

# CITY OF SOMERVILLE

MASSACHUSETTS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



**For the Year Ended June 30, 2018**

Joseph A. Curtatone, Mayor  
Edward Bean, Finance Director

Prepared by the City of Somerville Finance Department

## **On the Cover – Union Square Mural**

Located in the heart of Union Square, the First Flag Mural depicts the first raising of the American flag (Jan 1, 1776) with George Washington in front of Prospect Hill.

Photo by Rie Lowenstein

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# ***Introductory Section***



The Somerville Public Libraries were constructed with the assistance of funds from Andrew Carnegie. The West Branch, completed in 1909, was designed by Maclean and Wright. It is a fine example of the Neoclassical architecture of the early 20th century and a civic landmark in the Davis Square area. The West Branch Library is scheduled to be renovated beginning in the Winter of 2018/2019.

Photo by Rie Lowenstein

# ***Introductory Section***



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

January 25, 2019

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, 2018. 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, 2018, 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, 2018, 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 unmodified opinion that the City of Somerville's financial statements for the year ended June 30, 2018, 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, 2018, 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 81,360, 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 to a current (2017) all-time high of 87.9% while the drop-out rate has continued to decline to all-time lows. (1.5% in the latest report, 2017). 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 physical education, and a rich array of 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 Foundation, Lesley STEAM, Teen Empowerment, Parts and Crafts, Groundwork Somerville, Breakthrough Greater Boston, Enroot, Citizen Schools, Beautiful Stuff Project, 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.

Nearly ten years ago in 2009, the Somerville community came together over the course of more than 50 meetings, visioning sessions, and workshops to hammer out a guiding document for the city. The resulting SomerVision plan includes more than 584 values-driven goals, policies, and actions ranging from housing, job, and open space creation to neighborhood preservation, transformational development, and transportation advances, and more. Since then, SomerVision and its metrics, goals, and priorities have served as the cornerstone of City policy and planning and City efforts to make Somerville an exceptional place to live, work, play, and raise a family. In the fall of 2018, the Mayor's Office of Strategic Planning & Community Development announced SomerVision 2040, a process to revisit SomerVision 2030 and build in goals for 2040. This process is currently underway and the City is looking forward to a robust community process in the coming year.

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 outlines roles and responsibilities to fund major infrastructure and sequence public and private development. Implementing a District Improvement Financing (DIF) strategy and a commitment from the Commonwealth to fund the Orange Line T Station were critical elements of the Agreement.

The development at Assembly Row has been an astonishing success. Eight development blocks have been built, generating 860,000 square feet of office space, 500,000 square feet of retail, restaurant and entertainment space and over 1,000 new residential units. The development is highlighted the 750,000 square foot headquarters for Partners HealthCare, the largest medical group and employer in the Commonwealth. In 2013, Partners announced its intention to consolidate a dozen facilities around Boston under one roof in a state-of-the-art, signature building at Assembly. Today, 4,500 employees work at the Partners headquarters and the company has the opportunity to expand its presence and build a new, 400,000 square foot building at some point in the future. From a municipal finance perspective,

the project has been just as successful. To date, the DIF-captured tax incremental revenue has significantly exceeded debt service payment amounts needed for infrastructure improvements at Assembly Square.

## **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 to go along with the complete renovation of Lincoln Park just outside the square.

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.

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 concentrating 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, adopted by the City's Planning Board in May of 2016 as an amendment and implementation appendix to SomerVision. 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. The first phase of construction is expected in 2019.

Concurrently, the City began work with the community to develop a comprehensive infrastructure 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. 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. These projects are currently underway.

Union Square has recently become an emerging center for tech-focused business development. Greentown Labs relocated to a facility just outside of Union Square in 2012 to occupying a 33,000 square-foot within a converted envelope factory. 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. In 2018, Greentown Labs opened up its Global Center for Cleantech Innovation next door, which increased its facilities to 93,000 square feet – making Greentown the largest clean technology incubator in the United States. The facility has helped over 170 startups to date and helps to attract millions in new investment each year for its resident firms. This allows Somerville to stake its claim as a global hub for the clean technology industry.

### **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.

### **Inner Belt/Brickbottom**

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. 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 close to Tufts University and anchored by 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. The Davis Square Neighborhood Plan is expected to be published in 2019. 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.

## Transportation Improvements



Source: u/Pi.1415926535 on Wikipedia

Transportation investments are poised to remake Somerville. 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. This investment has been a key to Assembly Square's dramatic evolution.

The Green Line Extension (GLX) promised an event bigger impact on urban mobility. When it's completed in 2021, rapid transit will be within walking distance to 85% of Somerville's residents and will also significantly improve the city's air quality, connectivity, and economic

opportunity.

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 2018 is \$14,524,715. The following table sets forth the recent trend in Free Cash for the City.

| Free Cash (July 1) |              |
|--------------------|--------------|
| 2018               | \$14,524,715 |
| 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 Cash Balance |              |
|----------------------------|--------------|
| 2018                       | \$41,919,377 |
| 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 FY19 through FY28 has an estimated cost of \$545 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, 2018, totaled \$108.7 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 |
|----------|--------------------------------------|--------------------------|-----------------|------------------------------------|
| 2018     | \$108,719,425                        | \$13,790,756,930         | \$1,336         | 0.78                               |
| 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, 2017, the total value of all property in the City is \$13.8 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 2018. The next reevaluation will be completed in 2021. 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.

| FY   | Real Estate Valuation | Personal Property Valuation | Assessed Valuation | Tax Rate Per \$1,000 Valuation |           | Tax Levy      | Tax Levy Per Capita |
|------|-----------------------|-----------------------------|--------------------|--------------------------------|-----------|---------------|---------------------|
|      |                       |                             |                    | Resid.                         | All other |               |                     |
| 2018 | \$13,524,586,100      | \$266,170,830               | \$13,790,756,930   | \$11.31                        | \$18.21   | \$143,491,095 | \$1,763             |
| 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 \$115,186,814 at December 31, 2017.

|  |                      |
|--|----------------------|
| Total pension benefit obligation                     | \$402,269,188        |
| Net Position available for benefits, at market value | <u>(279,217,264)</u> |
| Unfunded pension benefit obligation                  | <u>\$123,051,924</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 2018 fiscal years are as follows:

| Year | Contributory | Non-Contributory |
|------|--------------|------------------|
| 2018 | \$13,808,937 | \$134,096        |
| 2017 | 13,711,675   | 121,197          |
| 2016 | 13,304,274   | 119,000          |
| 2015 | 12,324,940   | 255,023          |
| 2014 | 11,457,093   | 234,769          |
| 2013 | 11,084,135   | 231,999          |
| 2012 | 10,985,945   | 283,996          |
| 2011 | 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:

| Year | Amount      |
|------|-------------|
| 2018 | \$8,485,245 |
| 2017 | 9,258,566   |
| 2016 | 8,533,496   |
| 2015 | 9,645,790   |
| 2014 | 9,044,970   |
| 2013 | 10,402,192  |
| 2012 | 10,036,871  |
| 2011 | 10,200,914  |

The City implemented GASB Statement #75 in 2018 and recognized an unfunded OPEB liability of \$268,631,545. The City's annual required contribution (ARC) totaled \$22,034,131 on a pay-as-you-go basis and \$14,251,067 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, 2018 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, six years in a row that the City has achieved this prestigious award. Additionally, the City's FY14 through FY18 annual operating budgets received the Distinguished Budget Presentation Award. 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, 2017**

