

OFFICIAL STATEMENT DATED JANUARY 23, 2014

Ratings: See "Ratings" herein.  
Moody's Investors Service: Aa2  
Standard & Poor's Ratings Services: AA

New Issue

In the opinion of 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. See "Tax Exemption" herein. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

CITY OF NEW BEDFORD, MASSACHUSETTS  
\$10,000,000

GENERAL OBLIGATION STATE QUALIFIED SCHOOL PROJECT LOAN, CHAPTER 70B BONDS

DATED  
Date of Delivery

DUE  
December 1  
(as shown below)

The Bonds are issuable only in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder 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 denominations of \$5,000 or any integral multiple thereof. (See "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, commencing December 1, 2014. Principal and semiannual interest on the Bonds will be paid by The Treasurer and Receiver-General of the Commonwealth of Massachusetts, 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 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 stated herein.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the City of New Bedford, Massachusetts, and that the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property in 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
2014	\$ 120,000	3.00	% 0.35	% DR2	2027	\$ 405,000	3.25	% 3.40	% EE0
2015	250,000	4.00	0.45	DS0	2028	420,000	3.375	3.52	EF7
2016	260,000	5.00	0.60	DT8	2029	435,000	3.50	3.62	EG5
2017	275,000	5.00	0.90	DU5	2030	450,000	3.50	3.70	EH3
2018	290,000	5.00	1.30	DV3	2031	465,000	3.625	3.80	EJ9
2019	300,000	5.00	1.63	DW1	2032	485,000	4.00	3.88	EK6
2020	320,000	5.00	2.08	DX9	2033	505,000	4.00	3.95	EL4
2021	330,000	3.00	2.27	DY7	2034	525,000	4.00	4.00	EM2
2022	345,000	4.00	2.58	DZ4	2035	545,000	4.00	4.08	EN0
2023	355,000	4.00	2.81	EA8	2036	570,000	4.00	4.14	EP5
2024	370,000	3.00	3.00	EB6	2037	590,000	4.125	4.20	EQ3
2025	380,000	3.00	3.12	EC4	2038	615,000	4.125	4.25	ER1
2026	395,000	3.125	3.25	ED2					

The Bonds are offered subject to the final approving opinion of Edwards Wildman Palmer LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, 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 6, 2014, against payment to the City in federal funds.

FIDELITY CAPITAL MARKETS

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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 23, 2014, 11:00 A.M. (Eastern Standard Time).

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

Issuer: City of New Bedford, Massachusetts.

Issue: \$10,000,000 General Obligation State Qualified School Project Loan, Chapter 70B Bonds; see "THE BONDS Book-Entry Transfer System" herein.

Official Statement Dated: January 23, 2014.

Dated Date of the Bonds: As of their date of delivery.

Principal Due: Serially December 1, 2014 through December 1, 2038, as detailed herein.

Purpose and Authority: Bond proceeds will be used to refinance capital projects of the City, as detailed herein. See "Authorization of the Bonds and Use of Proceeds."

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

Security: 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.

State Qualified Bonds: The Bonds are 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 Ratings: Standard & Poor's Ratings Services, Inc. and Moody's Investors Service, Inc. have assigned ratings of AA and Aa2, respectively, 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 \$100,000.**

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

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.

Legal Opinion: Edwards Wildman Palmer LLP, Boston, Massachusetts.

Financial Advisor: First Southwest Company, Boston, Massachusetts.

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 6, 2014, against payment in Federal Funds.

Issuer Official: Questions concerning the Official Statement should be addressed to: Ms. R. Renee Fernandes-Abbott, Treasurer, City of New Bedford, Massachusetts (telephone: 508-979-1430) or Cinder McNerney, Managing Director, First Southwest Company, 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 100 copies of the Final Official Statement will be available from First Southwest Company 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

#### \$10,000,000 GENERAL OBLIGATION STATE QUALIFIED SCHOOL PROJECT LOAN, CHAPTER 70B BONDS

The City of New Bedford, Massachusetts (the "City") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Standard Time, Thursday, January 23, 2014 for the purchase of the following described General Obligation State Qualified School Project Loan, Chapter 70B Bonds of the City (the "Bonds"):

\$10,000,000 General Obligation State Qualified School Project Loan, Chapter 70B Bonds payable December 1 of the years and in the amounts as follows:

<u>Due</u> <u>December 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Due</u> <u>December 1</u>	<u>Principal</u> <u>Amount*</u>
2014	\$ 125,000	2027	** \$ 400,000
2015	260,000	2028	** 415,000
2016	265,000	2029	** 430,000
2017	275,000	2030	** 450,000
2018	285,000	2031	** 470,000
2019	295,000	2032	** 485,000
2020	310,000	2033	** 510,000
2021	320,000	2034	** 530,000
2022	335,000	2035	** 555,000
2023	350,000	2036	** 580,000
2024	** 360,000	2037	** 605,000
2025	** 375,000	2038	** 630,000
2026	** 385,000		

\*Preliminary, subject to change.

\*\*Callable maturities. May be combined into one, two or three Term bonds as set forth below.

The Bonds will be dated 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, 2014.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds 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, 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 DTC participants 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.

The original Bonds to be immobilized at DTC will be prepared under the supervision of First Southwest Company and their legality will be approved by Edwards Wildman Palmer LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

Principal and semiannual interest on the Bonds will be paid by The Treasurer and Receiver-General of the Commonwealth of 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 maturing in the years 2014 through 2023 will not be subject to redemption prior to maturity. The Bonds maturing on and after December 1, 2024 shall be subject to redemption prior to maturity, at the option of the City, on or after December 1, 2023, 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.

For Bonds maturing on December 1, 2024 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 a maturity of Term Bonds scheduled to mature in the latest of the combined years, and shall be subject to mandatory redemptions prior to maturity at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the term bond maturing in the nearest subsequent year. Bidders may specify no more than three Term Bonds.

Term Bonds, if any, shall be subject to mandatory redemption on December 1 of the year or years immediately prior to the stated maturity of such Term Bond (the particular Bonds of such maturity to be redeemed to be selected by lot) as indicated in the foregoing maturity schedule at the principal amount thereof, without premium.

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 and accrued interest to date of delivery, plus a premium of at least \$100,000 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 the delivery date, 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.

**The City reserves the right to adjust the annual principal amounts in the amount of \$5,000 or an integral multiple thereof, as necessary to structure the debt service on the components of the Bonds to be as close to equal on an annual basis as practicable through the final maturity. 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 annual principal 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-Abbott, Treasurer, City of New Bedford, Massachusetts c/o First Southwest Company, 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, telephone (617) 619-4400, at least one-half hour prior to the 11:00 A.M. sale and after receipt of the faxed bid form by First Southwest Company. First Southwest Company will act as agent for the bidder, but neither the City nor First Southwest Company 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 and the Mayor of the City.

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 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 Moody's Investors Service and Standard & Poor's Ratings Services for ratings on the Bonds. Any such fee paid to Moody's Investors Service and Standard & Poor's Ratings Services would be borne by the City.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Wildman Palmer LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated January 15, 2014, (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's 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 described in 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 dated January 15, 2014.

The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended.

Additional information concerning the City of New Bedford and the Bonds is contained in the Preliminary Official Statement dated January 15, 2014, 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), delivery date, 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, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). 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 to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

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 23, 2014 (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 is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the City, provided, however, that the City 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 6, 2014 for settlement in federal funds.

January 15, 2014

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

## OFFICIAL STATEMENT

### CITY OF NEW BEDFORD, MASSACHUSETTS

#### **\$10,000,000 GENERAL OBLIGATION STATE QUALIFIED SCHOOL PROJECT LOAN, CHAPTER 70B 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 \$10,000,000 stated principal amount of its General Obligation State Qualified School Project Loan, Chapter 70B Bonds (the "Bonds"). The information contained herein has been furnished by the City, except information attributed to another governmental agency or official as the source.

### THE BONDS

#### **Description of the Bonds**

The Bonds will be dated as of their delivery date and will bear interest payable semiannually on June 1 and December 1 of each year until maturity, commencing December 1, 2014, each at the rate or rates of interest determined upon their sale in accordance with the Notice of Sale of the City dated January 15, 2014. The Bonds shall mature on December 1 of the years and in the principal amounts as set forth on the cover page of this Official Statement.

The Bonds are issuable only in fully registered form, 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. 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 of and 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 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, 2023 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after December 1, 2024 shall be subject to redemption prior to maturity, at the option of the City, on or after December 1, 2023, 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 date set for redemption.

##### **Notice of Redemption**

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds prior to their maturities, specifying the Bonds (or the portion thereof) to be redeemed shall be mailed to DTC not more than sixty (60) days nor less than thirty (30) days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants, Indirect Participants, or of a nominee of a Beneficial Owner (having received notice from DTC Participant or otherwise) to notify the Beneficial Owner 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, 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 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. The City may issue other bonds in addition to the Bonds as qualified bonds on a parity with the Bonds pursuant to Chapter 44A.

In addition to this issue of Qualified Bonds, the City has issued other series of State Qualified Bonds. See "INDEBTEDNESS--Coverage of Qualified Debt Service" for a discussion of the projected coverage of qualified debt service by state aid.

## Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, NY, 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 will be deposited with DTC.

DTC, the world's largest 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of securities deposited with DTC 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 with 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 securities deposited with 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 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 securities 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 nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it, 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 it unless authorized by a Direct Participant in accordance with DTC's 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 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 securities held by it 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

This Issue	Purpose	Bond Anticipation Notes Outstanding (1)	M.G.L. Chapter Reference	Total Amount Authorized	Date Authorized
\$ 7,111,770	Keith School (Contamination Clean-up)	\$ 13,390,000	G.L. C.44, s. 7(3), 8(21) & 70B	\$ 34,564,165	12/1/2006
2,888,230	Keith School	5,610,000	G.L. C.44, s. 7(3) & 70B	11,659,600	8/17/2001
<u>\$ 10,000,000</u>	Total	<u>\$ 19,000,000</u>		<u>\$ 46,223,765</u>	

(1) Payable February 7, 2014.

#### Tax Exemption

In the opinion of 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 are not "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 into 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.

## 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" under "INDEBTEDNESS" 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 Water Pollution Abatement 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 State 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 Edwards Wildman Palmer LLP, Boston, Massachusetts (“Bond Counsel”). 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 makes no representation that they have independently verified the same.

### **Ratings**

Standard & Poor’s Ratings Services, Inc. and Moody’s Investors Service, Inc. have assigned ratings of AA and Aa2, respectively, to the Bonds. Said ratings reflect the respective rating agency’s views and are subject to revision or withdrawal, which could affect the market price of the Bonds.

## **Financial Advisory Services of First Southwest Company**

First Southwest Company, 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 enumerated events, if material. 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.

**The City has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of material 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 2014
Chief Financial Officer	Ari J. Sky	March 2013	March 2016
Treasurer/Tax Collector	R. Renee Fernandes-Abbott	April 2007	---
City Clerk	Rita Arruda	January 1972	---
Acting City Auditor	Sharon Thomas	January 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 Assistance 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. The Bonds are being issued to finance the City's share of the construction of the school and contamination remediation costs.

### Public School Enrollments – October 1

	Actual				
	2009	2010	2011	2012	2013
Pre-School	595	501	501	609	575
Elementary	6,409	6,438	6,438	6,621	6,982
Middle School (6-8)	2,799	2,820	2,820	2,772	2,645
High School (9-12)	2,970	2,779	2,779	2,549	2,543
<b>Total</b>	<b>12,773</b>	<b>12,538</b>	<b>12,538</b>	<b>12,551</b>	<b>12,745</b>

## 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				
	2008	2009	2010	2011	2012
Construction	1,141	966	788	842	881
Manufacturing	7,272	6,664	6,590	6,555	6,328
Trade, Transportation and Utilities	5,715	5,316	5,548	5,812	5,742
Information	644	513	477	516	478
Financial Activities	1,288	1,244	1,169	1,153	1,120
Professional and Business Services	2,141	2,449	2,681	2,721	3,344
Education and Health Services	10,810	11,273	10,620	10,639	10,821
Leisure and Hospitality	2,585	2,673	2,713	2,779	2,888
Other Services	1,950	2,005	2,157	4,072	2,468
<b>Total Employment</b>	<b>33,546</b>	<b>33,103</b>	<b>32,743</b>	<b>35,089</b>	<b>34,070</b>
Number of Establishments	2,650	2,816	3,026	3,062	3,129
Average Weekly Wages	\$ 768	\$ 778	\$ 785	\$ 804	\$ 820
Total Wages	\$ 1,455,041,355	\$ 1,454,884,620	\$ 1,461,488,376	\$ 1,527,313,011	\$ 1,572,447,318

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
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
Building 19	Retail	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, 2014.

## Labor Force, Employment and Unemployment Rate

According to the Massachusetts Division of Employment and Training, in November 2013, the City had a total labor force of 43,993 of which 38,647 were employed and 5,346 or 12.2% were unemployed, as compared with 6.6% for the Commonwealth (unadjusted).

<u>Year</u>	<u>City of New Bedford</u>		<u>Massachusetts</u>	<u>U.S.</u>
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>
2012	43,961	12.5%	6.7%	8.1%
2011	43,359	12.9	6.6	8.3
2010	42,789	14.6	8.3	9.4
2009	42,719	14.2	8.4	9.3
2008	43,183	15.2	8.3	5.8

SOURCE: Massachusetts Department of Employment and Training. 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.

<b>Building Permits Issued</b>		
<u>Fiscal Year</u>	<u>No.</u>	<u>Value</u>
2014 (1)	1,104	\$24,592,797
2013	2,387	29,501,215
2012	2,452	53,996,087
2011	2,098	38,420,848
2010	1,516	76,337,923
2009	2,183	37,917,199

(1) As of January 2, 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 24 parks, 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 attracts 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 which contains many shops and galleries. Non-profit cultural institutions such as 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.

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](http://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 shot 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 and is available online. New England Boating TV highlights the city as a boating destination with a 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 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 the 19th Century, New Bedford whalers sailed upon the strong winds of the Atlantic coast to the far reaches of every ocean in a hunt not just for whales, but also for energy. Today these winds are an abundant and inexhaustible resource driving the creation of the offshore wind industry in America. 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.

In May 2013, Governor Deval Patrick led a collection of federal, state and local officials in breaking ground on construction for the New Bedford Marine Commerce Terminal – the United States' first purpose built terminal for offshore wind. The terminal is scheduled to be completed in the fall of 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.

Strong winds and shallow depths make the waters off the Massachusetts coast the ideal location for offshore wind farms, and New Bedford's close proximity to these offshore sites, protected commercial harbor, and new terminal facility makes the city the ideal location to construct and launch this new industry in America. In his 2013 State of the City address, Mayor Jon Mitchell called for the establishment of the Wind Energy Center within the New Bedford Economic Development Commission ('NBEDC') to fully capture this catalytic opportunity as well as to ensure that the activities to develop the offshore wind industry are fully integrated into the city's comprehensive economic agenda. The collaborative project will focus on areas of specific concern to the development of the offshore wind industry: Business Development, Workforce Development, Land-Use Planning, Policy and Advocacy and Community Outreach and Education.

Steady progress was made in each of these areas in 2013 and highlights include:

- Coordinating a major city trade mission, led by Mayor Mitchell, across northern Germany and Denmark that visited eight cities in seven days and included 33 state and local delegates, workforce and business development experts and private sector stakeholders. The trade mission deepened New Bedford's partnership with its international counterparts, served as a fact-finding mission for important stakeholders, allowed the delegates to interact with over twenty German offshore wind related companies and resulted in a sister city agreement between Cuxhaven, Germany and New Bedford.
- Creating the Wind Energy Center business plan and building local capacity to develop offshore wind through funding from the CEO Council's 21st Century Offshore Wind Fund and a critical investment through the New Bedford Redevelopment Authority made possible by a forward thinking collaboration by Mayor Mitchell and the City Council.
- Establishing the Offshore Wind Business and Workforce Development Task Force with over forty members, ranging from local high schools and community colleges, workforce development entities, union and labor halls, and community organizations to advise the city on workforce development needs and to serve as an advisory committee on workforce development grants.
- Partnering with the Department of Energy's leading supply chain consultant to develop a comprehensive study of New Bedford companies that are viable candidates to participate in the offshore wind supply chain, as well as hosting a technical assistance workshop with industry leaders for over 20 of these local companies.
- Presenting the offshore wind story to three local schools, and at four public meetings throughout the city. These presentations included a collaboration with Siemens at New Bedford High School to allow students to build their own wind turbines in an effort to spark an interest in these students for a career in this emerging industry.
- Partnering with Bristol Community College and other key community stakeholders on two successful grant opportunities from both the Commonwealth Corporation and the Massachusetts Clean Energy Center. Awarded funds will total \$500,000 over the next three years, and will focus specifically on workforce training in clean energy and offshore wind-related occupations. Outreach for both grants are targeted toward historically low-income and minority communities in the Greater New Bedford Area.

Ongoing and most recent activities undertaken by the Wind Energy Center also include:

- Played a leading role in the largest offshore wind trade show in America – AWEA 2013. City officials hosted a breakfast for industry leaders and participated in panel discussions to make the case for New Bedford’s role as the center for offshore wind in the United States.
- Hosted the Minister of Economic Affairs and the Board of Directors of BLG Logistics from the state of Bremen, Germany. BLG Logistics is a powerhouse in marine commerce and offshore wind with over 16,000 employees around the world.
- Hosted corporate and political delegation visits from New Bedford’s Sister City, Cuxhaven, as well as the port city of Hamburg, Germany. In all, over 100 foreign dignitaries and private sector leaders explored investment opportunities in New Bedford around offshore wind.
- Facilitated a panel discussion with Mayor Mitchell, Congressman William Keating, members of the Bremerhaven, Germany delegation and leaders from the American offshore wind industry representing Cape Wind, Deepwater Wind, Fishermen’s Energy and Siemens. The panel discussion was attended by over 130 members of the community and regional stakeholders.
- Facilitated a technical workshop for New Bedford manufacturers who could participate in the offshore wind supply chain in partnership with the Massachusetts Clean Energy Center. Fourteen companies and over twenty local employees attended the workshop.
- Hosted a Scottish delegation of corporate and economic development workforce professionals where important best practices and key learnings were discussed.
- Continued ongoing efforts with the national planning firm, Sasaki, to provide a comprehensive vision of the waterfront that prioritizes its highest and best uses for maritime industrial development – without compromising New Bedford’s critical fishing industry.

### **New Development and Job Creation in Targeted Growth Districts**

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 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, 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.

### 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 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

The NBEDC 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.

### Tax Increment Financing

In 2013 development and expansion project agreements took effect that represent a total investment of \$1.3 million, with more than 50 new jobs being created and 300 jobs retained. Projects under development in 2013 range from the city's business park to the downtown and have the potential to create \$19 million in new investment and 110 new jobs.

### 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 2013, 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. Planning for the future development facility is occurring in concert with the City Master Plan and regional planning for the South Coast Rail project.

### South Coast Rail

The South Coast Rail project will restore passenger rail transportation from South Station in Boston to the South Coast of Massachusetts, including two stations and a terminus in New Bedford. The project recently received approval from the U.S. Army Corps of Engineers for final design and permitting, and is intended to be funded by a combination of Federal funding and State bond revenue. Preliminary rehabilitation work to tracks and bridges has been underway for several years and the project was designated a priority in the State's 2013 transportation bill. Under its current concept, South Coast Rail would become operational by 2020 and would be estimated to provide more than \$500 million in increased economic activity to the City.

## 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 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Total Appropriations (1)	\$ 283,482,513	\$ 273,099,234	\$ 285,417,229	\$ 285,365,817	\$ 297,659,756
Other Local Expenses	298,050	233,792	702,178	256,543	230,434
State & County Assessments	6,935,344	7,051,138	8,971,004	9,485,866	10,445,873
Overlay for Current Year	1,301,468	1,424,363	1,551,366	1,452,843	2,151,685
Gross Amount to be Raised	<u>292,017,375</u>	<u>281,808,527</u>	<u>296,641,777</u>	<u>296,561,069</u>	<u>310,487,748</u>
Offsets:					
Estimated Receipts from State (2)	136,731,489	131,942,439	137,421,703	139,978,823	146,986,825
Local Estimated Receipts	54,988,039	55,012,563	59,402,167	59,698,508	59,025,408
Free Cash	-	485,884	3,199,535	1,313,236	7,561,187
Other	8,149,120	1,207,443	2,224,879	352,000	230,400
Total Offsets	<u>199,868,648</u>	<u>188,648,329</u>	<u>202,248,284</u>	<u>201,342,567</u>	<u>213,803,820</u>
Tax Levy	<u>\$ 92,148,727</u>	<u>\$ 93,160,198</u>	<u>\$ 94,393,493</u>	<u>\$ 95,218,502</u>	<u>\$ 96,683,928</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)
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
2010 (2)	6,309,719,600	175,044,950	6,484,764,550	92,148,728	12.03	24.87

(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 2014, 2013 and 2012.

Classification	Assessed Valuation		Assessed Valuation		Assessed Valuation	
	Fiscal 2014 (1)	%	Fiscal 2013	%	Fiscal 2012	%
Real Estate:						
Residential	\$ 4,130,253,323	72.8 %	\$ 4,381,853,008	77.2 %	\$ 4,565,293,028	80.4 %
Commercial	619,997,827	10.9	635,661,832	11.2	643,561,772	11.3
Industrial	279,247,500	4.9	278,138,700	4.9	275,829,200	4.9
Total Real Estate	5,029,498,650	88.6	5,295,653,540	93.3	5,484,684,000	96.6
Personal Property	196,935,110	3.5	183,916,080	3.2	190,843,230	3.4
Valuation	\$ 5,226,433,760	92.1 %	\$ 5,479,569,620	96.5 %	\$ 5,675,527,230	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 the taxpayers listed are current in 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>
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, 2013
	Net Tax Levy (1)	Dollar Amount		
2013	\$ 93,765,659	\$ 1,462,843	1.56 %	\$ 818,884
2012	92,842,127	1,551,366	1.67	1,123,295
2011	91,735,835	1,424,363	1.55	1,161,937
2010 (2)	90,847,260	1,301,468	1.43	973,271
2009	87,267,155	1,530,154	1.75	1,247,887

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

(2) Revaluation year.

## Tax Collections

The City switched to quarterly tax bills beginning in fiscal 1992 which 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, 2013 (2)	
				\$ Amount	% of Net	\$ Amount	% of Net
				2013	\$ 95,218,502	\$ 1,452,843	\$ 93,765,659
2012	94,393,493	1,551,366	92,842,127	89,104,284	96.0	90,841,978	97.8
2011	93,160,198	1,424,363	91,735,835	88,316,833	96.3	88,299,465	96.3
2010 (3)	92,148,728	1,301,468	90,847,260	86,712,074	95.4	88,913,281	97.9
2009	88,797,309	1,530,154	87,267,155	83,418,664	95.6	85,542,071	98.0

(1) Net after deductions of overlay for abatements.

(2) Actual dollar collections less refunds. Through June 1, 2011 for fiscal 2009 and 2010.

(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>
2013	\$24,188,306
2012	22,589,564
2011	19,650,934
2010	19,991,349
2009	18,127,997

## 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	Maxium Levy Limit	Actual Levy	Under (Over) Primary Levy Limit	Under (Over) Maximum Levy Limit
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
2010	6,484,764,550	162,119,114	92,183,141	92,148,728	69,970,386	34,413

(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 not adopted the CPA.

