt (including compensated absences and capital lease liabilities) decreased by \$8,777,829 from \$247,320,724 to \$238,542,895 during the current fiscal year. The key factor in this increase is that the City has incurred new debt totaling \$4,373,000, pay downs were made totaling \$11,565,549 and the state subsidized principal payments totaled \$3,045,548 through the Massachusetts Water Pollution Trust.
- The City considered its water and airport activities to be business-type in nature beginning in 2007. The business-type activities increased the City's net position by \$7,045,760 after transferring capital assets (net of debt) from governmental activities.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) 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 the City's finances, in a manner similar to a private-sector business.

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

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013 (Unaudited)

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal 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 fiscal periods, (i.e., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements of the City are divided into three categories:

- A. Governmental activities - Governmental activities of the City such as general government, public works, public safety, education, community and economic development, and culture and recreation are reported here. Property taxes, state aid, local fees and charges finance most of these activities.
- B. Business-type activities - Business-type activities of the City such as water and airport are reported here. Charges for services finance most of these activities.
- C. Component units - The government-wide financial statements not only include the governmental and business-type activities (known as the primary government) but also legally separate entities. There are four legally separate component unit entities included in this report, which are the Greater New Bedford Regional Refuse Management District, the Harbor Development Corporation, the Greater New Bedford Workforce Investment Board, the New Bedford Redevelopment Authority. The New Bedford Contributory Retirement System is presented as a fiduciary fund and is not considered to be a blended or discrete component unit based on management's review of existing GASB guidance.

The government-wide financial statements can be found on pages 16 through 20 of this report.

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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary funds. Fiduciary funds for the City consist of the pension trust fund, the private purpose trust funds and the agency funds. The proprietary funds for the City are the water and airport and internal service or medical claims trust funds. All other activities of the City are included in the governmental funds.

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

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

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013 (Unaudited)

The City maintains many governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and wastewater fund which are considered major funds. Data from all of the other governmental funds, which are considered non-major funds, are combined into a single aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of combining statements, which are not required but are supplementary information.

The City adopts an annual budget for its general and wastewater funds. A budgetary comparison statement has been provided to demonstrate compliance with those budgets.

The governmental fund financial statements can be found on pages 21 through 22 of this report. The budgetary statements can be found on pages 77 through 79 of this report.

Proprietary funds: The City maintains two different types of proprietary 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 airport operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among various functions. The City uses internal services funds to account for the purchasing of supplies, medical and life insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. The accrual basis of accounting is used for the proprietary fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the enterprise fund consisting of the water and airport operations as well as the internal service fund which are considered major funds.

The City adopts an annual budget for its water and airport funds. A budgetary comparison statement has been provided to demonstrate compliance with those budgets.

The proprietary fund financial statements can be found on pages 24 through 28 of this report. The budgetary statements can be found on pages 80 through 81 of this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City is the trustee, or fiduciary, for its employees' pension plan. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries and the agency fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the City's governmental-wide financial statements because the City cannot use these assets to finance its operations. The accounting used for fiduciary funds is the accrual basis of accounting.

The fiduciary funds financial statements can be found on pages 29 through 30 of this report.

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CITY OF NEW BEDFORD, MASSACHUSETTS

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Notes to the 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. The notes to the financial statements can be found on pages 31 through 76 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning all legally adopted budgets. The City appropriates an annual appropriation budget for the general, water, airport and wastewater funds. Budgetary comparison schedules are presented to demonstrate compliance with the budget on pages 77 through 84.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$149,185,835 as of June 30, 2013 and \$148,217,058 as of June 30, 2012 (restated).

The largest portion of the City's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its residents; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of 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.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position - June 30, 2013 and June 30, 2012 (Government-wide level)

	Governmental Activities **		Business-Type Activities		Total **	
	2013	2012	2013	2012	2013	2012
ASSETS						
Current assets	\$ 149,665,317	\$ 144,646,044	\$ 6,780,006	\$ 6,846,349	\$ 156,445,323	\$ 151,492,393
Capital assets and other long-term assets	339,879,680	340,985,754	71,946,382	65,784,199	411,826,062	406,769,953
Total assets	489,544,997	485,631,798	78,726,388	72,630,548	568,271,385	558,262,346
DEFERRED OUTFLOWS OF RESOURCES						
Deferred asset advance refunding, net amortization	466,283	-	-	-	466,283	-
Total deferred outflows of resources	466,283	-	-	-	466,283	-
Total assets and deferred outflows of resources	\$ 490,011,280	\$ 485,631,798	\$ 78,726,388	\$ 72,630,548	\$ 568,737,668	\$ 558,262,346
LIABILITIES						
Current liabilities	71,535,731	77,474,900	2,773,000	3,224,185	74,308,731	80,699,085
Long-term liabilities	315,415,159	299,025,240	29,822,228	30,320,963	345,237,387	329,346,203
Total liabilities	386,950,890	376,500,140	32,595,228	33,545,148	419,546,118	410,045,288
DEFERRED INFLOWS OF RESOURCES						
Total governmental activities	5,715	-	-	-	5,715	-
Total business-type activities	-	-	-	-	-	-
Total deferred inflows of resources	5,715	-	-	-	5,715	-
NET POSITION						
Investments in capital assets (net of debt)	122,667,159	110,460,590	42,174,987	34,639,149	164,842,146	145,099,739
Restricted	21,214,642	36,128,571	3,885,863	-	25,100,505	36,128,571
Unrestricted	(40,827,126)	(37,457,503)	70,310	4,446,251	(40,756,816)	(33,011,252)
Total net position	103,054,675	109,131,658	46,131,160	39,085,400	149,185,835	148,217,058
Total liabilities, deferred inflows of resources and net position	\$ 490,011,280	\$ 485,631,798	\$ 78,726,388	\$ 72,630,548	\$ 568,737,668	\$ 558,262,346

** Total net position for fiscal year ended June 30, 2012 has been restated - refer to restatement note (page 74) in the financial statements for the explanation.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013 (Unaudited)

An additional portion of the City's net position \$25,100,505 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$(40,756,816) may be used to meet the City's ongoing obligations to citizens and creditors.

The strength of the City is dependent upon the willingness of the citizenry to pay their bills when they are due, and the diligence of the Tax Collector to ensure that everyone complies with such dealings. As of June 30, 2013 and June 30, 2012 cash and investments consisted of \$77,183,068 and \$67,974,777 respectively.

At the end of fiscal year 2013, the City was not able to report positive balances in all three categories of net position for its governmental activities, largely in part to a growing GASB Statement No. 45 liability which requires the City recognize an additional post employment benefit obligation on an annual basis. For year ended 2013, the City is able to report positive balances in all three categories of net position for its business-type activities.

The City's net position for its governmental funds increased during the current fiscal year, due primarily to bond proceeds of \$4,373,000. Net income before transfers for business-type activities increased due to revenues in excess of expenditures in the amount of \$1,120,007.

Governmental activities: Governmental activities decreased the City's net position by \$(6,076,983) for fiscal year ended June 30, 2013.

Business-type activities: Business-type activities increased the City's net position by \$7,045,760 for 2013.

Transfers of capital assets net of related debt in the amount of \$8,251,802 account for a significant portion of the large decrease in the governmental activities and the large increase in the business-type activities.

Key elements of these increases/(decreases) are documented on the following page:

Changes in Net Position for the period ending June 30, 2013 and June 30, 2012 (Government-wide level)

	Governmental Activities**		Business-Type Activities		Total**	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program revenues:						
Charges for service	\$ 57,322,424	\$ 49,143,275	\$ 11,833,847	\$ 11,737,183	\$ 69,156,271	\$ 60,880,458
Operating grants & contributions	195,026,746	203,945,905	-	-	195,026,746	203,945,905
Capital grants & contributions	18,498,806	16,513,683	-	-	18,498,806	16,513,683
General revenues:						
Property taxes	91,591,832	90,598,652			91,591,832	90,598,652
Motor vehicle excise	7,712,745	7,262,504			7,712,745	7,262,504
Tax liens, fines & other	6,514,123	4,615,623			6,514,123	4,615,623
Intergovernmental	21,871,554	18,585,912			21,871,554	18,585,912
Earnings on investments	802,801	203,593			802,801	203,593
Other	6,914,236	11,037,970	248,498	327,643	7,162,734	11,365,613
Total revenues	406,255,267	401,907,117	12,082,345	12,064,826	418,337,612	413,971,943

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013 (Unaudited)

Changes in Net Position for the period ending June 30, 2013 and June 30, 2012 (Government-wide level)

	Governmental Activities**		Business-Type Activities		Total**	
	2013	2012	2013	2012	2013	2012
EXPENSES						
General government	\$ 16,153,044	\$ 10,178,439	\$ -	\$ -	\$ 16,153,044	\$ 10,178,439
Public safety	76,832,178	65,363,621			76,832,178	65,363,621
Public works	31,476,749	40,635,077			31,476,749	40,635,077
Education	232,119,911	234,289,836			232,119,911	234,289,836
Community and economic development	6,322,976	7,398,389			6,322,976	7,398,389
Health & human services	7,692,498	8,830,055			7,692,498	8,830,055
Municipal airport	-	7,489			-	7,489
Culture and recreation	8,553,876	6,266,979			8,553,876	6,266,979
Debt service (interest)	8,714,439	8,361,891			8,714,439	8,361,891
Miscellaneous	8,572,875	8,947,755			8,572,875	8,947,755
State and county charges	9,581,904	8,613,392			9,581,904	8,613,392
Water			9,858,564	9,277,526	9,858,564	9,277,526
Airport			1,103,774	983,548	1,103,774	983,548
Total expenses	406,020,450	398,892,923	10,962,338	10,261,074	416,982,788	409,153,997
Increase (decrease) in net position before transfers	234,817	3,014,194	1,120,007	1,803,752	1,354,824	4,817,946
TRANSFERS/SPECIAL ITEMS						
Transfers of capital assets (net of debt) from governmental activities	(8,251,802)	(2,014,356)	8,251,802	2,014,356	-	-
Net transfers between funds	2,326,049	1,974,871	(2,326,049)	(1,974,871)	-	-
Special item - insurance proceeds	80,645				80,645	
Capital lease proceeds	(466,692)	(399,231)	-	-	(466,692)	(399,231)
Increases (decrease) in net position	(6,076,983)	2,575,478	7,045,760	1,843,237	968,777	4,418,715
Net position - July 1, 2012 **	109,131,658	106,556,180	39,085,400	37,242,163	148,217,058	143,798,343
Net position - June 30, 2013	\$ 103,054,675	\$ 109,131,658	\$ 46,131,160	\$ 39,085,400	\$ 149,185,835	\$ 148,217,058

** This category was restated - Refer to restatement note (page 74) for explanation.

The majority of general revenues are tax collections from the City's taxpayers. This amount represented 73.3% of the total general revenues of \$135 million. The operating grants are also a significant source of revenue for the City. The total operating grants for fiscal year ended June 30, 2013 amounted to \$195,026,746 of which \$170,447,195 were received for education.

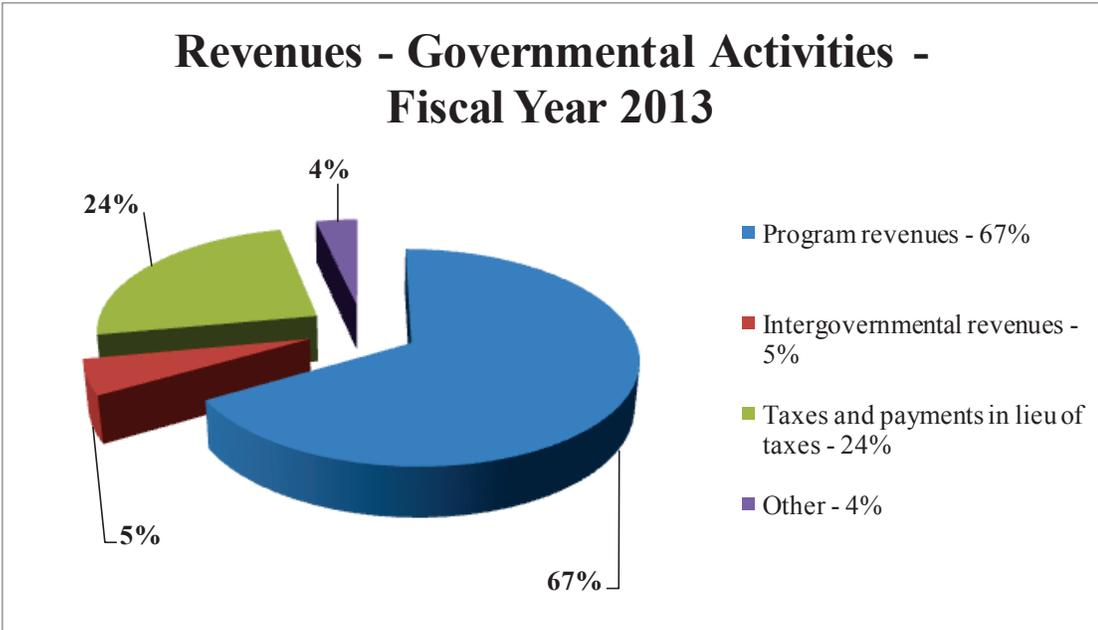
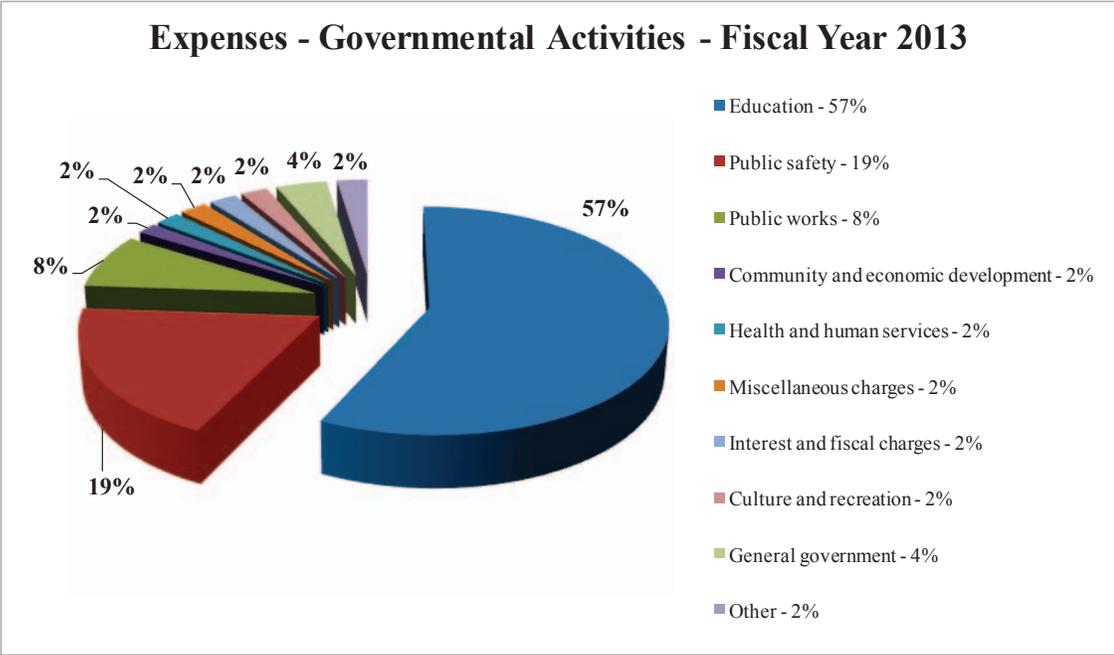
The most significant expense of the City is education which represented 57% of total expenses, followed by public safety at 19%.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Management’s Discussion and Analysis (MD&A)

Year Ended June 30, 2013 (Unaudited)



Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013 (Unaudited)

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 the near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements.

The City's governmental funds reported combined ending fund balances of \$44,631,737 for fiscal year ended June 30, 2013 and \$38,952,113 for fiscal year ended June 30, 2012 (restated). This increase in fiscal year ended June 30, 2013, totaling \$5,679,624 is primarily due to bond proceeds of \$4,373,000.

Fiscal year 2011 was the City's initial year of implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The implementation of this standard has changed the fund balance components into nonspendable, restricted, committed, assigned and unassigned. These components deficit the relative strength of the spending constraints placed on the purposes for which resources can be used. Please refer to Note 2 "Summary of Significant Accounting Policies" for definitions of fund balance components under the new standard.

Additionally, under the new standard, the City's stabilization funds are reported within the general funds as committed for economic stabilization purposes upon approval of the City Council. During fiscal year 2013, the stabilization fund earned \$53,892 of investment income and had net transfers in of \$1,903,112 to finish the year with a fund balance of \$8,841,931.

During 2013, governmental funds reported amounts of \$7,347,005 within the nonspendable fund balance category, \$16,087,231 within the restricted fund balance category, \$17,343,748 within the committed fund category, \$1,063,133 within the assigned fund balance category and \$2,790,620 within the unassigned fund balance category. Please refer to Note 13 "Fund Balance Classification Details" for a detailed breakdown of the components within each category.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Internal Service Fund is categorized as a governmental activity because it services primarily governmental-type funds. The water and airport funds had net position of \$26,096,190 and \$20,034,970 as of June 30, 2013 and \$26,767,767 and \$12,317,633 as of June 30, 2012, respectively.

Budgetary Highlights

General Fund. The major revenue and expenditures categories which changed are briefly summarized as follows:

Revenues and Other Sources:

Total budgeted revenues were increased by \$2,389,744 over the original budget.

Expenditures and Other Uses:

Total budgeted appropriations were increased by \$7,910,087 over the original budget.

The significant appropriations which changed are as follows:

- General government unclassified was increased by \$406,165.
- Police appropriations were increased by \$585,000.
- Public works and facilities was increased by \$585,000.
- Education appropriations were increased by \$5,439,488.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013 (Unaudited)

Budgetary Highlights (Continued)

The major differences between the actual results of the general fund and the final amended budget are as follows:

- Total revenues were \$1,957,859 higher than budgeted due to the following.
 - \$569,933 more collected than anticipated for motor vehicle excise.
 - \$289,535 more collected than anticipated for penalties and interest.
 - \$288,890 more collected than anticipated for traffic departmental receipts.
 - \$223,044 less collected than anticipated for in state aid.

- Total expenditures were lower than anticipated by \$2,854,864 due to the following:
 - Educational expenditures were \$1,039,317 less than budgeted
 - \$499,751 less spent than budgeted for the Police department
 - \$491,393 less spent than budgeted in the general government and general government unclassified line items.

Capital Asset and Debt Administration

Capital assets: The City's investment in capital assets for its governmental and business type activities as of June 30, 2013 amounted to \$411,826,062 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, construction in progress and animals, etc. The total increase in the City's investment in capital assets for the current year was 1.24 percent.

**Capital Assets Net of Accumulated Depreciation
June 30, 2013**

	2013			2012		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities*	Business-Type Activities	Total
Land	\$ 3,777,235	\$ 1,125,293	\$ 4,902,528	\$ 3,777,235	\$ 1,125,293	\$ 4,902,528
Easements		962,500	962,500		962,500	962,500
Construction in progress	1,681,246		1,681,246	44,759,145		44,759,145
Infrastructure in progress	5,191,919	9,392,257	14,584,176	2,285,081	820,177	3,105,258
Infrastructure, net	61,845,880	55,024,563	116,870,443	57,476,434	56,820,253	114,296,687
Land improvements, net	304,577	463,961	768,538	280,666	495,043	775,709
Buildings and improvements, net	254,324,832	1,560,871	255,885,703	218,258,662	1,590,224	219,848,886
Machinery and equipment, net	8,398,358	3,096,499	11,494,857	9,366,857	3,587,882	12,954,739
Office equipment and furniture, net	489,661	5,177	494,838	691,536	10,122	701,658
Computer equipment, net	2,240,047	5,240	2,245,287	2,373,971	16,084	2,390,055
Library books and textbooks, net	549,865		549,865	435,401		435,401
Automobiles, net	1,060,417	310,021	1,370,438	1,262,371	356,621	1,618,992
Animals, net	15,643		15,643	18,395		18,395
Total capital assets	\$ 339,879,680	\$ 71,946,382	\$ 411,826,062	\$ 340,985,754	\$ 65,784,199	\$ 406,769,953

Additional information on the City's capital assets can be found on Note 5 on pages 50 through 53 of this report.

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CITY OF NEW BEDFORD, MASSACHUSETTS

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013 (Unaudited)

Long-term debt: The City had total bonded debt outstanding of \$230,332,848 as of June 30, 2013 and \$230,570,946 as of June 30, 2012. The full faith and credit of the City backs this entire amount. Of this amount \$29,614,509 relates to the business type activities.

During the current year the City's total debt decreased by \$10,238,097. This resulted because the City incurred new debt totaling \$4,373,000 and pay downs totaled \$14,611,097 during the fiscal year ended June 30, 2013.

Additional information on the City's long-term debt can be found in Note 12 on pages 64 through 70 of this report.

Economic Factors and Next Year's Budget and Rates

Fiscal Outlook

The City's efforts to operate responsibly within financial constraints imposed by the recent recession will continue in the year ahead. While indications are that the recent decline in valuation has begun to stabilize, the City's 2015 operating budget will be developed based on the following assumptions: flat/negligible growth in state aid; modest improvement or stabilization in total assessed property valuations; and the continued realization of cost-saving from efficiencies in the delivery of essential services.

Securing sufficient state aid has been, and will continue to be, a challenge for the City. State aid in 2014 benefited from increases in school aid and lottery funding. It is unclear as of this writing whether the City will be provided with additional state revenue as a result of the Legislature's budget deliberations, although early indications are that state aid will increase.

Property tax valuations will continue to await a return to more robust economic growth and increased market activity. While the rate of decline has slowed, total taxable assessed valuations fell from \$5,479,569,620 in 2013 to \$5,226,433,760 in 2014. Present expectations are for stabilization and a modest recovery in 2015 and 2016.

The City of New Bedford has successfully mitigated the impact of service costs on residents by refraining from an increase in the tax levy since 2010. Entering the fifth year since a levy increase, the effective freeze has generated excess levy capacity of \$9,716,822. This figure represents revenue that may be captured by the City in the event of extraordinary fiscal challenges arising in the future. Continued increases in the cost of operations and the accumulation of significant maintenance needs may necessitate the identification of additional revenue in the near future.

Existing reserves will continue to be safeguarded in 2015. The City has appropriated \$4,550,234 to the Stabilization Fund since FY 2010 and on June 30, 2013 had free cash certified at \$4,280,305, and the Stabilization Fund held a balance of \$7,689,587. During FY 2014, the City adopted formal financial policies governing setting targets for fund balance, reserves and indebtedness. Management is committed to maintaining a ready ongoing balance of free cash and appropriating available balances to the Stabilization Fund when feasible.

The City will continue to explore opportunities to streamline its operations, reduce duplicative activities, and consolidate departments with the intent of generating efficiencies. The MUNIS information management system, presently being installed and tested, will allow for more detailed tracking of expenditures and better decision-making about the allocation of resources.

Economic Outlook

The northeastern coast is home to some of the world's greatest reserves for offshore wind - with over four gigawatts of potential energy in the federal waters south of Martha's Vineyard representing 25% of the wind reserves nationally. Over the coming decades, New Bedford is poised to become the epicenter for the nascent offshore wind industry, generating hundreds of new jobs, and once again lighting the shores of the nation by generating enough electricity for millions of homes.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013 (Unaudited)

Economic Outlook (Continued)

In May 2013, a collaboration of federal, state and local officials broke ground on the New Bedford Marine Commerce Terminal - the United States' first purpose built terminal for offshore wind. The terminal is scheduled to be completed in Fall 2014 and is the result of a \$100 million investment by the Commonwealth of Massachusetts. The Cape Wind project will be deployed from this terminal as well as components of the Deepwater Wind project - the winners of the nation's first offshore wind commercial lease. The Department of the Interior will continue to lease wind energy areas off the east coast in the coming months, setting the stage for decades of offshore wind projects, new jobs and long-term economic growth for the City.

Key projects throughout the City, totaling more than \$200 million in investment, advanced in every point of the development cycle in 2013. In addition to the \$100 in new investment in the Marine Commerce Terminal in the city's South End, two other targeted districts have seen significant growth-the Upper Harbor and the Downtown.

The Upper Harbor

New Bedford's Upper Harbor District has long been home to companies such as Joseph Abboud, Titleist, and Precix (formally Acushnet Company) but in the 80's and 90's became an almost forgotten corner of the city as mill buildings became vacant and the river ignored-cut off from the adjacent neighborhoods. Since 2008, the City has placed a new focus on the district as an area of potential growth, and today New Bedford's Upper Harbor is fast becoming an economic center for job growth and new investment. In total, more than 300 jobs across a wide range of sectors and \$85 million in investment are changing the face of the district. Examples include:

Joseph Abboud Manufacturing

In a historic mill building Joseph Abboud is expanding after its merger with Men's Wearhouse this past summer, bringing on 60 new employees over the past several months and looking to hire an additional 30 in 2014. With 600 employees, Abboud is one of the largest private sector employers in the city and is producing more than 1,000 men's suits every day.

Precix

Across the street from Joseph Abboud is Precix, a manufacturer of O-rings and specialized products for the automotive, aerospace, and energy industries, that has been in business for more than a century, and is one of only 13 companies certified to manufacture synthetic elastic materials for the aerospace industry. Precix is in the midst of an ongoing expansion, having invested \$22 million on equipment and facility upgrades over the past several years, with an additional \$4 million planned for 2014. An additional 25 jobs have been created with another 20 new hires planned for 2014 to add to their current roster of 356 highly skilled employees.

UpSource

The high-tech back office company located in the recently and dramatically renovated mill space at 645 Belleville Avenue added 65 jobs in the last quarter of 2013. Since cutting the ribbon on their new 10,000 square-foot space in June of 2012, UpSource has steadily increased the number of employees to more than 100 with their latest round of hires-bringing the new center to full capacity with an additional \$1.3 million per year in additional payroll. To help make this expansion possible for UpSource, the city was instrumental in securing leased parking at the former Areovox site for the raft of new employees coming into an already busy area of New Bedford.

Mother Freedom

In addition to the expansion of established manufacturers, new start-ups such as Mother Freedom are also starting to call the Upper Harbor home. Mother Freedom is a heritage inspired men's sportswear brand that cited its facility in New Bedford to make use of the city's skilled workforce. Their 12,000 square foot factory space is home to 27 employees as the company enters their second year.

Manomet Place

The initial phase of this award-winning mill restoration project, which was completed in Summer 2013, includes 76 residential units, and the waiting list for the second phase is currently full. The \$25 million project employed more than 100 skilled trades people, most from New Bedford.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013 (Unaudited)

Economic Outlook (Continued)

Riverbank Lofts

This \$23 million mill restoration project, utilizing a combination of private financing and State and Federal historic preservation tax credits, is scheduled for completion at the end of January, 2014. The development will provide 126 market-rate loft apartments with riverfront views and a high level of amenities.

Riverside Landing

This mixed-use development includes retail and commercial spaces near the Acushnet River. Phase 2 includes a retail building and a medical building that will be completed in 2014, which represent investments of more than \$7 million and will provide approximately 110 jobs when complete. Planning for Phase 3, which will include waterfront facilities, is currently underway. The entire project will represent an investment of approximately \$35 million, and will employ 800 at build-out.

Acushnet Avenue International Market Place

Construction also came to an end for the first phase of the International Market Place in 2013. A new gateway intersection at Coggeshall Street sets the stage for new sidewalks, ornamental streetlights, decorative paving, and trees that will enable businesses to thrive. Planning for Phase 2 was completed in 2013 and the city has applied for funding from the MassWorks Infrastructure Program, which funded Phase 1.

The Downtown

Successful cities must have a vibrant and active downtown. Building on the anchors of the National Historical Park and the University of Massachusetts College of Visual and Performing Arts, the growth of the city's downtown (highlighted by 60 new or expanding businesses in the downtown since 2007) continued in 2013. Examples of private sector and public investment include:

Historic Standard Times Building

During Summer 2013, construction crews gave way to a ribbon cutting at the historic Standard Times Building located in the heart of the city's downtown. The building had been vacant for 18 years before the development team, New Bedford Urban Renaissance, purchased the building to transform it into an exciting mixed-use project that includes both retail and professional office components. In August, tenants began to occupy the renovated building, which included a \$6.5 million investment. A new restaurant is scheduled to open on the first floor in early 2014 and NBC Channel 10 will also open a studio in Spring 2014.