*Christopher P. Morrill*

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**City of Somerville**

**Massachusetts**

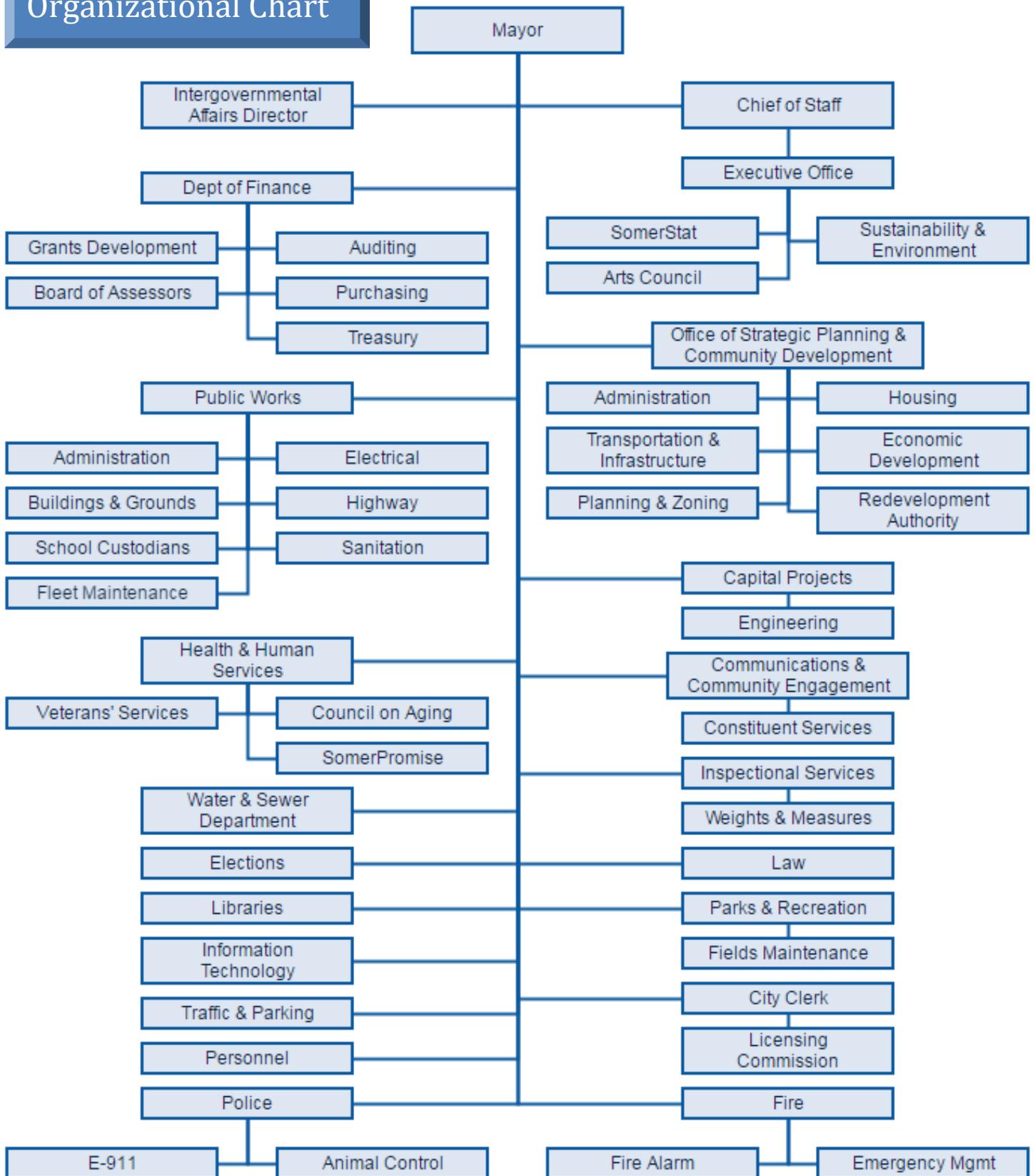
For the Fiscal Year Beginning

**July 1, 2017**

*Christopher P. Morill*

Executive Director

# Organizational Chart





## **City Government**

---

**Joseph A. Curtatone, Mayor**

**Edward Bean, Finance Director**

Colleen Tam, Deputy City Auditor

Michael Mastrobuoni, Budget Manager

## **Board of Aldermen**

---

Katjana Ballantyne, President, Ward 7

Matthew C. McLaughlin, Vice President, Ward 1

Stephanie Hirsch, At-large

Wilfred N. Mbah, At-large

Mary Jo Rossetti, At-large

William A. White Jr, At-large

Jefferson Thomas Scott, Ward 2

Ben Ewen-Campen, Ward 3

Jesse Clingan, Ward 4

Mark Niedergang, Ward 5

Lance L. Davis, Ward 6

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# ***Financial Section***



**Nathan Tufts Park** near Davis Square, was added to the National Register of Historic Places in 1975, the first of many landmarks in Somerville to be added. The City of Somerville designated the park a local historic district in 1985. Photo taken by Rie Lowenstein

# ***Financial Section***

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## Independent Auditor's Report

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

100 Quannapowitt Parkway  
Suite 101

Wakefield, MA 01880

T. 781-914-1700

F. 781-914-1701

[www.powersandsullivan.com](http://www.powersandsullivan.com)

## 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, 2018, (except for the Somerville Contributory Retirement System which is as of and for the year ended December 31, 2017), 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, 2018 (except for the Somerville Contributory Retirement System which is as of December 31, 2017), 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 January 25, 2019, 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*

January 25, 2019

# ***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, 2018. 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 Employee 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.

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment benefits Other Than Pensions*. As a result, the net postemployment benefit liability was recognized, beginning balances were revised and additional footnote disclosures and required supplementary information were added to the report. See Note 12 for more information.

The City established an Other Postemployment Benefits Trust Fund (OPEB) to account for funds set aside to help offset future post-employment 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 \$7.3 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 were exceeded by liabilities and deferred inflows of resources by \$89.4 million at the close of 2018, which was an increase of \$28.9 million from the prior year balances.

Net position of \$184.6 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, \$43.2 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 \$317.2 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 \$161.3 million and the business-type assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$71.9 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 \$161.3 million at the close of 2018.

|  | 2018                    | 2017<br>(As Revised)    |
|--|-------------------------|-------------------------|
| <b>Assets:</b>                                       |                         |                         |
| Current assets.....                                  | \$ 195,405,981          | \$ 152,104,713          |
| Noncurrent assets (excluding capital).....           | 5,588,124               | 3,517,440               |
| Capital assets, nondepreciable.....                  | 92,936,623              | 53,391,868              |
| Capital assets, net of accumulated depreciation..... | 176,126,610             | 178,924,960             |
| <b>Total assets.....</b>                             | <b>470,057,338</b>      | <b>387,938,981</b>      |
| <b>Deferred outflows of resources.....</b>           | <b>1,974,980</b>        | <b>22,929,752</b>       |
| <b>Liabilities:</b>                                  |                         |                         |
| Current liabilities (excluding debt).....            | 15,257,419              | 9,443,777               |
| Noncurrent liabilities (excluding debt).....         | 384,664,714             | 443,215,945             |
| Current debt.....                                    | 97,450,927              | 46,653,925              |
| Noncurrent debt.....                                 | 98,832,554              | 93,812,752              |
| <b>Total liabilities.....</b>                        | <b>596,205,614</b>      | <b>593,126,399</b>      |
| <b>Deferred inflows of resources.....</b>            | <b>37,171,890</b>       | <b>2,357,303</b>        |
| <b>Net position:</b>                                 |                         |                         |
| Net investment in capital assets.....                | 138,950,212             | 128,346,108             |
| Restricted.....                                      | 43,189,284              | 26,765,236              |
| Unrestricted.....                                    | (343,484,682)           | (339,726,313)           |
| <b>Total net position.....</b>                       | <b>\$ (161,345,186)</b> | <b>\$ (184,614,969)</b> |

The largest portion of the City of Somerville's net position, \$139.0 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, \$43.2 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 \$76.3 million of positive unrestricted net position excluding the recorded liabilities for the other postemployment benefits obligation and the net pension liability, along with the associated deferred outflows/inflows. Those liabilities are long-term in nature, and will not be funded from the \$343.5 million deficit of unrestricted net position at June 30, 2018. 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, 2018, has a balance of \$7.3 million and is reported within the Fiduciary Funds in the City's financial statements.

Included within the noncurrent assets (excluding capital) is \$5.5 million in future school construction reimbursement grants.

Long-term liabilities include \$98.8 million in general obligation bonds; \$3.5 million in compensated absence liabilities for unused vacation, special leave, and enhanced longevity benefits payable; \$691,000 in future year workers' compensation benefits payable; \$113.7 million in future pension benefits; and \$266.8 million in future other postemployment benefits.