## 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.

	FY10 Budget	FY11 Budget	FY12 Budget	FY13 Budget	FY14 Budget
<b>EXPENDITURES:</b>					
Debt	\$ 9,691,219	\$ 9,546,758	\$ 9,347,221	\$ 9,688,981	\$ 9,815,456
Insurance and Pension	58,346,070	59,698,522	62,421,981	59,004,695	61,567,690
General Government	23,747,560	23,215,141	25,417,993	25,003,765	23,191,356
Public Safety	35,904,369	36,623,067	36,023,241	36,997,026	36,727,735
Highways and Streets	1,518,355	1,439,394	2,169,267	2,890,620	5,541,475
Sanitation	691,283	809,472	778,797	733,917	745,701
Inspectional Services	953,539	598,480	671,752	676,389	735,649
Education - School Dept. NSS	106,469,613	101,082,495	103,606,147	104,712,400	109,000,000
Education - School Dept. Additional Support	-	-	-	500,000	400,000
Education - Vocational	4,129,066	4,573,560	4,482,898	4,705,357	4,748,283
Human Services	4,472,833	4,757,386	5,296,970	5,337,422	5,574,318
Culture and Recreation	2,985,922	3,104,533	3,350,424	3,943,264	4,226,345
CCw/D	30,650	26,167	29,505	67,067	44,400
<b>TOTAL APPROPRIATIONS</b>	<b>\$ 248,940,479</b>	<b>\$ 245,474,975</b>	<b>\$ 253,596,196</b>	<b>\$ 254,260,903</b>	<b>\$ 262,318,408</b>
Airport	690,044	637,965	689,197	676,258	731,696
Water	9,466,465	10,375,212	11,128,979	10,921,315	11,340,332
Wastewater	18,876,611	18,195,475	19,069,988	18,841,137	19,615,870
<b>TOTAL APPROPRIATIONS - ALL FUNDS</b>	<b>\$ 277,973,599</b>	<b>\$ 274,683,627</b>	<b>\$ 284,484,360</b>	<b>\$ 284,699,613</b>	<b>\$ 294,006,306</b>

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 room occupancy tax revenue collected in fiscal 2012 was \$145,811 and in fiscal 2013 it was \$182,155. The City estimates fiscal 2014 revenue to be approximately \$200,000.

**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 meals tax revenue collected in fiscal 2012 was \$909,553 and in fiscal 2013 it was \$918,827. The City estimates fiscal 2014 revenue to be approximately \$900,000.

## **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.

### **Annual Audits**

The City's accounts were most recently audited for fiscal 2012 by Hague, Sahady & Co., P.C., Certified Public Accountants, Fall River, Massachusetts. Said audit is attached hereto and reports the City's financial position in accordance with governmental accounting standards. The fiscal 2013 audit is currently underway, draft excerpts from which are included herein, subject to revision and change.

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 fiscal years ended June 30, 2013 (draft, subject to revision and change), June 30, 2012, June 30, 2011 and June 30, 2010, a Statement of Revenue, Expenditures and Changes in Fund Balance for the fiscal year ended June 30, 2013 (draft, subject to revision and change), and a Comparative Statement of Revenues, Expenditures and Changes in Fund Balances for fiscal years 2012, 2011, 2010, 2009 and 2008. Said statements are excerpts from the City's audited financial statements, prepared in accordance with generally accepted accounting principles, with the exception of fiscal 2013 which are draft, subject to revision and change.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

**General Fund  
Balance Sheet  
June 30, 2013 (1)**

<b>ASSETS</b>	General Fund	Wastewater	Non-Major Governmental Funds	Total Governmental Funds
Cash and investments, unrestricted	\$ 16,614,310	\$ 13,389,846	\$ 24,585,535	\$ 54,589,691
Cash, restricted	8,839,401	-	-	8,839,401
Receivables, net:				
Real estate and personal property taxes	4,399,484	-	-	4,399,484
Tax liens and foreclosures	15,288,682	-	-	15,288,682
Motor vehicle and boat excise	1,863,940	-	-	1,863,940
User charges receivables	-	2,180,739	-	2,180,739
Departmental and other	7,373,369	2,450	-	7,375,819
Loans receivable	-	-	21,078,952	21,078,952
Other receivables	1,924,415	-	521,081	2,445,496
Special assessments	804	231,810	-	232,614
Due from federal or state government	311,215	-	6,640,884	6,952,099
Due from other funds	2,774,390	164,391	-	2,938,781
Tax foreclosures	7,281,498	-	-	7,281,498
Intraentity receivable	1,900,816	-	-	1,900,816
Inventories	-	71,323	246,918	318,241
Prepaid assets	-	423,388	-	423,388
Other assets	5,279	-	-	5,279
<b>Total assets</b>	<b>\$ 68,577,603</b>	<b>\$ 16,463,947</b>	<b>\$ 53,073,370</b>	<b>\$ 138,114,920</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Warrants payable	\$ 2,700,331	\$ 1,176,474	\$ 1,202,975	\$ 5,079,780
Accounts payable and accrued expenses	8,598,707	53,908	3,402,614	12,055,229
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	369,108	2,674,710	26,531	3,070,349
Deposits held	264,020	426,198	2,992	693,210
Due to other governments	-	-	2,174	2,174
Payroll withholdings	1,319,462	-	-	1,319,462
Other liabilities	99,602	-	4,770	104,372
Deferred revenue	26,579,052	2,414,996	21,111,495	50,105,543
<b>Total liabilities</b>	<b>39,930,282</b>	<b>6,746,286</b>	<b>49,016,849</b>	<b>95,693,417</b>
Fund Balances:				
Nonspendable	-	-	5,066,300	5,066,300
Restricted	-	9,717,661	9,719,826	19,437,487
Committed	8,839,401	-	2,616,037	11,455,438
Assigned	454,976	-	-	454,976
Unassigned	19,352,944	-	(13,345,642)	6,007,302
<b>Total Fund Balances</b>	<b>28,647,321</b>	<b>9,717,661</b>	<b>4,056,521</b>	<b>42,421,503</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 68,577,603</b>	<b>\$ 16,463,947</b>	<b>\$ 53,073,370</b>	<b>\$ 138,114,920</b>

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

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

	General Fund	Wastewater Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
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
<b>TOTAL ASSETS</b>	<b>\$ 68,705,463</b>	<b>\$ 16,462,384</b>	<b>\$ 55,733,211</b>	<b>\$ 140,901,058</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>				
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
<b>TOTAL LIABILITIES</b>	<b>39,991,491</b>	<b>7,877,356</b>	<b>54,080,098</b>	<b>101,948,945</b>
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
<b>TOTAL FUND BALANCES</b>	<b>28,713,972</b>	<b>8,585,028</b>	<b>1,653,113</b>	<b>38,952,113</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 68,705,463</b>	<b>\$ 16,462,384</b>	<b>\$ 55,733,211</b>	<b>\$ 140,901,058</b>

(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
<b>ASSETS</b>				
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
<b>TOTAL ASSETS</b>	<b>\$ 63,089,993</b>	<b>\$ 14,321,845</b>	<b>\$ 61,958,858</b>	<b>\$ 139,370,696</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>				
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
<b>TOTAL LIABILITIES</b>	<b>42,919,451</b>	<b>6,003,537</b>	<b>73,677,966</b>	<b>122,600,954</b>
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
<b>TOTAL FUND BALANCES (Deficits)</b>	<b>20,170,542</b>	<b>8,318,308</b>	<b>(11,719,108)</b>	<b>16,769,742</b>
<b>TOTAL LIABILITIES AND FUND BALANCES (deficits)</b>	<b>\$ 63,089,993</b>	<b>\$ 14,321,845</b>	<b>\$ 61,958,858</b>	<b>\$ 139,370,696</b>

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

**CITY OF NEW BEDFORD, MASSACHUSETTS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010(1)**

	General Fund	Wastewater Fund	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments, Unrestricted	\$ 17,050,754	\$ 6,547,061	\$ 4,679,815	\$ 15,980,948	\$ 44,258,578
Cash, Restricted	-	4,536,494	-	-	4,536,494
Receivables, Net:					
Real Estate and Personal Property Taxes	4,679,969	-	-	-	4,679,969
Tax Liens and Foreclosures	19,991,349	-	-	-	19,991,349
Motor Vehicle and boat excise	1,566,562	-	-	-	1,566,562
User charges receivables	-	1,132,051	-	-	1,132,051
Departmental and other	6,038,219	50,015	-	-	6,088,234
Loans Receivable	-	-	-	19,618,364	19,618,364
Other Receivable	363,883	-	-	413,227	777,110
Special Assessments	1,914	305,770	-	-	307,684
Due from federal or state government	1,353,410	-	-	20,854,523	22,207,933
Due from Other Funds	2,734,801	371,089	-	63,189	3,169,079
Due from external parties	2,172,102	-	-	-	2,172,102
Inventories	-	81,662	-	-	81,662
Land inventory	-	-	-	246,918	246,918
<b>TOTAL ASSETS</b>	<b>\$ 55,952,963</b>	<b>\$ 13,024,142</b>	<b>\$ 4,679,815</b>	<b>\$ 57,177,169</b>	<b>\$ 130,834,089</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>					
Liabilities:					
Warrants Payable	\$ 2,600,933	\$ 1,266,651	\$ -	\$ 3,681,559	\$ 7,549,143
Accounts Payable and Accrued Expenses	11,280,455	23,124	-	3,575,606	14,879,185
Retainage Payable	-	-	-	1,444,722	1,444,722
Bonds and Notes Payable	-	-	-	28,431,250	28,431,250
Due to Other Funds	2,033,814	3,045,702	-	51,430	5,130,946
Deposits held	-	-	-	162,554	162,554
Due to other governments	-	-	-	286,430	286,430
Payroll withholdings	136,381	-	-	-	136,381
Other liabilities	558,649	-	-	25,948	584,597
Deferred revenue	21,786,247	1,487,836	-	21,344,457	44,618,540
<b>TOTAL LIABILITIES</b>	<b>38,396,479</b>	<b>5,823,313</b>	<b>\$ -</b>	<b>59,003,956</b>	<b>103,223,748</b>
Fund Balances (Deficits):					
Reserved For:					
Encumbrances	2,039	-	-	-	2,039
Debt Service	-	2,900,576	-	-	2,900,576
Non-expendable Bequests	-	-	-	5,127,411	5,127,411
Debt premium	605,351	-	-	-	605,351
Appropriation deficit	(10,617)	-	-	-	(10,617)
Other specific purposes	1,250	1,635,918	-	-	1,637,168
Unreserved	16,958,461	2,664,335	-	-	19,622,796
Undesignated, reported in nonmajor:					
Special Revenue Funds	-	-	4,679,815	8,127,772	12,807,587
Capital Project Funds	-	-	-	(16,525,571)	(16,525,571)
Permanent Funds	-	-	-	1,443,601	1,443,601
<b>TOTAL FUND BALANCES</b>	<b>17,556,484</b>	<b>7,200,829</b>	<b>4,679,815</b>	<b>(1,826,787)</b>	<b>27,610,341</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 55,952,963</b>	<b>\$ 13,024,142</b>	<b>\$ 4,679,815</b>	<b>\$ 57,177,169</b>	<b>\$ 130,834,089</b>

(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, 2013 (1)**

	General Fund	Wastewater Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUE</b>				
Real estate and personal property taxes	\$ 91,923,591	\$ -	\$ -	\$ 91,923,591
Motor vehicle and other excise taxes	7,507,167	-	-	7,507,167
Tax liens and foreclosures	2,369,273	242,610	-	2,611,883
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	157,643	48,271	557,871	763,785
Intergovernmental - operating	139,567,145	5,729,836	40,910,678	186,207,659
Intergovernmental - capital grants	-	-	14,129,924	14,129,924
Charges for services	1,762,936	19,561,300	-	21,324,236
Other - indirect	1,511,236	-	-	1,511,236
Special assessments & betterments	253	40,175	-	40,428
Departmental	13,179,173	10,987	-	13,190,160
Payment in lieu of taxes	281,810	-	-	281,810
Miscellaneous	2,929,139	29,885	5,537,495	8,496,519
<b>TOTAL REVENUES</b>	<b>264,991,063</b>	<b>25,663,064</b>	<b>61,135,968</b>	<b>351,790,095</b>
<b>EXPENDITURES</b>				
General Government	6,509,249	-	5,212,974	11,722,223
Public Safety	37,827,386	-	9,262,771	47,090,157
Education	114,815,009	-	25,926,517	140,741,526
Public works	13,042,250	10,748,865	6,055,912	29,847,027
Community and economic development	-	-	6,564,636	6,564,636
Health and human services	5,163,611	-	794,618	5,958,229
Municipal Airport	-	-	9,077,570	9,077,570
Culture and recreation	3,928,783	-	1,633,848	5,562,631
Pension benefits	22,629,695	-	-	22,629,695
Health and other insurance	36,322,214	-	-	36,322,214
Miscellaneous	8,577,214	-	-	8,577,214
State and county charges	9,581,904	-	-	9,581,904
Debt service:				
Principal payments	6,035,695	6,752,084	-	12,787,779
Interest payment	2,903,217	5,126,091	-	8,029,308
Short-term note interest	494,872	-	-	494,872
<b>TOTAL EXPENDITURES</b>	<b>267,831,099</b>	<b>22,627,040</b>	<b>64,528,846</b>	<b>354,986,985</b>
Excess (deficiency) of Revenues Over Expenditures	(2,840,036)	3,036,024	(3,392,878)	(3,196,890)
<b>OTHER FINANCING SOURCES (Uses)</b>				
Bond proceeds	-	-	4,373,000	4,373,000
Transfers in	5,491,074	5,734,506	2,105,708	13,331,288
Transfers out	(2,717,689)	(7,637,897)	(682,422)	(11,038,008)
Total Other Financing Sources and Uses	2,773,385	(1,903,391)	5,796,286	6,666,280
Net Change in Fund Balances	(66,651)	1,132,633	2,403,408	3,469,390
Fund balances-July 1, 2012	28,713,972	8,585,028	1,653,113	38,952,113
Fund balances-June 30, 2013	<b>\$ 28,647,321</b>	<b>\$ 9,717,661</b>	<b>\$ 4,056,521</b>	<b>\$ 42,421,503</b>

(1) Extracted from City's draft 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
<b>REVENUE</b>				
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
<b>TOTAL REVENUES</b>	<b>291,087,535</b>	<b>25,413,001</b>	<b>73,793,641</b>	<b>390,294,177</b>
<b>EXPENDITURES</b>				
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
<b>TOTAL EXPENDITURES</b>	<b>286,125,322</b>	<b>23,285,247</b>	<b>79,628,395</b>	<b>389,038,964</b>
Excess (deficiency) of Revenues Over Expenditures	4,962,213	2,127,754	(5,834,754)	1,255,213
<b>OTHER FINANCING SOURCES (Uses)</b>				
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)
<b>Total Other Financing Sources and Uses</b>	<b>3,758,717</b>	<b>(1,861,034)</b>	<b>19,690,150</b>	<b>21,587,833</b>
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
<b>Fund balances-ending</b>	<b>\$ 28,713,972</b>	<b>\$ 8,585,028</b>	<b>\$ 1,653,113</b>	<b>\$ 38,952,113</b>

(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
<b>REVENUE</b>				
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
<b>TOTAL REVENUES</b>	<b>277,040,657</b>	<b>25,560,554</b>	<b>78,147,899</b>	<b>380,749,110</b>
<b>EXPENDITURES</b>				
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
<b>TOTAL EXPENDITURES</b>	<b>282,070,882</b>	<b>23,376,237</b>	<b>91,441,064</b>	<b>396,888,183</b>
Excess (deficiency) of Revenues Over Expenditures	(5,030,225)	2,184,317	(13,293,165)	(16,139,073)
<b>OTHER FINANCING SOURCES (Uses)</b>				
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	<b>\$ 20,170,542</b>	<b>\$ 8,318,308</b>	<b>\$ (11,719,108)</b>	<b>\$ 16,769,742</b>

(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
<b>REVENUE</b>					
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
<b>TOTAL REVENUES</b>	<b>280,381,279</b>	<b>25,055,101</b>	<b>111,856</b>	<b>90,440,999</b>	<b>395,989,235</b>
<b>EXPENDITURES</b>					
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
<b>TOTAL EXPENDITURES</b>	<b>284,471,213</b>	<b>23,206,501</b>	<b>60</b>	<b>91,522,484</b>	<b>399,200,258</b>
Excess (deficiency) of Revenues Over Expenditures	(4,089,934)	1,848,600	111,796	(1,081,485)	(3,211,023)
<b>OTHER FINANCING SOURCES (Uses)</b>					
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	<b>\$ 17,556,484</b>	<b>\$ 7,200,829</b>	<b>\$ 4,679,815</b>	<b>\$ 1,826,787</b>	<b>\$ 27,610,341</b>

(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
<b>REVENUE</b>					
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
<b>TOTAL REVENUES</b>	<b>273,843,125</b>	<b>24,474,965</b>	<b>277,298</b>	<b>64,913,172</b>	<b>363,508,560</b>
<b>EXPENDITURES</b>					
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
<b>TOTAL EXPENDITURES</b>	<b>279,305,949</b>	<b>24,416,372</b>	<b>65</b>	<b>78,905,967</b>	<b>382,628,353</b>
Excess (deficiency) of Revenues Over Expenditures	(5,462,824)	58,593	277,233	(13,992,795)	(19,119,793)
<b>OTHER FINANCING SOURCES (Uses)</b>					
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.

**CITY OF NEW BEDFORD, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**June 30, 2008 (1)**

	General Fund	Wastewater Fund	Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUE</b>					
Real estate and personal property taxes	\$ 79,396,213	\$ -	\$ -	\$ -	\$ 79,396,213
Motor vehicle and other excise taxes	6,246,878	-	-	-	6,246,878
School Building Authority Reimbursement	-	-	-	-	-
Tax liens and foreclosures	1,704,636	-	-	-	1,704,636
Penalties and interest on taxes	1,923,700	-	-	-	1,923,700
Licenses and permits	2,029,754	-	-	-	2,029,754
Fines and forfeitures	299,881	-	-	-	299,881
Investment income	1,020,684	435,512	303,992	(523,470)	1,236,718
Intergovernmental - operating grants	167,507,805	6,518,206	-	39,237,877	213,263,888
Intergovernmental - capital grants	-	-	-	459,266	459,266
Charges for services	-	16,732,985	-	4,403	16,737,388
Departmental	16,022,287	-	-	-	16,022,287
Other - indirect	392,966	-	-	-	392,966
Special assessments & betterments	512	-	-	-	512
Payment in lieu of taxes	309,257	-	-	-	309,257
Miscellaneous	620,276	819,172	-	5,580,038	7,019,486
<b>TOTAL REVENUES</b>	<b>277,474,849</b>	<b>24,505,875</b>	<b>303,992</b>	<b>44,758,114</b>	<b>347,042,830</b>
<b>EXPENDITURES</b>					
General Government	6,664,045	-	-	3,523,933	10,187,978
Public Safety	42,830,660	-	-	2,401,823	45,232,483
Public Infrastructure	-	-	-	6,791,107	-
Education	136,398,296	-	65	32,932,243	169,330,604
Public works	18,374,088	18,444,580	-	2,539,009	39,357,677
Community and economic development	-	-	-	7,021,793	7,021,793
Health and human services	5,299,804	-	-	1,435,038	6,734,842
Culture and recreation	4,279,795	-	-	1,425,411	5,705,206
Pension benefits	19,316,008	-	-	-	19,316,008
Health and other insurance	31,753,513	-	-	-	31,753,513
Municipal Airport	-	-	-	1,064,050	1,064,050
Miscellaneous	199,310	-	-	-	199,310
State and county charges	5,790,318	-	-	-	5,790,318
Debt service:					
Principal payments	5,150,375	5,387,411	-	100,000	10,637,786
Interest and fiscal charges	5,057,847	-	-	1,062	5,058,909
<b>TOTAL EXPENDITURES</b>	<b>281,114,059</b>	<b>23,831,991</b>	<b>65</b>	<b>59,235,469</b>	<b>357,390,477</b>
Excess (deficiency) of Revenues Over Expenditures	(3,639,210)	673,884	303,927	(14,477,355)	(10,347,647)
<b>OTHER FINANCING SOURCES (Uses)</b>					
Bond proceeds				23,527,347	23,527,347
Bond Premiums					
Transfer from tailings					-
Transfer from overlay reserves					-
Transfers in	3,254,809	403,915	4,130,084	578,814	8,367,622
Transfers out	(5,484,329)		(303,934)	(2,317,704)	(8,105,967)
<b>Total Other Financing Sources and Uses</b>	<b>(2,229,520)</b>	<b>403,915</b>	<b>3,826,150</b>	<b>21,788,457</b>	<b>23,789,002</b>
Net Change in Fund Balances	(5,868,730)	1,077,799	4,130,077	7,311,102	6,650,248
Fund balances-beginning, restated	24,426,006	5,628,287	5,220,340	(16,945,601)	18,329,032
Fund balances-ending	<b>\$ 18,557,276</b>	<b>\$ 6,706,086</b>	<b>\$ 9,350,417</b>	<b>\$ (9,634,499)</b>	<b>\$ 24,979,280</b>

(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. Prior to July 1, 2006 free cash had not been certified by the City, dating back to 2002.

<u>July 1</u>	<u>Free Cash</u>
2013 (estimate)	\$ 4,200,000 (1)
2012	7,561,187 (2)
2011	1,313,236 (3)
2010	3,199,535 (4)
2009	485,884
2008	3,920,052

- (1) 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.
- (2) 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.
- (3) 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.
- (4) 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>
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
2009	7,535,464	1,860,264	(1)

- (1) The City's Water Stabilization Fund was established beginning in fiscal 2011.

## 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 Municipal Purpose Loan of 2010 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. 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. (See "THE BONDS – State Qualified Bonds" above.)

**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.** 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.

Revenue Anticipation Notes are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

**Revenue Anticipation Notes (1)**

<u>Fiscal Year</u>	<u>RANs Issued During Fiscal Year</u>	<u>RANs Outstanding At Fiscal Year-End</u>
2013	\$ 10,000,000	None
2012	10,000,000	None
2011	12,000,000	None
2010	10,000,000	None
2000	10,000,000	None

The City does not anticipate issuing RANs in fiscal 2014.

(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 Water Pollution Abatement 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, 2013, the City will have \$84,170,000 sewer revenue bonds outstanding issued by it to the Massachusetts Water Pollution Abatement Trust (the “Trust”).

**CITY OF NEW BEDFORD**  
**General Obligation Direct Debt Summary**  
**As of June 30, 2013**

General Obligation Bonds:

Outstanding as of June 30, 2012

School (1)	\$ 32,325,000	
Water (2)	11,748,000	
Sewer (3)	10,043,000	
MWPAT (3)	45,089,848	
General (4)	<u>36,957,000</u>	
Total Outstanding		\$ 136,162,848

Bonds Dated January February 6, 2014 10,000,000

Temporary Loans:

Bond Anticipation Notes Outstanding (5)	22,750,000	
To Be Retired with Bond Proceeds	(10,000,000)	
To be retired with MSBA grant funds	(3,584,654)	
New Money Notes to be issued simultaneous with the renewal of maturing notes on February 7, 2014 (6)	<u>16,018,000</u>	
Total Outstanding (6)		<u>25,183,346</u>

Total Direct Debt \$ 171,346,194

- (1) Outstanding Massachusetts School Building Assistance (MSBA) grants to pay a portion of the principal and interest on these bonds as of June 30, 2013 is estimated at \$16,362,800. This represents the Roosevelt Junior High School project, which has been audited by the MSBA.
- (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.
- (4) \$12,832,725 is outside the City's debt limit.
- (5) Payable February 7, 2014.
- (6) Payable February 6, 2015.

