

# CITY OF SOMERVILLE

MASSACHUSETTS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



**For the Year Ended June 30, 2017**

Joseph A. Curtatone, Mayor  
Edward Bean, Finance Director

Prepared by the City of Somerville Finance Department

## **On the Cover – Prospect Hill Monument**

The Old Powder House as it stood in 1935 atop the hill at Nathan Tufts Park, overlooking Powder House Square. Photo by Rie Lowenstein

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JUNE 30, 2017

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# ***Introductory Section***



Assembly Square Marketplace is a power center and mixed-use development located in Assembly Square. It includes premium retail outlets, restaurants, residential space, state-of-the-art office and research space, and development space. Photo by Rie Lowenstein

# ***Introductory Section***



*City of Somerville, Massachusetts*  
**Joseph A. Curtatone**  
MAYOR

December 20, 2017

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Somerville (City) for the year ended June 30, 2017. The CAFR is prepared by the City's Finance Department, and is intended to provide information regarding the financial position of the City. This report is prepared in accordance with U.S. generally accepted accounting principles (GAAP) and meets all requirements of state finance law of the Commonwealth of Massachusetts.

The responsibility for the accuracy, completeness, and fairness of the data presented, including disclosures, rests with the City. City management believes this report is accurate in all material respects and is presented in a manner which impartially sets forth the financial position and results of operations of the City. Management is also responsible for establishing and maintaining internal accounting controls designed to provide reasonable, but not absolute, assurance that these financial statements are complete and accurate in their presentation.

The Commonwealth of Massachusetts, through Chapter 190 of the Acts of 1982, requires that the City undergo an annual audit performed by a firm of independent public accountants. The City has selected Powers & Sullivan, LLC, to perform the June 30, 2017, audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Somerville for the year ended June 30, 2017, are free of material misstatements.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Somerville's financial statements for the year ended June 30, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Somerville was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Somerville's separately issued Single Audit Report.

The City's Single Audit report for the year ended June 30, 2017, included no instances of significant violations of the applicable laws and regulations reported. Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic



financial statements in the form of an MD&A. This letter of transmittal is designed to complement the MD&A where the financial analysis is now presented. The City's MD&A can be found immediately following the independent auditor's report from Powers & Sullivan, LLC.

## **GENERAL PROFILE**

Somerville is a city located in Middlesex County, Massachusetts, just two miles north of Boston. Occupying slightly more than four square miles and with a population of 80,318, including thriving immigrant communities from all over the world, Somerville is the most densely populated community in New England and one of the most ethnically diverse cities in the nation. Rich in both history and culture, the City boasts numerous intriguing historical sites, community spaces, businesses, and restaurants.



Somerville was first settled in 1630 as a part of Charlestown, and was established as a town in 1842, when it was separated from the urbanizing Charlestown because it was still largely rural. Somerville was officially incorporated as a City in 1872 due to its growing population and increasing industrialization. By the early 1900s, Somerville itself had become a densely packed urban area.

As a part of Charlestown, areas existing in modern-day Somerville were critical military positions in the American Revolution. The historic Powder House - now considered one of the most distinct pre-Revolutionary structures in Massachusetts - housed gunpowder for Revolutionary soldiers during the war. During British invasion, Somerville (then Charlestown) was part of the route ridden by Paul Revere on his famous "Midnight Ride." Finally, and most notably, Prospect Hill was the site of the raising of the first Grand Union Flag, under the orders of General George Washington, on January 1, 1776.

Today, Somerville is an eclectic mix of blue-collar families, young professionals, growing and established families, college students, and recent immigrants from countries as varied as Brazil, Haiti, and Nepal. There are more than 50 spoken languages in Somerville schools. With a large immigrant population, Somerville celebrates its diversity through numerous events celebrating cultural traditions and holidays. Somerville is a diverse, dense, walkable, community. Given the City's convenient location near numerous educational institutions, including three of the nation's leading institutions of higher learning, Tufts, Harvard, and MIT, it comes as no surprise that college and graduate students make up almost one-fifth of the population.

Somerville is defined by its city squares. Its large number of squares help mark neighborhood boundaries while also featuring bustling businesses and entertainment centers. The primary business districts of the city are Assembly Square, Davis Square, and Union Square. Additionally, Ball Square, Teele Square, and Magoun Square are popular destinations with their own history and unique storefronts. Each offers a mix of ethnic restaurants, bars, shops and small businesses to fit every taste and occasion. The City shares its southern border with Cambridge and the MBTA Red Line connects Davis Square to Cambridge and Boston.

Somerville has a mayor-city council form of municipal government. The Board of Aldermen consists of 4 at-large (city-wide) positions and 7 ward representatives. Somerville has received national recognition as a model of innovation and efficiency for their 311 customer service helpline and SomerStat, a data-driven style of managing government services. Somerville was also the first community in Massachusetts to employ both a 311 customer service help line *and* a Connect-CTY mass outreach (reverse 911) program.

## **QUALITY OF LIFE**

Somerville is home to a thriving arts community. Regular arts-related events, such as the annual "ArtBeat" festival, occur throughout the year. In addition, numerous galleries and music clubs showcase the talents of residents and others. Two major art studios, the Brickbottom Artists Building and the Joy Street Studios, are located in former industrial buildings in the Brickbottom District of the city. The Somerville Theatre, located in Davis Square, houses the Somerville branch of the Museum of Bad Art and plays host to the Independent Film Festival of Boston each spring. The Somerville Arts Council and Somerville Open Studios both host annual events involving the community in homegrown arts.

The Somerville Public Schools (SPS) is a richly diverse school district that ranks as one of the top-performing urban districts in the Commonwealth. MCAS scores have continued to rise in the past several years and the district has maintained extraordinary overall growth, exceeding most other Massachusetts school districts. Somerville High School, a fully comprehensive high school that offers a rigorous core curriculum and one of the best Career and Technical Education (CTE) programs in the state, is the only MA urban high school to earn a Level I state accountability rating for five straight years. The district 4-year graduation rate has steadily improved while the drop-out rate has continued to decline to a current all-time low of 1.9%. SPS emphasizes supporting the "whole child" through a data-informed, collaborative system of support, and programs that ensure that every student has the opportunity to grow and succeed. A strong core curriculum is supplemented with equally strong visual and performing arts, world language, health and wellness, and technology programs, as well as a plethora of extra-curricular activities. Recent investments in pre-K and afterschool programming help lay a solid educational foundation for students, and partnerships play a critical role in providing SPS students with the support they need to succeed in a global economy. Partners such as Biogen, Teen Empowerment, Groundwork Somerville, Breakthrough Greater Boston, Enroot, Citizen Schools, and others provide Somerville students with continuous hands-on support and opportunities for real-world connections and learning. The City has also overhauled its youth programs by hiring new directors, and reinstating lost programs and services. Programs include the SomerTime Day Camp, the Mayor's Summer Jobs Program, and a partnership with Teen Empowerment, the nationally known non-profit organization, to establish a broad-based teen leadership program. In 2008, the City of Somerville was selected by the America's Promise Alliance as one of the top 100 communities in the U.S. for youth programming and learning opportunities.

Alternative transportation is also important to Somerville residents. The City was acknowledged by the National Association of City Transportation Officials as an affiliate member for its commitment to sustainable transportation initiatives. Additionally, the League of American Bicyclists ranked Somerville the number one city on the East coast and seventh in the nation in terms of bike commuting share in their 2016 annual report. The 2015 report showed an incredible 53.2% of all commuting trips made by bicycle, transit or walking – a metric which is only expected to increase with the extension of the MBTA's Green Line through Somerville in the coming years.

With its bright development future featuring new, mixed-use development projects, and innovative local government management, Somerville has been recognized as "the best run City in the Commonwealth" by the Boston Globe magazine. The National Civic League recognized Somerville as an All-America City in 2009 for outstanding civic accomplishments in innovation, inclusiveness, civic engagement, and cross

sector collaboration to address pressing local challenges. In 2015, Somerville again received this award for engaging and supporting vulnerable boys and young men.

## **ECONOMIC DEVELOPMENT**

Through the Mayor's Office of Strategic Planning and Community Development (OSPCD), the City of Somerville has taken the lead role in planning and implementing major economic projects designed to increase the City's tax base and create new jobs. Several major economic development activities are described below.

### **Assembly Square**

Assembly Square is Somerville's largest commercial and industrial district and is among a short list of sites with the greatest potential for development in the Metro Boston Area. Assembly Square is a 145-acre district located at the northeast corner of the City on the Boston border.



Source: u/vanhoosear on Flickr

Its location, less than 2.5 miles from downtown Boston and just two miles from Kendall Square in Cambridge, and existing transportation infrastructure make it one of the premier development sites in New England. Assembly Square is directly accessible from Interstate 93 and State Route 28. In December 2011, the MBTA commenced construction of the MBTA's Orange Line in Assembly Square station and opened the station to riders in September of 2014. Assembly Square contains more than five acres of waterfront open space located along the banks of the Mystic River. To capitalize on these strengths, the City has undertaken an aggressive planning and redevelopment effort designed to convert this former industrial district to a transit-oriented, mixed-use "urban village", using smart growth principles to maximize development potential.

In May 2011, the developer Federal Realty Investment Trust (FRIT), the State, and the City entered into a Tri-Party Agreement that acts as the document binding each party to certain requirements which includes District Increment Financing (DIF) and the State's commitment to fund the Orange Line T Station. To date, the DIF captured increment has significantly exceeded debt service payment amounts with an anticipated fund balance of \$9 million by the end FY2020 to be used for infrastructure improvements.

In 2013, FRIT completed the acquisition of the twelve-acre parcel that was to have been developed and occupied by IKEA in the original plans for Assembly Row. In December of 2013, Partners Healthcare announced its intention to consolidate its operations scattered across more than a dozen offices in and around Boston together under one roof at Assembly Square on the former IKEA property. Partners, the state's largest health system and biggest private employer, started moving employees into the new 750,000 square feet office building. A subsequent phase of Partners' development is expected to result another 400,000 square feet of retail and commercial space within the building.

A new network of roadways, storm water conduit, Blocks 1, 2, 3, and 4, the Orange Line Transit Station, and the 5+-acre waterfront park have been completed along with the administrative building for Partners Healthcare with adjoining garage. The following projects are currently under construction: FRIT development block 5 (a multistory, mixed-use building consisting of 155 hotel rooms, 104 residential

units, 22,000 square-feet of retail/commercial use) and block 6 (a mixed-use structure with 471 residential units, 40,000 square feet of retail/commercial use and structured parking for 671 vehicles).

## **Union Square**

Union Square is the City's second largest business district, known throughout the region as a multi-ethnic arts and dining destination. In 2004, the City worked with neighborhood residents, businesses, and property owners to create "Union Square Main Streets," a non-profit community organization based on the National Main Street Center's successful downtown revitalization model.

In the past few years, the City has received a \$415,000 grant from ArtPlace America as well as a \$460,000 grant to fund the creation of "ArtFarm for Social Innovation" on the site of a former waste transfer station; a \$42,000 grant for strategic planning for the development of city-owned properties in Union Square; over \$1,000,000 in new state and federal Brownfields funding for parcels in the area; the initiation of a Saturday farmers market partially funded by a Robert Wood Johnson Grant, and the construction of two small urban parks.

The City has completed both a \$24 million new elementary school at the edge of Union Square and a \$21 million reconstruction of Somerville Avenue between Union and Porter Squares. In January 2015, a Full Funding Grant Agreement between the MBTA and the US Department of Transportation Federal Transportation Administration was signed. Under this FFGA, federal dollars have been committed to fund approximately one half of the Green Line Extension Project. In April 2009, the Board of Aldermen approved rezoning of the Union Square and Boynton Yards areas.

The City has been working with the community on the development of a new transportation plan for Union Square. Conceptual plans were developed in 2012 and seek to balance traffic flow in the context of quality of life, future development, greater design goals, and the introduction of MBTA light rail. The project will see the reconstruction of two major arterials through the square, continuation of the newly separated Somerville Avenue storm and sanitary sewer lines, and significant expansion of the public plaza. A new Neighborhood plan was also adopted by the City's Planning Board in May of 2016 as an amendment and implementation appendix to SomerVision.

In 2012, the City initiated a multi-year comprehensive planning process with goal of transforming Union Square back to its historic prominence as a major employment center. The centerpiece of this effort entails concentrate new, mixed-used development around the new Union Square transit stop that will come along with the expansion of the MBTA Green Line. In 2012, the City and the Somerville Redevelopment Authority (SRA) approved the Union Square Urban Revitalization Plan that identified seven distinct parcels for major redevelopment. In 2014, the SRA selected Union Square Station Associates (US2) as the master developer for Union Square. A robust community planning process resulted in the Union Square Neighborhood Plan in 2016. Union Square was rezoned in 2017 to reflect the goals of the plan. The Somerville Planning Board approved US2's Coordinated Development Special Permit in December of 2017, which entitles US2's 2.3 million square foot development program that includes housing, retail, office and lab space.

Concurrently, the City has been working with the community on the development of a new transportation plan for Union Square. Conceptual plans were developed in 2012 and seek to balance traffic flow in the context of quality of life, future development, greater design goals, and the introduction of MBTA light rail. The project will see the reconstruction of two major arterials through the square, continuation of the newly separated Somerville Avenue storm and sanitary sewer lines, and significant expansion of the public plaza. A new Neighborhood plan was also adopted by the City's Planning Board in May of 2016 as an amendment and implementation appendix to SomerVision.

In the fall of 2017, the administration submitted to the Board of Aldermen for their approval a DIF financing plan for \$141 million in infrastructure and streetscape projects that will both help alleviate existing flooding issues for two-thirds of the city as well as unlock development potential in the district. In December of 2017, the Board of Alderman approved the DIF financing plan as well as the first phase of projects, which includes a \$63 million authorization for Somerville Ave water, sewer and streetscape work.

### **Boynton Yards & Inner Belt/Brickbottom**

The extension of the Green Line into Union Square has generated new interest in Boynton Yards; the transit stop lies in the northwest corner of the 35-acre district. In April 2009, the Board of Aldermen approved a rezoning of this important development area and much of Boynton Yards is now located in a Transit Oriented District (TOD), which allows for maximum density and building heights.

The City contracted with Parsons Brinckerhoff to conduct a transportation and utility study of Boynton Yards as the first step in creating a new road network and utility infrastructure to support more intense commercial development. The study envisions significant long-term public and private investments in infrastructure allowing for transformational change in Boynton Yards. Through the focal point of the proposed MBTA Green Line Union Square Station, Boynton Yards and Union Square will develop a cohesive identity and become a regional destination for art, shopping and dining.

The Inner Belt is a 160-acre manufacturing and warehouse district that is anticipated to transition to higher-end office and biotechnology uses. An off-ramp which was constructed as part of the Central Artery Project (the “Big Dig”) has improved regional automobile access to Inner Belt. To facilitate Inner Belt’s transition to higher-end uses, the City approved a significant privately-financed infrastructure investment to connect Inner Belt to the fiber optic loop around Boston and Cambridge. The location of this major communications node makes Inner Belt a very competitive location for technology-oriented businesses along with proximity to nearby Kendall Square in Cambridge.

This district will benefit dramatically from the planned McGrath Highway Boulevard Project. The City has completed a formal study and is looking to undertake design work and environmental review associated with the long-term conversion of the elevated McCarthy overpass into an at-grade boulevard with “complete streets” style bicycle and pedestrian accommodations.

Established employers, including ABM Industries, the Angelica Corporation, and the Cambridge Health Alliance continue to provide employment opportunities in Somerville. In addition, the City has seen the installation of two sizeable internet data centers and associated investment in the physical facility and equipment at 50 and 70 Inner Belt Road. The City, working through OSPCD, has completed various studies, including a planning study that identified public actions necessary to facilitate transformation of this district to office and biotechnology uses. Access studies were completed in 2005 to predict the impact of economic development on traffic patterns in the Inner Belt. The City has been taking preliminary steps, with the assistance of Greenberg/CBT consultants to develop a comprehensive plan for the area. The Greenberg/CBT scoping study identified a build out potential of 2.5 million square feet of Lab/R&D, 3 million square feet of office, 200,000 square feet of retail space, 200-450 hotel rooms, and 3,000 residential units.

### **Davis Square**

Davis Square is one of the City’s most vibrant central business districts. This commercial center is located in close proximity to nearby Tufts University and has an MBTA Red Line subway station. The combination of this district’s location and public transit access has resulted in strong demand for office, retail, restaurant and entertainment uses. Consequently, Davis Square has limited vacancy in the retail and

office market segments. Davis Square has become a regional dining and entertainment destination with some of the Boston area's finest restaurants, nightclubs, and live entertainment venues. The residential neighborhood surrounding Davis Square has seen dramatic increases in property values and rents, which has resulted in considerable new investment and condominium conversion.

Future plans in Davis Square will focus on strategic infill development, streetscape updates or rehabilitation projects to enhance the already vibrant community. In May of 2014, the Mayors of Somerville, Cambridge, Boston, Quincy & Braintree launched the Life Sciences Corridor Initiative to promote the robust life sciences sector which has developed along the Red Line, including Davis Square. Together, the five cities represent over 460 companies within the life sciences industry, all connected through the MBTA Red Line.

### **City-Wide Economic Evolution**

Somerville has seen strong developments in the local innovation economy including one of the first on-speculation office buildings in the region in many years in Assembly Square. Partners Healthcare has finished construction on a \$280 million, 1.1 million square-foot administrative space which will house 4,500 employees and provide employment and career-development opportunities for Somerville residents. Office space in the Assembly Square Neighborhood has garnered interest from software, technology, and healthcare companies and has filled over 60,000 square feet of space to date.



Source: [u/Pi.1415926535 on Wikipedia](https://www.wikipedia.org/wiki/File:MBTA_Orange_Line_train_at_Union_Square_station.jpg)

Across the City, cleantech incubator Greentown Labs relocated in 2012 to a 33,000 square-foot location near Union Square, growing from hosting four companies in 2007 to more than forty today. The location offers a prototyping lab, co-located office space, machine and electronics shops, and a developing community of startups looking to rapidly grow and progress new products in the clean energy industry. 2016 saw the breaking ground on an expansion projects that will more than double the incubator's space to 93,000 square feet – enabling Greentown to serve as a global player for cleantech innovation.

### **Transportation Improvements**

As mentioned, the City secured funding for a new Assembly Square Orange Line station using a combination of federal, state and private funding. The station was opened for use in September of 2014, the first new MBTA station since 1987.

While the Assembly Square station promises to support critical smart-growth economic development, the MBTA's light rail Green Line Extension (GLX) through Somerville will, along with existing Red Line service, bring rapid transit to 85% of residents – thereby significantly improving the city's air quality, connectivity, and economic opportunity. Opening of the first three stations (Updated Lechemere, Washington St, and Union Square) is up first in the schedule and the remaining four stations (Gilman, Lowell St, Ball Square, and College Ave) will follow.

## Major Infrastructure Projects

The City is currently planning or undertaking multiple streetscape and roadway improvement projects which will increase multimodal mobility and continue to bring an infrastructure network built in the early 1900s into the 21<sup>st</sup> century. These projects include a full-depth reconstruction of Beacon St (One of the most heavily-trafficked stretches of road in the region by bicycle commuters), a streetscape and utility update in Davis Square, Central Broadway Streetscape upgrades, major Union Square utility work, and roadway improvements in Ball and Gilman Squares to prepare for the Green Line Extension. Altogether, these projects will continue to make Somerville one of the most bike and pedestrian-friendly communities in the Northeast while updating an underground infrastructure network built primarily in the 1800's.

## Financial Summary

The City continues to be in sound financial condition as demonstrated by the financial statements and schedules included in this report. Throughout the year, the City maintained a strong cash and investment position and once again did not issue any tax anticipation notes.

## General Fund Balances and Cash Position

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts. "Free cash" together with certain subsequent tax receipts are used as the basis for subsequent appropriations from available funds. These funds are not required to be included in the annual tax levy. The City's certified "free cash" for fiscal year 2017 is \$11,621,352. The following table sets forth the recent trend in Free Cash for the City.

Free Cash (July 1)	
2017	\$11,621,352
2016	10,833,988
2015	11,512,278
2014	10,651,386
2013	10,637,719
2012	7,846,054
2011	7,646,537

## Stabilization Funds

The City maintains several stabilization funds. Funded by an appropriation, the Stabilization Funds plus interest income may be appropriated at any Board of Aldermen meeting for any municipal purpose. The following table lists the Stabilization Funds balances for the following years.

Stabilization Fund Balance	
2017	\$34,162,355
2016	28,852,284
2015	23,682,116
2014	15,495,452
2013	11,922,271
2012	12,476,965
2011	11,662,056

## Capital Financing and Debt Management

In conjunction with the operating budget, the City annually prepares a capital budget for the upcoming fiscal year and a ten-year Capital Investment Table that is used as a guide for capital expenditures in future years. The Capital Investment Plan for FY18 through FY27 has an estimated cost of \$490 million. Financing for the current-year portion of the capital plan is appropriated on a project-by-project basis.

The City issues its debt in accordance with the life of the asset. In addition, the City has funded a portion of its Capital Improvement Program on a “pay-as-you-go” basis out of current revenues. The City’s General Obligation (GO) outstanding bonded debt as of June 30, 2017, totaled \$106.7 million. The following table sets forth debt as a percentage of assessed valuation and per capita debt at the end of the last five fiscal years. The table considers the principal amount of GO bonds of the City only and does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or part, by non-tax revenues.

Year End	General Obligation Bonds Outstanding	Local Assessed Valuation	Per Capita Debt	Bonds as a % of Assessed Valuation
2017	\$106,688,839	\$12,660,529,500	\$1,312	0.84
2016	104,244,459	11,198,774,270	1,298	0.93
2015	95,151,544	10,492,225,280	1,206	0.91
2014	96,283,023	9,445,672,400	1,222	1.02
2013	97,615,491	8,595,335,050	1,275	1.14
2012	90,422,762	8,390,572,190	1,186	1.08
2011	81,971,701	8,297,876,320	1,079	0.99



## Property Valuations

Based on valuations of all real and personal property as of January 1, 2016, the total value of all property in the City is \$12.7 billion. Professional reevaluations of all property in the City to full and fair cash value in compliance with Massachusetts law were mostly recently completed for use in 2014. The next reevaluation will be completed in 2016. The City conducts an interim year adjustment on values annually.

The table below sets forth the trend in the City's assessed valuations, tax rates, tax levies, and tax levies per capita for the following years.

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Assessed Valuation	Tax Rate Per \$1,000 Valuation		Tax Levy	Tax Levy Per Capita
				Resid.	All other		
2017	\$12,409,326,300	\$251,203,200	\$12,660,529,500	\$11.67	\$18.81	\$136,071,683	1,675
2016	10,974,792,900	223,981,370	11,198,774,270	12.53	20.18	129,147,863	1,608
2015	10,276,528,400	215,696,880	10,492,225,280	12.61	20.38	122,165,461	1,548
2014	9,246,622,500	199,049,900	9,445,672,400	12.66	21.51	116,126,060	1,473
2013	8,409,496,900	185,838,150	8,595,335,050	13.42	22.38	109,923,036	1,446
2012	8,212,040,400	178,531,790	8,390,572,190	13.09	21.85	104,829,090	1,383
2011	8,132,444,500	165,431,820	8,297,876,320	12.71	21.21	100,548,992	1,327

## Pension Liability

Generally accepted accounting principles (GAAP) require the City to perform an actuarial valuation to determine the pension benefit obligation at least biennially, with an actuarial update to the date twelve months after that biennial valuation. The most recent actuarial valuation of the City was completed as of January 1, 2017.

The total unfunded pension benefit obligation applicable to the City's employees was \$140,166,391 at December 31, 2016.

Total pension benefit obligation	\$392,656,092
Net Position available for benefits, at market value	<u>(242,801,289)</u>
Unfunded pension benefit obligation	<u>\$149,854,803</u>

The City is currently on a funding schedule that will amortize its unfunded pension liability by June 30, 2033. Current law allows funding out as far as 2040.

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 annual required contributions of the City to the retirement system for the 2011 through 2017 fiscal years are as follows:

<b>Year</b>	<b>Contributory</b>	<b>Non-Contributory</b>
<b>2017</b>	\$13,711,675	\$121,197
<b>2016</b>	13,304,274	119,000
<b>2015</b>	12,324,940	255,023
<b>2014</b>	11,457,093	234,769
<b>2013</b>	11,084,135	231,999
<b>2012</b>	10,985,945	283,996
<b>2011</b>	10,830,988	333,431

### **Other Post-Employment Benefits (OPEB) Liability**

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 and towns is generally provided on a pay-as-you-go basis. The pay-as-you-go costs to the City for such benefits in recent years have been as follows:

<b>Year</b>	<b>Amount</b>
<b>2017</b>	\$9,258,566
<b>2016</b>	8,533,496
<b>2015</b>	9,645,790
<b>2014</b>	9,044,970
<b>2013</b>	10,402,192
<b>2012</b>	10,036,871
<b>2011</b>	10,200,914

The City obtained a new actuarial valuation for the City's OPEB liability as of June 30, 2016. The City had an unfunded actuarial liability (UAL) that totaled \$301,834,818 on a pay-as-you-go 4.0% basis and \$178,480,760 on a full prefunding 7.5% basis. The City's annual required contribution (ARC) totaled \$21,086,425 on a pay-as-you-go basis and \$13,138,247 on a full prefunding basis.

### **INDEPENDENT AUDIT**

The City's financial records, books of accounts, and financial transactions are audited each year by an independent firm of certified public accountants. The City's annual audit was performed by the independent public accounting firm of Powers & Sullivan, LLC. The independent auditors' report on the basic financial statements for the year ended June 30, 2017 is included herein.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Somerville for its comprehensive annual financial report since fiscal year 2012, five years in a row that the City has achieved this prestigious award. Additionally, the City's FY14, FY15, and FY16 annual operating budgets received the Distinguished Budget Presentation Award. And In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report or budget. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet Certificate of Achievement Program's requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

## **MOVING FORWARD**

The City will continue the necessary work of growing our commercial tax base. The long-term outlook for Somerville remains very strong as long as we continue to manage our resources wisely. Both our bond rating and our development prospects have been buttressed by the City's effort to develop comprehensive and coordinated plans to make the most of coming transit improvements and new investments in retail, commercial and residential growth. While no community can be fully insulated from continued turbulence in the national and regional economies, Somerville is well positioned to preserve its high level of municipal services while preparing for future economic development. We are governing in the present with an eye on our future.