Governmental activities net position increased by \$23.3 million in 2018.

|   | 2018                    | 2017<br>(As Revised)    |
|---|-------------------------|-------------------------|
| <b>Program Revenues:</b>  |                         |                         |
| Charges for services.....   | \$ 33,414,711           | \$ 26,958,884           |
| Operating grants and contributions.....                                     | 62,086,194              | 59,892,628              |
| Capital grants and contributions.....                                       | 14,224,905              | 2,039,456               |
| <b>General Revenues:</b>  |                         |                         |
| Real estate and personal property taxes,<br>net of tax refunds payable..... | 141,935,979             | 135,251,425             |
| Tax and other liens.....  | 159,603                 | 201,283                 |
| Motor vehicle and other excise taxes.....                                   | 10,032,977              | 9,316,095               |
| Community preservation tax.....   | 1,794,508               | 1,664,815               |
| Penalties and interest on taxes.....  | 869,868                 | 729,944                 |
| Payments in lieu of taxes.....  | 1,327,790               | 1,248,682               |
| Grants and contributions not restricted to<br>specific programs.....        | 26,368,477              | 25,455,469              |
| Unrestricted investment income.....   | 1,407,965               | 496,273                 |
| Gain (loss) on sale of capital assets.....                                  | 3,911                   | 2,031,564               |
| Miscellaneous.....  | 537,703                 | 184,008                 |
| <b>Total revenues.....</b>  | <b>294,164,591</b>      | <b>265,470,526</b>      |
| <b>Expenses:</b>  |                         |                         |
| General government.....   | 39,372,354              | 42,466,048              |
| Public safety.....  | 54,307,824              | 58,162,943              |
| Education.....  | 128,921,395             | 124,569,560             |
| Public works.....   | 30,766,736              | 31,017,577              |
| Community development.....  | 4,556,946               | 9,696,020               |
| Health and human services.....  | 279,442                 | 244,418                 |
| Culture and recreation.....   | 5,843,577               | 5,245,570               |
| Community preservation.....   | 4,207,687               | 1,522,282               |
| Interest.....   | 3,727,244               | 3,563,654               |
| <b>Total expenses.....</b>  | <b>271,983,205</b>      | <b>276,488,072</b>      |
| <b>Excess (Deficiency) before transfers.....</b>                            | <b>22,181,386</b>       | <b>(11,017,546)</b>     |
| <b>Transfers.....</b>   | <b>1,088,397</b>        | <b>(345,056)</b>        |
| <b>Change in net position.....</b>  | <b>23,269,783</b>       | <b>(11,362,602)</b>     |
| <b>Net position, beginning of year (as revised).....</b>                    | <b>(184,614,969)</b>    | <b>(173,252,367)</b>    |
| <b>Net position, end of year.....</b>                                       | <b>\$ (161,345,186)</b> | <b>\$ (184,614,969)</b> |

The primary reasons for the \$23.3 million increase relates to a decrease of \$33.6 million and \$24.8 million in the City's OPEB liability and net pension liability, respectfully, and the recognition of \$14.2 million of capital grants. These increases were offset by a net increase of \$55.9 million in deferred outflows and deferred inflows of resources related to pensions and other postemployment benefits, and the fact that depreciation exceeded principal payments by \$4.0 million. Real estate and personal property tax revenue increased \$6.5 million due to new tax base growth and the proposition 2 ½ budgetary increase.

General government expenses decreased by \$4.5 million, which was primarily the result of decreases in pension and other postemployment benefit costs. Education expenses increased by \$4.4 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 decreased by \$251,000, this decrease relates directly to a decrease in the operational costs of the Department. Community Development expenses decreased \$5.1 million as a result of decreased 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:

|  | 2018                        | 2017<br>(As Revised)        |
|--|-----------------------------|-----------------------------|
| <b>Assets:</b>                                       |                             |                             |
| Current assets.....                                  | \$ 53,784,520               | \$ 32,705,597               |
| Capital assets, nondepreciable.....                  | 2,500,332                   | 22,244                      |
| Capital assets, net of accumulated depreciation..... | <u>59,346,990</u>           | <u>56,727,823</u>           |
| <b>Total assets.....</b>                             | <b><u>115,631,842</u></b>   | <b><u>89,455,664</u></b>    |
| <b>Deferred outflows of resources.....</b>           | <b><u>273,955</u></b>       | <b><u>278,430</u></b>       |
| <b>Liabilities:</b>                                  |                             |                             |
| Current liabilities (excluding debt).....            | 925,419                     | 271,664                     |
| Noncurrent liabilities (excluding debt).....         | 3,392,895                   | 4,150,865                   |
| Current debt.....                                    | 31,697,683                  | 10,802,790                  |
| Noncurrent debt.....                                 | <u>7,498,161</u>            | <u>8,147,921</u>            |
| <b>Total liabilities.....</b>                        | <b><u>43,514,158</u></b>    | <b><u>23,373,240</u></b>    |
| <b>Deferred inflows of resources.....</b>            | <b><u>471,426</u></b>       | <b><u>29,053</u></b>        |
| <b>Net position:</b>                                 |                             |                             |
| Net investment in capital assets.....                | 45,635,475                  | 46,081,442                  |
| Unrestricted.....                                    | <u>26,284,738</u>           | <u>20,250,359</u>           |
| <b>Total net position.....</b>                       | <b><u>\$ 71,920,213</u></b> | <b><u>\$ 66,331,801</u></b> |

Business-type net position of \$45.6 million represents investments in capital assets net of related debt. The remaining \$26.3 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 \$5.6 million in net position reported in connection with the enterprise funds.

|  | 2018               | 2017<br>(As Revised) |
|--|--------------------|----------------------|
| <b>Program Revenues:</b>                                 |                    |                      |
| Charges for services..... \$                             | 37,290,669         | \$ 36,406,067        |
| <b>General Revenues:</b>                                 |                    |                      |
| Unrestricted investment income.....                      | 270,925            | 160,353              |
| <b>Total revenues.....</b>                               | <b>37,561,594</b>  | <b>36,566,420</b>    |
| <b>Expenses:</b>   |                    |                      |
| Water.....   | 11,417,358         | 11,166,299           |
| Sewer.....   | 18,610,157         | 18,106,483           |
| Veteran's Memorial Ice Rink.....                         | 713,303            | 679,098              |
| Dilboy Stadium.....                                      | 143,967            | 154,881              |
| <b>Total expenses.....</b>                               | <b>30,884,785</b>  | <b>30,106,761</b>    |
| <b>Excess (Deficiency) before transfers.....</b>         | <b>6,676,809</b>   | <b>6,459,659</b>     |
| <b>Transfers.....</b>                                    | <b>(1,088,397)</b> | <b>345,056</b>       |
| <b>Change in net position.....</b>                       | <b>5,588,412</b>   | <b>6,804,715</b>     |
| <b>Net position, beginning of year (as revised).....</b> | <b>66,331,801</b>  | <b>59,527,086</b>    |
| <b>Net position, end of year..... \$</b>                 | <b>71,920,213</b>  | <b>\$ 66,331,801</b> |

The water enterprise fund net position increased \$2.1 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 receipt of \$470 thousand of water liens, 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 sewer enterprise fund net position increased by \$3.3 million. This is primarily due to an increase in sewer rates, and the fact that principal payments on debt exceeded depreciation on capital assets.

The Veterans Memorial Ice Rink enterprise fund net position increased by \$121 thousand. This is the result of an operational subsidy from the general fund offset by interest expense.

The Dilboy Stadium enterprise fund net position increased by \$88 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 \$80.6 million, of which positive balances of \$64.3 million was reported in the general fund, \$16.5 million in the Strategic Planning and Community Development fund, and \$30.8 million in the nonmajor governmental funds.

The capital projects fund reported a deficit of \$31.0 million. Cumulatively, there was a decrease in the governmental funds of \$9.4 million in fund balance from prior year. This is due to a \$19.7 million operating deficit in the capital projects fund offset by an operating surplus of \$2.3 million in the Strategic Planning & Community Development Fund, a general fund surplus in the general fund of \$3.6 million and the timing between the expenditure and the receipt of grant funds.