In addition to the General Obligation Bonds outstanding, as of June 30, 2013, the City will have \$84,170,000 sewer revenue bonds outstanding (at an effective interest rate of 0%) issued to the MWPAT. 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 Debt To Equalized Valuation
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
2009	125,730,818	93,768	7,140,048,800	1,340.87	1.76

- (1) 2000 U.S. Bureau of the Census for fiscal 2009 and 2010; 2010 U.S. Bureau of the Census for fiscal 2011 through 2013.
- (2) 2008 equalized valuation used for fiscal 2009 and 2010; 2010 equalized valuation used for fiscal 2011 and 2012; 2012 equalized valuation used for fiscal 2013.

## 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 Water Pollution Abatement Trust to pay portion of such debt service.

### CITY OF NEW BEDFORD GENERAL OBLIGATION BONDS (1) As of June 30, 2013, Including Subsequent Issue

Fiscal Year	Outstanding		This Issue		Less MSBA Payments (2)	Less MWPAT Subsidies	Total Net Debt Service
	Principal	Interest	Principal	Interest			
2014	\$ 10,524,049	\$ 4,808,795	\$ 120,000	\$ 511,027	\$ (2,045,350)	\$ (333,964)	\$ 13,584,557
2015	10,468,536	4,435,800	250,000	380,069	(2,045,350)	(325,091)	13,163,964
2016	10,707,188	4,047,423	260,000	368,569	(2,045,350)	(314,894)	13,022,936
2017	10,519,442	3,654,356	275,000	355,194	(2,045,350)	(304,072)	12,454,570
2018	10,145,684	3,269,996	290,000	341,069	(2,045,350)	(293,848)	11,707,551
2019	10,404,320	2,942,963	300,000	326,319	(2,045,350)	(283,821)	11,644,430
2020	10,048,671	2,517,194	320,000	310,819	(2,045,350)	(272,655)	10,878,679
2021	9,638,755	2,091,860	330,000	297,869	(2,045,350)	(263,354)	10,049,780
2022	5,889,584	1,681,757	345,000	286,019	-	(252,329)	7,950,031
2023	5,686,179	1,476,129	355,000	272,019	-	(237,895)	7,551,432
2024	5,399,267	1,280,845	370,000	259,369	-	(177,060)	7,132,421
2025	5,505,748	1,044,630	380,000	248,119	-	(192,756)	6,985,741
2026	4,368,199	931,874	395,000	236,247	-	(126,885)	5,804,435
2027	3,879,418	797,658	405,000	223,494	-	(121,471)	5,184,098
2028	2,831,452	687,056	420,000	209,825	-	(115,847)	4,032,486
2029	2,807,552	597,319	435,000	195,125	-	(110,065)	3,924,931
2030	2,413,450	510,727	450,000	179,638	-	(104,073)	3,449,741
2031	2,416,084	426,075	465,000	163,334	-	(93,138)	3,377,354
2032	2,074,267	348,458	485,000	145,206	-	-	3,052,932
2033	1,688,014	278,152	505,000	125,406	-	-	2,596,573
2034	1,553,517	226,274	525,000	104,806	-	-	2,409,597
2035	1,605,850	174,862	545,000	83,406	-	-	2,409,118
2036	953,733	121,535	570,000	61,106	-	-	1,706,375
2037	698,045	101,948	590,000	37,538	-	-	1,427,530
2038	715,518	85,113	615,000	12,684	-	-	1,428,315
2039	733,428	67,856	-	-	-	-	801,284
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>\$ 136,162,848</u>	<u>\$ 38,711,863</u>	<u>\$ 10,000,000</u>	<u>\$ 5,734,274</u>	<u>\$ (16,362,800)</u>	<u>\$ (3,923,220)</u>	<u>\$ 170,322,965</u>

- (1) Does not include debt service on the \$84,170,000 outstanding sewer revenue bonds issued to the MWPAT, 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, 2013.

Fiscal Year	School (1)	Water (2)	Sewer (3)	MWPAT (4)	General (5)	Total
2014	\$ 3,271,000	\$ 758,000	\$ 1,006,550	\$ 1,891,049	\$ 3,597,450	\$ 10,524,049
2015	3,354,000	771,000	1,039,650	1,938,536	3,365,350	10,468,536
2016	3,443,000	789,000	1,077,800	1,992,188	3,405,200	10,707,188
2017	3,531,000	428,000	1,127,000	2,049,442	3,384,000	10,519,442
2018	3,641,000	437,000	734,000	2,090,684	3,243,000	10,145,684
2019	3,760,000	450,000	763,000	2,149,320	3,282,000	10,404,320
2020	3,675,000	460,000	525,000	2,208,671	3,180,000	10,048,671
2021	3,730,000	475,000	545,000	2,268,755	2,620,000	9,638,755
2022	635,000	380,000	570,000	2,329,584	1,975,000	5,889,584
2023	635,000	400,000	595,000	2,391,179	1,665,000	5,686,179
2024	635,000	415,000	615,000	2,294,267	1,440,000	5,399,267
2025	635,000	430,000	640,000	2,345,748	1,455,000	5,505,748
2026	375,000	450,000	395,000	1,968,199	1,180,000	4,368,199
2027	370,000	470,000	410,000	1,984,418	645,000	3,879,418
2028	205,000	495,000	-	1,631,452	500,000	2,831,452
2029	100,000	515,000	-	1,672,552	520,000	2,807,552
2030	105,000	540,000	-	1,223,450	545,000	2,413,450
2031	110,000	560,000	-	1,251,084	495,000	2,416,084
2032	115,000	585,000	-	979,267	395,000	2,074,267
2033	-	620,000	-	1,003,014	65,000	1,688,014
2034	-	645,000	-	908,517	-	1,553,517
2035	-	675,000	-	930,850	-	1,605,850
2036	-	-	-	953,733	-	953,733
2037	-	-	-	698,045	-	698,045
2038	-	-	-	715,518	-	715,518
2039	-	-	-	733,428	-	733,428
2040	-	-	-	751,788	-	751,788
2041	-	-	-	770,606	-	770,606
2042	-	-	-	476,176	-	476,176
2043	-	-	-	488,328	-	488,328
	<u>\$ 32,325,000</u>	<u>\$ 11,748,000</u>	<u>\$ 10,043,000</u>	<u>\$ 45,089,848</u>	<u>\$ 36,957,000</u>	<u>\$ 136,162,848</u>

- (1) Outstanding Massachusetts School Building Assistance (MSBA) grants to pay a portion of the principal and interest on these bonds as of June 30, 2013 was estimated at \$16,362,800. This represents the Roosevelt Junior High School project, which has been audited by the MSBA.
- (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 \$84,170,000 revenue bonds issued to the MWPAT.
- (4) Does not reflect MWPAT subsidies. Not subject to the City's general debt limit. Self-supporting.
- (5) \$12,832,725 is outside the City's debt limit.

## Authorized Unissued Debt and Prospective Financing

The City has a total of approximately \$261.1 million of bonds authorized for various sewer (\$106 million), school construction (\$110.3 million), water (\$5.5 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 sold over time through the Massachusetts Water Pollution Abatement Trust.

In 2013 the City developed a capital improvement program, a copy of which can be found in Appendix E, "City of New Bedford FY14-18 Capital Improvement Program". The *Debt Impact Analysis* prepared in conjunction with the capital improvement program is shown below.

### Debt Impact Analysis

Debt Issuance (1)	FY 2014	FY2015	FY 2016	FY 2017	FY 2018
Existing Debt \$	69,282,000	\$ 71,934,550	\$ 75,734,200	\$ 71,307,000	\$ 64,851,037
Plus: New Issues (2)	16,388,000	11,367,000	3,994,900	2,400,000	10,100,000
Less: Retirement	(13,735,450)	(7,567,350)	(8,422,100)	(8,855,963)	(8,757,027)
<b>Net Outstanding Debt \$</b>	<b>71,934,550</b>	<b>\$ 75,734,200</b>	<b>\$ 71,307,000</b>	<b>\$ 64,851,037</b>	<b>\$ 66,194,010</b>
Projected Debt Service \$	9,576,128	\$ 10,815,103	\$ 11,623,098	\$ 11,599,100	\$ 10,903,499
Projected Lease Payments (3)	79,847	248,761	470,185	506,454	696,586
<b>Total Debt Payments \$</b>	<b>9,655,975</b>	<b>\$ 11,063,864</b>	<b>\$ 12,093,283</b>	<b>\$ 12,105,554</b>	<b>\$ 11,600,085</b>
Debt to Estimated Property Value (1% growth after FY16): <3%	1.3%	1.5%	1.4%	1.2%	1.2%
Debt to Per Capita Income (1% annual growth): <6%	3.5%	3.7%	3.4%	3.1%	3.1%
Debt Payment to GF Expenditures (1% annual growth):<10%	3.7%	4.2%	4.5%	4.5%	4.2%

(1) Includes projected long-term issues in 2014 (\$16,388,000) and 2015 (\$3,500,000) 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:

FY14: \$1,399,012

FY15: \$759,134

FY16: \$363,996

FY17: \$353,496

FY18: \$73,500

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

## 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
2014	\$ 10,429,935	\$ 144,447,598	13.85
2015	10,916,946	147,336,550	13.50
2016	10,792,478	150,283,281	13.92
2017	10,622,094	153,288,947	14.43
2018	10,511,032	156,354,726	14.88
2019	10,454,944	159,481,820	15.25
2020	9,683,451	162,671,456	16.80
2021	8,862,560	165,924,886	18.72
2022	4,726,390	169,243,383	35.81
2023	4,324,215	172,628,251	39.92
2024	4,124,001	176,080,816	42.70
2025	4,062,720	179,602,432	44.21
2026	3,188,295	183,194,481	57.46
2027	2,595,314	186,858,371	72.00
2028	1,896,898	190,595,538	100.48
2029	1,790,595	194,407,449	108.57
2030	1,793,328	198,295,598	110.57
2031	1,792,584	202,261,510	112.83
2032	1,792,918	206,306,740	115.07
2033	1,339,446	210,432,875	157.10
2034	1,336,126	214,641,532	160.64
2035	1,335,856	218,934,363	163.89
2036	628,406	223,313,050	355.36
2037	631,106	227,779,311	360.92
2038	627,538	232,334,897	370.23
2039	627,684	236,981,595	377.55
	<u>\$ 120,886,860</u>		

(1) As of June 30, 2013, includes This Issue.

(2) Includes total state aid available for coverage based on the City's FY 2014 Cherry Sheet. State aid is increased at a rate of 2% each year after FY 2014. 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, 2013, the City's gross share of such debt and the fiscal 2014 dollar assessment to the City by each entity.

<u>Overlapping Entity</u>	<u>Outstanding Debt</u>	<u>New Bedford Estimated Share (1)</u>	<u>2014 Dollar Assessment (2)</u>
Greater New Bedford Regional Refuse Management District (3)	\$0	89.22%	\$745,700
Bristol County (4)	N.A.	11.89%	579,337
Southeastern Regional Transportation Authority (5)	0	N.A.	861,787
Greater New Bedford Regional Vocational Technical High School District (6)	0	77.00%	4,748,283

- (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 first five-year option was renewed with no changes to the contract terms, and began July 1, 2008 and expires June 30, 2018. The cost of the contract for fiscal 2013 was \$4,024,617; the budgeted cost for fiscal 2014 is approximately \$4,145,356. 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 2013 was \$2,180,514; the budgeted cost for fiscal 2014 is approximately \$2,245,929. The City has a contract for solid waste collection with ABC Corporation that is effective through June 30, 2023. The cost of this contract was \$4,155,576 in fiscal 2013 and the budgeted cost for fiscal 2014 is approximately \$4,213,754.

## **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)
2014 (budgeted)	\$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
2009	19,969,063	79,927

(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, 2012 is estimated at \$337,493,031 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 is shown below.

Fiscal Year Ending	Payroll	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Funded Ratio %**
2013	\$ 82,496,640	\$ 6,948,736	\$ 4,487,735	\$ 21,401,971	\$ 25,889,706	31.4	41.5
2014	84,971,536	7,216,025	4,560,922	22,736,404	27,297,326	32.1	42.7
2015	87,520,685	7,493,098	4,634,461	23,619,490	28,253,951	32.3	44.0
2016	90,146,306	7,780,301	4,708,308	24,537,901	29,246,209	32.4	45.3
2017	92,850,695	8,077,992	4,782,414	25,493,047	30,275,461	32.6	46.8
2018	95,636,216	8,386,542	4,856,730	26,486,400	31,343,130	32.8	48.3
2019	98,505,302	8,706,335	4,931,200	27,519,486	32,450,686	32.9	49.9
2020	101,460,462	9,037,767	5,005,767	27,934,662	32,940,429	32.5	51.6
2021	104,504,275	9,381,250	5,080,370	29,052,048	34,132,418	32.7	53.3
2022	107,639,404	9,737,208	5,154,944	30,214,130	35,369,074	32.9	55.2
2023	110,868,586	10,106,081	5,229,421	31,422,695	36,652,116	33.1	57.1
2024	114,194,643	10,488,322	5,303,726	32,679,603	37,983,329	33.3	59.2
2025	117,620,483	10,884,402	5,377,784	33,986,787	39,364,571	33.5	61.4
2026	121,149,097	11,294,807	5,451,511	35,346,259	40,797,770	33.7	63.7
2027	124,783,570	11,720,041	5,524,822	36,760,109	42,284,931	33.9	66.2
2028	128,527,077	12,160,624	5,597,625	38,230,513	43,828,138	34.1	68.8
2029	132,382,889	12,617,093	5,669,825	39,759,734	45,429,559	34.3	71.6
2030	136,354,376	13,090,006	5,741,318	41,350,123	47,091,441	34.5	74.6
2031	140,445,007	13,579,939	5,811,998	43,004,128	48,816,126	34.8	77.8
2032	144,658,358	14,087,486	5,881,752	44,724,293	50,606,045	35.0	81.1
2033	148,998,108	14,613,264	5,950,460	46,513,265	52,463,725	35.2	84.5
2034	153,468,052	15,157,911	6,017,997	48,373,796	54,391,793	35.4	88.2
2035	158,072,093	15,722,084	6,084,231	50,308,747	56,392,978	35.7	92.0
2036	162,814,256	16,306,465	6,149,022	52,321,097	58,470,119	35.9	95.9
2037	167,698,684	16,911,759	6,212,226	-	6,212,226	3.7	100.0
2038	172,729,644	17,538,696	6,273,687	-	6,273,687	3.6	100.0
2039	177,911,533	18,188,027	6,333,245	-	6,333,245	3.6	100.0
2040	183,248,879	18,860,534	6,390,730	-	6,390,730	3.5	100.0
2041	188,746,346	19,557,022	6,445,965	-	6,445,965	3.4	100.0
2042	194,408,736	20,278,325	6,498,762	-	6,498,762	3.3	100.0
2043	200,240,998	21,025,305	6,548,925	-	6,548,925	3.3	100.0
2044	206,248,228	21,656,064	6,745,393	-	6,745,393	3.3	100.0

\*Calendar basis.

\*\*Beginning of Fiscal Year.

SOURCE: January 1, 2012 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
2014 (budgeted)	\$ 19,002,023
2013	18,057,353
2012	17,130,467
2011	14,975,692
2010	12,104,927
2009	12,537,241

The Governmental Accounting Standards Board (“GASB”) recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new 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. For the fiscal year ending June 30, 2012 the City’s net other post-employment benefit obligation was \$102,726,001. The City is exploring funding options for the other post-employment benefit liabilities at the present time.

### **EMPLOYEE RELATIONS**

As of December, 2013 the City employs approximately 2,683 full-time workers, of whom 1,658 are employed by the School Department, 304 by the Police Department, 234 by the Fire Department, 70 by the Department of Public Facilities and 159 by the Department of Public Infrastructure, and the balance of 285 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 2,683 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 school support staff union is under contract with the City through June 30, 2013. Contracts with the police union expired on June 30, 2011. The contract with the school paraprofessional employees union expired on August 31, 2011. The general municipal government union and the fire union contracts expired June 30, 2012. The teachers and school administrators unions are under contract through June 30, 2014. A new contract with the police union is pending and all other contracts that have expired are currently in negotiations.

### **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.

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

January 23, 2014

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**CITY OF NEW BEDFORD, MASSACHUSETTS**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2012**

**CITY OF NEW BEDFORD, MASSACHUSETTS**

**Year Ended June 30, 2012**

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# HAGUE, SAHADY & CO., P.C.

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Fall River, MA 02720  
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FAX (508) 675-7859

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

## Independent Auditors' Report

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, as of and for the year ended June 30, 2012 (except for the New Bedford Contributory Retirement System which is as of and for the year ended December 31, 2011), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of New Bedford's management.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of New Bedford's internal control over financial reporting. Accordingly, we express no opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2012 (except for the New Bedford Contributory Retirement System which is as of and for the year ended December 31, 2011), and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

CITY OF NEW BEDFORD, MASSACHUSETTS

In accordance with *Government Auditing Standards*, we have also issued a separate report dated March 13, 2013 on our consideration of the City's 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 13 and 79 through 86 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Bedford's basic financial statements. The supplementary statements and schedules on pages 90 through 102 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of funding progress and employers' contributions on pages 87 through 89 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Hague, Sahady & Co. PC*

March 13, 2013

## CITY OF NEW BEDFORD, MASSACHUSETTS

### Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2012

The management of the **City of New Bedford, Massachusetts** (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, 2012 and 2011. 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 of the City exceeded liabilities at June 30, 2012 and 2011, respectively, by \$147,592,758 and \$143,798,343. Of this amount, \$(33,011,252) represents unrestricted net assets at June 30, 2012 and \$(15,561,704) at June 30, 2011 (restated).
- The City's total net assets increased by \$3,794,415 for the fiscal year ended June 30, 2012.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$38,952,113. As of June 30, 2011 ending fund balances for governmental funds were \$16,109,067 (restated).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$19,230,621 or 6.7% of total general fund expenditures.
- The City's total long term debt (including compensated absences and capital lease liabilities) increased by \$6,223,381 from \$241,097,344 to \$247,320,725 during the current fiscal year. The key factor in this increase is that the City has incurred new debt totaling \$19,612,962, pay downs were made totaling \$11,021,693 and the state subsidized principal payments totaled \$3,040,279 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 decreased the City's net assets by \$1,843,237.

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

## CITY OF NEW BEDFORD, MASSACHUSETTS

### Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2012

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (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 five 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 and The New Bedford Contributory Retirement System.

The government-wide financial statements can be found on pages 14 through 18 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*.

## CITY OF NEW BEDFORD, MASSACHUSETTS

### Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2012

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 19 through 20 of this report. The budgetary statements can be found on pages 79 through 81 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 23 through 26 of this report. The budgetary statements can be found on pages 82 through 83 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 assets and a statement of changes in fiduciary net assets. 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 27 through 28 of this report.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2012

**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 29 through 78 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 79 through 86.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$147,592,758 as of June 30, 2012 and \$143,798,343 as of June 30, 2011 (restated).

The largest portion of the City's net assets 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 Assets - June 30, 2012 and June 30, 2011 (Government-wide level)**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets:</b>						
Current and other assets	\$ 144,646,044	\$ 140,268,549	\$ 6,846,349	\$ 6,034,912	\$ 151,492,393	\$ 146,303,461
Capital assets	<u>340,361,454</u>	<u>330,329,981</u>	<u>65,784,199</u>	<u>65,581,618</u>	<u>406,145,653</u>	<u>395,911,599</u>
Total Assets	<u>\$ 485,007,498</u>	<u>\$ 470,598,530</u>	<u>\$ 72,630,548</u>	<u>\$ 71,616,530</u>	<u>\$ 557,638,046</u>	<u>\$ 542,215,060</u>
<b>Liabilities:</b>						
Current liabilities	\$ 77,474,900	\$ 83,132,152	\$ 3,224,185	\$ 2,749,995	\$ 80,699,085	\$ 85,882,147
Long-term liabilities	<u>299,025,240</u>	<u>280,910,198</u>	<u>30,320,963</u>	<u>31,624,372</u>	<u>329,346,203</u>	<u>312,534,570</u>
Total Liabilities	<u>\$ 376,500,140</u>	<u>\$ 364,042,350</u>	<u>\$ 33,545,148</u>	<u>\$ 34,374,367</u>	<u>\$ 410,045,288</u>	<u>\$ 398,416,717</u>
<b>Net Assets:</b>						
Investments in capital assets (net of debt)	\$ 109,836,290	\$ 93,682,092	\$ 34,639,149	\$ 32,876,583	\$ 144,475,439	\$ 126,558,675
Restricted	36,128,571	32,801,372	-	-	36,128,571	32,801,372
Unrestricted	<u>(37,457,503)</u>	<u>(19,927,284)</u>	<u>4,446,251</u>	<u>4,365,580</u>	<u>(33,011,252)</u>	<u>(15,561,704)</u>
Total Net Assets	<u>\$ 108,507,358</u>	<u>\$ 106,556,180</u>	<u>\$ 39,085,400</u>	<u>\$ 37,242,163</u>	<u>\$ 147,592,758</u>	<u>\$ 143,798,343</u>

\*\* Total net assets for fiscal year ended June 30, 2011 have been restated – refer to restatement note (page 77) in the financial statements for the explanation.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2012

An additional portion of the City's net assets \$36,128,571 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$(33,011,252) 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, 2012 and June 30, 2011 cash and investments consisted of \$67,974,777 and \$63,401,316 respectively.

At the end of fiscal year 2012, the City was not able to report positive balances in all three categories of net assets for its governmental activities, largely in part to a growing GASB Statement No. 45 liability which requires the City to recognize an additional post employment benefit obligation on an annual basis. For year ended 2012, the City is able to report positive balances in all three categories of net assets for its business-type activities.

The City's net assets for its governmental funds increased during the current fiscal year, due primarily to bond proceeds of \$19,612,962. Net income before transfers for business-type activities increased due to revenues in excess of expenditures in the amount of \$1,803,752.

**Governmental activities:** Governmental activities increased the City's net assets by \$1,951,178 for fiscal year ended June 30, 2012.