Candle Works Hotel

Full design development and all permitting were completed in 2013 for a boutique hotel project located near the city's waterfront. This project will include approximately \$15 million in investment and will directly employ approximately 40 permanent jobs. The facility will feature 140 guestrooms, 10 residential condominiums, a 7,000 square foot meeting/banquet facility, a bar and restaurant. Ground breaking is planned for Fall 2014.

Whaling Museum Expansion

The Whaling Museum is planning a new education and research library on Water Street. This \$5 million expansion will also free space on Purchase Street for redevelopment, potentially a new residential building with a restaurant at the street level.

Black Whale

A new restaurant is under construction at the former location of the Harbor Development Commission offices on Pier 3. The Black Whale will be a high-end seafood eatery with a large outdoor deck overlooking the fishing fleet. Located in the National Park, a new retail component to the restaurant serving as the Black Whale gift shop opened this fall. The restaurant represents an investment of approximately \$1.5 million and will employ 30.

Route 18 Redesign and Reconstruction

Construction is nearly completed, one year ahead of schedule, on the \$15 million Route 18 Access Improvement Project. This major infrastructure project ensures that the city's historic downtown is connected to the waterfront with a new pedestrian-friendly boulevard, and has already resulted in substantial improvements to the downtown's development climate.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013 (Unaudited)

Economic Outlook (Continued)

Custom House Square

Construction was completed in Summer 2013 on the redevelopment of a former parking area into a new public green space in the heart of the National Park. This concept was first envisioned in the Connections Charette, hosted by WHALE in 1996 and then most recently in the downtown land-use study, Live, Work, Play, Learn completed in 2009. The park was designed by Boston architectural firm, STOSS and its founder, Chris Reed, a New Bedford native.

Assisting Existing & Small Business

The small and family owned businesses of New Bedford serve as a tangible benchmark for the city's economic wellbeing. When they are strong and growing, so is the community, and as such assisting existing businesses will always be at the core of the city's mission. 2013 has witnessed a continued up-tick of activity in the New Bedford Economic Development Council's (EDC) lending, business assistance, and incentive programs. All these programs have the unifying goals of strengthening existing businesses and creating new jobs for New Bedford residents.

Lending

The EDC continues to provide an important service in assisting new and existing businesses with loans through a variety of lending products for any size business and during 2013 the SBA Massachusetts Division recognized the NBEDC as being the #1 Microlender in its portfolio. The NBEDC's lending program provided 18 small businesses with \$1.1 million in FY 2013, providing for the creation and retention of 46 jobs. The NBEDC has been certified by the Federal government as a Community Advantage 7(a) lender and a Community Development Entity, providing opportunities for additional resources to assist local businesses.

Business and Real Estate Assistance

Direct technical assistance was provided to over 70 small to mid-sized businesses and individuals located throughout the city in 2013. These included light manufacturing, retail, service, restaurant, entertainment and creative enterprises, either existing or an entrepreneur, impacting over 545 employees. Of these, 20 of the businesses were creative enterprises, a sector that will remain a targeted group to attract and recruit to the city.

Requests for Information

This financial report is designed to provide a general overview of the City of New Bedford, Massachusetts' 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 Office of the Chief Financial Officer, 133 Williams Street, New Bedford, Massachusetts 02740.

CITY OF NEW BEDFORD, MASSACHUSETTS

Statement of Net Position

June 30, 2013

	<i>Primary Government</i>			<i>Component Units</i>		
	Governmental Activities	Business-Type Activities	Total	Greater New Bedford Regional Refuse Management District	Non Major Component Units	Total Component Units
ASSETS						
Current assets						
Unrestricted cash and investments	\$ 66,595,090	\$ 1,910,347	\$ 68,505,437	\$ 558,095	\$ 1,085,083	\$ 1,643,178
Restricted cash and investments	5,219,109	3,458,522	8,677,631	18,069,190	-	18,069,190
Accounts receivable, net of allowance	21,231,144	1,163,078	22,394,222	828,194	683,722	1,511,916
Taxes receivable, net	30,425,946	-	30,425,946	-	-	-
Loans receivable, net	20,217,373	-	20,217,373	-	-	-
Due from other funds	3,097,366	-	3,097,366	-	-	-
Due from other governments	-	-	-	7,020	498,618	505,638
Intra-entity receivable	1,900,816	-	1,900,816	-	-	-
Receivable from external parties	-	-	-	-	212,085	212,085
Inventories and prepaid expenses	742,166	246,387	988,553	327,959	4,567	332,526
Other assets - current	236,307	1,672	237,979	-	-	-
Total current assets	149,665,317	6,780,006	156,445,323	19,790,458	2,484,075	22,274,533
Non-current assets						
Other assets - noncurrent	-	-	-	-	-	-
Capital assets						
Land	3,777,235	1,125,293	4,902,528	6,235,025	933,722	7,168,747
Construction in progress	1,681,246	-	1,681,246	-	2,732,143	2,732,143
Infrastructure in progress	5,191,919	9,392,257	14,584,176	-	-	-
Easements	-	962,500	962,500	-	-	-
Land improvements, net	304,577	463,961	768,538	3,602,207	14,031,321	17,633,528
Infrastructure, net	61,845,880	55,024,563	116,870,443	-	-	-
Building and improvements, net	254,324,832	1,560,871	255,885,703	127,957	5,395,781	5,523,738
Office equipment and furniture, net	489,661	5,177	494,838	2,232	853	3,085
Computer equipment, net	2,240,047	5,240	2,245,287	1,801	-	1,801
Library books and textbooks, net	549,865	-	549,865	-	-	-
Automobiles, net	1,060,417	310,021	1,370,438	-	111,747	111,747
Machinery and equipment, net	8,398,358	3,096,499	11,494,857	853,151	1,322,197	2,175,348
Animals, net	15,643	-	15,643	-	-	-
Total capital assets	339,879,680	71,946,382	411,826,062	10,822,373	24,527,764	35,350,137
Total non-current assets	339,879,680	71,946,382	411,826,062	10,822,373	24,527,764	35,350,137
Total assets	489,544,997	78,726,388	568,271,385	30,612,831	27,011,839	57,624,670
DEFERRED OUTFLOWS OF RESOURCES						
Deferred asset advance refunding, net of amortization	466,283	-	466,283	-	-	-
Total deferred outflows of resources	466,283	-	466,283	-	-	-
Total assets and deferred outflows of resources	\$ 490,011,280	\$ 78,726,388	\$ 568,737,668	\$ 30,612,831	\$ 27,011,839	\$ 57,624,670

The accompanying notes are an integral part of this statement

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Statement of Net Position

June 30, 2013

	<i>Primary Government</i>			<i>Component Units</i>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Greater New Bedford Regional Refuse Management District</u>	<u>Non Major Component Units</u>	<u>Total Component Units</u>
LIABILITIES						
Current liabilities						
Accounts payable and accrued expenses	\$ 17,281,935	\$ 179,167	\$ 17,461,102	\$ 71,721	\$ 588,545	\$ 660,266
Retainage payable	30,123		30,123		-	-
Due to other governments	209		209	7,020	-	7,020
Intra-entity payable	-		-		1,900,816	1,900,816
Due to other funds	3,838,221	-	3,838,221			
Accrued interest	2,637,425	397,833	3,035,258		-	-
Deposits held	637,671		637,671		15,000	15,000
Payroll withholdings	1,096,109		1,096,109			
Other liabilities	396,399	112	396,511		-	-
Claims incurred but not reported	2,682,112		2,682,112			
Deposits held in custody			-	404,625		404,625
Bonds and notes payable	36,862,203	1,851,846	38,714,049		-	-
Capital leases	204,729	129,597	334,326			
Compensated absences	5,868,595	214,445	6,083,040		43,834	43,834
Total current liabilities	<u>71,535,731</u>	<u>2,773,000</u>	<u>74,308,731</u>	<u>483,366</u>	<u>2,548,195</u>	<u>3,031,561</u>
Non-current liabilities						
Accrued closure/post-closure costs			-	5,070,671		5,070,671
Bonds and notes payable	177,089,310	27,762,663	204,851,973		-	-
Other post-employment benefit liability	127,008,178	1,637,258	128,645,436	1,056,603		1,056,603
Capital leases	418,854	27,289	446,143			
Compensated absences	10,898,817	395,018	11,293,835		119,749	119,749
Total non-current liabilities	<u>315,415,159</u>	<u>29,822,228</u>	<u>345,237,387</u>	<u>6,127,274</u>	<u>119,749</u>	<u>6,247,023</u>
Total liabilities	<u>386,950,890</u>	<u>32,595,228</u>	<u>419,546,118</u>	<u>6,610,640</u>	<u>2,667,944</u>	<u>9,278,584</u>
DEFERRED INFLOWS OF RESOURCES						
Property taxes paid in advance	5,715		5,715			-
Other unearned revenues (component unit)			-		135,596	135,596
Unearned dockage revenues (component unit)			-		331,806	331,806
Total deferred inflows of resources	<u>5,715</u>	<u>-</u>	<u>5,715</u>	<u>-</u>	<u>467,402</u>	<u>467,402</u>
NET POSITION						
Invested in capital assets, net of related debt	122,667,159	42,174,987	164,842,146	10,822,373	23,402,026	34,224,399
Restricted	21,214,642	3,885,863	25,100,505	12,351,426	20,825	12,372,251
Unrestricted	(40,827,126)	70,310	(40,756,816)	828,392	453,642	1,282,034
Total net position	<u>103,054,675</u>	<u>46,131,160</u>	<u>149,185,835</u>	<u>24,002,191</u>	<u>23,876,493</u>	<u>47,878,684</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 490,011,280</u>	<u>\$ 78,726,388</u>	<u>\$ 568,737,668</u>	<u>\$ 30,612,831</u>	<u>\$ 27,011,839</u>	<u>\$ 57,624,670</u>

The accompanying notes are an integral part of this statement

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2013

	<u>Program Revenues</u>				
	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:					
General government	\$ 10,115,439	\$ 6,037,605	\$ 9,838,225	\$ 918,849	\$ 2,958,298
Public safety	53,436,361	23,395,817	11,833,220	7,676,816	1,178,239
Public works	27,833,524	3,643,225	20,683,998	9,399,026	419,766
Health and human services	6,921,037	771,461	830,144	535,326	-
Education	196,463,420	35,656,491	10,055,571	170,447,195	4,628,357
Community and economic development	6,322,976	-	3,396,195	5,768,840	-
Culture and recreation	6,773,225	1,780,651	657,699	280,694	-
Municipal airport	-	-	27,372	-	9,314,146
Pension benefits	22,629,695	(22,629,695)	-	-	-
Health and other insurance	48,655,555	(48,655,555)	-	-	-
Miscellaneous	8,572,875	-	-	-	-
State and county charges	9,581,904	-	-	-	-
Debt service:					
Interest and fiscal charges	8,714,439	-	-	-	-
Total governmental activities	<u>406,020,450</u>	<u>-</u>	<u>57,322,424</u>	<u>195,026,746</u>	<u>18,498,806</u>
			-		-
Business-Type Activities:					
Water	9,858,564	-	11,103,063	-	-
Airport	1,103,774	-	730,784	-	-
Total business-type activities	<u>10,962,338</u>	<u>-</u>	<u>11,833,847</u>	<u>-</u>	<u>-</u>
Total primary government	<u>416,982,788</u>	<u>-</u>	<u>69,156,271</u>	<u>195,026,746</u>	<u>18,498,806</u>
Component Units:					
Greater New Bedford Regional Refuse Management District	4,050,358	-	3,757,018	-	-
Non-major component units	7,497,865	-	1,720,812	3,658,244	2,273,286
Total component units	<u>11,548,223</u>	<u>-</u>	<u>5,477,830</u>	<u>3,658,244</u>	<u>2,273,286</u>
Total City of New Bedford	<u>\$ 428,531,011</u>	<u>\$ -</u>	<u>\$ 74,634,101</u>	<u>\$ 198,684,990</u>	<u>\$ 20,772,092</u>

The accompanying notes are an integral part of this statement

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2013

Net (Expense) Revenue and Changes in Net Position						
	<i>Primary Government</i>			<i>Component Units</i>		
	Governmental Activities	Business-Type Activities	Total	Greater New Bedford Regional Refuse District	Nonmajor Component Units	Total Component Units
Governmental Activities:						
General government	\$ (2,437,672)	\$ -	\$ (2,437,672)	\$ -	\$ -	\$ -
Public safety	(56,143,903)		(56,143,903)			-
Public works	(973,959)		(973,959)			-
Health and human services	(6,327,028)		(6,327,028)			-
Education	(46,988,788)		(46,988,788)			-
Community and economic development	2,842,059		2,842,059			-
Culture and recreation	(7,615,483)		(7,615,483)			-
Municipal airport	9,341,518		9,341,518			-
Pension benefits	-		-			-
Health and other insurance	-		-			-
Miscellaneous	(8,572,875)		(8,572,875)			-
State and county charges	(9,581,904)		(9,581,904)			-
Debt service:	-		-			-
Interest and fiscal charges	(8,714,439)		(8,714,439)			-
Total governmental activities	<u>(135,172,474)</u>		<u>(135,172,474)</u>	-	-	-
Business-Type Activities:						
Water		1,244,499	1,244,499			
Airport		<u>(372,990)</u>	<u>(372,990)</u>			
Total business-type activities	-	<u>871,509</u>	<u>871,509</u>			
Total primary government	<u>(135,172,474)</u>	<u>871,509</u>	<u>(134,300,965)</u>			
Component Units:						
Greater New Bedford Regional Refuse Management District				(293,340)		(293,340)
Non-major component units					154,477	154,477
Total component units	-	-	-	<u>(293,340)</u>	<u>154,477</u>	<u>(138,863)</u>
Total City of New Bedford	<u>\$ (135,172,474)</u>	<u>\$ 871,509</u>	<u>\$ (134,300,965)</u>	<u>\$ (293,340)</u>	<u>\$ 154,477</u>	<u>\$ (138,863)</u>

The accompanying notes are an integral part of this statement

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2013

Net (Expense) Revenue and Changes in Net Position

	<i>Primary Government</i>			<i>Component Units</i>		
	Governmental Activities	Business-Type Activities	Total	Greater New Bedford Regional Refuse District	Nonmajor Component Units	Total Component Units
General revenues:						
Real estate and personal property, net of reserve for abatements	\$ 91,591,832	\$ -	\$ 91,591,832	\$ -	\$ -	\$ -
Motor vehicle and other excise taxes	7,712,745		7,712,745			-
Distribution - lottery	19,457,251		19,457,251			-
Exemptions - veterans, blind, surviving spouse & elderly	2,398,844		2,398,844			-
State owned land	15,459		15,459			-
Tax foreclosures	4,842,778		4,842,778			-
Penalties and interest on taxes	1,389,535		1,389,535			-
Earnings on investments	802,801		802,801	214,767	1,987	216,754
Payments in lieu of taxes	281,810		281,810			-
Miscellaneous	6,914,236	248,498	7,162,734	12,614	22,588	35,202
Total general revenues	135,407,291	248,498	135,655,789	227,381	24,575	251,956
Transfers/special items:						
Transfers between funds - operating	2,326,049	(1,701,049)	625,000			-
Special item - transfer of capital asset (net of debt) from governmental activities - airport	(8,251,802)	8,251,802	-			-
Net transfers to water stabilization fund		(625,000)	(625,000)			-
Special item - insurance proceeds	80,645		80,645		30,612	30,612
Special item - wind energy project (net)			-		(86,953)	(86,953)
Special item - capital lease proceeds	(466,692)		(466,692)			-
Change in net position	(6,076,983)	7,045,760	968,777	(65,959)	122,711	56,752
Net position - July 1, 2012 - restated	109,131,658	39,085,400	148,217,058	24,068,150	23,753,782	47,821,932
Net position - June 30, 2013	\$ 103,054,675	\$ 46,131,160	\$ 149,185,835	\$ 24,002,191	\$ 23,876,493	\$ 47,878,684

The accompanying notes are an integral part of this statement

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Balance Sheet
Governmental Funds

June 30, 2013

	General Fund	Wastewater	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments, unrestricted	\$ 25,251,947	\$ 8,348,370	\$ 24,780,875	\$ 58,381,192
Cash, restricted	-	5,219,109	-	5,219,109
Receivables, net:				
Real estate and personal property taxes	4,399,412		-	4,399,412
Tax liens and foreclosures	24,178,923		-	24,178,923
Motor vehicle and boat excise	1,863,940		-	1,863,940
User charges receivables	-	2,180,738	-	2,180,738
Departmental and other	8,131,174	2,445	-	8,133,619
Loans receivable	-		20,421,589	20,421,589
Other receivables	1,170,430		142,016	1,312,446
Special assessments	804	231,810	-	232,614
Due from federal or state government	311,215		10,473,064	10,784,279
Due from other funds	2,776,281	319,500	-	3,095,781
Intraentity receivable	1,900,816		-	1,900,816
Inventories	-	71,860	-	71,860
Prepaid assets	-	423,388	-	423,388
Other assets	5,278		-	5,278
Land inventory	-		246,918	246,918
Total assets	69,990,220	16,797,220	56,064,462	142,851,902
DEFERRED OUTFLOWS OF RESOURCES				
None	-			-
Total deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	\$ 69,990,220	\$ 16,797,220	\$ 56,064,462	\$ 142,851,902
LIABILITIES				
Warrants payable	\$ 2,702,367	\$ 1,176,471	\$ 2,888,368	\$ 6,767,206
Accounts payable and accrued expenses	8,598,707	53,906	1,862,116	10,514,729
Retainage payable	-		30,123	30,123
Bonds and notes payable	-		22,750,000	22,750,000
Interim loan payable	-		483,175	483,175
Due to other funds	164,739	2,994,134	28,497	3,187,370
Deposits held	211,473	426,198	-	637,671
Due to other governments	-		209	209
Payroll withholdings	1,096,109			1,096,109
Other liabilities	391,629		4,770	396,399
Total liabilities	13,165,024	4,650,709	28,047,258	45,862,991
DEFERRED INFLOWS OF RESOURCES				
Property taxes paid in advance	5,715			5,715
Deferred property and excise tax revenues	21,283,700			21,283,700
Deferred departmental and other receipts	6,899,763		14,143	6,913,906
Deferred user fees, fines and charges for services	-	2,415,866		2,415,866
Unearned grant income	-		1,316,398	1,316,398
Unearned loan income	-		20,421,589	20,421,589
Total deferred inflows of resources	28,189,178	2,415,866	21,752,130	52,357,174
NET POSITION				
Nonspendable	1,900,816	71,860	5,374,329	7,347,005
Restricted	-	3,845,093	12,242,138	16,087,231
Committed	8,841,931	5,813,692	2,688,125	17,343,748
Assigned	1,063,133	-	-	1,063,133
Unassigned	16,830,138	-	(14,039,518)	2,790,620
Total net position	28,636,018	9,730,645	6,265,074	44,631,737
Total liabilities, deferred inflows of resources and net position	\$ 69,990,220	\$ 16,797,220	\$ 56,064,462	\$ 142,851,902

The accompanying notes are an integral part of this statement

CITY OF NEW BEDFORD, MASSACHUSETTS

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2013

	General Fund	Wastewater	Non-Major Governmental Funds	Total Governmental Funds
REVENUE				
Real estate and personal property taxes	\$ 91,935,611	\$ -	\$ -	\$ 91,935,611
Motor vehicle and other excise	7,495,147		-	7,495,147
MSBA assistance	-		2,583,007	2,583,007
Tax liens and foreclosures	2,373,605	242,610	-	2,616,215
Penalties and interest on taxes	1,389,535		-	1,389,535
Licenses and permits	2,228,837		-	2,228,837
Fines and forfeitures	183,325		-	183,325
Investment income	160,173	48,230	584,430	792,833
Intergovernmental - operating grants	169,685,913	5,729,836	41,354,167	216,769,916
Intergovernmental - capital grants	2,045,350		13,872,524	15,917,874
Charges for services	14,942,109	19,571,417	1,513,158	36,026,684
Other - indirects	1,511,236		-	1,511,236
Special assessments and betterments	253	40,175	-	40,428
Payments in lieu of taxes	281,810		-	281,810
Miscellaneous	2,929,139	43,167	3,915,665	6,887,971
Total revenues	<u>297,162,043</u>	<u>25,675,435</u>	<u>63,822,951</u>	<u>386,660,429</u>
EXPENDITURES				
General government	6,509,251		2,390,267	8,899,518
Public safety	37,827,386		9,262,770	47,090,156
Education	146,979,124		26,363,469	173,342,593
Public works	13,042,250	10,748,253	9,573,128	33,363,631
Community and economic development	-		6,048,771	6,048,771
Health and human services	5,163,611		775,960	5,939,571
Municipal airport	-		9,064,427	9,064,427
Culture and recreation	3,928,783		1,583,392	5,512,175
Pension benefits	22,629,695		-	22,629,695
Health and other insurance	36,322,214		-	36,322,214
Miscellaneous	8,572,875		-	8,572,875
State and county charges	9,581,904			9,581,904
Debt service:				
Principal payments	6,035,695	6,752,084	58,505	12,846,284
Short-term note interest	494,872			494,872
Bond interest costs	2,925,722	5,126,091	-	8,051,813
Total expenditures	<u>300,013,382</u>	<u>22,626,428</u>	<u>65,120,689</u>	<u>387,760,499</u>
Excess (deficiency) of revenues over expenditures	<u>(2,851,339)</u>	<u>3,049,007</u>	<u>(1,297,738)</u>	<u>(1,100,070)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-		4,373,000	4,373,000
Special item - insurance proceeds	-		80,645	80,645
Transfers in	5,491,074	6,054,007	2,138,476	13,683,557
Transfers out	<u>(2,717,689)</u>	<u>(7,957,397)</u>	<u>(682,422)</u>	<u>(11,357,508)</u>
Total other financing sources and uses	<u>2,773,385</u>	<u>(1,903,390)</u>	<u>5,909,699</u>	<u>6,779,694</u>
Change in net position	(77,954)	1,145,617	4,611,961	5,679,624
Net position - July 1, 2012, restated	<u>28,713,972</u>	<u>8,585,028</u>	<u>1,653,113</u>	<u>38,952,113</u>
Net position - June 30, 2013	<u>\$ 28,636,018</u>	<u>\$ 9,730,645</u>	<u>\$ 6,265,074</u>	<u>\$ 44,631,737</u>

The accompanying notes are an integral part of this statement

CITY OF NEW BEDFORD, MASSACHUSETTS

Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position

June 30, 2013

Total governmental fund balances	\$ 44,631,737
Record allowance for doubtful accounts that are financial resources, for the governmental funds	(1,400,483)
Record advance refunding and related amortization that are not reported in the governmental funds	466,283
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	339,879,679
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	52,351,459
Internal service funds are used by management to account for 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	4,880,935
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(2,637,425)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds and notes payable	(190,718,337)
Compensated absences	(16,767,412)
Capital leases	(623,583)
Other postemployment benefits	<u>(127,008,178)</u>
Net position of governmental activities	<u>\$ 103,054,675</u>

The accompanying notes are an integral part of this statement

CITY OF NEW BEDFORD, MASSACHUSETTS

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
And Changes in Fund Balances to the Statement of Activities

For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds	\$ 5,679,624
To record allowance for doubtful accounts that are resources for governmental funds	\$ 3,158,822
Record advance refunding and related amortization that are not reported in the governmental funds	(288,305)
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. This is the amount by which capital outlays exceeded depreciation in the current period.	(1,106,074)
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.	3,725,782
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 position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	9,012,467
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest, is not reported until due.	120,551
The other postemployment benefit expense reported in the statement of activities requires the use of current financial resources and is not reported as an expenditure in the governmental funds	(25,489,585)
Some expenses reported in the Statement of Activities, such as compensated absences, do not require current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(1,267,158)
Internal service funds are used by management to account for health insurance and workers' compensation activities.	
The net activity of internal service funds is reported with Governmental Activities	<u>376,893</u>
Change in net position of governmental activities	<u>\$ (6,076,983)</u>

The accompanying notes are an integral part of this statement

CITY OF NEW BEDFORD, MASSACHUSETTS

Statement of Net Position
Proprietary Funds

June 30, 2013

	Business-Type Activities			Governmental
	Water	Airport	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash	\$ 1,484,464	\$ 425,883	\$ 1,910,347	\$ 8,213,898
Cash - restricted (stabilization)	25,273		25,273	
Investments - restricted (stabilization)	3,433,249		3,433,249	
User charges receivable, net	1,135,745		1,135,745	
Other receivables, net	1,791	25,542	27,333	(1,585)
Due from other funds			-	1,585
Inventory	246,387		246,387	
Other assets	1,672		1,672	
Total current assets	6,328,581	451,425	6,780,006	8,213,898
Non-current assets:				
Land	600,000	525,293	1,125,293	
Easements	962,500		962,500	
Infrastructure in progress	10,378	9,381,879	9,392,257	
Infrastructure, net	46,387,849	8,636,714	55,024,563	
Land improvements, net		463,961	463,961	
Building and improvements, net	52,755	1,508,116	1,560,871	
Machinery and equipment, net	3,019,362	77,137	3,096,499	
Office equipment and furniture, net	5,177	-	5,177	
Computer equipment, net	-	5,240	5,240	
Automobiles, net	310,021	-	310,021	
Total non-current assets	51,348,042	20,598,340	71,946,382	-
Total assets	57,676,623	21,049,765	78,726,388	8,213,898
DEFERRED OUTFLOWS OF RESOURCES				
None			-	
Total deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	\$ 57,676,623	\$ 21,049,765	\$ 78,726,388	\$ 8,213,898
LIABILITIES				
Current liabilities:				
Warrants payable	\$ 164,497	\$ -	\$ 164,497	\$ -
Accounts payable and accrued expenses	-	14,670	14,670	
Accrued interest	396,177	1,656	397,833	
Bonds payable	1,819,221	32,625	1,851,846	
Capital leases	129,597		129,597	
Compensated absences	197,060	17,385	214,445	
Due to other funds			-	650,851
Other liabilities	112		112	
Claims incurred but not reported			-	2,682,112
Total current liabilities	2,706,664	66,336	2,773,000	3,332,963
Non-current liabilities:				
Bonds payable	26,982,663	780,000	27,762,663	
Capital leases	27,289		27,289	
Compensated absences	380,281	14,737	395,018	
Other post-employment liability	1,483,536	153,722	1,637,258	
Total non-current liabilities	28,873,769	948,459	29,822,228	-
Total liabilities	31,580,433	1,014,795	32,595,228	3,332,963
DEFERRED INFLOWS OF RESOURCES				
None			-	
Total deferred inflows of resources	-	-	-	-
NET POSITION				
Invested in capital assets, net of related debt	\$ 22,389,272	\$ 19,785,715	\$ 42,174,987	\$ -
Restricted - water stabilization fund	3,885,863		3,885,863	
Unrestricted - airport operating fund		249,255	249,255	
Unrestricted - water operating fund	(178,945)		(178,945)	
Unrestricted - internal service fund			-	4,880,935
Total net position	26,096,190	20,034,970	46,131,160	4,880,935
Total liabilities, deferred inflows of resources and net position	\$ 57,676,623	\$ 21,049,765	\$ 78,726,388	\$ 8,213,898

The accompanying notes are an integral part of this statement

CITY OF NEW BEDFORD, MASSACHUSETTS

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds

For the Year Ended June 30, 2013

	Business-Type Activities			Governmental Activities
	Water	Airport	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services	\$ 11,159,072	\$ 730,784	\$ 11,889,856	\$ -
Utility liens and penalties	(56,009)		(56,009)	
Contributions (employee and employer)			-	49,700,288
Miscellaneous	248,498		248,498	
Total operating revenues	<u>11,351,561</u>	<u>730,784</u>	<u>12,082,345</u>	<u>49,700,288</u>
OPERATING EXPENSES				
Salaries and benefits	3,520,735	317,792	3,838,527	41,504
Services and supplies	2,779,536	173,555	2,953,091	40,165
Capital outlay	102,088	1,500	103,588	
Depreciation expense	2,486,806	602,671	3,089,477	
Health and other insurance			-	49,251,694
Total operating expenses	<u>8,889,165</u>	<u>1,095,518</u>	<u>9,984,683</u>	<u>49,333,363</u>
Operating income (loss)	<u>2,462,396</u>	<u>(364,734)</u>	<u>2,097,662</u>	<u>366,925</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	123,530		123,530	9,968
Debt administrative costs	(27,789)		(27,789)	
Debt service - interest payments	(1,065,140)	(8,256)	(1,073,396)	
Total nonoperating revenue (expenses)	<u>(969,399)</u>	<u>(8,256)</u>	<u>(977,655)</u>	<u>9,968</u>
Income (loss) before transfers	1,492,997	(372,990)	1,120,007	376,893
OTHER FINANCING SOURCES (USES)				
Transfers in - operating	625,000		625,000	
Transfers out - operating	(2,164,574)	(161,475)	(2,326,049)	
Transfers in - capital	-	9,064,427	9,064,427	
Transfers out - capital	-	(812,625)	(812,625)	
Transfers in - water stabilization fund	820,535		820,535	
Transfers out - water stabilization fund	(1,445,535)		(1,445,535)	
Total transfers	<u>(2,164,574)</u>	<u>8,090,327</u>	<u>5,925,753</u>	<u>-</u>
Change in net position	(671,577)	7,717,337	7,045,760	376,893
Total net position - July 1, 2012	<u>26,767,767</u>	<u>12,317,633</u>	<u>39,085,400</u>	<u>4,504,042</u>
Total net position - June 30, 2013	<u>\$ 26,096,190</u>	<u>\$ 20,034,970</u>	<u>\$ 46,131,160</u>	<u>\$ 4,880,935</u>