Sincerely,



Mayor Joseph A. Curtatone





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

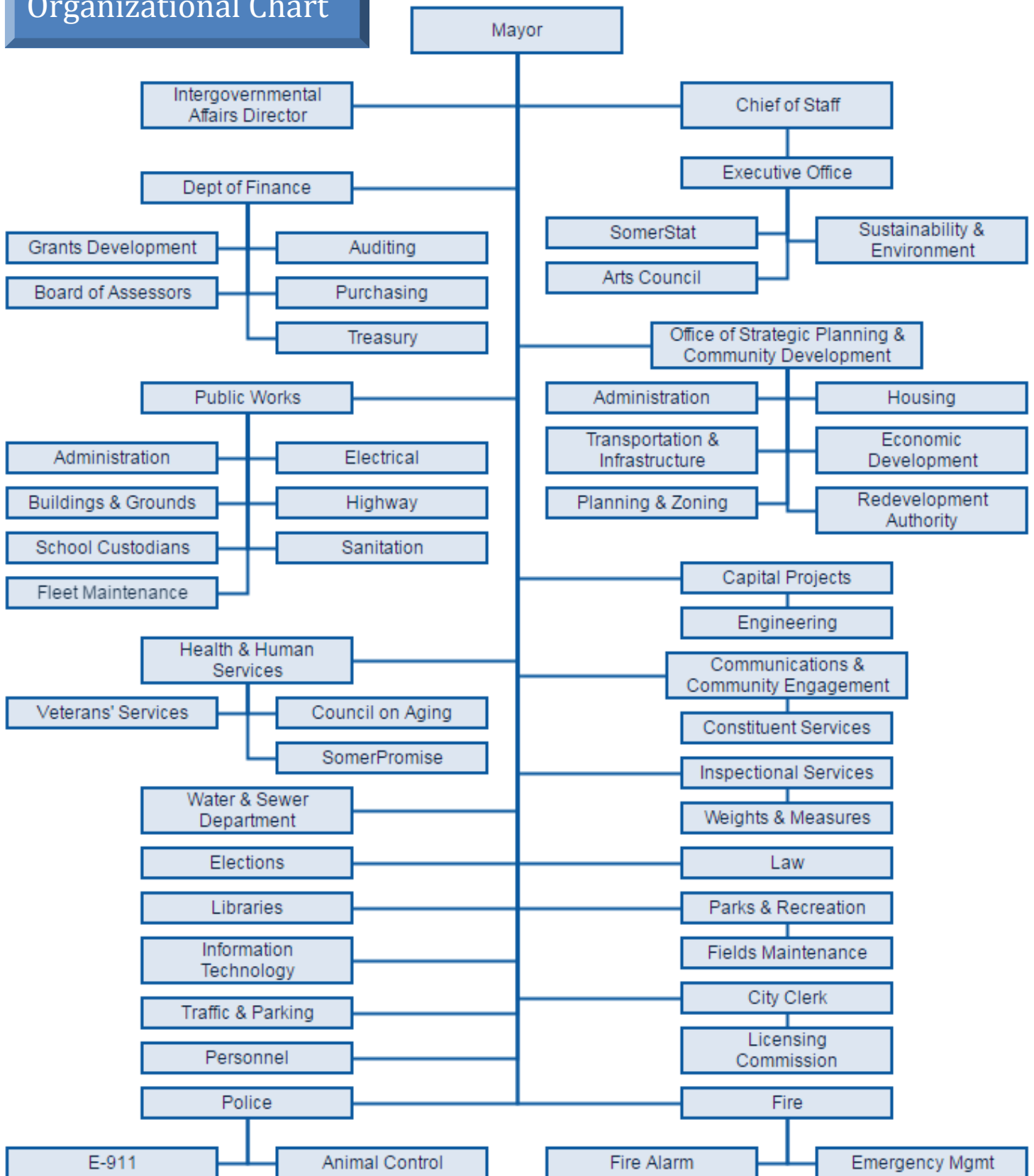
**City of Somerville  
Massachusetts**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

# Organizational Chart





## **City Government**

---

**Joseph A. Curtatone, Mayor**

**Edward Bean, Finance Director**

Ida Cody, Deputy City Auditor

Michael Mastrobuoni, Budget Manager

## **Board of Aldermen**

---

William A White Jr, President, At-large

Katjana Ballantyne, Vice President, Ward 7

John M Connolly, At-large

Mary Jo Rossetti, At-large

Dennis M Sullivan, At-large

Matthew McLaughlin, Ward 1

Maryann M Heuston, Ward 2

Robert J McWatters, Ward 3

Tony G Lafuente, Ward 4

Mark Niedergang, Ward 5

Lance L Davis, Ward 6

# *Financial Section*



The **Somerville City Hall** (which formerly served as **Somerville High School**) is a historic municipal building at 93 Highland Avenue in Somerville, Massachusetts. Built in 1852 and enlarged several times, it has served as the City's first high school, first public library, and only city hall.

Photo taken by Rie Lowenstein

# ***Financial Section***



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T. 781-914-1700  
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## Independent Auditor's Report

To the Honorable Mayor and Board of Alderman  
City of Somerville, Massachusetts

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Somerville, Massachusetts, as of and for the year ended June 30, 2017, (except for the Somerville Contributory Retirement System which is as of and for the year ended December 31, 2016), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Somerville, Massachusetts, as of June 30, 2017 (except for the Somerville Contributory Retirement System which is as of December 31, 2016), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of the City of Somerville, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Somerville's internal control over financial reporting and compliance.

*Powers + Sullivan, LLC*

December 20, 2017

## ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the City of Somerville, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2017. We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

### ***Overview of the Financial Statements***

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Somerville's finances, in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the City's financial position, which assists in assessing the City's economic position at the end of the year. The statements are prepared using the full accrual basis of accounting. All revenues and expenses connected with the year are considered even if the cash involved has not been received or disbursed. The government-wide financial statements include two statements:

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

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

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

recreation, and interest. The business-type activities include water, sewer, the Veteran's Memorial Ice Rink and Dilboy Stadium.

**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 of Somerville, 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 of Somerville can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund 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 year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Somerville maintains seventeen individual governmental funds. Information is presented separately for the general fund, the strategic planning and community development fund and the capital projects fund in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. Data for certain governmental funds are combined into a single aggregated presentation under the caption *nonmajor governmental funds*.

The City of Somerville adopts an annual appropriated budget for its general fund. A budget to actual schedule has been provided as required supplementary information for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds provide the same information shown as business-type activities in the government wide financial statements, only in more detail. The City uses proprietary funds to account for its water, sewer, Veteran's Memorial Ice Rink and Dilboy Stadium operations.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Somerville's own programs. The accounting used for fiduciary funds records transactions using the flow of economic resources measurement focus and the accrual basis of accounting.

The fiduciary fund financial statements provide information for the pension and Other Postemployment Benefits trust funds and the private purpose trust funds. All other fiduciary funds are combined into a single, aggregate presentation in the fiduciary fund financial statements under the caption agency funds.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, was implemented this year. This standard added Note disclosures and Required Supplemental Information for the City's OPEB Trust fund. Its sister standard, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment benefits Other Than Pensions*, is required to be implemented in 2018. This standard will affect

the financial statements themselves by requiring the City to record its OPEB assets, liabilities, and deferred financial statement elements for the first time.

The City established an Other Postemployment Benefits Trust Fund (OPEB) to account for funds set aside to help offset future post-retirement benefits for retirees. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. At year end, the balance in the OPEB trust fund was \$1.8 million.

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Somerville's budgetary basis of accounting and information regarding other postemployment benefits paid by the City. Required supplementary information can be found after the notes to the financial statements.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City of Somerville's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$57.2 million at the close of 2017, which was a decrease of \$4.6 million from the prior year.

Net position of \$174.4 million reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$26.8 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* has a year-end deficit of \$144.0 million. The primary reason for this deficit balance is the recognition of the Pension and OPEB liabilities.

At year-end, the City is able to report positive balances in two of three categories of net position, for the City as a whole and for its governmental activities. Its business-type activities report positive balances in both applicable categories.

The governmental activity and business-type activity components are presented on the following pages.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Somerville, governmental liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$11.1 million and the business-type assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$68.3 million at the close of the most recent year.

### **Governmental Activities**

The City of Somerville's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$11.1 million at the close of 2017.

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current assets.....	\$ 152,104,713	\$ 130,004,820
Noncurrent assets (excluding capital).....	3,517,440	6,015,394
Capital assets.....	<u>232,316,828</u>	<u>227,538,281</u>
<b>Total assets.....</b>	<b>387,938,981</b>	<b>363,558,495</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions.....	22,591,390	17,851,554
Deferred charges on refunding.....	<u>338,362</u>	<u>459,437</u>
<b>Total deferred outflows.....</b>	<b>22,929,752</b>	<b>18,310,991</b>
<b>Liabilities</b>		
Current liabilities (excluding debt).....	9,443,777	10,119,384
Noncurrent liabilities (excluding debt).....	269,713,756	251,672,579
Current debt.....	46,653,925	33,661,197
Noncurrent debt.....	<u>93,812,752</u>	<u>86,118,168</u>
<b>Total liabilities.....</b>	<b>419,624,210</b>	<b>381,571,328</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions.....	<u>2,357,303</u>	<u>48,336</u>
<b>Net Position</b>		
Net investment in capital assets.....	128,346,108	130,183,221
Restricted.....	26,765,236	26,765,034
Unrestricted.....	<u>(166,224,124)</u>	<u>(156,698,433)</u>
<b>Total net position.....</b>	<b>\$ (11,112,780)</b>	<b>\$ 249,822</b>

The largest portion of the City of Somerville's net position, \$128.3 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City of Somerville's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Somerville's net position, \$26.8 million, represents resources that are subject to external restrictions on how they may be used. These include funds for street improvement (Chapter 90), community development projects to be funded by future federal reimbursements, outstanding loan balance authorized under various housing and urban development federal grants, expendable and nonexpendable funds and grants and gifts.

The City has \$98.9 million of positive unrestricted net position excluding the recorded liabilities for the other postemployment benefits obligation and the net pension liability which is in a deficit balance. Those liabilities (\$126.6 million for OPEB and \$138.5 million net pension liability) are long-term in nature, and will not be funded from the \$166.2 million deficit of unrestricted net position at June 30, 2017. The City began the process of pre-funding a portion of the OPEB liability in 2013 by establishing an irrevocable trust which, as of June 30, 2017, has a balance of \$1.8 million and is reported within the Fiduciary Funds in the City's financial statements.

Included within the noncurrent assets (excluding capital) is \$3.5 million in future school construction reimbursement grants.



Long-term liabilities include \$93.8 million in general obligation bonds; \$3.6 million in compensated absence liabilities for unused vacation, special leave, and enhanced longevity benefits payable; \$1.0 million in future year workers' compensation benefits payable; \$138.5 million in future pension benefits; and \$126.6 million in future other postemployment benefits.

Governmental activities net position decreased by \$11.4 million in 2017.

	<u>2017</u>	<u>2016</u>
<b>Program Revenues</b>		
Charges for services.....	\$ 26,958,884	\$ 23,373,674
Operating grants and contributions.....	59,892,628	52,059,008
Capital grants and contributions.....	2,039,456	4,302,653
<b>General Revenues</b>		
Real estate and personal property taxes.....	135,251,425	127,658,573
Tax liens.....	201,283	297,772
Motor vehicle and other excise taxes.....	9,316,095	9,288,744
Penalties and interest on taxes.....	729,944	801,173
Payments in lieu of taxes.....	1,248,682	829,780
Community preservation taxes.....	1,664,815	1,546,198
Nonrestricted grants and contributions.....	25,455,469	24,429,136
Unrestricted investment income.....	496,273	303,517
Gain on sale of capital assets.....	2,031,564	-
Miscellaneous revenues.....	184,008	308,206
<b>Total revenues.....</b>	<b><u>265,470,526</u></b>	<b><u>245,198,434</u></b>
<b>Expenses</b>		
General government.....	34,076,945	32,270,976
Public safety.....	58,162,944	54,345,466
Education.....	132,958,254	124,740,381
Public works.....	31,017,581	28,957,827
Community development.....	9,696,020	5,177,605
Human services.....	244,417	178,570
Community Preservation.....	1,522,282	347,016
Culture and recreation.....	5,245,975	4,787,187
Interest.....	3,563,654	2,956,192
<b>Total expenses.....</b>	<b><u>276,488,072</u></b>	<b><u>253,761,220</u></b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(11,017,546)</b>	<b>(8,562,786)</b>
<b>Transfers.....</b>	<b><u>(345,056)</u></b>	<b><u>948,090</u></b>
<b>Change in net position.....</b>	<b>(11,362,602)</b>	<b>(7,614,696)</b>
<b>Net position at beginning of year.....</b>	<b><u>249,822</u></b>	<b><u>7,864,518</u></b>
<b>Net position at end of year.....</b>	<b><u><u>\$ (11,112,780)</u></u></b>	<b><u><u>\$ 249,822</u></u></b>

The primary reasons for the \$11.4 million decrease relate to the \$12.5 million and \$5.6 million increases in the City's OPEB liability and net pension liability, offset by a net increase of \$2.6 million in deferred outflows and deferred inflows of resources related to pensions, and the recognition of \$2.0 million of capital grants.

Real estate tax revenue increased \$7.6 million due to new tax base growth and the proposition 2 ½ budgetary increase.

General government expenses increased by \$1.8 million which was primarily the result of increases in overall budgeted operational and payroll costs. Education expenses increased by \$8.2 million, this increase is due to an increase in on-behalf payments associated with the Massachusetts Teachers’ Retirement System, as well as an increase in the School’s operating budget. Public works expenses increased by \$2.1 million, this increase relates directly to an increase in snow and ice removal costs and other operational costs of the Department. Community Development expenses increased \$4.5 million as a result of increased activity in the various loan programs and other program related costs.

**Business-type Activities**

The following summarizes the key financial components of the City’s Business-type Activities:

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current assets.....	\$ 32,705,597	\$ 23,164,206
Capital assets.....	56,750,067	53,069,746
<b>Total assets.....</b>	<b>89,455,664</b>	<b>76,233,952</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions.....	<b>278,430</b>	<b>185,229</b>
<b>Liabilities</b>		
Current liabilities (excluding debt).....	271,664	1,940,807
Noncurrent liabilities (excluding debt).....	2,151,817	2,457,645
Current debt.....	10,802,790	2,203,383
Noncurrent debt.....	8,147,921	8,290,711
<b>Total liabilities.....</b>	<b>21,374,192</b>	<b>14,892,546</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions.....	<b>29,053</b>	<b>501</b>
<b>Net Position</b>		
Net investment in capital assets.....	46,081,442	43,810,782
Unrestricted.....	22,249,407	17,715,352
<b>Total net position.....</b>	<b>\$ 68,330,849</b>	<b>\$ 61,526,134</b>

Business-type net position of \$46.1 million represents investments in capital assets net of related debt. The remaining \$22.2 million is available to be used for the ongoing operation of the City’s water, Veteran’s Memorial Ice Rink, Dilboy Stadium, and sewer activities. There was an overall increase of \$6.8 million in net position reported in connection with the enterprise funds.

	<u>2017</u>	<u>2016</u>
<b>Program Revenues</b>		
Charges for services.....	\$ 36,406,067	\$ 33,413,924
<b>General Revenues</b>		
Unrestricted investment income.....	160,353	142,354
<b>Total revenues.....</b>	<b>36,566,420</b>	<b>33,556,278</b>
<b>Expenses</b>		
Water.....	11,166,299	10,211,295
Sewer.....	18,106,483	17,099,159
Veteran's Memorial Ice Rink.....	679,098	721,990
Dilboy Stadium.....	154,881	136,199
<b>Total expenses.....</b>	<b>30,106,761</b>	<b>28,168,643</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>6,459,659</b>	<b>5,387,635</b>
<b>Transfers.....</b>	<b>345,056</b>	<b>(948,090)</b>
<b>Change in net position.....</b>	<b>6,804,715</b>	<b>4,439,545</b>
<b>Net position at beginning of year.....</b>	<b>61,526,134</b>	<b>57,086,589</b>
<b>Net position at end of year.....</b>	<b>\$ 68,330,849</b>	<b>\$ 61,526,134</b>

The water enterprise fund net position increased \$2.6 million. This is primarily due to an increase in water rates coupled with an increase in consumption which led to an increase in related revenue, the fact that principal payments on debt exceed depreciation on capital assets and the funds ability to maintain a minimal increase in overall operating costs.

The sewer enterprise fund net position increased by \$4.0 million. This is primarily due to an increase in sewer rates, the fact that principal payments on debt exceeded depreciation on capital assets and the funds ability to maintain a minimal increase in overall operating costs.

The Veterans Memorial Ice Rink enterprise fund net position increased by \$107 thousand. This is the result of an operational subsidy from the general fund and the fact that user fee revenues decreased.

The Dilboy Stadium enterprise fund net position increased by \$45 thousand. This is primarily the way this fund is designed to operate. User fees are designed to cover operational and capital related costs of operations.

### **Financial Analysis of the Government's Funds**

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

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

At the end of the current year, the City of Somerville's governmental funds combined ending balances totaled \$90.0 million, of which positive balances of \$60.6 million was reported in the general fund, \$14.3 million in the Strategic Planning and Community Development fund, and \$26.5 million in the nonmajor governmental funds.

The capital projects fund reported a deficit of \$11.4 million. Cumulatively, there was an increase in the governmental funds of \$13.3 million in fund balance from prior year. This is due to \$39.0 million of BAN's outstanding at year end.

The general fund is the chief operating fund of the City of Somerville. At the end of the current year unassigned fund balance of the general fund totaled \$20.2 million and was comprised of two components: an unreserved fund balance of \$16.1 million and a rainy day stabilization fund of \$4.1 million. Assigned fund balance, which represents amounts, designated for the 2018 budget, and amounts that have been reserved for the use of liquidating prior purchase orders, contracts, and ongoing capital articles, totaled \$5.9 million. Committed fund balance, which represents the City's various use-specific stabilization funds and the health claims trust, totaled \$34.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. At year-end unassigned fund balance equaled 8.8% of total general fund expenditures, while total fund balance equaled 26.1% of the same amount. Please see Note 9 for further details.

The City's general fund increased \$6 million in the current year. The change was primarily due to positive budgetary results, and increase in the accrual for 60 day receipts, a decrease in the accrual for Appellate Tax Board cases due to the various tele-com cases being settled, and the receipt of a \$952 thousand bond premium.

The City's Strategic Planning and Community Development fund balance increased by \$451 thousand. The fund operates on a grant drawdown basis and the results of operations are primarily the result of the timing of the expenditure of grant allotments.

The City's capital projects funds increased by \$3.5 million. The increase is due to the net effect of \$11.8 million of capital expenditures on current and prior year's projects offset by the issuance of \$12.3 million in bonds and the receipt of a \$1.4 million bond premium.

### ***General Fund Budgetary Highlights***

There was an \$8 million increase between the original budget and the final amended budget. The increase was primarily attributable to transfers to various stabilization funds and the net of other increases/decreases in various departmental budgets.

### ***Capital Asset and Debt Administration***

**Capital assets.** The City of Somerville's investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$232.3 million (net of accumulated depreciation) and its business-type activities amounted to \$56.5 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, books and periodicals, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The net increase in the City's investment in capital assets for the current year governmental assets was \$4.8 million and business-type assets was \$3.4 million.

Major capital asset events during the year included the following:

- Investments made to improve and expand the buildings of the School department;
- Land improvements to various City parks;
- A variety of infrastructure investments in the street, sidewalk, water and sewer systems and;
- Various departmental vehicle and equipment acquisitions.

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

Additional information on the City's capital assets may be found in Note 4 to the financial statements.

**Long-term debt.** At the end of the current year, the City of Somerville had total governmental bonded debt outstanding of \$96.7 million. Additionally, the City reported governmental short-term borrowing of \$39.0 million related to the High School Construction, the Union Square Revitalization Plan, road reconstruction and improvement projects, various school projects, and various other projects around the City.

During 2017, the City's governmental long-term debt increased \$4.9 million. This change is due to the net effect of the current year issuance of Municipal Purpose bonds for various governmental projects offset by principal payments during the year.

The sewer, water and rink enterprise funds have outstanding long-term debt totaling \$1.5 million, \$6.4 million, and \$2.1 million, respectfully, at year end. Other than the Rink, all enterprise fund debt is fully supported by the rates and does not rely on a general fund subsidy.

Standard & Poor's have assigned a rating of AA+ and Moody's have assigned a rating of Aa1 to the City's bonds.

The Commonwealth of Massachusetts is obligated to provide school construction grants for approved school projects. The grants are paid annually to support future interest expense on school construction related long-term debt and the construction costs funded by that debt. At June 30, 2017, the City is scheduled to receive \$1.7 million of future interest grants and \$6.7 million of capital grants. The payment schedule for the Commonwealth is structured to match the debt service expenditures.

Beginning in 2005, the Commonwealth changed the method for funding the school building assistance program. Under the new program, the assistance is paid to support construction costs and reduce the total debt service of the City. Through the end of 2017, the City has recorded capital grant proceeds totaling \$3.6 million, from the MSBA, related to the Somerville High School project, which is equal to 75.29% of approved construction costs submitted for reimbursement. The City anticipates receiving an additional \$1.5 million of grant proceeds in 2018.

See Notes 7 & 8 for further debt information.

### ***Economic Factors and Next Year's Budgets and Rates***

- According to the U.S. Census Bureau, the median household income of the City for the period 2012 – 2016, was \$78,673 compared with \$70,954 for the Commonwealth and \$55,322 for the nation. The per capita income was \$36,229, compared with \$36,441 for the Commonwealth and \$28,555 for the nation.
- The unemployment rate for the City of Somerville as of October 2017 is approximately 2.2%, which is a .3% year-over-year increase from a rate of 1.9% in August 2016. This compares favorably to the state's average seasonally-adjusted unemployment rate of 3.3% and the national average of 4.1%.
- According to the City's Board of Assessors, for 2017, the average single family parcel in the City is valued at \$633,000; the average two-family home is valued at \$683,000; the average 2017 commercial and industrial property is valued at \$1,672,000. All compared favorably with state and national property values.

## ***Requests for Information***

This financial report is designed to provide a general overview of the City of Somerville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City Hall, 93 Highland Ave, Somerville, Massachusetts 02143.

## ***Basic Financial Statements***

**STATEMENT OF NET POSITION**

JUNE 30, 2017

	<b>Primary Government</b>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 117,847,627	\$ 21,288,396	\$ 139,136,023
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,795,183	-	1,795,183
Tax liens.....	851,508	-	851,508
Motor vehicle excise tax.....	176,902	-	176,902
User fees.....	-	11,417,201	11,417,201
Departmental and other.....	3,087,757	-	3,087,757
Intergovernmental.....	10,020,323	-	10,020,323
Loans.....	18,325,413	-	18,325,413
<b>Total current assets.....</b>	<b>152,104,713</b>	<b>32,705,597</b>	<b>184,810,310</b>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	3,517,440	-	3,517,440
Other postemployment benefits asset.....	-	297,281	297,281
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	53,391,868	22,244	53,414,112
Depreciable.....	178,924,960	56,430,542	235,355,502
<b>Total noncurrent assets.....</b>	<b>235,834,268</b>	<b>56,750,067</b>	<b>292,584,335</b>
<b>TOTAL ASSETS.....</b>	<b>387,938,981</b>	<b>89,455,664</b>	<b>477,394,645</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	22,591,390	278,430	22,869,820
Deferred charges on refunding.....	338,362	-	338,362
<b>Total deferred outflows of resources.....</b>	<b>22,929,752</b>	<b>278,430</b>	<b>23,208,182</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	3,953,868	157,366	4,111,234
Accrued payroll.....	1,857,337	46,968	1,904,305
Tax refunds payable.....	862,000	-	862,000
Accrued interest.....	863,400	65,630	929,030
Payroll withholdings.....	1,033,916	-	1,033,916
Abandoned property.....	374,997	-	374,997
Compensated absences.....	159,509	1,700	161,209
Workers' compensation.....	338,750	-	338,750
Notes payable.....	39,043,332	9,000,000	48,043,332
Bonds payable.....	7,610,593	1,802,790	9,413,383
<b>Total current liabilities.....</b>	<b>56,097,702</b>	<b>11,074,454</b>	<b>67,172,156</b>
<b>NONCURRENT:</b>			
Compensated absences.....	3,604,691	61,800	3,666,491
Workers' compensation.....	1,016,250	-	1,016,250
Other postemployment benefits.....	126,632,887	383,554	127,016,441
Net pension liability.....	138,459,928	1,706,463	140,166,391
Bonds payable.....	93,812,752	8,147,921	101,960,673
<b>Total noncurrent liabilities.....</b>	<b>363,526,508</b>	<b>10,299,738</b>	<b>373,826,246</b>
<b>TOTAL LIABILITIES.....</b>	<b>419,624,210</b>	<b>21,374,192</b>	<b>440,998,402</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	2,357,303	29,053	2,386,356
<b>NET POSITION</b>			
Net investment in capital assets.....	128,346,108	46,081,442	174,427,550
Restricted for:			
Streets.....	3,205,981	-	3,205,981
Community Development.....	1,148,368	-	1,148,368
Loans.....	18,325,413	-	18,325,413
Permanent funds:			
Expendable.....	159,213	-	159,213
Nonexpendable.....	433,126	-	433,126
Other specific purposes.....	3,493,135	-	3,493,135
Unrestricted.....	(166,224,124)	22,249,407	(143,974,717)
<b>TOTAL NET POSITION.....</b>	<b>\$ (11,112,780)</b>	<b>\$ 68,330,849</b>	<b>\$ 57,218,069</b>

See notes to basic financial statements.