**Business-type activities:** Business-type activities increased the City's net assets by \$1,843,237 for 2012.

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

**Changes in Net Assets for the period ending June 30, 2012 and June 30, 2011 (Government-wide level)**

	Governmental Activities**		Business-Type Activities**		Total**	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for service	\$ 37,195,262	\$ 42,004,443	\$ 11,737,183	\$ 12,202,097	\$ 48,932,445	\$ 54,206,540
Operating grants & contributions	92,141,368	91,297,826	-	-	92,141,368	91,297,826
Capital grants & contributions	6,484,528	16,383,975	-	-	6,484,528	16,383,975
General revenues:						
Property taxes	90,598,652	89,879,911			90,598,652	89,879,911
Motor vehicle excise	7,262,504	6,442,709			7,262,504	6,442,709
School building assistance	10,029,155	6,412,464			10,029,155	6,412,464
Tax liens, fines & other	4,615,623	4,283,417	-	-	4,615,623	4,283,417
Intergovernmental	130,390,449	126,124,510			130,390,449	126,124,510
Contributions & Donations	11,948,013	13,096,027			11,948,013	13,096,027
Earnings on investments	203,593	1,113,707			203,593	1,113,707
Other	11,037,970	3,912,012	327,643	241,748	11,365,613	4,153,760
Total revenues	401,907,117	400,951,001	12,064,826	12,443,845	413,971,943	413,394,846

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2012

**Changes in Net Assets for the period ending June 30, 2012 and June 30, 2011 (Government-wide level)**

	<u>Governmental Activities**</u>		<u>Business-Type Activities**</u>		<u>Total**</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Expenses:						
General Government	\$ 10,178,439	\$ 7,301,858	\$ -	\$ -	\$ 10,178,439	\$ 7,301,858
Public Safety	65,363,621	62,233,060			65,363,621	62,233,060
Public Works	41,259,377	43,441,860			41,259,377	43,441,860
Education	234,289,836	234,870,891			234,289,836	234,870,891
Community and economic development	7,398,389	11,810,060			7,398,389	11,810,060
Health & human services	8,830,055	9,808,893			8,830,055	9,808,893
Municipal airport	7,489	19,131			7,489	19,131
Culture and recreation	6,266,979	7,421,876			6,266,979	7,421,876
Debt service (interest)	8,361,891	8,622,421			8,361,891	8,622,421
Debt administrative fees	-	-			-	-
Miscellaneous	8,947,755	9,056,400			8,947,755	9,056,400
State and county charges	8,613,392	7,046,706			8,613,392	7,046,706
Water			9,277,526	8,927,363	9,277,526	8,927,363
Airport			983,548	830,488	983,548	830,488
Total expenses	399,517,223	401,633,156	10,261,074	9,757,851	409,778,297	411,391,007
Increase (decrease) in net assets before transfers	2,389,894	(682,155)	1,803,752	2,685,994	4,193,646	2,003,839
Transfers of Capital Assets net of Debt from Governmental Activities	(2,014,356)	(4,239,961)	2,014,356	3,756,786	-	(483,175)
Fund deficits raised					-	-
Net transfers between funds	1,974,871	1,998,808	(1,974,871)	(1,998,808)	-	-
Capital lease proceeds	(399,231)		-	-	(399,231)	-
Increases (decrease) in net assets	1,951,178	(2,923,308)	1,843,237	4,443,972	3,794,415	1,520,664
Net assets - July 1, 2011 **	106,556,180	109,479,488	37,242,163	32,798,191	143,798,343	142,277,679
Net assets - June 30, 2012	\$ 108,507,358	\$ 106,556,180	\$ 39,085,400	\$ 37,242,163	\$ 147,592,758	\$ 143,798,343

\*\* This category was restated - Refer to restatement note (page 77) for explanation.

The majority of general revenues are tax collections from the City's taxpayers. This amount represented 36.8% of the total general revenues of \$266 million. The operating grants are also a significant source of revenue for the City. The total operating grants for fiscal year ended June 30, 2012 amounted to \$92,141,368 of which \$55,766,978 were received for education.

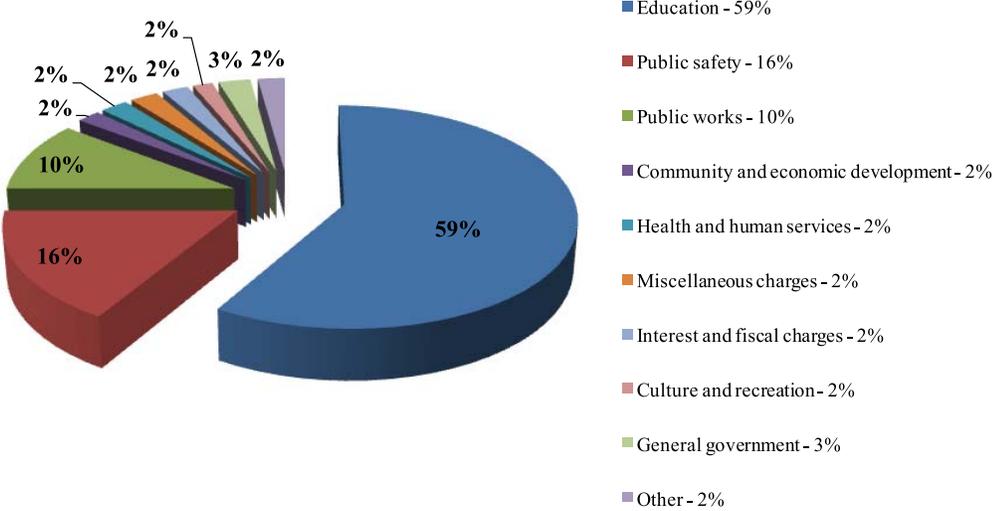
The most significant expense of the City is education which represented 59% of total expenses, followed by public safety at 16%.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

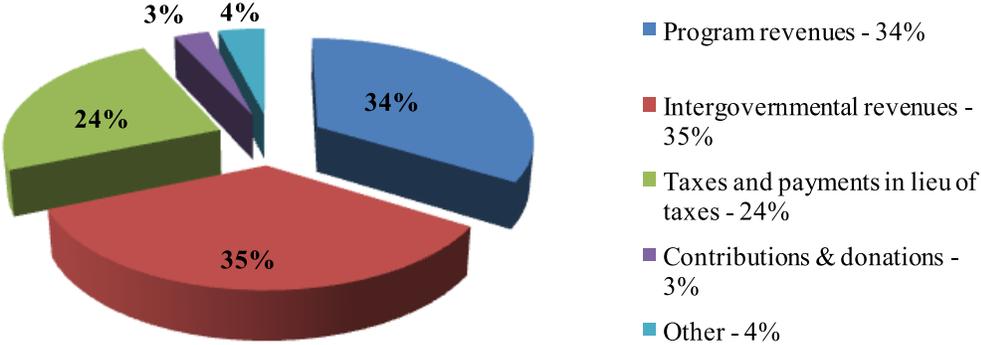
Management’s Discussion and Analysis (MD&A)

Year Ended June 30, 2012

**Expenses - Governmental Activities - Fiscal Year 2012**



**Revenues - Governmental Activities - Fiscal Year 2012**



# CITY OF NEW BEDFORD, MASSACHUSETTS

## Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2012

### 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 \$38,952,113 for fiscal year ended June 30, 2012 and \$16,109,067 for fiscal year ended June 30, 2011 (restated). This increase in fiscal year ended June 30, 2012, totaling \$22,843,046 is primarily due to bond proceeds of \$19,612,962.

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 2012, the stabilization fund earned \$94,986 of investment income and had net transfers in of \$1,063,303 to finish the year with a fund balance of \$6,884,927.

During 2012, governmental funds reported amounts of \$7,272,362 within the nonspendable fund balance category, \$11,240,433 within the restricted fund balance category, \$12,165,242 within the committed fund category, \$5,450,534 within the assigned fund balance category and \$2,823,542 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 assets of \$26,767,767 and \$12,317,633 as of June 30, 2012 and \$26,435,694 and \$10,806,409 as of June 30, 2011 (restated), 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 \$1,117,969 over the original budget.

Expenditures and Other Uses:

Total budgeted appropriations were increased by \$1,219,733 over the original budget.

The significant appropriations which changed are as follows:

- General government unclassified was decreased by \$1,882,903.
- EMS appropriations were increased by \$331,960.
- Public works and facilities was increased by \$1,315,018.
- Education appropriations were increased by \$500,000.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2012

**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 \$786,139 higher than budgeted due to the following.
  - \$311,891 more collected than anticipated for motor vehicle excise.
  - \$219,328 more collected than anticipated for indirect revenues.
  - \$291,146 more collected than anticipated for licenses and permits.
  - \$277,693 less collected than anticipated for in state aid.
  
- Total expenditures were lower than anticipated by \$6,809,528 due to the following:
  - Police spent \$323,692 less than budgeted
  - \$1,106,057 less spent than budgeted for general government
  - \$4,012,877 less spent than budgeted in the health and life insurance line item

**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, 2012 amounted to \$406,145,653 (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 2.58 percent.

Major capital asset events during the current fiscal year included the Lincoln Elementary and SRF-CSO Main Intercept.

**Capital Assets Net of Accumulated Depreciation  
June 30, 2012**

	2012			2011		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 3,152,935	\$ 1,125,293	\$ 4,278,228	\$ 3,152,935	\$ 735,522	\$ 3,888,457
Easements		962,500	962,500		962,500	962,500
Construction in progress	44,759,145		44,759,145	59,487,286		59,487,286
Infrastructure in progress	2,285,081	820,177	3,105,258	5,401,830	3,756,786	9,158,616
Infrastructure, net	57,476,434	56,820,253	114,296,687	49,830,289	53,575,101	103,405,390
Land improvements, net	280,666	495,043	775,709	298,710	526,125	824,835
Buildings and improvements, net	218,258,662	1,590,224	219,848,886	198,945,292	1,631,155	200,576,447
Machinery and equipment, net	9,366,857	3,587,882	12,954,739	9,410,028	4,206,919	13,616,947
Office equipment and furniture, net	691,536	10,122	701,658	1,081,690	15,337	1,097,027
Computer equipment, net	2,373,971	16,084	2,390,055	876,419	29,252	905,671
Library books and textbooks, net	435,401		435,401	595,611		595,611
Automobiles, net	1,262,371	356,621	1,618,992	1,228,405	142,921	1,371,326
Animals, net	18,395		18,395	21,486		21,486
<b>Total capital assets</b>	<b>\$ 340,361,454</b>	<b>\$ 65,784,199</b>	<b>\$ 406,145,653</b>	<b>\$ 330,329,981</b>	<b>\$ 65,581,618</b>	<b>\$ 395,911,599</b>

Additional information on the City's capital assets can be found on Note 5 on pages 51 through 54 of this report.

## CITY OF NEW BEDFORD, MASSACHUSETTS

### Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2012

**Long-term debt:** The City had total bonded debt outstanding of \$230,570,946 as of June 30, 2012 and \$225,019,956 as of June 30, 2011. The full faith and credit of the City backs this entire amount. Of this amount \$30,566,698 relates to the business type activities.

During the current year the City's total debt increased by \$5,550,990. This resulted because the City incurred new debt totaling \$19,616,962 and pay downs totaled \$14,061,972 during the fiscal year ended June 30, 2012.

Additional information on the City's long-term debt can be found in note 12 on pages 64 through 72 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 recession of 2008 will continue in the year ahead. While indications are that the recent decline in valuation has begun to stabilize, the City's 2014 operating budget will be developed based on the following assumptions: flat/negligible growth in state aid; a modest decline 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 2013 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,

Property tax valuations will continue to await a return to more robust economic growth and increased market activity. Total taxable assessed valuations fell from \$5,675,527,230 in 2012 to \$5,479,569,620 in 2013. Present expectations are for less pronounced declines in 2014 and 2015 .

The City's 2014 operating budget will maintain the current tax levy. The City did not raise the tax levy by the statutorily available 2 Y2 percent for 2011, 2012, or 2013 in order to foster economic growth. This effective freeze in the tax levy has generated excess levy capacity of \$7,165,905. This figure represents revenue that may be captured by the City in the event of extraordinary fiscal challenges arising in the future. In the absence of extraordinary future circumstances, it is the City does not anticipate having to sustain 2014 operations with an increase in the tax levy.

Existing reserves will continue to be safeguarded in 2014. The City appropriated \$3,199,535 in Free Cash to the Stabilization Fund in 2011 and on June 30, 2011 had Free Cash certified at \$1,313,236. The City intends to maintain its past practices by using reserves sparingly and only for one-time expenditures. The Stabilization Fund on June 30, 2012 held a balance of \$5,772,091. Management is committed to appropriating free cash to the fund as it becomes available.

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**

For the past seven years, the City of New Bedford has managed the deployment of an aggressive and balanced economic development strategy that has resulted in more than \$350 million in private investment, matched by \$94 million in public investment.

During this time, nearly 900 jobs have been retained and more than 2,000 permanent and construction jobs have been created at new and expanding businesses such as Symmetry Medical, Darnit! Manufacturing, UpSource, Market Basket, and American Pride Seafoods. New development projects have also begun to change the face of New Bedford while adding to the tax base. Recently completed real estate development projects include; Victoria Riverside, Riverside Landing, the Lofts at Wamsutta Mills, Regency Tower, and the Fairfield Inn and Suites on the waterfront.

## CITY OF NEW BEDFORD, MASSACHUSETTS

### Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2012

#### **Economic Factors and Next Year's Budget and Rates (Continued):**

Under the leadership of the Mitchell Administration, New Bedford continues to rank as the top-grossing fishing port in the nation in terms of catch value, for a total of nearly \$ 306 million in landings of 133 million pounds of products and a yield of approximately \$1 billion in benefit to the local economy. More than 4,400 people are employed by New Bedford's commercial port, making it the City's greatest economic asset.

New Bedford is also the hub of several maritime industries in the Northeast. A center of marine research, New Bedford is now poised to become the beneficiary of recent advances in offshore wind energy technology as the officially designated staging area for the nation's first offshore wind energy project. Federal and state policies are in place that offer the predictability needed for the private wind energy sector to invest.

These policies led to Governor Patrick's 2010 announcement that New Bedford would be the location of the Marine Commerce Terminal - the first such terminal in the nation - a State infrastructure investment of up to \$100 million that will deploy a generation of offshore wind projects in Federal waters south of Martha's Vineyard.

The \$100 million New Bedford Marine Commerce Terminal, which is now entering the construction phase, will host the staging and assembly operations for offshore wind turbine components and cabling. Once operations are underway, the NBMCT will host 130 permanent new jobs and boost household income in the New Bedford area by nearly \$15 million annually.

With extensive deepwater access, numerous waterfront parcels suitable for marine industrial purposes, and extensive interstate highway connections, New Bedford is also poised to become a leading multi-modal freight/short-sea shipping center. Short-sea shipping will create 800 jobs in the region and generate \$117 million in annual economic activity. Import/export trade will generate 50 jobs per vessel trip and \$200,000 in economic activity per trip.

Beyond recent accomplishments and the establishment of the offshore wind sector in America, there is much more activity underway in the City's economic development portfolio. A new road is under construction in the City's business park to provide access to a 40 acre site which will accommodate highly-sought regional job growth industries such as bio-manufacturing. In the upper harbor, nearly 600,000 square feet of restored mill space, representing nearly \$50 million in new investment, is about to come online and the Riverside Landing phase 2 development is already underway. New businesses continue to open in the downtown, a sign that New Bedford is a destination for entrepreneurs seeking a vibrant urban environment.

The Spring of 2013 will see ribbon cutting on two great mill projects - Cliftex North and Cliftex South, while companies such as Abboud, UpSource and Precix who make the neighboring mills their homes, will add many citizens to their employment rolls. We will celebrate the completion of the gateway phase of the \$5 million phase one of International Market Place as well as the \$12 million downtown section of the Route 18 project, both changing the face of how we define the great streets of New Bedford's commercial centers and boosting private investment. Riverside Landing will have a top-notch medical use facility joining Market Basket and the other retail uses at the site, adding nearly 100 additional jobs to the 500 already created since 2011, and new businesses will continue to find downtown an attractive place to open their doors to tourists, students, and residents. A graduate housing complex in the downtown for University of Massachusetts - Dartmouth students will make real progress toward construction in 2013, as well as a redesigned Zeiterion Theatre and a completely reimaged Custom House Square that will serve as a new common for 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 City Auditor, 133 Williams Street, New Bedford, Massachusetts.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Statement of Net Assets

June 30, 2012

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Greater New Bedford Regional Refuse Management District	Non Major Component Units	Total Component Units
<b>ASSETS</b>						
Unrestricted cash and investments	\$ 54,187,080	\$ 5,202,669	\$ 59,389,749	\$ 766,247	\$ 1,357,952	\$ 2,124,199
Restricted cash and investments	8,585,028		8,585,028	17,390,077		17,390,077
Accounts receivable, net of allowance	26,434,378	1,211,165	27,645,543	730,262	250,537	980,799
Taxes receivable, net	27,902,038		27,902,038			-
Loans receivable, net	16,779,763		16,779,763			-
Health plan contributions receivable, net	-		-			-
Accrued interest receivable	-		-			-
Due from other funds	7,063,348	65,000	7,128,348			-
Due from other governments			-	7,438	71,580	79,018
Intra-entity receivable	1,959,321		1,959,321		-	-
Receivable from external parties	-		-		229,977	229,977
Inventories and prepaid expenses	722,742	365,843	1,088,585	74,552	4,567	79,119
Other assets - current	253,465	1,672	255,137		12,694	12,694
Deferred asset advance refunding, net of amortization	754,588		754,588			-
Other assets - noncurrent	4,293		4,293	17,628		17,628
Capital assets:						
Land	3,152,935	1,125,293	4,278,228	6,235,025	994,833	7,229,858
Landfill			-	4,945,817		4,945,817
Construction in progress	44,759,145		44,759,145	126,847	1,607,501	1,734,348
Infrastructure in progress	2,285,081	820,177	3,105,258			-
Easements		962,500	962,500			-
Land improvements, net	280,666	495,043	775,709		14,856,070	14,856,070
Infrastructure, net	57,476,434	56,820,253	114,296,687			-
Building and improvements, net	218,258,662	1,590,224	219,848,886	101,174	6,297,242	6,398,416
Office equipment and furniture, net	691,536	10,122	701,658	4,187	1,611	5,798
Computer equipment, net	2,373,971	16,084	2,390,055	3,001		3,001
Library books and textbooks, net	435,401		435,401			-
Automobiles, net	1,262,371	356,621	1,618,992		52,517	52,517
Machinery and equipment, net	9,366,857	3,587,882	12,954,739	577,498	826,653	1,404,151
Animals, net	18,395		18,395			-
Total capital assets	340,361,454	65,784,199	406,145,653	11,993,549	24,636,427	36,629,976
Total Assets	\$ 485,007,498	\$ 72,630,548	\$ 557,638,046	\$ 30,979,753	\$ 26,563,734	\$ 57,543,487

The accompanying notes are an integral part of this statement

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Statement of Net Assets

June 30, 2012

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Greater New Bedford Regional Refuse Management District	Non Major Component Units	Total Component Units
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 16,348,528	\$ 446,880	\$ 16,795,408	\$ 44,901	\$ 561,068	\$ 605,969
Retainage payable	233,204		233,204		-	-
Due to other governments	142,558		142,558	7,438	-	7,438
Intra-entity payable	-		-		1,959,321	1,959,321
Due to other funds	7,856,648	65,000	7,921,648			-
Accrued interest	2,757,976	376,430	3,134,406		-	-
Deposits held	571,269		571,269		15,000	15,000
Payroll withholdings	338,487		338,487			
Deferred Revenue	-		-		44,165	44,165
Other liabilities	425,583	109	425,692		-	-
Long-term liabilities:						
Portion due or payable within one year:						
Claims incurred but not reported	3,039,852		3,039,852			-
Deposits held in custody			-	390,759		390,759
Bonds and notes payable	39,775,909	1,764,814	41,540,723	484,438	-	484,438
Capital leases	109,255	98,266	207,521			-
Compensated Absenses	5,875,631	472,686	6,348,317		14,013	14,013
Portion due or payable in more than one year:						
Accrued closure/post-closure costs			-	5,022,939		5,022,939
Bonds and notes payable	187,641,138	28,801,884	216,443,022		-	-
Other post-employment benefit liability	101,518,593	1,207,408	102,726,001	961,128		961,128
Capital leases	240,886	103,656	344,542			-
Compensated Absenses	9,624,623	208,015	9,832,638		126,113	126,113
Total liabilities	<u>\$ 376,500,140</u>	<u>\$ 33,545,148</u>	<u>\$ 410,045,288</u>	<u>\$ 6,911,603</u>	<u>\$ 2,719,680</u>	<u>\$ 9,631,283</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	\$ 109,836,290	\$ 34,639,149	\$ 144,475,439	\$ 11,526,739	\$ 24,634,816	\$ 36,161,555
Restricted	36,128,571	-	36,128,571	10,143,823	-	10,143,823
Unrestricted	(37,457,503)	4,446,251	(33,011,252)	2,397,588	(790,762)	1,606,826
Total net assets	<u>\$ 108,507,358</u>	<u>\$ 39,085,400</u>	<u>\$ 147,592,758</u>	<u>\$ 24,068,150</u>	<u>\$ 23,844,054</u>	<u>\$ 47,912,204</u>

The accompanying notes are an integral part of this statement

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Statement of Activities

For the Year Ended June 30, 2012

	<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>
<b>Governmental Activities:</b>					
General government	\$ 7,923,473	\$ 2,254,966	\$ 5,332,594	\$ 2,814,138	\$ 271,702
Public safety	51,967,129	13,396,492	6,080,383	8,587,689	576,028
Public works	39,062,855	2,196,522	19,111,009	15,786,882	1,872,678
Health and human services	5,485,501	3,344,554	4,188,044	2,873,384	-
Education	186,767,268	47,522,568	1,762,884	55,766,978	2,115,614
Community and economic development	7,398,389	-	(140,765)	5,789,389	-
Culture and recreation	5,001,100	1,265,879	882,284	351,549	-
Municipal airport	7,489	-	(21,171)	171,359	1,648,506
Pension benefits	22,246,981	(22,246,981)	-	-	-
Health and other insurance	47,734,000	(47,734,000)	-	-	-
Miscellaneous	8,947,755	-	-	-	-
State and county charges	8,613,392	-	-	-	-
Debt service:					
Interest and fiscal charges	8,361,891	-	-	-	-
Total governmental activities	<u>399,517,223</u>	<u>-</u>	<u>37,195,262</u>	<u>92,141,368</u>	<u>6,484,528</u>
			-	-	-
<b>Business-Type Activities:</b>					
Water	9,277,526	-	10,985,169	-	-
Airport	983,548	-	752,014	-	-
Total business-type activities	<u>10,261,074</u>	<u>-</u>	<u>11,737,183</u>	<u>-</u>	<u>-</u>
Total primary government	<u>409,778,297</u>	<u>-</u>	<u>48,932,445</u>	<u>92,141,368</u>	<u>6,484,528</u>
<b>Component Units:</b>					
Greater New Bedford Regional Refuse Management District	4,533,552	-	4,038,488	-	-
Non-major component units	9,708,007	-	2,250,734	5,346,617	2,109,109
Total component units	<u>14,241,559</u>	<u>-</u>	<u>6,289,222</u>	<u>5,346,617</u>	<u>2,109,109</u>
Total City of New Bedford	<u>\$ 424,019,856</u>	<u>\$ -</u>	<u>\$ 55,221,667</u>	<u>\$ 97,487,985</u>	<u>\$ 8,593,637</u>