The accompanying notes are an integral part of this statement

CITY OF NEW BEDFORD, MASSACHUSETTS

Statement of Cash Flows

For the Year Ended June 30, 2013

	<u>Business-Type Activities</u>			<u>Governmental Activities</u>
	<u>Water</u>	<u>Airport</u>	<u>Total</u>	<u>Internal Service Fund</u>
Cash flows from operating activities:				
Cash received from employee and employer contributions and governmental units	\$ -	\$ -	\$ -	\$ 52,584,930
Cash received from customers	11,396,152	734,280	12,130,432	
Payments from/(to) suppliers and employees	(6,269,275)	(460,609)	(6,729,884)	(48,688,321)
Cash received from interfund services provided			-	(357,740)
Net cash provided (used) by operating activities	<u>5,126,877</u>	<u>273,671</u>	<u>5,400,548</u>	<u>3,538,869</u>
Cash flows from noncapital financing activities:				
Transfers in (out)	<u>(2,164,574)</u>	<u>8,090,327</u>	<u>5,925,753</u>	
Net cash provided by noncapital financing activities	<u>(2,164,574)</u>	<u>8,090,327</u>	<u>5,925,753</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Purchases and construction of capital assets	(187,237)	(9,064,423)	(9,251,660)	
Proceeds from bond issuance	-	812,625	812,625	
Principal paid on capital debt	(1,764,814)		(1,764,814)	
Interest paid on capital debt	(1,045,393)	(6,600)	(1,051,993)	
Debt administrative costs	<u>(27,789)</u>		<u>(27,789)</u>	
Net cash used by capital and related financing activities	<u>(3,025,233)</u>	<u>(8,258,398)</u>	<u>(11,283,631)</u>	<u>-</u>
Cash flows from investing activities:				
Purchase of investments	58,036		58,036	
Interest and dividends	<u>123,530</u>		<u>123,530</u>	9,968
Net cash used by investing activities	<u>181,566</u>	<u>-</u>	<u>181,566</u>	<u>9,968</u>
Net increase in cash and cash equivalents	118,636	105,600	224,236	3,548,837
Balances-beginning of the year	1,365,828	320,283	1,686,111	4,665,061
Balances-end of the year	<u>\$ 1,484,464</u>	<u>\$ 425,883</u>	<u>\$ 1,910,347</u>	<u>\$ 8,213,898</u>
Displayed as:				
Cash and short-term investments	\$ 1,484,464	\$ 425,883	\$ 1,910,347	\$ 8,213,898
Total cash and short-term investments	<u>\$ 1,484,464</u>	<u>\$ 425,883</u>	<u>\$ 1,910,347</u>	<u>\$ 8,213,898</u>

The accompanying notes are an integral part of this statement

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Statement of Cash Flows

For the Year Ended June 30, 2013

	<u>Business-Type Activities</u>			<u>Governmental</u>
	<u>Water</u>	<u>Airport</u>	<u>Total</u>	<u>Internal</u> <u>Service Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 2,462,396	\$ (364,734)	\$ 2,097,662	\$ 366,925
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	2,486,806	602,671	3,089,477	-
Change in assets and liabilities:				
(Increase) decrease in user charges receivables, net	(114,998)		(114,998)	
(Increase) decrease in utility liens	150,013		150,013	
(Increase) decrease other receivables, net	9,576	3,496	13,072	1,585
(Increase) decrease due from other funds	65,000		65,000	2,883,057
(Increase) decrease inventory, net	119,456		119,456	
Increase (decrease) warrants and accounts payable	(265,444)	(2,269)	(267,713)	(5,759)
Increase (decrease) in other post-employment benefits	396,594	33,256	429,850	
Increase (decrease) in due to other funds	(65,000)		(65,000)	650,801
Increase (decrease) in capital leases	(45,036)		(45,036)	
Increase (decrease) in compensated absences	(72,489)	1,251	(71,238)	
Increase (decrease) in other liabilities	3		3	
Increase (decrease) in incurred but not reported			-	(357,740)
Net cash provided (used) by operating activities	<u>\$ 5,126,877</u>	<u>\$ 273,671</u>	<u>\$ 5,400,548</u>	<u>\$ 3,538,869</u>

The accompanying notes are an integral part of this statement

CITY OF NEW BEDFORD, MASSACHUSETTS

Statement of Fiduciary Net Position
Fiduciary Funds and Similar Component Units

June 30, 2013

	Pension Trust Fund (As of December 31, 2012)	Private Purpose Trust Funds	Agency	Total
ASSETS				
Cash and short-term investments	\$ 3,678,217	\$ 433,223	\$ 6,068,831	\$ 10,180,271
Investments:				
Fixed income securities	40,373,038			40,373,038
Stocks / equities	94,925,197			94,925,197
International equities	31,383,330			31,383,330
Pooled funds	39,920,675			39,920,675
Real estate	18,643,215			18,643,215
Alternative investments	14,675,508			14,675,508
Receivables, net of allowance or uncollectibles:				
Interest and dividends	433,265			433,265
Other	350,961		282,926	633,887
Due from external parties - primary government	-		780,987	780,987
Prepaid assets	22,975			22,975
Total assets	<u>244,406,381</u>	<u>433,223</u>	<u>7,132,744</u>	<u>251,972,348</u>
DEFERRED OUTFLOWS OF RESOURCES				
None	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 244,406,381</u>	<u>\$ 433,223</u>	<u>\$ 7,132,744</u>	<u>\$ 251,972,348</u>
LIABILITIES				
Warrants payable	\$ -	\$ 10,498	\$ 423,187	\$ 433,685
Accounts payable and accrued expenses	965,379			965,379
Payable to external parties - primary government			40,132	40,132
Deposits held	404,852		6,658,218	7,063,070
Other liabilities			11,207	11,207
Total liabilities	<u>1,370,231</u>	<u>10,498</u>	<u>7,132,744</u>	<u>8,513,473</u>
DEFERRED INFLOWS OF RESOURCES				
None	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Restricted - other purposes	-	422,725	-	422,725
Restricted - pension benefits	243,036,150	-	-	243,036,150
Total net position	<u>243,036,150</u>	<u>422,725</u>	<u>-</u>	<u>243,458,875</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 244,406,381</u>	<u>\$ 433,223</u>	<u>\$ 7,132,744</u>	<u>\$ 251,972,348</u>

The accompanying notes are an integral part of this statement

CITY OF NEW BEDFORD, MASSACHUSETTS

Statement of Changes in Fiduciary Net Position
Fiduciary Funds and Similar Component Units

For the Year Ended June 30, 2013

	Pension Trust Fund (As of December 31, 2012)	Private Purpose Trust Funds	Total
<u>Additions:</u>			
Contributions:			
Employer	\$ 25,139,524	\$ -	\$ 25,139,524
Employee	8,350,030		8,350,030
Miscellaneous income	11,444	(183)	11,261
	<hr/>	<hr/>	<hr/>
Total contributions	33,500,998	(183)	33,500,815
Net investment income:			
Dividends and interest	4,900,859	3,291	4,904,150
Net appreciation in fair value of investments	25,397,526	357	25,397,883
Gain (loss) on sale of investments	2,014,745	(225)	2,014,520
	<hr/>	<hr/>	<hr/>
Total investment income	32,313,130	3,423	32,316,553
Less: investment expense	1,982,157	-	1,982,157
	<hr/>	<hr/>	<hr/>
Net investment income	30,330,973	3,423	30,334,396
Intergovernmental	1,614,843		1,614,843
	<hr/>	<hr/>	<hr/>
Total additions	65,446,814	3,240	65,450,054
<u>Deductions:</u>			
Retirement benefits	38,405,678		38,405,678
Administration	419,479	10,498	429,977
Transfers, reimbursements and refunds	2,200,923		2,200,923
Total deductions	41,026,080	10,498	41,036,578
	<hr/>	<hr/>	<hr/>
Change in net position	24,420,734	(7,258)	24,413,476
Net position - July 1, 2012 - restated	218,615,416	429,983	219,045,399
	<hr/>	<hr/>	<hr/>
Net position - June 30, 2013	\$ 243,036,150	\$ 422,725	\$ 243,458,875
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of this statement

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 1. Summary of Significant Accounting Policies

The accompanying basic financial statements of the City of New Bedford (“the City”) are presented in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The City of New Bedford is a Massachusetts municipal corporation with a Mayor-Council form of government. These financial statements present the City (the primary government) and its component units. The component units are legally separate entities that are included in the City’s reporting entity because of the significance of their operating or financial relationships with the City. Unless otherwise indicated, the Notes to the Financial Statements pertain only to the primary government because certain disclosures of the component units are not significant relative to the total component units and to the primary government.

Component Units

In conformity with accounting principles generally accepted in the United States of America, management has evaluated each potential component unit being considered for inclusion in the financial reporting entity.

GASB Statement No. 61 modified existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and applicable financial reporting entity disclosure requirements. Based on GASB Statement No. 61 guidance, organizations that previously were required to be included as a component units by meeting the fiscal dependence criterion now must also have a "financial benefit or burden relationship" present between the primary government and that organization for it to be included in the reporting entity as a component unit. A description of the component units, their criteria for inclusion, and their relationship with the City are presented in the following paragraphs:

The *Greater New Bedford Regional Refuse Management District* is an inter-municipal landfill benefitting the City of New Bedford and the adjacent Town of Dartmouth and was organized under the provisions of Massachusetts General Laws Chapter 40, Sections 44A through L. The Refuse District is governed by a six member committee, three of whom are appointed by the City and three of whom shall be appointed by the Town of Dartmouth. Although legally separate, the Greater New Bedford Regional Refuse Management District is reported on the government-wide financial statements as a major component unit (management’s discretion). Based on GASB Statement No. 61 guidance, a “financial benefit or burden relationship” exists between the primary government and the Refuse District due to the fact that the primary government has assumed the obligation to provide financial support to the organization through the payment of an annual assessment. Separate financial statements for the Greater New Bedford Regional Refuse Management District are not included in this financial statement presentation. These financial statements could be obtained by contacting either the Greater New Bedford Regional Refuse Management District or the Office of the Chief Financial Officer of the City of New Bedford.

The *New Bedford Harbor Development Commission* was established under the Chapter 762 of the Acts of 1957 as a Public Instrumentality to develop and market both the New Bedford Harbor as well as the waterfront properties. The Harbor Development Commission manages the local marina, harbors and waterways on behalf of the City. The Commission is made up of seven members, of which the mayor is the chairperson (ex-officio) and six members appointed by the mayor and confirmed by the City Council. Although legally separate, the New Bedford Harbor Development Commission is reported on the government-wide financial statements as a non-major component unit. Based on GASB Statement No. 61 guidance, a “financial benefit or burden relationship” exists between the primary government and the Harbor Development Commission due to the fact that the primary government has provided financial support to the Harbor Development Commission in past years and this obligation is still outstanding as of the end of fiscal year 2013. Separate financial statements for the New Bedford Harbor Development Commission are not included in this financial statement presentation. These financial statements could be obtained by contacting either the New Bedford Harbor Development Commission or the Office of the Chief Financial Officer of the City of New Bedford.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Component Units (Continued)

The *Greater New Bedford Workforce Investment Board, Inc* (“the WIB”) is a Massachusetts not-for-profit corporation organized in 1996 under the laws of the Commonwealth of Massachusetts (MGL Chapter 156B Sections 11 to 13) setup to function as the regional coordinator of the workforce development system for the Workforce Investment Area. The Mayor of the City of New Bedford is the Chief Elected Official of the ten community area and, under WIB bylaws, the Mayor appoints members to its board. Although legally separate, the WIB is reported on the government-wide financial statements as a non-major component unit. At fiscal year end 2013, no “financial benefit or burden relationship” exists between the primary government and the WIB. However, based on GASB Statement No. 61 guidance, even though the WIB’s financial statements are quantitatively immaterial to the financial reporting entity, in management’s best professional judgment, these financial statements are qualitatively material and were included within the financial reporting entity based on the nature and significance of the WIB’s relationship with the City (i.e. the primary government). Separate financial statements for the WIB are not included in this financial statement presentation. These financial statements could be obtained by contacting either the New Directions or the Office of the Chief Financial Officer of the City of New Bedford.

The *New Bedford Redevelopment Authority* was organized under the provisions of Massachusetts General Laws 121B and is an independent body politic and corporate, is not an agency of a municipality and therefore, does not answer directly to the chief executive. According to Massachusetts General Law Chapter 121B Section 5, a redevelopment authority is governed by an appointed five-member board. In a City, four members of a housing or redevelopment authority shall be appointed by the Mayor subject to confirmation by the City Council. The purpose of the Authority is to redevelop substandard, decadent or blighted open areas for industrial, commercial, business, residential, recreational, education, hospital or other purposes. The Redevelopment Authority is reported on the government-wide financial statements as a non-major component unit. Based on GASB Statement No. 61 guidance, a “financial benefit or burden relationship” exists between the primary government and the Redevelopment Authority due to the fact that the primary government has provided financial support to the Redevelopment Authority in past years and this obligation is still outstanding as of the end of fiscal year 2013. Separate financial statements for the Redevelopment Authority are not included in this financial statement presentation. These financial statements could be obtained by contacting either the Redevelopment Authority or the Office of the Chief Financial Officer of the City of New Bedford.

Upon further review of existing GASB guidance, management has concluded that the *New Bedford Contributory Retirement System* (“the System”) should continue to be reported as a fiduciary fund in the City’s fiduciary fund financial statements (see pages 30 and 31). The System qualifies as neither a blended or discretely presented component unit. The System is a defined benefit contributory retirement plan covering employees of the City and certain other entities. The City Auditor is an ex-officio member of the System’s Board and the City is the largest employer in the System.

Complete financial statements of these component units can be obtained through the Office of the Chief Financial Officer, 133 Williams Street, New Bedford, Massachusetts 02740.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide Statements

Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's public safety, parks, library and recreation, public works, wastewater, and general administrative services are classified as governmental activities. The City's water and airport services are classified as business-type activities.

In the government-wide Statement of Net Position, the governmental column is presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (police, fire, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.)

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with function (police, public works, community and economic development, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. However, fiduciary funds are not included in the government-wide statements since these assets are held for the benefit of private parties and pension participants, and cannot be used to satisfy obligations of the primary government. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The net costs (by function) are normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc.)

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

GASB 63 amends GASB 34 to incorporate deferred outflows of resources and deferred inflows of resources into the financial reporting model. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. It has negative effect on net position, similar to liabilities.

C. 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 statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the financial statements. Non-major funds are aggregated and displayed in a single column.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

C. Fund Financial Statements (Continued)

Major Fund Criteria:

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

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

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

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

The following funds are used by the City:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of the financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. **General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. **Capital projects funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).
- d. **Permanent funds** contain resources that are legally restricted to the extent that only earnings may be used for purposes that support the reporting government's programs.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The accounting principles generally accepted in the United States applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- a. **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods and services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs.
- b. **Internal service funds** are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

C. Fund Financial Statements (Continued)

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

- a. **Private purpose trust funds** are used to account for trust arrangements, other than those properly reported in the permanent fund under which principal and investment income exclusively benefits individual, private organizations or other governments.
- b. **Agency funds** are used to account for assets held in a purely custodial capacity.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category of the governmental and enterprise combined) for the determination of major funds.

The City's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

The governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Under this basis of accounting and measurement focus, the City applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Implementation of New Accounting Principles

For the year ending June 30, 2013, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (early implementation)
-

GASB Statement No. 63 identifies net position as the residual of all other elements presented in a statement of financial position, which amends the net asset reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and other pronouncements, by renaming net assets to net position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Management has elected to implement this GASB Statement one year early in order to improve financial reporting by clarifying the appropriate use of the financial statement elements (deferred outflows of resources and deferred inflows of resources) to ensure consistency in financial reporting.

The implementation of GASB Statement No.'s 60, 61 and 62 had no reporting impact for the City.

F. Financial Statement Amounts

Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits and highly liquid investments with a maturity of three months or less when purchased.

Investments

Investments, including deferred compensation and pension funds, are stated at fair value. Fair values are based on quotations from the national securities exchange. Purchases and sales of investments are recorded on the trade date. Transactions unsettled as of year-end are recorded as prepaid for securities purchased and as receivables for securities sold.

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

Real and personal property taxes are based on values levied (assessed) and liened as of each January 1st of every year. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Tax liens may be subject to foreclosure if the tax liens are not paid in accordance with the period required by the law (M.G.L. Ch.60, Section 50). Foreclosure proceedings are processed by the Treasurer or other tax lien custodian.

Foreclosed properties can be then sold through advertised public auction or held for use by the City.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

F. Financial Statement Amounts (Continued)

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

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

Motor Vehicle Excise

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

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

Departmental and Other

Departmental and other receivables consist primarily of public safety details and emergency management service fees that are recorded as receivables in the fiscal year accrued. The allowance of uncollectible is estimated based on historical trends and specific account analysis.

Usage Receivables

Receivables are recorded at net realizable value when earned under the accrual basis and modified basis of accounting. The allowance of uncollectible is based on historical trends and specific account analysis.

Special Assessments

The costs incurred on completed special projects that have been assessed to the benefitted taxpayers which have not been paid. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectible.

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 uncollectible.

Loans

The City 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.

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

Inventory

The cost of supplies and other inventory items as recorded is an expenditure at the time of purchase (purchase method). Inventory balances were on hand at June 30, 2013 and are included in the water and wastewater funds.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

F. Financial Statement Amounts (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs, gutters, streets, sidewalks, and drainage systems) are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets purchased or acquired with an aggregated original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Net interest costs related to construction projects are capitalized during the related period. Such costs were not considered material during fiscal 2013. Donated capital assets are valued at their estimated fair value at the time recorded.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in fixed assets.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives using a half-year first year convention:

Building	20-50 years
Water and sewer system	30-50 years
Other infrastructure	10-50 years
Improvements	10-20 years
Machinery and equipment	5-10 years

GASB No. 34 required the City to report and depreciate new infrastructure assets effective June 30, 2002. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation had historically been reported in the financial statements. The retroactive reporting of infrastructure was subject to an extended implementation period and was first effective for fiscal year ending 2007.

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

Long-Term Debt

Long-term debt is reported as liabilities in the government-wide and propriety 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.

Deferred Inflows of Resources (formerly known as 'deferred revenue')

In the governmental fund financial statement, deferred inflows of resources represent funds received in advance of being owed or receivables which will be collected and included in revenues of future fiscal years.

In the Governmental fund, deferred inflows of resources relate to revenue that is measurable, but not available.

In the Special Revenue funds, deferred inflows of revenues represents amounts received in advance of expenditures incurred for certain grants.

In the government-wide financial statements, revenue is recorded when earned. Therefore, those statements deferred inflow of resources represent only unearned revenues.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

F. Financial Statement Amounts (Continued)

Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, eligible employees are compensated for unused sick and vacation leave (subject to certain limitations) at specific payment rates established by controls, regulations or policy.

Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Management has estimated the short term portion of the compensated absence liability based on historical trends and/or specific account analysis.

Government-Wide and Propriety Fund Financial Statements

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for fund expenditures are recorded in order to reserve portions of applicable appropriations, is employed in governmental funds.

Net Position and Classifications

Government -Wide Financial Statements:

Net position is displayed in three components:

- a. *Invested in capital position, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provision or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

It is the policy of the City of New Bedford to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Statements

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* fund balance will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used.

- *Nonspendable fund balance* - amounts that are not in spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

F. Financial Statement Amounts (Continued)

Fund Statements (Continued)

- *Committed fund balance* - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purposes unless the government takes the same highest-level action to remove or change the constraint. For the City, this formal action takes the form of statutes which are passed by the City Council and approved by the Major.
- *Assigned fund balance* - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Under MGL Chapter 190, Acts of 1982, the City Auditor has the authority to assign amounts to be used for specific purposes on behalf of the City.
- *Unassigned fund balance* - amounts that are available for any purpose; these amounts are reported only in the general fund. The City does not currently have a formal minimum unassigned fund balance policy.

For purposes of fund balance classification, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources are used, committed resources are used first, followed by assigned and unassigned resources, respectively.

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. As required by GASB No. 33 when recording grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

Interfund Activity

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

Government-Wide Financial Statements:

Transaction of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statements 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:

Transaction 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.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

F. Financial Statement Amounts (Continued)

Fund Financial Statements (Continued):

Interfund Transfers

During the course of government operations, resources may be permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out and are not eliminated from the individual fund statements.

Claims and Judgments

The City is uninsured with respect to risks including, but not limited to, property damages, personal injury and workers' compensation. In the fund financial statements, expenditures for claims and judgments are recorded on the basis of whether the liability has matured in the current period. Expenditures for workers' compensation are recorded when paid. Settlements relating to condemnation proceedings are reported when the liability is estimable. In the government-wide financial statements the estimated liability for all claims and judgments is recorded as a liability and as an expense.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Fund Deficit and Appropriation Deficits

Several individual fund deficits existed at June 30, 2013 in the governmental funds. These deficits will be funded by future administration plans; bond issues and available fund balances.

G. Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Note 2. Compliance and Accountability

Budget Requirements, Accounting and Reporting

Requirements for all funds:

- a) Annual budgets are adopted for all City funds. Under state law, the Mayor submits an annual budget to Council for consideration and approval no later than July 15. Such budget is based on expected expenditures by program within a fund and estimated resources by source for all funds.
- b) By Charter the Mayor must submit an annual appropriation ordinance to City Council. This ordinance builds upon the tax budget of the previous July and is updated for any estimated revisions as well as year-end encumbrances and may include any additional information requested by Council. Council may subsequently amend such ordinance. Amendments to the appropriation ordinance during 2013 were approved by the City Council as provided by the Charter.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 2. Compliance and Accountability (Continued)

Budget Requirements, Accounting and Reporting (Continued)

Requirements for all funds (continued):

- c) For day-to-day management control, expenditures plus encumbrances may not exceed the budget at the expenditure-type (i.e., personal services, other operations and maintenance, etc.) level of each cost center (activity within a program within a fund). The Mayor may transfer unencumbered appropriations within programs within funds.
- d) Appropriation control (City Council appropriate budget) is by program (i.e., safety, leisure, health, etc.) within a fund. City Council may, by ordinance, transfer amounts among programs within and between funds. Budgetary comparison schedules are presented in the Supplemental Section as Required Supplemental Information. The budgetary basis is the modified accrual basis of accounting with encumbrances included as actual expenditures.

Interfund Transactions

The interfund activity presented below is for the fund statement level only. These balances include both due from/to other funds and intra-entity receivables and payables.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Other Financing Sources</u>	<u>Other Financing Uses</u>
<u>Major Governmental Funds</u>				
General Fund	\$ 2,776,281	\$ 164,739	\$ 3,587,962	\$ 2,717,689
Wastewater Funds	319,500	2,994,134	6,054,007	7,957,397
City & School Stabilization Funds	-	-	1,903,112	-
<u>Non-Major Governmental Funds</u>				
Capital Projects	-	-	1,796,892	435,989
Special Revenue Funds	-	26,532	341,584	180,678
Permanent Funds	-	1,965	-	65,755
<u>Proprietary Funds</u>				
Internal Service Funds	1,585	650,851	-	-
Water	-	-	1,445,535	3,610,109
Airport	-	-	-	161,475
<u>Fiduciary Funds</u>				
Agency	780,987	40,132	-	-
Private Purpose Trust Funds	-	-	-	-
Totals	<u>\$ 3,878,353</u>	<u>\$ 3,878,353</u>	<u>\$ 15,129,092</u>	<u>\$ 15,129,092</u>

In addition to the sources and uses above, \$9,064,427 was recorded as a source for the airport enterprise fund and \$812,625 was recorded as a financing use for the airport enterprise fund for capital assets purchased from governmental funds and long-term issuances of debt during fiscal year 2013 (respectively) (thus resulting in a net use increase in net position within the airport enterprise fund).

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 3. Cash, Cash Equivalents and Investments

Cash and investment as of June 30, 2013 are classified in the accompanying financial statements as follows:

Cash and investments - Governmental Activities	\$ 71,814,199
Cash and investments - Business Type Activities	5,368,869
Cash and investments - Pension Trust Fund	243,599,180
Cash and investments - City Private Purpose Trust Funds	433,223
Cash and investments - Agency Funds	<u>6,068,831</u>
	<u>\$ 327,284,302</u>

Cash and Cash Equivalents

Deposits are in various financial institutions and are carried at cost or fair value in the case of pooled deposits for trust funds. The carrying value is separately displayed on the statement of net position as “Cash and Investments”. Petty cash is included in the presentation of cash on the statement of net position in the amount of \$8,115 on June 30, 2013.

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At year end, the City’s carrying amount of deposits for the primary government, private purpose trust funds and the agency funds was \$83,444,085, including \$8,115 of petty cash and the bank balance was \$90,453,189. Of the bank balance \$2,646,943 was covered by Federal Depository Insurance, \$19,658,694 was covered by Depositors Insurance Fund and \$45,306,689 was held in collateralized accounts. The remaining balance of \$22,840,863 was held in uncollateralized accounts.

At year end the City’s carrying amount of deposits for the pension trust fund was \$2,747,878 and the bank balance was \$2,794,599. Of the bank balance \$750,000 was covered by Federal Depository Insurance. The remaining balance of \$2,044,599 was held in uncollateralized accounts.

The City has not experienced any losses of funds in excess of federally insured limits held in any financial institutions. Management fees that the City is not exposed to any significant credit risk related to cash.

Investments

Investments are stated at fair value for investment pools and historical costs for all other investments. The majority of investment activity is conducted through contracted investment management firms and held in pooled trust fund accounts in the City’s name.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. See below for ratings of the investments held by the City of New Bedford as of June 30, 2013 based on the S&P rating scale.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. The investments listed below were issued by various financial institutions.

The City adheres to the provisions of MGL Chapter 44 Section 55 when managing concentration risk. This section of the General Laws contain several restrictions limiting where and under what circumstances the City may deposit its funds. No investments in a single issuer exceeded 5% of the City’s investment portfolio.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 3. Cash, Cash Equivalents and Investments (Continued)

Foreign currency risk is the risk that exchange rates effect the valuation of an investment. Although these investments are not denominated in a foreign currency, the underlying securities are denominated in various foreign currencies. The amount of investments which include foreign investments are listed below.