**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 34,076,945	\$ 10,828,065	\$ 3,611,794	\$ -	\$ (19,637,086)
Public safety.....	58,162,944	11,648,005	567,768	-	(45,947,171)
Education.....	132,958,254	3,251,770	46,466,462	1,598,709	(81,641,313)
Public works.....	31,017,581	496,483	2,059,979	70,282	(28,390,837)
Community development.....	9,696,020	-	6,297,670	-	(3,398,350)
Human services.....	244,417	330,971	224,806	-	311,360
Community Preservation.....	1,522,282	-	4,630	370,465	(1,147,187)
Culture and recreation.....	5,245,975	403,590	107,536	-	(4,734,849)
Interest.....	3,563,654	-	551,983	-	(3,011,671)
<b>Total Governmental Activities.....</b>	<b>276,488,072</b>	<b>26,958,884</b>	<b>59,892,628</b>	<b>2,039,456</b>	<b>(187,597,104)</b>
<i>Business-Type Activities:</i>					
Water .....	11,166,299	13,945,725	-	-	2,779,426
Sewer.....	18,106,483	21,673,233	-	-	3,566,750
Veteran's Memorial Ice Rink.....	679,098	587,035	-	-	(92,063)
Dilboy Stadium.....	154,881	200,074	-	-	45,193
<b>Total Business-Type Activities.....</b>	<b>30,106,761</b>	<b>36,406,067</b>	<b>-</b>	<b>-</b>	<b>6,299,306</b>
<b>Total Primary Government.....</b>	<b>\$ 306,594,833</b>	<b>\$ 63,364,951</b>	<b>\$ 59,892,628</b>	<b>\$ 2,039,456</b>	<b>\$ (181,297,798)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

YEAR ENDED JUNE 30, 2017

	<b>Primary Government</b>		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(187,597,104)</b>	\$ <b>6,299,306</b>	\$ <b>(181,297,798)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	135,251,425	-	135,251,425
Tax and utility liens.....	201,283	-	201,283
Motor vehicle and other excise taxes.....	9,316,095	-	9,316,095
Penalties and interest on taxes.....	729,944	-	729,944
Payments in lieu of taxes.....	1,248,682	-	1,248,682
Community preservation taxes.....	1,664,815	-	1,664,815
Grants and contributions not restricted to specific programs.....	25,455,469	-	25,455,469
Unrestricted investment income.....	496,273	160,353	656,626
Gain (Loss) on disposal of capital assets.....	2,031,564	-	2,031,564
Miscellaneous.....	184,008	-	184,008
<i>Transfers, net</i> .....	<u>(345,056)</u>	<u>345,056</u>	<u>-</u>
Total general revenues and transfers.....	<u>176,234,502</u>	<u>505,409</u>	<u>176,739,911</u>
Change in net position.....	(11,362,602)	6,804,715	(4,557,887)
<i>Net Position</i>			
Beginning of year.....	<u>249,822</u>	<u>61,526,134</u>	<u>61,775,956</u>
End of year.....	<u>\$ (11,112,780)</u>	<u>\$ 68,330,849</u>	<u>\$ 57,218,069</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2017

	General	Strategic Planning & Community Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 67,674,601	\$ -	\$ 27,658,970	\$ 22,514,056	\$ 117,847,627
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	1,795,183	-	-	-	1,795,183
Tax liens.....	851,508	-	-	-	851,508
Motor vehicle excise taxes.....	176,902	-	-	-	176,902
Departmental and other.....	3,061,585	-	-	26,172	3,087,757
Intergovernmental.....	8,498,625	1,148,368	-	3,890,770	13,537,763
Loans.....	-	15,335,829	-	2,989,584	18,325,413
Due from other funds.....	-	-	-	1,371,806	1,371,806
<b>TOTAL ASSETS.....</b>	<b>\$ 82,058,404</b>	<b>\$ 16,484,197</b>	<b>\$ 27,658,970</b>	<b>\$ 30,792,388</b>	<b>\$ 156,993,959</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 3,832,741	\$ -	\$ -	\$ 121,127	\$ 3,953,868
Accrued payroll.....	1,585,313	13,343	652	258,029	1,857,337
Tax refunds payable.....	862,000	-	-	-	862,000
Payroll withholdings.....	1,033,916	-	-	-	1,033,916
Abandoned property.....	374,997	-	-	-	374,997
Due to other funds.....	-	1,057,482	-	314,324	1,371,806
Notes payable.....	-	-	39,043,332	-	39,043,332
<b>TOTAL LIABILITIES.....</b>	<b>7,688,967</b>	<b>1,070,825</b>	<b>39,043,984</b>	<b>693,480</b>	<b>48,497,256</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue.....	13,733,570	1,148,368	-	3,602,618	18,484,556
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	433,126	433,126
Restricted.....	-	14,265,004	-	26,063,164	40,328,168
Committed.....	34,533,997	-	-	-	34,533,997
Assigned.....	5,907,817	-	-	-	5,907,817
Unassigned.....	20,194,053	-	(11,385,014)	-	8,809,039
<b>TOTAL FUND BALANCES.....</b>	<b>60,635,867</b>	<b>14,265,004</b>	<b>(11,385,014)</b>	<b>26,496,290</b>	<b>90,012,147</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 82,058,404</b>	<b>\$ 16,484,197</b>	<b>\$ 27,658,970</b>	<b>\$ 30,792,388</b>	<b>\$ 156,993,959</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

Total governmental fund balances.....		\$ 90,012,147
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		232,316,828
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		18,484,556
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		20,234,087
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(863,400)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(101,423,345)	
Workers compensation.....	(1,355,000)	
Compensated absences.....	(3,764,200)	
Other postemployment benefits.....	(126,632,887)	
Net pension liability.....	<u>(138,459,928)</u>	
Net effect of reporting long-term liabilities.....		(371,635,360)
In the statement of activities, deferred charges on refunding are reported as a deferred outflow of resources and are amortized over the shorter of the remaining life of the refunding bonds or refunded bonds. In governmental funds, these changes are expensed when the refunding bonds are issued.....		<u>338,362</u>
Net position of governmental activities.....		<u>\$ (11,112,780)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	General	Strategic Planning & Community Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 134,759,721	\$ -	\$ -	\$ -	\$ 134,759,721
Tax liens.....	392,962	-	-	-	392,962
Motor vehicle and other excise taxes.....	9,297,090	-	-	-	9,297,090
Payments in lieu of taxes.....	1,248,682	-	-	-	1,248,682
Intergovernmental.....	65,262,079	10,138,587	803,627	15,057,356	91,261,649
Departmental and other.....	20,835,081	-	404,376	7,999,205	29,238,662
Community preservation taxes.....	-	-	-	2,085,496	2,085,496
Contributions.....	380,501	-	-	240,887	621,388
Investment income.....	457,948	8,383	-	34,579	500,910
Miscellaneous.....	134,582	-	-	-	134,582
<b>TOTAL REVENUES.....</b>	<b>232,768,646</b>	<b>10,146,970</b>	<b>1,208,003</b>	<b>25,417,523</b>	<b>269,541,142</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	19,167,204	-	2,265,584	2,423,943	23,856,731
Public safety.....	40,492,885	-	-	757,248	41,250,133
Education.....	65,062,143	-	3,313,819	14,070,437	82,446,399
Public works.....	24,698,789	-	1,937,858	1,849,197	28,485,844
Community development.....	-	9,696,020	-	-	9,696,020
Human services.....	-	-	-	244,417	244,417
Culture and recreation.....	3,057,850	-	4,331,985	207,596	7,597,431
Pension benefits.....	28,429,418	-	-	-	28,429,418
Employee benefits.....	24,274,992	-	-	-	24,274,992
Claims and judgments.....	53,800	-	-	-	53,800
Community preservation.....	-	-	-	2,314,179	2,314,179
State and county charges.....	13,532,201	-	-	-	13,532,201
Debt service:					
Principal.....	7,455,123	-	-	-	7,455,123
Interest.....	3,639,566	-	-	-	3,639,566
<b>TOTAL EXPENDITURES.....</b>	<b>229,863,971</b>	<b>9,696,020</b>	<b>11,849,246</b>	<b>21,867,017</b>	<b>273,276,254</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>2,904,675</b>	<b>450,950</b>	<b>(10,641,243)</b>	<b>3,550,506</b>	<b>(3,735,112)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of debt.....	-	-	12,335,000	-	12,335,000
Premium from issuance of bonds.....	952,000	-	1,419,349	598,829	2,970,178
Sale of capital assets.....	-	-	-	2,120,152	2,120,152
Transfers in.....	4,631,838	-	397,551	507,531	5,536,920
Transfers out.....	(2,537,535)	-	-	(3,344,441)	(5,881,976)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>3,046,303</b>	<b>-</b>	<b>14,151,900</b>	<b>(117,929)</b>	<b>17,080,274</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>5,950,978</b>	<b>450,950</b>	<b>3,510,657</b>	<b>3,432,577</b>	<b>13,345,162</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>54,684,889</b>	<b>13,814,054</b>	<b>(14,895,671)</b>	<b>23,063,713</b>	<b>76,666,985</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 60,635,867</b>	<b>\$ 14,265,004</b>	<b>\$ (11,385,014)</b>	<b>\$ 26,496,290</b>	<b>\$ 90,012,147</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds.....		\$ 13,345,162
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	13,805,058	
Depreciation expense.....	<u>(8,937,922)</u>	
Net effect of reporting capital assets.....		4,867,136
<p>In the Statement of Activities, only the <i>gain</i> on the sale of capital assets is reported, whereas in the governmental funds the entire proceeds of the sale are reported as financial resources. As a result, the change in net position differs from the change in fund balance by the book value of the capital assets sold.....</p>		
		(88,589)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(6,102,179)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of debt.....	(12,335,000)	
Premium from issuance of bonds.....	(2,970,178)	
Debt service principal payments.....	7,455,123	
Amortization of bond premiums.....	177,075	
Amortization of deferred charge on refunding.....	<u>(121,075)</u>	
Net effect of reporting long-term debt.....		(7,794,055)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	128,500	
Net change in accrued interest on long-term debt.....	19,911	
Net change in workers' compensation accrual.....	(91,000)	
Net change in postemployment benefits liability.....	(12,515,275)	
Net change in deferred (inflow) of resources related to pensions.....	(2,308,967)	
Net change in deferred outflow of resources related to pensions.....	4,739,836	
Net change in net pension liability.....	<u>(5,563,082)</u>	
Net effect of recording long-term liabilities.....		<u>(15,590,077)</u>
Change in net position of governmental activities.....		\$ <u>(11,362,602)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2017

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Veterans Memorial Ice Rink	Dilboy Stadium	Total
<b>ASSETS</b>					
<b>CURRENT:</b>					
Cash and cash equivalents.....	\$ 9,853,049	\$ 11,150,440	\$ 96,554	\$ 188,353	\$ 21,288,396
Receivables, net of allowance for uncollectibles:					
User fees.....	4,252,054	7,165,147	-	-	11,417,201
Total current assets.....	<u>14,105,103</u>	<u>18,315,587</u>	<u>96,554</u>	<u>188,353</u>	<u>32,705,597</u>
<b>NONCURRENT:</b>					
Other postemployment benefits asset.....	-	297,281	-	-	297,281
Capital assets, non depreciable.....	-	22,244	-	-	22,244
Capital assets, net of accumulated depreciation.....	<u>31,394,277</u>	<u>21,986,873</u>	<u>3,049,392</u>	<u>-</u>	<u>56,430,542</u>
Total noncurrent assets.....	<u>31,394,277</u>	<u>22,306,398</u>	<u>3,049,392</u>	<u>-</u>	<u>56,750,067</u>
<b>TOTAL ASSETS.....</b>	<u><b>45,499,380</b></u>	<u><b>40,621,985</b></u>	<u><b>3,145,946</b></u>	<u><b>188,353</b></u>	<u><b>89,455,664</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows related to pensions.....	<u>198,764</u>	<u>79,666</u>	<u>-</u>	<u>-</u>	<u>278,430</u>
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Warrants payable.....	20,230	137,107	29	-	157,366
Accrued payroll.....	27,326	12,991	3,475	3,176	46,968
Accrued interest.....	26,338	17,504	21,788	-	65,630
Compensated absences.....	1,600	100	-	-	1,700
Notes payable.....	3,800,000	5,200,000	-	-	9,000,000
Bonds payable.....	<u>1,302,739</u>	<u>305,051</u>	<u>195,000</u>	<u>-</u>	<u>1,802,790</u>
Total current liabilities.....	<u>5,178,233</u>	<u>5,672,753</u>	<u>220,292</u>	<u>3,176</u>	<u>11,074,454</u>
<b>NONCURRENT:</b>					
Compensated absences.....	47,100	14,700	-	-	61,800
Other postemployment benefits.....	383,554	-	-	-	383,554
Net pension liability.....	1,218,198	488,265	-	-	1,706,463
Bonds payable.....	<u>5,062,870</u>	<u>1,175,051</u>	<u>1,910,000</u>	<u>-</u>	<u>8,147,921</u>
Total noncurrent liabilities.....	<u>6,711,722</u>	<u>1,678,016</u>	<u>1,910,000</u>	<u>-</u>	<u>10,299,738</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>11,889,955</b></u>	<u><b>7,350,769</b></u>	<u><b>2,130,292</b></u>	<u><b>3,176</b></u>	<u><b>21,374,192</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions.....	<u>20,740</u>	<u>8,313</u>	<u>-</u>	<u>-</u>	<u>29,053</u>
<b>NET POSITION</b>					
Net investment in capital assets.....	25,192,328	19,944,722	944,392	-	46,081,442
Unrestricted.....	<u>8,595,121</u>	<u>13,397,847</u>	<u>71,262</u>	<u>185,177</u>	<u>22,249,407</u>
<b>TOTAL NET POSITION.....</b>	<u><b>\$ 33,787,449</b></u>	<u><b>\$ 33,342,569</b></u>	<u><b>\$ 1,015,654</b></u>	<u><b>\$ 185,177</b></u>	<u><b>\$ 68,330,849</b></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Veterans Memorial Ice Rink	Dilboy Stadium	Total
<b>OPERATING REVENUES:</b>					
Charges for services .....	\$ 13,945,725	\$ 21,673,233	\$ 587,035	\$ 200,074	\$ 36,406,067
<b>OPERATING EXPENSES:</b>					
Cost of services and administration .....	9,832,433	17,564,492	504,662	154,881	28,056,468
Depreciation.....	1,233,674	487,002	85,898	-	1,806,574
<b>TOTAL OPERATING EXPENSES .....</b>	<b>11,066,107</b>	<b>18,051,494</b>	<b>590,560</b>	<b>154,881</b>	<b>29,863,042</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>2,879,618</b>	<b>3,621,739</b>	<b>(3,525)</b>	<b>45,193</b>	<b>6,543,025</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income.....	19,915	140,182	128	128	160,353
Interest expense.....	(100,192)	(54,989)	(88,538)	-	(243,719)
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(80,277)</b>	<b>85,193</b>	<b>(88,410)</b>	<b>128</b>	<b>(83,366)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>2,799,341</b>	<b>3,706,932</b>	<b>(91,935)</b>	<b>45,321</b>	<b>6,459,659</b>
<b>TRANSFERS:</b>					
Transfers in.....	458,705	974,748	199,000	-	1,632,453
Transfers out.....	(631,696)	(655,701)	-	-	(1,287,397)
<b>TOTAL OPERATING TRANSFERS.....</b>	<b>(172,991)</b>	<b>319,047</b>	<b>199,000</b>	<b>-</b>	<b>345,056</b>
<b>CHANGE IN NET POSITION.....</b>	<b>2,626,350</b>	<b>4,025,979</b>	<b>107,065</b>	<b>45,321</b>	<b>6,804,715</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>31,161,099</b>	<b>29,316,590</b>	<b>908,589</b>	<b>139,856</b>	<b>61,526,134</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 33,787,449</b>	<b>\$ 33,342,569</b>	<b>\$ 1,015,654</b>	<b>\$ 185,177</b>	<b>\$ 68,330,849</b>

See notes to basic financial statements.



**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Veterans Memorial Ice Rink	Dilboy Stadium	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users.....	\$ 13,921,258	\$ 21,161,818	\$ 587,035	\$ 200,074	\$ 35,870,185
Payments to vendors.....	(9,068,239)	(17,526,541)	(321,728)	(61,843)	(26,978,351)
Payments to employees.....	(1,097,540)	(430,983)	(189,313)	(95,699)	(1,813,535)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>3,755,479</b>	<b>3,204,294</b>	<b>75,994</b>	<b>42,532</b>	<b>7,078,299</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers in.....	458,705	974,748	199,000	-	1,632,453
Transfers out.....	(631,696)	(655,701)	-	-	(1,287,397)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(172,991)</b>	<b>319,047</b>	<b>199,000</b>	<b>-</b>	<b>345,056</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Issuance of debt.....	5,460,000	5,200,000	-	-	10,660,000
Acquisition and construction of capital assets.....	(1,929,751)	(3,651,632)	-	-	(5,581,383)
Principal payments on bonds and notes.....	(1,888,042)	(1,330,341)	(185,000)	-	(3,403,383)
Interest expense.....	(106,472)	(57,036)	(89,925)	-	(253,433)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>1,535,735</b>	<b>160,991</b>	<b>(274,925)</b>	<b>-</b>	<b>1,421,801</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income.....	19,915	140,182	128	128	160,353
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>5,138,138</b>	<b>3,824,514</b>	<b>197</b>	<b>42,660</b>	<b>9,005,509</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	4,714,911	7,325,926	96,357	145,693	12,282,887
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 9,853,049</b>	<b>\$ 11,150,440</b>	<b>\$ 96,554</b>	<b>\$ 188,353</b>	<b>\$ 21,288,396</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>					
Operating income (loss).....	\$ 2,879,618	\$ 3,621,739	\$ (3,525)	\$ 45,193	\$ 6,543,025
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	1,233,674	487,002	85,898	-	1,806,574
Deferred outflows (inflows) related to pensions:.....	(41,730)	(22,919)	-	-	(64,649)
Changes in assets and liabilities:					
User fees.....	(24,467)	(511,415)	-	-	(535,882)
Warrants payable.....	(41,517)	(7,266)	(4,048)	(1,599)	(54,430)
Accrued payroll.....	(9,543)	1,106	(2,331)	(1,062)	(11,830)
Accrued compensated absences.....	(2,400)	(9,700)	-	-	(12,100)
Other postemployment benefits.....	(438,953)	(480,971)	-	-	(919,924)
Net pension liability.....	200,797	126,718	-	-	327,515
Total adjustments.....	875,861	(417,445)	79,519	(2,661)	535,274
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 3,755,479</b>	<b>\$ 3,204,294</b>	<b>\$ 75,994</b>	<b>\$ 42,532</b>	<b>\$ 7,078,299</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Pension Trust Funds (1)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 5,423,121	\$ 1,821,275	\$ 95,116	\$ 637,342
Investments:				
Bond mutual funds.....	65,233,177	-	-	-
Real estate and alternative investment mutual funds.....	22,144,293	-	-	-
Equity mutual funds.....	22,745,873	-	-	-
Equity securities.....	127,362,526	-	-	-
Interest and dividends.....	2,838	-	-	-
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	23,003	-	-	-
<b>TOTAL ASSETS.....</b>	<b>242,934,831</b>	<b>1,821,275</b>	<b>95,116</b>	<b>637,342</b>
<b>LIABILITIES</b>				
Warrants payable.....	133,542	-	-	-
Accrued liabilities.....	-	-	-	72,686
Liabilities due depositors.....	-	-	-	564,656
<b>TOTAL LIABILITIES.....</b>	<b>133,542</b>	<b>-</b>	<b>-</b>	<b>637,342</b>
<b>NET POSITION</b>				
Restricted for pensions.....	242,801,289	-	-	-
Restricted for OPEB benefits.....	-	1,821,275	-	-
Held in trust for other purposes.....	-	-	95,116	-
<b>TOTAL NET POSITION.....</b>	<b>\$ 242,801,289</b>	<b>\$ 1,821,275</b>	<b>\$ 95,116</b>	<b>\$ -</b>

(1) As of December 31, 2016

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2017

	Pension Trust Funds (1)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
<b>ADDITIONS:</b>			
Contributions:			
Employer contributions to trust.....	\$ 14,659,434	\$ 1,000,000	\$ -
Employee.....	6,719,692	-	-
Employer contributions to fund OPEB benefits.....	-	9,258,566	-
Private donations.....	-	-	5,954
<b>Total contributions.....</b>	<b>21,379,126</b>	<b>10,258,566</b>	<b>5,954</b>
Net investment income (loss):			
Net change in fair value of investments.....	4,988,117	-	-
Interest.....	4,999,258	7,507	329
<b>Total investment income (loss).....</b>	<b>9,987,375</b>	<b>7,507</b>	<b>329</b>
Less: investment expense.....	(1,189,888)	-	-
<b>Net investment income (loss).....</b>	<b>8,797,487</b>	<b>7,507</b>	<b>329</b>
Intergovernmental.....	422,632	-	-
Transfers from other systems.....	1,321,861	-	-
<b>TOTAL ADDITIONS.....</b>	<b>31,921,106</b>	<b>10,266,073</b>	<b>6,283</b>
<b>DEDUCTIONS:</b>			
Administration.....	434,364	-	-
Transfers to other systems.....	1,894,472	-	-
Payment of benefits and refunds.....	26,285,115	-	-
OPEB benefits.....	-	9,258,566	-
Educational scholarships.....	-	-	1,000
<b>TOTAL DEDUCTIONS.....</b>	<b>28,613,951</b>	<b>9,258,566</b>	<b>1,000</b>
<b>NET INCREASE (DECREASE) IN NET POSITION.....</b>	<b>3,307,155</b>	<b>1,007,507</b>	<b>5,283</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>239,494,134</b>	<b>813,768</b>	<b>89,833</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 242,801,289</b>	<b>\$ 1,821,275</b>	<b>\$ 95,116</b>

(1) For the year ended December 31, 2016

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The City is a municipal corporation that is governed by an elected Mayor and an eleven member Board of Alderman (Board).

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

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

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

**Availability of Financial Information for Component Units**

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 50 Evergreen Avenue, Somerville, Massachusetts 02145.

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

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

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual

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

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

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

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

#### *Government-Wide Financial Statements*

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

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

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

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

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

*Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

The following major governmental funds are reported:

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

The *strategic planning and community development fund* is used to account for grant activities of the Office of Strategic Planning and Community Development.

The *capital projects fund* is used to account for activities associated with constructing and acquiring assets for both general city-wide and school construction projects.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the

proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for financial activity that occurs as a result of the ongoing operations within the water department.

The *sewer enterprise fund* is used to account for the financial activity that occurs as a result of the ongoing operations within the sewer department.

The *Veterans Memorial Ice Rink enterprise fund* is used to account for financial activity that occurs as a result of the ongoing operation of the Veteran's Memorial Ice Rink and the second auxiliary rink.

The *Dilboy Field enterprise fund* is used to account for financial activity that occurs as a result of the ongoing operations of the Dilboy Stadium.

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

The following fiduciary fund types are reported:

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

The *other postemployment benefits trust fund* is a fund being used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allows the trustees to authorize spending of the realized investment earnings. The City's educational scholarship trusts are accounted for in this fund.

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

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

#### E. Fair Value Measurements

The City reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical

expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the City's financial instruments, see Note 2 – Cash and Investments.

#### F. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the fiduciary funds financial statements are reported under the accrual basis of accounting.

The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

##### ***Real Estate, Personal Property Taxes and Tax Liens***

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

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

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



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

### ***Motor Vehicle Excise***

Motor vehicle excise taxes are assessed annually for each vehicle registered in the City and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

### ***Water and Sewer***

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and Sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the year of the levy.

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

### ***Departmental and Other***

Departmental and other receivables consist primarily of parking fines and are recorded as receivables in the year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

### ***Intergovernmental***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

### **Loans**

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

Loan receivables are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

### **G. Inventories**

#### ***Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

**H. Capital Assets**

*Government-Wide Fund Financial Statements*

Capital assets, which include land, construction in progress, land improvements, books and periodicals, buildings and improvements, machinery and equipment, vehicles, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental activity column of the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets, donated works of art, historical treasures and similar assets, and capital assets received in service concession arrangements are recorded at acquisition value. Construction period interest is capitalized on constructed capital assets except for the capital assets of the governmental activities column in the government-wide financial statements.

All purchases and construction costs in excess of \$50,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20-40
Books and periodicals.....	10
Buildings and improvements.....	20-40
Machinery and equipment.....	5-10
Vehicles.....	5-15
Infrastructure.....	10-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

*Governmental Fund Financial Statements*

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

**I. Deferred Outflows/Inflows of Resources**

*Government-Wide Financial Statements (Net Position)*

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

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

*Governmental Fund Financial Statements*

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

J. Unavailable Revenue

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the availability criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Unavailable revenue is recognized as revenue in the conversion to the entity-wide (full accrual) financial statements.

K. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

L. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

### M. Net Position and Fund Equity

#### *Government-Wide Financial Statements (Net Position)*

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program is not considered to be capital related debt.

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

Net position has been “restricted for” the following:

“Streets” represents amounts committed by the Commonwealth for the repair and/or construction of streets.

“Community Development” represents amounts committed by the Federal Department of Housing and Urban Development (HUD) for various community development projects.

“Loans” represents community development outstanding loans receivable balances.

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

“Permanent funds – expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

“Other specific purposes” represents restrictions placed on assets from outside parties, such as federal and state grants.

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

#### *Fund Financial Statements (Fund Balances)*

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Approval by the Board of Alderman is the highest level of decision-making authority for the government that can, by approval of a council order prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the order remains in place until a similar action is taken to remove or revise the limitation.

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

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that that can report a positive unassigned fund balance amount.

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

#### N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Somerville Contributory Retirement System and the Massachusetts Teachers Retirement System and additions to/deductions from the Systems fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### O. Long-term debt

##### *Government-Wide and Proprietary Fund Financial Statements*

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

##### *Governmental Fund Financial Statements*

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

#### P. Investment Income

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

Investment income of the proprietary funds is retained in the respective enterprise fund.

#### Q. Compensated Absences

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

##### *Government-Wide Financial Statements*

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

##### *Governmental Fund Financial Statements*

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

#### R. Use of Estimates

##### *Government-Wide and Fund Financial Statements*

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

#### S. Individual Fund Deficits

At June 30, 2017, the Capital Projects Fund reports a fund deficit of \$11.4 million. This deficit will be funded with available funds and future bond proceeds.

#### T. Total Column

##### *Government-Wide Financial Statements*

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

##### *Fund Financial Statements*

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

**NOTE 2 - CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares. The MMDT maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

The City Treasurer is the custodian of funds held in the Other Postemployment Benefit (OPEB) Trust Fund. As of June 30, 2017, \$1.8 million of the OPEB Trust Fund is included within the City's cash and investments.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City of Somerville's deposits may not be returned to it. The City's investment policy states that safety, liquidity and yield are the most important attributes when deciding on which financial institutions to deposit funds with. These guidelines are intended to further the objective of securing the highest return that is consistent with the safety principal while meeting the daily cash requirements of the City. The Treasurer also subscribes to a bank rating service to assist in the determination of which banks to place deposits with. At year-end, the carrying amount of deposits totaled \$135,680,472 and the bank balance totaled \$140,567,097. Of the bank balance, \$2,585,564 was covered by Federal Depository Insurance, \$15,712,548 was covered by the Depositors Insurance Fund, \$7,844,068 was covered by Share Insurance Fund, \$113,778,354 was collateralized, and \$646,563 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2016, carrying amount of deposits for the System totaled \$4,983,824, and the bank balance totaled \$5,429,576. The entire bank balance of the System was covered by Federal Depository Insurance and is collateralized.

Investments

As of June 30, 2017, the City of Somerville had the following investments:

<u>Other Investments</u>	
MMDT .....	\$ <u>6,009,284</u>

As of December 31, 2016, the System had the following investments:

Investment Type	Fair Value	Maturity				Rating
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years	
<u>Debt Securities</u>						
(1) Loomis Sayles Fixed Income Fund .....	\$ 65,233,177	\$ 13,307,568	\$ 24,984,307	\$ 14,873,164	\$ 12,068,138	Aaa / NR
<u>Other Investments</u>						
Equity Mutual Funds (Domestic).....	10,774,696					
Equity Mutual Funds (International).....	11,971,177					
Equities.....	127,362,526					
Real Estate and Alternative Mutual Funds.....	22,144,293					
Money Market Mutual Funds.....	439,297					
Total Investments.....	\$ 237,925,166					

(1) The maturities and ratings of the fixed income mutual funds are representative of the average maturities of the underlying investments of each fund.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The City does not have investments that are subject to custodial credit risk. The City’s investment policy states that no more than 20% of the City’s investments should be invested in a single financial institution with the exception of U.S. Treasuries or Agencies and the State Treasurer’s Investment Pool (MMDT).

Of the System’s \$127,362,526, in equity securities, the System has custodial credit risk exposure of \$127,362,526, because the related securities are uninsured, unregistered and held by the counterparty. The System has not adopted a formal investment policy to manage custodial credit risk.

Interest Rate Risk

The City’s investment policy limits the maturities of investments in the following ways; up to one year from date of purchase for U.S. Treasuries or Agencies, Certificates of Deposit limited to one year terms, Repurchase Agreements not to exceed 90 days. These limits do not apply to fully insured deposits.

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City has not adopted a formal policy related to credit risk. The City does not have any debt securities as of June 30, 2017. The City’s investment in MMDT is unrated.

The System has not adopted a formal policy related to credit risk. The System’s investment in Fixed Income Mutual Funds have ratings that range from Aaa to not rated and their Money Market Mutual Funds are not rated.

Concentration of Credit Risk

The City places no limit on the amount the government may invest in any one issuer.



The System is not invested more than 5% in any one issuer. The System has not adopted a formal policy related to the amount that may be invested in any one issuer.

Fair Market Value of Investments

The City holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the City’s mission, the City determines that the disclosures related to these investments only need to be disaggregated by major type. The City chooses a narrative format for the fair value disclosures

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2017:

MMDT investments of \$6.0 million are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

**Retirement System**

The retiree pension defined benefit plan holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan’s activities, the plan shows greater disaggregation in its disclosures. The plan chooses a tabular format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following recurring fair value measurements as of December 31, 2016:

Investment Type	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>			
<u>Debt securities</u>			
Fixed Income Mutual Funds.....	\$ 65,233,177	\$ 65,233,177	\$ -
<u>Other investments</u>			
Equity securities.....	127,362,526	127,362,526	-
Real Estate investment trusts.....	22,144,293	-	22,144,293
Money market mutual funds.....	439,297	439,297	-
Equity mutual funds.....	22,745,873	22,745,873	-
Total other investments.....	172,691,989	150,547,696	22,144,293
Total investments by fair value level.....	\$ 237,925,166	\$ 215,780,873	\$ 22,144,293

Fixed income mutual funds, equity securities, money market mutual funds, and equity mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Real estate investment trusts are classified in Level 3 are valued using either a discounted cash flow or market comparable companies technique.