The accompanying notes are an integral part of this statement

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Statement of Activities

For the Year Ended June 30, 2012

	<b>Net (Expense) Revenue and Changes in Net Assets</b>					
	<i>Primary Government</i>		<i>Component Units</i>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Greater New Bedford Regional Refuse District</b>	<b>Nonmajor Component Units</b>	<b>Total Component Units</b>
<b>Governmental Activities:</b>						
General government	\$ (1,760,005)	\$ -	\$ (1,760,005)	\$ -	\$ -	\$ -
Public safety	(50,119,521)		(50,119,521)			-
Public works	(4,488,808)		(4,488,808)			-
Health and human services	(1,768,627)		(1,768,627)			-
Education	(174,644,360)		(174,644,360)			-
Community and economic development	(1,749,765)		(1,749,765)			-
Culture and recreation	(5,033,146)		(5,033,146)			-
Municipal airport	1,791,205		1,791,205			-
Pension benefits	-		-			-
Health and other insurance	-		-			-
Miscellaneous	(8,947,755)		(8,947,755)			-
State and county charges	(8,613,392)		(8,613,392)			-
Debt service:	-		-			-
Interest and fiscal charges	(8,361,891)		(8,361,891)			-
Total governmental activities	<u>(263,696,065)</u>		<u>(263,696,065)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Business-Type Activities:</b>						
Water		1,707,643	1,707,643			
Airport		(231,534)	(231,534)			
Total business-type activities	<u>-</u>	<u>1,476,109</u>	<u>1,476,109</u>			
Total primary government	<u>(263,696,065)</u>	<u>1,476,109</u>	<u>(262,219,956)</u>			
<b>Component Units:</b>						
Greater New Bedford Regional Refuse Management District				(495,064)		(495,064)
Non-major component units					(220,326)	(220,326)
Total component units	<u>-</u>		<u>-</u>	<u>(495,064)</u>	<u>(220,326)</u>	<u>(715,390)</u>
Total City of New Bedford	<u>\$ (263,696,065)</u>	<u>\$ 1,476,109</u>	<u>\$ (262,219,956)</u>	<u>\$ (495,064)</u>	<u>\$ (220,326)</u>	<u>\$ (715,390)</u>

The accompanying notes are an integral part of this statement

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Statement of Activities

For the Year Ended June 30, 2012

	Net (Expense) Revenue and Changes in Net Assets					
	Primary Government			Component Units		
	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	\$ 90,598,652	\$ -	\$ 90,598,652	\$ -	\$ -	\$ -
Motor vehicle and other excise taxes	7,262,504		7,262,504			-
School building assistance	10,029,155		10,029,155			-
Distribution - School Aid	111,804,537		111,804,537			-
Distribution - Lottery	18,050,411		18,050,411			-
Exemptions - Veterans, blind, surviving spouse & elderly	520,047		520,047			-
State owned land	15,454		15,454			-
Tax foreclosures	2,843,336		2,843,336			-
Penalties and interest on taxes	1,308,064		1,308,064			-
Fines and forfeitures	178,068	-	178,068			-
Earnings on Investments	203,593		203,593	330,924	2,644	333,568
Payments in lieu of taxes	286,155		286,155			-
Contributions and donations	11,948,013		11,948,013			-
Miscellaneous	11,037,970	327,643	11,365,613	(135,572)	336,293	200,721
Total general revenues	266,085,959	327,643	266,413,602	195,352	338,937	534,289
Transfers/Special Items:						
Transfers between funds - operating	1,974,871	(1,019,871)	955,000			-
Special Item - Transfer of Capital Asset Net of Debt from Governmental Activities - Airport	(1,893,462)	1,893,462	-			-
Special Item - Transfer of Capital Asset Net of Debt from Governmental Activities - Water	(120,894)	120,894	-			-
Net transfers to water stabilization fund		(955,000)	(955,000)			-
Special Item - Capital Lease Proceeds	(399,231)		(399,231)			-
Special Item - NBRA - Loss on sale of Healy St Property						-
Change in net assets	1,951,178	1,843,237	3,794,415	(299,712)	118,611	(181,101)
Net assets-beginning, restated	106,556,180	37,242,163	143,798,343	24,367,862	23,725,443	48,093,305
Net assets-ending	\$ 108,507,358	\$ 39,085,400	\$ 147,592,758	\$ 24,068,150	\$ 23,844,054	\$ 47,912,204

The accompanying notes are an integral part of this statement

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Balance Sheet  
Governmental Funds

June 30, 2012

	<u>General Fund</u>	<u>Wastewater</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
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 receivables	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
Intraentity 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	<u>\$ 68,705,463</u>	<u>\$ 16,462,384</u>	<u>\$ 55,733,211</u>	<u>\$ 140,901,058</u>
<b>LIABILITIES AND FUND BALANCES</b>				
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	<u>39,991,491</u>	<u>7,877,356</u>	<u>54,080,098</u>	<u>101,948,945</u>
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	<u>28,713,972</u>	<u>8,585,028</u>	<u>1,653,113</u>	<u>38,952,113</u>
Total liabilities and fund balances	<u>\$ 68,705,463</u>	<u>\$ 16,462,384</u>	<u>\$ 55,733,211</u>	<u>\$ 140,901,058</u>

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, 2012

	<b>General Fund</b>	<b>Wastewater</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUE</b>				
Real estate and personal property taxes	\$ 91,509,765	\$ -	\$ -	\$ 91,509,765
Motor vehicle and other excise	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	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 - indirects	1,738,171	-	-	1,738,171
Special Assessments and betterments	595	-	-	595
Payments in lieu of taxes	286,155	-	-	286,155
Miscellaneous	1,514,467	396,111	9,161,693	11,072,271
Total revenues	<u>291,087,535</u>	<u>25,413,001</u>	<u>73,793,641</u>	<u>390,294,177</u>
<b>EXPENDITURES</b>				
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
Health and other insurance	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
Interest and costs	2,827,613	5,308,206	-	8,135,819
Total expenditures	<u>286,125,322</u>	<u>23,285,247</u>	<u>79,628,395</u>	<u>389,038,964</u>
Excess (deficiency) of revenues over expenditures	<u>4,962,213</u>	<u>2,127,754</u>	<u>(5,834,754)</u>	<u>1,255,213</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	-	19,612,962	19,612,962
Transfers in	6,160,474	5,509,023	481,269	12,150,766
Transfers out	<u>(2,401,757)</u>	<u>(7,370,057)</u>	<u>(404,081)</u>	<u>(10,175,895)</u>
Total other financing sources and uses	<u>3,758,717</u>	<u>(1,861,034)</u>	<u>19,690,150</u>	<u>21,587,833</u>
Net change in fund balances	8,720,930	266,720	13,855,396	22,843,046
Fund balances-July 1, 2011, restated	<u>19,993,042</u>	<u>8,318,308</u>	<u>(12,202,283)</u>	<u>16,109,067</u>
Fund balances-June 30, 2012	<u>\$ 28,713,972</u>	<u>\$ 8,585,028</u>	<u>\$ 1,653,113</u>	<u>\$ 38,952,113</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 Assets

June 30, 2012

Total governmental fund balances	\$ 38,952,113
Record allowance for doubtful accounts that are financial resources, for the governmental funds	(4,559,305)
Record advance refunding and related amortization that are not reported in the governmental funds	754,588
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	340,361,453
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	48,625,677
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 Assets.	4,504,042
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(2,757,976)
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	(200,004,246)
Compensated absences	(15,500,254)
Capital leases	(350,141)
Other postemployment benefits	<u>(101,518,593)</u>
Net assets of governmental activities	<u>\$ 108,507,358</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, 2012

Net change in fund balances - total governmental funds	\$ 22,843,046
To record allowance for doubtful accounts that are resources for governmental funds	\$ 52,947
Record advance refunding and related amortization that are not reported in the governmental funds	(260,504)
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.	10,031,473
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.	(3,276,639)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of 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.	(7,564,093)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest, is not reported until due.	34,432
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	(22,429,073)
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.	(25,267)
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>2,544,856</u>
Change in net assets of governmental activities	<u>\$ 1,951,178</u>

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Statement of Net Assets and Changes in Net Assets  
Proprietary Funds

June 30, 2012

	<b>Business-Type Activities</b>			<b>Governmental</b>
	<b>Water</b>	<b>Airport</b>	<b>Total</b>	<b>Activities - Internal Service Funds</b>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,365,828	\$ 320,283	\$ 1,686,111	\$ 4,665,061
Investments	3,516,558		3,516,558	
User charges receivable, net	1,170,760		1,170,760	
Other receivables, net	11,367	29,038	40,405	
Due from other funds	65,000		65,000	2,884,642
Inventory	365,843		365,843	
Other Assets	1,672		1,672	
<b>Total current assets</b>	<b>6,497,028</b>	<b>349,321</b>	<b>6,846,349</b>	<b>7,549,703</b>
Non-current assets:				
Land	600,000	525,293	1,125,293	
Easements	962,500		962,500	
Infrastructure in progress	502,725	317,452	820,177	
Infrastructure, net	47,724,965	9,095,288	56,820,253	
Land improvements, net		495,043	495,043	
Building and improvements, net	42,153	1,548,071	1,590,224	
Machinery and equipment, net	3,455,646	132,236	3,587,882	
Office equipment and furniture, net	10,108	14	10,122	
Computer equipment, net	364	15,720	16,084	
Automobiles, net	349,150	7,471	356,621	
<b>Total non-current assets</b>	<b>53,647,611</b>	<b>12,136,588</b>	<b>65,784,199</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 60,144,639</b>	<b>\$ 12,485,909</b>	<b>\$ 72,630,548</b>	<b>\$ 7,549,703</b>
<b>LIABILITIES</b>				
Current liabilities:				
Warrants payable	\$ 37,863	\$ 867	\$ 38,730	\$ -
Accounts payable and accrued expenses	392,078	16,072	408,150	5,759
Accrued interest	376,430		376,430	
Bonds payable	1,764,814		1,764,814	
Capital leases	98,266		98,266	
Compensated absences	456,527	16,159	472,686	
Due to other funds	65,000	-	65,000	50
Other liabilities	109		109	
Claims incurred but not reported			-	3,039,852
<b>Total current liabilities</b>	<b>3,191,087</b>	<b>33,098</b>	<b>3,224,185</b>	<b>3,045,661</b>
Non-current liabilities:				
Bonds payable	28,801,884		28,801,884	
Capital Leases	103,656		103,656	
Compensated absences	193,303	14,712	208,015	
Other post-employment liability	1,086,942	120,466	1,207,408	
<b>Total non-current liabilities</b>	<b>30,185,785</b>	<b>135,178</b>	<b>30,320,963</b>	<b>-</b>
<b>Total liabilities</b>	<b>\$ 33,376,872</b>	<b>\$ 168,276</b>	<b>\$ 33,545,148</b>	<b>\$ 3,045,661</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 22,502,561	\$ 12,136,588	\$ 34,639,149	
Unrestricted - airport operating fund		181,045	181,045	
Unrestricted - water operating fund	698,408		698,408	
Unrestricted - water stabilization fund	3,566,798		3,566,798	4,504,042
<b>Total net assets</b>	<b>\$ 26,767,767</b>	<b>\$ 12,317,633</b>	<b>\$ 39,085,400</b>	<b>\$ 4,504,042</b>

The accompanying notes are an integral part of this statement

**CITY OF NEW BEDFORD, MASSACHUSETTS**

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

For the Year Ended June 30, 2012

	<u>Business-Type Activities</u>			<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Airport</u>	<u>Total</u>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 10,778,352	\$ 752,014	\$ 11,530,366	\$ -
Utility liens and penalties	206,817		206,817	
Operating grants and contributions			-	2,847,025
Contributions (employee and employer)			-	48,823,340
Miscellaneous	327,643		327,643	
Total operating revenues	<u>11,312,812</u>	<u>752,014</u>	<u>12,064,826</u>	<u>51,670,365</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	3,539,882	300,926	3,840,808	38,771
Services and supplies	2,349,514	165,642	2,515,156	19,218
Capital Outlay	(131,726)		(131,726)	
Depreciation expense	2,467,579	509,328	2,976,907	
Health and other insurance			-	49,109,114
Other expenses		7,652	7,652	
Total operating expenses	<u>8,225,249</u>	<u>983,548</u>	<u>9,208,797</u>	<u>49,167,103</u>
Operating income (loss)	<u>3,087,563</u>	<u>(231,534)</u>	<u>2,856,029</u>	<u>2,503,262</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	49,490		49,490	41,594
Debt administrative costs	(34,790)		(34,790)	
Debt service - interest payments	(1,066,977)		(1,066,977)	
Total nonoperating revenue (expenses)	<u>(1,052,277)</u>	<u>-</u>	<u>(1,052,277)</u>	<u>41,594</u>
Income (loss) before transfers	2,035,286	(231,534)	1,803,752	2,544,856
<b>TRANSFERS</b>				
Transfers in - operating	1,245,361	28,382	1,273,743	
Transfers out - operating	(2,114,468)	(179,146)	(2,293,614)	
Transfers in - capital	120,894	1,893,462	2,014,356	
Transfers out - capital	-		-	
Transfers in - water stabilization fund	1,881,099		1,881,099	
Transfers out - water stabilization fund	(2,836,099)		(2,836,099)	
Total Transfers	<u>(1,703,213)</u>	<u>1,742,698</u>	<u>39,485</u>	<u>-</u>
Change in net assets	332,073	1,511,164	1,843,237	2,544,856
Total net assets-July 1, 2011	26,435,694	10,806,469	37,242,163	1,959,186
Total net assets-June 30, 2012	<u>\$ 26,767,767</u>	<u>\$ 12,317,633</u>	<u>\$ 39,085,400</u>	<u>\$ 4,504,042</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, 2012

	<u>Business-Type Activities</u>			<u>Governmental</u>
	<u>Water</u>	<u>Airport</u>	<u>Total</u>	<u>Activities - Internal Service Funds</u>
<b>Cash flows from operating activities:</b>				
Cash received from employee and employer contributions and governmental units	\$ -	\$ -	\$ -	\$ 48,788,531
Cash received from customers	11,093,883	733,757	11,827,640	
Payments from/(to) suppliers and employees	(5,058,350)	(444,735)	(5,503,085)	(49,560,476)
Internal activity-payments from (to) other funds	65,000		65,000	725,707
Net cash provided (used) by operating activities	<u>6,100,533</u>	<u>289,022</u>	<u>6,389,555</u>	<u>(46,238)</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers in (out)	<u>(1,824,107)</u>	<u>1,742,698</u>	<u>(81,409)</u>	
Net cash provided by noncapital financing activities	<u>(1,824,107)</u>	<u>1,742,698</u>	<u>(81,409)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
Purchases and construction of capital assets	(1,165,133)	(1,893,461)	(3,058,594)	
Principal paid on capital debt	(1,725,618)		(1,725,618)	
Interest paid on capital debt	(1,080,882)		(1,080,882)	
Debt administrative costs	<u>(34,790)</u>		<u>(34,790)</u>	
Net cash used by capital and related financing activities	<u>(4,006,423)</u>	<u>(1,893,461)</u>	<u>(5,899,884)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Purchase of investments	(1,927,323)		(1,927,323)	
Interest and dividends	49,490		49,490	41,594
Net cash used by investing activities	<u>(1,877,833)</u>	<u>-</u>	<u>(1,877,833)</u>	<u>41,594</u>
Net increase in cash and cash equivalents	<u>(1,607,830)</u>	<u>138,259</u>	<u>(1,469,571)</u>	<u>(4,644)</u>
Balances-beginning of the year	<u>2,973,658</u>	<u>182,024</u>	<u>3,155,682</u>	<u>4,669,705</u>
Balances-end of the year	<u>\$ 1,365,828</u>	<u>\$ 320,283</u>	<u>\$ 1,686,111</u>	<u>\$ 4,665,061</u>
Displayed as:				
Cash and short-term investments	<u>\$ 1,365,828</u>	<u>\$ 320,283</u>	<u>\$ 1,686,111</u>	<u>\$ 4,665,061</u>
Total cash and short-term investments	<u>\$ 1,365,828</u>	<u>\$ 320,283</u>	<u>\$ 1,686,111</u>	<u>\$ 4,665,061</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, 2012

	<u>Business-Type Activities</u>			<b>Governmental</b>
	<u>Water</u>	<u>Airport</u>	<u>Total</u>	<b>Activities - Internal Service Funds</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 3,087,563	\$ (231,534)	\$ 2,856,029	\$ 2,503,262
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	2,467,579	509,328	2,976,907	
Change in assets and liabilities:				
(Increase) decrease in user charges receivables, net	(90,831)		(90,831)	
(Increase) decrease in utility liens	(62,070)		(62,070)	
(Increase) decrease other receivables, net	(1,028)	(18,257)	(19,285)	
(Increase) decrease other assets	371		371	
(Increase) decrease due from other funds	(65,000)		(65,000)	(2,884,642)
(Increase) decrease inventory, net	(116,870)		(116,870)	
(Increase) decrease in escrow funds held			-	2,808
Increase (decrease) warrants and accounts payable	116,021	(760)	115,261	(393,423)
Increase (decrease) in other post-employment benefits	358,486	27,455	385,941	
Increase (decrease) in due to other funds	65,000		65,000	50
Increase (decrease) in capital leases	179,538		179,538	
Increase (decrease) in compensated absences	161,777	2,790	164,567	
Increase (decrease) in other liabilities	(3)		(3)	
Increase (decrease) in incurred but not reported			-	725,707
Net cash provided (used) by operating activities	<u>\$ 6,100,533</u>	<u>\$ 289,022</u>	<u>\$ 6,389,555</u>	<u>\$ (46,238)</u>

The accompanying notes are an integral part of this statement

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Statement of Fiduciary Net Assets  
Fiduciary Funds and Similar Component Units

June 30, 2012

	<b>Pension Trust Fund (As of December 31, 2011)</b>	<b>Private Purpose Trust Funds</b>	<b>Agency</b>	<b>Total</b>
<b>Assets</b>				
Cash and short-term investments	\$ 8,669,331	\$ 429,983	\$ 6,225,085	\$ 15,324,399
Investments	209,298,247	-		209,298,247
Receivables, net of allowance or uncollectibles:				
Interest and dividends	463,351			463,351
Other	252,138		35,179	287,317
Due from external parties - primary government			808,916	808,916
Prepaid assets	345,329			345,329
Total assets	<u>\$ 219,028,396</u>	<u>\$ 429,983</u>	<u>\$ 7,069,180</u>	<u>\$ 226,527,559</u>
<b>Liabilities</b>				
Warrants payable		\$ -	\$ 140,304	\$ 140,304
Accounts payable and accrued expenses	525,156		39,026	564,182
Payable to external parties - primary government			15,616	15,616
Deposits Held	-		6,874,234	6,874,234
Total liabilities	<u>525,156</u>	<u>-</u>	<u>7,069,180</u>	<u>7,594,336</u>
<b>Net Assets</b>				
Held in trust for pension benefits and other purposes	<u>\$ 218,503,240</u>	<u>\$ 429,983</u>	<u>\$ -</u>	<u>\$ 218,933,223</u>

The accompanying notes are an integral part of this statement

**CITY OF NEW BEDFORD, MASSACHUSETTS**

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

For the Year Ended June 30, 2012

	<b>Pension Trust Fund (As of December 31, 2011)</b>	<b>Private Purpose Trust Funds</b>	<b>Total</b>
<b><u>Additions:</u></b>			
Contributions:			
Employer	\$ 25,929,984	\$ -	\$ 25,929,984
Employee	8,009,745		8,009,745
Miscellaneous Income	14,261	64,918	79,179
	<hr/>	<hr/>	<hr/>
Total contributions	33,953,990	64,918	34,018,908
Net investment income:			
Dividends and interest	4,914,325	10,980	4,925,305
Net appreciation in fair value of investments	(8,447,863)	4,974	(8,442,889)
Gain (Loss) on sale of investments	1,086,240	(8,581)	1,077,659
	<hr/>	<hr/>	<hr/>
Total investment income	(2,447,298)	7,373	(2,439,925)
Less investment expense	2,011,337	-	2,011,337
	<hr/>	<hr/>	<hr/>
Net investment income	(4,458,635)	7,373	(4,451,262)
Intergovernmental	757,319		757,319
Total Additions	<hr/>	<hr/>	<hr/>
	30,252,674	72,291	30,324,965
<b><u>Deductions:</u></b>			
Retirement benefits	37,212,944		37,212,944
Administration	397,904	11,384	409,288
Transfers, reimbursements and refunds	2,382,780		2,382,780
	<hr/>	<hr/>	<hr/>
Total Deductions	39,993,628	11,384	40,005,012
<b><u>Other Financing Sources (Uses):</u></b>			
Transfers in		-	-
Transfers out		-	-
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	-	-	-
Change in Net Assets	(9,740,954)	60,907	(9,680,047)
Net Assets, June 30, 2011	<hr/>	<hr/>	<hr/>
	228,244,194	369,076	228,613,270
Net Assets, June 30, 2012	<hr/>	<hr/>	<hr/>
	\$ 218,503,240	\$ 429,983	\$ 218,933,223

The accompanying notes are an integral part of this statement

# CITY OF NEW BEDFORD, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2012

### **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 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.

#### *Discretely Presented Component Units:*

As defined by GASB14, component units are legally separate entities that are included in the City's reporting entity because of significance of their operating or financial relationship with the City. These component units are reported in a separate column to emphasize that it is legally separate from the City. Unless otherwise indicated, the notes to the basic financial statements pertain to primary government because certain disclosures of the component unit are not significant relative to the primary government. A description of the component unit, criteria for inclusion and its relationship with the City is as follows:

Greater New Bedford Regional Refuse Management District is an inter-municipal landfill benefitting the City of New Bedford and the adjacent Town of Dartmouth. 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 component unit. 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 the Greater New Bedford Regional Refuse Management District.

The New Bedford Harbor Development Commission was established under 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 and six other appointed members. Although legally separate, the New Bedford Harbor Development Commission is reported on the government-wide financial statements as a non-major component unit. 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 the New Bedford Harbor Development Commission.

Department of Workforce Development Administration (DWDA)/New Directions was established pursuant to the Job Training Partnership Act of 1982, 29 U.S.C. Sec. 1501 *et seq.* to provide employment training programs to eligible individuals. Although legally separate, Department of Workforce Development Administration (DWDA) is reported on the government-wide financial statements as a non-major component unit. Separate financial statements for Department of Workforce Development Administration (DWDA) are not included in this financial statement presentation. These financial statements could be obtained by contacting New Directions.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 1. Summary of Significant Accounting Policies (Continued)**

**A. Reporting Entity (Continued)**

The Redevelopment Authority was organized under the provisions of Massachusetts General Laws 121B. The purpose of the Authority is to engage in urban renewal projects and other related work. The Redevelopment Authority is reported on the government-wide financial statements as a non-major component unit. Separate financial statements for the Redevelopment Authority are not included in this financial statement presentation. These financial statements could be obtained by contacting the Redevelopment Authority.

*Blended Component Units:*

The following component unit has been presented as blended component units (included in the primary government) because the component unit provides services almost entirely for the benefit of the City.

The Contributory Retirement System (CRS) 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. The Retirement System accounts for resources available to be used for payment of pension benefits. The Retirement System is reported on the Fiduciary Fund financial statements, as a similar component unit

**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 Assets, 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 assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. 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.)

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Government-Wide Statements (Continued)**

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 assets resulting from the current year's activities.

**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.

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.

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

*Note 1. Summary of Significant Accounting Policies (Continued)*

**C. Fund Financial Statements (Continued)**

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 assets, 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.

*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 assets and changes in net assets 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.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Fund Financial Statements (Continued)**

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.

**E. 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.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Financial Statement Amounts (Continued)**

*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 lienied as of each January 1<sup>st</sup> 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, §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.

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.

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

*Note 1. Summary of Significant Accounting Policies (Continued)*

**E. Financial Statement Amounts (Continued)**

*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, 2012 and are included in the water and wastewater funds.

*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 2012. 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.

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

*Note 1. Summary of Significant Accounting Policies (Continued)*

**E. Financial Statement Amounts (Continued)**

*Capital Assets (Continued)*

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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 assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

*Deferred Revenue*

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criteria in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

*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.