Information about the sensitivity of the fair values of the City's investments to market rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity utilizing the specific identification method:

Total Investments by Investment Type and S&P Ratings

Primary Government, Private Purpose and Agency Funds

Investment Type	Fair Value	S&P Rating							Not Rated
		AAA	AA	A	BBB	BB	B	CCC	
Government Securities	\$ 203,503	\$ -	\$ 61,456	\$ -	\$ 2,282	\$ -	\$ -	\$ -	\$ 139,765
Corporate Bonds	3,121,311		106,510	2,196,146	456,192	237,295			125,168
Fixed Income	359,987				359,987				
Total Debt Securities	\$ 3,684,801	\$ -	\$ 167,966	\$ 2,196,146	\$ 818,461	\$ 237,295	\$ -	\$ -	\$ 264,933

Other Investments:

Equities	3,466,765
Real Estate	2,012
Tangible Assets	3,072
Certificate of Deposits	7,936,751
Mutual Funds - Fixed Income Securities	124,584
Mutual Funds - Equities	61,278
ETF - US	32,242
ETF - International	17,719
Total Investments	<u>\$ 15,329,224</u>

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

3. Cash, Cash Equivalents and Investments (Continued)

Pension Trust Fund

Investment Type	Fair Value	S&P Rating									Not Rated
		AAA	AA	A	BBB	BB	B	CCC	CC	D	
Bond Paying Periodic Income	\$ 19,806,995	\$ 281,576	\$ 1,842,000	\$ 3,283,218	\$ 6,580,933	\$ 2,238,653	\$ 2,983,450	\$ 958,063	\$ 77,355	\$ -	\$ 1,561,747
Convertible Bonds	990,146			416,017	244,298	242,997	45,206	41,628			
CMO	4,929,148	310,424	74,956	122,232	480,922	209,052		54,759	171,271	203,991	3,301,541
Credit Card Receivables	549,518	139,908	96,092	212,746							100,772
Government Issues	7,475,609	1,596,213	1,022,090		1,125,274						3,732,032
Municipals	737,107	59,484	193,675	245,572			238,376				
Mortgage Passthrough Pool	5,530,961		5,530,961								
Auto Loans Receivable	117,493	23,155	50,431								43,907
Other Assets	236,061	100,356	75,796	59,909							
Total Debt Securities	\$ 40,373,038	\$ 2,511,116	\$ 8,886,001	\$ 4,339,694	\$ 8,431,427	\$ 2,690,702	\$ 3,267,032	\$ 1,054,450	\$ 248,626	\$ 203,991	\$ 8,739,999

Other Investments:

Common Stock	\$ 53,359,005
International Equities	31,383,330
Pooled Equities - Capital	14,675,508
Pooled Real Estate	18,643,215
Pooled Funds	39,920,675
Pooled Equities - Diversified Growth	41,566,192
Total Investments	\$ 239,920,963

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

3. Cash, Cash Equivalents and Investments (Continued)

Primary Government, Private Purpose and Agency Funds

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturity (in years)</u>				<u>More than 10 years</u>	<u>Not Available</u>
		<u>0-1 years</u>	<u>1-2 years</u>	<u>2-5 year</u>	<u>5-10 years</u>		
Government Securities	\$ 203,503	\$ -	\$ 132,185	\$ 14	\$ 69,022	\$ 2,282	\$ -
Corporate Bonds	3,121,311		539,148	2,240,728	234,925		106,510
Fixed Income	359,987					359,987	
Certificates of Deposit	7,936,751	1,132,949	530,547	3,833,276	2,107,270	332,709	
Total Debt Securities	\$ 11,621,552	\$ 1,132,949	\$ 1,201,880	\$ 6,074,018	\$ 2,411,217	\$ 694,978	\$ 106,510

Other Investments:

Equities	\$ 3,466,765
Real Estate	2,012
Tangible Assets	3,072
Mutual Funds - Fixed Income Securities	124,583
Mutual Funds - Equities	61,278
ETF - US	32,242
ETF - International	17,720
Total Investments	\$ 15,329,224

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

3. Cash, Cash Equivalents and Investments (Continued)

Pension Trust Fund

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturity (in years)</u>			<u>More than 10 years</u>
		<u>1-2 years</u>	<u>2-5 year</u>	<u>5-10 years</u>	
Bond Paying Periodic Income	\$ 19,806,995	\$ -	\$ 463,919	\$ 1,250,605	\$ 18,092,471
Convertible Bonds	990,146		56,909	239,345	693,892
CMO	4,929,148				4,929,148
Credit Card Receivables	549,518			409,610	139,908
Government Issues	7,475,609	1,022,090	1,596,213	455,265	4,402,041
Municipals	737,107				737,107
Mortgage Passthrough Pool	5,530,961				5,530,961
Auto Loans Receivable	117,493		73,586	43,907	
Other Assets	236,061			100,356	135,705
Total Debt Securities	\$ 40,373,038	\$ 1,022,090	\$ 2,190,627	\$ 2,499,088	\$ 34,661,233
<u>Other Investments:</u>					
Common Stock	\$ 53,359,005				
International Equities	31,383,330				
Pooled Equities - Capital	14,675,508				
Pooled Real Estate	18,643,215				
Pooled Funds	39,920,675				
Pooled Equities - Diversified Growth	41,566,192				
Total Investments	\$ 239,920,963				

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

3. Cash, Cash Equivalents and Investments (Continued)

The following investments represent investments other than investments in the United States.

<u>Investment Type</u>	<u>Currency</u>	<u>Total Amount</u>	<u>Maturity</u>	<u>Description</u>
<i>Foreign Currency Risk</i>				
<i>Primary Government, Private Purpose and Agency Funds</i>				
Common Stock - Foreign	N/A	\$ 1,391	N/A	Columbia Acorn Int'l Fund
Common Stock - Foreign	N/A	5,126	N/A	Vanguard MSCI EAFE ETF
Common Stock - Foreign	N/A	4,814	N/A	Columbia Emerging Markets Fund
ETF - Int'l Dev	N/A	9,666	N/A	Wisdom Tree Emg Mkts Equity
ETF - Int'l Dev	N/A	8,054	N/A	Wisdom Tree DEFA Fund
Total		<u>\$ 29,051</u>		

<u>Investment Type</u>	<u>Currency</u>	<u>Total Amount</u>	<u>Maximum Maturity</u>	<u>Description</u>	<u>S&P Rating</u>
<i>Foreign Currency Risk</i>					
<i>Pension Trust Fund</i>					
Corporate Bonds	Australian Dollar	\$ 246,448	3 years	BNP Paribas Australia	A+
Corporate Bonds	New Zealand Dollar	99,040	3 years	General Electric Cap Corp	AA+
Corporate Bonds	New Zealand Dollar	1,090,672	2 years	General Electric Cap Corp	AA+
Corporate Bonds	Brazilian Real	254,505	1 year	European Bk Recon & Dev	AAA
Corporate Bonds	Pound Sterling	45,880	7 years	Textron Inc	BBB-
Corporate Bonds	Singapore Dollar	990,258	1 year	Intl Bk Recon + Develop	N/A
Foreign Currency	Icelandic Krona	10,371	N/A	Iceland Krona	N/A
Foreign Currency	Pound Sterling	4	N/A	Pound Sterling	N/A
Government Issues	Canadian Dollar	1,022,090	1 year	Province of Ontario	AA-
Government Issues	Canadian Dollar	219,610	<1 year	Canada Housing Trust	AAA
Government Issues	Canadian Dollar	1,073,875	2 years	Canadian Government	AAA
Government Issues	Norwegian Krone	302,727	4 years	Norwegian Krone	AAA
Government Issues	Canadian Dollar	381,004	3 years	Instit Credito Official	BBB-
Government Issues	Norwegian Krone	17,328	6 years	Riskisbref	BBB-
Government Issues	Norwegian Krone	56,933	<1 year	Riskisbref	BBB-
Government Issues	Euro Currency	670,009	12 years	Irish Tsy 5.4 2025	BBB+
Government Issues	Euro Currency	35,785	20 years	Buoni Poliennali Del Tes	N/A
Government Issues	Icelandic Krona	94,034	3 years	Rikisbref	N/A
Subtotal		<u>\$ 6,610,573</u>			

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 4. Receivables

Real estate and personal property taxes are based on values assessed as of each January 1. Taxes due and unpaid after the respective dates are subject to interest and penalties. The City has the right to begin the lien process on property on which taxes have not been paid after one year following the due date and subsequently foreclose on such property.

Real estate, personal property and other excise tax levies are recorded as receivables and revenue in the fiscal year of the levy. Also, any amounts collected within 60 days after year-end are considered revenue. Taxes collected in advance are considered deferred revenue.

Utility receivables charged for both water and sewer usage is recorded based on billings of the cycle which the sections of the City's meters are read. Utility billing occurs quarterly and when unpaid is added to the property owners tax bill as a water and/or sewer lien.

As part of the Community Development Program, the City administers loan programs that provide housing assistance to residents and capital needs assistance for small businesses. Certain of these loans are deferred and forgiven if provisions of the loans are met; others are collectible over the term of the mortgage.

	Governmental Activities				Business-Type Activities		
	Major Funds		Non-Major	Total	Water	Airport	Total
	General	Wastewater	Governmental	Governmental			
Receivables:							
Real estate and personal property taxes	\$ 4,399,412	\$ -	\$ -	\$ 4,399,412	\$ -	\$ -	\$ -
Tax liens and foreclosures	24,178,923	-	-	24,178,923			-
Motor vehicle and boat excise	1,863,940	-	-	1,863,940			-
User charges receivables	-	2,180,738	-	2,180,738	1,275,745		1,275,745
Departmental and other	8,131,174	2,445	-	8,133,619			-
Loans receivable	-	-	20,421,589	20,421,589			-
Other receivables	1,170,430	-	142,016	1,312,446	1,791	25,992	27,783
Special assessments	804	231,810	-	232,614			-
Due from federal or state government	311,215	-	10,473,064	10,784,279			-
Gross receivables	40,055,898	2,414,993	31,036,669	73,507,560	1,277,536	25,992	1,303,528
Less: allowance for uncollectable	(770,397)	(425,870)	(204,216)	(1,400,483)	(140,000)	(450)	(140,450)
Net total receivables	<u>\$ 39,285,501</u>	<u>\$ 1,989,123</u>	<u>\$ 30,832,453</u>	<u>\$ 72,107,077</u>	<u>\$ 1,137,536</u>	<u>\$ 25,542</u>	<u>\$ 1,163,078</u>

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 5. Capital Assets and Depreciation

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Restatement	Beginning Balance Restated	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>						
Not Being Depreciated:						
Land	\$ 3,152,935	\$ 624,300	\$ 3,777,235	\$ -	\$ -	\$ 3,777,235
Construction in progress	44,759,145		44,759,145	487,161	43,565,060	1,681,246
Infrastructure in progress	2,285,081		2,285,081	9,836,288	6,929,450	5,191,919
Subtotal	<u>50,197,161</u>	<u>624,300</u>	<u>50,821,461</u>	<u>10,323,449</u>	<u>50,494,510</u>	<u>10,650,400</u>
Other Capital Assets:						
Infrastructure	167,866,385		167,866,385	6,929,450		174,795,835
Land improvements	362,551		362,551	43,031		405,582
Buildings and improvements	317,090,159		317,090,159	44,492,151		361,582,310
Machinery and equipment	48,592,811		48,592,811	1,270,989		49,863,800
Office equipment and furniture	14,147,807		14,147,807	144,057		14,291,864
Computer equipment	11,454,550		11,454,550	436,941		11,891,491
Library books and textbooks	10,225,403		10,225,403	345,531		10,570,934
Automobiles	10,119,837		10,119,837	401,582		10,521,419
Animals	54,859		54,859	-		54,859
Subtotal	<u>579,914,362</u>	<u>-</u>	<u>579,914,362</u>	<u>54,063,732</u>	<u>-</u>	<u>633,978,094</u>
Accumulated Depreciation:						
Infrastructure	110,389,951		110,389,951	2,560,004		112,949,955
Land improvements	81,885		81,885	19,120		101,005
Buildings and improvements	98,831,497		98,831,497	8,425,981		107,257,478
Machinery and equipment	39,225,954		39,225,954	2,239,488		41,465,442
Office equipment and furniture	13,456,271		13,456,271	345,932		13,802,203
Computer equipment	9,080,579		9,080,579	570,865		9,651,444
Library books and textbooks	9,790,002		9,790,002	231,067		10,021,069
Automobiles	8,857,466		8,857,466	603,536		9,461,002
Animals	36,464		36,464	2,752		39,216
Subtotal	<u>289,750,069</u>	<u>-</u>	<u>289,750,069</u>	<u>14,998,745</u>	<u>-</u>	<u>304,748,814</u>
Net other capital assets	<u>290,164,293</u>	<u>-</u>	<u>290,164,293</u>	<u>39,064,987</u>	<u>-</u>	<u>329,229,280</u>
Net capital assets	<u>\$ 340,361,454</u>	<u>\$ 624,300</u>	<u>\$ 340,985,754</u>	<u>\$ 49,388,436</u>	<u>\$ 50,494,510</u>	<u>\$ 339,879,680</u>

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

5. Capital Assets and Depreciation (continued)

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities - Water:</u>				
Not Being Depreciated:				
Land	\$ 600,000	\$ -	\$ -	\$ 600,000
Infrastructure in progress	502,725	15,226	507,573	10,378
Easements	962,500			962,500
Subtotal	<u>2,065,225</u>	<u>15,226</u>	<u>507,573</u>	<u>1,572,878</u>
Other Capital Assets:				
Infrastructure	91,362,648	507,573		91,870,221
Buildings and improvements	48,811	11,875		60,686
Machinery and equipment	5,941,129	94,777		6,035,906
Office equipment and furniture	96,935			96,935
Computer equipment	49,471			49,471
Automobiles	1,032,146	65,358		1,097,504
Subtotal	<u>98,531,140</u>	<u>679,583</u>	<u>-</u>	<u>99,210,723</u>
Accumulated Depreciation:				
Infrastructure	43,637,683	1,844,689		45,482,372
Buildings and improvements	6,658	1,273		7,931
Machinery and equipment	2,485,483	531,061		3,016,544
Office equipment and furniture	86,827	4,931		91,758
Computer equipment	49,107	364		49,471
Automobiles	682,996	104,487		787,483
Subtotal	<u>46,948,754</u>	<u>2,486,805</u>	<u>-</u>	<u>49,435,559</u>
Net other capital assets	<u>51,582,386</u>	<u>(1,807,222)</u>	<u>-</u>	<u>49,775,164</u>
Net capital assets	<u>\$ 53,647,611</u>	<u>\$ (1,791,996)</u>	<u>\$ 507,573</u>	<u>\$ 51,348,042</u>

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

5. Capital Assets and Depreciation (continued)

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities - Airport:</u>				
Not Being Depreciated:				
Land	\$ 525,293	\$ -	\$ -	\$ 525,293
Infrastructure in progress	317,452	9,064,427		9,381,879
Subtotal	<u>842,745</u>	<u>9,064,427</u>	<u>-</u>	<u>9,907,172</u>
Other Capital Assets:				
Infrastructure	11,193,746	-		11,193,746
Land improvements	621,822			621,822
Buildings and improvements	2,240,420			2,240,420
Machinery and equipment	887,281			887,281
Computer & Equipment	52,400			52,400
Automobiles	74,710			74,710
Office equipment and furniture	5,294			5,294
Subtotal	<u>15,075,673</u>	<u>-</u>	<u>-</u>	<u>15,075,673</u>
Accumulated Depreciation:				
Infrastructure	2,098,458	458,574		2,557,032
Land improvements	126,779	31,082		157,861
Buildings and improvements	692,349	39,955		732,304
Machinery and equipment	755,045	55,099		810,144
Computer and equipment	36,680	10,480		47,160
Automobiles	67,239	7,471		74,710
Office equipment and furniture	5,280	14		5,294
Subtotal	<u>3,781,830</u>	<u>602,675</u>	<u>-</u>	<u>4,384,505</u>
Net other capital assets	<u>11,293,843</u>	<u>(602,675)</u>	<u>-</u>	<u>10,691,168</u>
Net capital assets	<u>\$ 12,136,588</u>	<u>\$ 8,461,752</u>	<u>\$ -</u>	<u>\$ 20,598,340</u>

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

5. *Capital Assets and Depreciation (continued)*

Governmental Activities:

General Government	\$	965,491
Public Safety		1,610,479
Education		7,556,698
Public Works		2,976,590
Public Works (WW)		743,446
Community and Economic Development		274,205
Health and Human Services		185,720
Culture and Recreation		686,116
		<hr/>

Total Governmental Activities \$ 14,998,745

Business-Type Activities:

Water	\$	2,486,805
Airport		602,675
		<hr/>

Total Business-Type Activities \$ 3,089,480

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 6. City of New Bedford Contributory Retirement System

The City of New Bedford contributes to the City of New Bedford's Contributory Employees' Retirement System, which is a single-employer public employee retirement system (PERS), as established under Chapter 32 of the General Laws of the Commonwealth of Massachusetts.

Effective January 1, 1996, the Contributory Retirement System of the City of New Bedford adopted Governmental Accounting Standards Board Statement No. 25 ("GASB-25"): "*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.*" GASB-25 is intended to enhance the understandability and usefulness of pension information included in the financial reports of state and local governmental pension plans.

Effective July 1, 1998, Chapter 17 of the Acts of 1997 (COLA Legislation) was adopted. The result of the adoption of Chapter 17 is to increase the retirement allowance pension or annuity by the percentage as determined by the Commissioner of Social Security or 3%, whichever is less. The maximum pension benefit on which a COLA may be granted is \$12,000. All retirees, disabled retirees and beneficiaries that have been receiving benefit payments for at least one year as of July 1st are eligible for the adjustment.

All COLA's granted to members prior to July 1, 1998 and after 1981 are deemed to be an obligation of the State and are not the liability of the Retirement System.

A. Summary of Significant Accounting Policies

Basis of Accounting

The City of New Bedford's Contributory Employees' Retirement System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Investment income is recognized as earned by the pension plan. The net appreciation (depreciation) in the fair value of investments held by the pension plan is recorded as an increase (decrease) to investment income based on the valuation of investments as of the balance sheet date.

The City accepted Section 22(1)(b1/2) of Chapter 32 of the Massachusetts General Laws in 1990. The City must establish a funding schedule designed to fully fund the retirement system and to reduce the unfunded actuarial accrued liability of the system to zero as of June 30, 2040. Any system for which a funding schedule has been adjusted and approved may receive annual pension funding grants from the Commonwealth.

Operating Cycle

The accounting records of the Retirement System are maintained on a calendar year basis in accordance with the standards and procedures established by the Commissioner of Public Employee Retirement Administration Commission.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 6. City of New Bedford Contributory Retirement System (Continued)

Method Used to Value Assets

Market Value of Plan Assets

Cash deposits are carried at cost which approximates market. Investments in bonds and notes are stated at amortized cost which approximates market. Investments in stock are recorded at market value. The market value of the pension trust fund as of the most recent actuarial valuation (January 1, 2012) was \$218,157,911. The market value for the pension trust fund can be seen on page 29 in the "Statement of Fiduciary Net Position".

Actuarial Value of Assets

The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (7.75%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. This preliminary actuarial value is not allowed to differ from the market value of assets by more than 10%. The actuarial value of assets as of January 1, 2012 is \$239,973,702. More information on this calculation can be seen in Table V of the City's January 1, 2012 actuarial valuation report.

B. Plan Description

All full-time employees, other than teachers, whose employment commences prior to age sixty-five are eligible to participate in the City of New Bedford's Contributory Employees' Retirement System. Teachers and certain administrative employees of the School Department participate in a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board. The City does not contribute to this plan.

The Retirement Board exercises jurisdiction to determine an employee's eligibility for membership in cases involving part time service. The participants contribute specified percentages of their annual compensation to the plan. The City's contribution is determined by the Division of Public Employee Retirement Administration ("PERA") on a cost of benefits approach and, for the year ended June 30, 2013, was \$22,629,695.

As of January 1, 2012 (the most recent actuarial valuation date), employee membership data related to the pension plan was as follows:

	<u>Total</u>
Active members	1,917
Inactive members	481
Retired members	1,429
Disabled members	<u>345</u>
Total participants	<u><u>4,172</u></u>

Under the provisions of the City's pension plan, pension benefits vest after ten years of creditable service. If the employees are terminated involuntarily, benefits vest after six years of creditable service if the employee became a member of a public employee retirement system before January 1, 1978. An employee may retire at age 55 and receive annual pension benefits. The pension plan also provides for death and disability benefits. An employee's annual pension is determined by multiplying his average salary by a benefit rate related to his age and job classification at retirement and the resulting product by his creditable years of employment service. His average salary is the average of his highest three consecutive years' salary or the average salary from his last three years of service, if not consecutive. For most employees, the average of the last three years' salary will be their highest average salary. The amount determined by the benefit formula cannot exceed 80% of the employee's average salary as described above.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 6. City of New Bedford Contributory Retirement System (Continued)

C. Retirement Groups

For retirement purposes employees are classified as Group 1, 2 or 4 employees:

Group 1 Officials and general employees including clerical, administrative and technical workers, laborers, mechanics and all others not otherwise classified. Participants within this group are eligible to retire at age 55.

Group 2 Electricians not classified in Group 1 or 4. Participants within this group are eligible to retire at age 55.

Group 4 Members of police, fire and electric light departments not classified in Group 1 or 2. Participants within this group are eligible to retire at age 45.

D. Funding Policy

Under provisions of State statutes, each employee is required to contribute 5% of his basic pay (exclusive of overtime) to a special fund. For certain employees without continuous service who are reemployed on or after January 1, 1975 and for all employees hired on or after January 1, 1975 but prior to 1984, the contribution rate is 7%. For employees hired from 1984 through June 30, 1996 the contribution rate is 8%. For employees hired after July 1, 1996 the contribution rate is 9%. For all employees hired on or after January 1, 1979 there is an additional contribution of 2% of salary in excess of \$30,000. In addition, the City must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by state statutes. Administrative costs of the Retirement System are financed through investment earnings.

In 2008, the City adopted GASB Statement No. 50, *Pension Disclosures*. This new standard now requires entities to report the results of the most recent actuarial valuation in the footnotes. This information was previously only required to be reported as required supplementary information. The most recent actuarial valuation of the City's Contributory Retirement System was prepared under the direction of Public Employee Retirement Administration Commission (PERAC) as of January 1, 2012. The standardized measure of the unfunded actuarial accrued liability as of January 1, 2012, is as follows:

Actuarial accrued liability:

	<u>January 1, 2012</u> (unaudited)
Actuarial accrued liability for active members	\$ 222,864,254
Actuarial accrued liability for retirees, beneficiaries, disabilities and inactives currently receiving benefits	<u>354,602,479</u>
Total actuarial accrued liability (AAL):	577,466,733
Less: actuarial value of assets (AVA):	<u>239,973,702</u>
Unfunded actuarial accrued liability (UAAL):	<u>\$ 337,493,031</u>

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 6. City of New Bedford Contributory Retirement System (Continued)

E. Contributions Required and Contributions Made

Periodic employer contributions to the pension plan are determined on an actuarial basis using the individual entry age normal actuarial cost method. Normal cost is funded on a current basis. The unfunded actuarial accrued liability is funded over a 30-year period. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the level percentage of payroll on an open group method. The unfunded actuarial accrued liability is set to be fully amortized by the year 2037 based on the most recent actuarial valuation dated January 1, 2012. The funding strategy for normal cost and the unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis.

Total contributions to the pension plan in 2013 amounted to \$29,578,431 of which \$22,629,695 and \$6,948,736 were made by the City of New Bedford and its employees, respectively. The contributed amounts were actuarially determined as described above on a fiscal year basis. The pension contributions represent funding for normal cost and the amortization of the unfunded actuarial accrued liability. Contributions made by the City of New Bedford and its employees represent 31% and 9% respectively, of covered payroll for the year.

The covered payroll for the Contributory Retirement System for the year ending December 31, 2012 was approximately \$73,176,508. The City's total payroll for all employees who contribute to the Contributing Retirement System was approximately \$80,986,005 for the same period. Covered payroll refers to all compensation paid by the City to active employees covered by the City of New Bedford PERS on which contributions to the pension are based.

In addition, teachers, certain administrators, and other professional of the School Department participate in a contributory defined benefit plan administered by the Massachusetts Teachers' Retirement System. The City has no obligation to contribute to this plan. The Commonwealth funds plan benefits to the extent that funding is not provided through employee contributions. The Commonwealth's contributed \$32,164,115 for benefits "on-behalf" of the school department for the year ended June 30, 2013. The amount was recorded as revenue and as an expenditure in the general fund in accordance with GASB-24.

The computation of the pension contribution requirements for 2013 were based on the same (a) actuarial assumptions, (b) benefit provisions, and (c) other significant factors as used to determine pension contribution requirements in the previous year.

Note 7. Other Employee Benefits

A. Other Postemployment Benefits

Plan Description

In addition to the pension benefits described above, the City provides health and life insurance benefits to retirees, their dependents and beneficiaries in accordance with Chapter 32B of Massachusetts General Laws under various contributory plans. Specific benefit provisions and contribution rates are established by collective-bargaining agreements, state laws, and City ordinance. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims for specific plans. The Plan does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 7. Other Employee Benefits (Continued)

A. Other Postemployment Benefits (Continued)

Funding Policy

The contribution requirements of Plan members and the City are established and may be amended by the City. Twenty-five percent of the calculated contribution is paid by the retirees through pension benefit deductions. The remainder of such cost is funded by the City. The City contributes 100% towards a \$5,000 term life insurance premium. The City currently contributes enough money to the Plan to satisfy current obligations on a “pay-as-you-go” basis. The costs of administering the Plan are paid by the City.

Annual OPEB and Net OPEB Obligation

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement 45. The amount that was actuarially determined by using the Projected Unit Credit Cost Method. Under this method the annual contribution consists of two pieces: Normal Cost plus a payment towards the unfunded accrued liability. The normal cost is similarly determined as the present value of the portion of the projected benefit attributable to the current year. The unfunded accrued liability is the accrued liability less the value of any plan assets. The level percent amortization method was utilized to determine the current year ARC. The following table shows the elements of the City’s annual OPEB cost for the year, the amount actually paid on behalf of the Plan, and changes in the City’s net OPEB obligation to the Plan for the year ended June 30, 2013.

Calculation of Net OPEB Obligation (NOO)

	Fiscal 2013
Annual Required Contribution (ARC)	\$ 41,541,822
Interest on Net OPEB Obligation	4,109,040
Amortization Credit on NOO	<u>(3,925,411)</u>
Annual OPEB Cost (an expense)	<u>41,725,451</u>
Premiums and Implicit Subsidy Paid	15,806,016
Cash Contributions (to an OPEB Trust)	<u>-</u>
Total contributions	<u>15,806,016</u>
Change in Net OPEB Obligation (NOO)	25,919,435
NOO Beginning of Fiscal Year	<u>102,726,001</u>
NOO End of Fiscal Year 2013	<u><u>\$ 128,645,436</u></u>

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 7. Other Employee Benefits (Continued)

A. Other Postemployment Benefits (Continued)

The projection of benefits is based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The actuarial calculations reflect a long-term perspective, actuarial method and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The City's annual required contribution, its interest and amortization of the net OPEB obligation (NOO), its annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2013 fiscal year and the three preceding years were as follows:

Fiscal Year Ended	(a) Annual Required Contribution	(b) Interest on NOO	(c) Amortization of NOO	(d) (a)+(b)-(c) Annual OPEB Cost	(e) Pay-as-you-go Contributions	(f) (e/d) % of OPEB Cost Contributed	(g) (d)-(e) OPEB Obligation Increase in	(h) Net OPEB Obligation (NOO)
6/30/2013	41,541,822	4,109,040	3,925,411	41,725,451	15,806,016	37.9%	25,919,435	128,645,436
6/30/2012	39,802,642	3,196,438	3,053,598	39,945,482	17,130,468	42.9%	22,815,014	102,726,001
6/30/2011	35,052,581	2,081,487	1,718,458	35,415,610	14,975,692	42.3%	20,439,918	79,910,987
6/30/2010	33,456,570	1,326,083	1,094,804	33,687,849	12,104,927	35.9%	21,582,922	59,471,069

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was \$563,121,325. Amounts determined regarding the funded status of the Plan and the annual required contributions of the City 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, shows disclosures required by GASB-43 for the OPEB Plan. The schedule will eventually provide additional multi-year trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The funded status of the Plan at July 1, 2012, the most recent actuarial valuation, was as follows:

Schedule of Funding Progress - 4.0%*						
Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b)-(a) Unfunded AAL (UAL)	(a) / (b) Funded Ratio	(c) Covered Payroll	[(b)-(a)]/(c) UAL as a Percentage of Covered Payroll
7/1/2007	\$ -	\$ 478,609,029	\$ 478,609,029	0.00%	\$ 159,905,000	299.31%
7/1/2009	-	522,436,713	522,436,713	0.00%	n/a	n/a
7/1/2011	-	568,836,994	568,836,994	0.00%	n/a	n/a
7/1/2012	-	563,121,325	563,121,325	0.00%	159,055,715	354.04%

* Prior to the 2012 valuation, the discount rate was 3.5%

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 7. Other Employee Benefits (Continued)

A. Other Postemployment Benefits (Continued)

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 health cost trend.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and plan member) 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant methods and assumptions as of the latest actuarial valuation are as follows (see actuarial valuation report for a full listing of methods and assumptions):

Valuation date:	July 1, 2012
Actuarial cost method:	Projected Unit Credit
Amortization period:	30-year level percent of pay assuming 3.0% aggregate annual payroll growth, open basis ("pay-as-you-go")
Remaining amortization period:	30 years as of July 1, 2012 for all future valuations ("pay-as-you-go" plan)
Interest discount rate	Pay-as-you-go: 4.0% per year, net of investment expenses (management's directive)
Participation:	95% of future retirees are assumed to participate in the retiree medical plan. 100% of future retirees are expected to elect life insurance.