**NOTE 3 – RECEIVABLES**

At June 30, 2017, receivables for the individual major governmental funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,950,239	\$ (155,056)	\$ 1,795,183
Tax liens.....	851,508	-	851,508
Motor vehicle excise taxes.....	1,631,041	(1,454,139)	176,902
Departmental and other.....	13,978,988	(10,891,231)	3,087,757
Intergovernmental.....	13,537,763	-	13,537,763
Loans.....	18,325,413	-	18,325,413
Total.....	<u>\$ 50,274,952</u>	<u>\$ (12,500,426)</u>	<u>\$ 37,774,526</u>

At June 30, 2017, receivables for the enterprise funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Sewer.....	\$ 7,165,147	\$ -	\$ 7,165,147
Water.....	4,252,054	-	4,252,054
Total.....	<u>\$ 11,417,201</u>	<u>\$ -</u>	<u>\$ 11,417,201</u>

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

	General Fund	Community Development	Non-Major Governmental Funds	Total
<u>Receivable type:</u>				
Real estate and personal property taxes.....	\$ 1,144,950	\$ -	\$ -	\$ 1,144,950
Tax liens.....	851,508	-	-	851,508
Motor vehicle excise.....	176,902	-	-	176,902
Departmental and other.....	3,061,585	-	396,637	3,458,222
Intergovernmental.....	8,498,625	1,148,368	3,205,981	12,852,974
Total.....	<u>\$ 13,733,570</u>	<u>\$ 1,148,368</u>	<u>\$ 3,602,618</u>	<u>\$ 18,484,556</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 37,082,399	\$ -	\$ -	\$ 37,082,399
Construction in progress.....	<u>5,977,097</u>	<u>11,238,305</u>	<u>(905,933)</u>	<u>16,309,469</u>
Total capital assets not being depreciated.....	<u>43,059,496</u>	<u>11,238,305</u>	<u>(905,933)</u>	<u>53,391,868</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	41,138,786	697,945	-	41,836,731
Books and periodicals.....	2,626,489	-	-	2,626,489
Buildings and improvements.....	206,411,317	996,271	(5,097,435)	202,310,153
Machinery and equipment.....	10,275,330	191,857	-	10,467,187
Vehicles.....	15,383,860	484,636	(167,612)	15,700,884
Infrastructure.....	<u>46,885,083</u>	<u>1,101,977</u>	<u>-</u>	<u>47,987,060</u>
Total capital assets being depreciated.....	<u>322,720,865</u>	<u>3,472,686</u>	<u>(5,265,047)</u>	<u>320,928,504</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(14,452,628)	(1,586,914)	-	(16,039,542)
Books and periodicals.....	(2,519,872)	(42,982)	-	(2,562,854)
Buildings and improvements.....	(76,358,080)	(5,079,527)	5,008,846	(76,428,761)
Machinery and equipment.....	(7,876,565)	(508,676)	-	(8,385,241)
Vehicles.....	(9,192,083)	(819,002)	167,612	(9,843,473)
Infrastructure.....	<u>(27,842,852)</u>	<u>(900,821)</u>	<u>-</u>	<u>(28,743,673)</u>
Total accumulated depreciation.....	<u>(138,242,080)</u>	<u>(8,937,922)</u>	<u>5,176,458</u>	<u>(142,003,544)</u>
Total capital assets being depreciated, net.....	<u>184,478,785</u>	<u>(5,465,236)</u>	<u>(88,589)</u>	<u>178,924,960</u>
Total governmental activities capital assets, net.....	<u>\$ 227,538,281</u>	<u>\$ 5,773,069</u>	<u>\$ (994,522)</u>	<u>\$ 232,316,828</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities: Water</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 116,945	\$ -	\$ (116,945)	\$ -
<u>Capital assets being depreciated:</u>				
Buildings.....	16,087	-	-	16,087
Machinery and equipment.....	5,267,964	-	-	5,267,964
Vehicles.....	462,918	-	-	462,918
Infrastructure.....	<u>36,857,248</u>	<u>1,929,751</u>	<u>-</u>	<u>38,786,999</u>
Total capital assets being depreciated.....	<u>42,604,217</u>	<u>1,929,751</u>	<u>-</u>	<u>44,533,968</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(9,248)	(804)	-	(10,052)
Machinery and equipment.....	(2,392,292)	(360,665)	-	(2,752,957)
Vehicles.....	(410,968)	(35,400)	-	(446,368)
Infrastructure.....	<u>(9,093,509)</u>	<u>(836,805)</u>	<u>-</u>	<u>(9,930,314)</u>
Total accumulated depreciation.....	<u>(11,906,017)</u>	<u>(1,233,674)</u>	<u>-</u>	<u>(13,139,691)</u>
Total water capital assets being depreciated, net.....	<u>30,698,200</u>	<u>696,077</u>	<u>-</u>	<u>31,394,277</u>
Total water activities capital assets, net.....	<u>\$ 30,815,145</u>	<u>\$ 696,077</u>	<u>\$ (116,945)</u>	<u>\$ 31,394,277</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities: Sewer</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 274,824	\$ 22,244	\$ (274,824)	\$ 22,244
<u>Capital assets being depreciated:</u>				
Vehicles.....	434,092	-	-	434,092
Infrastructure.....	<u>32,367,660</u>	<u>3,629,388</u>	<u>-</u>	<u>35,997,048</u>
Total capital assets being depreciated.....	<u>32,801,752</u>	<u>3,629,388</u>	<u>-</u>	<u>36,431,140</u>
<u>Less accumulated depreciation for:</u>				
Vehicles.....	(223,565)	(34,924)	-	(258,489)
Infrastructure.....	<u>(13,733,700)</u>	<u>(452,078)</u>	<u>-</u>	<u>(14,185,778)</u>
Total accumulated depreciation.....	<u>(13,957,265)</u>	<u>(487,002)</u>	<u>-</u>	<u>(14,444,267)</u>
Total sewer capital assets being depreciated, net....	<u>18,844,487</u>	<u>3,142,386</u>	<u>-</u>	<u>21,986,873</u>
Total sewer activities capital assets, net.....	<u>\$ 19,119,311</u>	<u>\$ 3,164,630</u>	<u>\$ (274,824)</u>	<u>\$ 22,009,117</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities: Rink</b>				
<u>Capital assets being depreciated:</u>				
Buildings Improvements.....	\$ 3,435,934	\$ -	\$ -	\$ 3,435,934
<u>Less accumulated depreciation for:</u>				
Buildings Improvements.....	(300,644)	(85,898)	-	(386,542)
Total rink activities capital assets, net.....	<u>\$ 3,135,290</u>	<u>\$ (85,898)</u>	<u>\$ -</u>	<u>\$ 3,049,392</u>

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

**Governmental Activities:**

General government.....	\$ 781,181
Public safety.....	585,500
Education.....	4,783,030
Public works.....	1,581,138
Culture and recreation.....	<u>1,207,073</u>

Total depreciation expense - governmental activities..... \$ 8,937,922

**Business-Type Activities:**

Water.....	\$ 1,233,674
Sewer.....	487,002
Rink.....	<u>85,898</u>

Total depreciation expense - business-type activities..... \$ 1,806,574

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The City’s interfund balances at June 30, 2017, consisted of \$1,371,806 in balances within the non-major governmental funds which represent interfund borrowings for short-term cash flow needs.

Interfund transfers for the year ended June 30, 2017, are summarized as follows:

Operating Transfers Out:	Transfers In:							Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Sewer	Veteran's Memorial Ice Rink	Water		
General Fund.....	\$ -	\$ 397,551	\$ 507,531	\$ 974,748	\$ 199,000	\$ 458,705	\$ 2,537,535	(1)
Nonmajor Governmental Funds..	3,344,441	-	-	-	-	-	3,344,441	(2)
Sewer Enterprise Fund.....	655,701	-	-	-	-	-	655,701	(3)
Water Enterprise Fund.....	631,696	-	-	-	-	-	631,696	(3)
Total.....	<u>\$ 4,631,838</u>	<u>\$ 397,551</u>	<u>\$ 507,531</u>	<u>\$ 974,748</u>	<u>\$ 199,000</u>	<u>\$ 458,705</u>	<u>\$ 7,169,373</u>	

- (1) Represents budgeted transfers out of the general fund various capital projects, a subsidy transfer to the Veteran’s Memorial Ice Rink, and contributions to the water and sewer stabilization funds.
- (2) Represents a transfer from the parking receipts reserve fund and the bond issuance expense fund to the general fund, along with various other non-major projects.
- (3) Represents the transfer of indirect costs to the general fund.

**NOTE 6 – OPERATING LEASES**

Operating Leases

The City leases two police sub-stations under several non-cancelable operating leases. The total cost of these leases for the year ended June 30, 2017, was approximately \$43,800 and is reported as public safety expenditures in the basic financial statements. The Police sub-station leases were renewed through February of 2018.

**NOTE 7 – SHORT-TERM FINANCING**

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

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

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

Details related to the short-term debt activity for the year ended June 30, 2017, is as follows:

**Governmental Activities**

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2016	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2017
BAN	Municipal Purpose.....	1.25	10/14/16	\$ 18,168,551	\$ -	18,168,551	\$ -
BAN	Municipal Purpose.....	2.00	06/09/17	25,631,449	-	25,631,449	-
BAN	Municipal Purpose.....	2.00	06/08/18	-	39,043,332	-	39,043,332
Total Short-Term Debt.....				\$ 43,800,000	\$ 39,043,332	\$ 43,800,000	\$ 39,043,332

**Enterprise Activities**

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2016	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2017
BAN	Water Repairs.....	2.00	06/09/17	\$ 500,000	\$ -	\$ 500,000	\$ -
BAN	Sewer Repairs.....	2.00	06/09/17	500,000	-	500,000	-
BAN	Nunziato Field Stormwater Project.....	2.00	06/09/17	200,000	-	200,000	-
BAN	Sewer Main Repairs.....	2.00	06/08/18	-	1,500,000	-	1,500,000
BAN	Water Main Repairs.....	2.00	06/08/18	-	2,500,000	-	2,500,000
BAN	Cedar Street Water Repairs.....	2.00	06/08/18	-	1,300,000	-	1,300,000
BAN	Cedar Street Sewer Repairs.....	2.00	06/08/18	-	3,000,000	-	3,000,000
BAN	Nunziato Field Stormwater Project.....	2.00	06/08/18	-	700,000	-	700,000
Total.....				\$ 1,200,000	\$ 9,000,000	\$ 1,200,000	\$ 9,000,000

**NOTE 8 - LONG-TERM DEBT**

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

On June 1, 2017, the City issued \$12,335,000 of general obligation bonds for various governmental projects. The full \$12.3 million of bond proceeds was recognized in the governmental funds.

Details related to the general obligation bonds outstanding at June 30, 2017, and the debt service requirements are as follows:

**Bonds Payable Schedule – Governmental Funds**

Project	Original Borrowing	Maturities Through	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Municipal Purpose - August 16, 2006 (Refunding)...	\$ 11,230,000	2018	3.5% - 5.0%	\$ 3,850,000	\$ -	\$ 2,610,000	\$ 1,240,000
Municipal Purpose - August 15, 2006.....	3,795,000	2027	4.0% - 4.1%	2,730,000	-	345,000	2,385,000
MSBA - February 12, 2008.....	7,282,102	2033	7.1% - 8.0%	6,189,787	-	364,105	5,825,682
Municipal Purpose - February 1, 2009.....	3,030,000	2028	3.6% - 4.0%	2,015,000	-	330,000	1,685,000
Municipal Purpose - February 15, 2010.....	2,272,000	2028	2.0% - 5.0%	1,789,000	-	161,000	1,628,000
Municipal Purpose - April 1, 2010 (Refunding).....	13,407,000	2022	2.0% - 5.0%	9,051,500	-	1,511,500	7,540,000
Municipal Purpose - June 15, 2010.....	6,705,000	2029	2.0% - 5.0%	5,450,000	-	450,000	5,000,000
Municipal Purpose - February 23, 2011.....	5,020,000	2025	2.0% - 5.0%	3,320,000	-	330,000	2,990,000
Municipal Purpose - May 17, 2013.....	15,750,000	2042	2.0% - 5.0%	15,045,000	-	365,000	14,680,000
Municipal Purpose - October 9, 2013.....	13,940,000	2033	2.0% - 5.0%	10,225,000	-	570,000	9,655,000
MSBA - September 25, 2013.....	6,250,000	2043	2.00%	5,818,964	-	215,518	5,603,446
Municipal Purpose - October 15, 2015.....	8,603,000	2038	2.125% - 5.0%	8,603,000	-	203,000	8,400,000
Municipal Purpose - October 5, 2016.....	17,771,000	2039	2.0 - 4.0%	17,771,000	-	-	17,771,000
Municipal Purpose - June 1, 2017.....	1,235,000	2042	3.0 - 5.0%	-	12,335,000	-	12,335,000
Total bonds payable.....				91,858,251	12,335,000	7,455,123	96,738,128
Add: unamortized premium.....				1,892,114	2,970,178	177,075	4,685,217
Total.....				\$ 93,750,365	\$ 15,305,178	\$ 7,632,198	\$ 101,423,345

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

**Governmental Funds**

Year	Principal	Interest	Total
2018.....	\$ 7,101,623	\$ 2,905,536	\$ 10,007,159
2019.....	6,015,623	2,662,706	8,678,329
2020.....	5,925,623	2,448,797	8,374,420
2021.....	6,285,622	2,248,909	8,534,531
2022.....	6,446,622	2,020,867	8,467,489
2023.....	4,921,622	1,778,127	6,699,749
2024.....	4,759,622	1,615,162	6,374,784
2025.....	4,644,622	1,456,726	6,101,348
2026.....	4,384,622	1,305,872	5,690,494
2027.....	4,499,622	1,175,811	5,675,433
2028.....	4,409,622	1,055,821	5,465,443
2029.....	3,779,622	944,412	4,724,034
2030.....	3,694,622	865,782	4,560,404
2031.....	3,144,622	788,163	3,932,785
2032.....	3,214,622	704,362	3,918,984
2033.....	3,314,624	614,586	3,929,210
2034.....	3,050,517	523,201	3,573,718
2035.....	2,365,517	450,975	2,816,492
2036.....	2,140,517	392,971	2,533,488
2037.....	2,200,517	332,528	2,533,045
2038.....	2,270,517	269,968	2,540,485
2039.....	1,905,517	212,352	2,117,869
2040.....	1,960,517	159,916	2,120,433
2041.....	2,015,517	105,756	2,121,273
2042.....	2,070,517	50,045	2,120,562
2043.....	215,518	4,310	219,828
Total.....	\$ 96,738,128	\$ 27,093,656	\$ 123,831,784

**Bonds Payable Schedule – Enterprise Funds**

Project	Original Borrowing	Maturities Through	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
MWRA Notes.....	\$ 7,584,424	2018	0.0%	\$ 284,413	\$ -	\$ 189,608	\$ 94,805
Municipal Purpose August 15, 2006.....	1,500,000	2017	4.0%	150,000	-	150,000	-
Municipal Purpose - December 15, 2009.....	4,400,000	2019	2.0%	1,460,000	-	490,000	970,000
Municipal Purpose - February 15, 2010.....	1,910,000	2030	2.0% - 5.0%	1,241,000	-	109,000	1,132,000
Municipal Purpose - April 1, 2010 (Refunding).....	262,000	2022	2.0% - 5.0%	151,500	-	26,500	125,000
Municipal Purpose - February 23, 2013.....	424,000	2020	2.0% - 5.0%	210,000	-	50,000	160,000
MWRA Notes.....	1,336,000	2022	0.0%	801,600	-	133,600	668,000
MWRA Notes.....	1,242,340	2016	0.0%	869,638	-	124,234	745,404
MWRA Notes.....	875,000	2025	0.0%	787,500	-	87,500	700,000
MWRA Notes.....	138,000	2021	0.0%	138,000	-	27,600	110,400
MWRA Notes.....	1,660,000	2027	0.0%	-	1,660,000	-	1,660,000
Total Water Enterprise.....				6,093,651	1,660,000	1,388,042	6,365,609
Municipal Purpose - March 15, 2004.....	1,229,551	2016	4.0%	-	-	-	-
Municipal Purpose - August 15, 2006.....	2,070,000	2027	4.0%	1,065,000	-	105,000	960,000
Municipal Purpose - April 1, 2010 (Refunding).....	419,000	2022	2.0% - 5.0%	242,000	-	42,000	200,000
MWRA Notes.....	1,616,450	2017	0.0%	323,290	-	323,290	-
MWRA Notes.....	800,256	2019	0.0%	480,153	-	160,051	320,102
Total Sewer Enterprise.....				2,110,443	-	630,341	1,480,102
Rink Enterprise Debt - October 9, 2013.....	13,940,000	2027	2.0% - 5.0%	2,290,000	-	185,000	2,105,000
Total.....				\$ 10,494,094	\$ 1,660,000	\$ 2,203,383	\$ 9,950,711



**Water Enterprise Fund**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018.....	\$ 1,302,739	\$ 50,640	\$ 1,353,379
2019.....	1,187,934	44,315	1,232,249
2020.....	702,934	39,115	742,049
2021.....	647,934	34,165	682,099
2022.....	624,334	30,435	654,769
2023.....	460,734	26,105	486,839
2024.....	333,500	23,200	356,700
2025.....	333,500	20,400	353,900
2026.....	246,000	17,400	263,400
2027.....	246,000	14,400	260,400
2028.....	80,000	11,200	91,200
2029.....	100,000	8,000	108,000
2030.....	100,000	4,000	104,000
Total.....	\$ <u>6,365,609</u>	\$ <u>323,375</u>	\$ <u>6,688,984</u>

**Sewer Enterprise Fund**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018.....	\$ 305,051	\$ 44,576	\$ 349,627
2019.....	305,051	38,976	344,027
2020.....	145,000	33,176	178,176
2021.....	145,000	27,776	172,776
2022.....	140,000	22,076	162,076
2023.....	95,000	16,129	111,129
2024.....	95,000	12,234	107,234
2025.....	105,000	8,134	113,134
2026.....	75,000	4,435	79,435
2027.....	70,000	1,444	71,444
Total.....	\$ <u>1,480,102</u>	\$ <u>208,956</u>	\$ <u>1,689,058</u>

**Rink Enterprise Fund**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018.....	\$ 195,000	\$ 83,250	\$ 278,250
2019.....	200,000	75,350	275,350
2020.....	205,000	69,044	274,044
2021.....	215,000	61,363	276,363
2022.....	190,000	51,238	241,238
2023.....	200,000	41,488	241,488
2024.....	210,000	31,238	241,238
2025.....	220,000	20,488	240,488
2026.....	230,000	11,394	241,394
2027.....	240,000	3,900	243,900
Total.....	\$ <u>2,105,000</u>	\$ <u>448,750</u>	\$ <u>2,553,750</u>

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a non-interest bearing loan. At June 30, 2017, the outstanding principal amount of these loans totaled \$4.3 million. The imputed interest on these loans is immaterial and has not been recognized by the City.

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During 2017, \$3,548,000 of such assistance was received. Approximately \$6,919,000 will be received in future years. Of this amount, approximately \$1,651,000 represents reimbursement of long-term interest costs, and approximately \$5,268,000 represents reimbursement of approved construction costs. Accordingly, a \$5,268,000 intergovernmental receivable and corresponding unavailable revenue have been reported in governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

Beginning in 2005, the Commonwealth changed the method for funding the school building assistance program. Under the new program, the assistance is paid to support construction costs and reduce the total debt service of the City. Through the end of 2017, the City has recorded capital grant proceeds totaling \$13.8 million related to the East Somerville Community School and \$3.6 million related to the Somerville High School project, from the MSBA, which is equal to 80% and 75.29%, respectively, of approved construction costs submitted for reimbursement. The City anticipates receiving an additional \$1.4 million related to the East Somerville Community School project and \$120.4 million related to the Somerville High School project. Accordingly, a \$3.0 million intergovernmental receivable and corresponding deferred inflow of resources - unavailable revenue has been reported in the governmental fund financial statements. This receivable relates to expenditures incurred during 2017 and submitted for reimbursement from the MSBA. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit.

At June 30, 2017, the City had the following authorized and unissued debt:

Purpose	Amount
Central Hill Memorial Park.....	\$ 450,000
Veterans Memorial Ice Rink.....	950
Street Resurfacing.....	15,979
Public Safety Building Repairs.....	56,200
East Somerville Community School Remodeling.....	10,422,563
Morse-Kelley Park Renovations.....	2,445
Departmental Equipment (Radio).....	23,000
ISD Office Renovations.....	15,000
Park Constructions.....	500,000
Various School and City Building Improvements.....	1,000,000
Departmental Equipment (Ladder Truck).....	1,000
Recreation Dept. Vehicle.....	15,000
Network Infrastructure Replacement.....	1,000
MWRA Infiltration & Inflow.....	90
DPW Equipment Replacement/ Street Sweeper.....	876
DPW Salt Shed.....	29,000
High School Feasibility Study & Schematic Design.....	1,053,417
Computer Hardware & Software.....	455,000
Citywide Bicycle & Pedestrian Upgrades.....	30,000
Street & Sidewalk Repairs.....	1,400,000
ADA Accessibility - Curb Ramp Installation and Improvements.....	578,465
ADA Accessibility Building Improvements.....	300,000
West Branch Library Design & Engineering.....	275,000
DPW Snow Removal Equipment.....	9,425
Powderhouse Square Rotary Traffic Signal Improvements.....	250,000
Engine 7 Roof Replacement.....	120,000
IT Server Upgrade.....	603,998
LED Light Conversion.....	2,475,000
Union Square Streetscape & Utility Early Action Project.....	2,200,000
Fire Station Engine 3.....	835,000
Hybrid DPW Refuse Tracks.....	250,000
Building Assessment/ Preventative Maintenance.....	262,000
Cedar Street Water Repairs.....	2,227,500
Cedar Street Sewer Repairs.....	5,197,500
Nunziato Field Stormwater Project.....	700,000
Lincoln Park Renovation.....	9,425,000
Sidewalk Improvements.....	3,350,000
Beacon Street Reconstruction.....	1,500,000
East Broadway Streetscape.....	175,000
West Branch Library Rehabilitation.....	3,385,000
Winter Hill Schoolyard & Nunziato Fields.....	275,000
Sewer Main Rehabilitation & Replacement.....	2,500,000
Water Main Rehabilitation & Replacement.....	4,200,000
Fire Pumper.....	544,182
DPW Capital Equipment & Vehicles.....	1,245,340
MBTA Green Line Extension.....	50,000,000
High School Feasibility Study.....	192,000
U8 Winter Hill Community School Soccer Field.....	375,000
Building Assessment/ Preventative Maintenance Plan.....	410,000
ADA Accessibility Building Improvements.....	500,000
High School Construction.....	255,982,705
Winter Hill Community Innovation School Repairs.....	3,968,259
Streets, Sidewalks, and ADA Ramp Improvements.....	2,700,000
Total.....	<u>\$ 372,482,894</u>

**Calculation of Net Investment in Capital Assets**

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation.....	\$ 232,316,828	\$ 56,452,786
Outstanding principal of related debt:		
Long-term debt.....	(101,423,345)	(9,950,711)
Short-term debt.....	(39,043,332)	(9,000,000)
Add:		
Deferred charges on refunding.....	338,362	-
Unspent proceeds of capital debt.....	27,658,970	8,579,367
Noncapital-related debt (1).....	8,498,625	-
Net investment in capital assets.....	<u>\$ 128,346,108</u>	<u>\$ 46,081,442</u>

(1) School construction grant financing.

**Changes in Long-term Liabilities**

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
<b>Governmental Activities:</b>					
Long-Term Bonds.....	\$ 91,858,251	\$ 12,335,000	\$ (7,455,123)	\$ 96,738,128	\$ 7,101,623
Add: Unamortized Premium.....	1,892,114	2,970,178	(177,075)	4,685,217	508,970
Total Bonds Payable.....	93,750,365	15,305,178	(7,632,198)	101,423,345	7,610,593
Workers' Compensation.....	1,264,000	505,910	(414,910)	1,355,000	338,750
Other Postemployment Benefits.....	114,117,612	21,702,998	(9,187,723)	126,632,887	-
Net Pension Liability.....	132,896,846	19,107,824	(13,544,742)	138,459,928	-
Compensated Absences.....	3,892,700	54,079	(182,579)	3,764,200	159,509
Total.....	<u>\$ 345,921,523</u>	<u>\$ 56,675,989</u>	<u>\$ (30,962,152)</u>	<u>\$ 371,635,360</u>	<u>\$ 8,108,852</u>
<b>Business-Type Activities:</b>					
Long-Term Bonds.....	\$ 10,494,094	\$ 1,660,000	\$ (2,203,383)	\$ 9,950,711	\$ 1,802,790
Other Postemployment Benefits.....	1,006,197	448,200	(1,070,843)	383,554	-
Net Pension Liability.....	1,378,948	494,448	(166,933)	1,706,463	-
Compensated Absences.....	75,600	3,100	(15,200)	63,500	1,700
Total.....	<u>\$ 12,954,839</u>	<u>\$ 2,605,748</u>	<u>\$ (3,456,359)</u>	<u>\$ 12,104,228</u>	<u>\$ 1,804,490</u>

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

**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

At year end the balance of the Rainy Day Stabilization fund is \$4.1 million and reported as unassigned fund balance within the general fund. The City's remaining stabilization funds are for specific purposes and have been reported as committed within the general fund.

GASB 54 provides for two major types of fund balances, which are Nonspendable and Spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The City has reported principal portions of endowment funds as Nonspendable.

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

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

As of June 30, 2017, the fund balances consisted of the following:

FUND BALANCES	General	Strategic Planning & Community Development	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent fund principal..... \$	-	-	-	433,126	433,126
Restricted for:					
Strategic planning & community development.....	-	14,265,004	-	-	14,265,004
School special revenue funds.....	-	-	-	726,236	726,236
School federal grants.....	-	-	-	106,539	106,539
School state & private grants.....	-	-	-	2,836,603	2,836,603
City federal grant funds.....	-	-	-	6,107	6,107
City state grant funds.....	-	-	-	410,934	410,934
City revolving funds.....	-	-	-	115,017	115,017
City receipts reserved.....	-	-	-	4,936,375	4,936,375
City Private grants.....	-	-	-	297,029	297,029
School lunch.....	-	-	-	871,194	871,194
Community preservation.....	-	-	-	9,701,333	9,701,333
Other special revenue funds.....	-	-	-	5,896,584	5,896,584
Other permanent funds.....	-	-	-	159,213	159,213
Committed to:					
Health claims.....	16,289,127	-	-	-	16,289,127
Max-Pak stabilization fund.....	20,222	-	-	-	20,222
East Somerville stabilization fund.....	103,239	-	-	-	103,239
Street Tree stabilization fund.....	12,820	-	-	-	12,820
Alpine Restaurant stabilization fund.....	2,526	-	-	-	2,526
Rockwell Restaurant stabilization fund.....	9,105	-	-	-	9,105
Capital Projects stabilization fund.....	4,499,444	-	-	-	4,499,444
Construction stabilization fund.....	2,115,326	-	-	-	2,115,326
Traffic Safety stabilization fund.....	398,423	-	-	-	398,423
Mitigation stabilization fund.....	232,809	-	-	-	232,809
270 Cedar Street LLC stabilization fund.....	1,009	-	-	-	1,009
Workforce Training stabilization fund.....	414	-	-	-	414
Bicycle stabilization fund.....	2,197	-	-	-	2,197
Linwood Street sidewalk improvement stabilization fund.....	11,823	-	-	-	11,823
Davis Square traffic and Sign stabilization fund.....	286	-	-	-	286
Trash transfer station stabilization fund.....	148,988	-	-	-	148,988
Salary and wage stabilization fund.....	5,648,388	-	-	-	5,648,388
Open space improvement stabilization fund.....	95,277	-	-	-	95,277
Union square revitalization stabilization fund.....	172,075	-	-	-	172,075
Facility construction & renovation stabilization fund.....	3,011,598	-	-	-	3,011,598
Street reconstruction & resurfacing stabilization fund.....	1,508,663	-	-	-	1,508,663
Millbrook stabilization.....	47,945	-	-	-	47,945
Elmwood stabilization.....	12,564	-	-	-	12,564
377 Broadway stabilization.....	4,316	-	-	-	4,316
Infiltration/Inflow stabilization.....	185,413	-	-	-	185,413
Assigned to:					
General government.....	970,720	-	-	-	970,720
Public safety.....	276,808	-	-	-	276,808
Education.....	674,470	-	-	-	674,470
Public works.....	1,877,285	-	-	-	1,877,285
Culture and recreation.....	107,701	-	-	-	107,701
Employee benefits.....	833	-	-	-	833
Free cash used for the 2018 budget.....	2,000,000	-	-	-	2,000,000
Unassigned.....	20,194,053	-	(11,385,014)	-	8,809,039
<b>TOTAL FUND BALANCES (DEFICIT)..... \$</b>	<b>60,635,867</b>	<b>14,265,004</b>	<b>(11,385,014)</b>	<b>26,496,290</b>	<b>90,012,147</b>

**NOTE 10 – RISK FINANCING**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

The City participates in premium-based health care plans for its active employees and retirees through the Group Insurance Commission. Claims have not exceeded insurance coverage for the last three years.