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 \$19.7 million and was comprised of two components: an unreserved fund balance of \$15.6 million and a rainy day stabilization fund of \$4.1 million. Assigned fund balance, which represents amounts designated for the 2019 budget and amounts that have been reserved for the use of liquidating prior purchase orders, contracts, and ongoing capital articles, totaled \$5.8 million. Committed fund balance, which represents the City's various use-specific stabilization funds and the health claims trust, totaled \$38.8 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 8.0% of total general fund expenditures, while total fund balance equaled 26.2% of the same amount. Please see Note 9 for further details.

The City's general fund increased \$3.6 million in the current year. The change was primarily due to positive budgetary results and an increase in the accrual for 60 day receipts, offset by an increase in the accrual for Appellate Tax Board cases.

The City's Strategic Planning and Community Development fund balance increased by \$2.3 million. 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 decreased by \$19.7 million. The decrease is due to the net effect of \$42.2 million of capital expenditures on current and prior year's projects offset by the issuance of \$10.1 million in bonds, the receipt of a \$274,000 bond premium and \$12.1 million of intergovernmental receipts.

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

There was an \$8.5 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, 2018, amounts to \$269.1 million (net of accumulated depreciation) and its business-type activities amounted to \$61.8 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 \$36.7 million and business-type assets was \$5.4 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 and short-term debt.** At the end of the current year, the City of Somerville had total governmental bonded debt outstanding of \$106.3 million. Additionally, the City reported governmental short-term borrowing of \$90.0 million related to the High School Construction, the Union Square Revitalization Plan, road reconstruction and improvement projects, the Green Line extension, and various other projects around the City.

During 2018, 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 \$1.8 million, \$5.5 million, and \$1.9 million, respectively, 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, 2018, the City is scheduled to receive \$1.2 million of future interest grants and \$3.5 million of capital grants. The payment schedule for the Commonwealth is structured to match the debt service expenditures.

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 2018, the City has recorded capital grant proceeds totaling \$13.8 million related to the East Somerville Community School, \$16.9 million related to the Somerville High School project, and \$938,000 related to the Winter Hill Community School, from the MSBA, which is equal to 80%, 75.29%, and 70.32%, 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, \$107.1 million related to the Somerville High School project, and \$873,000 related to the Winter Hill Community school. Accordingly, a \$4.8 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 2018 and submitted for reimbursement from the MSBA. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

On December 7 and June 7 of the current year, the City issued \$9,465,000 and \$11,120,000, respectively, of general obligation bonds which were comprised of a \$6,669,925 advance refunding, a \$2,795,075 current refunding and \$11,120,000 of new general obligation bonds. See below for a description of each issuance.

In order to take advantage of favorable interest rates the City:

- Issued \$6,669,925 of general obligation refunding bonds. \$6,905,000 of general obligation bonds were defeased by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. At June 30, 2018, \$6,050,000 of governmental and \$855,000 of enterprise fund bonds outstanding from the advance refunding are considered defeased.
- Issued \$2,795,075 of general obligation refunding bonds. \$2,945,000 of general obligation bonds were callable and paid down as a result of this transaction. At June 30, 2018, \$2,090,000 of governmental and \$855,000 of sewer enterprise fund bonds were called and are not included in the basic financial statements.
- Issued \$11,120,000 of new general obligation bonds. The current year financial statements have recognized bond proceeds in the amount of \$10,143,102 in the governmental funds, \$496,898 in the water enterprise fund, and \$680,000 in the sewer enterprise fund.

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 2013 – 2017, was \$84,722 compared with \$74,167 for the Commonwealth and \$57,562 for the nation. The per capita income was \$44,399, compared with \$39,913 for the Commonwealth and \$31,177 for the nation.
- The unemployment rate for the City of Somerville as of November 2018 is approximately 1.7%, which is a .4% year-over-year decrease from a rate of 2.1% in November 2017. This compares favorably to the state's average seasonally-adjusted unemployment rate of 3.4% and the national average of 3.7%.
- According to the City's Board of Assessors, for 2018, the average single family parcel in the City is valued at \$695,200; the average two-family home is valued at \$731,700; the average 2018 commercial and industrial property is valued at \$2,227,500. 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, 2018

|   | Primary Government             |                             |                               |
|---|--------------------------------|-----------------------------|-------------------------------|
|   | Governmental<br>Activities     | Business-type<br>Activities | Total                         |
| <b>ASSETS</b>   |                                |                             |                               |
| <b>CURRENT:</b>   |                                |                             |                               |
| Cash and cash equivalents.....                                  | \$ 156,689,030                 | \$ 42,074,516               | \$ 198,763,546                |
| Receivables, net of allowance for uncollectibles:               |                                |                             |                               |
| Real estate and personal property taxes.....                    | 1,656,202                      | -                           | 1,656,202                     |
| Tax liens.....  | 825,330                        | -                           | 825,330                       |
| Community preservation fund surtax.....                         | 18,338                         | -                           | 18,338                        |
| Motor vehicle and other excise taxes.....                       | 725,685                        | -                           | 725,685                       |
| User charges.....   | -                              | 11,710,004                  | 11,710,004                    |
| Departmental and other.....                                     | 2,849,995                      | -                           | 2,849,995                     |
| Intergovernmental.....  | 8,615,115                      | -                           | 8,615,115                     |
| Community preservation state share.....                         | 233,552                        | -                           | 233,552                       |
| Loans.....  | 23,792,734                     | -                           | 23,792,734                    |
| Total current assets.....                                       | <u>195,405,981</u>             | <u>53,784,520</u>           | <u>249,190,501</u>            |
| <b>NONCURRENT:</b>  |                                |                             |                               |
| Receivables, net of allowance for uncollectibles:               |                                |                             |                               |
| Intergovernmental.....  | 5,588,124                      | -                           | 5,588,124                     |
| Capital assets, nondepreciable.....                             | 92,936,623                     | 2,500,332                   | 95,436,955                    |
| Capital assets, net of accumulated depreciation.....            | <u>176,126,610</u>             | <u>59,346,990</u>           | <u>235,473,600</u>            |
| Total noncurrent assets.....                                    | <u>274,651,357</u>             | <u>61,847,322</u>           | <u>336,498,679</u>            |
| <b>TOTAL ASSETS.....</b>  | <b><u>470,057,338</u></b>      | <b><u>115,631,842</u></b>   | <b><u>585,689,180</u></b>     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                           |                                |                             |                               |
| Deferred outflows for refunding debt.....                       | 529,419                        | 72,953                      | 602,372                       |
| Deferred outflows related to pensions.....                      | 1,387,813                      | 200,601                     | 1,588,414                     |
| Deferred outflows related to other postemployment benefits..... | 57,748                         | 401                         | 58,149                        |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>                | <b><u>1,974,980</u></b>        | <b><u>273,955</u></b>       | <b><u>2,248,935</u></b>       |
| <b>LIABILITIES</b>  |                                |                             |                               |
| <b>CURRENT:</b>   |                                |                             |                               |
| Warrants payable.....   | 9,794,703                      | 821,373                     | 10,616,076                    |
| Accrued payroll.....  | 1,919,602                      | 36,881                      | 1,956,483                     |
| Tax refunds payable.....  | 971,000                        | -                           | 971,000                       |
| Accrued interest.....   | 870,404                        | 65,565                      | 935,969                       |
| Other liabilities.....  | 1,324,760                      | -                           | 1,324,760                     |
| Compensated absences.....                                       | 146,700                        | 1,600                       | 148,300                       |
| Workers' compensation.....                                      | 230,250                        | -                           | 230,250                       |
| Notes payable.....  | 89,958,702                     | 29,927,000                  | 119,885,702                   |
| Bonds payable.....  | 7,492,225                      | 1,770,683                   | 9,262,908                     |
| Total current liabilities.....                                  | <u>112,708,346</u>             | <u>32,623,102</u>           | <u>145,331,448</u>            |
| <b>NONCURRENT:</b>  |                                |                             |                               |
| Compensated absences.....                                       | 3,481,000                      | 67,500                      | 3,548,500                     |
| Workers' compensation.....                                      | 690,750                        | -                           | 690,750                       |
| Net pension liability.....                                      | 113,714,976                    | 1,471,838                   | 115,186,814                   |
| Net other postemployment benefits liability.....                | 266,777,988                    | 1,853,557                   | 268,631,545                   |
| Bonds payable.....  | 98,832,554                     | 7,498,161                   | 106,330,715                   |
| Total noncurrent liabilities.....                               | <u>483,497,268</u>             | <u>10,891,056</u>           | <u>494,388,324</u>            |
| <b>TOTAL LIABILITIES.....</b>                                   | <b><u>596,205,614</u></b>      | <b><u>43,514,158</u></b>    | <b><u>639,719,772</u></b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                            |                                |                             |                               |
| Deferred inflows related to pensions.....                       | 5,090,619                      | 248,527                     | 5,339,146                     |
| Deferred inflows related to other postemployment benefits.....  | 32,081,271                     | 222,899                     | 32,304,170                    |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>                 | <b><u>37,171,890</u></b>       | <b><u>471,426</u></b>       | <b><u>37,643,316</u></b>      |
| <b>NET POSITION</b>   |                                |                             |                               |
| Net investment in capital assets.....                           | 138,950,212                    | 45,635,475                  | 184,585,687                   |
| Restricted for:   |                                |                             |                               |
| Streets.....  | 2,060,220                      | -                           | 2,060,220                     |
| Community Development.....                                      | 1,995,742                      | -                           | 1,995,742                     |
| Loans.....  | 23,792,734                     | -                           | 23,792,734                    |
| Permanent funds:  |                                |                             |                               |
| Expendable.....   | 161,034                        | -                           | 161,034                       |
| Nonexpendable.....  | 433,126                        | -                           | 433,126                       |
| Gifts and grants.....   | 3,788,543                      | -                           | 3,788,543                     |
| Community preservation.....                                     | 10,957,885                     | -                           | 10,957,885                    |
| Unrestricted.....   | <u>(343,484,682)</u>           | <u>26,284,738</u>           | <u>(317,199,944)</u>          |
| <b>TOTAL NET POSITION.....</b>                                  | <b><u>\$ (161,345,186)</u></b> | <b><u>\$ 71,920,213</u></b> | <b><u>\$ (89,424,973)</u></b> |