Allocation of AOPEBC

AOPEBC costs were allocated to the City's functions as follows:

	<u>NOO</u> <u>June 30, 2012</u>	<u>Change in Net OPEB</u> <u>Obligation (NOO)</u>	<u>NOO</u> <u>June 30, 2013</u>
Governmental Activities:			
General government	\$ 2,983,240	\$ 613,446	\$ 3,596,686
Public safety	30,170,788	6,238,654	36,409,442
Public works	4,558,980	1,188,771	5,747,751
Education	58,709,935	16,098,417	74,808,352
Health and human services	2,955,477	783,172	3,738,649
Culture and recreation	2,140,173	567,125	2,707,298
Total AOPEBC - governmental activities	<u>\$ 101,518,593</u>	<u>\$ 25,489,585</u>	<u>\$ 127,008,178</u>
Business-Type Activities:			
Water	1,086,942	396,594	\$ 1,483,536
Airport	120,466	33,256	153,722
Total AOPEBC - business-type activities	<u>\$ 1,207,408</u>	<u>\$ 429,850</u>	<u>\$ 1,637,258</u>
Total AOPEBC - government-wide	<u>\$ 102,726,001</u>	<u>\$ 25,919,435</u>	<u>\$ 128,645,436</u>

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 8. Other Commitments

Capital Leases

The City is obligation under certain leases accounted for as capital leases. The obligation for the leases in accounted for in Government-Wide Financial Statements as a governmental liability. The following is a schedule of future minimum lease payments under capital leases.

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Primary Government</u>
2014	\$ 225,445	\$ 137,595	\$ 363,040
2015	231,364	28,253	259,617
2016	166,957	2	166,959
2017	43,556	-	43,556
Minimum lease payments for all capital leases	\$ 667,322	\$ 165,850	\$ 833,172
Less: amount representing interest	(43,739)	(8,963)	(52,702)
Present value of net minimum lease payments	<u>\$ 623,583</u>	<u>\$ 156,887</u>	<u>\$ 780,470</u>

	<u>Beginning Balance</u>	<u>Restatement</u>	<u>Balance Restated</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Interest Paid</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>							
Altec Capital Services, LLC	\$ 27,390	\$ -	\$ 27,390	\$ -	\$ 27,390	\$ -	\$ -
Axion Business Technology	3,365	-	3,365	-	2,019	-	1,346
All American Investment Group - Sch. #5	319,385	-	319,385	-	67,239	12,608	239,538
All American Investment Group - Sch. #10	-	-	-	297,627	-	-	297,627
All American Investment Group - Sch. #8A	-	-	-	43,728	14,576	-	29,152
All American Investment Group - Sch. #9	-	-	-	149,488	49,829	-	99,659
Total Governmental Activities	<u>\$350,140</u>	<u>\$ -</u>	<u>\$350,140</u>	<u>\$ 490,843</u>	<u>\$161,053</u>	<u>\$12,608</u>	<u>\$ 667,322</u>
<u>Business-Type Activities</u>							
All American Investment Group - Sch. #7	84,526	-	84,526	-	37,982	4,281	42,263
All American Investment Group - Sch. #6	134,156	-	134,156	-	60,284	6,794	67,078
John Deere Financial	-	-	-	37,323	11,591	850	24,882
All American Investment Group - Sch. #8B	-	-	-	47,440	15,813	-	31,627
Total Business-Type Activities	<u>\$218,682</u>	<u>\$ -</u>	<u>\$218,682</u>	<u>\$ 84,763</u>	<u>\$125,670</u>	<u>\$11,925</u>	<u>\$ 165,850</u>
<u>Total Governmental and Business-Type Activities</u>	<u>\$568,822</u>	<u>\$ -</u>	<u>\$568,822</u>	<u>\$ 575,606</u>	<u>\$286,723</u>	<u>\$24,533</u>	<u>\$ 833,172</u>

Operating Leases

The City of New Bedford has entered into various operating leases for real property, machinery and equipment. Several leases contain a renewal option for varying periods at similar or reduced annual rates. As of June 30, 2013, future minimum rental payments under operating leases that have initial or remaining non-cancellable lease terms are immaterial.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 9. Contingencies

A. Wastewater Capital Improvement Program

To date, the City has financed the Wastewater Capital Improvement Program, through direct loans from the Massachusetts Water Pollution Trust totaling approximately \$140 million, which loans were secured by the issuance of City Revenue Bonds pursuant to the General Resolution. In addition to the Trust loans, the City also has issued general obligation bond anticipation notes to finance those projects in the Wastewater Capital Improvement Program that are not eligible for financing from the Trust under Federal and Massachusetts law. Such bond anticipation notes will be repaid through general obligation bonds of the City or additional city revenue bonds.

In addition, the City anticipates that it may receive funding from certain state and federal grants and from the settlement of environmental Superfund litigation between the EPA and other parties (not including the City) related to the City's Inner Harbor.

The residual cost of the facility to be funded through user fees and tax levy cannot presently be determined. No provision for any liability that may result has been made in the basic financial statements.

The City of New Bedford has signed a consent decree with the Environmental Protection Agency ("EPA"), Commonwealth of Massachusetts Department of Environmental Protection ("DEP") and the Conservation Law foundation concerning the construction of waste treatment facilities, the reduction of combined sewer overflows and compliance with certain provisions of the Clean Water Act (the "Act"). The consent decree required, among other things, the building and full operation of a Secondary Treatment Plant by January 19, 1997. Based upon final specifications and the City's recommended plan for compliance, the City has estimated that total construction costs for the waste treatment program will be approximately \$193.2 million based on present day construction costs.

B. Sullivan's Ledge Escrow Fund

The City has received notice from the EPA that it may be liable, along with several third parties jointly and severally, for costs associated with the clean-up of pollutants at Sullivan's Ledge. Management has indicated that the City's liability for the clean-up of this dump site will be \$600,000 for the Sullivan's Ledge Middle Marsh area (Operable Unit #2), broken down into payments of \$300,000 in fiscal 1998 and \$300,000 in fiscal 1998 plus \$30,000 for fencing in fiscal 1993. For Operable Unit #1, negotiations are currently in progress. Settlement was reached with the government in November 1994 to provide maintenance at site. The City has agreed to appropriate in an escrow account \$15,000 per year beginning in fiscal 1998 for thirty years as financial security.

- Operation and maintenance of the following activities beginning in year 1 for 30 years:

	<u>Yearly</u>	<u>30 Year Total</u>
Treatment Plant	\$ 227,000	\$ 6,825,000
Cap Maintenance	7,720	512,000
Fence Maintenance and Repair	2,400	159,000
Traffic Control (2 years)	<u>50,000</u>	<u>100,000</u>
	<u>\$ 287,120</u>	<u>\$ 7,596,000</u>

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 9. Contingencies (Continued)

C. City Commitment to Private Parties

The City will put \$700,000 into an interest bearing account that is exclusively available to the Group in the event that the City fails to adequately perform its in-kind service obligations. This \$700,000 would be deposited into the escrow on the following schedule: \$300,000 on July 1, 1998 and \$100,000 on July 1 of each consecutive year for four years. The principal and interest would remain in the account for 15 years. The City could then annually draw down the escrow in 1/15 increments.

Note 10. Lease Revenues

The City of New Bedford leases property on Hathaway Road to Johnson Turf and Golf Management, Inc. Areas of the land were designated part of the Sullivan Ledge Superfund site, as determined by the Environmental Protection Agency. The lease is for 35 years and began March 24, 2000 and is for \$120,000 per year less a credit of \$5,333 for unanticipated water consumption costs. In addition, this fee can be abated for individuals who had a membership to play at the Whaling City Golf Course during the 1999 calendar year up to a sum of \$100,000. The remaining fee will be adjusted annually by the consumer price index beginning in 2005.

The land was leased for the operation of an 18 hole public golf course. As stated in the lease agreement, the Whaling City Golf course is required to submit to the City of New Bedford, a certified annual audit of the financial records. The City received audited financial statements for 2007 and 2009 that were completed and delivered in the City's fiscal year 2011. Pending litigation to determine the amount of back and future rent due to the City is due and will be resolved in calendar year 2011. Audited financials of the golf course for the 2013 calendar year have not been received.

Note 11. Joint Venture

The City of New Bedford, the Harbor Development Commission, and the Redevelopment Authority have joined in an agreement with the Whale's Tooth Parking Lot. The City of New Bedford owns this parcel of land and has bought all lighting and fixtures associated with the parking lot. The agreement between the parties is that the Harbor Development Commission will operate the parking lot and collect all parking lot revenues and will pay for all expenditures associated with the parking lot. When profits are generated from the parking lot operations, the Harbor Development Commission will begin to pay back the City of New Bedford for the fixtures and equipment that the City placed into service to operate the parking lot. Five percent of any revenue over budgeted expenditures will be remitted to the Redevelopment Authority for their involvement in the project.

Note 12. Debt

A. Primary Government

Under state law and by authorization of the City Council, the City is authorized to borrow on a temporary basis to fund the following:

- Current operating costs prior to the collection of revenues through the issuance of revenue or tax anticipation notes (RANS or TANS);
- Special Revenue, capital projects and enterprise fund costs incurred prior to obtaining permanent financing through the issuance of bond anticipation notes (BANS) and
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through the issuance of federal and state aid anticipation notes (FAANS and SAANS).

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 12. Debt (Continued)

A. Primary Government (Continued)

The City issued a \$22,750,000 Bond Anticipation Note, dated February 8, 2013, maturing February 7, 2014. This note was issued for the following:

\$ 19,000,000	Keith Middle School	\$ 3,750,000	MUNIS Bond
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B. Defeasance of Debt

In February 2008, the City issued \$22 million in General Obligation State Qualified Bonds with an average interest rate of 3.7% to advance refund \$21 million of outstanding 1998 and 2001 Series Bonds with an average interest rate of 4.6%. The net proceeds of \$22,969,719 (after payment of underwriting fees, insurance and other insurance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 and 2001 bonds. As a result, the 1998 and 2001 bonds are considered to be defeased and the liability of those bonds has been removed from the government-wide statement of net position.

In an attempt to take advantage of favorable interest rates, in April 2010 the City issued \$14.96 million in General Obligation State Qualified Bonds with an average interest rate of 4.0% to advance refund \$15.69 million of outstanding 2001 Series Bonds with an average interest rate of 5.0%. The net proceeds of \$16,955,393 (after payment of underwriting fees, insurance and other insurance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2001 bonds. As a result, the 2001 bonds are considered to be defeased and the liability of those bonds has been removed from the government-wide statement of net position.

The advance refunding of 2008 and 2010 resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$1,939,000. This difference was reported in the accompanying financial statements as an addition to bonds payable and is being charged to operations through the year 2021 using the effective-interest method. The City completed the advance refunding to reduce its total debt service payments over the next 10 years and to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$1,877,713.

At fiscal year-end 2013, a deferred asset (now classified as a “deferred outflow of resources”) remains of \$466,284 in the government-wide statement of net-position to be fully amortized by the year 2019 (the year in which the defeased debt would have matured).

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 12. Debt

The City has the following bond anticipation notes payable outstanding at June 30, 2013:

	<u>Beginning Balance</u>	<u>Additions/ Renewals</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Interest Paid</u>
Capital Projects:								
Bond Anticipation Note	\$ -	\$ 22,750,000	\$ -	\$ 22,750,000	02/08/13	02/07/14	1.00%	\$ -
Bond Anticipation Note	26,262,625		26,262,625	-	02/10/12	02/08/13	1.50%	391,751
Bond Anticipation Note	667,000		667,000	-	06/15/12	02/08/13	2.75%	11,871
	<u> </u>	<u> </u>	<u> </u>	<u> </u>				<u> </u>
Total Capital Projects	<u>\$ 26,929,625</u>	<u>\$ 22,750,000</u>	<u>\$ 26,929,625</u>	<u>\$ 22,750,000</u>				<u>\$ 403,622</u>
General Fund:								
Revenue Anticipation Note	\$ -	\$ 10,000,000	\$ 10,000,000	\$ -	11/19/12	06/28/13	1.50%	\$ 91,250
Total General Fund	<u>\$ -</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ -</u>				<u>\$ 91,250</u>
Total Primary Government	<u>\$ 26,929,625</u>	<u>\$ 32,750,000</u>	<u>\$ 36,929,625</u>	<u>\$ 22,750,000</u>				<u>\$ 494,872</u>

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 12. Debt (Continued)

Changes in balances of long-term liabilities including current portion are as follows:

	<u>Maturities Dates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Advance Refunding Net of Refunding</u>	<u>City Retirements</u>	<u>State Subsidies</u>	<u>Ending Balance</u>	<u>Balance Due in 2014</u>
Governmental Activities								
4.00-6.00% G.O. Bond	04/15/96-04/15/13	\$ 505,000	\$ -	\$ -	\$ 255,000	\$ -	\$ 250,000	\$ 250,000
4.60-5.80% Note	10/01/97-10/01/16	2,930,000			565,000		2,365,000	580,000
4.25-5.00% G.O. Bond	10/14/98-10/01/18	4,341,000			608,000		3,733,000	609,000
4.25-5.50% G.O. Bond	05/01/02-05/01/21	27,410,000			2,251,000		25,159,000	2,818,000
4.25-6.00% Revenue Refunding Bond	02/01/97-02/01/16	2,405,000			3,307	886,693	1,515,000	730,000
4.00-5.25% Revenue Bond	02/01/98-02/01/99	87,045,000			2,290,376	2,099,624	82,655,000	4,710,000
4.00-6.00% Revenue Bond	08/01/01-08/01/31	4,220,000			127,893	32,107	4,060,000	165,000
HUD 108 - 2003-A	02/01/04-08/01/22	1,160,000			105,000		1,055,000	105,000
3.125-5.00% State Qualified G.O. Bond	03/15/06-09/15/25	6,910,000			590,000		6,320,000	590,000
.85% Revenue Bond	07/15/06-07/15/25	446,295			27,901		418,394	28,465
.85% Revenue Bond	02/15/07-02/15/27	4,525,017			142,777		4,382,240	146,110
Pool 11 MWPAT 03-36A	03/18/09 - 7/15/2035	552,931			17,197		535,734	17,619
General Obligation State Qualified Bond	02/15/07-02/15/27	12,030,000			1,025,000		11,005,000	1,045,000
General Obligation Series A Bonds	02/14/08-10/1/2027	11,820,000			615,000		11,205,000	630,000
General Obligation Series A Bonds	02/14/08-10/1/2022	3,450,000			335,000		3,115,000	335,000
General Obligation State Qualified 2010	02/11/10-06/30/35	3,385,000			295,000		3,090,000	300,000
General Obligation State Qualified	03/18/09-07/15/28	780,000			90,000		690,000	90,000
2.4 % Revenue Bond	07/08/10-07/15/2040	6,476,042	-		156,409		6,319,633	160,208
General Obligation State Series A Bonds	06/14/12-06/30/32	2,704,000			164,000		2,540,000	155,000
General Obligation State Series B Series	06/14/12-06/30/32	4,589,000			164,000		4,425,000	160,000
MWPAT Series 16 CWS-09-12-A	06/13/12-01/15/43	10,409,184			-		10,409,184	235,133
MWPAT Series 16 DW-09-23	06/13/12-01/15/33	1,910,778			-		1,910,778	77,293
General Obligation State Qualified	02/07/13-06/30/33	-	3,560,375		-		3,560,375	175,375
Compensated absences		15,500,254	1,267,158				16,767,412	5,868,595
Capital leases (incl interest)		350,141	490,843		173,662		667,322	225,445
Total governmental activities		\$ 215,854,642	\$ 5,318,376	\$ -	\$ 10,001,522	\$ 3,018,424	\$ 208,153,072	\$ 20,206,243

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 12. Debt (Continued)

Changes in balances of long-term liabilities including current portion are as follows (continued):

	Maturities Dates	Beginning Balance	Additions	Advance Refunding Net of Refunding	City Retirements	State Subsidies	Ending Balance	Balance Due in 2014
Business-Type Activities								
4.00-6.00% G.O. Bond	04/15/96-04/15/13	\$ 1,420,000	\$ -	\$ -	\$ 340,000	\$ -	\$ 1,080,000	\$ 350,000
4.25-5.50% G.O. Bond	05/01/02-05/01/21	964,000			101,000		863,000	113,000
.85% Revenue Bond	08/01/03-08/01/24	1,471,398			85,632	27,124	1,358,642	116,309
.85% Revenue Bond	02/01/05-08/01/24	1,525,524			93,415		1,432,109	97,068
.85% Revenue Bond	02/01/05-08/01/24	3,003,084			184,705		2,818,379	191,918
2% MWPAT Bond	12/14/06 - 7/15/26	321,478			18,562		302,916	18,938
2% MWPAT Bond	12/14/06-07/15/26	4,761,898			274,957		4,486,941	280,512
.85% Revenue Bond	12/14/06-07/15/26	7,004,316			349,418		6,654,898	356,476
General Obligation State Qualified 2010	03/18/09-07/15/28	10,095,000			290,000		9,805,000	295,000
General Obligation State Qualified	02/07/13-06/30/33	-	812,625				812,625	32,625
Compensated absences		680,701			71,238		609,463	397,666
Capital leases (incl interest)		218,683	84,763		137,596		165,850	137,595
Total business-type activities		\$ 31,466,082	\$ 897,388	\$ -	\$ 1,946,523	\$ 27,124	\$ 30,389,823	\$ 2,387,107
Total governmental plus business-type activities		\$ 247,320,724	\$ 6,215,764	\$ -	\$ 11,948,045	\$ 3,045,548	\$ 238,542,895	\$ 22,593,350

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 12. Debt (Continued)

Debt service requirements to maturity:

	Total Principal	Total Interest	Total Debt	Less: Total Subsidized Payments (MWPAT)	Total City Debt Service
2014	15,964,049	8,493,041	24,457,090	5,681,306	18,775,784
2015	16,068,535	8,265,850	24,334,385	5,541,476	18,792,909
2016	16,467,188	7,588,376	24,055,564	5,390,552	18,665,012
2017	16,439,442	6,934,123	23,373,565	5,255,470	18,118,095
2018	16,235,683	6,230,300	22,465,983	5,096,208	17,369,775
2019	16,664,321	5,617,239	22,281,560	4,956,886	17,324,674
2020	16,488,670	4,741,152	21,229,822	4,825,560	16,404,262
2021	16,258,754	3,844,731	20,103,485	4,683,318	15,420,167
2022	12,699,583	2,942,403	15,641,986	4,537,905	11,104,081
2023	12,691,180	2,420,724	15,111,904	4,386,180	10,725,724
2024	12,604,267	1,908,877	14,513,144	4,190,002	10,323,142
2025	12,910,748	1,354,906	14,265,654	4,067,070	10,198,584
2026	11,983,199	1,072,681	13,055,880	4,068,939	8,986,941
2027	3,879,419	764,422	4,643,841	121,471	4,522,370
2028	2,831,452	660,413	3,491,865	115,849	3,376,016
2029	2,807,552	577,220	3,384,772	110,068	3,274,704
2030	2,413,450	497,754	2,911,204	104,072	2,807,132
2031	2,416,084	419,474	2,835,558	93,138	2,742,420
2032	2,074,267	345,533	2,419,800	-	2,419,800
2033	1,688,014	277,177	1,965,191	-	1,965,191
2034	1,553,517	226,274	1,779,791	-	1,779,791
2035	1,605,850	174,861	1,780,711	-	1,780,711
2036	953,734	121,536	1,075,270	-	1,075,270
2037	698,045	101,948	799,993	-	799,993
2038	715,518	85,113	800,631	-	800,631
2039	733,428	67,857	801,285	-	801,285
2040	751,788	50,168	801,956	-	801,956
2041	770,606	32,036	802,642	-	802,642
2042	476,176	17,216	493,392	-	493,392
2043	488,328	5,787	494,115	-	494,115
2044	-	-	-	-	-
	<u>\$ 220,332,847</u>	<u>\$ 65,839,192</u>	<u>\$ 286,172,039</u>	<u>\$ 63,225,470</u>	<u>\$ 222,946,569</u>

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 12. Debt (Continued)

Authorized and unissued debt at June 30, 2013, is as follows:

Purpose	Date Authorized	Original Amount Authorized	2012 Authorized/ Unissued	2013 Authorized	Prior Authorized	Issued/ Retired Rescinded	Less: Outstanding BANs	Net Unissued
WW Treatment Facility	8/27/90	\$ 14,000,000	\$ 9,000,000	\$ -	\$ -	\$ -	\$ -	\$ 9,000,000
WW Treatment Facility	6/21/91	224,300,000	73,215,000					73,215,000
Urban Renewal	4/18/00	875,000						-
Normandin Middle School	5/1/00	39,200,000	558,004					558,004
Keith Middle School	5/1/00	53,784,000	-		19,000,000		(19,000,000)	-
Land Development	3/1/01	500,000	215,000					215,000
Keith Middle School	8/1/01	11,659,600	-					-
Campbell Elementary/Middle School	5/1/02	47,200,000	45,700,000					45,700,000
Winslow Elementary School	5/1/02	17,000,000	16,000,000					16,000,000
Water Projects	7/1/02	8,455,000	1,755,448					1,755,448
Shawmut Ave Landfill	2/19/03	1,800,000						-
DeValles Elementary School	6/1/03	11,000,000	10,680,000					10,680,000
Sewer Separation	6/1/03	2,850,000	2,850,000					2,850,000
Sea Lab-3254	6/25/04	4,000,000						-
West End Sewer Separation	6/25/04	21,608,000	21,282,644					21,282,644
Sewer	6/25/04	8,958,000						-
Water DW 04-13	6/25/04	4,205,000						-
Sea Lab-3254	1/18/05	4,500,000						-
West End Sewer Separation Phase V	7/27/05	2,500,000	290,029					290,029
Mount Pleasant Street/Sawyer Street Area Proj	8/23/05	2,500,000	2,500,000					2,500,000
Railroad Depot-3240	6/22/06	12,470,000						-
Hannigan School	9/14/06	3,000,000	3,000,000					3,000,000
Water Main Bonds	10/16/06	9,600,000						-
Water Sys Imp & Plann'g	10/16/06	4,650,000						-
Keith Middle School - Contamination Cleanup	12/1/06	34,564,165	8,901,683					8,901,683
Brooks Elementary School	12/21/06	21,766,800	20,766,800					20,766,800
Lincoln Elementary School	12/21/06	26,105,200	359,985					359,985
Departmental Equipment	5/13/08	627,874						-
Departmental Equipment	1/14/08	3,317,000						-
Water AMR System	1/2/08	6,000,000						-
Quittacas Plant	5/1/09	19,300,000						-
Quittacas Infrastructure Energy	7/16/09	5,500,000	516,047		4,983,953			5,500,000
Repair Bond	7/23/09	3,000,000	219,000			(219,000)		-
Communication Bond	3/16/11	1,000,000	-					-
Airport Improvement Bond	12/10/10	16,583,000	15,770,375		812,625	(13,153,206)		3,429,794
High Hill & Quittacas	6/14/01	845,450	40,600		804,850			845,450
MWPAIDW-00-12	11/26/02	2,440,553	103,663		2,336,890			2,440,553
Management Info Systems	11/16/11	4,200,000	450,000		3,750,000		(3,750,000)	450,000
Artificial Turf Soccer Field	9/13/11	800,000	800,000					800,000
Zoo Reconstruction	9/14/11	667,000						-
Drinking Water Bond	6/13/12	1,910,778						-
Water Pollution Abatement Bond	6/13/12	10,409,184						-
Hannigan School	2/28/13			750,000				750,000
Wastewater Planning Project	2/28/13	2,100,000		2,100,000				2,100,000
Harborwalk Phase I	2/14/13	504,000		504,000				504,000
SCADA System	6/27/13	2,400,000		2,400,000				2,400,000
		<u>\$ 675,405,604</u>	<u>\$ 234,974,278</u>	<u>\$ 5,754,000</u>	<u>\$ 31,688,318</u>	<u>\$ (13,372,206)</u>	<u>\$ (22,750,000)</u>	<u>\$ 236,294,390</u>

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 13. Fund Balance Classification Details

The components of fund balance for the city's governmental funds as of June 30, 2013 are as follows:

	Major Funds		Non-Major Funds				Total
	General Fund	Wastewater	Special Revenue	Capital Projects	Nonexpendable Trusts	Expendable Trusts	
Fund Balances:							
Nonspendable:							
Long-term receivable - discretely presented component units	\$ 1,900,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,900,816
Corpus of cemetery perpetual care fund					4,016,748		4,016,748
Corpus of other endowment funds					1,110,663		1,110,663
Inventory		71,860					71,860
Land inventory			246,918				246,918
Restricted for:							
General government activity			573,674				573,674
Public safety operations			633,957				633,957
Educational purposes			685,092		349,679	5,641	1,040,412
Public works			25,617				25,617
Community housing and development			899,471				899,471
Culture and recreational purposes			333,398		2,101,754	3,647	2,438,799
Health and human services			232,920				232,920
New Bedford cable access			2,916,044				2,916,044
Cemetery perpetual care			451,819				451,819
Sullivan's ledge escrow			1,026,288				1,026,288
Municipal waterways improvement			190,409				190,409
School lunch operations			474,916				474,916
CSO main construction project				38,670			38,670
Acushnet ave international market				240,244			240,244
Normandin middle school construction project				77,097			77,097
Airport safety insurance				886,085			886,085
Wastewater debt service		2,229,947					2,229,947
Wastewater renewal and replacement		1,615,146					1,615,146
Highways			95,716				95,716

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 13. Fund Balance Classification Details

The components of fund balance for the city's governmental funds as of June 30, 2013 are as follows:

	Major Funds		Non-Major Funds				Total
	General Fund	Wastewater	Special Revenue	Capital Projects	Nonexpendable Trusts	Expendable Trusts	
Committed to:							
Economic stabilization	\$ 8,841,931	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,841,931
Emergency board-up of vacant buildings			235,994				235,994
Maintenance and operation of the NB Railyard and Rail Crossing			84,152				84,152
Communication equipment bond				1,048			1,048
Building reconstruction and maintenance				782,805			782,805
Autometer read project				496,159			496,159
Landfill closure project				4,724			4,724
River road project				11,690			11,690
Buttonwood zoo reconstruction				87,923			87,923
Railroad depot				466,448			466,448
West end cement lining project				14,803			14,803
Route 18 project				12,979			12,979
Departmental capital purchases				489,400			489,400
Wastewater special projects		2,831,368					2,831,368
Wastewater operations		2,982,324					2,982,324
Assigned to:							
General government purposes	577,411						577,411
Police	462,743						462,743
Public works / department of public infrastructure	7,107						7,107
Comm of citizens with disabilities	3,487						3,487
Recreation	5,175						5,175
Buttonwood zoo	7,210						7,210
Unassigned:	16,830,138		(246,283)	(13,312,874)	(480,361)		2,790,620
	<u>\$ 28,636,018</u>	<u>\$ 9,730,645</u>	<u>\$ 8,860,102</u>	<u>\$ (9,702,799)</u>	<u>\$ 7,098,483</u>	<u>\$ 9,288</u>	<u>\$ 44,631,737</u>

At June 30, 2013, the balance of the stabilization funds (City and School) were \$8,841,931 and are reported as committed fund balance within the general fund. The stabilization fund balance can be used for economic stabilization purposes upon approval of the City Council.