The City is self-insured for its workers’ compensation activities. These activities are accounted for in the General Fund. Workers’ compensation claims are administered in house and are funded on a pay-as-you-go basis from annual appropriations. The estimated future workers’ compensation liability is based on history and injury type. At June 30, 2017, the amount of the liability for workers’ compensation claims totaled \$1,355,000.

Changes in the reported liability since July 1, 2015, are as follows:

	Balance at Beginning of Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at End of Year
2016.....	\$ 1,255,000	\$	385,995	\$	(376,995)	\$	1,264,000
2017.....	1,264,000		505,910		(414,910)		1,355,000

**NOTE 11 - PENSION PLAN**

*Plan Descriptions*

The City is a member of the Somerville Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 2 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System is a component unit and is reported as a pension trust fund in the fiduciary fund financial statements. See Note 1 for more information.

The City is a member of the Massachusetts Teachers’ Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth’s reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

*Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer’s covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2016. The City’s portion of the collective pension expense, contributed by the

Commonwealth, of \$14,596,546 is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth’s collective net pension liability associated with the City is \$143,094,195 as of the measurement date.

*Benefits Provided*

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service. There were no reported changes in pension benefit terms that effect measurement of the total pension liability as of December 31, 2016.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

At December 31, 2016, the SCRS membership consists of the following:

Active members.....	1,190
Inactive members.....	446
Retirees and beneficiaries currently receiving benefits.....	<u>879</u>
 Total.....	 <u><u>2,515</u></u>

*Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the SCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The total member units’ contribution for the year ended December 31, 2016 was \$14,659,434, 20.52% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City’s proportionate share of the required contribution was \$13,711,675 which equaled its actual contribution.



*Pension Liabilities*

The components of the net pension liability of the participating member units at June 30, 2017, were as follows:

Total pension liability.....	\$ 392,656,092
The pension plan's fiduciary net position.....	<u>(242,801,289)</u>
The net pension liability.....	\$ <u>149,854,803</u>
The pension plan's fiduciary net position as a percentage of the total pension liability....	61.84%

At June 30, 2017, the City reported a liability of \$140,166,391 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2016, the City's proportion was 93.53%, which changed from its proportion measured at December 31, 2015, of 93.70%.

*Pension Expense*

For the year ended June 30, 2017, the City recognized a pension expense of \$17,106,753. At June 30, 2017, the City reported deferred outflows of resources related to pensions of \$22,869,820, and deferred inflows of resources related to pensions of \$2,386,355.

The balances of deferred outflows and inflows at June 30, 2017 consist of the following:

<u>Deferred Category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences between expected and actual experience.....	\$ -	\$ (2,190,396)	\$ (2,190,396)
Changes of assumptions.....	2,088,412	-	2,088,412
Difference between projected and actual earnings.....	20,781,408	-	20,781,408
Changes in proportionate share of contributions.....	<u>-</u>	<u>(195,960)</u>	<u>(195,960)</u>
Total Deferred Outflows/(Inflows) of Resources.....	\$ <u>22,869,820</u>	\$ <u>(2,386,356)</u>	\$ <u>20,483,464</u>

The deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018.....	\$ 6,603,667
2019.....	6,603,666
2020.....	5,448,365
2021.....	<u>1,827,766</u>
Total.....	\$ <u>20,483,464</u>

*Actuarial Assumptions*

The total pension liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions:

Valuation date.....	January 1, 2017
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Amortization method.....	Payments increasing at 3.5%
Remaining amortization period.....	Increasing amortization at 3.5% of unfunded actuarial accrued liability over 16 years completed by June 30, 2033, 2 years by June 30, 2019 for the 2002 Early Retirement Incentive, and 3 years by June 30, 2020 for 2003 Early Retirement Incentive.
Asset valuation method.....	The actuarial value of assets is determined using a five-year smoothing of asset returns greater than or less than the assumed rate of return, with a 20% corridor.
Inflation rate.....	4.00%
Projected salary increases.....	It is assumed that salaries including longevity will increase at a rate of 3.00% per year.
Cost of living adjustments.....	2.5% of the first \$13,000 of retirement income.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	For general employees, it was assumed that 40% of all disabilities are ordinary (60% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Mortality Rates:	
Pre-Retirement.....	The RP-2014 Blue Collar Mortality Table projected generationally with a Scale MP-2015.
Healthy Retiree.....	Groups 1 & 2, the RP-2014 Blue Collar Mortality Table set forward five years for males and three years for females. Group 4, the RP-2014 Blue Collar Mortality Table set forward three years for males and six years for females, fully generational.
Disabled Retiree.....	The RP-2000 Mortality Table set forward two years for all disabled members only projected generationally with Scale MP-2015.
Investment rate of return/Discount rate.....	8.00%, compounded annual rate

*Investment policy*

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash.....	0%-10%	2.75%
Equities - Large Cap.....	45%-65%	9.00%
Equities - Small Cap.....	0%-10%	9.00%
Equities - Multi Cap.....	0%-5%	9.00%
Fixed Income - Investment Grade.....	35%-45%	5.50%
Fixed Income - Below Investment Grade.....	3%-7%	6.00%
Real Estate.....	0%-15%	7.50%
Venture Capital.....	0%-5%	9.00%
International.....	0%-15%	8.00%
Emerging Markets.....	0%-3%	9.00%
Foreign Bonds.....	0%-1%	5.00%

*Rate of return*

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.73%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate*

The discount rate used to measure the total pension liability at June 30, 2017, was 8.00%, which changed from 8.25% at June 30, 2016. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate*

The following presents the net pension liability, calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
The City's proportionate share of the net pension liability.....	\$ <u>176,500,252</u>	\$ <u>140,166,391</u>	\$ <u>109,081,244</u>
System total net pension liability.....	\$ <u>188,700,109</u>	\$ <u>149,854,804</u>	\$ <u>116,621,039</u>

*Noncontributory Retirement Allowance* – The City pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for 2017 totaled \$121,000.

#### *Changes in Assumptions*

The discount rate has changed from 8.25% to 8.00%.

Annual rates of withdrawal prior to retirement have been adjusted based on experience, for both general employees and police and fire employees.

Annual rate of mortality tables used have been updated.

The assumed annual retirement rates for those hired prior to April 2, 2012, have been updated.

The assumed annual retirement rates for those hired on or after April 2, 2012, have been updated.

The assumed annual rates of disability for both general employees and police and fire employees have been updated.

The annual amount of administrative expenses has been increased to \$450,000, and is expected to increase at 4% per year.

#### *Changes in Plan Provisions*

The maximum amount of pension benefits subject to a cost of living increase has been raised from \$12,000 to \$13,000.

### **NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The City of Somerville administers a single-employer defined benefit healthcare plan (“Plan”). The Plan provides health, dental and life insurance for eligible retirees and their spouses through a single-employer defined Other Postemployment Benefit (OPEB) plan. The Plan is administered through the Group Insurance Commission (GIC) as of January 1, 2012. The Plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the City’s group health, life and GIC health plans which covers both active and retired members. Chapter 32b, Section 19, of the MGL, and an agreement between the City and the Public Employee Committee (PEC) which is subject to renegotiation at the end of each contract period provides the authority to establish and amend benefit provisions of the Plan. The Plan does not issue a publicly available financial report. The employers share is based on the type of plan the employee/retiree is enrolled in. For all HMO and PPO plans, the employer contributes 80% of the premium and for all indemnity plans, the employer contributes 75% of the premium. The City’s assessment of the employer’s share by the GIC, for retired teachers, for 2017 totaled \$2,819,000.

*Funding Policy* – Contribution requirements are also negotiated between the City and the PEC. The required contribution is based on a pay-as-you-go financing requirement. The City contributes 80% of the premium for all HMO and PPO plans and 75% of the premium for all indemnity plans per the Chapter 32b, Section 19 PEC Agreement and the retiree’s will contribute the remaining 20% for all HMO and PPO plans and 25% for all indemnity plans. For 2017, the City’s benefit payments totaled \$9,258,566, and the City contributed another \$1.0 million to the OPEB Trust fund. For the year ended June 30, 2017, the City’s average contribution rate was 12.63% of covered-employee payroll. Plan members are not required to contribute to the Plan.

The Commonwealth of Massachusetts passed special legislation that has allowed the City to establish a postemployment benefit trust fund and to enable the City to raise taxes necessary to begin pre-funding its OPEB liabilities.

During 2017, the City pre-funded future OPEB liabilities by contributing \$1,000,000 of funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2017, the balance of this fund totaled \$1.8 million.

The annual money-weighted rate of return on OPEB plan investments was 0.92%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

*Plan Membership* – The following table represents the Plan’s membership at June 30, 2017:

Active members.....	1,719
Inactive employees or beneficiaries currently receiving benefits.....	<u>1,676</u>
Total.....	<u><u>3,395</u></u>

*Components of OPEB Liability* – The following table represents the components of the Plan’s OPEB liability as of June 30, 2017:

Total OPEB liability.....	\$ 304,074,941
Less: OPEB plan's fiduciary net position.....	<u>(1,821,275)</u>
Net OPEB liability.....	<u><u>\$ 302,253,666</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	0.60%

*Significant Actuarial Methods and Assumptions* – The total OPEB liability in the June 30, 2016 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods including the measurement date that was updated to June 30, 2017, to be in accordance with GASB #74.

Valuation date.....	June 30, 2017
Actuarial cost method.....	Individual Entry Age Normal
Asset valuation method.....	Market Value
Single equivalent discount rate.....	3.75% per year, net of investment expenses
Healthcare cost trend rate.....	6.0% decreasing by 0.5% each year to 4.5% for periods starting in 2017
Participation.....	95% of future retiree teachers are assumed to participate in the retiree medical plan, 95% of future non-teacher retirees are expected to participate in the retiree medical plan and 100% of future retirees are expected to elect life insurance.
Marital Status.....	60% of male employees and 50% of female employees are assumed to have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands.
Pre-Retirement mortality.....	RP-2014 Blue Collar Mortality with Scale MP-2015, fully generational.
Post-Retirement mortality.....	Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward 5 years for males and 3 years for females, fully generational. Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward 3 years for males and 6 years for females, fully generational.
Disabled mortality.....	Group 1 and 2 is represented by the RP-2000 Mortality Table set forward 6 years. Group 4 is represented by the RP-2000 Mortality Table set forward 2 years.

*Investment policy*

The City’s policy in regard to the allocation of invested assets is established and may be amended by the Board of Aldermen by a majority vote of its members. The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the City’s investment policy.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Currently, the Plan is holding 100% of its trust fund assets in cash, which has an expected return of 0.0%. The City is expected to develop a long-term investment policy in the future.

*Discount Rate* – The discount rate was selected based on a projection of employer and employee contributions, benefit payments (with and without subsidy), expenses and the long term expected rate of return on trust assets. Based on these assumptions, the OPEB’s plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the net position liability to changes in the discount rate* – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 3.75%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower 2.75% or 1-percentage-point higher 4.75% than the current rate.

	<u>1% Decrease (2.75%)</u>	<u>Current Discount Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
Net OPEB liability.....	\$ <u>356,104,376</u>	\$ <u>302,253,666</u>	\$ <u>259,824,708</u>

*Sensitivity of the net position liability to changes in the healthcare trend* – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 6.00%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%).

	<u>1% Decrease (5.00%)</u>	<u>Current Trend (6.00%)</u>	<u>1% Increase (7.00%)</u>
Net OPEB liability.....	\$ <u>253,770,398</u>	\$ <u>302,253,666</u>	\$ <u>365,627,543</u>

*Annual OPEB Cost and Net OPEB Obligation* – The City’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation are summarized in the table that follows:

Annual Required Contribution.....	\$ 21,086,425
Interest on existing net OPEB obligation.....	4,604,952
Adjustments to annual required contribution.....	<u>(3,837,460)</u>
Annual OPEB cost (expense).....	21,853,917
Contributions made.....	<u>(10,258,566)</u>
Increase in net OPEB obligation.....	11,595,351
Net OPEB obligation-beginning of year.....	<u>115,123,809</u>
Net OPEB obligation-end of year.....	\$ <u>126,719,160</u>

The sewer fund is reporting an other postemployment benefits asset in the amount of \$297,281 as the result of a \$500,000 contribution to the OPEB Trust in 2017.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the previous two years was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 21,853,917	47%	\$ 126,719,160
6/30/2016	20,854,172	41%	115,123,809
6/30/2015	20,365,492	47%	102,803,133

*Funded Status and Funding Progress*

As of June 30, 2016, the most recent actuarial valuation date, the actuarial value of assets totaled \$813,768, the actuarial accrued liability for benefits was \$302.6 million and \$301.8 million of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$149.2 million, and the ratio of the UAAL to the covered payroll was 202.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions* - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.0% investment return assumption, which is based on the expected yield on the assets of the City, calculated based on the funded level of the plan at the valuation date, projected salary increases of 4.0% per year, and an annual medical/drug cost trend rate of 6% initially, graded to 4.5% over 4 years, and an inflation rate of 6% initially, graded to 4.5% over 4 years. The UAAL is being amortized over a 30 year open period, with amortization payments increasing at 4% per year. The remaining amortization period at June 30, 2017, is 30 years.

**NOTE 13 - COMMITMENTS**

The City has entered into an agreement with Wheelabrator Saugus, Inc. to direct the acceptable waste it collects to a transfer station. The City is charged a flat rate per ton that is subject to increase annually equal to but not to exceed any average net increase in the Consumer Price Index for Urban Wage Earners. There are no minimum tonnage requirements that the City must comply with.

The School Department has entered into an agreement with S. P. & R. Transportation, Inc. to provide for the transportation of its students. The contract bears an annual cost of approximately \$2.3 million and expires on June 30, 2019.

The City has entered into, or is planning to enter into, contracts totaling approximately \$513.9 million. The Union Square streetscape and utility improvements, Somerville High School reconstruction, new fire and police stations, and various street and sidewalk projects throughout the City are some of the major projects that the City will be completing.



**NOTE 14 - CONTINGENCIES**

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2017, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 20, 2017, which is the date the financial statements were available to be issued.

**NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2017, the following GASB pronouncements were implemented:

- GASB Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #77, *Tax Abatement Disclosures*. This pronouncement did not impact the basic financial statements.
- GASB Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This pronouncement did not impact the basic financial statements.
- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This pronouncement did not impact the basic financial statements.
- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

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

***Required Supplementary Information***

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts						Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts		Current Year		Final				
	Carried forward From Prior Year	Initial Budget	Original Budget	Final Budget	Final Budget	Final Budget			
<b>REVENUES:</b>									
Real estate and personal property taxes, net of tax refunds.....	\$	-	\$ 134,362,677	\$ 134,362,677	\$ 134,362,677	\$ 134,169,221	\$	-	\$ (193,456)
Tax liens.....		-	-	-	-	392,962		-	392,962
Motor vehicle and other excise taxes.....		-	9,590,848	9,590,848	9,590,848	9,297,090		-	(293,758)
Payments in lieu of taxes.....		-	808,000	808,000	808,075	1,248,682		-	440,607
Intergovernmental.....		-	49,976,226	49,976,226	49,976,226	50,665,533		-	689,307
Departmental and other.....		-	20,471,199	20,471,199	20,471,124	20,835,081		-	363,957
Investment income.....		-	210,000	210,000	210,000	325,743		-	115,743
Miscellaneous.....		-	-	-	-	37,404		-	37,404
<b>TOTAL REVENUES.....</b>		-	<b>215,418,950</b>	<b>215,418,950</b>	<b>215,418,950</b>	<b>216,971,716</b>		-	<b>1,552,766</b>
<b>EXPENDITURES:</b>									
<b>GENERAL GOVERNMENT</b>									
<b>Board of Alderman</b>									
Salaries.....		-	455,923	455,923	455,923	456,473		-	(550)
Expenses.....		251	40,660	40,911	40,865	38,866		-	1,999
<b>TOTAL.....</b>		<b>251</b>	<b>496,583</b>	<b>496,834</b>	<b>496,788</b>	<b>495,339</b>		-	<b>1,449</b>
<b>Clerk of Committees</b>									
Salaries.....		-	74,244	74,244	74,244	73,134		-	1,110
Expenses.....		-	1,000	1,000	1,000	-		-	1,000
<b>TOTAL.....</b>		<b>-</b>	<b>75,244</b>	<b>75,244</b>	<b>75,244</b>	<b>73,134</b>		-	<b>2,110</b>
<b>Executive Office</b>									
Salaries.....		-	3,086,820	3,086,820	3,086,820	2,908,521		-	178,299
Expenses.....		135,215	657,667	792,882	792,839	644,727	118,946		29,166
Special Items.....		-	216,500	216,500	216,500	183,166	1,098		32,236
Capital.....		54,010	225,000	279,010	276,644	157,112	85,615		33,917
<b>TOTAL.....</b>		<b>189,225</b>	<b>4,185,987</b>	<b>4,375,212</b>	<b>4,372,803</b>	<b>3,893,526</b>	<b>205,659</b>		<b>273,618</b>
<b>Auditor's Office</b>									
Salaries.....		-	790,935	790,935	790,935	751,685		-	39,250
Expenses.....		125,555	112,325	237,880	237,101	124,211	110,829		2,061
<b>TOTAL.....</b>		<b>125,555</b>	<b>903,260</b>	<b>1,028,815</b>	<b>1,028,036</b>	<b>875,896</b>	<b>110,829</b>		<b>41,311</b>
<b>Grants Management</b>									
Salaries.....		-	149,299	149,299	149,299	148,779		-	520
Expenses.....		10,000	5,776	15,776	5,776	3,489		-	2,287
<b>TOTAL.....</b>		<b>10,000</b>	<b>155,075</b>	<b>165,075</b>	<b>155,075</b>	<b>152,268</b>		-	<b>2,807</b>
<b>Purchasing</b>									
Salaries.....		-	395,044	395,044	395,044	325,033		-	70,011
Expenses.....		285	38,050	38,335	38,050	26,346		-	11,704
<b>TOTAL.....</b>		<b>285</b>	<b>433,094</b>	<b>433,379</b>	<b>433,094</b>	<b>351,379</b>		-	<b>81,715</b>
<b>Assessing</b>									
Salaries.....		-	538,953	538,953	527,780	521,653		-	6,127
Expenses.....		-	121,890	121,890	133,063	114,708		-	18,355
<b>TOTAL.....</b>		<b>-</b>	<b>660,843</b>	<b>660,843</b>	<b>660,843</b>	<b>636,361</b>		-	<b>24,482</b>
<b>Treasurer's/Collector's Office</b>									
Salaries.....		-	662,214	662,214	662,214	607,001		-	55,213
Expenses.....		30,632	264,990	295,622	274,962	241,827	2,768		30,367
<b>TOTAL.....</b>		<b>30,632</b>	<b>927,204</b>	<b>957,836</b>	<b>937,176</b>	<b>848,828</b>	<b>2,768</b>		<b>85,580</b>
<b>Law Department</b>									
Salaries.....		-	696,862	696,862	671,862	667,774		-	4,088
Expenses.....		75,745	175,275	251,020	686,020	639,321	43,023		3,676
<b>TOTAL.....</b>		<b>75,745</b>	<b>872,137</b>	<b>947,882</b>	<b>1,357,882</b>	<b>1,307,095</b>	<b>43,023</b>		<b>7,764</b>
<b>Personnel Department</b>									
Salaries.....		-	796,646	796,646	796,646	785,940		-	10,706
Expenses.....		20,858	318,700	339,558	327,813	174,679	23,280		129,854
Special Items.....		-	60,000	60,000	60,000	30,854		-	29,146
<b>TOTAL.....</b>		<b>20,858</b>	<b>1,175,346</b>	<b>1,196,204</b>	<b>1,184,459</b>	<b>991,473</b>	<b>23,280</b>		<b>169,706</b>

(Continued)

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Current Year		Final Budget			
		Initial Budget	Original Budget				
<b>Information Technology</b>							
Salaries.....	-	733,595	733,595	710,300	626,580	-	83,720
Expenses.....	75,977	1,593,934	1,669,911	1,659,143	1,342,262	268,435	48,446
<b>TOTAL.....</b>	<b>75,977</b>	<b>2,327,529</b>	<b>2,403,506</b>	<b>2,369,443</b>	<b>1,968,842</b>	<b>268,435</b>	<b>132,166</b>
<b>Communications</b>							
Salaries.....	-	335,596	335,596	335,596	330,749	-	4,847
Expenses.....	-	23,125	23,125	23,125	19,237	2,079	1,809
<b>TOTAL.....</b>	<b>-</b>	<b>358,721</b>	<b>358,721</b>	<b>358,721</b>	<b>349,986</b>	<b>2,079</b>	<b>6,656</b>
<b>City Clerk</b>							
Salaries.....	-	431,782	431,782	431,782	427,585	-	4,197
Expenditures.....	6,097	153,737	159,834	158,558	130,253	13,522	14,783
<b>TOTAL.....</b>	<b>6,097</b>	<b>585,519</b>	<b>591,616</b>	<b>590,340</b>	<b>557,838</b>	<b>13,522</b>	<b>18,980</b>
<b>Elections</b>							
Salaries.....	-	506,774	506,774	475,197	409,946	-	65,251
Expenditures.....	-	120,145	120,145	120,145	97,201	-	22,944
Capital.....	-	-	-	31,577	-	24,077	7,500
<b>TOTAL.....</b>	<b>-</b>	<b>626,919</b>	<b>626,919</b>	<b>626,919</b>	<b>507,147</b>	<b>24,077</b>	<b>95,695</b>
<b>Licensing Committee</b>							
Salaries.....	-	10,800	10,800	10,800	9,000	-	1,800
<b>Community Development</b>							
Salaries.....	-	4,367,226	4,367,226	4,367,226	4,087,598	-	279,628
Expenses.....	75,745	960,718	1,036,463	1,100,735	755,846	276,958	67,931
Capital.....	-	-	-	-	-	-	-
<b>TOTAL.....</b>	<b>75,745</b>	<b>5,327,944</b>	<b>5,403,689</b>	<b>5,467,961</b>	<b>4,843,444</b>	<b>276,958</b>	<b>347,559</b>
<b>Veterans Benefits</b>							
Salaries.....	-	121,294	121,294	121,294	120,795	-	499
Expenses.....	-	634,035	634,035	634,035	562,224	90	71,721
<b>TOTAL.....</b>	<b>-</b>	<b>755,329</b>	<b>755,329</b>	<b>755,329</b>	<b>683,019</b>	<b>90</b>	<b>72,220</b>
<b>Building Insurance</b>							
Expenses.....	-	460,058	460,058	460,058	398,067	-	61,991
<b>Person and Property Insurance</b>							
Expenditures.....	-	175,000	175,000	65,000	53,800	-	11,200
<b>Contingency Account</b>							
Expenses.....	-	1,302,835	1,302,835	190,132	132,209	-	57,923
<b>Total General Government.....</b>	<b>610,370</b>	<b>21,815,427</b>	<b>22,425,797</b>	<b>21,596,103</b>	<b>19,128,651</b>	<b>970,720</b>	<b>1,496,732</b>
<b>PUBLIC SAFETY</b>							
<b>Police Department</b>							
Salaries.....	-	15,221,614	15,221,614	17,443,056	16,916,919	-	526,137
Expenses.....	22,530	667,616	690,146	646,399	490,519	67,952	87,928
Special Items.....	-	51,314	51,314	51,314	43,200	-	8,114
<b>TOTAL.....</b>	<b>22,530</b>	<b>15,940,544</b>	<b>15,963,074</b>	<b>18,140,769</b>	<b>17,450,638</b>	<b>67,952</b>	<b>622,179</b>
<b>Fire Department</b>							
Salaries.....	-	16,645,304	16,645,304	16,645,304	15,820,464	2,350	822,490
Expenses.....	7,776	458,600	466,376	465,027	363,036	41,819	60,172
Special Items.....	-	2,500	2,500	2,500	924	-	1,576
<b>TOTAL.....</b>	<b>7,776</b>	<b>17,106,404</b>	<b>17,114,180</b>	<b>17,112,831</b>	<b>16,184,424</b>	<b>44,169</b>	<b>884,238</b>
<b>Emergency Management</b>							
Salaries.....	-	20,747	20,747	20,747	20,747	-	-
Expenses.....	-	5,700	5,700	5,700	5,491	-	209
<b>TOTAL.....</b>	<b>-</b>	<b>26,447</b>	<b>26,447</b>	<b>26,447</b>	<b>26,238</b>	<b>-</b>	<b>209</b>
<b>Animal Control</b>							
Salaries.....	-	104,581	104,581	104,581	103,594	-	987
Expenses.....	1,149	19,050	20,199	20,169	10,661	3,186	6,322
<b>TOTAL.....</b>	<b>1,149</b>	<b>123,631</b>	<b>124,780</b>	<b>124,750</b>	<b>114,255</b>	<b>3,186</b>	<b>7,309</b>
<b>Traffic and Parking</b>							
Salaries.....	-	2,561,292	2,561,292	2,561,292	2,503,714	-	57,578
Expenses.....	229,734	1,543,701	1,773,435	1,764,775	1,624,005	92,618	48,152
Capital.....	-	-	-	50,629	-	50,629	-
<b>TOTAL.....</b>	<b>229,734</b>	<b>4,104,993</b>	<b>4,334,727</b>	<b>4,376,696</b>	<b>4,127,719</b>	<b>143,247</b>	<b>105,730</b>

(Continued)