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2018

| 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.....                    | \$ 39,372,354         | \$ 17,374,072        | \$ 6,351,895                       | \$ 1,152,426                     | \$ (14,493,961)         |
| Public safety.....                         | 54,307,824            | 10,933,048           | 780,100                            | -                                | (42,594,676)            |
| Education.....                             | 128,921,395           | 3,689,821            | 46,045,575                         | 12,072,086                       | (67,113,913)            |
| Public works.....                          | 30,766,736            | 691,642              | 389,071                            | 766,841                          | (28,919,182)            |
| Community development.....                 | 4,556,946             | -                    | 7,619,395                          | -                                | 3,062,449               |
| Health and human services.....             | 279,442               | 321,108              | 384,353                            | -                                | 426,019                 |
| Culture and recreation.....                | 5,843,577             | 405,020              | 102,206                            | -                                | (5,336,351)             |
| Community preservation.....                | 4,207,687             | -                    | 7,157                              | 233,552                          | (3,966,978)             |
| Interest.....                              | 3,727,244             | -                    | 406,442                            | -                                | (3,320,802)             |
| <b>Total Governmental Activities.....</b>  | <b>271,983,205</b>    | <b>33,414,711</b>    | <b>62,086,194</b>                  | <b>14,224,905</b>                | <b>(162,257,395)</b>    |
| <i>Business-Type Activities:</i>           |                       |                      |                                    |                                  |                         |
| Water.....                                 | 11,417,358            | 14,027,720           | -                                  | -                                | 2,610,362               |
| Sewer.....                                 | 18,610,157            | 22,396,044           | -                                  | -                                | 3,785,887               |
| Veteran's Memorial Ice Rink.....           | 713,303               | 634,804              | -                                  | -                                | (78,499)                |
| Dilboy Stadium.....                        | 143,967               | 232,101              | -                                  | -                                | 88,134                  |
| <b>Total Business-Type Activities.....</b> | <b>30,884,785</b>     | <b>37,290,669</b>    | <b>-</b>                           | <b>-</b>                         | <b>6,405,884</b>        |
| <b>Total Primary Government.....</b>       | <b>\$ 302,867,990</b> | <b>\$ 70,705,380</b> | <b>\$ 62,086,194</b>               | <b>\$ 14,224,905</b>             | <b>\$ (155,851,511)</b> |

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (continued)**

YEAR ENDED JUNE 30, 2018

|   | Primary Government          |                             |                            |
|---|-----------------------------|-----------------------------|----------------------------|
|   | Governmental<br>Activities  | Business-Type<br>Activities | Total                      |
| <b>Changes in net position:</b>   |                             |                             |                            |
| Net (expense) revenue from previous page..... \$                            | <b>(162,257,395)</b>        | \$ <b>6,405,884</b>         | \$ <b>(155,851,511)</b>    |
| <i>General revenues:</i>  |                             |                             |                            |
| Real estate and personal property taxes,<br>net of tax refunds payable..... | 141,935,979                 | -                           | 141,935,979                |
| Tax and utility liens.....  | 159,603                     | -                           | 159,603                    |
| Motor vehicle and other excise taxes.....                                   | 10,032,977                  | -                           | 10,032,977                 |
| Community preservation tax.....   | 1,794,508                   | -                           | 1,794,508                  |
| Penalties and interest on taxes.....  | 869,868                     | -                           | 869,868                    |
| Payments in lieu of taxes.....  | 1,327,790                   | -                           | 1,327,790                  |
| Grants and contributions not restricted to<br>specific programs.....        | 26,368,477                  | -                           | 26,368,477                 |
| Unrestricted investment income.....   | 1,407,965                   | 270,925                     | 1,678,890                  |
| Gain (loss) on sale of capital assets.....                                  | 3,911                       | -                           | 3,911                      |
| Miscellaneous.....  | 537,703                     | -                           | 537,703                    |
| <i>Transfers, net</i> .....   | 1,088,397                   | (1,088,397)                 | -                          |
| Total general revenues and transfers.....                                   | <u>185,527,178</u>          | <u>(817,472)</u>            | <u>184,709,706</u>         |
| Change in net position.....   | 23,269,783                  | 5,588,412                   | 28,858,195                 |
| <i>Net position:</i>  |                             |                             |                            |
| Beginning of year (as revised).....   | <u>(184,614,969)</u>        | <u>66,331,801</u>           | <u>(118,283,168)</u>       |
| End of year..... \$   | <u><u>(161,345,186)</u></u> | <u><u>71,920,213</u></u>    | <u><u>(89,424,973)</u></u> |