*Government-Wide and Propriety Fund Financial Statements*

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

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

*Note 1. Summary of Significant Accounting Policies (Continued)*

**E. Financial Statement Amounts (Continued)**

*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 Assets and Classifications*

**Government -Wide Financial Statements:**

Net assets is displayed in three components:

- a. Invested in capital assets, 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 assets - Consists of net assets 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 assets - All other net assets that do not meet the definition of “restricted” or invested in capital assets, net of related debt.
- d. 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 assets are 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.
- *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.
- *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.
- *Unassigned fund balance* - amounts that are available for any purpose; these amounts are reported only in the general fund.

*Continued*

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

*Note 1. Summary of Significant Accounting Policies (Continued)*

**E. Financial Statement Amounts (Continued)**

*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 assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as internal balances.

**Fund Financial Statements:**

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.

*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.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Financial Statement Amounts (Continued)**

*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, 2012 in the governmental funds. These deficits will be funded by future administration plans; bond issues and available fund balances.

**F. 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 2012 were approved by the City Council as provided by the Charter.
- 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.

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 2. Compliance and Accountability (Continued)**

**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>
<b><u>Major Governmental Funds</u></b>				
General Fund	\$ 2,697,141	\$ 3,697,150	\$ 4,847,238	\$ 2,151,824
Wastewater Funds	1,479,868	4,152,606	5,509,023	7,370,057
City & School Stabilization Funds	-	-	1,313,236	249,933
<b><u>Non-Major Governmental Funds</u></b>				
Capital Projects	-	-	39,881	1,564
Special Revenue Funds	1,697	6,842	441,388	192,554
Permanent Funds	-	-	-	209,963
<b><u>Proprietary Funds</u></b>				
Internal Service Funds	2,884,642	50	-	-
Water	65,000	65,000	3,126,460	4,950,567
Airport	-	-	28,382	179,146
<b><u>Fiduciary Funds</u></b>				
Agency	808,916	15,616		
Private Purpose Trust Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 7,937,264</u>	<u>\$ 7,937,264</u>	<u>\$ 15,305,608</u>	<u>\$ 15,305,608</u>

In addition to the sources and uses above, \$1,893,462 was recorded as a source for the airport enterprise fund and \$120,894 was recorded as a financing source for the water enterprise fund for capital assets purchased from governmental funds (thus resulting in an increase in net assets within the airport and water enterprise funds).

Cash and investment as of June 30, 2012 are classified in the accompanying financial statements as follows:

Cash and investments - Governmental Activities	\$ 62,772,108
Cash and investments - Business Type Activities	5,202,669
Cash and investments - Pension Trust Fund	217,967,578
Cash and investments - City Private Purpose Trust Funds	429,983
Cash and investments - Agency Funds	<u>6,225,085</u>
	<u>\$ 292,597,423</u>

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

***Note 3. Cash, Cash Equivalents and Investments***

**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 state of net assets as "Cash and Investments". Petty cash is included in the presentation of cash on the statement of net assets in the amount of \$1,850 on June 30, 2012.

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 \$66,166,196, including \$1,850 of petty cash and the bank balance was \$77,613,030. Of the bank balance \$2,676,848 was covered by Federal Depository Insurance, \$7,297,467 was covered by Depositors Insurance Fund and \$49,516,170 was held in collateralized accounts. The remaining balance of \$18,122,546 was held in uncollateralized accounts.

At year end the City's carrying amount of deposits for the pension trust fund was \$8,669,331 and the bank balance was \$9,462,511. Of the bank balance \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$8,962,511 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, 2012.

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. See below for investments that represent 5% or more of the total investments held by the City of New Bedford as of June 30, 2012.

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.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**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 Moody Ratings

<b>Investment Type</b>	<b>Total Amount</b>	<b>Maximum Maturity</b>	<b>* Maximum Investment in One Issuer</b>	<b>Moody's Rating</b>
<i>Primary Government, Private Purpose and Agency Funds</i>				
Fixed Income	\$ 54,012	2 years	N/A	A1
Fixed Income	53,522	2 years	N/A	BAA2
Fixed Income	258,199	N/A	N/A	Unrated
Common Stock	345,543	N/A	N/A	N/A
Equities	2,280,925	<1 year	N/A	Unrated
Government Securities	378,264	<1 year	N/A	AAA
Government Securities	10,275	1 year	N/A	AAA
Government Securities	73,010	2 years	N/A	AAA
Government Securities	69,433	6 years	N/A	AAA
Government Securities	22	4 years	N/A	Unrated
Government Securities	4,709	9 years	N/A	Unrated
Government Securities	68	10 years	N/A	Unrated
Government Securities	2,558	20 years	N/A	Unrated
Common Stock - Foreign	57,089	N/A	N/A	N/A
Real Estate	21,155	N/A	N/A	N/A
Fixed Income - Bond Mutual Funds	101,428	2 years	N/A	A3
Fixed Income - Bond Mutual Funds	324,410	2 years	N/A	Unrated
Fixed Income - Bond Mutual Funds	114,965	3 years	N/A	A1
Fixed Income - Bond Mutual Funds	262,596	3 years	N/A	A2
Fixed Income - Bond Mutual Funds	113,277	3 years	N/A	A3
Fixed Income - Bond Mutual Funds	106,453	3 years	N/A	BAA2
Fixed Income - Bond Mutual Funds	120,142	3 years	N/A	BAA1
Fixed Income - Bond Mutual Funds	114,809	4 years	N/A	Unrated
Fixed Income - Bond Mutual Funds	724,096	4 years	N/A	A3
Fixed Income - Bond Mutual Funds	118,484	5 years	N/A	A3
Fixed Income - Bond Mutual Funds	243,429	5 years	N/A	AA3
Fixed Income - Bond Mutual Funds	355,877	5 years	N/A	BAA2
Fixed Income - Bond Mutual Funds	420,131	6 years	N/A	BAA1
Fixed Income - Bond Mutual Funds	182,505	60 years	N/A	BAA2
Mutual Funds - Fixed	25,976	N/A	N/A	N/A
Mutual Funds - Equity	52,676	N/A	N/A	N/A
Commodities	18,046	N/A	N/A	N/A
Tangible Assets	3,566	N/A	N/A	N/A
Certificate of Deposits	8,277,683	15 years	N/A	Unrated
Subtotal	<u>\$ 15,289,333</u>			

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

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

<u>Investment Type</u>	<u>Total Amount</u>	<u>Maximum Maturity</u>	<u>* Maximum Investment in One Issuer</u>	<u>Moody Rating</u>
<i>Pension Trust Fund</i>				
Bond Paying Periodic Income	\$ 264,353	9 years	N/A	A1
Bond Paying Periodic Income	944,027	29 years	N/A	A2
Bond Paying Periodic Income	730,093	29 years	N/A	A3
Bond Paying Periodic Income	73,376	3 years	N/A	Aa1
Bond Paying Periodic Income	1,343,484	9 years	N/A	Aa2
Bond Paying Periodic Income	212,306	30 years	N/A	Aa3
Bond Paying Periodic Income	936,660	2 years	N/A	AAA
Bond Paying Periodic Income	831,315	23 years	N/A	B1
Bond Paying Periodic Income	1,096,383	19 years	N/A	B2
Bond Paying Periodic Income	1,389,058	24 years	N/A	B3
Bond Paying Periodic Income	1,669,731	24 years	N/A	Ba1
Bond Paying Periodic Income	585,962	19 years	N/A	Ba2
Bond Paying Periodic Income	90,950	8 years	N/A	Ba3
Bond Paying Periodic Income	876,618	29 years	N/A	BAA1
Bond Paying Periodic Income	2,324,899	33 years	6.00%	BAA2
Bond Paying Periodic Income	4,601,662	30 years	11.88%	BAA3
Bond Paying Periodic Income	67,125	12 years	N/A	CA
Bond Paying Periodic Income	168,500	4 years	N/A	CAA1
Bond Paying Periodic Income	223,950	11 years	N/A	CAA2
Bond Paying Periodic Income	115,500	3 years	N/A	CAA3
Bond Paying Periodic Income	30,949	30 years	N/A	N/A
Bond Paying Periodic Income	270,082	<1 year	N/A	NR
Bond Paying Periodic Income	250,616	21 years	N/A	WR
Bond Paying Periodic Income	458,350	9 years	N/A	NR
CMO	60,154	39 years	N/A	A1
CMO	59,105	37 years	N/A	AA1
CMO	270,045	37 years	N/A	AA2
CMO	94,730	37 years	N/A	AA3
CMO	857,231	39 years	N/A	Aaa
CMO	1,301,032	37 years	N/A	AAA
CMO	49,463	24 years	N/A	B3
CMO	216,162	25 years	N/A	CAA1
CMO	62,242	25 years	N/A	CAA2
CMO	77,827	25 years	N/A	CAA3
CMO	2,234,643	38 years	5.77%	N/A
CMO	139,363	37 years	N/A	NR
Convertible Bonds	444,638	27 years	N/A	A2
Convertible Bonds	136,531	24 years	N/A	BA2
Convertible Bonds	75,363	26 years	N/A	BA3
Convertible Bonds	162,569	26 years	N/A	Baa2
Convertible Bonds	306,919	6 years	N/A	N/A
Common Stock	46,562,785	N/A	N/A	N/A

\* Maximum investment in one issuer labeled as N/A are less than 5% of total investments for any single issues within that category.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

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

<u>Investment Type</u>	<u>Total Amount</u>	<u>Maximum Maturity</u>	<u>* Maximum Investment in One Issuer</u>	<u>Moody Rating</u>
<i>Pension Trust Fund</i>				
Credit Card Receivables	207,728	10 years	N/A	A2
Credit Card Receivables	103,543	7 years	N/A	Aaa
Credit Card Receivables	96,523	7 years	N/A	N/A
Government Issues	476,009	4 years	N/A	A1
Government Issues	27,972	21 years	N/A	A2
Government Issues	1,029,940	2 years	N/A	AA1
Government Issues	1,336,453	5 years	N/A	AAA
Government Issues	510,997	13 years	N/A	Ba1
Government Issues	61,505	1 year	N/A	BAA3
Government Issues	3,418,156	29 years	8.83%	N/A
Municipals	32,894	38 years	N/A	A1
Municipals	228,263	45 years	N/A	A2
Municipals	207,495	29 years	N/A	A3
Municipals	56,577	36 years	N/A	AA1
Municipals	316,024	28 years	N/A	Aa3
Municipals	210,186	34 years	N/A	B2
Mortgage Passthrough Pool	3,926,339	87 years	10.14%	AAA
Other Assets	213,678	29 years	N/A	AAA
Other Assets	80,567	22 years	N/A	BAA2
Other Assets	25,241,365	N/A	N/A	N/A
Auto Loan Receivables	73,472	6 years	N/A	N/A
Pooled Equities - Capital	14,003,802	N/A	N/A	N/A
Pooled Real Estate	16,987,733	N/A	N/A	N/A
Pooled Funds	26,082,866	N/A	N/A	N/A
Pooled Equities - Diversified Growth	41,701,409	N/A	N/A	N/A
Subtotal	<u>\$ 209,298,247</u>			
Total City of New Bedford	<u>\$ 224,587,580</u>			

\* Maximum investment in one issuer labeled as N/A are less than 5% of total investments for any single issues within that category.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

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

*Primary Government, Private Purpose and Agency Funds*

<b>Investment Type</b>	<b>Total Amount</b>	<b>Maximum Maturity</b>	<b>* Maximum Investment in One Issuer</b>	<b>S&amp;P Rating</b>
Fixed Income	\$ 54,012	2 years	N/A	AA+
Fixed Income	53,522	2 years	N/A	A-
Equities	2,280,925	<1 year	N/A	Unrated
Common Stock	345,543	N/A	N/A	N/A
Fixed Income	258,199	N/A	N/A	Unrated
Government Securities	225,056	<1 year	N/A	Unrated
Government Securities	153,208	<1 year	N/A	AA+
Government Securities	62,719	2 years	N/A	AA+
Government Securities	10,275	1 year	N/A	Unrated
Government Securities	10,290	2 years	N/A	Unrated
Government Securities	22	4 years	N/A	Unrated
Government Securities	69,433	6 years	N/A	Unrated
Government Securities	4,709	9 years	N/A	Unrated
Government Securities	68	10 years	N/A	Unrated
Government Securities	2,558	20 years	N/A	Unrated
Common Stock - Foreign	57,089	N/A	N/A	N/A
Real Estate	21,155	N/A	N/A	N/A
Corporate Bonds - Fixed	114,965	3 years	N/A	A
Corporate Bonds - Fixed	243,429	5 years	N/A	A
Corporate Bonds - Fixed	425,838	2 years	N/A	A-
Corporate Bonds - Fixed	375,873	3 years	N/A	A-
Corporate Bonds - Fixed	838,905	4 years	N/A	A-
Corporate Bonds - Fixed	474,361	5 years	N/A	A-
Corporate Bonds - Fixed	226,595	3 years	N/A	BBB+
Corporate Bonds - Fixed	420,131	6 years	N/A	BBB+
Corporate Bonds - Fixed	182,505	60 years	N/A	BBB+
Mutual Funds - Fixed	25,976	N/A	N/A	N/A
Mutual Funds - Equity	52,676	N/A	N/A	N/A
Commodities	18,046	N/A	N/A	N/A
Tangible Assets	3,566	N/A	N/A	N/A
Certificate of Deposits	<u>8,277,684</u>	3 years	N/A	Unrated
 Subtotal	 <u>\$ 15,289,333</u>			

\* Maximum investment in one issuer labeled as N/A are less than 5% of total investments for any single issues within that category.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

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

<u>Investment Type</u>	<u>Total Amount</u>	<u>Maximum Maturity</u>	<u>* Maximum investment in one issuer</u>	<u>S&amp;P Rating</u>
<i>Pension Trust Fund</i>				
Bond Paying Periodic Income	\$ 566,429	30 years	N/A	A
Bond Paying Periodic Income	2,222,579	29 years	5.74%	A-
Bond Paying Periodic Income	181,895	5 years	N/A	A+
Bond Paying Periodic Income	101,712	8 years	N/A	AA
Bond Paying Periodic Income	60,387	8 years	N/A	AA-
Bond Paying Periodic Income	1,254,760	9 years	N/A	AA+
Bond Paying Periodic Income	270,082	<1 year	N/A	AAA
Bond Paying Periodic Income	990,038	19 years	N/A	B
Bond Paying Periodic Income	664,660	24 years	N/A	B-
Bond Paying Periodic Income	1,240,118	20 years	N/A	B+
Bond Paying Periodic Income	1,056,661	27 years	N/A	BB
Bond Paying Periodic Income	549,963	23 years	N/A	BB-
Bond Paying Periodic Income	818,252	24 years	N/A	BB+
Bond Paying Periodic Income	2,289,352	56 years	5.91%	BBB
Bond Paying Periodic Income	4,076,569	27 years	10.53%	BBB-
Bond Paying Periodic Income	1,133,097	25 years	N/A	BBB+
Bond Paying Periodic Income	157,775	12 years	N/A	CC
Bond Paying Periodic Income	82,823	2 years	N/A	CCC
Bond Paying Periodic Income	341,138	11 years	N/A	CCC+
Bond Paying Periodic Income	40,900	14 years	N/A	D
Bond Paying Periodic Income	1,456,758	30 years	N/A	NA
Convertible Bonds	444,638	27 years	N/A	A-
Convertible Bonds	155,531	26 years	N/A	BB+
Convertible Bonds	41,700	13 years	N/A	BB
Convertible Bonds	14,663	24 years	N/A	BB-
Convertible Bonds	162,569	26 years	N/A	BBB+
Convertible Bonds	37,931	3 years	N/A	CCC
Convertible Bonds	268,988	6 years	N/A	NA
CMO	123,791	37 years	N/A	A
CMO	320,111	39 years	N/A	A-
CMO	154,903	39 years	N/A	A+
CMO	1,314,578	37 years	N/A	AA+
CMO	402,151	37 years	N/A	AAA
CMO	120,591	23 years	N/A	BB
CMO	148,711	39 years	N/A	BBB-
CMO	432,637	37 years	N/A	BBB+
CMO	19,973	23 years	N/A	CC
CMO	555,888	35 years	N/A	CCC
CMO	77,827	25 years	N/A	D
CMO	1,701,374	37 years	N/A	NA
CMO	49,463	24 years	N/A	NR
Common Stock	46,562,785	N/A	22.25%	N/A

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

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

<u>Investment Type</u>	<u>Total Amount</u>	<u>Maximum Maturity</u>	<u>* Maximum investment in one issuer</u>	<u>S&amp;P Rating</u>
<i>Pension Trust Fund</i>				
Credit Card Receivable	207,728	10 years	N/A	A
Credit Card Receivable	43,169	7 years	N/A	AA
Credit Card Receivable	156,897	7 years	N/A	AAA
Government Issues	1,403,994	4 years	N/A	AA-
Government Issues	1,438,407	5 years	N/A	AAA
Government Issues	61,505	<1 year	N/A	BBB-
Government Issues	510,997	13 years	N/A	BBB+
Government Issues	3,418,156	29 years	8.62%	NA
Government Issues	27,972	4 years	N/A	NR
Municipals	140,578	28 years	N/A	A
Municipals	110,830	17 years	N/A	A-
Municipals	217,244	45 years	N/A	A+
Municipals	82,153	28 years	N/A	AA
Municipals	233,872	28 years	N/A	AA-
Municipals	56,577	36 years	N/A	AAA
Municipals	210,186	34 years	N/A	BB
Mortgage Passthrough Pool	3,926,339	87 years	7.33%	AAA
Other Assets	213,678	7 years	N/A	A
Other Assets	80,567	22 years	N/A	AAA
Other Assets	25,241,365	N/A	12.06%	N/A
Auto Loan Receivables	21,346	5 years	N/A	A
Auto Loan Receivables	24,141	1 year	N/A	AAA
Auto Loan Receivables	27,985	4 years	N/A	N/A
Pooled Equities - Capital	14,003,802	N/A	6.69%	N/A
Pooled Real Estate	16,987,733	N/A	8.12%	N/A
Pooled Funds	26,082,866	N/A	12.46%	N/A
Pooled Equities - Diversified Growth	41,701,409	N/A	19.92%	N/A
Subtotal	<u>\$ 209,298,247</u>			
Total	<u><u>\$ 224,587,580</u></u>			

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**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	\$ 13,973	N/A	Rowe TPrice Intl FDS Inc
Common Stock - Foreign	N/A	18,343	N/A	Artio Global High Income Fund
Common Stock - Foreign	N/A	7,412	N/A	Pimco Emerging Mkt Currency Fund
Common Stock - Int'l Dev	N/A	7,375	N/A	Colombia Acorn International Fund
Common Stock - Int'l Dev	N/A	15,882	N/A	Harbor International Fund
Common Stock - Int'l Dev	N/A	10,122	N/A	Invesco International Growth Fund
Common Stock - Emerging Markets	N/A	23,710	N/A	Lazard Emerging Mkts Equity
Common Stock - Emerging Markets	N/A	1,207	N/A	Columbia Acorn Int'l Fund
Mutual Funds - Foreign	Various	4,546	N/A	Vanguard MSCI EAFE ETF
Mutual Funds - Foreign	Various	4,457	N/A	Columbia Emerging Markets Fund
Total		<u>\$ 107,027</u>		

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

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

*Foreign Currency Risk*

<u>Investment Type</u>	<u>Currency</u>	<u>Total Amount</u>	<u>Maximum Maturity</u>	<u>Description</u>
<i>Pension Trust Fund</i>				
Commercial Mortgage Obligation	British Pound	\$ 118,866	22 years	Permanent Master Issuer PLC
Bond Paying Periodic Income	British Pound	160,955	5 years	BP Capital Markets PLC
Bond Paying Periodic Income	Euro	47,430	25 years	Iberdrola Intl BV
Bond Paying Periodic Income	Australian Dollar	76,305	8 years	Rio Tinto Fin USA LTD
Bond Paying Periodic Income	Netherlands Antillean Guilder	50,857	10 years	Teva Pharm Fin IV BV
Bond Paying Periodic Income	Australian Dollar	85,861	10 years	BHP Billiton Fin USA LTD
Bond Paying Periodic Income	Euro	48,246	4 years	Shell International Fin
Bond Paying Periodic Income	Bermudian Dollar	35,258	8 years	Novartis Secs Invest LTD
Bond Paying Periodic Income	Canadian Dollar	25,130	3 years	Royal Bank of Canada
Bond Paying Periodic Income	British Pound	270,082	<1 year	European Bk Recon & Dev
Bond Paying Periodic Income	United Arab Emirates Dirham	181,000	26 years	DP World
Bond Paying Periodic Income	Canadian Dollar	54,664	24 years	Talisman Energy
Bond Paying Periodic Income	Euro	66,933	23 years	Telecom Italia Capital
Bond Paying Periodic Income	Aruban Florin	100,080	<1 year	Aruba Airport Authority
Bond Paying Periodic Income	Canadian Dollar	17,328	30 years	Teck Resources Limited
Bond Paying Periodic Income	Euro	36,693	4 years	Telecom Italia Capital
Bond Paying Periodic Income	Euro	228,176	30 years	Arcelormittal
Bond Paying Periodic Income	Canadian Dollar	122,684	21 years	Canadian Pacific RR CO
Bond Paying Periodic Income	Canadian Dollar	10,297	3 years	Methanex Corp
Bond Paying Periodic Income	Canadian Dollar	49,500	4 years	Domtar Corp
Bond Paying Periodic Income	British Pound	55,860	5 years	Willis Group Holdings LT
Bond Paying Periodic Income	Norwegian Krone	8,284	4 years	Eksportfinans ASA
Bond Paying Periodic Income	Euro	31,538	13 years	XL Group PLC
Bond Paying Periodic Income	Euro	172,266	16 years	XL Group LTD
Bond Paying Periodic Income	Canadian Dollar	59,188	7 years	Suncor Energy Inc
Bond Paying Periodic Income	Australian Dollar	217,988	5 years	BNP Paribas Australia
Government Issues	Euro	361,819	4 years	Instit Credito Official
Government Issues	Canadian Dollar	927,986	2 years	Ontario (Province Of)
Government Issues	Euro	114,190	<1 year	Institut Creditio Official
Government Issues	Canadian Dollar	634,719	<1 year	Canadian Government
Government Issues	Canadian Dollar	198,710	<1 year	Canadian Government
Government Issues	Canadian Dollar	219,973	2 years	Canada Housing Trust
Government Issues	Canadian Dollar	101,954	<1 year	Province of Saskatchewan
Government Issues	Norwegian Krone	283,051	6 years	Norwegian Government
Government Issues	Icelandic Krona	61,505	2 years	Rikisbref
Government Issues	Euro	510,997	13 years	Treasury 5.4 2025
Government Issues	Icelandic Krona	81,100	4 years	Rikisbref
Government Issues	Euro	27,972	21 years	Buoni Poliennali Del Tes
Government Issues	Icelandic Krona	34,021	<1 year	Rikisbref
Subtotal		<u>\$ 5,889,466</u>		
Total		<u>\$ 5,996,493</u>		

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**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	
	General	Wastewater	Non-Major Governmental	Total Governmental	Water	Airport
Receivables:						
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	1,310,760	
Departmental and other	6,946,762	27,177	-	6,973,939		
Loans receivable	-	-	20,380,174	20,380,174		
Other receivables	149,407	-	224,386	373,793	11,367	29,488
Special assessments	1,057	252,408	-	253,465		
Due from federal or state government	202,703	-	18,053,459	18,256,162		
Gross receivables	35,226,656	2,044,274	38,658,019	75,928,949	1,322,127	29,488
Less: allowance for uncollectable	(758,527)	(394,079)	(3,459,646)	(4,612,252)	(140,000)	(450)
Net total receivables	\$ 34,468,129	\$ 1,650,195	\$ 35,198,373	\$ 71,316,697	\$ 1,182,127	\$ 29,038