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Current Year		Final Budget			
		Initial Budget	Original Budget				
<b>Board of Health</b>							
Salaries.....	-	2,062,712	2,062,712	2,062,712	1,855,958	-	206,754
Expenses.....	125,935	471,942	597,877	715,027	636,340	18,254	60,433
<b>TOTAL.....</b>	<b>125,935</b>	<b>2,534,654</b>	<b>2,660,589</b>	<b>2,777,739</b>	<b>2,492,298</b>	<b>18,254</b>	<b>267,187</b>
<b>Total Public Safety.....</b>	<b>387,124</b>	<b>39,836,673</b>	<b>40,223,797</b>	<b>42,559,232</b>	<b>40,395,572</b>	<b>276,808</b>	<b>1,886,852</b>
<b>EDUCATION</b>							
Operational.....	569,554	65,420,081	65,989,635	65,891,347	65,062,143	674,470	154,734
<b>PUBLIC WORKS</b>							
<b>Administration</b>							
Salaries.....	-	621,347	621,347	621,347	547,378	-	73,969
Expenses.....	76,460	921,600	998,060	846,752	648,151	102,399	96,202
<b>TOTAL.....</b>	<b>76,460</b>	<b>1,542,947</b>	<b>1,619,407</b>	<b>1,468,099</b>	<b>1,195,529</b>	<b>102,399</b>	<b>170,171</b>
<b>Electrical</b>							
Salaries.....	-	344,924	344,924	344,924	312,680	-	32,244
Expenses.....	61,669	233,500	295,169	286,036	223,611	28,576	33,849
<b>TOTAL.....</b>	<b>61,669</b>	<b>578,424</b>	<b>640,093</b>	<b>630,960</b>	<b>536,291</b>	<b>28,576</b>	<b>66,093</b>
<b>Engineering</b>							
Salaries.....	-	178,757	178,757	178,757	160,928	-	17,829
Expenses.....	63,046	255,588	318,634	299,812	201,324	86,585	11,903
<b>TOTAL.....</b>	<b>63,046</b>	<b>434,345</b>	<b>497,391</b>	<b>478,569</b>	<b>362,252</b>	<b>86,585</b>	<b>29,732</b>
<b>Snow Removal</b>							
Expenses.....	-	1,286,000	1,286,000	2,379,140	2,199,792	-	179,348
<b>Highway</b>							
Salaries.....	-	2,320,697	2,320,697	2,559,997	2,399,320	-	160,677
Expenses.....	239,167	1,353,095	1,592,262	1,480,473	1,141,208	113,526	225,739
<b>TOTAL.....</b>	<b>239,167</b>	<b>3,673,792</b>	<b>3,912,959</b>	<b>4,040,470</b>	<b>3,540,528</b>	<b>113,526</b>	<b>386,416</b>
<b>Sanitation</b>							
Expenditures.....	370,005	5,675,208	6,045,213	5,474,435	5,050,258	10,902	413,275
<b>Building and Grounds</b>							
Salaries.....	-	2,161,895	2,161,895	2,161,895	2,137,550	-	24,345
Expenditures.....	930,988	8,989,531	9,920,519	9,287,212	6,781,153	1,535,297	970,762
<b>TOTAL.....</b>	<b>930,988</b>	<b>11,151,426</b>	<b>12,082,414</b>	<b>11,449,107</b>	<b>8,918,703</b>	<b>1,535,297</b>	<b>995,107</b>
<b>School Custodians</b>							
Salaries.....	-	1,865,892	1,865,892	1,865,892	1,772,276	-	93,616
Expenses.....	-	888,502	888,502	888,502	887,904	-	598
<b>TOTAL.....</b>	<b>-</b>	<b>2,754,394</b>	<b>2,754,394</b>	<b>2,754,394</b>	<b>2,660,180</b>	<b>-</b>	<b>94,214</b>
<b>Total Public Works.....</b>	<b>1,741,335</b>	<b>27,096,536</b>	<b>28,837,871</b>	<b>28,675,174</b>	<b>24,463,533</b>	<b>1,877,285</b>	<b>2,334,356</b>
<b>CULTURE AND RECREATION</b>							
<b>Library</b>							
Salaries.....	-	1,781,994	1,781,994	1,781,994	1,778,861	-	3,133
Expenses.....	-	339,911	339,911	339,911	332,466	-	7,445
Capital.....	-	-	-	-	-	-	-
<b>TOTAL.....</b>	<b>-</b>	<b>2,121,905</b>	<b>2,121,905</b>	<b>2,121,905</b>	<b>2,111,327</b>	<b>-</b>	<b>10,578</b>
<b>Recreation and Youth Programs</b>							
Salaries.....	-	698,571	698,571	698,571	652,104	-	46,467
Expenses.....	13,670	461,550	475,220	469,745	294,419	107,701	67,625
<b>TOTAL.....</b>	<b>13,670</b>	<b>1,160,121</b>	<b>1,173,791</b>	<b>1,168,316</b>	<b>946,523</b>	<b>107,701</b>	<b>114,092</b>
<b>Total Culture and Recreation.....</b>	<b>13,670</b>	<b>3,282,026</b>	<b>3,295,696</b>	<b>3,290,221</b>	<b>3,057,850</b>	<b>107,701</b>	<b>124,670</b>

(Continued)

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
<b>OTHER</b>							
Pension Benefits							
Pension Benefits.....	-	13,711,675	13,711,675	13,711,675	13,711,675	-	-
Non-Contributory Pension.....	-	121,265	121,265	121,265	121,197	-	68
<b>Total Pension Benefits.....</b>	<b>-</b>	<b>13,832,940</b>	<b>13,832,940</b>	<b>13,832,940</b>	<b>13,832,872</b>	<b>-</b>	<b>68</b>
Employee Benefits							
Health and Life Insurance.....	1,212	23,689,393	23,690,605	23,690,226	23,230,601	833	458,792
Worker's Compensation.....	-	818,743	818,743	818,743	803,539	-	15,204
Unemployment Compensation.....	-	125,000	125,000	125,000	114,205	-	10,795
<b>Total Employee Benefits.....</b>	<b>1,212</b>	<b>24,633,136</b>	<b>24,634,348</b>	<b>24,633,969</b>	<b>24,148,345</b>	<b>833</b>	<b>484,791</b>
Debt and Interest							
Debt Principal.....	-	7,107,292	7,107,292	7,465,915	7,455,123	-	10,792
Debt Interest.....	-	3,640,774	3,640,774	3,640,774	3,639,566	-	1,208
TOTAL.....	-	10,748,066	10,748,066	11,106,689	11,094,689	-	12,000
State and County Charges							
State & County.....	-	14,035,001	14,035,001	14,035,001	13,532,201	-	502,800
<b>Total Other.....</b>	<b>1,212</b>	<b>63,249,143</b>	<b>63,250,355</b>	<b>63,608,599</b>	<b>62,608,107</b>	<b>833</b>	<b>999,659</b>
<b>TOTAL EXPENDITURES.....</b>	<b>3,323,265</b>	<b>220,699,886</b>	<b>224,023,151</b>	<b>225,620,676</b>	<b>214,715,856</b>	<b>3,907,817</b>	<b>6,997,003</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(3,323,265)	(5,280,936)	(8,604,201)	(10,201,726)	2,255,860	(3,907,817)	8,549,769
<b>OTHER FINANCING SOURCES (USES):</b>							
Premium from issuance of bonds.....	-	-	-	-	952,000	-	952,000
Transfers in.....	-	2,579,936	2,579,936	4,492,347	4,564,316	-	71,969
Transfers out.....	-	(199,000)	(199,000)	(6,587,535)	(6,587,535)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>2,380,936</b>	<b>2,380,936</b>	<b>(2,095,188)</b>	<b>(1,071,219)</b>	<b>-</b>	<b>1,023,969</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(3,323,265)</b>	<b>(2,900,000)</b>	<b>(6,223,265)</b>	<b>(12,296,914)</b>	<b>1,184,641</b>	<b>(3,907,817)</b>	<b>9,573,738</b>
BUDGETARY FUND BALANCE, Beginning of year.....	-	18,321,554	18,321,554	18,321,554	18,321,554	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (3,323,265)	\$ 15,421,554	\$ 12,098,289	\$ 6,024,640	\$ 19,506,195	\$ (3,907,817)	\$ 9,573,738

See notes to required supplementary information.

(Concluded)

# ***Pension Plan Schedules – Retirement System***

The Pension Plan's Schedule of Changes in the Net Pension Liability presents multi-year trend information on the net pension liability and related ratios.

The Pension Plan's Schedule of Contributions presents multi-year trend information on the required and actual contributions to the pension plan and related ratios.

The Pension Plan's Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on retirement assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.



**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
AND RELATED RATIOS  
SOMERVILLE CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2016	December 31, 2015	December 31, 2014
<b>Total pension liability:</b>			
Service cost.....	\$ 8,007,754	\$ 8,007,754	\$ 7,699,763
Interest.....	30,159,556	31,265,848	29,232,338
Changes in benefit terms.....	-	-	-
Differences between expected and actual experience.....	(2,943,803)	-	-
Changes in assumptions.....	2,806,740	-	-
Benefit payments, including refunds of employee contributions...	(28,179,587)	(26,374,021)	(24,693,645)
Interest on benefit payments.....	-	(1,066,370)	-
Net change in total pension liability.....	9,850,660	11,833,211	12,238,456
Total pension liability, beginning.....	382,805,432	370,972,221	358,733,765
Total pension liability, ending <b>(a)</b> .....	<u>\$ 392,656,092</u>	<u>\$ 382,805,432</u>	<u>\$ 370,972,221</u>
<b>Plan fiduciary net position:</b>			
Member contributions.....	\$ 7,560,253	\$ 7,044,521	\$ 6,233,959
Employer contributions.....	14,659,434	14,199,527	13,812,101
Net investment income (loss).....	8,831,845	454,830	12,996,452
Retirement benefits and refunds.....	(27,275,655)	(24,855,194)	(24,693,645)
Administrative expenses.....	(468,722)	(397,417)	(380,845)
Net increase (decrease) in fiduciary net position.....	3,307,155	(3,553,733)	7,968,022
Fiduciary net position at beginning of year.....	239,494,134	243,047,867	235,079,845
Fiduciary net position at end of year <b>(b)</b> .....	<u>\$ 242,801,289</u>	<u>\$ 239,494,134</u>	<u>\$ 243,047,867</u>
<b>Net pension liability - ending (a) - (b)</b> .....	<u>\$ 149,854,803</u>	<u>\$ 143,311,298</u>	<u>\$ 127,924,354</u>
Plan fiduciary net position as a percentage of the total pension liability.....	61.84%	62.56%	65.52%
Covered-employee payroll.....	\$ 71,454,475	\$ 69,167,008	\$ 66,506,738
Net pension liability as a percentage of covered-employee payroll.....	209.72%	207.20%	192.35%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for  
which information is available.

See notes to required supplementary information.

**SCHEDULE OF CONTRIBUTIONS**  
**SOMERVILLE CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2016	December 31, 2015	December 31, 2014
Actuarially determined contribution..... \$	14,659,434	\$ 14,199,527	\$ 13,147,710
Contributions in relation to the actuarially determined contribution.....	<u>14,659,434</u>	<u>14,199,527</u>	<u>13,147,710</u>
Contribution deficiency (excess)..... \$	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Covered-employee payroll..... \$	71,454,475	\$ 69,167,008	\$ 66,506,738
Contributions as a percentage of covered- employee payroll.....	20.52%	20.53%	19.77%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those  
years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURN**  
**SOMERVILLE CONTRIBUTORY RETIREMENT SYSTEM**

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	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Annual money-weighted rate of return, net of investment expense.....	3.73%	1.04%	5.63%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those  
years for which information is available.

See notes to required supplementary information.

# ***Pension Plan Schedules – City***

The Schedule of the City's Proportionate Share of the Net Pension Liability presents multi-year trend information on the City's net pension liability and related ratios.

The Schedule of City Contributions presents multi-year trend information on the City's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the City along with related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
SOMERVILLE CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2016	December 31, 2015	December 31, 2014
City's proportion of the net pension liability (asset).....	93.53%	93.70%	93.74%
City's proportionate share of the net pension liability (asset)..... \$	140,166,391	\$ 134,275,794	\$ 119,918,981
City's covered employee payroll..... \$	71,454,475	\$ 69,167,008	\$ 66,506,738
Net pension liability as a percentage of the City's covered employee payroll.....	196.16%	194.13%	180.31%
Plan fiduciary net position as a percentage of the total pension liability.....	61.84%	62.56%	65.52%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for  
which information is available.

See notes to required supplementary information.

**SCHEDULE OF CITY CONTRIBUTIONS**  
**SOMERVILLE CONTRIBUTORY RETIREMENT SYSTEM**

	June 30, 2016	June 30, 2015	June 30, 2014
Actuarially determined contribution.....	\$ 13,711,675	\$ 13,304,274	\$ 12,324,940
Contributions in relation to the actuarially determined contribution.....	<u>13,711,675</u>	<u>13,304,274</u>	<u>12,324,940</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 71,454,475	\$ 69,167,008	\$ 66,506,738
Contributions as a percentage of covered- employee payroll.....	19.19%	19.24%	18.53%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those  
years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS  
OF THE NET PENSION LIABILITY  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

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The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the City; the portion of the collective pension expense as both a revenue and pension expense recognized by the City; and the Plan's fiduciary net position as a percentage of the total liability.

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the City</u>	<u>City's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2017	\$ 143,094,195	\$ 14,596,546	52.73%
2016	129,500,617	10,503,653	55.38%
2015	102,638,916	7,130,818	61.64%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

# ***Other Postemployment Benefit Plan Schedules***

The Schedule of Changes in the City's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

The Schedule of the City's Contributions presents multi-year trend information on the City's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

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

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the plan.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.



**SCHEDULE OF CHANGES IN THE  
CITY'S NET OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017
<b>Total OPEB Liability</b>	
Service Cost.....	\$ 11,768,411
Interest.....	11,159,515
Changes of benefit terms.....	-
Differences between expected and actual experience.....	-
Changes of assumptions.....	-
Benefit payments.....	(9,258,566)
Net change in total OPEB liability.....	13,669,360
Total OPEB liability- beginning.....	290,405,580
Total OPEB liability- ending (a).....	\$ 304,074,940
<b>Plan fiduciary net position</b>	
Contributions- employer .....	\$ 10,258,566
Net investment income.....	7,507
Benefit payments.....	(9,258,566)
Net change in plan fiduciary net position.....	1,007,507
Plan fiduciary net position- beginning.....	813,767
Plan fiduciary net position- ending (b).....	\$ 1,821,274
<b>City's net OPEB liability- ending (a)-(b).....</b>	<b>\$ 302,253,666</b>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.60%
Covered-employee payroll.....	166,971,893
City's net OPEB liability as a percentage of covered-employee payroll.....	181.0%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years  
for which information is available.

See notes to required supplementary information.

**SCHEDULE OF CITY CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017
Actuarially determined contribution.....	\$ 21,086,425
Contributions in relation to the actuarially determined contribution.....	(10,258,566)
Contribution deficiency (excess).....	\$ 10,827,859
Covered-employee payroll.....	\$ 166,971,893
Contributions as a percentage of covered- employee payroll.....	12.63%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for  
which information is available.

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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June 30, 2017

Annual money-weighted rate of return, net of investment expense.....	0.92%
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Note: This schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those  
years for which information is available.

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2016	\$ 813,768	\$ 302,648,586	\$ 301,834,818	0.27%	\$ 149,233,169	202.3%
6/30/2014	-	285,255,653	285,255,653	0.00%	112,256,322	254.1%
6/30/2012	-	300,478,458	300,478,458	0.00%	84,899,992	353.9%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2017	\$ 21,086,425	10,258,566	49%
6/30/2016	20,168,818	8,533,496	42%
6/30/2015	19,751,604	9,645,790	49%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

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Actuarial Methods:

Valuation date.....	June 30, 2016
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4%, open
Remaining amortization period.....	30 years as of June 30, 2016

Actuarial Assumptions:

Investment rate of return.....	4%, pay-as-you-go scenario
Medical/drug cost trend rate.....	6% graded to 4.5% over 4 years
Inflation rate.....	6% graded to 4.5% over 4 years
Projected salary increases .....	4%

Plan Membership:

Current retirees and beneficiaries.....	1,676
Current active members.....	<u>1,719</u>
 Total.....	 <u><u>3,395</u></u>

See notes to required supplementary information.

**NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by the Mayor and the Board. The Mayor presents an annual budget to the Board, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Board, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Board approval via a supplemental appropriation or Board order.

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

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Board.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2017 approved budget authorized \$224.2 million in appropriations and other amounts to be raised. During 2017, the Board also increased appropriations by approximately \$8 million. The City Auditor's Office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2017, is depicted below:

Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 1,184,641
<u>Perspective difference:</u>	
Unemployment insurance trust recorded in the general fund for GAAP.....	57,866
Stabilization funds recorded in the general fund for GAAP.....	4,117,971
<u>Basis of accounting differences:</u>	
Net change in recording 60-day receipts accrual.....	174,500
Net change in recording tax refunds payable.....	416,000
Recognition of revenue for on-behalf payments.....	(14,596,546)
Recognition of expenditures for on-behalf payments.....	<u>14,596,546</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ 5,950,978</u>

**NOTE B – PENSION PLAN*****Pension Plan Schedules – Retirement System*****A. Schedule of Changes in the Net Pension Liability and Related Ratios**

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the systems total pension liability, changes in the systems net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

**B. Schedule of Contributions**

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The pension fund appropriations are allocated amongst employers based on covered payroll.

**C. Schedule of Investment Return**

The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

***Pension Plan Schedules - City*****A. Schedule of the City's Proportionate Share of the Net Pension Liability**

The Schedule of the City's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

**B. Schedule of City Contributions**

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The City may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the City based on covered payroll.

**C. Schedule of the Special Funding Amounts of the Net Pension Liability**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding

situation. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the City; the portion of the collective pension expense as both revenue and pension expense recognized by the City; and the Plan's fiduciary net position as a percentage of the total liability.

#### D. Changes in Assumptions

The discount rate has changed from 8.25% to 8.00%.

Annual rates of withdrawal prior to retirement have been adjusted based on experience, for both general employees and police and fire employees.

Annual rate of mortality tables used have been updated.

The assumed annual retirement rates for those hired prior to April 2, 2012, have been updated.

The assumed annual retirement rates for those hired on or after April 2, 2012, have been updated.

The assumed annual rates of disability for both general employees and police and fire employees have been updated.

The annual amount of administrative expenses has been increased to \$450,000, and is expected to increase at 4% per year.

#### E. Changes in Plan Provisions

The maximum amount of pension benefits subject to a cost of living increase has been raised from \$12,000 to \$13,000.

### **NOTE C - OTHER POSTEMPLOYMENT BENEFITS**

The City administers a single-employer defined benefit healthcare plan ("the Plan"). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the City's health and life insurance plans, which covers both active and retired members, including teachers.

#### **The Other Postemployment Benefit Plan**

##### Schedule of Changes in the City's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the City's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

##### Schedule of the City's Contributions

The Schedule of the City's Contributions includes the City's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The City is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.



### Schedule of Investment Return

The Schedule of Investment Return includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

### **The City**

The Town currently finances its other postemployment benefits (OPEB) on a hybrid of pay-as-you-go and setting aside monies in an OPEB Trust. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is .27%. In accordance with *Governmental Accounting Standards*, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

### Schedule of Funding Progress

The Schedule of Funding Progress presents multiyear trend information which compares, over time, the City's actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

### Schedule of Employer Contributions

The Schedule of Employer Contributions presents multiyear trend information for the City's required and actual contributions relating to the plan.

### Schedule of Actuarial Methods and Assumptions

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

## ***Combining and Individual Fund Statements***

# ***Nonmajor Governmental Funds***

## ***Special Revenue Funds***

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

*School Special Revenue Funds* – accounts for the activity of the school department's revolving funds established in accordance with MGL Chapter 44, Section 53E ½.

*School Federal Grants* – accounts for grant funds received from the federal government that are designated for specific education programs.

*School State & Private Grants* – This fund is used to account for receipts from a specific revenue source that by law is accounted for separately from the general fund and must be spent by appropriation.

*City Federal Grants* – accounts for grant funds received from the federal government that are designated for specific programs, excluding school education grants which are accounted for in the School Federal Grants Special Revenue Fund.

*City State Grants* – accounts for grant funds received from the Commonwealth that are designated for specific programs, excluding school education grants which are accounted for in the School State Grants Special Revenue Fund.

*Highway Improvement Funds* – accounts for construction, reconstruction and improvements to roadways, streets, and sidewalks. Funding is provided primarily by grants.

*City Revolving Funds* – excluding the school department, accounts for the activity of revolving funds established in accordance with MGL Chapter 44, Section 53E ½.

*Receipts Reserved* – accounts for receipts that are designated to fund and supplement specific operating budgets of departments.

*City Private Grants* – accounts for non-school related activity financed by private grants designated for specific programs.

*School Lunch* – accounts for the activity of the school lunch program. Revenues include State and Federal reimbursements for meals served.

*Other Special Revenue Funds* – accounts for the activity of gifts received and miscellaneous departmental special revenue funds.

*Community Preservation Fund* – accounts for funds held for uses restricted by law for community preservation purposes. These funds are attributable to the City's acceptance of the Community Preservation Act, which allows the City to impose up to a 3% surcharge on property taxes and to receive matching state grant funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing.

***Permanent Funds***

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

*Permanent Funds Principal* – This fund is used to account for the non-expendable portion of gifts, bequests and contributions for which only earnings may be expended to benefit the City.

*Expendable Permanent Funds* – This fund is used to account for the spendable portion of gifts, bequests and contributions held for which only earnings may be expended for purposes specified by the donor.

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2017

	<b>Special Revenue Funds</b>				
	School Special Revenue Funds	School Federal Grants	School State & Private Grant	City Federal Grant Funds	City State Grant Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 849,569	\$ 151,139	\$ 1,516,892	\$ 7,108	\$ 415,310
Departmental and other.....	-	-	-	-	-
Intergovernmental.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Due from other funds.....	-	-	1,371,806	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 849,569</b>	<b>\$ 151,139</b>	<b>\$ 2,888,698</b>	<b>\$ 7,108</b>	<b>\$ 415,310</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 591	\$ 1,803	\$ 416	\$ -	\$ -
Accrued payroll.....	122,742	42,797	51,679	1,001	4,376
Due to other funds.....	-	-	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>123,333</b>	<b>44,600</b>	<b>52,095</b>	<b>1,001</b>	<b>4,376</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue.....	-	-	-	-	-
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	-	-
Restricted.....	726,236	106,539	2,836,603	6,107	410,934
<b>TOTAL FUND BALANCES.....</b>	<b>726,236</b>	<b>106,539</b>	<b>2,836,603</b>	<b>6,107</b>	<b>410,934</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 849,569</b>	<b>\$ 151,139</b>	<b>\$ 2,888,698</b>	<b>\$ 7,108</b>	<b>\$ 415,310</b>

**Special Revenue Funds**

Highway Improvement Funds	City Revolving Funds	Receipts Reserved	City Private Grants	School Lunch Funds	Other Special Revenue Funds	Community Preservation	Subtotal
\$ -	\$ 152,985	\$ 4,936,375	\$ 297,029	\$ 888,295	\$ 4,114,303	\$ 8,592,712	\$ 21,921,717
-	-	-	-	-	-	26,172	26,172
3,520,305	-	-	-	-	-	370,465	3,890,770
-	-	-	-	-	1,788,926	1,200,658	2,989,584
-	-	-	-	-	-	-	1,371,806
<u>\$ 3,520,305</u>	<u>\$ 152,985</u>	<u>\$ 4,936,375</u>	<u>\$ 297,029</u>	<u>\$ 888,295</u>	<u>\$ 5,903,229</u>	<u>\$ 10,190,007</u>	<u>\$ 30,200,049</u>
\$ -	\$ 27,529	\$ -	\$ -	\$ -	\$ 78	\$ 90,710	\$ 121,127
-	10,439	-	-	17,101	6,567	1,327	258,029
<u>314,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,324</u>
<u>314,324</u>	<u>37,968</u>	<u>-</u>	<u>-</u>	<u>17,101</u>	<u>6,645</u>	<u>92,037</u>	<u>693,480</u>
<u>3,205,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>396,637</u>	<u>3,602,618</u>
-	-	-	-	-	-	-	-
-	115,017	4,936,375	297,029	871,194	5,896,584	9,701,333	25,903,951
-	115,017	4,936,375	297,029	871,194	5,896,584	9,701,333	25,903,951
<u>\$ 3,520,305</u>	<u>\$ 152,985</u>	<u>\$ 4,936,375</u>	<u>\$ 297,029</u>	<u>\$ 888,295</u>	<u>\$ 5,903,229</u>	<u>\$ 10,190,007</u>	<u>\$ 30,200,049</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2017

	<i>Permanent Funds</i>			Total Nonmajor Governmental Funds
	Permanent Funds Principal	Expendable Permanent Funds	Subtotal	
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 433,126	\$ 159,213	\$ 592,339	\$ 22,514,056
Departmental and other.....	-	-	-	26,172
Intergovernmental.....	-	-	-	3,890,770
Loans.....	-	-	-	2,989,584
Due from other funds.....	-	-	-	1,371,806
<b>TOTAL ASSETS.....</b>	<b>\$ 433,126</b>	<b>\$ 159,213</b>	<b>\$ 592,339</b>	<b>\$ 30,792,388</b>
<b>LIABILITIES</b>				
Warrants payable.....	\$ -	\$ -	\$ -	\$ 121,127
Accrued payroll.....	-	-	-	258,029
Due to other funds.....	-	-	-	314,324
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>693,480</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue.....	-	-	-	3,602,618
<b>FUND BALANCES</b>				
Nonspendable.....	433,126	-	433,126	433,126
Restricted.....	-	159,213	159,213	26,063,164
<b>TOTAL FUND BALANCES.....</b>	<b>433,126</b>	<b>159,213</b>	<b>592,339</b>	<b>26,496,290</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 433,126</b>	<b>\$ 159,213</b>	<b>\$ 592,339</b>	<b>\$ 30,792,388</b>

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

YEAR ENDED JUNE 30, 2017

	<b>Special Revenue Funds</b>				
	School Special Revenue Funds	School Federal Grants	School State & Private Grant	City Federal Grant Funds	City State Grant Funds
<b>REVENUES:</b>					
Intergovernmental.....	\$ -	\$ 4,062,574	\$ 3,882,982	\$ 559,549	\$ 737,982
Departmental and other.....	2,620,547	-	-	-	97,852
Community Preservation.....	-	-	-	-	-
Contributions.....	8,947	-	-	-	-
Investment income.....	-	-	-	-	-
<b>TOTAL REVENUES.....</b>	<b>2,629,494</b>	<b>4,062,574</b>	<b>3,882,982</b>	<b>559,549</b>	<b>835,834</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	-	-	-	13,788	420,021
Public safety.....	-	-	-	71,538	400,060
Education.....	3,003,197	4,104,911	3,755,709	-	-
Public works.....	-	-	-	247,606	-
Human services.....	-	-	-	225,558	5,817
Culture and recreation.....	-	-	-	89	49,259
Community Preservation.....	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>3,003,197</b>	<b>4,104,911</b>	<b>3,755,709</b>	<b>558,579</b>	<b>875,157</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(373,703)</b>	<b>(42,337)</b>	<b>127,273</b>	<b>970</b>	<b>(39,323)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Premium from issuance of bonds.....	-	-	-	-	-
Sale of capital assets.....	-	-	-	-	-
Transfers in.....	-	-	-	109	7,422
Transfers out.....	-	(48)	(1)	(11,229)	(23,541)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>(48)</b>	<b>(1)</b>	<b>(11,120)</b>	<b>(16,119)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(373,703)</b>	<b>(42,385)</b>	<b>127,272</b>	<b>(10,150)</b>	<b>(55,442)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>1,099,939</b>	<b>148,924</b>	<b>2,709,331</b>	<b>16,257</b>	<b>466,376</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 726,236</b>	<b>\$ 106,539</b>	<b>\$ 2,836,603</b>	<b>\$ 6,107</b>	<b>\$ 410,934</b>

**Special Revenue Funds**

Highway Improvement Funds	City Revolving Funds	Receipts Reserved	City Private Grants	School Lunch Funds	Other Special Revenue Funds	Community Preservation	Sub-total
\$ 1,399,284	\$ -	\$ -	\$ 92,555	\$ 2,303,130	\$ 818,642	\$ 1,200,658	\$ 15,057,356
-	1,127,074	2,096,387	-	631,223	1,426,122	-	7,999,205
-	-	-	-	-	-	2,085,496	2,085,496
-	-	740	-	-	231,200	-	240,887
-	-	-	-	-	20,390	12,292	32,682
<u>1,399,284</u>	<u>1,127,074</u>	<u>2,097,127</u>	<u>92,555</u>	<u>2,934,353</u>	<u>2,496,354</u>	<u>3,298,446</u>	<u>25,415,626</u>
-	969,098	-	53,802	-	967,234	-	2,423,943
-	2,871	-	-	-	282,779	-	757,248
-	-	-	-	3,155,456	51,164	-	14,070,437
1,399,284	21,390	-	-	-	180,917	-	1,849,197
-	-	-	4,916	-	8,126	-	244,417
-	92,482	-	13	-	65,753	-	207,596
-	-	-	-	-	-	2,314,179	2,314,179
<u>1,399,284</u>	<u>1,085,841</u>	<u>-</u>	<u>58,731</u>	<u>3,155,456</u>	<u>1,555,973</u>	<u>2,314,179</u>	<u>21,867,017</u>
-	41,233	2,097,127	33,824	(221,103)	940,381	984,267	3,548,609
-	-	-	-	-	598,829	-	598,829
-	-	2,120,152	-	-	-	-	2,120,152
-	(1,719)	-	-	-	1,719	500,000	507,531
-	<u>(34,330)</u>	<u>(3,272,520)</u>	<u>(148)</u>	<u>-</u>	<u>(2,624)</u>	<u>-</u>	<u>(3,344,441)</u>
-	<u>(36,049)</u>	<u>(1,152,368)</u>	<u>(148)</u>	<u>-</u>	<u>597,924</u>	<u>500,000</u>	<u>(117,929)</u>
-	5,184	944,759	33,676	(221,103)	1,538,305	1,484,267	3,430,680
-	109,833	3,991,616	263,353	1,092,297	4,358,279	8,217,066	22,473,271
<u>\$ -</u>	<u>\$ 115,017</u>	<u>\$ 4,936,375</u>	<u>\$ 297,029</u>	<u>\$ 871,194</u>	<u>\$ 5,896,584</u>	<u>\$ 9,701,333</u>	<u>\$ 25,903,951</u>

(Continued)

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

YEAR ENDED JUNE 30, 2017

	<u>Permanent Funds</u>			Total Nonmajor Governmental Funds
	Permanent Funds Principal	Expendable Permanent Funds	Sub-total	
<b>REVENUES:</b>				
Intergovernmental.....	\$ -	\$ -	\$ -	\$ 15,057,356
Departmental and other.....	-	-	-	7,999,205
Community Preservation.....	-	-	-	2,085,496
Contributions.....	-	-	-	240,887
Investment income.....	-	1,897	1,897	34,579
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>1,897</b>	<b>1,897</b>	<b>25,417,523</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	-	-	-	2,423,943
Public safety.....	-	-	-	757,248
Education.....	-	-	-	14,070,437
Public works.....	-	-	-	1,849,197
Human services.....	-	-	-	244,417
Culture and recreation.....	-	-	-	207,596
Community Preservation.....	-	-	-	2,314,179
<b>TOTAL EXPENDITURES.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,867,017</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>-</b>	<b>1,897</b>	<b>1,897</b>	<b>3,550,506</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Premium from issuance of bonds.....	-	-	-	598,829
Sale of capital assets.....	-	-	-	2,120,152
Transfers in.....	-	-	-	507,531
Transfers out.....	-	-	-	(3,344,441)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(117,929)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>-</b>	<b>1,897</b>	<b>1,897</b>	<b>3,432,577</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>433,126</b>	<b>157,316</b>	<b>590,442</b>	<b>23,063,713</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 433,126</b>	<b>\$ 159,213</b>	<b>\$ 592,339</b>	<b>\$ 26,496,290</b>

(Concluded)

# ***Agency Fund***

This fund is segregated from the general fund to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, etc.