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2018

|   | General              | Strategic<br>Planning &<br>Community<br>Development | Capital<br>Projects<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|---|-----------------------------|-----------------------------------|--------------------------------|
| <b>ASSETS</b>   |                      |   |                             |                                   |                                |
| Cash and cash equivalents.....  | \$ 70,193,709        | \$ 273,407  | \$ 62,974,786               | \$ 23,247,128                     | \$ 156,689,030                 |
| Receivables, net of uncollectibles:   |                      |   |                             |                                   |                                |
| Real estate and personal property taxes.....  | 1,656,202            | -   | -                           | -                                 | 1,656,202                      |
| Tax liens.....  | 818,578              | -   | -                           | 6,752                             | 825,330                        |
| Community preservation fund surtax.....   | -                    | -   | -                           | 18,338                            | 18,338                         |
| Motor vehicle and other excise taxes.....   | 725,685              | -   | -                           | -                                 | 725,685                        |
| Departmental and other.....   | 2,849,995            | -   | -                           | -                                 | 2,849,995                      |
| Intergovernmental.....  | 6,717,364            | 1,995,742   | -                           | 5,490,133                         | 14,203,239                     |
| Community preservation state share.....   | -                    | -   | -                           | 233,552                           | 233,552                        |
| Loans.....  | -                    | 16,256,458  | -                           | 7,536,276                         | 23,792,734                     |
| Due from other funds.....   | 2,163,092            | -   | -                           | -                                 | 2,163,092                      |
| <b>TOTAL ASSETS.....</b>  | <b>\$ 85,124,625</b> | <b>\$ 18,525,607</b>                                | <b>\$ 62,974,786</b>        | <b>\$ 36,532,179</b>              | <b>\$ 203,157,197</b>          |
| <b>LIABILITIES</b>  |                      |   |                             |                                   |                                |
| Warrants payable.....   | \$ 4,776,899         | \$ -  | \$ 4,051,109                | \$ 966,695                        | \$ 9,794,703                   |
| Accrued payroll.....  | 1,657,252            | 8,937   | 650                         | 252,763                           | 1,919,602                      |
| Tax refunds payable.....  | 971,000              | -   | -                           | -                                 | 971,000                        |
| Due to other funds.....   | -                    | -   | -                           | 2,163,092                         | 2,163,092                      |
| Other liabilities.....  | 1,324,760            | -   | -                           | -                                 | 1,324,760                      |
| Notes payable.....  | -                    | -   | 89,958,702                  | -                                 | 89,958,702                     |
| <b>TOTAL LIABILITIES.....</b>   | <b>8,729,911</b>     | <b>8,937</b>  | <b>94,010,461</b>           | <b>3,382,550</b>                  | <b>106,131,859</b>             |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                      |   |                             |                                   |                                |
| Unavailable revenue.....  | 12,140,351           | 1,995,742   | -                           | 2,318,863                         | 16,454,956                     |
| <b>FUND BALANCES</b>  |                      |   |                             |                                   |                                |
| Nonspendable.....   | -                    | -   | -                           | 433,126                           | 433,126                        |
| Restricted.....   | -                    | 16,520,928  | -                           | 30,397,640                        | 46,918,568                     |
| Committed.....  | 38,756,437           | -   | -                           | -                                 | 38,756,437                     |
| Assigned.....   | 5,831,550            | -   | -                           | -                                 | 5,831,550                      |
| Unassigned.....   | 19,666,376           | -   | (31,035,675)                | -                                 | (11,369,299)                   |
| <b>TOTAL FUND BALANCES.....</b>   | <b>64,254,363</b>    | <b>16,520,928</b>                                   | <b>(31,035,675)</b>         | <b>30,830,766</b>                 | <b>80,570,382</b>              |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES.....</b> | <b>\$ 85,124,625</b> | <b>\$ 18,525,607</b>                                | <b>\$ 62,974,786</b>        | <b>\$ 36,532,179</b>              | <b>\$ 203,157,197</b>          |

See notes to basic financial statements.

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

JUNE 30, 2018

|  |                    |                         |
|--|--------------------|-------------------------|
| Total governmental fund balances.....  |                    | \$ 80,570,382           |
| Capital assets (net) used in governmental activities are not financial resources<br>and, therefore, are not reported in the funds.....   |                    | 269,063,233             |
| Accounts receivable are not available to pay for current-period<br>expenditures and, therefore, are unavailable in the funds.....  |                    | 16,454,956              |
| The statement of net position includes certain deferred inflows of resources<br>and deferred outflows of resources that will be amortized over future periods.<br>In governmental funds, these amounts are not deferred..... |                    | (35,196,910)            |
| In the statement of activities, interest is accrued on outstanding long-term debt,<br>whereas in governmental funds interest is not reported until due.....  |                    | (870,404)               |
| Long-term liabilities are not due and payable in the current period and, therefore,<br>are not reported in the governmental funds:   |                    |                         |
| Bonds payable.....   | (106,324,779)      |                         |
| Net pension liability.....   | (113,714,976)      |                         |
| Net other postemployment benefits liability.....   | (266,777,988)      |                         |
| Workers' compensation.....   | (921,000)          |                         |
| Compensated absences.....  | <u>(3,627,700)</u> |                         |
| Net effect of reporting long-term liabilities.....   |                    | <u>(491,366,443)</u>    |
| Net position of governmental activities.....   |                    | \$ <u>(161,345,186)</u> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

|   | General              | Strategic<br>Planning &<br>Community<br>Development | Capital<br>Projects<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|---|-----------------------------|-----------------------------------|--------------------------------|
| <b>REVENUES:</b>  |                      |   |                             |                                   |                                |
| Real estate and personal property taxes,<br>net of tax refunds.....       | \$ 142,059,305       | \$ -  | \$ -                        | \$ -                              | \$ 142,059,305                 |
| Tax liens.....  | 192,533              | -   | -                           | -                                 | 192,533                        |
| Motor vehicle and other excise taxes.....                                 | 9,484,191            | -   | -                           | -                                 | 9,484,191                      |
| Penalties and interest on taxes.....                                      | 869,868              | -   | -                           | -                                 | 869,868                        |
| Payments in lieu of taxes.....  | 1,327,790            | -   | -                           | -                                 | 1,327,790                      |
| Intergovernmental - Teachers Retirement.....                              | 15,799,215           | -   | -                           | -                                 | 15,799,215                     |
| Intergovernmental.....  | 49,452,074           | 6,771,912   | 12,099,480                  | 19,480,474                        | 87,803,940                     |
| Departmental and other.....   | 25,592,325           | -   | -                           | 8,299,089                         | 33,891,414                     |
| Community preservation taxes.....   | -                    | -   | -                           | 1,794,508                         | 1,794,508                      |
| Community preservation state match.....                                   | -                    | -   | -                           | 370,465                           | 370,465                        |
| Contributions and donations.....  | 338,636              | -   | -                           | 305,481                           | 644,117                        |
| Investment income.....  | 1,345,247            | 11,067  | -                           | 58,917                            | 1,415,231                      |
| Miscellaneous.....  | 537,703              | -   | -                           | -                                 | 537,703                        |
| <b>TOTAL REVENUES.....</b>  | <b>246,998,887</b>   | <b>6,782,979</b>                                    | <b>12,099,480</b>           | <b>30,308,934</b>                 | <b>296,190,280</b>             |
| <b>EXPENDITURES:</b>  |                      |   |                             |                                   |                                |
| Current:  |                      |   |                             |                                   |                                |
| General government.....   | 21,580,283           | -   | 14,436,468                  | 4,034,921                         | 40,051,672                     |
| Public safety.....  | 39,410,678           | -   | 689,719                     | 937,433                           | 41,037,830                     |
| Education.....  | 68,799,420           | -   | 20,296,626                  | 13,834,507                        | 102,930,553                    |
| Public works.....   | 26,890,369           | -   | 3,233,014                   | 2,335,647                         | 32,459,030                     |
| Community development.....  | -                    | 4,556,946   | -                           | -                                 | 4,556,946                      |
| Health and human services.....  | -                    | -   | -                           | 276,304                           | 276,304                        |
| Culture and recreation.....   | 3,749,817            | -   | 3,525,050                   | 250,538                           | 7,525,405                      |
| Community preservation.....   | -                    | -   | -                           | 5,061,851                         | 5,061,851                      |
| Pension benefits.....   | 13,943,033           | -   | -                           | -                                 | 13,943,033                     |
| Pension benefits - Teachers Retirement.....                               | 15,799,215           | -   | -                           | -                                 | 15,799,215                     |
| Employee benefits.....  | 30,438,102           | -   | -                           | -                                 | 30,438,102                     |
| State and county charges.....   | 13,634,548           | -   | -                           | -                                 | 13,634,548                     |
| Debt service:   |                      |   |                             |                                   |                                |
| Principal.....  | 5,011,623            | -   | -                           | -                                 | 5,011,623                      |
| Principal payment on current refunding.....                               | 2,090,000            | -   | -                           | -                                 | 2,090,000                      |
| Interest.....   | 4,112,187            | -   | -                           | -                                 | 4,112,187                      |
| <b>TOTAL EXPENDITURES.....</b>  | <b>245,459,275</b>   | <b>4,556,946</b>                                    | <b>42,180,877</b>           | <b>26,731,201</b>                 | <b>318,928,299</b>             |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES.....</b> | <b>1,539,612</b>     | <b>2,226,033</b>                                    | <b>(30,081,397)</b>         | <b>3,577,733</b>                  | <b>(22,738,019)</b>            |
| <b>OTHER FINANCING SOURCES (USES):</b>                                    |                      |   |                             |                                   |                                |
| Issuance of bonds.....  | -                    | -   | 10,143,102                  | -                                 | 10,143,102                     |
| Issuance of refunding bonds.....  | 7,810,975            | -   | -                           | -                                 | 7,810,975                      |
| Premium from issuance of bonds.....                                       | -                    | -   | 273,998                     | 1,845,411                         | 2,119,409                      |
| Premium from issuance of refunding bonds.....                             | 578,540              | -   | -                           | -                                 | 578,540                        |
| Payments to refunded bond escrow agent.....                               | (8,448,080)          | -   | -                           | -                                 | (8,448,080)                    |
| Proceeds from the sale of capital assets.....                             | 3,911                | -   | -                           | -                                 | 3,911                          |
| Transfers in.....   | 3,934,577            | 29,891  | 20,055                      | 1,572,148                         | 5,556,671                      |
| Transfers out.....  | (1,801,039)          | -   | (6,419)                     | (2,660,816)                       | (4,468,274)                    |
| <b>TOTAL OTHER FINANCING SOURCES (USES)...</b>                            | <b>2,078,884</b>     | <b>29,891</b>                                       | <b>10,430,736</b>           | <b>756,743</b>                    | <b>13,296,254</b>              |
| <b>NET CHANGE IN FUND BALANCES.....</b>                                   | <b>3,618,496</b>     | <b>2,255,924</b>                                    | <b>(19,650,661)</b>         | <b>4,334,476</b>                  | <b>(9,441,765)</b>             |
| <b>FUND BALANCES AT BEGINNING 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>              |
| <b>FUND BALANCES AT END OF YEAR.....</b>                                  | <b>\$ 64,254,363</b> | <b>\$ 16,520,928</b>                                | <b>\$ (31,035,675)</b>      | <b>\$ 30,830,766</b>              | <b>\$ 80,570,382</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, 2018