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 5. Capital Assets and Depreciation**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b><u>Governmental Activities:</u></b>				
Not Being Depreciated:				
Land	\$ 3,152,935	\$ -	\$ -	\$ 3,152,935
Construction in progress	59,487,286	10,241,659	24,969,800	44,759,145
Infrastructure in progress	5,401,830	7,018,320	10,135,069	2,285,081
Subtotal	<u>68,042,051</u>	<u>17,259,979</u>	<u>35,104,869</u>	<u>50,197,161</u>
Other Capital Assets:				
Infrastructure	157,731,316	10,135,069		167,866,385
Land improvements	362,551	-		362,551
Buildings and improvements	291,114,624	25,975,535		317,090,159
Machinery and equipment	46,433,576	2,159,235		48,592,811
Office equipment and furniture	14,054,590	93,217		14,147,807
Computer equipment	9,359,581	2,094,969		11,454,550
Library books and textbooks	10,077,831	147,572		10,225,403
Automobiles	9,390,037	729,800		10,119,837
Animals	54,859	-		54,859
Subtotal	<u>538,578,965</u>	<u>41,335,397</u>	<u>-</u>	<u>579,914,362</u>
Accumulated Depreciation:				
Infrastructure	107,901,027	2,488,924		110,389,951
Land improvements	63,841	18,044		81,885
Buildings and improvements	92,169,332	6,662,165		98,831,497
Machinery and equipment	37,023,548	2,202,406		39,225,954
Office equipment and furniture	12,972,900	483,371		13,456,271
Computer equipment	8,483,162	597,417		9,080,579
Library books and textbooks	9,482,220	307,782		9,790,002
Automobiles	8,161,632	695,834		8,857,466
Animals	33,373	3,091		36,464
Subtotal	<u>276,291,035</u>	<u>13,459,034</u>	<u>-</u>	<u>289,750,069</u>
Net other capital assets	<u>262,287,930</u>	<u>27,876,363</u>	<u>-</u>	<u>290,164,293</u>
Net capital assets	<u>\$ 330,329,981</u>	<u>\$ 45,136,342</u>	<u>\$ 35,104,869</u>	<u>\$ 340,361,454</u>

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**5. Capital Assets and Depreciation (continued)**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Business-Type Activities - Water:</u></b>				
Not Being Depreciated:				
Land	\$ 600,000	\$ -	\$ -	\$ 600,000
Infrastructure in progress		974,765	472,040	502,725
Easements	962,500			962,500
Subtotal	<u>1,562,500</u>	<u>974,765</u>	<u>472,040</u>	<u>2,065,225</u>
Other Capital Assets:				
Infrastructure	90,890,608	472,040		91,362,648
Buildings and improvements	48,811			48,811
Machinery and equipment	5,941,129			5,941,129
Office equipment and furniture	96,935			96,935
Computer equipment	49,471			49,471
Automobiles	720,883	311,263		1,032,146
Subtotal	<u>97,747,837</u>	<u>783,303</u>	<u>-</u>	<u>98,531,140</u>
Accumulated Depreciation:				
Infrastructure	41,802,770	1,834,913		43,637,683
Buildings and improvements	5,682	976		6,658
Machinery and equipment	1,944,237	541,246		2,485,483
Office equipment and furniture	81,691	5,136		86,827
Computer equipment	46,419	2,688		49,107
Automobiles	600,375	82,621		682,996
Subtotal	<u>44,481,174</u>	<u>2,467,580</u>	<u>-</u>	<u>46,948,754</u>
Net other capital assets	<u>53,266,663</u>	<u>(1,684,277)</u>	<u>-</u>	<u>51,582,386</u>
Net capital assets	<u>\$ 54,829,163</u>	<u>\$ (709,512)</u>	<u>\$ 472,040</u>	<u>\$ 53,647,611</u>

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**5. Capital Assets and Depreciation (continued)**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Business-Type Activities - Airport:</u></b>				
Not Being Depreciated:				
Land	\$ 135,522	\$ 389,771	\$ -	\$ 525,293
Infrastructure in progress	3,756,786	1,503,691	4,943,025	317,452
Subtotal	<u>3,892,308</u>	<u>1,893,462</u>	<u>4,943,025</u>	<u>842,745</u>
Other Capital Assets:				
Infrastructure	6,250,721	4,943,025		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>10,132,648</u>	<u>4,943,025</u>	<u>-</u>	<u>15,075,673</u>
Accumulated Depreciation:				
Infrastructure	1,763,458	335,000		2,098,458
Land improvements	95,697	31,082		126,779
Buildings and improvements	652,394	39,955		692,349
Machinery and equipment	677,254	77,791		755,045
Computer and equipment	26,200	10,480		36,680
Automobiles	52,297	14,942		67,239
Office equipment and furniture	5,201	79		5,280
Subtotal	<u>3,272,501</u>	<u>509,329</u>	<u>-</u>	<u>3,781,830</u>
Net other capital assets	<u>6,860,147</u>	<u>4,433,696</u>	<u>-</u>	<u>11,293,843</u>
Net capital assets	<u>\$ 10,752,455</u>	<u>\$ 6,327,158</u>	<u>\$ 4,943,025</u>	<u>\$ 12,136,588</u>

*Continued*

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

5. *Capital Assets and Depreciation (continued)*

Depreciation was charged to functions as follows:

Governmental Activities:

General Government	\$	742,161
Public Safety		1,584,631
Education		6,540,773
Public Works		2,657,035
Public Works WW		724,007
Community and Economic Development		289,148
Health and Human Services		232,110
Culture and Recreation		689,167
		<hr/>

Total Governmental Activities \$ 13,459,034

-

Business-Type Activities:

Water	\$	2,467,580
Airport		509,329
		<hr/>

Total Business-Type Activities \$ 2,976,909

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 6. Pensions and Other Post Employment Benefits**

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.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 6. Pensions and Other Post Employment Benefits (Continued)**

*Method Used to Value 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.

**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, 2012, was \$24,609,382.

As of December 31, 2011, employee membership data related to the pension plan was as follows:

	<u>Group 1</u>	<u>Group 2 &amp; 4</u>	<u>Total</u>
Active members	1,556	464	2,020
Inactive members	486	30	516
Retired members	<u>1,151</u>	<u>598</u>	<u>1,749</u>
Total membership	<u><u>3,193</u></u>	<u><u>1,092</u></u>	<u><u>4,285</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.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 6. Pensions and Other Post Employment Benefits (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, 2010. The standardized measure of the unfunded actuarial accrued liability as of January 1, 2010, is as follows:

Actuarial accrued liability:

	<b><u>January 1, 2010</u></b> <b>(unaudited)</b>
Active members	\$ 225,515,664
Retirees, beneficiaries, disabilities and inactives currently receiving benefits	320,099,134
Cost of living adjustment	_____
Total actuarial accrued liability	545,614,798
Net assets available for benefits, at market	<u>226,978,870</u>
Unfunded actuarial accrued liability	<u>\$ 318,635,928</u>

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 6. Pensions and Other Post Employment Benefits (Continued)**

**E. Contributions Required and Contributions Made**

Periodic employer contributions to the pension plan are determined on an actuarial basis using the 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 remaining amortization period at December 31, 1998, was 29 years. 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 2012 amounted to \$32,874,436 of which \$25,864,691 and \$8,009,745 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. For year 2011 the contribution amount of \$28,459,009 was based on an actuarial valuation as of January 1, 2010. 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, 2011 was approximately \$73,176,508. The City's total payroll for all employees who contribute to the Contributory 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 \$30,612,947 for benefits "on-behalf" of the school department for the year ended June 30, 2012. 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 2010 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.

**F. Trend Information**

	Net assets available for benefits as a percentage of the actuarial accrued liability applicable to the City's employees	Unfunded actuarial accrued liability as a percentage of the City's annual covered payroll	City's contribution to the pension plan as a percentage of annual covered payroll
<b>2010</b>	37.5%	385.6%	30.63%
<b>2009</b>	37.5%	385.6%	27.6%
<b>2008</b>	46.8%	355.0%	28.6%
<b>2007</b>	44.9%	298.4%	25.9%
<b>2006</b>	44.9%	335.8%	24.5%
<b>2005</b>	46.1%	225.4%	20.8%
<b>2004</b>	46.1%	247.9%	18.7%
<b>2003</b>	51.4%	179.2%	17.6%
<b>2002</b>	51.4%	204.1%	19.1%
<b>2002</b>	51.4%	198.0%	26.5%

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**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.

*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, 2012.

	Amount
Annual required contribution	\$ 39,802,641
Interest on net OPEB obligation	3,196,438
Amortization credit on NOO	(3,053,598)
Payments against the ARC	(17,130,467)
Annual OPEB cost (expense)	\$ 22,015,814
Increase in net OPEB obligations	22,815,014
Net OPEB obligation at beginning of year	79,910,987
Net OPEB obligation at end of year	\$ 102,726,001

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**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.

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

Fiscal Year Ending	Annual OPEB Costs (AOPEC)	Percentage Of AOPEBC Contributed	Net OPEB Obligation
June 30, 2012	\$ 39,945,481	38.89%	\$ 102,726,001

*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 as required supplementary information disclosures required by GASB-43 for the OPEB Plan. This schedule presents the results of OPEB valuations as of June 30, 2012 and go-forward basis. 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 required schedule of funding progress (presented in the required supplementary information section) presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The funded status of the Plan at June 30, 2012, to most recent actuarial valuation, was as follow

Actuarial Valuation Date	Reporting Year	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Individual Entry Age	(B-A) Unfunded (Overfunded) AAL (UAAL)	(A/B) Funded Ratio	(C) Covered Payroll	((B-A)/C) UAAL as a Percentage of Covered Payroll
07/01/07	2008	\$ 0	\$ 478,609,029	\$ 478,609,029	0.0%	\$ 159,905,000	299.3%
07/01/09	2010	\$ 0	\$ 522,436,713	\$ 522,431,713	0.0%	n/a	n/a
07/01/11	2012	\$ 0	\$ 568,836,994	\$ 568,836,994	0.0%	n/a	n/a
07/01/12	2013	\$ 0	\$ 563,121,325	\$ 563,121,325	0.0%	\$ 159,055,715	354.04%

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**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. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subjected to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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:

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
Interest discount rate	Funded: 8.00% per year, net of investment expenses Unfunded: 3.5% per year, net of investment expenses
Participation:	85% of future retirees are assumed to participate in the retiree medical plan. 70% of future retirees are expected to elect life insurance.

*Allocation of AOPEBC*

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

<b>Governmental Activities:</b>	
General government	\$ 2,983,240
Public Safety	30,170,788
Public Works	4,558,980
Education	58,709,935
Health and human services	2,955,477
Culture and recreation	<u>2,140,173</u>
Total AOPEBC - governmental activities	<u>\$ 101,518,593</u>
<b>Business-Type Activities:</b>	
Water	\$ 1,086,942
Airport	<u>120,466</u>
Total APEBC - business-type activities	<u>\$ 1,207,408</u>
Total AOPEBC - government-wide	<u>\$ 102,726,001</u>

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 8. Other Commitments**

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, 2012, future minimum rental payments under operating leases that have initial or remaining non-cancellable lease terms are immaterial.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Interest Paid</u>	<u>Ending Balance</u>
<b><u>Governmental Activities</u></b>					
Altec Capital Services, LLC	\$ 57,270	\$ -	\$ 29,880	\$ -	\$ 27,390
Axion Business Technology	5,385	-	2,019	-	3,366
All American Investment Group	-	399,231	64,411	15,435	319,385
Total Governmental Activities	<u>\$ 62,655</u>	<u>\$ 399,231</u>	<u>\$ 96,310</u>	<u>\$ 15,435</u>	<u>\$ 350,141</u>
<b><u>Business-Type Activities</u></b>					
All American Investment Group	\$ 23,612	\$ -	\$ 21,220	\$ 2,392	\$ -
All American Investment Group	-	126,790	42,263	-	84,527
All American Investment Group	-	201,235	67,078	-	134,157
Total Business-Type Activities	<u>\$ 23,612</u>	<u>\$ 328,025</u>	<u>\$ 130,561</u>	<u>\$ 2,392</u>	<u>\$ 218,684</u>
<b><u>Total Business-Type and Governmental Activities</u></b>	<u>\$ 86,267</u>	<u>\$ 727,256</u>	<u>\$ 226,871</u>	<u>\$ 17,827</u>	<u>\$ 568,825</u>

**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>
2013	\$ 109,255	\$ 109,341	\$ 218,596
2014	81,192	109,341	190,533
2015	79,846	-	79,846
2016	79,846	-	79,846
Minimum lease payments for all capital leases	\$ 350,139	\$ 218,682	\$ 568,821
Less: amount representing interest	(32,196)	(16,761)	(48,957)
Present value of net minimum lease payments	<u>\$ 317,943</u>	<u>\$ 201,921</u>	<u>\$ 519,864</u>

The city has entered into various operating leases for rentals of building space, office space and equipment. Operating lease expenses totaled \$43,148 for 2012 for the governmental funds. The following is a schedule of lease payments.

<u>Year Ending June 30,</u>	<u>Governmental Funds</u>
2013	\$ 27,400
2014	9,133
	<u>\$ 36,533</u>

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**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, 2012

**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 2010 is not 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, 2012

Note 12. Debt (Continued)

A. Primary Government (Continued)

The City issued an \$4,100,000 Bond Anticipation Note, dated February 10, 2012, maturing June 14, 2012. This note was issued for the following:

\$ 1,000,000	Communication Equipment	\$ 3,100,000	Lincoln School
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The City issued a \$7,353,000 Bond Anticipation Note, dated February 10, 2012, maturing June 14, 2012. This note was issued for Railroad Depot.

The City issued a \$26,262,625 Bond Anticipation Note, dated February 10, 2012, maturing February 8, 2013. This note was issued for the following:

\$ 19,000,000	Keith Middle School	\$ 27,000,000	Building Remodeling & Maintenance
\$ 812,625	Airport Safety Insurance	\$ 3,750,000	MUNIS Bond

The City issued a \$667,000 Bond Authorization Note, dated June 15, 2012 maturing February 8, 2013. This note was issued for the following:

\$ 667,000	Zoo Reconstruction.
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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 assets.

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 assets.

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.

Through advance refunding, the city has defeased certain general obligation bonds by placing the proceeds of the new refunding bonds in an irrevocable escrow account to provide for all future debt service payments on the old bonds. As of June 30, 2012, \$47,360,000 of bonds outstanding are considered defeased in relation to the governmental funds.

Continued

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

*Note 12. Debt (Continued)*

**D. Sources and Uses of Funds**

The sources and uses of funds required for the transaction are shown below:

**Sources**

Principal amount of the Bonds	\$ 14,960,000
Original issue premium	2,010,252
Accrued interest	<u>155,000</u>
Total sources	<u>\$ 17,125,252</u>

**Uses**

Purchase price of the SLGS	\$	
Purchased with bond proceeds		16,800,393
Purchased with Debt Service Funds		155,000
Beginning cash deposit to the escrow account		1
Underwriter's discount		70,460
Costs of issuance		95,350
Contingency		<u>4,048</u>
Total uses	<u>\$</u>	<u>17,125,252</u>

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 12. Debt (Continued)**

The City has the following bond anticipation notes payable outstanding at June 30, 2012:

	<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>
<b>Capital Projects:</b>								
Bond Anticipation Note	\$ 7,392,500	\$ -	\$ 7,392,500	\$ -	02/11/11	02/10/12	1.95%	\$ 143,753
Bond Anticipation Note	16,000,000		16,000,000	-	02/11/11	02/10/12	1.50%	239,333
Bond Anticipation Note	6,612,625		6,612,625	-	06/24/11	02/10/12	1.50%	62,269
Bond Anticipation Note		7,353,000	7,353,000	-	02/10/12	06/14/12	1.00%	25,531
Bond Anticipation Note		4,100,000	4,100,000	-	02/10/12	06/14/12	1.25%	17,795
Bond Anticipation Note		26,262,625		26,262,625	02/10/12	02/08/13	1.50%	-
Bond Anticipation Note		667,000		667,000	06/15/12	02/08/13	2.75%	-
<b>Total Capital Projects</b>	<u>\$ 30,005,125</u>	<u>\$ 38,382,625</u>	<u>\$ 41,458,125</u>	<u>\$ 26,929,625</u>				<u>\$ 488,681</u>
<b>General Fund:</b>								
Revenue Anticipation Note	\$ -	\$ 10,000,000	\$ 10,000,000	\$ -	08/19/11	06/29/12	1.50%	\$ 125,723
<b>Total General Fund</b>	<u>\$ -</u>	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ -</u>				<u>\$ 125,723</u>
<b>Total Primary Government</b>	<u>\$ 30,005,125</u>	<u>\$ 48,382,625</u>	<u>\$ 51,458,125</u>	<u>\$ 26,929,625</u>				<u>\$ 614,404</u>

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 12. Debt (Continued)**

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

	Maturities Dates	Beginning Balance	Additions	Advance Refunding Net of Refunding	City Retirements	State Subsidies	Ending Balance	Balance Due in 2013
<b>Governmental Activities</b>								
4.00-6.00% G.O. Bond	04/15/96-04/15/13	\$ 765,000	\$ -	\$ -	\$ 260,000	\$ -	\$ 505,000	\$ 255,000
4.60-5.80% Note	10/01/97-10/01/16	3,540,000			610,000		2,930,000	565,000
4.25-5.00% G.O. Bond	10/14/98-10/01/18	4,945,000			604,000		4,341,000	608,000
4.25-5.50% G.O. Bond	05/01/02-05/01/21	29,651,000			2,241,000		27,410,000	2,251,000
4.25-6.00% Revenue Refunding Bond	02/01/97-02/01/16	3,440,000			4,130	1,030,870	2,405,000	890,000
4.00-5.25% Revenue Bond	02/01/98-02/01/99	91,130,000			2,131,484	1,953,516	87,045,000	4,390,000
4.00-6.00% Revenue Bond	08/01/01-08/01/31	4,375,000			124,991	30,009	4,220,000	160,000
HUD 108 - 2003-A	02/01/04-08/01/22	1,265,000			105,000		1,160,000	105,000
3.125-5.00% State Qualified G.O. Bond	03/15/06-09/15/25	7,500,000			590,000		6,910,000	590,000
.85% Revenue Bond	07/15/06-07/15/25	473,644			27,349		446,295	27,901
.85% Revenue Bond	02/15/07-02/15/27	4,664,538			139,521		4,525,017	142,777
Pool 11 MWPAT 03-36A	03/18/09 - 7/15/2035	569,717			16,786		552,931	17,197
General Obligation State Qualified Bond	02/15/07-02/15/27	13,035,000			1,005,000		12,030,000	1,025,000
General Obligation Series A Bonds	02/14/08-10/1/2027	12,425,000			605,000		11,820,000	615,000
General Obligation Series A Bonds	02/14/08-10/1/2022	3,785,000			335,000		3,450,000	335,000
General Obligation State Qualified 2010	02/11/10-06/30/35	3,670,000			285,000		3,385,000	295,000
General Obligation State Qualified	03/18/09-07/15/28	865,000			85,000		780,000	90,000
2.4 % Revenue Bond	07/08/10-07/15/2040	6,628,741	-		152,699		6,476,042	156,409
General Obligation State Series A Bonds	06/14/12-06/30/32		2,704,000		-		2,704,000	164,000
General Obligation Satate Series B Series	06/14/12-06/30/32		4,589,000		-		4,589,000	164,000
MWPAT Series 16 CWS-09-12-A	06/13/12-01/15/43		10,409,184		-		10,409,184	-
MWPAT Series 16 DW-09-23	06/13/12-01/15/33		1,910,778		-		1,910,778	-
Compensated Absences		15,474,987			(25,267)		15,500,254	5,875,631
Capital Leases		62,655	399,231		111,745		350,141	109,255
Total governmental activities		\$ 208,265,282	\$ 20,012,193	\$ -	\$ 9,408,439	\$ 3,014,394	\$ 215,854,642	\$ 18,831,170

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 12. Debt (Continued)**

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

	Maturities Dates	Beginning Balance	Additions	Advance Refunding Net of Refunding	City Retirements	State Subsidies	Ending Balance	Balance Due in 2013
<b>Business-Type Activities</b>								
4.00-6.00% G.O. Bond	04/15/96-04/15/13	\$ 1,745,000	\$ -	\$ -	\$ 325,000	\$ -	\$ 1,420,000	\$ 340,000
4.25-5.50% G.O. Bond	05/01/02-05/01/21	1,069,000			105,000		964,000	101,000
.85% Revenue Bond	08/01/03-08/01/24	1,581,141			83,857	25,885	1,471,398	112,757
.85% Revenue Bond	02/01/05-08/01/24	1,616,434			90,910		1,525,524	93,415
.85% Revenue Bond	02/01/05-08/01/24	3,182,843			179,759		3,003,084	184,705
2% MWPAT Bond	12/14/06 - 7/15/26	339,673			18,195		321,478	18,562
2% MWPAT Bond	12/14/06-07/15/26	5,031,411			269,513		4,761,898	274,957
.85% Revenue Bond	12/14/06-07/15/26	7,346,814			342,498		7,004,316	349,418
General Obligation State Qualified 2010	03/18/09-07/15/28	10,380,000			285,000		10,095,000	290,000
Compensated Absences		516,134	164,567				680,701	472,687
Capital Leases, restated		23,612	328,024		132,953		218,683	109,341
Total business-type activities		32,832,062	492,591	0	1,832,685	25,885	31,466,083	2,346,842
Total governmental plus business-type activities		\$ 241,097,344	\$ 20,504,784	\$ -	\$ 11,241,124	\$ 3,040,279	\$ 247,320,725	\$ 21,178,012

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 12. Debt (Continued)**

Debt service requirements to maturity for long-term debt:

		<b>Total Principal</b>	<b>Total Interest</b>	<b>Total Debt</b>	<b>Less: Total Subsidized Payments (MWPAT)</b>	<b>Total City Debt Service</b>
2013	\$	14,611,098	\$ 9,715,752	\$ 24,326,850	\$ 5,894,859	\$ 18,431,991
2014		15,756,049	8,916,281	24,672,330	5,681,306	18,991,024
2015		15,853,535	8,265,850	24,119,385	5,541,476	18,577,909
2016		16,247,188	7,588,376	23,835,564	5,390,552	18,445,012
2017		16,219,442	6,934,123	23,153,565	5,255,470	17,898,095
2018		16,010,683	6,230,300	22,240,983	5,096,208	17,144,775
2019		16,434,321	5,617,239	22,051,560	4,956,886	17,094,674
2020		16,253,670	4,741,152	20,994,822	4,825,560	16,169,262
2021		16,013,754	3,844,731	19,858,485	4,683,318	15,175,167
2022		12,449,583	2,942,403	15,391,986	4,537,905	10,854,081
2023		12,436,180	2,420,724	14,856,904	4,386,180	10,470,724
2024		12,349,267	1,908,877	14,258,144	4,190,002	10,068,142
2025		12,650,748	1,354,906	14,005,654	4,067,070	9,938,584
2026		11,718,199	1,072,681	12,790,880	4,068,939	8,721,941
2027		3,599,419	764,422	4,363,841	121,471	4,242,370
2028		2,606,452	660,413	3,266,865	115,849	3,151,016
2029		2,577,552	577,220	3,154,772	110,068	3,044,704
2030		2,168,450	497,754	2,666,204	104,072	2,562,132
2031		2,236,084	419,474	2,655,558	93,138	2,562,420
2032		2,009,267	345,533	2,354,800	-	2,354,800
2033		1,623,014	277,177	1,900,191	-	1,900,191
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>230,570,945</u>	<u>\$ 75,978,184</u>	<u>\$ 306,549,129</u>	<u>\$ 69,120,329</u>	<u>\$ 237,428,800</u>