**AGENCY FUND**  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2017

	Beginning of Year	Additions	Deletions	End of Year
<b>ASSETS</b>				
CURRENT:				
Cash and cash equivalents.....	\$ 1,052,254	\$ 5,685,745	\$ (6,100,657)	\$ 637,342
<b>LIABILITIES</b>				
Accrued liabilities.....	\$ 116,723	\$ 122,283	\$ (166,320)	\$ 72,686
Liabilities due depositors.....	935,531	5,563,462	(5,934,337)	564,656
TOTAL LIABILITIES.....	\$ 1,052,254	\$ 5,685,745	\$ (6,100,657)	\$ 637,342

# ***Statistical Section***



The Somerville District Courthouse, a division of the Massachusetts Court System, holds trials in its three courtrooms. Photo taken by Rie Lowenstein

# ***Statistical Section***

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

## ***Financial Trends***

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

## ***Revenue Capacity***

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

## ***Debt Capacity***

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

## ***Demographic and Economic Information***

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

## ***Operating Information***

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

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

**Net Position By Component**

**Last Ten Years**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 (1)</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Governmental activities</b>										
Net investment in capital assets.....	\$ 112,716,973	\$ 114,071,426	\$ 114,146,078	\$ 117,701,275	\$ 126,834,901	\$ 136,813,615	\$ 135,597,852	\$ 132,766,621	\$ 130,183,221	\$ 128,346,108
Restricted.....	23,920,569	19,464,156	24,114,249	25,126,498	22,775,093	24,157,523	23,001,973	25,063,900	26,765,034	26,765,236
Unrestricted.....	32,910,522	22,052,332	3,369,141	(1,130,225)	(18,721,004)	(23,786,300)	(145,351,160)	(149,966,003)	(156,698,433)	(166,224,124)
<b>Total governmental activities net assets.....</b>	<b>\$ 169,548,064</b>	<b>\$ 155,587,914</b>	<b>\$ 141,629,468</b>	<b>\$ 141,697,548</b>	<b>\$ 130,888,990</b>	<b>\$ 137,184,838</b>	<b>\$ 13,248,665</b>	<b>\$ 7,864,518</b>	<b>\$ 249,822</b>	<b>\$ (11,112,780)</b>
<b>Business-type activities</b>										
Net investment in capital assets.....	\$ 4,762,242	\$ 7,539,882	\$ 16,039,555	\$ 20,025,113	\$ 24,078,204	\$ 29,794,495	\$ 35,084,760	\$ 39,855,221	\$ 43,810,782	\$ 46,081,442
Unrestricted.....	17,892,482	20,821,058	19,409,168	21,059,957	23,647,858	21,220,544	19,069,553	17,231,368	17,715,352	22,249,407
<b>Total business-type activities net assets.....</b>	<b>\$ 22,654,724</b>	<b>\$ 28,360,940</b>	<b>\$ 35,448,723</b>	<b>\$ 41,085,070</b>	<b>\$ 47,726,062</b>	<b>\$ 51,015,039</b>	<b>\$ 54,154,313</b>	<b>\$ 57,086,589</b>	<b>\$ 61,526,134</b>	<b>\$ 68,330,849</b>
<b>Primary government</b>										
Net investment in capital assets.....	\$ 117,479,215	\$ 121,611,308	\$ 130,185,633	\$ 137,726,388	\$ 150,913,105	\$ 166,608,110	\$ 170,682,612	\$ 172,621,842	\$ 173,994,003	\$ 174,427,550
Restricted.....	23,920,569	19,464,156	24,114,249	25,126,498	22,775,093	24,157,523	23,001,973	25,063,900	26,765,034	26,765,236
Unrestricted.....	50,803,004	42,873,390	22,778,309	19,929,732	4,926,854	(2,565,756)	(126,281,607)	(132,734,635)	(138,983,081)	(143,974,717)
<b>Total primary government net position.....</b>	<b>\$ 192,202,788</b>	<b>\$ 183,948,854</b>	<b>\$ 177,078,191</b>	<b>\$ 182,782,618</b>	<b>\$ 178,615,052</b>	<b>\$ 188,199,877</b>	<b>\$ 67,402,978</b>	<b>\$ 64,951,107</b>	<b>\$ 61,775,956</b>	<b>\$ 57,218,069</b>

Note: In 2008, the City reclassified capital assets related to the water and sewer enterprise funds from the governmental capital assets.

(1) = Unrestricted net position has been revised to reflect the implementation of GASB Statements #67, #68, and #71.



Changes in Net Position

Last Ten Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government.....	\$ 22,192,789	\$ 23,220,232	\$ 21,779,285	\$ 21,655,742	\$ 22,124,384	\$ 25,892,120	\$ 27,028,141	\$ 30,201,124	\$ 32,270,976	\$ 34,076,945
Public safety.....	54,178,926	53,444,548	52,328,325	45,903,858	52,391,661	51,377,022	52,091,080	52,579,803	54,345,466	58,162,944
Education.....	102,347,605	110,053,080	106,803,922	106,813,913	113,396,259	113,753,374	121,176,505	114,802,360	124,740,381	132,958,254
Public works.....	30,054,802	27,101,081	24,973,616	23,346,672	23,673,860	25,203,877	26,974,196	33,520,992	28,957,827	31,017,581
Community development.....	8,021,636	9,504,292	6,014,349	7,491,176	5,225,117	5,092,521	5,399,251	5,730,544	5,177,605	9,696,020
Human services.....	22,475	122,641	18,802	9,560	316,137	288,766	227,030	229,633	178,570	244,417
Community preservation.....	-	-	-	-	-	-	56,770	77,672	347,016	1,522,282
Culture and recreation.....	969,173	4,159,278	4,566,066	3,880,264	4,160,530	4,695,015	3,868,022	4,948,901	4,787,187	5,245,975
Interest.....	3,003,452	2,865,682	2,713,563	2,282,434	2,306,520	2,858,173	3,178,533	2,913,723	2,956,192	3,563,654
<b>Total government activities expenses.....</b>	<b>220,790,858</b>	<b>230,470,834</b>	<b>221,197,928</b>	<b>213,383,619</b>	<b>223,552,468</b>	<b>229,160,868</b>	<b>239,999,528</b>	<b>245,004,752</b>	<b>253,761,220</b>	<b>276,488,072</b>
<b>Business-type activities:</b>										
Water.....	7,111,413	7,920,756	6,863,013	9,034,024	8,366,003	9,222,940	9,120,695	9,779,632	10,211,295	11,166,299
Sewer.....	11,554,303	12,979,914	13,245,282	14,165,999	14,803,664	15,303,668	15,811,901	16,312,337	17,099,159	18,106,483
Veteran's memorial ice rink.....	-	-	-	-	337,456	522,392	584,995	750,644	721,990	679,098
Dilboy stadium.....	-	-	-	-	132,312	147,784	217,761	160,855	136,199	154,881
<b>Total business-type activities expenses.....</b>	<b>18,665,716</b>	<b>20,900,670</b>	<b>20,108,295</b>	<b>23,220,023</b>	<b>23,639,435</b>	<b>25,196,794</b>	<b>25,735,352</b>	<b>27,003,468</b>	<b>28,168,643</b>	<b>30,106,761</b>
<b>Total primary government expenses.....</b>	<b>\$ 239,456,574</b>	<b>\$ 251,371,504</b>	<b>\$ 241,306,223</b>	<b>\$ 236,603,642</b>	<b>\$ 247,191,903</b>	<b>\$ 254,357,662</b>	<b>\$ 265,734,880</b>	<b>\$ 272,008,220</b>	<b>\$ 281,929,863</b>	<b>\$ 306,594,833</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
General government charges for services.....	\$ 2,683,805	\$ 2,613,510	\$ 3,929,772	\$ 5,111,948	\$ 5,645,000	\$ 4,716,640	\$ 6,078,676	\$ 14,874,314	\$ 9,341,536	\$ 10,828,065
Public safety charges for services.....	13,782,939	11,279,366	11,653,283	11,168,627	10,402,613	10,743,269	9,504,549	9,701,430	9,726,266	11,648,005
Education charges for services.....	1,287,818	1,289,836	1,523,386	2,773,301	2,888,195	2,620,430	2,744,125	2,854,004	3,025,441	3,251,770
Other charges for services.....	1,163,619	1,638,308	1,511,902	2,464,581	2,316,541	2,009,294	1,234,865	1,200,251	1,260,431	1,231,044
General government operating grants and contributions.....	1,112,730	1,065,242	1,142,773	2,190,637	2,241,945	2,208,949	2,275,935	3,306,728	2,316,143	3,611,794
Public safety operating grants and contributions.....	1,979,862	2,073,664	1,582,812	984,655	583,597	733,021	1,035,751	787,168	734,344	567,768
Education operating grants and contributions.....	46,931,033	48,503,731	47,963,393	46,514,000	46,478,286	47,121,192	49,332,811	38,046,566	41,967,740	46,466,462
Public works operating grants and contributions.....	867,986	865,255	1,861,657	25,000	149,243	1,201,182	1,030,318	1,151,440	932,462	2,059,979
Community development operating grants and contributions.....	14,267,545	7,104,189	9,596,234	6,754,407	5,677,368	6,544,448	5,331,152	7,446,467	5,244,967	6,239,670
Other operating grants and contributions.....	566,590	1,173,232	1,101,023	1,375,021	1,012,441	991,642	1,028,356	957,692	861,352	886,956
Education capital grants and contributions.....	-	1,021,427	-	-	-	12,653,757	1,686,711	9,685	2,212,282	1,598,709
Other capital grants and contributions.....	-	-	-	1,300,151	1,014,340	951,439	365,429	991,751	2,090,371	440,747
<b>Total government activities program revenues.....</b>	<b>84,643,927</b>	<b>78,627,760</b>	<b>80,821,235</b>	<b>80,660,792</b>	<b>78,411,569</b>	<b>92,495,263</b>	<b>81,648,678</b>	<b>81,326,496</b>	<b>79,735,335</b>	<b>88,890,968</b>
<b>Business-type activities:</b>										
Water charges for services.....	9,198,012	9,826,242	9,968,139	11,499,958	11,972,625	11,878,296	11,952,312	11,923,024	13,249,816	13,945,725
Sewer charges for services.....	15,191,936	14,849,185	15,654,243	15,631,262	17,138,421	17,052,055	17,055,541	17,304,890	19,298,052	21,133,233
Veteran's memorial ice rink charges for services.....	-	-	-	-	270,626	377,422	530,583	579,538	638,822	587,035
Dilboy stadium charges for services.....	-	-	-	-	90,527	147,000	110,200	181,942	227,234	200,074
Other capital grant and contributions.....	-	-	-	-	1,322,550	-	654,755	-	-	-
<b>Total business-type activities program revenues.....</b>	<b>24,389,948</b>	<b>24,675,427</b>	<b>25,622,382</b>	<b>27,131,220</b>	<b>30,795,749</b>	<b>29,414,773</b>	<b>30,303,391</b>	<b>29,989,384</b>	<b>33,413,924</b>	<b>36,406,067</b>
<b>Total primary government program revenues.....</b>	<b>\$ 109,033,875</b>	<b>\$ 103,303,187</b>	<b>\$ 106,443,617</b>	<b>\$ 107,792,012</b>	<b>\$ 109,207,318</b>	<b>\$ 121,910,036</b>	<b>\$ 111,952,069</b>	<b>\$ 111,315,880</b>	<b>\$ 113,149,259</b>	<b>\$ 125,297,035</b>
<b>Net (Expense)/Program Revenue</b>	<b>\$ (136,146,931)</b>	<b>\$ (151,843,074)</b>	<b>\$ (140,376,693)</b>	<b>\$ (132,722,827)</b>	<b>\$ (145,140,899)</b>	<b>\$ (136,665,605)</b>	<b>\$ (158,350,850)</b>	<b>\$ (163,678,256)</b>	<b>\$ (174,025,885)</b>	<b>\$ (187,597,104)</b>
Business-type activities.....	5,724,232	3,774,757	5,514,087	3,911,197	7,156,314	4,217,979	4,568,039	2,985,916	5,245,281	6,299,306
<b>Total primary government net (expense)/program revenue.....</b>	<b>\$ (130,422,699)</b>	<b>\$ (148,068,317)</b>	<b>\$ (134,862,606)</b>	<b>\$ (128,811,630)</b>	<b>\$ (137,984,585)</b>	<b>\$ (132,447,626)</b>	<b>\$ (153,782,811)</b>	<b>\$ (160,692,340)</b>	<b>\$ (168,780,604)</b>	<b>\$ (181,297,798)</b>
<b>General Revenues and other Changes in Net Position</b>										
<b>Governmental activities:</b>										
Real estate and personal property taxes.....	\$ 86,835,733	\$ 91,192,133	\$ 96,029,743	\$ 100,266,040	\$ 102,516,625	\$ 109,373,661	\$ 113,520,645	\$ 120,408,453	\$ 127,658,573	\$ 135,251,425
Tax and utility liens.....	-	-	-	-	-	466,853	968,105	416,809	297,772	201,283
Motor vehicle and other excise taxes.....	4,976,795	4,190,680	4,414,024	5,067,456	6,773,737	7,299,012	7,639,442	8,609,432	9,288,744	9,316,095
Penalties and interest on taxes.....	821,535	695,914	982,668	1,266,600	860,457	1,070,330	1,121,504	858,956	801,173	729,944
Payments in lieu of taxes.....	314,262	158,827	163,644	398,281	192,334	182,347	285,596	304,688	829,780	1,248,682
Community Preservation surtax.....	-	-	-	-	-	-	1,323,320	1,430,721	1,545,198	1,664,815
Grants and contributions not restricted.....	32,519,533	38,521,736	23,777,003	24,479,415	22,936,689	23,120,989	23,374,357	25,642,432	24,429,136	25,455,469
Unrestricted investment income.....	1,605,434	1,096,779	584,028	419,721	320,878	258,370	238,031	292,212	303,517	496,273
Gain on disposal of assets.....	1,780	7,338	8,635	9,355	-	-	-	2,031,564	2,031,564	2,031,564
Miscellaneous.....	2,010,382	2,019,017	458,502	884,039	61,023	115,049	278,074	113,230	308,206	194,008
Transfers, net.....	-	-	-	-	670,598	1,075,842	526,840	217,176	949,090	(345,056)
<b>Total governmental activities.....</b>	<b>129,085,454</b>	<b>137,882,924</b>	<b>126,418,247</b>	<b>132,790,907</b>	<b>134,332,341</b>	<b>142,961,453</b>	<b>149,275,914</b>	<b>160,325,673</b>	<b>168,442,753</b>	<b>176,234,502</b>
<b>Business-type activities:</b>										
Tax and utility liens.....	1,589,910	1,609,372	1,413,910	1,562,666	-	-	-	-	-	-
Unrestricted investment income.....	695,919	322,087	159,786	162,484	155,276	146,840	152,624	163,536	142,354	160,353
Transfers.....	-	-	-	-	(670,598)	(1,075,842)	(526,840)	(217,176)	(948,090)	345,056
<b>Total business-type activities.....</b>	<b>2,285,829</b>	<b>1,931,459</b>	<b>1,573,696</b>	<b>1,725,150</b>	<b>(515,322)</b>	<b>(929,002)</b>	<b>(374,216)</b>	<b>(63,640)</b>	<b>(805,736)</b>	<b>505,409</b>
<b>Total primary government general revenues and other changes in net position.....</b>	<b>\$ 131,371,283</b>	<b>\$ 139,814,383</b>	<b>\$ 127,991,943</b>	<b>\$ 134,516,057</b>	<b>\$ 133,817,019</b>	<b>\$ 142,032,451</b>	<b>\$ 148,901,698</b>	<b>\$ 160,272,033</b>	<b>\$ 167,637,017</b>	<b>\$ 176,739,911</b>
<b>Changes in Net Position</b>										
Governmental activities.....	\$ (7,061,477)	\$ (13,960,150)	\$ (13,958,446)	\$ 68,080	\$ (10,808,558)	\$ 6,295,848	\$ (9,074,936)	\$ (3,352,583)	\$ (5,583,132)	\$ (11,362,602)
Business-type activities.....	8,010,061	5,706,216	7,087,783	5,636,347	6,640,992	3,288,977	4,193,823	2,932,276	4,439,545	6,804,715
<b>Total primary government changes in net position.....</b>	<b>\$ 948,584</b>	<b>\$ (8,253,934)</b>	<b>\$ (6,870,663)</b>	<b>\$ 5,704,427</b>	<b>\$ (4,167,566)</b>	<b>\$ 9,584,825</b>	<b>\$ (4,881,113)</b>	<b>\$ (420,307)</b>	<b>\$ (1,143,587)</b>	<b>\$ (4,557,887)</b>

Note: Prior to 2012, Veteran's Memorial Ice Rink and Dilboy Stadium activity was accounted for in a special revenue fund.

**Fund Balances, Governmental Funds**

**Last Ten Years**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>General Fund</b>										
Reserved.....	\$ 12,484,743	\$ 14,740,399	\$ 15,210,735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved.....	17,701,780	11,952,907	12,687,703	-	-	-	-	-	-	-
Committed.....	-	-	-	18,712,499	21,929,103	24,171,167	25,038,098	30,065,350	33,354,136	34,533,997
Assigned.....	-	-	-	10,242,471	5,948,451	5,890,549	5,976,724	6,460,233	5,823,265	5,907,817
Unassigned.....	-	-	-	11,745,190	13,735,197	17,005,198	15,520,425	13,692,118	15,507,488	20,194,053
<b>Total general fund.....</b>	<b>\$ 30,186,523</b>	<b>\$ 26,693,306</b>	<b>\$ 27,898,438</b>	<b>\$ 40,700,160</b>	<b>\$ 41,612,751</b>	<b>\$ 47,066,914</b>	<b>\$ 46,535,247</b>	<b>\$ 50,217,701</b>	<b>\$ 54,684,889</b>	<b>\$ 60,635,867</b>
<b>All Other Governmental Funds</b>										
Reserved.....	\$ 13,552,469	\$ 12,276,896	\$ 13,423,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	9,163,103	17,964,768	20,226,857	-	-	-	-	-	-	-
Capital projects funds.....	119,927	(59,498)	6,678,591	-	-	-	-	-	-	-
Permanent funds.....	216,731	217,881	163,066	-	-	-	-	-	-	-
Nonspendable.....	-	-	-	433,126	433,126	433,126	433,126	433,126	433,126	433,126
Restricted.....	-	-	-	32,172,936	23,955,913	24,039,762	29,105,031	32,953,447	36,444,641	40,328,168
Unassigned.....	-	-	-	(42,349)	(7,897,251)	(8,830,687)	(11,138,192)	(15,052,796)	(14,895,671)	(11,385,014)
<b>Total all other governmental funds..</b>	<b>\$ 23,052,230</b>	<b>\$ 30,400,047</b>	<b>\$ 40,491,618</b>	<b>\$ 32,563,713</b>	<b>\$ 16,491,788</b>	<b>\$ 15,642,201</b>	<b>\$ 18,399,965</b>	<b>\$ 18,333,777</b>	<b>\$ 21,982,096</b>	<b>\$ 29,376,280</b>

Note: The City implemented GASB 54 in 2011, fund balances prior to 2011 have been reported in the pre-GASB 54 format.