|  |                    |                             |
|--|--------------------|-----------------------------|
| Net change in fund balances - total governmental funds.....  |                    | \$ (9,441,765)              |
| <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.....  | 45,762,085         |                             |
| Depreciation expense.....  | <u>(9,015,680)</u> |                             |
| Net effect of reporting capital assets.....  |                    | 36,746,405                  |
| <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 differ between the two statements. This amount represents the net change in unavailable revenue.....</p>  |                    |                             |
|  |                    | (2,029,600)                 |
| <p>The issuance of long-term debt 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 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 unavailable and amortized in the Statement of Activities.</p> |                    |                             |
| Issuance of bonds.....   | (10,143,102)       |                             |
| Issuance of refunding bonds.....   | (7,810,975)        |                             |
| Premium from issuance of bonds.....  | (2,119,409)        |                             |
| Premium from issuance of refunding bonds.....  | (578,540)          |                             |
| Payments to refunded bond escrow agent.....  | 8,448,080          |                             |
| Principal payment on advanced refunded debt.....   | 2,090,000          |                             |
| Net amortization of premium from issuance of bonds.....  | 508,970            |                             |
| Net change in deferred charge on refunding.....  | (117,024)          |                             |
| Debt service principal payments.....   | <u>5,011,623</u>   |                             |
| Net effect of reporting long-term debt.....  |                    | (4,710,377)                 |
| <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.....  | 136,500            |                             |
| Net change in accrued interest on long-term debt.....  | (7,004)            |                             |
| Net change in deferred outflow/(inflow) of resources related to pensions.....  | (23,936,893)       |                             |
| Net change in net pension liability.....   | 24,744,952         |                             |
| Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...   | (32,023,523)       |                             |
| Net change in net other postemployment benefits liability.....   | 33,357,088         |                             |
| Net change in workers' compensation liability.....   | <u>434,000</u>     |                             |
| Net effect of recording long-term liabilities.....   |                    | <u>2,705,120</u>            |
| Change in net position of governmental activities.....   |                    | \$ <u><u>23,269,783</u></u> |

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2018

|   | Business-type Activities - Enterprise Funds |                      |                                  |                   |                      |
|---|---|----------------------|----------------------------------|-------------------|----------------------|
|   | Water                                       | Sewer                | Veterans<br>Memorial<br>Ice Rink | Dilboy<br>Stadium | Total                |
| <b>ASSETS</b>   |   |                      |                                  |                   |                      |
| <b>CURRENT:</b>   |   |                      |                                  |                   |                      |
| Cash and cash equivalents.....                                  | \$ 14,150,843                               | \$ 27,542,728        | \$ 104,409                       | \$ 276,536        | \$ 42,074,516        |
| Receivables, net of allowance for uncollectibles:               |   |                      |                                  |                   |                      |
| User charges.....   | 4,279,445                                   | 7,430,559            | -                                | -                 | 11,710,004           |
| Total current assets.....                                       | 18,430,288                                  | 34,973,287           | 104,409                          | 276,536           | 53,784,520           |
| <b>NONCURRENT:</b>  |   |                      |                                  |                   |                      |
| Capital assets, non depreciable.....                            | 393,486                                     | 2,106,846            | -                                | -                 | 2,500,332            |
| Capital assets, net of accumulated depreciation.....            | 32,866,239                                  | 23,517,257           | 2,963,494                        | -                 | 59,346,990           |
| Total noncurrent assets.....                                    | 33,259,725                                  | 25,624,103           | 2,963,494                        | -                 | 61,847,322           |
| <b>TOTAL ASSETS.....</b>  | <b>51,690,013</b>                           | <b>60,597,390</b>    | <b>3,067,903</b>                 | <b>276,536</b>    | <b>115,631,842</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                           |   |                      |                                  |                   |                      |
| Deferred loss on refunding.....                                 | 62,149                                      | 10,804               | -                                | -                 | 72,953               |
| Deferred outflows related to pensions.....                      | 120,123                                     | 80,478               | -                                | -                 | 200,601              |
| Deferred outflows related to other postemployment benefits..... | 308   | 93                   | -                                | -                 | 401                  |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>                | <b>182,580</b>                              | <b>91,375</b>        | <b>-</b>                         | <b>-</b>          | <b>273,955</b>       |
| <b>LIABILITIES</b>  |   |                      |                                  |                   |                      |
| <b>CURRENT:</b>   |   |                      |                                  |                   |                      |
| Warrants payable.....   | 191,007                                     | 630,153              | 213                              | -                 | 821,373              |
| Accrued payroll.....  | 17,909                                      | 14,706               | 1,369                            | 2,897             | 36,881               |
| Accrued interest.....   | 31,841                                      | 13,886               | 19,838                           | -                 | 65,565               |
| Compensated absences.....                                       | 1,400                                       | 200                  | -                                | -                 | 1,600                |
| Notes payable.....  | 8,732,500                                   | 21,194,500           | -                                | -                 | 29,927,000           |
| Bonds payable.....  | 1,194,832                                   | 375,851              | 200,000                          | -                 | 1,770,683            |
| Total current liabilities.....                                  | 10,169,489                                  | 22,229,296           | 221,420                          | 2,897             | 32,623,102           |
| <b>NONCURRENT:</b>  |   |                      |                                  |                   |                      |
| Compensated absences.....                                       | 36,700                                      | 30,800               | -                                | -                 | 67,500               |
| Net pension liability.....                                      | 881,359                                     | 590,479              | -                                | -                 | 1,471,838            |
| Net other postemployment benefits liability.....                | 1,423,747                                   | 429,810              | -                                | -                 | 1,853,557            |
| Bonds payable.....  | 4,354,861                                   | 1,433,300            | 1,710,000                        | -                 | 7,498,161            |
| Total noncurrent liabilities.....                               | 6,696,667                                   | 2,484,389            | 1,710,000                        | -                 | 10,891,056           |
| <b>TOTAL LIABILITIES.....</b>                                   | <b>16,866,156</b>                           | <b>24,713,685</b>    | <b>1,931,420</b>                 | <b>2,897</b>      | <b>43,514,158</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                            |   |                      |                                  |                   |                      |
| Deferred inflows related to pensions.....                       | 148,822                                     | 99,705               | -                                | -                 | 248,527              |
| Deferred inflows related to other postemployment benefits.....  | 171,212                                     | 51,687               | -                                | -                 | 222,899              |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>                 | <b>320,034</b>                              | <b>151,392</b>       | <b>-</b>                         | <b>-</b>          | <b>471,426</b>       |
| <b>NET POSITION</b>   |   |                      |                                  |                   |                      |
| Net investment in capital assets.....                           | 25,465,446                                  | 19,116,535           | 1,053,494                        | -                 | 45,635,475           |
| Unrestricted.....   | 9,220,957                                   | 16,707,153           | 82,989                           | 273,639           | 26,284,738           |
| <b>TOTAL NET POSITION.....</b>                                  | <b>\$ 34,686,403</b>                        | <b>\$ 35,823,688</b> | <b>\$ 1,136,483</b>              | <b>\$ 273,639</b> | <b>\$ 71,920,213</b> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