At June 30, 2013, significant negative unassigned balances are reported within the capital projects funds. This can be attributed to the City's short-term borrowing within those funds combined with the changes in fund balance classifications reported by GASB 54. These negative balances will be alleviated by the proceeds from future long-term borrowings that relate to these projects.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 14. Fund Deficit

The City had deficit fund balance present at June 30, 2013 in the following funds:

Capital Project Funds:		Less: MWPAT Interim Loan O/S and BAN's O/S	
<u>Fund Name:</u>	<u>Fund Deficit</u>		<u>Net Deficit</u>
Building R&M 2.9 Mill Bond	\$ -	\$ -	\$ -
Keith Middle School	10,303,364	(19,000,000)	-
Buttonwood Zoo Reconstruction	-	-	-
Lincoln Elementary School	7,128	-	7,128 *
5.5M SRF QTP Energy Improv	483,175	(483,175)	-
Bond Software Costs	1,174,695	(2,400,000)	-
Bond Computer HR	1,344,512	(1,350,000)	-
Airport Safety Insurance	-	-	-
Total capital projects funds:	<u>\$ 13,312,874</u>	<u>\$ (23,233,175)</u>	<u>\$ 7,128</u>

Federal and State Grants:

<u>Fund Name:</u>	<u>Fund Deficit</u>
Cops Hiring Recovery Program	\$ 96,020 *
Justice Assitance Grant FY10	249 *
VAWA Civilian Adv Gr FY09	364 *
911 Depot & Train EMD	129 *
Taffic Enforcement Grant FY12	23 *
Total federal and state grants:	<u>\$ 96,785</u>

* The deficit will require a future administrative plan to fund this deficit and eliminate it.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 14. Fund Deficit (Continued)

School Grants:

<u>Fund Name:</u>	<u>Fund Deficit:</u>
Woman's Philanthropy	\$ 3,273
Teen Voices	2,010
MKEA	2,569
Child & Family YBPT	2,500
Career Pathways	2,209
Distance Learning Grant	2,538
ESSC	125,221
Career Majors	424
Excel After School Program	<u>1,212</u>
 Total school grants:	 <u><u>\$ 141,956</u></u>

Community Development Funds

<u>Fund Name:</u>	<u>Fund Deficit</u>
Community Development Block Grant	\$ 7,542 *
 Total community development:	 <u><u>\$ 7,542</u></u>

Agency Funds:

<u>Fund Name</u>	<u>Fund Deficit</u>
Retirement Salaries	\$ 545 *
 Total agency funds:	 <u><u>\$ 545</u></u>

* The deficit will require a future administrative plan to fund this deficit and eliminate.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 15. Restatement

In some instances beginning fund balance/net position has been restated as a result of adjustments made to correct or reclassify prior year balances. Such adjustments, summarized by fund type are as follows:

Fiduciary Funds

	Pension Trust Fund (As of December 31, 2012)
Beginning balance, January 1, 2012	\$ 218,503,240
To correct prior year gains/(losses) incurred in error and bring fund balance to actual	<u>112,176</u>
Beginning balance, January 1, 2012, restated	<u><u>\$ 218,615,416</u></u>

The following were the restatements that occurred at the Government-Wide level. This includes the adjustments above plus any additional adjustments.

	Governmental Activities	Business-Type Activities
Beginning balance, July 1, 2012	\$ 108,507,358	\$ 39,085,400
To restate capital assets at beginning of year	<u>624,300</u>	<u>-</u>
Beginning balance, July 1, 2012, restated	<u><u>\$ 109,131,658</u></u>	<u><u>\$ 39,085,400</u></u>

Note 16. Risk Management

The City is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment and employee health and life insurance claims.

Buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed \$100,000 per incident. The City is self insured for other general liability; however, Chapter 258 of the MGL limits the liability to a maximum of \$100,000 per claimant in all matters except actions relating to Federal civil rights, eminent domain and breach of contract. The City is also self-insured for unemployment and workers' compensation.

The City provides a variety of health benefits to employees. The partially self-insured Harvard plans paid through an established internal service fund based on total claims. Employees contribute 25% of the cost of healthcare with the remainder paid by the City. The City also provides health and life insurance benefits to certain retirees, as discussed in Note 7.

Liabilities for self-insured judgments and claims are recorded in the entity wide financial statements if it is probable that a loss has been incurred and the amount can be reasonably estimated. The City accounts for its self-insurance costs that have natured in the general, wastewater, water and airport funds in the fund-basis statements.

The City has established a liability for health claims based on actual amounts paid two months subsequent to year-end (provided by the third-party administrator) and an estimate of future claims based on historical trends.

The City has established a liability for judgments and claims on a case-by-case review of all known claims, estimates of losses incurred but not reported, incremental costs incurred only because of claims, historical trends of previous years, and attorneys' estimates of pending matters and lawsuits in which the City is involved.

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 16. Risk Management (Continued)

Changes in the self insurance liability for the year ended June 30, 2013 is as follows:

Health Claims, July 1, 2012	\$ 3,039,852
Incurred Claims	49,251,694
Payments of claims attributable to events of the fiscal year:	
Health	<u>(49,609,434)</u>
Health Claims, June 30, 2013	<u>\$ 2,682,112</u>

There are numerous cases pending in courts throughout the Commonwealth, where the City of New Bedford is a defendant. In the opinion of the City Solicitor, none of the pending litigation is likely to result in final judgments against the City that would materially affect its financial position.

Note 17. Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events which have occurred subsequent to June 30, 2013, and through March 31, 2014, the date on which the financial statements were available to be issued. The following represents these subsequent events:

The City sold the following General Obligation Bonds and Bond Anticipation Notes dated January 23, 2014:

\$10,000,000 State Qualified General Obligation (25-year) Bond at 3.722% average interest cost.

\$25,183,346 Bond Anticipation Notes payable February 6, 2015. Interest is computed on a 30-day month, 360-day year basis at 0.2730% average interest cost.

The City entered into a, eight year master lease-purchase agreement of \$1,143,394 for the purchase of two 2014 Pierce Arrow XT Pumper fire apparatus at 2.820% average interest cost.

The City entered into a collective bargaining agreement with the New Bedford Police Union, providing wages and other incentives through June 30, 2015.

Note 18. Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

- GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will materially impact the basic financial statements.
- GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which is required to be implemented during fiscal year 2014. The implementation of this statement will require expanded note disclosures and required supplementary information.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the City will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 18. Future Implementation of GASB Pronouncements (Continued)

The GASB has issued the following statements (Continued):

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will materially impact the basic financial statements.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will materially impact the basic financial statements.
- GASB Statement No. 71, *Pension Transition Contribution Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which is required to be implemented during fiscal year 2015 simultaneously with GASB Statement No. 68.

These pronouncements will be implemented by their respective implementation dates.

CITY OF NEW BEDFORD, MASSACHUSETTS

Required Supplementary Information
Statement of Revenues and Expenditures - (Non-GAAP Budgetary Basis)
Budget and Actual - General Fund

For the Year Ended June 30, 2013

	<u>Original Budget</u>		<u>Additional</u>			<u>Encumbrances</u>	<u>Variance</u>
	<u>Encumbrances</u>	<u>Budget</u>	<u>Appropriations</u>	<u>Total</u>	<u>Actual</u>	<u>Carried</u>	<u>Favorable</u>
	<u>Carried</u>	<u>As</u>	<u>and</u>	<u>Budgeted</u>		<u>Forward</u>	<u>(Unfavorable)</u>
	<u>Forward</u>	<u>Adopted</u>	<u>Transfers</u>				
Revenues:							
Tax collections net of refunds:							
Real estate and personal property taxes	\$ -	\$ 93,446,578	\$ 319,081	\$ 93,765,659	\$ 93,765,659	\$ -	\$ -
Local Receipts:							
Motor vehicle excise		5,807,000	(287,500)	5,519,500	6,089,433		569,933
Other excise collections		1,265,500	141,500	1,407,000	1,457,691		50,691
Penalties and interest		1,100,000	-	1,100,000	1,389,535		289,535
Payments in lieu of taxes		275,000	-	275,000	281,810		6,810
Charges for services:							
Trash		2,000	-	2,000	3,048		1,048
Departmental:							
School		1,506,000	(6,000)	1,500,000	1,488,994		(11,006)
Library		13,000	-	13,000	14,575		1,575
Cemeteries		358,000	-	358,000	422,418		64,418
Traffic		1,657,000	(186,000)	1,471,000	1,759,890		288,890
Other		10,542,700	85,580	10,628,280	11,462,627		834,347
Fines and forfeitures		160,000	-	160,000	183,325		23,325
Licenses and permits		2,156,250	75,000	2,231,250	2,228,837		(2,413)
Indirects		4,989,925	(48,492)	4,941,433	4,894,798		(46,635)
Earnings on investments		60,000	(40,000)	20,000	106,281		86,281
Miscellaneous recurring		20,000	-	20,000	17,835		(2,165)
Miscellaneous non-recurring			2,452,653	2,452,653	2,478,024		25,371
Special assessments & betterments		400	-	400	253		(147)
Governmental revenue:							
Federal		18,000		18,000	19,045		1,045
State		139,887,223	(116,078)	139,771,145	139,548,101		(223,044)
Total revenues	\$ -	\$ 263,264,576	\$ 2,389,744	\$ 265,654,320	\$ 267,612,179	\$ -	\$ 1,957,859

See accompanying independent auditors' report
See notes to required supplementary information

CITY OF NEW BEDFORD, MASSACHUSETTS

Required Supplementary Information
Statement of Revenues and Expenditures - (Non-GAAP Budgetary Basis)
Budget and Actual - General Fund

For the Year Ended June 30, 2013

	<u>Original Budget</u>		<u>Additional Appropriations and Transfers</u>	<u>Total Budgeted</u>	<u>Actual</u>	<u>Encumbrances Carried Forward</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Encumbrances Carried Forward</u>	<u>Budget As Adopted</u>					
Expenditures:							
General government	\$ 39,000	\$ 6,775,626	\$ 136,281	\$ 6,950,907	\$ 6,539,251	\$ -	\$ 411,656
General government unclassified:	103,000	8,277,783	406,165	8,786,948	8,697,875	9,336	79,737
Public safety:							
Police		22,333,193	585,000	22,918,193	21,955,699	462,743	499,751
Fire		12,469,821	6,000	12,475,821	12,392,210	-	83,611
EMS	-	2,194,012	325,000	2,519,012	2,462,762	-	56,250
Inspector of Buildings		676,389	-	676,389	639,824	-	36,565
Traffic		691,904	-	691,904	621,693	-	70,211
Public works and facilities:							
Health and sanitation operations		733,917		733,917	733,917	-	-
Public infrasturture		1,898,716	80,000	1,978,716	1,825,775	7,107	145,834
Public facilities		9,700,156	585,000	10,285,156	10,226,590	-	58,566
Snow removal		300,000	172,000	472,000	472,368		(368)
Education:							
School Department	497,081	105,212,400	5,439,488	111,148,969	110,109,652	-	1,039,317
Other		4,705,357	-	4,705,357	4,705,357		-
Human services	200	5,404,489	(1,281)	5,403,408	5,182,611	3,487	217,310
Culture and recreation		2,645,115	60,000	2,705,115	2,642,161	5,175	57,779
Zoo		1,227,412	250,000	1,477,412	1,440,372	7,210	29,830
Debt service		9,688,981	(95,000)	9,593,981	9,481,914		112,067
Health and Life Insurance		36,375,000	-	36,375,000	36,322,214	-	52,786
Pension		22,629,695	-	22,629,695	22,629,695		-
Intergovernmental expenditures		9,524,432	(38,566)	9,485,866	9,581,904		(96,038)
Total expenditures	\$ 639,281	\$ 263,464,398	\$ 7,910,087	\$ 272,013,766	\$ 268,663,844	\$ 495,058	\$ 2,854,864
Excess (deficiency) of revenues over expenditures	\$ (639,281)	\$ (199,822)	\$ (5,520,343)	\$ (6,359,446)	\$ (1,051,665)	\$ (495,058)	\$ 4,812,723

See accompanying independent auditors' report
See notes to required supplementary information

CITY OF NEW BEDFORD, MASSACHUSETTS

Required Supplementary Information
Statement of Revenues and Expenditures - (Non-GAAP Budgetary Basis)
Budget and Actual - General Fund

For the Year Ended June 30, 2013

	<u>Original Budget</u>		<u>Additional Appropriations and Transfers</u>	<u>Total Budgeted</u>	<u>Actual</u>	<u>Encumbrances Carried Forward</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Encumbrances Carried Forward</u>	<u>Budget As Adopted</u>					
Other financing sources and (uses):							
Operating transfers in	\$ -	\$ 199,822	\$ 159,208	\$ 359,030	\$ 204,400	\$ -	\$ (154,630)
Free cash		-	6,993,112	6,993,112	-		(6,993,112)
Overlay reserve			300,000	300,000			(300,000)
Appropriation deficit		-	(28,865)	(28,865)	-		28,865
Stabilization			(1,903,112)	(1,903,112)	(1,903,112)		-
Total other financing sources and (uses)	<u>-</u>	<u>199,822</u>	<u>5,520,343</u>	<u>5,720,165</u>	<u>(1,698,712)</u>	<u>-</u>	<u>(7,418,877)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (639,281)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (639,281)</u>	<u>\$ (2,750,377)</u>	<u>\$ (495,058)</u>	<u>\$ (2,606,154)</u>
Budgetary Fund Balance, June 30, 2012					20,206,355		
Budgetary Fund Balance, June 30, 2013					<u>\$ 17,455,978</u>		

See accompanying independent auditors' report
See notes to required supplementary information

CITY OF NEW BEDFORD, MASSACHUSETTS

Required Supplementary Information
Statement of Revenues and Expenditures - (Non-GAAP Budgetary Basis)
Budget and Actual - Water Enterprise Fund

For the Year Ended June 30, 2013

	<u>Original Budget</u>		<u>Additional Appropriations and Transfers</u>	<u>Available for Current Year Expenditures</u>	<u>Actual</u>	<u>Encumbrances Carried Forward</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Encumbrances Carried Forward</u>	<u>Budget As Adopted</u>					
Revenues:							
Charges for services	\$ -	\$ 10,593,000	\$ -	\$ 10,593,000	11,049,415	\$ -	\$ 456,415
Utility liens and penalties		159,315		159,315	94,004		(65,311)
Intergovernmental revenues				-	-		-
Other		169,000		169,000	83,475		(85,525)
Total Revenues	-	10,921,315	-	10,921,315	11,226,894	-	305,579
Expenditures:							
Salaries and Wages		3,308,568	-	3,308,568	3,196,630		111,938
Charges for Services		1,550,500	190,250	1,740,750	1,666,765		73,985
Materials and Supplies	5,250	1,019,500	159,750	1,184,500	1,103,172		81,328
Capital Outlay	76,875	285,000	(75,000)	286,875	224,503		62,372
Debt Service		2,705,217	-	2,705,217	2,672,972		32,245
Indirect Charges		2,052,530	-	2,052,530	1,814,574		237,956
Total Expenditures	82,125	10,921,315	275,000	11,278,440	10,678,616	-	599,824
Excess (deficiency) of revenues over expenditures	(82,125)	-	(275,000)	(357,125)	548,278	-	905,403
Other financing sources and (uses):							
From free cash			820,535	820,535			(820,535)
From stabilization			625,000	625,000	625,000		-
To stabilization			(820,535)	(820,535)	(820,535)		-
Operating transfers out		-	(350,000)	(350,000)	(350,000)		-
Total other financing sources and (uses)	-	-	275,000	275,000	(545,535)	-	(820,535)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ (82,125)	\$ -	\$ -	\$ (82,125)	\$ 2,743	\$ -	\$ 84,868
Budgetary Fund Balance, June 30, 2012					887,207		
Budgetary Fund Balance, June 30, 2013					\$ 889,950		

See accompanying independent auditors' report
See notes to required supplementary information

CITY OF NEW BEDFORD, MASSACHUSETTS

Required Supplementary Information
Statement of Revenues and Expenditures - (Non-GAAP Budgetary Basis)
Budget and Actual - Airport Enterprise Fund

For the Year Ended June 30, 2013

	<u>Original Budget</u>		<u>Additional Appropriations and Transfers</u>	<u>Available for Current Year Expenditures</u>	<u>Actual</u>	<u>Encumbrances Carried Forward</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Encumbrances Carried Forward</u>	<u>Budget As Adopted</u>					
Revenues:							
Charges for services	\$ -	\$ 676,258	\$ -	\$ 676,258	\$ 727,288	\$ -	\$ 51,030
Total Revenues	-	676,258	-	676,258	727,288	-	51,030
Expenditures:							
Salaries and wages		303,777	(18,000)	285,777	283,285		2,492
Charges for services		147,629	7,500	155,129	134,686		20,443
Materials and supplies		41,875	16,000	57,875	38,869		19,006
Capital outlay			1,500	1,500	1,500		-
Debt service		10,000		10,000	6,600		3,400
Indirect charges		172,977	(7,000)	165,977	161,475		4,502
Total Expenditures	-	676,258	-	676,258	626,415	-	49,843
Excess (deficiency) of revenues over expenditures	-	-	-	-	100,873	-	100,873
Other financing sources and (uses):							
Operating transfers in		-	-	-	-		-
Operating transfers out		-	-	-	-		-
Total other financing sources and (uses)	-	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ -	\$ -	\$ 100,873	\$ -	\$ 100,873
Budgetary Fund Balance, June 30, 2012					303,344		
Budgetary Fund Balance, June 30, 2013					\$ 404,217		

See accompanying independent auditors' report
See notes to required supplementary information

CITY OF NEW BEDFORD, MASSACHUSETTS

Required Supplementary Information
Statement of Revenues and Expenditures - (Non-GAAP Budgetary Basis)
Budget and Actual - Wastewater Treatment Plant Special Fund

For the Year Ended June 30, 2013

	<u>Original Budget</u>						
	<u>Encumbrances Carried Forward</u>	<u>Budget As Adopted</u>	<u>Appropriations and Transfers</u>	<u>Available for Current Year Expenditures</u>	<u>Actual</u>	<u>Encumbrances Carried Forward</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:							
Charges for services	\$ -	\$ 18,398,137	\$ -	\$ 18,398,137	\$ 19,560,430	\$ -	\$ 1,162,293
Liens and penalites		305,000		305,000	242,610		(62,390)
Departmental		25,000		25,000	10,987		(14,013)
Special assessments		13,000		13,000	40,175		27,175
Other		-		-	43,167		43,167
Earnings on investments		100,000		100,000	90,514		(9,486)
Total Revenues		<u>18,841,137</u>	<u>-</u>	<u>18,841,137</u>	<u>19,987,883</u>	<u>-</u>	<u>1,146,746</u>
Expenditures:							
Salaries and wages		1,467,392	-	1,467,392	1,056,027	-	411,365
Charges for services		8,966,500		8,966,500	8,793,498	4,128	168,874
Materials and supplies	-	378,000	75,000	453,000	417,288	-	35,712
Capital outlay		330,000	(75,000)	255,000	198,789	-	56,211
Debt service		6,401,071	-	6,401,071	6,395,304	-	5,767
Indirect charges		1,298,174		1,298,174	1,440,281		(142,107)
Total Expenditures	<u>-</u>	<u>18,841,137</u>	<u>-</u>	<u>18,841,137</u>	<u>18,301,187</u>	<u>4,128</u>	<u>535,822</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-	1,686,696	(4,128)	1,682,568
Other financing sources and (uses):							
Transfer from surplus			1,200,000	1,200,000			(1,200,000)
Operating transfers out		-	(1,200,000)	(1,200,000)	(1,200,000)		-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,200,000)</u>		<u>(1,200,000)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 486,696</u>	<u>\$ (4,128)</u>	<u>\$ 482,568</u>
Budgetary Fund Balance, June 30, 2012					4,158,917		
Budgetary Fund Balance, June 30, 2013					<u>\$ 4,645,613</u>		

See accompanying independent auditors' report
See notes to required supplementary information

CITY OF NEW BEDFORD, MASSACHUSETTS

Required Supplementary Information
Statement of Revenues and Expenditures/Expenses and Changes
in Fund Balance - Budget and Actual - Budgetary Basis

For the Year Ended June 30, 2013

Budgetary - GAAP Reporting Reconciliation

The accompanying Combined Statement of Revenues, Expenditures or Expenses - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund, Water and Airport Enterprise Funds and Wastewater Treatment Plant Special Revenue Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the budgetary basis and the Generally Accepted Accounting Principles ("GAAP") basis are that:

- A) Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis), except for real estate and personal property taxes which are recorded when committed;
- B) Expenditures/expenses are recorded when paid in cash (budgetary basis) as opposed to when liability is incurred (GAAP basis);
- C) Encumbrances are reported as expenditures/expenses (budgetary basis) as opposed to a reservation of fund balance (GAAP basis).

Therefore, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources and expenditures and other uses for the year ended June 30, 2013 are as follows:

	Governmental Funds		Proprietary Funds	
	General Fund	Special Revenue Wastewater Operating	Water	Airport
Revenues and other financing sources:				
GAAP Basis	\$ 300,696,113	\$ 19,939,743	\$ 11,976,561	\$ 9,795,211
Adjustments:				
Increase in real estate and personal property taxes to full accrual	(543,557)			
Change in deferred revenue			(124,667)	(29,488)
Change in 60 day accrual	261,419			
MTRB on-behalf payments	(32,164,115)			
Unbudgeted premiums on bonds	(146,995)			
Unbudgeted gain on sale of foreclosed property	(286,286)			
Realized and unrealized gain (loss) on investments (unbudgeted)		48,140		
Change in the allowance for bad debts				25,992
GAAP capital transfers in				(9,064,427)
Budgetary Basis	\$ 267,816,579	\$ 19,987,883	\$ 11,851,894	\$ 727,288

See accompanying independent auditors' report

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Required Supplementary Information
Statement of Revenues and Expenditures/Expenses and Changes
in Fund Balance - Budget and Actual - Budgetary Basis

For the Year Ended June 30, 2013

Budgetary - GAAP Reporting Reconciliation (Continued)

	Governmental Funds		Proprietary Funds	
	General Fund	Special Revenue Wastewater Operating	Water	Airport
Expenditures and other financing uses:				
GAAP Basis	\$ 302,731,071	\$ 19,500,654	\$ 12,967,204	\$ 2,077,873
Adjustments:				
MTRB on-behalf payments	(32,164,115)			
Unbudgeted state subsidy principal and interest payments			(165,024)	
Change in compensated absences			72,489	(1,250)
GAAP inventory adjustment		533	(119,456)	
Principal paid on long-term debt			1,764,814	
Additions to capital assets			232,271	
Unbudgeted long-term debt acquired (GAAP only)				(812,625)
Depreciation expense			(2,486,806)	(602,671)
Change in accrued interest			(19,747)	(1,656)
Change in OPEB			(396,594)	(33,256)
Budgetary Basis	\$ 270,566,956	\$ 19,501,187	\$ 11,849,151	\$ 626,415

Excess of Expenditures Over Appropriations

The legal level of control for which expenditures can not exceed appropriation is at the category level within a department (i.e., salaries, charges and services; supplies and materials; capital outlay; and debt service.)

In fiscal year 2013, the following expenditures exceeded appropriations in the following categories.

Category	Deficit
Snow and Ice	\$ 328
Total Appropriation Deficit	\$ 328

See accompanying independent auditors' report

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Required Supplementary Information
Contributory Retirement System
Schedule of Funding Progress (Unaudited)

For the Year Ended December 31, 2012

(UNAUDITED)

Actuarial Valuation Date	Reporting Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Individual Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/07	2008	210,446,468	469,061,751	258,615,283	45%	86,659,224	298%
01/01/09	2009	196,465,884	516,132,737	319,666,853	38%	90,036,405	355%
01/01/10	2010	226,978,870	545,614,798	318,635,928	42%	82,625,990	386%
01/01/10	2011	226,978,870	545,614,798	318,635,928	42%	82,625,990	386%
01/01/12	2012	239,973,702	577,466,933	337,493,031	42%	82,496,640	409%
01/01/12	2013	239,973,702	577,466,933	337,493,031	42%	82,496,640	409%

Isolated analysis of the dollar amounts of net assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability can be misleading. Expressing the net assets available for benefits as a percentage of the actuarial accrued liability provided one indication of the Plans' funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids in the analysis of the progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

Note: Actuarial valuations are performed at least every other year. Accordingly, the information presented above is not comparative between years.

See accompanying independent auditors' report

CITY OF NEW BEDFORD, MASSACHUSETTS

Required Supplementary Information
Contributory Retirement System
Schedule of Employee Contribution (Unaudited)

For the Year Ended December 31, 2012

(UNAUDITED)

<u>Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Year Ended December 31</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2008	22,466,545	2007	22,484,125	100%
2009	25,877,801	2008	24,012,561	93%
2010	24,829,417	2009	24,747,734	99%
2011	25,817,836	2010	22,079,203	86%
2012	25,080,002	2011	24,409,382	98%
2013	22,629,695	2012	22,629,695	100%

Although annual required contributions are calculated on a fiscal year basis, the City of New Bedford Contributory Retirement System reports on a calendar year basis, therefore, some disparity may exist between required contributions and actual contributions due to this timing difference.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

See accompanying independent auditors' report

CITY OF NEW BEDFORD, MASSACHUSETTS

Required Supplementary Information
Contributory Retirement System
Schedule of Employee Contribution (Unaudited)

For the Year Ended December 31, 2012

(UNAUDITED)

Actuarial Methods and Assumptions:

The actuarial cost method, factors, and assumptions used in determining cost estimates are presented below:

- 1. Member Data The member data used in the determination of cost estimates consist of pertinent information with respect to the active, inactive, retired, and disabled members of the employer as supplied by the employer to the actuary.
- 2. Valuation Date January 1, 2012
- 3. Actuarial Cost Method The costs of the Plan have been determined in accordance with the individual entry age normal actuarial cost method.
- 4. Rate of Investment Return It is assumed that the assets of the fund will accumulate at a compound annual rate of 7.75% per annum.
- 5. Salary Scale It is assumed that salaries including longevity will increase at a rate of 3.0% per year.
- 6. Cost-of-Living Increases Cost-of-living increases have been assumed to be 3.0% of the lesser of the pension amount and \$12,000 per year.
- 7. Value of Investments Assets held by the fund are valued at market value as reported by the Public Employees' Retirement Administration Commission (PERAC). The actuarial value of assets is determined using a five-year smoothing of asset returns greater than or less than the assumed rate of return.
- 8. Annual Rate of Withdrawal Prior to Retirement Based on an analysis of experience, the assumed annual rates of withdrawal may best be illustrated by the following rates at the following ages:

<u>Service</u>	<u>General Employees</u>	<u>Police and Fire</u>
0	0.1500	0.0150
10	0.0540	0.0150
20	0.0200	0.0000
30	0.0000	0.0000

- 9. Annual Rate of Mortality It is assumed that both pre-retirement and post retirement mortality are represented by the RP-2000 Mortality Table with projection scale AA for 15 years (previously 10 years) for males and females. Mortality for disabled members is represented by the RP-2000 Mortality Table set forward two years for all disabled members.
- 10. Service Retirement Based on an analysis of experience, the assumed annual retirement rates are illustrated at the following ages:

<u>Age</u>	<u>Male General Employees</u>	<u>Female General Employees</u>	<u>Male and Female Police and Fire Employees</u>
50-70	0.01 – 1.00	0.015 – 1.00	0.02 – 1.00

See accompanying independent auditors' report

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Required Supplementary Information
Contributory Retirement System
Schedule of Employee Contribution (Unaudited)

For the Year Ended December 31, 2012

(UNAUDITED)

Actuarial Methods and Assumptions (Continued):

- 11. Annual Rate of Disability Prior to Retirement Based on an analysis of experience, the assumed annual rates of disability may best be illustrated by the following probabilities at the following ages:

<u>Attained Age</u>	<u>General Employees</u>	<u>Police and Fire Employees</u>
20	0.0001	0.0020
30	0.0003	0.0060
40	0.0010	0.0060
50	0.0019	0.0250

In addition, it is assumed for the general employees that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).

- 12. Family Composition It is assumed that 80% of all members will be survived by a spouse and that females (males) are three years younger (older) than members.

- 13. Administrative Expense and Section 3(8)(c) The normal cost is increased by an amount equal to the anticipated administrative expenses for the upcoming fiscal year. The amount for fiscal year 2012 is \$525,000. For 2012, a load for the anticipated net effect of Chapter 32 Section 3(8)(c) transfer payments between systems was included. The estimate of \$775,000 was determined based on recent experience. Both costs are anticipated to increase at 4.0% per year.

No changes in actuarial assumptions or benefit provisions that would significantly affect the valuation of the actuarial accrued liability occurred during fiscal year 2013.