Changes in Fund Balances, Governmental Funds

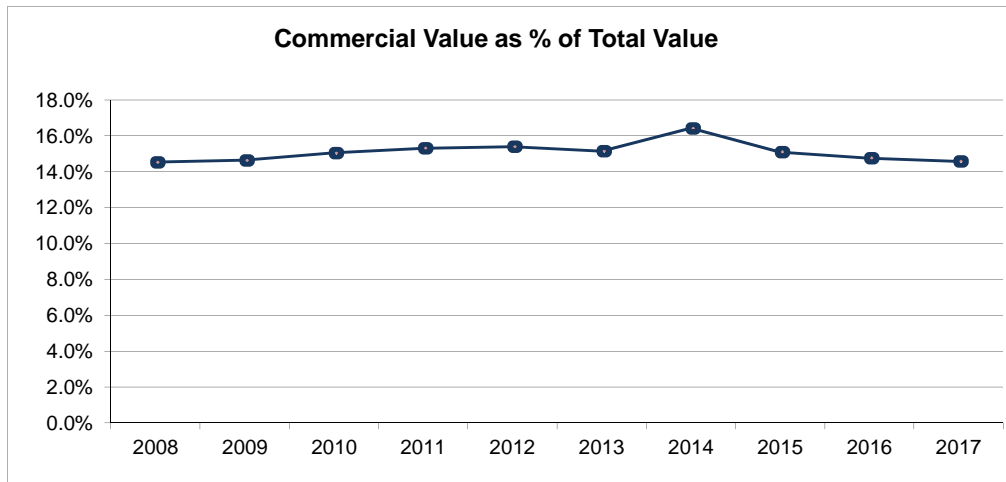
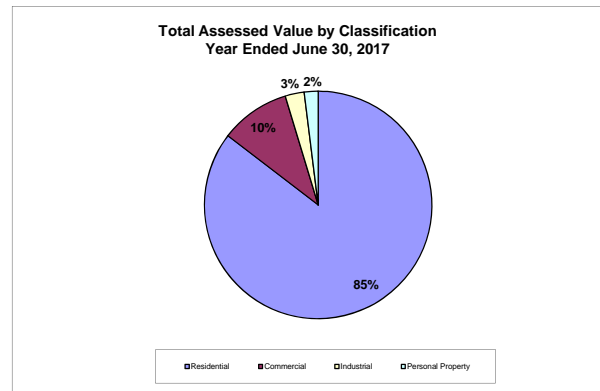
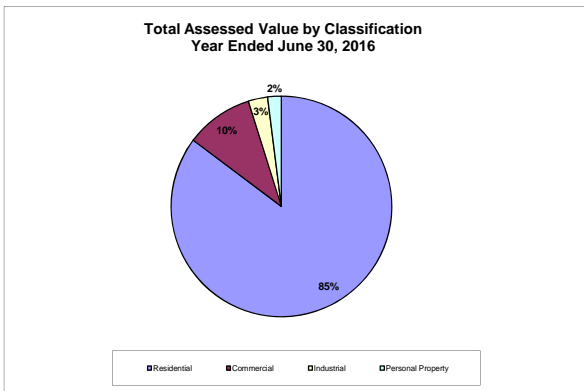
Last Ten Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
Real estate and personal property taxes.....	\$ 85,100,033	\$ 89,398,919	\$ 95,031,409	\$ 98,921,096	\$ 102,575,530	\$ 109,391,564	\$ 113,427,599	\$ 120,742,247	\$ 127,359,478	\$ 134,759,721
Tax liens.....	870,517	1,165,496	1,078,578	1,161,723	1,297,050	1,118,479	847,582	654,405	606,130	392,962
Motor vehicle and other excise taxes.....	5,007,547	4,531,602	4,563,267	4,894,601	6,762,048	7,206,904	7,759,040	8,596,756	9,345,084	9,297,090
Payments in lieu of taxes.....	314,262	158,827	163,644	398,281	192,334	182,347	285,596	304,688	829,780	1,248,682
Intergovernmental.....	95,212,975	89,793,239	83,710,418	85,293,814	83,228,489	95,364,763	88,757,484	75,012,124	77,436,920	91,261,649
Departmental and other.....	21,760,536	22,282,936	23,300,994	23,946,046	23,732,924	22,579,819	22,368,780	31,314,092	26,795,775	29,238,662
Community preservation taxes.....	-	-	-	-	-	-	1,323,320	2,335,638	2,375,654	2,085,496
Contributions.....	1,273,574	160,049	1,162,345	1,354,249	1,361,020	1,126,151	256,094	3,044,440	757,874	621,388
Investment income.....	1,605,434	1,096,779	584,028	419,721	320,878	238,620	238,031	292,212	308,289	500,910
Miscellaneous.....	1,700,000	12,270,901	312,803	229,144	71,679	102,500	268,687	113,209	205,935	134,582
<b>Total Revenue.....</b>	<b>212,844,878</b>	<b>220,858,748</b>	<b>209,907,486</b>	<b>216,618,675</b>	<b>219,541,952</b>	<b>237,311,147</b>	<b>235,532,213</b>	<b>242,409,811</b>	<b>246,020,919</b>	<b>269,541,142</b>
<b>Expenditures:</b>										
General government.....	11,832,794	12,284,477	11,345,329	12,623,157	12,679,343	16,705,382	17,643,136	19,760,973	21,121,725	22,099,097
Public safety.....	33,422,270	31,952,078	31,850,195	30,938,872	36,463,494	37,408,954	37,020,112	38,187,360	38,861,329	41,113,649
Education.....	58,150,030	61,298,672	60,033,670	63,007,532	63,303,388	65,203,861	68,950,650	71,696,093	76,278,689	78,217,082
Public works.....	24,166,057	20,701,397	19,162,374	19,461,296	19,831,102	21,203,002	23,213,680	30,173,419	24,285,794	26,189,372
Community development.....	4,807,530	9,503,292	6,015,349	5,142,819	5,225,117	5,092,521	5,399,251	6,731,292	4,752,888	8,904,122
Human services.....	3,682	108,906	2,681	7,095	312,548	288,766	224,330	229,633	178,570	244,417
Culture and recreation.....	1,994,251	1,841,688	2,596,786	2,397,542	2,413,694	2,853,452	1,792,055	716,322	2,624,181	3,004,178
Pension benefits.....	24,027,834	25,601,417	25,028,473	25,986,011	27,154,941	28,472,130	29,482,862	19,710,963	23,927,384	28,429,418
Employee benefits.....	25,804,216	29,525,454	28,046,345	28,783,865	27,555,222	20,642,529	23,240,442	23,167,986	23,240,346	24,274,992
Claims and judgments.....	-	-	-	-	124,666	87,190	149,138	237,987	99,590	53,800
Community preservation.....	-	-	-	-	-	-	56,770	77,672	771,733	2,314,179
State and county charges.....	9,083,059	9,628,426	9,815,484	10,990,847	10,922,689	11,189,172	11,854,949	12,569,633	12,740,178	13,532,201
Capital outlay.....	19,917,387	6,947,220	6,576,020	9,937,843	35,537,453	28,892,038	12,164,916	14,038,651	18,695,120	13,805,058
Debt service:										
Principal.....	5,503,616	5,003,735	6,048,976	6,799,951	7,473,552	6,921,187	6,971,599	7,968,384	7,110,623	7,455,123
Interest.....	2,836,481	2,615,224	2,802,736	2,404,731	2,494,542	2,871,080	2,890,706	3,016,183	2,866,743	3,639,566
<b>Total Expenditures.....</b>	<b>221,549,207</b>	<b>217,011,986</b>	<b>209,324,418</b>	<b>218,481,561</b>	<b>251,491,751</b>	<b>247,831,264</b>	<b>241,054,596</b>	<b>248,282,551</b>	<b>257,554,893</b>	<b>273,276,254</b>
Excess of revenues over (under) expenditures.....	(8,704,329)	3,846,762	583,068	(1,862,886)	(31,949,799)	(10,520,117)	(5,522,383)	(5,872,740)	(11,533,974)	(3,735,112)
<b>Other Financing Sources (Uses)</b>										
Issuance of bonds and notes.....	13,713,522	-	10,695,000	6,305,000	15,750,000	13,940,000	6,250,000	8,603,000	17,771,000	12,335,000
Issuance of refunding bonds.....	-	-	15,129,000	-	-	-	-	-	-	-
Premium from issuance of bonds.....	62,957	-	10,000	422,348	353,483	96,302	962,253	-	930,391	2,970,178
Premium from issuance of refunding bonds.....	-	-	682,609	-	-	-	-	-	-	-
Payments to refunded bond escrow agent.....	-	-	(15,811,609)	-	-	-	-	-	-	-
Sale of capital assets.....	1,780	7,838	8,635	9,355	16,384	12,549	9,387	-	-	2,120,152
Transfers in.....	6,091,842	2,211,567	3,295,179	5,278,835	12,298,802	4,599,007	5,578,902	4,828,239	3,753,592	5,536,920
Transfers out.....	(6,091,842)	(2,211,567)	(3,295,179)	(5,278,835)	(11,628,204)	(3,523,165)	(5,052,062)	(3,942,233)	(2,805,502)	(5,881,976)
<b>Total other financing sources (uses).....</b>	<b>13,778,259</b>	<b>7,838</b>	<b>10,713,635</b>	<b>6,736,703</b>	<b>16,790,465</b>	<b>15,124,693</b>	<b>7,748,480</b>	<b>9,489,006</b>	<b>19,649,481</b>	<b>17,080,274</b>
<b>Net change in fund balance.....</b>	<b>\$ 5,073,930</b>	<b>\$ 3,854,600</b>	<b>\$ 11,296,703</b>	<b>\$ 4,873,817</b>	<b>\$ (15,159,334)</b>	<b>\$ 4,604,576</b>	<b>\$ 2,226,097</b>	<b>\$ 3,616,266</b>	<b>\$ 8,115,507</b>	<b>\$ 13,345,162</b>
Debt service as a percentage of noncapital expenditures.....	4.14%	3.63%	4.37%	4.41%	4.62%	4.47%	4.31%	4.69%	4.18%	4.28%

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

Last Ten Years

Year	Assessed and Actual Values and Tax Rates								
	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate (2)	Total City Value
2008	\$ 7,343,629,210	\$ 10.95	\$ 851,069,790	\$ 259,298,300	\$ 138,332,790	\$ 1,248,700,880	\$ 17.97	\$ 11.97	\$ 8,592,330,090
2009 (1)	\$ 7,178,108,247	\$ 11.71	\$ 826,175,153	\$ 260,306,700	\$ 144,604,120	\$ 1,231,085,973	\$ 19.25	\$ 12.81	\$ 8,409,194,220
2010	\$ 7,017,857,230	\$ 12.30	\$ 820,005,970	\$ 274,302,300	\$ 149,114,320	\$ 1,243,422,590	\$ 20.44	\$ 13.53	\$ 8,261,279,820
2011	\$ 7,027,712,955	\$ 12.71	\$ 831,013,262	\$ 273,718,283	\$ 165,431,820	\$ 1,270,163,365	\$ 21.21	\$ 14.01	\$ 8,297,876,320
2012	\$ 7,099,067,112	\$ 13.09	\$ 836,954,788	\$ 276,018,500	\$ 178,531,790	\$ 1,291,505,078	\$ 21.85	\$ 14.44	\$ 8,390,572,190
2013	\$ 7,293,246,502	\$ 13.42	\$ 843,242,898	\$ 273,007,500	\$ 185,838,150	\$ 1,302,088,548	\$ 22.38	\$ 14.78	\$ 8,595,335,050
2014 (1)	\$ 7,894,327,349	\$ 12.66	\$ 1,020,307,151	\$ 331,988,000	\$ 199,049,900	\$ 1,551,345,051	\$ 21.51	\$ 14.11	\$ 9,445,672,400
2015	\$ 8,909,186,864	\$ 12.61	\$ 1,055,713,836	\$ 311,627,700	\$ 215,696,880	\$ 1,583,038,416	\$ 20.38	\$ 13.78	\$ 10,492,225,280
2016	\$ 9,546,993,086	\$ 12.53	\$ 1,108,832,814	\$ 318,967,000	\$ 223,981,370	\$ 1,651,781,184	\$ 20.18	\$ 13.66	\$ 11,198,774,270
2017	\$ 10,814,213,402	\$ 11.67	\$ 1,255,256,698	\$ 339,856,200	\$ 251,203,200	\$ 1,846,316,098	\$ 18.81	\$ 12.71	\$ 12,660,529,500



(1) Revaluation year.

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

Source: Assessor's Department, City of Somerville

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

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the City. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

**Principal Taxpayers**  
**Current Year and Nine Years Ago**

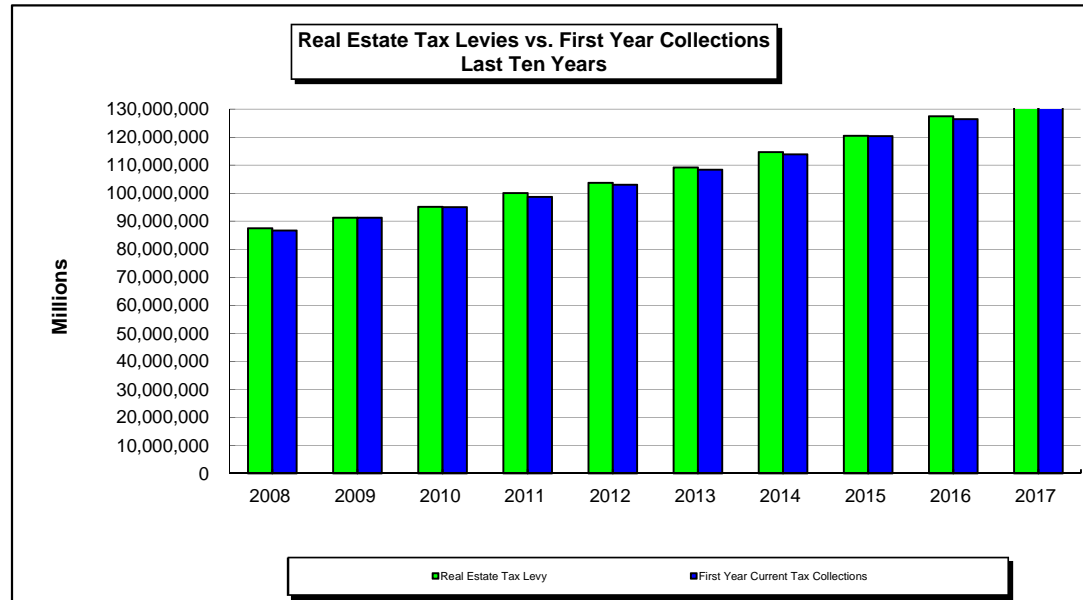
Name	Nature of Business	2017			2008		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Street Retail Inc	Commercial	\$ 243,428,900	1	2.58%	\$ -	-	-
NSTAR Electric Co	Electric Company	\$ 79,025,760	2	0.84%	\$ 54,794,010	3	0.64%
FR Assembly Square LLC	Shopping Mall	\$ 75,341,000	3	0.80%	\$ 62,391,000	1	0.73%
Twin City Plaza LLC	Retail Mall	\$ 51,025,000	4	0.54%	\$ 55,126,300	2	0.64%
SRI Assembly Row B6 LLC	Retail	\$ 56,333,900	5	0.60%	\$ -	-	0.00%
NSTAR Gas Co	Electric Company	\$ 38,882,490	6	0.41%	\$ -	-	-
I-93 Somerville LLC	Retail	\$ 38,156,100	7	0.40%	\$ 37,000,000	4	-
CRP 70 Inner Belt LLC	Telecom	\$ 35,568,300	8	0.38%	\$ 30,684,700	6	-
GAHC3 Somerville MOB LLC	Professional Building	\$ 35,181,900	9	0.37%	\$ -	-	-
National Tax Search LLC Trustee	Office Building	\$ 34,553,600	10	0.37%	\$ 23,658,800	8	-
Kadima Medical Properties LLC	Professional Building	\$ -	-	-	\$ 32,698,600	5	0.38%
IKEA Property Inc	Commercial Land	\$ -	-	-	\$ 23,934,000	7	0.28%
FR Sturtevant Street LLC	Retail	\$ -	-	-	\$ 19,668,400	9	0.23%
Clarendon Hills Towers Association	Apartments	\$ -	-	-	\$ 31,787,100	10	0.37%
	<b>Totals</b>	<u>\$687,496,950</u>		<u>7.28%</u>	<u>\$371,742,910</u>		<u>3.26%</u>

Source: Official Statement for Sale of Bonds

**Property Tax Levies and Collections**

**Last Ten Years**

Year	(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	(3) Percent of Total Tax Collections to Net Tax Levy
2008	\$ 88,230,603	\$ 740,520	\$ 87,490,083	\$ 86,635,835	99.02%	\$ 932,119	\$ 87,567,954	100.09%
2009	(1) \$ 92,502,692	\$ 1,235,728	\$ 91,266,964	\$ 91,213,775	99.94%	\$ 56,154	\$ 91,269,929	100.00%
2010	\$ 96,493,032	\$ 1,372,905	\$ 95,120,127	\$ 94,988,009	99.86%	\$ 128,204	\$ 95,116,213	100.00%
2011	\$ 100,548,992	\$ 463,464	\$ 100,085,528	\$ 98,703,495	98.62%	\$ 1,377,979	\$ 100,081,474	100.00%
2012	\$ 104,765,287	\$ 1,088,607	\$ 103,676,680	\$ 102,975,339	99.32%	\$ 696,871	\$ 103,672,210	100.00%
2013	\$ 109,923,036	\$ 799,886	\$ 109,123,150	\$ 108,407,664	99.34%	\$ 711,174	\$ 109,118,838	100.00%
2014	(1) \$ 116,112,597	\$ 1,416,537	\$ 114,696,060	\$ 113,841,400	99.25%	\$ 860,377	\$ 114,701,777	100.00%
2015	\$ 122,165,461	\$ 1,697,496	\$ 120,467,965	\$ 120,376,618	99.92%	\$ 814,136	\$ 121,190,754	100.60%
2016	\$ 129,147,863	\$ 1,680,095	\$ 127,467,768	\$ 126,428,749	99.18%	\$ 558,205	\$ 126,986,954	99.62%
2017	\$ 136,071,683	\$ 1,709,004	\$ 134,362,679	\$ 133,730,789	99.53%	\$ -	\$ 133,730,789	99.53%



(1) Revaluation year.

(2) Includes tax liens.

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

Source: Assessor's Department, City of Somerville

**Ratios of Outstanding Debt and General Bonded Debt**

**Last Ten Years**

Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2008	75,620	\$ 2,093,461,649	\$ 8,592,330,090	\$ 68,811,515	\$ -	\$ 910	3.56%	0.87%
2009	75,656	\$ 2,136,347,437	\$ 8,409,194,220	\$ 63,807,780	\$ -	\$ 843	2.99%	0.76%
2010	75,754	\$ 2,463,292,818	\$ 8,261,279,820	\$ 69,122,803	\$ -	\$ 912	2.81%	0.84%
2011	75,965	\$ 2,519,556,983	\$ 8,297,876,320	\$ 68,627,852	\$ -	\$ 903	2.72%	0.83%
2012	76,267	\$ 2,580,164,990	\$ 8,390,572,190	\$ 76,177,493	\$ -	\$ 999	2.95%	0.91%
2013	76,589	\$ 2,642,879,641	\$ 8,595,335,050	\$ 84,360,426	\$ -	\$ 1,101	3.19%	0.98%
2014	78,804	\$ 2,773,699,578	\$ 9,445,672,400	\$ 84,481,455	\$ -	\$ 1,072	3.05%	0.89%
2015	78,901	\$ 2,832,656,005	\$ 10,492,225,280	\$ 82,313,356	\$ -	\$ 1,043	2.91%	0.78%
2016	80,318	\$ 2,941,198,848	\$ 11,198,774,270	\$ 93,750,365	\$ -	\$ 1,167	3.19%	0.84%
2017	81,322	\$ 3,037,524,044	\$ 12,660,529,500	\$ 101,423,345	\$ -	\$ 1,247	3.34%	0.80%

Year	Business-type Activities (1)		Total Primary Government			
	General Obligation Bonds	Capital Leases	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2008	\$ 12,926,533	\$ -	\$ 81,738,048	\$ 1,081	3.90%	0.95%
2009	\$ 15,380,835	\$ -	\$ 79,188,615	\$ 1,047	3.71%	0.94%
2010	\$ 15,377,277	\$ -	\$ 84,500,080	\$ 1,115	3.43%	1.02%
2011	\$ 13,343,849	\$ -	\$ 81,971,701	\$ 1,079	3.25%	0.99%
2012	\$ 14,245,269	\$ -	\$ 90,422,762	\$ 1,186	3.50%	1.08%
2013	\$ 13,258,968	\$ -	\$ 97,619,394	\$ 1,275	3.69%	1.14%
2014	\$ 11,801,568	\$ -	\$ 96,283,023	\$ 1,222	3.47%	1.02%
2015	\$ 12,838,188	\$ -	\$ 95,151,544	\$ 1,206	3.36%	0.91%
2016	\$ 10,494,094	\$ -	\$ 104,244,459	\$ 1,298	3.54%	0.93%
2017	\$ 9,950,711	\$ -	\$ 111,374,056	\$ 1,370	3.67%	0.88%

(1) Prior to 2008, water and sewer enterprise long-term debt activity was accounted for in the general fund.

Source: Audited Financial Statements, U. S. Census, Division of Local Services

**Computation of Legal Debt Margin**

**Last Ten Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Equalized Valuation.....	\$ 9,612,275,100	\$ 9,139,060,000	\$ 9,139,060,000	\$ 9,226,665,200	\$ 9,226,665,200	\$ 9,237,328,000	\$ 9,237,328,000	\$ 10,446,575,400	\$ 12,444,120,100	\$ 12,444,120,100
Debt Limit -5% of Equalized Valuation..	\$ 480,613,755	\$ 456,953,000	\$ 456,953,000	\$ 461,333,260	\$ 461,333,260	\$ 461,866,400	\$ 461,866,400	\$ 522,328,770	\$ 622,206,005	\$ 622,206,005
Less:										
Outstanding debt applicable to limit...	74,634,995	73,888,615	83,900,079	81,671,701	90,422,762	97,619,394	96,283,023	95,151,544	104,244,459	111,374,056
Authorized and unissued debt.....	30,514,133	30,868,133	24,070,363	79,179,716	62,907,004	50,103,233	27,875,515	23,156,766	46,509,649	372,482,894
Legal debt margin.....	<u>\$ 375,464,627</u>	<u>\$ 352,196,252</u>	<u>\$ 348,982,558</u>	<u>\$ 300,481,843</u>	<u>\$ 308,003,494</u>	<u>\$ 314,143,773</u>	<u>\$ 337,707,862</u>	<u>\$ 404,020,460</u>	<u>\$ 471,451,897</u>	<u>\$ 138,349,055</u>
Total debt applicable to the limit as a percentage of debt limit.....	21.88%	22.93%	23.63%	34.87%	33.24%	31.98%	26.88%	22.65%	24.23%	77.76%

Source: Official Statement for Sale of Bonds



**Direct and Overlapping Governmental Activities Debt**

**As of June 30, 2017**

<u>City of Somerville, Massachusetts</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
MWRA Water.....	\$ 2,084,311,000	3.28%	\$ 68,365,401
MWRA Sewer.....	3,690,804,000	3.41%	125,856,416
Massachusetts Bay Transportation Authority.....	5,656,191,000	3.12%	<u>176,473,159</u>
Subtotal, overlapping debt.....			<u>370,694,976</u>
City direct debt.....			<u>101,423,345</u>
Total direct and overlapping debt.....			<u>\$ 472,118,321</u>

Source: City of Somerville, Auditing Department and related organizations.

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

## Demographic and Economic Statistics

### Last Ten Years

Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	Unemployment Rate
2008	75,620	\$ 2,093,461,649	\$ 27,684	31.1	3.8%
2009	75,656	\$ 2,136,347,437	\$ 28,238	31.1	6.3%
2010	75,754	\$ 2,463,292,818	\$ 32,517	31.4	6.4%
2011	75,965	\$ 2,519,556,983	\$ 33,167	31.4	5.2%
2012	76,267	\$ 2,580,164,990	\$ 33,831	31.4	4.9%
2013	76,589	\$ 2,642,879,641	\$ 34,507	31.4	5.2%
2014	78,804	\$ 2,773,699,578	\$ 35,197	31.3	3.7%
2015	78,901	\$ 2,832,656,005	\$ 35,901	31.3	3.3%
2016	80,318	\$ 2,941,198,848	\$ 36,619	31.3	2.4%
2017	81,322	\$ 3,037,524,044	\$ 37,352	31.3	3.3%

Source: U. S. Census, Division of Local Services, Executive Office of Labor and Workforce Development  
 Median age is based on most recent census data.

**Principal Employers (Excluding City)**

**Current Year and Nine Years Ago**

Employer	Nature of Business	2017			2008		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Partners Healthcare	Health Care	3,900	1	14.1%	-	-	-
ABM Industries	Janitorial Services	2,000	2	7.2%	-	-	-
Cambridge Health Alliance	Health Care	1,014	3	3.7%	771	1	3.5%
Angelica Corporation	Laundry	412	4	1.5%	546	2	2.5%
J&S Electric Company	Building Equipment	525	5	1.9%	-	-	-
Market Basket	Grocery Store	372	6	1.3%	275	5	1.3%
Rogers Foam Corporation	Foam Products	400	7	1.4%	-	-	-
Super Stop & Shop	Grocery Store	300	8	1.1%	-	-	-
FormLabs	Scientific Research	300	9	1.1%	-	-	-
Royal Hospital Services Incorporated	Office Supplies	260	10	0.9%	-	-	-
Ames Safety Envelope	Envelopes & Printing	-	-	-	400	3	1.8%
Star Market / Shaw's Supermarkets	Grocery	-	-	-	400	4	1.8%
MBTA	Railroad Maintenance	-	-	-	275	6	1.3%
Gentle Giant	Local Trucking	-	-	-	250	7	1.1%
Target	Retail	-	-	-	200	8	0.9%
Share Group	Non-Profit Telemarketing	-	-	-	196	9	0.9%
United Parcel Service	Package Delivery Service	-	-	-	180	10	0.8%
	<b>Totals</b>	<u>9,483</u>		<u>34.2%</u>	<u>3,493</u>		<u>16.0%</u>

Source: Massachusetts Department of Workforce Development

**Full-Time Equivalent City Employees**

**Last Ten Years**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Full-Time Equivalents</u>										
City.....	721	712	708	670	675	696	714	729	736	755
School.....	<u>847</u>	<u>853</u>	<u>823</u>	<u>843</u>	<u>845</u>	<u>892</u>	<u>908</u>	<u>923</u>	<u>929</u>	<u>937</u>
Total .....	<u><u>1,568</u></u>	<u><u>1,564</u></u>	<u><u>1,531</u></u>	<u><u>1,513</u></u>	<u><u>1,520</u></u>	<u><u>1,587</u></u>	<u><u>1,622</u></u>	<u><u>1,652</u></u>	<u><u>1,665</u></u>	<u><u>1,692</u></u>

Source: Finance Committee Report

**Operating Indicators by Function/Program**

**Last Ten Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Government:</b>										
Registered Voters.....	44,483	42,759	42,937	43,633	45,987	47,484	47,454	45,655	51,319	51,362
Births.....	827	885	873	922	962	957	974	863	838	639**
Marriages.....	595	602	586	553	503	591	548	513	590	511**
Deaths.....	410	393	459	441	420	410	517	589	561	454**
Dogs licensed.....	981	1,120	1,289	1,595	1,967	1,790	2,127	1,780	2,053	1,812**
Business Certificates.....	451	471	466	445	451	425	483	318	307	218**
<b>Fire:</b>										
Total Fires.....	239	134	98	156	279	476	377	431	429	412*
Structure Fires.....	75	59	42	44	60	107	56	258	321	212*
Vehicle Fires.....	19	17	16	16	15	24	14	24	14	17*
Other Fires.....	145	58	40	96	204	345	307	149	94	183*
<b>Civilian</b>										
Deaths.....	0	0	0	3	1	0	0	0	0	0*
Injuries.....	2	1	24	41	22	5	1	0	8	3*
<b>Fire Service</b>										
Deaths.....	0	0	0	0	0	0	0	0	0	0*
Injuries.....	112	84	76	81	44	71	38	17	29	28*
Dollar Loss.....	\$ 2,981,170	\$ 2,211,115	\$ 2,258,000	\$ 3,019,600	\$ 2,438,000	\$ 5,850,000	\$ 1,559,364	\$ 663,875	\$ 3,601,500	\$ 1,941,579*
<b>Police:</b>										
Violent crime total.....	283	282	226	259	258	178	206	183	198	137**
Murder and nonnegligent manslaughter....	2	3	0	1	0	0	1	0	0	2**
Forcible rape.....	20	7	14	17	22	17	10	8	15	7**
Robbery.....	112	104	77	90	84	51	58	40	48	35**
Aggravated assault.....	149	168	135	151	152	110	137	135	135	93**
Property crime total.....	2,336	1,970	2,028	1,760	1,752	1,552	1,253	1,695	1,239	817**
Burglary.....	453	493	514	416	349	430	192	305	207	124**
Larceny-theft.....	1,633	1,314	1,336	1,193	1,270	1,021	949	1,257	931	628**
Motor vehicle theft.....	250	163	178	151	133	101	112	133	101	65**
<b>Traffic and Parking:</b>										
Tickets Issued.....	207,915	189,878	158,995	152,381	149,844	144,919	128,449	140,974	137,973	94,057**
<b>Inspectional:</b>										
Building Permit Count.....	1,718	1,507	1,736	1,627	1,682	1,775	1,775*	2,166	2,034	1,744**
<b>Education:</b>										
Total enrollment.....	4,890	4,877	4,842	4,855	4,877	4,922	4,940	4,987	4,931	4,950
<b>Library:+</b>										
Total Circulation.....	425,743	499,205	501,095	466,304	448,579	415,666	411,566	387,222	396,812	396,812*
Total Holdings.....	185,847	185,611	183,791	185,930	192,229	194,451	200,522	205,045	211,941	211,941*
Registered users.....	27,447	27,939	27,663	27,826	27,934	28,017	29,611	29,351	33,500	34,395

NA - Information not available

+ Denotes fiscal year reporting schedule, \* Denotes estimates based on prior year data, \*\* Denotes year-to-date

Source: Elections Dept, City Clerk, Fire Dept, Police Dept, T&P Dept, ISD, Mass DoE, MBoLC

**Capital Asset Statistics by Function/Program**

**Last Ten Years**

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Fire:</b>										
Fire stations.....	5	5	5	5	5	5	5	5	5	5
Emergency vehicles.....	8	8	8	8	8	8	8	8	8	8
<b>Police:</b>										
Stations.....	3	3	3	2	2	3	3	3	3	3
<b>Public works:</b>										
Streets (miles).....	105.64	106.15	106.17	106.17	106.17	108.97	115.11	119.7	119.7	119.7
<b>Electric:</b>										
Streetlights.....	3,986	4,006	4,006	4,006	4,032	4,032	4,032	4,056	4,056	4,056
<b>Sewer:</b>										
Sanitary sewers (miles).....	68	68	68	68	68	68	68	68	68	68
Storm sewers (miles).....	35	35	35	35	35	35	35	35	35	35
<b>Library:</b>										
Main library.....	1	1	1	1	1	1	1	1	1	1
Number of branches.....	2	2	2	2	2	2	2	2	2	2
<b>Parks and recreation:</b>										
<b>City Parks</b>										
Number of Parks.....	40	41	41	41	43	43	43	43	69	69
Acreage.....	48.18	49.27	49.27	49.27	51.35	51.35	51.35	51.35	58.3	58.3
<b>DCR Parks in Somerville</b>										
Number of Parks.....	6	6	6	6	6	6	6	6	8	8
Acreage.....	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	81.3	81.3
<b>Other Open and Public Space</b>										
Number of Spaces.....	28	28	28	28	28	28	28	28	10	11
Acreage.....	50.34	50.34	50.34	50.34	50.34	50.34	50.34	50.34	19.3	25
<b>Water:</b>										
Water mains (miles).....	125	125	125	125	125	125	125	125	125	125
Fire hydrants.....	1,508	1,508	1,523	1,523	1,523	1,523	1,550	1,555	1,555	1,555
<b>Education:</b>										
Elementary schools.....	10	9	9	9	9	10	10	10	10	10
High school.....	1	1	1	1	1	1	1	1	1	1

NA - Information not available  
 Source: Various City Departments