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 12. Debt (Continued)**

Authorized and unissued debt at June 30, 2012, is as follows:

<b>Purpose</b>	<b>Date Authorized</b>	<b>Original Amount Authorized</b>	<b>2012 Authorized/Unissued</b>	<b>Restatement of Authorized/Unissued</b>	<b>Restated 2012 Authorized/Unissued</b>
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	-		-
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 Project	8/23/05	2,500,000	2,500,000		2,500,000
Railroad Depot-3240	6/22/06	12,470,000		4,589,000	4,589,000
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	13,214,957		13,214,957
Brooks Elementary School	12/21/06	21,766,800	20,766,800		20,766,800
Lincoln Elementary School	12/21/06	26,105,200	353,985	6,000	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		516,047
Repair Bond	7/23/09	3,000,000	300,000	(81,000)	219,000
Communication Bond	3/16/11	1,000,000	-		-
Airport Improvement Bond	12/10/10	16,583,000	15,770,375		15,770,375
High Hill & Quittacas	6/14/01	845,450	40,600		40,600
MWPATDW-00-12	11/26/02	2,440,553	103,663		103,663
Management Info Systems	11/16/11	4,200,000			-
Artificial Turf Soccer Field	9/13/11	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			-
		<u>\$ 669,651,604</u>	<u>\$ 238,112,552</u>	<u>\$ 4,514,000</u>	<u>\$ 242,626,552</u>

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 12. Debt (Continued)**

Authorized and unissued debt at June 30, 2012, is as follows:

<b>Purpose</b>	<b>2012 Authorized</b>	<b>Prior Authorized</b>	<b>Current Year Issued/ Retired/ Rescinded</b>	<b>2012 Payments</b>	<b>Less: Outstanding BANs</b>	<b>Net Unissued</b>
WW Treatment Facility	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,000,000
WW Treatment Facility						73,215,000
Urban Renewal						-
Normandin Middle School						558,004
Keith Middle School		15,000,000			(15,000,000)	-
Land Development						215,000
Keith Middle School						-
Campbell Elementary/Middle School						45,700,000
Winslow Elementary School						16,000,000
Water Projects						1,755,448
Shawmut Ave Landfill						-
DeValles Elementary School						10,680,000
Sewer Separation						2,850,000
Sea Lab-3254						-
West End Sewer Separation						21,282,644
Sewer						-
Water DW 04-13						-
Sea Lab-3254						-
West End Sewer Separation Phase V						290,029
Mount Pleasant Street/Sawyer Street Area Project						2,500,000
Railroad Depot-3240			(4,589,000)			-
Hannigan School						3,000,000
Water Main Bonds						-
Water Sys Imp & Plann'g						-
Keith Middle School - Contamination Cleanup				(313,274)	(4,000,000)	8,901,683
Brooks Elementary School						20,766,800
Lincoln Elementary School		1,704,000	(1,704,000)			359,985
Departmental Equipment						-
Departmental Equipment						-
Water AMR System						-
Quittacas Plant						-
Quittacas Infrastructure Energy						516,047
Repair Bond		2,700,000			(2,700,000)	219,000
Communication Bond		1,000,000	(1,000,000)			-
Airport Improvement Bond		812,625			(812,625)	15,770,375
High Hill & Quittacas						40,600
MWPATDW-00-12						103,663
Management Info Systems	4,200,000				(3,750,000)	450,000
Artificial Turf Soccer Field	800,000					800,000
Zoo Reconstruction	667,000				(667,000)	-
Drinking Water Bond	1,910,778		(1,910,778)			-
Water Pollution Abatement Bond	10,409,184		(10,409,184)			-
	<u>\$ 17,986,962</u>	<u>\$ 21,216,625</u>	<u>\$ (19,612,962)</u>	<u>\$ (313,274)</u>	<u>\$ (26,929,625)</u>	<u>\$ 234,974,278</u>

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 13. Fund Balance Classification Details**

The components of fund balance for the city's governmental funds as of June 30, 2012 are as follows:

	Major Funds		Non-Major Funds			Total
	General Fund	Wastewater	Special Revenue	Capital Projects	Nonexpendable Trusts	
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Long-term receivable - discretely presented component units	\$ 1,959,321	\$ -	\$ -	\$ -	\$ -	\$ 1,959,321
Deposits held	(178)					(178)
Corpus of cemetery perpetual care fund					510,825	510,825
Corpus of other endowment funds					4,555,476	4,555,476
Inventory		71,323				71,323
Land Inventory			246,918			246,918
<b>Restricted for:</b>						
General government activity			589,389		1,000	590,389
Public safety operations			751,965			751,965
Educational purposes			639,709		85,000	730,294
Public works			12,006			12,006
Community housing and development			600,425			600,425
Health and human services			300,226		510,825	811,051
Municipal airport			9,973			9,973
Recreational and other purposes			358,645		1,034,663	1,398,981
Zoo						56
New Bedford cable access			2,371,065			2,371,065
Cemetery perpetual care			427,706			427,706
Sullivan's ledge escrow			1,010,379			1,010,379
Municipal waterways improvement			182,555			182,555
School lunch operations			648,396			648,396
CSO main construction project				1,991,584		1,991,584
SRF QTP energy improvement project				(446,705)		(446,705)
Normandin middle school construction project				77,097		77,097
Route 18 rehabilitation project				624		624
Wastewater debt service		2,148,199				2,148,199
Wastewater renewal and replacement		1,554,253				1,554,253
Highways			1,269			1,269

*Continued*

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 13. Fund Balance Classification Details**

The components of fund balance for the city’s governmental funds as of June 30, 2012 are as follows:

	Major Funds		Non-Major Funds				Total
	General Fund	Wastewater	Special Revenue	Capital Projects	Nonexpendable Trusts	Expendable Trusts	
<b>Committed to:</b>							
Economic stabilization	\$ 6,884,927	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,884,927
Emergency board-up of vacant buildings			193,420				193,420
Maintenance and operation of the NB Railyard and Rail Crossing			101,429				101,429
Communication equipment bond				157,434			157,434
Autometer read project				496,959			496,959
Landfill closure project				4,724			4,724
River road project				11,690			11,690
Railroad depot				589,589			589,589
West end cement lining project				14,803			14,803
Parking garage rehab project				7,815			7,815
Wastewater special projects		2,206,589					2,206,589
Wastewater operations		2,604,664					2,604,664
<b>Assigned to:</b>							
Emergency Medical Services	639,281						639,281
<b>Unassigned:</b>	19,230,621		(50,549)	(16,356,530)			2,823,542
	<u>\$ 28,713,972</u>	<u>\$ 8,585,028</u>	<u>\$ 8,394,926</u>	<u>\$ (13,450,916)</u>	<u>\$ 6,697,789</u>	<u>\$ 11,314</u>	<u>\$ 38,952,113</u>

At June 30, 2012, the balance of the stabilization fund is \$6,844,927 and is report 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, 2012, 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.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 14. Fund Deficit**

The components of fund balance for the City's governmental funds as of June 30, 2012 are as follows:

<b>Capital Project Funds:</b>		<b>Less: MWPAT Interim Loan O/S and BAN's O/S</b>		<b>Net Deficit</b>
<u>Fund Name:</u>	<u>Fund Deficit</u>	<u>BAN's O/S</u>	<u>Net Deficit</u>	
Building R&M 2.9 Mill Bond	\$ 1,950,086	\$ (2,700,000)	\$ -	
Keith Middle School	11,959,280	(19,000,000)	-	
Buttonwood Zoo Reconstruction	571,028	(667,000)	-	
Lincoln Elementary School	70	-	70 *	
5.5M SRF QTP Energy Improv	446,705	(483,175)	-	
Bond Software Costs	652,872	(2,650,000)	-	
Bond Computer HR	1,044,228	(1,100,000)	-	
Airport Safety Insurance	178,966	(812,625)	-	
<b>Total Capital Projects Funds:</b>	<u>\$ 16,803,235</u>	<u>\$ (27,412,800)</u>	<u>\$ 70</u>	

**Special Revenue Funds: Federal and  
State Grants:**

<u>Fund#</u>	<u>Fund Name:</u>	<u>Fund Deficit</u>	
2129	WAVA Civilian Advantage Grant	\$ 364	*
2168	Justice Assistance Grant FFY10	249	*
2173	Traffic Enforcement Grant FF	23	*
2180	911 Dept Train & EMD	129	*
	<b>Total Federal and State Grants:</b>	<u>\$ 765</u>	

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

CITY OF NEW BEDFORD, MASSACHUSETTS

Notes to Financial Statements

June 30, 2012

*Note 14. Fund Deficit*

**School Grants:**

<u>Fund #</u>	<u>Fund Name:</u>	<u>Fund Deficit:</u>	
4957	ESSC	\$ 42,726	*
4987	Big Yellow School Bus	111	*
	Total School Grants	<u>\$ 42,837</u>	
	Total Special Revenue	<u>\$ 43,602</u>	
	Total Fund Deficits	<u>\$ 16,846,837</u>	

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

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 15. Restatement**

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

<b>Governmental Funds:</b>	<b>General Fund</b>	<b>Capital Projects</b>
Beginning balance, July 1, 2011	\$ 20,170,542	\$ (27,364,545)
To restate prior year state grant revenue	(177,500)	
To correct interim loan payable DWS-09-23		(483,175)
Beginning balance, July 1, 2011, restated	<u>\$ 19,993,042</u>	<u>\$ (27,847,720)</u>

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Beginning balance, July 1, 2011	\$ 107,216,855	\$ 37,242,163
Restatements, per above	<u>(660,675)</u>	<u>-</u>
Beginning balance, July 1, 2011, restated	<u>\$ 106,556,180</u>	<u>\$ 37,242,163</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.

**CITY OF NEW BEDFORD, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2012

**Note 16. Risk Management**

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.

Changes in the self insurance liability for the year ended June 30, 2012 is as follows:

Health Claims, July 1, 2011	\$ 2,314,145
Incurred Claims	49,109,114
Payments of claims attributable to events of the fiscal year:	
Health	<u>(48,383,407)</u>
Health Claims, June 30, 2012	<u>\$ 3,039,852</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 subsequent to June 30, 2012 and through March 13, 2013, the date on which the financial statements were available to be issued.

The City sold the following General Obligation Bonds and Bond Anticipation Notes dated January 24, 2013:

\$4,373,000 State Qualified General Obligation (20-year) Bond at 2.44% average interest cost.

\$22,750,000 Bond Anticipation Notes (Series D - Renewal - Tax Exempt) payable February 7, 2014. Interest is computed on a 30-day month, 360-day year basis (359/360) at 0.3903% average interest cost.



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(Date of Delivery)

R. Renee Fernandes-Abbott, Treasurer  
City of New Bedford  
New Bedford, Massachusetts

\$10,000,000  
City of New Bedford, Massachusetts  
General Obligation State Qualified Municipal Purpose Loan of 2014 Bonds  
Dated February 6, 2014

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

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.

EDWARDS WILDMAN PALMER LLP

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**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 \$10,000,000 General Obligation State Qualified Municipal Purpose Loan of 2014 Bonds dated February 6, 2014 (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 February 6, 2014 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, prior redemption 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

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\* 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 6, 2014

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]

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City of New Bedford, Massachusetts  
Fiscal Policies

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# CITY OF NEW BEDFORD, MASSACHUSETTS

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**Policy Title: Debt Issuance and Management**

**Effective Date: November 27, 2013**

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## 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.

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## CITY OF NEW BEDFORD, MASSACHUSETTS

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**Policy Title: Fund Balance Management**

**Effective Date: November 27, 2013**

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### 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.

APPENDIX E

City of New Bedford, Massachusetts  
FY14-18 Capital Improvement Program

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**FY 2014-2018 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 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. In its initial version, the CIP has been developed as a five year program through FY 2018, including Critical Needs and Environmental bond proposals in FY 2014. In future years, the CIP will continue to estimate project needs on a five-year time frame and will be developed biennially, with the same planning period remaining in place for two years. Current year requirements will be updated annually as needed.

As a planning tool, the CIP will ensure that capital improvements are coordinated and well-timed to maximize the City's financial resources. Typically, projects will first be identified through a biennial Capital Needs Assessment (CNA), submitted by City agencies and the School Department, which will help identify those projects, based on service needs, physical condition and usage requirements, that should be considered for funding consideration in the CIP. The CIP will then help 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 2014 through 2018, and totals \$42.9 million. Of this amount, \$11.3 million would be allocated for capital asset preservation projects for public safety buildings, the school department, and public use and government facilities. Approximately \$4.5 million would be allocated for ongoing replacement of capital vehicles for public safety agencies, and \$23.1 million for major renovations and/or replacements. The CIP also includes \$4 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 16 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 2014, \$1,870,000):** This project would provide for exterior renovations to Buildings 1, 2, 6, 9 and 11 at the Hillman Street Complex. Activities would include repointing of the exterior walls, roof and window replacement. Existing roofs are more than fifty years old, and windows and mortar have deteriorated to the point where the buildings have suffered interior damage.

**Nemasket Street Remediation & Final Use (FY 2014, \$1,000,000):** 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.

**East Beach Bathroom Facility (FY 2014, \$275,000):** This project would replace bathroom facilities at East Beach. The existing facility has been closed due to excessive deterioration, with temporary facilities provided in the interim. The replacement facility would include permanent bathroom facilities, storage and a first aid station for use during the summer.

**Zoo Licensure Requirements (FY 2014, \$595,000):** This project would provide measures required to comply with licensing standards promulgated by the Association of Zoos and Aquariums (AZA), including expansion of the existing elephant habitat onto available land within the Zoo's perimeter fence and the provision of new wayfinding and educational signage throughout the facility.

**Casa de Saudade Library (FY 2014, \$225,000):** This project would provide local funding to supplement a \$500,000 State grant to install an elevator at the Casa de Saudade branch library. The library is located in a former elementary school, first constructed in 1884 and listed on the National Register of Historic Places. In addition to the branch library, the site currently houses the Immigrants Assistance Center and the Portugese Official School.

**Salt Shed Replacement (FY 2016, \$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.

## FY 2014-2018 Capital Improvement Program

**MSBA School Projects (FY 2014, 2016 & 2018, \$17,894,900):** This project would provide the local share for school renovation projects anticipated to receive funding from the Massachusetts School Building Authority. Initial projects in the FY 2014 time period would consist of renovations to New Bedford High School and an addition which would convert the Sea Lab building to a full-fledged replacement for Taylor Elementary School. A replacement for Hannigan Elementary School would be envisioned for long-term financing in FY 2016, and a placeholder for an additional elementary school has been included in the FY 2018 timeframe. The local share will consist of 10% of the project cost for the FY 2014 projects, and 20% thereafter.

### 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 lease purchase arrangement.

**EMS Vehicles (FY 2015, 2016, & 2018, \$510,000):** 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 six ambulances, of which four average nearly eight years old. Acquisition of the replacement vehicles would involve a series of capital leases, providing sufficient flexibility to finance ongoing replacements.

**Fire Apparatus (FY 2014, 2016, & 2018, \$3,589,634):** 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 11 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 operational needs require.

**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, would be 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 nearly \$52 million in deferred maintenance and facility needs, 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 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 2012, the City's outside auditor estimated the City's physical inventory at \$218.3 million.

The CIP includes \$10.8 million over the five year planning period for capital asset replacement, equivalent to approximately 1% annually. Funding would be 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, HVAC repairs and measures required to maintain compliance with regulatory and/or licensing requirements, and would constitute a minimal baseline of funding over the course of the CIP planning period. Specific allocations would be determined as part of the annual CIP appropriation.

FY 2014-2018 Capital Improvement Program

**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 \$8.3 million in potential projects, of which the majority cannot be addressed within a reasonable timeframe without additional funding. The Capital Improvement Program includes \$4 million from FY 2015 through FY 2018 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.

**Critical Needs Bond**

The Capital Needs Assessment identified a number of significant needs that include a time sensitive component, either due to facility condition, operational need or regulatory requirements. As a result, it was determined that it would be advisable to include these projects in a Critical Needs Bond. The Critical Needs Bond, which totals \$5,867,000, includes the following components of the FY 2014-2018 CIP:

<b>Project Category/Name</b>	<b>Amount</b>
<b><u>Public Safety</u></b>	
Fire Station #8 Repair	\$457,000
Police Station Generators (Ashley, Cove & Pleasant)	170,000
<b>Subtotal Public Safety:</b>	<b>\$627,000</b>
<b><u>School Department</u></b>	
Deferred Maintenance Fund (Repointing, Equipment Repair)	\$975,000
<b>Subtotal School Department:</b>	<b>\$975,000</b>
<b><u>Public Facilities</u></b>	
East Beach Bathroom Facility	\$275,000
Zoo Licensure Requirements	595,000
Casa de Saudade Library	225,000
<u>Zeiterion Life Safety Issues (Sprinkler/Fire Alarm)</u>	400,000
<b>Subtotal Public Facilities:</b>	<b>\$1,495,000</b>
<b><u>Government Facilities</u></b>	
Hillman Street Complex Envelope	\$1,870,000
Deferred Maintenance Fund (Repointing, Facade Repair)	900,000
<b>Subtotal Government Facilities:</b>	<b>\$2,770,000</b>
<b>Critical Needs Bond Total:</b>	<b>\$5,867,000</b>

In addition to facility needs addressed by the Critical Needs Bond, the City has initiated lease purchases designed to address significant capital vehicle needs. Purchases of note include two replacement ambulances for Emergency Medical Services, purchased in late FY 2013, and two fire apparatus ordered in mid-FY 2014.

## FY 2014-2018 Capital Improvement Program

The proposed Critical Needs Bond will not include authorization for the anticipated round of MSBA-funded grant conversion projects. Those items will be submitted under a separate order once the Authority has granted final approval.

### **Environmental Bond**

The Capital Improvement Program also includes a placeholder for a \$1,000,000 Environmental Bond in FY 2014. The Environmental Bond is designed to address critical remediation needs at the City-owned Nemasket Street and surrounding properties, which are part of a Massachusetts Department of Environmental Protection waste site. The project will complete remediation activities and construct a final use for the site that will comply with State and Federal remediation requirements.

### **2009 Facilities Bond**

The City issued a \$3 million facilities bond in late FY 2009. The 2009 facilities bond was utilized to address facility and HVAC repair needs at a number of City buildings. The 2009 bond had a \$776,000 balance as of November 2013. Of that amount, \$524,000 had been designated for repairs to the Zeiterion, with the remainder principally assigned to address HVAC repair needs at City Hall, Art Museum, Buttonwood Park Zoo and Howland Green Library.

### **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. Potential projects may include upgrades to HVAC, lighting and streetlights, as well as building envelope improvements that could result in significant reductions to energy consumption. The energy management program would consist of a long-term contract with an energy service company to implement improvements over a number of years, and could result in significant upgrades to the City's physical plant. It is anticipated that energy management contract will be submitted for the City Council's consideration in early 2014.

### **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 Critical Needs and Environmental bonds would be funded in FY 2014 to address significant near-term liabilities. The CIP is designed to work within the City's existing debt profile, and would allow a \$9.5 million reduction to the City's net outstanding debt, from \$75.7 million in FY 2015 to \$66.2 million in FY 2018. Annual debt service payments would increase by about \$88,000 during the same 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 is due to adopt an organization-wide debt management policy in November 2013. Included in the new 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 3.5% in FY 2014 to 3.1% in FY 2018.
- **Outstanding debt as a percentage of assessed valuation** – The policy target is 3% or less. The projected ratio would decline from 1.3% in FY 2014 to 1.2% in FY 2018.
- **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 2014 to 4.2% in FY 2018.

FY 2014-2018 Capital Improvement Program

**FY 2014-2018 Capital Improvement Program**  
*City of New Bedford, Massachusetts*

Description	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014-2018 Total
<u>Major Renovations/Replacements</u>						
Hillman St. Complex Envelope	\$1,870,000	\$0	\$0	\$0	\$0	\$1,870,000
Nemasket Street Remediation & Final Use	1,000,000	0	0	0	0	1,000,000
East Beach Bathrooms	275,000	0	0	0	0	275,000
Zoo Licensure Requirements	595,000	0	0	0	0	595,000
Casa de Saudade Library	225,000	0	0	0	0	225,000
Salt Shed Replacement	0	0	300,000	0	0	300,000
Shawmut Avenue Fuel Station	0	0	0	0	1,000,000	1,000,000
<u>MSBA School Projects</u>	<u>1,894,900</u>	<u>0</u>	<u>8,000,000</u>	<u>0</u>	<u>8,000,000</u>	<u>17,894,900</u>
<b>Subtotal</b>	<b>\$5,859,900</b>	<b>\$0</b>	<b>\$8,300,000</b>	<b>\$0</b>	<b>\$9,000,000</b>	<b>\$23,159,900</b>
<u>Capital Vehicle Replacements</u>						
EMS Vehicles	\$0	\$170,000	\$170,000	\$0	\$170,000	\$510,000
Fire Apparatus	1,189,634	0	1,200,000	0	1,200,000	3,589,634
Mobile Command Center	0	0	0	330,000	0	330,000
Emergency Support Vehicle	0	0	57,000	0	0	57,000
<b>Subtotal</b>	<b>\$1,189,634</b>	<b>\$170,000</b>	<b>\$1,427,000</b>	<b>\$330,000</b>	<b>\$1,370,000</b>	<b>\$4,486,634</b>
<u>Capital Asset Preservation</u>						
Public Safety	\$627,000	\$300,000	\$300,000	\$300,000	\$300,000	\$1,827,000
School Department	975,000	1,200,000	1,200,000	1,200,000	1,200,000	5,775,000
Public Facilities	400,000	300,000	300,000	300,000	300,000	1,600,000
<u>Government Facilities</u>	<u>900,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>2,100,000</u>
<b>Subtotal</b>	<b>\$2,902,000</b>	<b>\$2,100,000</b>	<b>\$2,100,000</b>	<b>\$2,100,000</b>	<b>\$2,100,000</b>	<b>\$11,302,000</b>
Infrastructure Fund	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$4,000,000
<b>Grand Total</b>	<b>\$9,951,534</b>	<b>\$3,270,000</b>	<b>\$12,827,000</b>	<b>\$3,430,000</b>	<b>\$13,470,000</b>	<b>\$42,948,534</b>
<u>Funding Sources</u>						
General Obligation Debt	\$8,761,900	\$2,100,000	\$10,400,000	\$2,100,000	\$11,100,000	\$34,461,900
Lease Purchase	1,189,634	170,000	1,427,000	330,000	1,370,000	4,486,634
<u>Cash Funding</u>	<u>0</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>4,000,000</u>
<b>Total</b>	<b>\$9,951,534</b>	<b>\$3,270,000</b>	<b>\$12,827,000</b>	<b>\$3,430,000</b>	<b>\$13,470,000</b>	<b>\$42,948,534</b>

<sup>1</sup>Local share only. Does not include anticipated funding from the Massachusetts School Building Authority.