CITY OF NEW BEDFORD, MASSACHUSETTS

Required Supplementary Information
Major Governmental Funds - Wastewater
Combining Balance Sheet

June 30, 2013

	<u>Operating</u>	<u>Special Projects</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 8,348,370	\$ 2,885,274	\$ 2,333,835	\$ 13,567,479
User charges receivable	2,180,738			2,180,738
Special assessments receivable	231,810			231,810
Department receivables	2,445			2,445
Inventory	71,860			71,860
Prepaid expenses	423,388			423,388
Due from other funds	-		319,500	319,500
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	11,258,611	2,885,274	2,653,335	16,797,220
DEFERRED OUTFLOWS OF RESOURCES				
None				-
	<hr/>	<hr/>	<hr/>	<hr/>
Total deferred outflows of resources	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets and deferred outflows of resources	<u>11,258,611</u>	<u>2,885,274</u>	<u>2,653,335</u>	<u>16,797,220</u>
LIABILITIES				
Warrants payable	1,176,471	-	-	1,176,471
Accounts payable and accrued expenses		53,906		53,906
Deposits held	2,810		423,388	426,198
Due to other funds	2,994,134			2,994,134
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	4,173,415	53,906	423,388	4,650,709
DEFERRED INFLOWS OF RESOURCES				
Deferred user fees, fines and charges for services	2,415,866			2,415,866
	<hr/>	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	2,415,866	-	-	2,415,866
	<hr/>	<hr/>	<hr/>	<hr/>
NET POSITION				
Nonspendable	71,860	-	-	71,860
Restricted	1,615,146	-	2,229,947	3,845,093
Committed	2,982,324	2,831,368	-	5,813,692
	<hr/>	<hr/>	<hr/>	<hr/>
Total net position	4,669,330	2,831,368	2,229,947	9,730,645
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and net position	<u>\$ 11,258,611</u>	<u>\$ 2,885,274</u>	<u>\$ 2,653,335</u>	<u>\$ 16,797,220</u>

See accompanying independent auditors' report

CITY OF NEW BEDFORD, MASSACHUSETTS

Required Supplementary Information
Major Governmental Funds - Wastewater
Combining Statement of Revenues and Changes in Fund Balance

For the Year Ended June 30, 2013

	<u>Operating</u>	<u>Special Projects</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:				
Utility usage charges	\$ 19,560,430	\$ -	\$ -	\$ 19,560,430
Liens and penalties	242,610			242,610
Departmental	10,987			10,987
Intergovernmental revenues	-		5,729,836	5,729,836
Special assessments	40,175			40,175
Investment income	42,374	5,139	717	48,230
Other	43,167			43,167
	<u>19,939,743</u>	<u>5,139</u>	<u>5,730,553</u>	<u>25,675,435</u>
Expenditures:				
Salaries	1,056,027			1,056,027
Charges and services	8,793,498			8,793,498
Supplies and materials	416,754			416,754
Capital outlay	198,789	117,251		316,040
Debt admin fees	165,934			165,934
Principal paid on debt	967,800		5,784,284	6,752,084
Interest paid on debt	407,563		4,718,528	5,126,091
	<u>12,006,365</u>	<u>117,251</u>	<u>10,502,812</u>	<u>22,626,428</u>
Excess (deficiency) of revenues over	7,933,378	(112,112)	(4,772,259)	3,049,007
Transfers in	-	1,200,000	4,854,007	6,054,007
Transfers (out)	<u>(7,494,288)</u>	<u>(463,109)</u>		<u>(7,957,397)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	439,090	624,779	81,748	1,145,617
Net position - July 1, 2012	<u>4,230,240</u>	<u>2,206,589</u>	<u>2,148,199</u>	<u>8,585,028</u>
Net position - June 30, 2013	<u>\$ 4,669,330</u>	<u>\$ 2,831,368</u>	<u>\$ 2,229,947</u>	<u>\$ 9,730,645</u>

See accompanying independent auditors' report

CITY OF NEW BEDFORD, MASSACHUSETTS

Supplementary Information
Non-Major Governmental Funds
Combining Balance Sheet

June 30, 2013

	Highway Improvements	Revolving	Reserve for Appropriation	Donations	Federal / State Grants	School Grants	Community Development	Total Special Revenue
ASSETS								
Cash and investments	\$ (858,531)	\$ 1,284,182	\$ 1,616,874	\$ 226,304	\$ 2,384,212	\$ (400,284)	\$ 1,042,588	\$ 5,295,345
Federal and state grants receivable	2,196,201	1,588,097	-	-	2,200,240	1,658,637	273,697	7,916,872
Loans receivable	-	-	-	-	-	-	20,421,589	20,421,589
Receivable, other	-	11,097	-	-	3,000	127,919	-	142,016
Land inventory	-	-	-	-	-	-	246,918	246,918
Total assets	1,337,670	2,883,376	1,616,874	226,304	4,587,452	1,386,272	21,984,792	34,022,740
DEFERRED OUTFLOWS OF RESOURCES								
None	-	-	-	-	-	-	-	-
Total deferred outflows of resources	-	-	-	-	-	-	-	-
Total assets and deferred outflows of resources	1,337,670	2,883,376	1,616,874	226,304	4,587,452	1,386,272	21,984,792	34,022,740
	-	-	-	-	-	-	-	-
LIABILITIES								
Warrants payable	1,241,954	-	-	-	-	445,529	-	1,687,483
Accounts payable and accrued expenses	-	215,245	-	2,531	1,166,154	6,500	301,084	1,691,514
Due to state or federal government	-	-	-	-	-	209	-	209
Due to other funds	-	-	-	-	-	-	26,532	26,532
Other liabilities	-	-	-	-	(208)	-	4,978	4,770
Total liabilities	1,241,954	215,245	-	2,531	1,165,946	452,238	332,594	3,410,508
DEFERRED INFLOWS OF RESOURCES								
Deferred departmental and other receipts	-	14,143	-	-	-	-	-	14,143
Unearned grant income	-	-	-	-	325,898	887,800	102,700	1,316,398
Unearned loan income	-	-	-	-	-	-	20,421,589	20,421,589
Total deferred inflows of resources	-	14,143	-	-	325,898	887,800	20,524,289	21,752,130
NET POSITION								
Nonspendable	-	-	-	-	-	-	246,918	246,918
Restricted	95,716	2,333,842	1,616,874	223,773	3,192,393	188,190	888,533	8,539,321
Committed	-	320,146	-	-	-	-	-	320,146
Unassigned	-	-	-	-	(96,785)	(141,956)	(7,542)	(246,283)
Total net position	95,716	2,653,988	1,616,874	223,773	3,095,608	46,234	1,127,909	8,860,102
Total liabilities, deferred inflows of resources and net position	\$ 1,337,670	\$ 2,883,376	\$ 1,616,874	\$ 226,304	\$ 4,587,452	\$ 1,386,272	\$ 21,984,792	\$ 34,022,740

See accompanying independent auditors' report

CITY OF NEW BEDFORD, MASSACHUSETTS

Supplemental Information
Non-Major Governmental Funds
Combining Balance Sheet

June 30, 2013

	Capital Projects	Permanent Funds		Total Nonmajor Governmental Funds
		Nonexpendable Trusts	Expendable Trusts	
ASSETS				
Cash and investments, unrestricted	\$ 12,375,644	\$ 7,100,598	\$ 9,288	\$ 24,780,875
Federal & state grants receivable	2,556,192			10,473,064
Loans receivable				20,421,589
Other receivables				142,016
Land inventory				246,918
Total assets	<u>14,931,836</u>	<u>7,100,598</u>	<u>9,288</u>	<u>56,064,462</u>
DEFERRED OUTFLOWS OF RESOURCES				
None				-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 14,931,836</u>	<u>\$ 7,100,598</u>	<u>\$ 9,288</u>	<u>\$ 56,064,462</u>
LIABILITIES				
Warrants payable	1,200,885			2,888,368
Accounts payable and accrued expenses	170,452	150		1,862,116
Retainage payable	30,123			30,123
Bonds and notes payable	22,750,000			22,750,000
Interim loan payable	483,175			483,175
Due to other funds		1,965		28,497
Due to other governments				209
Other liabilities				4,770
Total liabilities	<u>24,634,635</u>	<u>2,115</u>	<u>-</u>	<u>28,047,258</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred departmental and other receipts				14,143
Unearned grant income				1,316,398
Unearned loan income				20,421,589
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,752,130</u>
NET POSITION				
Nonspendable	-	5,127,411	-	5,374,329
Restricted	1,242,096	2,451,433	9,288	12,242,138
Committed	2,367,979	-	-	2,688,125
Unassigned	(13,312,874)	(480,361)	-	(14,039,518)
Total net position	<u>(9,702,799)</u>	<u>7,098,483</u>	<u>9,288</u>	<u>6,265,074</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 14,931,836</u>	<u>\$ 7,100,598</u>	<u>\$ 9,288</u>	<u>\$ 56,064,462</u>

See accompanying independent auditors' report

CITY OF NEW BEDFORD, MASSACHUSETTS

Supplemental Information
Non-Major Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance

For the Year Ended June 30, 2013

	Highway Improvements	Revolving	Reserve for Appropriation	Donations	Federal / State Grants	School Grants	Community Development	Total Special Revenue
REVENUES								
Federal grants	\$ 772,949	\$ 5,334,162	\$ -	\$ -	\$ 7,167,353	\$ 14,592,054	\$ 5,626,453	\$ 33,492,971
State grants	2,770,002	1,987,402	-	-	3,025,893	1,692,918	-	9,476,215
Investment income	-	255	1,078	(845)	65	-	113,870	114,423
Charges for services	-	1,351,819	161,339	-	-	-	-	1,513,158
Miscellaneous and other revenues	-	451,851	15,023	28,405	1,646,199	912,176	596,653	3,650,307
Total revenues	<u>3,542,951</u>	<u>9,125,489</u>	<u>177,440</u>	<u>27,560</u>	<u>11,839,510</u>	<u>17,197,148</u>	<u>6,336,976</u>	<u>48,247,074</u>
EXPENDITURES								
General government	-	356,709	-	630	853,454	-	-	1,210,793
Public safety	-	252,667	-	54,838	8,955,265	-	-	9,262,770
Public works	3,448,504	70,289	-	-	281,123	-	-	3,799,916
Education	-	8,277,089	-	-	-	17,152,672	-	25,429,761
Health and human services	-	9,928	-	5,475	760,557	-	-	775,960
Culture and recreation	-	256,902	-	27,154	1,152,917	-	-	1,436,973
Principal payments	-	-	-	-	58,505	-	-	58,505
Community and economic development	-	-	-	-	-	-	6,048,771	6,048,771
Total expenditures	<u>3,448,504</u>	<u>9,223,584</u>	<u>-</u>	<u>88,097</u>	<u>12,061,821</u>	<u>17,152,672</u>	<u>6,048,771</u>	<u>48,023,449</u>
Excess (deficiency) of revenue over expenditures	<u>94,447</u>	<u>(98,095)</u>	<u>177,440</u>	<u>(60,537)</u>	<u>(222,311)</u>	<u>44,476</u>	<u>288,205</u>	<u>223,625</u>
OTHER FINANCING SOURCES (USES)								
Special item - proceeds from insurance recovery	-	80,645	-	-	-	-	-	80,645
Transfers in	-	-	-	-	299,551	42,033	-	341,584
Transfers out	-	-	(138,645)	-	-	(42,033)	-	(180,678)
Total other financing sources (uses)	<u>-</u>	<u>80,645</u>	<u>(138,645)</u>	<u>-</u>	<u>299,551</u>	<u>-</u>	<u>-</u>	<u>241,551</u>
Change in net position	94,447	(17,450)	38,795	(60,537)	77,240	44,476	288,205	465,176
Net position - July 1, 2012, restated	<u>1,269</u>	<u>2,671,438</u>	<u>1,578,079</u>	<u>284,310</u>	<u>3,018,368</u>	<u>1,758</u>	<u>839,704</u>	<u>8,394,926</u>
Net position - June 30, 2013	<u>\$ 95,716</u>	<u>\$ 2,653,988</u>	<u>\$ 1,616,874</u>	<u>\$ 223,773</u>	<u>\$ 3,095,608</u>	<u>\$ 46,234</u>	<u>\$ 1,127,909</u>	<u>\$ 8,860,102</u>

See accompanying independent auditors' report

CITY OF NEW BEDFORD, MASSACHUSETTS

Supplementary Information
 Non-Major Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended June 30, 2013

	Capital Projects	Permanent Funds		Total Nonmajor Governmental Funds
		Nonexpendable Trusts	Expendable Trusts	
REVENUE				
MSBA assistance	\$ 2,583,007	\$ -	\$ -	\$ 2,583,007
Investment income		470,007		584,430
Intergovernmental - operating grants				41,354,167
Intergovernmental - capital grants	12,257,505			13,872,524
Charges for services				1,513,158
Miscellaneous		261,717	3,641	3,915,665
Total revenues	<u>14,840,512</u>	<u>731,724</u>	<u>3,641</u>	<u>63,822,951</u>
EXPENDITURES				
General government	1,179,474			2,390,267
Public safety				9,262,770
Education	927,891	150	5,667	26,363,469
Public works	5,646,457	126,755		9,573,128
Community and economic development				6,048,771
Health and human services				775,960
Municipal airport	9,064,427			9,064,427
Culture and recreation	8,049	138,370		1,583,392
Debt service:				
Principal payments				58,505
Total expenditures	<u>16,826,298</u>	<u>265,275</u>	<u>5,667</u>	<u>65,120,689</u>
Excess (deficiency) of revenues over expenditures	<u>(1,985,786)</u>	<u>466,449</u>	<u>(2,026)</u>	<u>(1,297,738)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	4,373,000			4,373,000
Special item - insurance proceeds				80,645
Transfers in	1,796,892	-	-	2,138,476
Transfers out	(435,989)	(65,755)	-	(682,422)
Total other financing sources and uses	<u>5,733,903</u>	<u>(65,755)</u>	<u>-</u>	<u>5,909,699</u>
Change in net position	3,748,117	400,694	(2,026)	4,611,961
Net position - July 1, 2012, restated	<u>(13,450,916)</u>	<u>6,697,789</u>	<u>11,314</u>	<u>1,653,113</u>
Net position - June 30, 2013	<u>\$ (9,702,799)</u>	<u>\$ 7,098,483</u>	<u>\$ 9,288</u>	<u>\$ 6,265,074</u>

See accompanying independent auditors' report

CITY OF NEW BEDFORD, MASSACHUSETTS

Supplementary Information
Private Purpose Trust Funds
Combining Statement of Net Position

June 30, 2013

	<u>Mary Souza Scholarship</u>	<u>Stawasz Scholarship</u>	<u>Elwyn G. Campbell</u>	<u>Taylor School</u>	<u>Total</u>
ASSETS					
Cash and short-term investments	<u>\$ 268,539</u>	<u>\$ 150,880</u>	<u>\$ 13,774</u>	<u>\$ 30</u>	<u>\$ 433,223</u>
Total assets	<u>268,539</u>	<u>150,880</u>	<u>13,774</u>	<u>30</u>	<u>433,223</u>
LIABILITIES					
Accounts payable	<u>10,000</u>	<u>298</u>	<u>200</u>	<u>-</u>	<u>10,498</u>
Total liabilities	<u>10,000</u>	<u>298</u>	<u>200</u>	<u>-</u>	<u>10,498</u>
NET POSITION					
Held in trust for scholarships	<u>\$ 258,539</u>	<u>\$ 150,582</u>	<u>\$ 13,574</u>	<u>\$ 30</u>	<u>\$ 422,725</u>

See accompanying independent auditors' report

CITY OF NEW BEDFORD, MASSACHUSETTS

Statement Information
Private Purpose Trust Funds
Combining Statement of Revenues, Expenditures and Changes in Fiduciary Net Position
For the Year Ended June 30, 2013

	<u>Mary Souza Scholarship</u>	<u>Stawasz Scholarship</u>	<u>Elwyn G. Campbell</u>	<u>Taylor School</u>	<u>Total</u>
Additions:					
Investment income:					
Dividends and interest	\$ 1,865	\$ 835	\$ 591	\$ -	\$ 3,291
Net appreciation in fair value of investments	(105)	7	455		357
Gain (loss) on sale of investments	-		(225)		(225)
	<u>1,760</u>	<u>842</u>	<u>821</u>	<u>-</u>	<u>3,423</u>
Total investment income					
Other income:	-	-	(183)		(183)
	<u>-</u>	<u>-</u>	<u>(183)</u>		<u>(183)</u>
Total other income					
Total other income	-	-	(183)	-	(183)
	<u>-</u>	<u>-</u>	<u>(183)</u>	<u>-</u>	<u>(183)</u>
Total additions	<u>1,760</u>	<u>842</u>	<u>638</u>	<u>-</u>	<u>3,240</u>
Deductions:					
Education	<u>10,000</u>	<u>298</u>	<u>200</u>		<u>10,498</u>
Total deductions	<u>10,000</u>	<u>298</u>	<u>200</u>	<u>-</u>	<u>10,498</u>
Change in net position	(8,240)	544	438	-	(7,258)
Net position - beginning of year	<u>266,779</u>	<u>150,038</u>	<u>13,136</u>	<u>30</u>	<u>429,983</u>
Net position - end of year	<u>\$ 258,539</u>	<u>\$ 150,582</u>	<u>\$ 13,574</u>	<u>\$ 30</u>	<u>\$ 422,725</u>

See accompanying independent auditors' report

CITY OF NEW BEDFORD, MASSACHUSETTS

Supplementary Information
Statement of Property and Excise Tax Receivable

For the Year Ended June 30, 2013

	<u>BEGINNING BALANCE</u>	<u>COMMITMENTS</u>	<u>COLLECTIONS</u>	<u>TREASURERS ADJUSTMENTS</u>	<u>EXEMPTIONS & ABATEMENTS</u>	<u>TRANSFER TO TAX TITLE</u>	<u>REFUNDS</u>	<u>ENDING BALANCE</u>
<u>Personal Property:</u>								
2013	\$ -	\$ 5,432,881	\$ (5,381,435)	\$ (86)	\$ (676)	\$ -	\$ -	\$ 50,684
2012	11,857	-	(26,039)	51	(94)	-	68,235	54,010
2011	(5,143)	-	(18,638)	(2)	(428)	-	79,687	55,476
2010	45,267	-	(2,696)	-	(1,240)	-	-	41,331
2009	32,957	-	(2,007)	8	(188,166)	-	187,632	30,424
2008	27,302	-	(1,545)	(7)	-	-	-	25,750
2007	21,150	-	(1,661)	68	-	-	4,460	24,017
2006	28,742	-	(1,443)	42	-	-	447	27,788
2005	(1,028)	-	-	457	-	-	-	(571)
2004	(616)	-	-	287	-	-	-	(329)
2003	(70)	-	-	57	-	-	-	(13)
2002	(85)	-	-	85	-	-	-	-
2001 and prior	(162)	-	-	75	-	-	-	(87)
Total Personal Property:	\$ 160,171	\$ 5,432,881	\$ (5,435,464)	\$ 1,035	\$ (190,604)	\$ -	\$ 340,461	\$ 308,480
<u>Real Estate:</u>								
2013	\$ -	\$ 89,785,653	\$ (84,970,170)	\$ (24,244)	\$ (818,208)	\$ -	\$ 82,176	\$ 4,055,207
2012	4,384,899	-	(1,711,655)	12,707	(44,772)	(2,716,083)	53,704	(21,200)
2011	(39,314)	-	(4,307)	(981)	(712)	(3,598)	48,949	37
2010	2,286	-	(24)	-	-	-	-	2,262
2009	(742)	-	-	(47)	-	-	-	(789)
2008	3,325	-	-	3	-	-	-	3,328
2007 and prior	52,092	-	-	1	-	-	-	52,093
Total Real Estate:	\$ 4,402,546	\$ 89,785,653	\$ (86,686,156)	\$ (12,561)	\$ (863,692)	\$ (2,719,681)	\$ 184,829	\$ 4,090,938
Total Property Taxes:	\$ 4,562,717	\$ 95,218,534	\$ (92,121,620)	\$ (11,526)	\$ (1,054,296)	\$ (2,719,681)	\$ 525,290	\$ 4,399,418

See accompanying independent auditors' report

CITY OF NEW BEDFORD, MASSACHUSETTS

Supplementary Information
Statement of Property and Excise Tax Receivable

For the Year Ended June 30, 2013

	<u>BEGINNING BALANCE</u>	<u>COMMITMENTS</u>	<u>COLLECTIONS</u>	<u>TREASURERS ADJUSTMENTS</u>	<u>EXEMPTIONS & ABATEMENTS</u>	<u>TRANSFER TO TAX TITLE</u>	<u>REFUNDS</u>	<u>ENDING BALANCE</u>
<u>Motor Vehicle:</u>								
2013	\$ -	\$ 5,796,735	\$ (4,938,205)	\$ (287)	\$ (127,765)	\$ -	\$ 1,681	\$ 732,159
2012	606,589	664,613	(971,214)	778	(76,223)	-	37,391	261,934
2011	280,150	725	(129,235)	280	(12,085)	-	1,616	141,451
2010	142,595	823	(33,990)	(112)	(2,675)	-	790	107,431
2009	113,994	-	(20,237)	50	(922)	-	231	93,116
2008	102,990	-	(13,824)	(13)	(891)	-	20	88,282
2007	113,517	-	(7,198)	(183)	(1,092)	-	276	105,320
2006	101,911	-	(4,877)	(304)	(577)	-	-	96,153
2005	101,539	-	(3,778)	-	(348)	-	85	97,498
2004	87,122	-	(2,668)	(35)	(307)	-	44	84,156
Total Motor Vehicle:	<u>\$ 1,650,407</u>	<u>\$ 6,462,896</u>	<u>\$ (6,125,226)</u>	<u>\$ 174</u>	<u>\$ (222,885)</u>	<u>\$ -</u>	<u>\$ 42,134</u>	<u>\$ 1,807,500</u>
Total Property and Motor Vehicle:	<u>\$ 6,213,124</u>	<u>\$ 101,681,430</u>	<u>\$ (98,246,846)</u>	<u>\$ (11,352)</u>	<u>\$ (1,277,181)</u>	<u>\$ (2,719,681)</u>	<u>\$ 567,424</u>	<u>\$ 6,206,918</u>

See accompanying independent auditors' report

CITY OF NEW BEDFORD, MASSACHUSETTS

Supplementary Information
 General Long-Term Debt Account Group
 Schedule of Ten Years of Long-Term Debt Maturities

June 30, 2013

	Outstanding Balance					
	June 30, 2013	2014	2015	2016	2017	2018
GOB 2004 - Refund 1996	\$ 2,365,000	\$ 580,000	\$ 585,000	\$ 595,000	\$ 605,000	\$ -
GOB 2004 - Refund 1995	1,330,000	600,000	360,000	370,000	-	-
Sewer Bonds	1,399,000	212,000	216,000	226,000	238,000	249,000
General Public Improvement	2,334,000	397,000	393,000	390,000	387,000	385,000
Federal Loan 1996 Series A	1,515,000	730,000	515,000	270,000	-	-
Federal Loan 1998 Series A	82,655,000	4,710,000	5,085,000	5,490,000	5,920,000	6,090,000
Federal Loan 2000 Series 6	4,060,000	165,000	170,000	180,000	185,000	185,000
Middle School, Public Imp	26,022,000	2,931,000	3,006,000	3,079,000	3,160,000	3,266,000
Federal Loan 2003 Series 8	456,351	39,019	40,715	42,412	44,108	44,108
Federal Loan 2003 Pool 9	902,290	77,290	80,000	80,000	85,000	90,000
HUD 108 - 2003-A	1,055,000	105,000	105,000	105,000	105,000	105,000
Federal Loan DW-02-13	1,432,109	97,068	100,041	105,000	110,000	110,000
Federal Loan DW-02-20	2,818,379	191,918	197,786	204,888	214,883	219,880
\$11,434M GOB 2006	6,320,000	590,000	585,000	585,000	555,000	550,000
Federal Loan CW-04-28	418,394	28,465	29,040	29,627	30,225	30,836
Federal Loan CW-03-36	4,382,240	146,110	149,520	153,009	156,581	160,235
GOSQ Bond 2007	11,005,000	1,045,000	1,060,000	1,080,000	1,105,000	1,125,000
Federal Loan DW-02-13A	302,916	18,938	19,320	19,710	20,108	20,514
Federal Loan DW-04-13	4,486,941	280,512	286,179	291,961	297,859	303,876
GOB 2008 Series A	11,205,000	630,000	650,000	665,000	680,000	695,000
General Obligation SQ Bond - Series B	3,115,000	335,000	335,000	335,000	335,000	335,000
MWPAT CW 03-36A	535,734	17,619	18,050	18,493	18,946	19,410
MWPAT DW06-10 Series 14	6,654,898	356,476	363,678	371,025	378,521	386,167
\$950,000 General Obligation State Qualified	690,000	90,000	90,000	95,000	100,000	100,000
\$14.571 Million Bond Issue	12,895,000	595,000	605,000	625,000	640,000	665,000
\$19.30 Million ARRA Revenue Bond	6,319,633	160,208	164,100	168,086	172,169	176,351
\$2.704 Million GOB Series A	2,540,000	155,000	160,000	170,000	160,000	170,000
\$4.589 Million GOB Series B	4,425,000	160,000	165,000	175,000	180,000	185,000
MWPAT Series 16 CWS-09-12-A	10,409,184	235,133	241,133	247,288	253,599	260,071
MWPAT Series 16 DWS-09-23	1,910,778	77,293	78,973	80,689	82,443	84,235
\$4.373 Million GOB SQ Bond	4,373,000	208,000	215,000	220,000	220,000	225,000
	<hr/>					
	\$ 220,332,847	\$ 15,964,049	\$ 16,068,535	\$ 16,467,188	\$ 16,439,442	\$ 16,235,683

See accompanying independent auditors' report

CITY OF NEW BEDFORD, MASSACHUSETTS

Supplementary Information
 General Long-Term Debt Account Group
 Schedule of Ten Years of Long-Term Debt Maturities

June 30, 2013

	2019	2020	2021	2022	2023
GOB 2004 - Refund 1996	\$ -	\$ -	\$ -	\$ -	\$ -
GOB 2004 - Refund 1995	-	-	-	-	-
Sewer Bonds	258,000	-	-	-	-
General Public Improvement	382,000	-	-	-	-
Federal Loan 1996 Series A	-	-	-	-	-
Federal Loan 1998 Series A	6,260,000	6,440,000	6,620,000	6,810,000	7,005,000
Federal Loan 2000 Series 6	195,000	200,000	210,000	220,000	225,000
Middle School, Public Imp	3,370,000	3,525,000	3,685,000	-	-
Federal Loan 2003 Series 8	45,805	47,501	49,198	50,894	52,591
Federal Loan 2003 Pool 9	90,000	95,000	100,000	100,000	105,000
HUD 108 - 2003-A	105,000	105,000	105,000	105,000	110,000
Federal Loan DW -02-13	115,000	120,000	125,000	130,000	135,000
Federal Loan DW -02-20	229,875	239,869	244,866	254,861	264,856
\$11,434M GOB 2006	550,000	550,000	545,000	435,000	435,000
Federal Loan CW-04-28	31,459	32,094	32,742	33,404	34,079
Federal Loan CW-03-36	163,975	167,802	171,717	175,726	179,827
GOSQ Bond 2007	1,150,000	1,175,000	580,000	580,000	575,000
Federal Loan DW -02-13A	20,929	21,352	21,784	22,223	22,673
Federal Loan DW-04-13	310,015	316,277	322,667	329,185	335,836
GOB 2008 Series A	715,000	725,000	745,000	770,000	1,005,000
General Obligation SQ Bond - Series B	330,000	330,000	330,000	330,000	120,000
MWPAT CW 03-36A	19,886	20,373	20,873	21,384	21,908
MWPAT DW06-10 Series 14	393,969	401,928	410,047	418,331	426,782
\$950,000 General Obligation State Qualified	105,000	110,000	-	-	-
\$14.571 Million Bond Issue	690,000	710,000	740,000	765,000	460,000
\$19.30 Million ARRA Revenue Bond	180,635	185,023	189,517	194,121	198,837
\$2.704 Million GOB Series A	175,000	175,000	185,000	105,000	110,000
\$4.589 Million GOB Series B	195,000	200,000	210,000	220,000	225,000
MWPAT Series 16 CWS-09-12-A	266,708	273,515	280,496	287,654	294,996
MWPAT Series 16 DWS-09-23	86,065	87,936	89,847	91,800	93,795
\$4.373 Million GOB SQ Bond	230,000	235,000	245,000	250,000	255,000
	<u>\$ 16,664,321</u>	<u>\$ 16,488,670</u>	<u>\$ 16,258,754</u>	<u>\$ 12,699,583</u>	<u>\$ 12,691,180</u>

See accompanying independent auditors' report



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111 Huntington Avenue
Boston, MA 02199
Telephone: 617-239-0100
Fax: 617-227-4420
www.lockelord.com

(Date of Delivery)

R. Renee Fernandes, Treasurer
City of New Bedford
New Bedford, Massachusetts

\$7,948,000
City of New Bedford, Massachusetts
General Obligation State Qualified Municipal Purpose Loan of 2015 Bonds
Dated February 5, 2015

We have acted as bond counsel to the City of New Bedford, Massachusetts (the “City”) in connection with the issuance by the City of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the City contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the City and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the City, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

2. The Bonds are qualified bonds as defined in Chapter 44A of the General Laws and are entitled to the benefits of the provisions thereof.

3. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the City with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure by the City to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for

B-1

federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

4. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

LOCKE LORD LLP

AM 44933608.1

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of New Bedford, Massachusetts (the “Issuer”) in connection with the issuance of its \$7,948,000 General Obligation State Qualified Municipal Purpose Loan of 2015 Bonds dated February 5, 2015 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated January 29, 2015 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
 8. Bond calls, if material, and tender offers.
 9. Defeasances.
 10. Release, substitution or sale of property securing repayment of the Bonds, if material.
 11. Rating changes.
 12. Bankruptcy, insolvency, receivership or similar event of the Issuer.*
 13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
 14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: February 5, 2015

CITY OF NEW BEDFORD,
MASSACHUSETTS

By _____
Treasurer

Mayor

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]

City of New Bedford, Massachusetts
Fiscal Policies

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CITY OF NEW BEDFORD, MASSACHUSETTS

Policy Title: Debt Issuance and Management

Effective Date: November 27, 2013

1. Introduction

The purpose of this debt policy is to establish a set of parameters by which debt obligations will be undertaken by the City of New Bedford. This policy reinforces the commitment of the City and its officials to manage the City's financial affairs so as to minimize risks, avoid conflicts of interest and ensure transparency while still meeting the City's capital needs. A debt management policy signals to the public and the rating agencies that the City of New Bedford approaches the financing of capital needs in a deliberate manner and fulfills the requirements of Chapter 44 of the Commonwealth of Massachusetts General Laws regarding the adoption of a debt management policy.

The City shall comply with legal requirements for notice and for public meetings related to debt issuance. All notices shall be posted in the customary and required posting locations including, as required, local newspapers, bulletin boards, and websites. All costs associated with each debt issue as well as, when applicable, a debt service schedule outlining the rate of retirement, shall be clearly presented and disclosed to the citizens, City Council, and other stakeholders in a timely manner.

2. Financing Purposes

The City of New Bedford will consider term financing for the acquisition, replacement, and/or expansion of physical assets, and to refinance existing debt. Short-term issues may be used to finance certain projects and equipment and to support operational borrowing. However, the City will minimize the use of short-term cash flow borrowings by maintaining adequate working capital and effective management of the budgeted expenditures.

While the "pay as you go" means of using current revenues to pay for capital projects is often considered the preferred means of financing because it avoids interest payments, it may not be entirely practical, given the size and timing of projects to meet the City's ongoing needs. However, the inclusion of a robust cash component in capital projects will be pursued whenever possible, provided fund balance and reserve policies are not compromised.

All debt will be issued and managed in accordance with Chapter 44 of the Massachusetts General Laws.

The primary borrowing purposes are summarized below:

a. Long-Term Capital Improvements

The City will prepare a multi-year Capital Improvements Program (CIP) working with individual departments and agencies and prioritize these projects based on a Capital Needs Assessment. The CIP will include projections for the upcoming fiscal years and will be updated at least biennially, or sooner if there are significant changes to the scope and/or cost of projects. Future operations and maintenance costs associated with capital improvement projects will be developed and identified as part of the project submission.

Since the aggregate cost of desired capital projects generally exceeds available funds, the capital planning process prioritizes projects and identifies the funding needs. The City will initially rely on internally-generated funds and/or grants and contributions from other governmental agencies to finance its capital needs. Debt will be issued for a capital project only when it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries and if a secure revenue source is identified to repay the debt. Debt service is limited to that portion of a project that is not reimbursable by state, federal or local grants.

The Financial Team, working with City departments within the context of the CIP and the City's Five-Year Financial Outlook, oversees and coordinates the timing, processing, and marketing of the City's borrowing and capital funding activities. Close coordination of capital planning and debt planning will ensure that the maximum benefit is achieved with the limited capital funds. The debt management process will determine the availability of funds which can be raised through debt based upon the debt capacity/affordability analysis.

The City will endeavor to enter the financial markets no more than twice each year, and will analyze market conditions prior to debt issuance to determine the most advantageous terms. Debt financing schedules will be constructed to repay debt within a period not to exceed the expected useful life of the asset, and will attempt to repay debt using a level principal repayment structure.

b. Refinancings/Refunding of Existing Debt

The Chief Financial Officer, working with the Financial Team, will periodically evaluate the City's existing debt and execute refinancings when economically beneficial, legally permissible and prudent. A refinancing may include the issuance of bonds to refund existing debt or the issuance of bonds in order to refund other obligations. Net present value savings over the course of the refunding must be at least 3% (of refunded principal) for consideration.

c. Cash Flow Borrowing

It is understood that expenditure cycles do not always follow the revenue cycle and that short-term debt may be necessary to meet cash flow requirements.

Anticipation notes may include:

- Tax Anticipation Notes (TANs), used in anticipation of future tax collections.
- Revenue Anticipation Notes (RANs) issued with the anticipation that non-tax revenue will be received.
- Tax and Revenue Anticipation Notes (TRANs), which will be paid with a combination of taxes and revenue.

d. Short-Term Borrowing for Capital Needs

The City may from time to time issue short-term debt that serves as interim financing pending the issuance of long-term debt to finance a completed capital project. This approach is particularly applicable in cases where a project depends upon a combination of reimbursable grant funding. Such notes may include:

- Bond Anticipation Notes (BANs), a short term-interest-bearing note issued in advance of a future long-term bond issue.
- Grant Anticipation Notes (GANs), issued for capital projects that are dependent upon reimbursable grant funding from an outside entity, such as the Commonwealth or Federal governments.

e. Capital Leases

The City may enter into a capital lease agreement for the purchase of capital equipment and vehicles so long as the lease period does not exceed 10 years or extend beyond the useful life of the purchase.

f. State Revolving Fund

For projects that are directly related to wastewater and drinking water infrastructure/ construction/improvement or rehabilitation, the City may opt to borrow funding directly from the Massachusetts Water Pollution Abatement Trust revolving fund program.

3. Financing Processes

The City shall employ a financial advisor and bond counsel to review and advise on all matters related to debt authorization and debt issuance. Should a capital project, infrastructure improvement, or capital equipment need require seeking an authorization to borrow funds, the benefitting party must provide comprehensive documentation to the Financial Team outlining the scope of the project, the cost of the project, the cash flow projection to complete the project, and any expected federal, state or local grant awards or other funding sources.

- a. All loan authorizations should be authored by bond counsel or, at a minimum, reviewed by bond counsel prior to submission to the City Council for approval.
- b. Unless market conditions are extremely unfavorable, the City will endeavor to sell all municipal bond and note issues by competitive bid. The competitive bid process guarantees the City adequate exposure in the market and reasonable expectation that interest terms and rates are competitive.
- c. The City seeks to maintain the highest possible credit rating that can be achieved for debt instruments to attract quality investors and reduce interest costs. To enhance creditworthiness, the City is committed to prudent financial management and systematic capital and long-term financial planning.
- d. The City will maintain good communications with bond rating agencies about its financial condition. The City will adhere to a policy of full disclosure on every financial report and bond prospectus (official statement).
- e. Long-term debt service for enterprise fund (business-related) debt, i.e., Water, Wastewater and Airport operations, shall be included in the respective funds' annual budgets. The city will periodically review and adjust rates for each enterprise to ensure sufficient capacity for annual debt service payments.
- f. The City will file application with the Municipal Finance Oversight Board for consideration of acceptance into the State Qualified Bond Act (SQBA) program when appropriate.
- g. Debt maturity is dictated by the limits set forth in MGL Chapter 44 as prescribed by Statutory Authority, Purpose and Maximum Term. The City shall endeavor to retire/refund debt whenever it is financially feasible, legally permissible and advantageous for the City.

- h. The City will monitor all municipal borrowings on a regular basis to insure compliance with federal tax reform legislation and arbitrage limitations.

4. Debt Capacity

The decision whether to assume new tax-supported general obligation debt (total general obligation debt less any enterprise-related, revenue supported general obligation debt) shall be based on the direct cost and benefit of the proposed project, the current conditions in the bond market and the City's ability to afford new debt. The City will apply several indicators to determine the appropriateness of assuming tax-supported general obligation debt. These affordability targets shall include:

- a. Outstanding debt as a percentage of per capita income;
- b. Outstanding debt as a percentage of assessed valuation.
- c. Annual debt service as a percentage of the adopted General Fund operating budget.
- d. Amortization of 60% to 70% of debt, including the prospective debt issuance, in 10 years.

In addition, enterprise fund indebtedness may not exceed 25% of the total assessed valuation of all real and personal property in the City for any given fiscal year, so long as the enterprise fund can support its debt service.

The City shall not assume more tax-supported general obligation debt than it retires each year without conducting an objective analysis regarding the City's ability to assume and support additional debt service payments.

General obligation, net tax-supported debt may not exceed 10% of the total assessed valuation of all real and personal property in the City for any given fiscal year and the City shall strive to maintain its General Fund backed debt service at no more than 10% of the General Fund's annual operating budget.

CITY OF NEW BEDFORD, MASSACHUSETTS

Policy Title: Fund Balance Management

Effective Date: November 27, 2013

1. Purpose

The City of New Bedford recognizes the significance of maintaining an appropriate level of fund balance as one component of sound financial management and, therefore, establishes this policy for management of the City's fund balances. An adequate fund balance level is an essential element in both short and long-term financial planning and serves to mitigate the impact of future risks, sustain operations during economic downturns, and enhance the City's creditworthiness, credit rating, and flexibility. Through the maintenance of adequate levels of fund balance, the City can help stabilize funding for operations and realize cost savings in issuing debt.

2. Scope

This policy establishes the level of fund balance required for the City's General Fund and the various components of the City's fund balance management program. In addition, the policy sets forth the levels deemed appropriate for City operations and protocols for the use and maintenance of the established levels.

3. Fund Balance Definitions

Fund balance is defined as the difference between assets and liabilities as reported in governmental funds. The Government Accounting Standards Board (GASB) prescribes four categories of fund balance: non-spendable, restricted, committed, assigned and unassigned. This policy focuses on the use of unassigned fund balance, which is defined as the portion of unrestricted fund balance that has not been committed or assigned to other uses and is therefore available to spend in future periods.

4. Unassigned Fund Balance

The City's unassigned fund balance functions as a reserve which ensures the continuity of services. The City of New Bedford is committed to maintaining prudent levels of reserves to mitigate against unforeseen events and diminished revenues during economic downturns. In addition to the unassigned fund balance, the City maintains a Stabilization Fund (within the General Fund, included in the assigned/committed portion) which may be utilized to protect against a reduction of service levels and to manage temporary revenue shortfalls and unanticipated one-time expenditures. The desirable level of funding for the Stabilization Fund is between two (2%) and six (6%) of the General Fund operating budget.

5. Free Cash

Free Cash is defined as the City's remaining unrestricted funds available from operations in previous fiscal years, as certified by the Massachusetts Department of Revenue. In addition to a robust Stabilization Fund, the City endeavors to maintain an ample Free Cash balance to provide sufficient financial flexibility and stability on an ongoing basis. Consequently, the City is committed to utilizing a conservative approach in building its annual budget. The desirable available balance for free cash is no less than one (1%) of the General Fund operating budget in any given year.

CITY OF NEW BEDFORD, MASSACHUSETTS

Policy Title: Investment of City Funds

Effective Date: November 3, 2014

1. Introduction

This policy covers investments in the following fund categories: General Funds, Special Revenue Funds, Enterprise Funds, Agency Funds, Capital Project Funds and Trust Funds.

2. Authority

The Treasurer has the authority to invest the City's funds, subject to the statutes of the Commonwealth of Massachusetts, Chapter 44, § 55, 55a and 55b.

The Treasurer has the authority to invest the City's Trust Funds, subject to the statutes of the Commonwealth of Massachusetts, Chapter 44, § 54. All trust funds shall fall under the control of the Treasurer unless otherwise provided or directed by the donor.

Massachusetts General Laws, Chapter 44, § 55B and Chapter 740 of the Acts of 1985 requires the Treasurer to invest all public funds not designated for immediate distribution at the highest possible rate of interest reasonably available, taking into account safety, liquidity and yield.

3. Operational Considerations

The Treasurer shall negotiate for the highest rates possible, consistent with safety principles. Whenever necessary, the Treasurer will seek collateralization for all investments not covered by FDIC and/or DIF.

The Treasurer will utilize a bank rating service (Veribanc, etc.) to ensure dollars are invested with banking institutions of the highest quality.

The Treasurer shall require any brokerage houses, brokers and dealers wishing to do business with the City, to supply the following information:

- a. Audited financial statements;
- b. Proof of National Association of Security Dealers certification;
- c. A statement of compliance with the City's investment policy;
- d. Proof of creditworthiness (minimum of 5 years in operation and capital that exceeds \$10 million).

4. Reporting Requirements

On a regular basis (quarterly, semi-annually, or annually), a report containing the following information will be prepared by the Treasurer and distributed to the Chief Financial Officer:

- a. A listing of the individual accounts and individual securities held at the end of the reporting period;
- b. A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established within the framework of GASB 45;
- c. A summary of the income earned on a monthly and year to date basis;
- d. A brief statement of general market and economic conditions and other factors that may affect the City's cash position.

5. Restrictions

MGL Chapter 44, Section 55 sets forth the several restrictions of which the Treasurer must be aware when making investment selections.

- a. A Treasurer shall not at any one time have on deposit in a bank or trust company an amount exceeding 60% of the capital and surplus of such bank or trust company, or banking company, unless satisfactory security is given to it by such bank or trust company, or banking company for such excess;
- b. The Treasurer shall not make a deposit in any bank, trust company or banking company that he/she is associated as an officer or employee or has been the same for any time during the three years immediately preceding the date of any such deposit;
- c. All securities shall have a maturity from date of purchase of one year or less.

Massachusetts General Laws Chapter 44, Section 54 states that money should be deposited into banking institutions and trust companies incorporated under the laws of the Commonwealth, which are members of the Federal Deposit Insurance Corporation.

The Treasurer may invest funds in securities, other than mortgage and collateral loans, which are legal for the investment of funds under the laws of the Commonwealth provided that not more than fifteen percent of any Trust Fund shall be invested in bank stocks and insurance company stock, nor shall more than one and one-half percent of such funds be invested in the stock of any one bank or insurance company.

Common and preferred stock as well as other investment vehicles listed on the Commonwealth of Massachusetts List of Legal Investments, are permissible investment vehicles. The List of Legal Investments is maintained by the Office of the Commissioner of Banks.

The Treasurer must apply the “prudent person” standard in the context of managing the overall portfolio. The Treasurer, acting in accordance with the Investment Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided the transactions are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation but for investment considering the probable safety of their capital, as well as the probable income to be derived.

The Treasurer shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair the ability to make impartial investment decisions. The Treasurer must disclose any material financial interest in financial institutions that do business with the City.

APPENDIX E

City of New Bedford, Massachusetts
FY 15-19 Capital Improvement Program

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FY 2015-2019 Capital Improvement Program
City of New Bedford, Massachusetts

Background

The Massachusetts Department of Revenue, credit agencies and the Government Accounting Standards Board recommend that localities develop a capital improvement program (CIP) to coordinate community planning, financial capacity and physical development requirements. A complete CIP facilitates coordination between capital needs and a locality's operating budgets, enhances a community's credit rating, and provides for a mechanism to more effectively incorporate capital decisions into ongoing fiscal planning.

Forecasting the City's highest priority capital projects over a multi-year period provides an extended look at facility improvement and renovation needs, as well as capital vehicle requirements recommended for appropriation to the City Council. The initial version of the CIP covered the five years from FY 2014 through FY 2018. The FY 2015-2019 edition constitutes the second year in the biennial planning cycle, with departments providing updates to their FY 2014 submissions and new projects on an exception basis. Current year requirements were updated annually as needed.

As a planning tool, the CIP ensures that capital improvements are coordinated and well-timed to maximize the City's financial resources. Typically, projects are first identified through the biennial Capital Needs Assessment (CNA), submitted by City agencies and the School Department, which helps identify those projects, based on service needs, physical condition and usage requirements that should be considered for funding consideration in the CIP. The CIP helps to prioritize agencies' requests in relation to demonstrated need and the availability of funding.

The CIP provides a financing plan to meet the City's facility and equipment needs, taking into account the impact of construction costs on the City's debt load, as well as the potential effect of project costs on the annual operating budget. Potential projects are evaluated in relation to each other to ensure that the highest priority projects receive public funding, with essential improvements planned in a manner commensurate with the City's ability to pay.

Summary

The Capital Improvement Program covers General Fund-supported projects from FY 2015 through 2019, and totals \$50.4 million. Of this amount, \$14.8 million would be allocated for capital asset preservation projects for public safety buildings, the school department, and public use and government facilities. Approximately \$4.6 million would be allocated for ongoing replacement of capital vehicles for public safety agencies, and \$26.1 million for major renovations and/or replacements. The CIP also includes \$5 million for an Infrastructure Fund account that would be directed to supplement State resources provided for roadwork, infrastructure and parks development.

Project Descriptions

The Capital Improvement Program includes 20 projects during the five-year planning period. The following section provides a brief description of each project by category. The complete CIP may be found at the end of this discussion.

Major Renovations/Replacements

Hillman Street Complex Envelope (FY 2016, \$1,000,000): This project would continue renovations begun in FY 2014 to the Hillman Street Complex. Activities would include repointing of the exterior walls, replacement of deteriorated brickwork and continued window replacement.

Nemasket Street Remediation & Final Use (FY 2016, \$2,000,000): This project serves as a placeholder for the completion of remediation activities and the development of a final use for the Nemasket Street lots and acquired residential properties located adjacent to Keith Middle School.

Art Museum Repairs (FY 2015, \$450,000): This project would replace the roof and skylight at the New Bedford Art Museum. The skylight, which is original to the building, has undergone numerous repairs and, in combination with the roof, has resulted in extensive infiltration to the interior of the building.

Zeiterion Theatre Repairs (FY 2015, \$500,000): This project would continue renovations to the Zeiterion Theatre. The current roof system is at the end of its useful life, resulting in several leaks and a compromised drainage system. The replacement roof would ensure compliance with all current code requirements.

Ashley Park/Sagamore Street Improvements (FY 2015 & 2016, \$1,500,000): This project would provide for improvements to Ashley Park, located in the South End, to include a multi-use athletic/soccer field, in addition to an extension to Sagamore Street to catalyze the redevelopment of the former Goodyear site. The project is the result of a comprehensive planning exercise, which was led by the City, MassDevelopment, and Utile, Inc., in cooperation with the property owners, to develop an effective use for the site.

Zoo Renovations (FY 2015 & 2017, \$425,000): This project would continue renovations at the Buttonwood Park Zoo. FY 2015 funding would provide for renovation of the aquatics building, which will include improved HVAC systems and guest viewing opportunities, new exhibit graphics and enclosing adjacent outdoor exhibits. Funding in FY 2017 serves as a placeholder for a marine holding pool.

Salt Shed Replacement (FY 2015, \$300,000): This project would replace the salt shed located at the City yard. The structure, which serves as the storage location for road salt and other seasonal treatment material, is badly deteriorated and in need of substantial repair. The existing

shed would be replaced with a modern salt dome, providing additional capacity and resulting in lowered maintenance costs.

Shawmut Avenue Mechanics Garage (FY 2017, \$1,500,000): This project would replace the current temporary DPI garage structure with a more permanent facility intended to provide greater functionality and a safer work environment.

Shawmut Avenue Fuel Station (FY 2019, \$1,100,000): This project would relocate the existing fuel tanks at the Shawmut Avenue fueling facility to provide drive-through access for the DPI vehicle fleet.

Police Headquarters Improvements (FY 2016, \$585,000): This project would provide for the construction of a replacement sally port at the Rockdale Avenue police headquarters building and repaving the facility's parking lot. The existing sally port is in need of replacement to ensure adequate security, while the station parking lot has not been repaved since the City's acquisition of the property in the late 1990s.

IT System Improvements (FY 2015 & 2016, \$590,000): This project would continue the implementation of improvements to the City's IT and communications infrastructure. FY 2015 funding would upgrade the City's mainframe storage and, in combination with previously-authorized funding, provide for the installation of Voice over IP communications for City facilities. The FY 2016 component would upgrade the City's desktop productivity software to the latest version of the Microsoft Office Suite.

MSBA School Projects (FY 2015, 2016 & 2018, \$16,125,000): This project would provide the local share for school renovation projects anticipated to receive funding from the Massachusetts School Building Authority. FY 2015 funding consists of the City's share for the Taylor School at Sea Lab project, while funding to construct a replacement for Hannigan Elementary School would be envisioned for FY 2016, and an additional placeholder for another elementary school has been included in the FY 2018 timeframe. The local share will consist of 10% of the project cost for the FY 2015 project, and 20% thereafter, plus ineligible expenses such as land acquisition and demolition.

Capital Vehicle Replacements

The CIP includes a number of projects intended to address long-running deficiencies in the City's vehicle fleet. Projects included during this period were limited to those that could be financed through a capital lease purchase arrangement.

EMS Vehicles (FY 2015, 2017, \$578,422): This project would provide for the acquisition and outfitting of four ambulances for Emergency Medical Services over the course of the planning period. EMS currently operates five ambulances, of which three average nearly eight years old. The City instituted a policy beginning in 2013 of acquiring replacement vehicles through a series of capital leases, which in turn provides sufficient flexibility to finance ongoing replacements.

Fire Apparatus (FY 2015, 2017, & 2019, \$3,600,000): This project would provide for the ongoing replacement of fire apparatus over the course of the planning period. The Fire Department currently operates ten front-line apparatus, which average nearly nine years in service. Acquisition of the replacement vehicles would involve a series of capital leases, providing sufficient flexibility to finance ongoing replacements. Decisions regarding the specific apparatus to be replaced would be determined as required by operational needs.

Mobile Command Center (FY 2017, \$330,000): This project would replace the Police Department's mobile command center. The existing vehicle, which was initially purchased in 2003, is rapidly becoming outdated and contains obsolete aspects in terms of design and technology that have been repeatedly identified in post-incident reviews. Acquisition of the replacement vehicle would be financed by a capital lease.

Emergency Support Vehicle (FY 2016, \$57,000): This project would replace the Police Department's emergency support vehicle, which was initially purchased in 1996. The vehicle is equipped with a number of specialty items requiring significant customization, and would be financed utilizing a capital lease.

The Capital Vehicle Replacement category does not include acquisition plans for vehicles with a value of less than \$50,000 or an expected service life of less than two years. Acquisitions falling below these criteria, such as police cruisers and general use vehicles, are addressed through the annual operating budget.

Capital Asset Preservation

The Capital Improvement Program includes ongoing funding to address deferred maintenance issues throughout the City's physical plant. The Capital Needs Assessment process identified more than \$48 million in deferred maintenance and facility needs for General Fund agencies, largely resulting from a historic insufficiency of resources allocated for that purpose. As a result, the City's physical assets have continued to depreciate and the capital requirements needed to bring facilities to proper working order have grown. The FY 2014 Critical Needs Bond had a material impact on the overall deficiency, which was estimated at \$52 million during the 2013 assessment.

The Capital Asset Preservation portion of the CIP is intended to provide resources needed to ensure the continuation of basic operability for the City's facilities. Funding estimates are based on the Asset Depreciation Method, which uses nationally-promulgated standards as guidelines for the maintenance of aging facilities. For example, the Association of Higher Education Facilities Officers and the International Facility Management Association recommend annual capital asset preservation funding ranges that are equivalent to 1.5%-3.0% of the total replacement value of an entity's physical plant. Similarly, the Federal Internal Revenue Service and the Massachusetts Department of Revenue have established depreciation standards of 2.5% per year on fixed assets. As of FY 2013, the City's outside auditor estimated the City's physical inventory at \$254.3 million.

The CIP includes \$14.8 million over the five year planning period for capital asset replacement, equivalent to approximately 1.2% annually. Funding is assigned according to four functional project categories:

- **Public Safety** – Facilities operated by the Police, Fire & EMS departments.
- **School Department** – Facilities operated by the School Department.
- **Public Facilities** – Facilities designed principally for public use (parks, community centers, Free Library, Buttonwood Park Zoo).
- **Government Facilities** – Facilities designed to house general government operations (City Hall, City Yard, and other shared use-type facilities).

Projects qualifying for capital asset preservation funding will be limited to existing facilities in need of capital-eligible renovation and/or repair. Examples of such projects might include interior and/or exterior renovations, roof replacements, HVAC repairs and measures required to maintain compliance with regulatory and/or licensing requirements, and artificial soccer field replacements. The capital asset preservation component would constitute a minimal baseline of funding over the course of the CIP planning period. Specific allocations will be determined as part of the annual CIP appropriation.

Infrastructure Fund

The City receives a minimal amount of funding for roadwork and infrastructure maintenance as part of the State's Chapter 90 program. The \$1.6 million-\$2.0 million provided annually is insufficient to maintain the City's roads in an acceptable state of repair. The Department of Public Infrastructure has identified nearly \$14 million in potential projects, of which the majority cannot be addressed within a reasonable timeframe without additional funding. The Capital Improvement Program includes \$5 million from FY 2015 through FY 2019 to begin the process of reducing the City's inventory of unfunded road rehabilitation projects. The account would be funded by a cash allocation through the annual budget process.

FY 2015 Capital Improvement Bond

The initial version of the CIP included a critical needs bond, which addressed urgent needs that were identified during the course of the CNA process. However, decades of deferred maintenance cannot be addressed in a single year. The FY 2015 CIP process maintains the capital program's focus by continuing work on existing projects and targeting elements of the infrastructure in need of immediate repair and/or renovation. The FY 2015 bond, which totals \$5,920,000, includes the following components of the FY 2015-2019 CIP:

In addition to facility needs addressed by the FY 2015 bond, the City has plans to initiate lease purchases designed to address significant capital vehicle needs. Purchases of note include two replacement ambulances for Emergency Medical Services and a ladder truck for the Fire Department.

Due to their grant-reimbursement structure, the annual capital bond does not include authorization for MSBA-funded grant conversion projects. In FY 2015, the City approved a loan authorization for the Taylor Elementary School project, which will be implemented as an expansion to the Sea Lab facility in the South End. The CIP includes placeholders for future projects in FY 2016 and 2018. The FY 2016 project is anticipated to include a replacement for Hannigan Elementary School.

Project Category/Name	Amount
<u>Public Safety</u>	
Fire Station #8 Renovations	\$475,000
<u>Pleasant Street Police Station Roof Replacement</u>	245,000
Subtotal Public Safety:	\$720,000
<u>School Department</u>	
<u>Deferred Maintenance Fund (Repointing, Equipment Repair)</u>	\$1,000,000
Subtotal School Department:	\$1,000,000
<u>Public Facilities</u>	
Art Museum Roof & Skylight	\$450,000
Zeiterion Theatre Roof Replacement	500,000
Ashley Park/Sagamore Street Improvements	950,000
Buttonwood Park Zoo Aquatics Building Renovation	265,000
<u>Recreational/Athletic Fields - Repair and Replacement</u>	500,000
Subtotal Public Facilities:	\$2,665,000
<u>Government Facilities</u>	
Salt Shed Replacement	\$300,000
IT System Improvements	435,000
<u>Deferred Maintenance Fund (Repointing, Facade Repair, Life Safety)</u>	800,000
Subtotal Government Facilities:	\$1,535,000
Capital Improvement Bond Total:	\$5,920,000

Energy Management Services Contract

The City issued a Request for Qualifications for a comprehensive energy management contract in May 2013. The intention of this program is to identify physical improvements to existing facilities that could be financed by a combination of utility provider rebates and reduced energy costs. The initial stages of the energy project began with conversion of the City's street and traffic lights to LED fixtures in 2014. Potential future projects may include upgrades to HVAC, lighting and building envelope improvements that would result in significant reductions to energy consumption. It is anticipated that the facilities component of the energy management program will be submitted for the City Council's consideration before the end of FY 2015.

Project Financing

The CIP would be funded by a combination of general obligation debt for facilities projects, lease purchasing for capital vehicle purchases, and cash funding for the new Infrastructure Fund. The CIP is designed to work within the City's existing debt profile, and would maintain the City's net outstanding debt at approximately \$77.8 million through the end of FY 2019. Annual debt service payments would increase by about \$3.1 million through the end of the five-year planning period, principally due to the necessary acquisition of long-term debt on previously-authorized capital projects. Capital lease payments would also increase to support the acquisition of fire apparatus and other public safety vehicles identified in the program.

Affordability Indicators

The City Council adopted an organization-wide debt management policy in November 2013. Included in the policy are a series of indicators intended to determine the appropriateness of assuming additional tax-supported general obligation debt:

- **Outstanding debt as a percentage of per capita income** – The policy target is 6% or less. The projected ratio would decline from 3.7% in FY 2015 to 3.6% in FY 2019.
- **Outstanding debt as a percentage of assessed valuation** – The policy target is 3% or less. The projected ratio would decline from 1.5% in FY 2015 to 1.4% in FY 2019.
- **Annual debt service as a percentage of the General Fund operating budget** – The policy target is 10% or less. The projected ratio would increase from 3.7% in FY 2015 to 4.7% in FY 2019.