|  | Business-type Activities - Enterprise Funds |                      |                                  |                   |                      |
|--|---|----------------------|----------------------------------|-------------------|----------------------|
|  | Water                                       | Sewer                | Veterans<br>Memorial<br>Ice Rink | Dilboy<br>Stadium | Total                |
| <b>OPERATING REVENUES:</b>                                   |   |                      |                                  |                   |                      |
| Charges for services.....                                    | \$ 13,557,291                               | \$ 21,513,572        | \$ 634,804                       | \$ 232,101        | \$ 35,937,768        |
| Liens - charges for services.....                            | 470,429                                     | 882,472              | -                                | -                 | 1,352,901            |
| <b>TOTAL OPERATING REVENUES</b> .....                        | <b>14,027,720</b>                           | <b>22,396,044</b>    | <b>634,804</b>                   | <b>232,101</b>    | <b>37,290,669</b>    |
| <b>OPERATING EXPENSES:</b>                                   |   |                      |                                  |                   |                      |
| Cost of services and administration.....                     | 10,083,312                                  | 18,011,863           | 546,105                          | 143,967           | 28,785,247           |
| Depreciation.....  | 1,260,686                                   | 544,040              | 85,898                           | -                 | 1,890,624            |
| <b>TOTAL OPERATING EXPENSES</b> .....                        | <b>11,343,998</b>                           | <b>18,555,903</b>    | <b>632,003</b>                   | <b>143,967</b>    | <b>30,675,871</b>    |
| <b>OPERATING INCOME (LOSS)</b> .....                         | <b>2,683,722</b>                            | <b>3,840,141</b>     | <b>2,801</b>                     | <b>88,134</b>     | <b>6,614,798</b>     |
| <b>NONOPERATING REVENUES (EXPENSES):</b>                     |   |                      |                                  |                   |                      |
| Investment income.....                                       | 138,502                                     | 131,767              | 328                              | 328               | 270,925              |
| Interest expense.....  | (73,360)                                    | (54,254)             | (81,300)                         | -                 | (208,914)            |
| <b>TOTAL NONOPERATING<br/>REVENUES (EXPENSES), NET</b> ..... | <b>65,142</b>                               | <b>77,513</b>        | <b>(80,972)</b>                  | <b>328</b>        | <b>62,011</b>        |
| <b>INCOME (LOSS) BEFORE TRANSFERS</b> .....                  | <b>2,748,864</b>                            | <b>3,917,654</b>     | <b>(78,171)</b>                  | <b>88,462</b>     | <b>6,676,809</b>     |
| <b>TRANSFERS:</b>  |   |                      |                                  |                   |                      |
| Transfers in.....  | -   | -                    | 199,000                          | -                 | 199,000              |
| Transfers out.....   | (631,696)                                   | (655,701)            | -                                | -                 | (1,287,397)          |
| <b>TOTAL TRANSFERS</b> .....                                 | <b>(631,696)</b>                            | <b>(655,701)</b>     | <b>199,000</b>                   | <b>-</b>          | <b>(1,088,397)</b>   |
| <b>CHANGE IN NET POSITION</b> .....                          | <b>2,117,168</b>                            | <b>3,261,953</b>     | <b>120,829</b>                   | <b>88,462</b>     | <b>5,588,412</b>     |
| <b>NET POSITION AT BEGINNING OF YEAR (as revised)</b> .....  | <b>32,569,235</b>                           | <b>32,561,735</b>    | <b>1,015,654</b>                 | <b>185,177</b>    | <b>66,331,801</b>    |
| <b>NET POSITION AT END OF YEAR</b> .....                     | <b>\$ 34,686,403</b>                        | <b>\$ 35,823,688</b> | <b>\$ 1,136,483</b>              | <b>\$ 273,639</b> | <b>\$ 71,920,213</b> |

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2018**

|   | Business-type Activities - Enterprise Funds |                      |                                  |                   |                      |
|---|---|----------------------|----------------------------------|-------------------|----------------------|
|   | Water                                       | Sewer                | Veterans<br>Memorial<br>Ice Rink | Dilboy<br>Stadium | Total                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |   |                      |                                  |                   |                      |
| Receipts from customers and users.....  | \$ 14,027,720                               | \$ 22,130,632        | \$ 634,804                       | \$ 232,101        | \$ 37,025,257        |
| Payments to vendors.....  | (9,248,847)                                 | (17,153,751)         | (334,965)                        | (65,283)          | (26,802,846)         |
| Payments to employees.....  | (971,217)                                   | (625,015)            | (213,062)                        | (78,963)          | (1,888,257)          |
| <b>NET CASH FROM OPERATING ACTIVITIES.....</b>  | <b>3,807,656</b>                            | <b>4,351,866</b>     | <b>86,777</b>                    | <b>87,855</b>     | <b>8,334,154</b>     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>                                 |   |                      |                                  |                   |                      |
| Transfers in.....   | -   | -                    | 199,000                          | -                 | 199,000              |
| Transfers out.....  | (631,696)                                   | (655,701)            | -                                | -                 | (1,287,397)          |
| <b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>                               | <b>(631,696)</b>                            | <b>(655,701)</b>     | <b>199,000</b>                   | <b>-</b>          | <b>(1,088,397)</b>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                        |   |                      |                                  |                   |                      |
| Proceeds from the issuance of bonds and notes.....                                      | 9,229,398                                   | 21,874,500           | -                                | -                 | 31,103,898           |
| Proceeds from the issuance of refunding bonds.....                                      | 844,925                                     | 809,100              | -                                | -                 | 1,654,025            |
| Payment to Refunding Escrow Agent.....  | (917,149)                                   | (865,804)            | -                                | -                 | (1,782,953)          |
| Premium from the issuance of refunding bonds.....                                       | 72,224                                      | 56,704               | -                                | -                 | 128,928              |
| Acquisition and construction of capital assets.....                                     | (3,003,245)                                 | (3,624,617)          | -                                | -                 | (6,627,862)          |
| Principal payments on bonds and notes.....  | (5,112,814)                                 | (5,550,951)          | (195,000)                        | -                 | (10,858,765)         |
| Interest expense.....   | (130,007)                                   | (134,576)            | (83,250)                         | -                 | (347,833)            |
| <b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>                      | <b>983,332</b>                              | <b>12,564,356</b>    | <b>(278,250)</b>                 | <b>-</b>          | <b>13,269,438</b>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |   |                      |                                  |                   |                      |
| Investment income.....  | 138,502                                     | 131,767              | 328                              | 328               | 270,925              |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>                                     | <b>4,297,794</b>                            | <b>16,392,288</b>    | <b>7,855</b>                     | <b>88,183</b>     | <b>20,786,120</b>    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING 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>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>                                    | <b>\$ 14,150,843</b>                        | <b>\$ 27,542,728</b> | <b>\$ 104,409</b>                | <b>\$ 276,536</b> | <b>\$ 42,074,516</b> |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b> |   |                      |                                  |                   |                      |
| Operating income (loss).....  | \$ 2,683,722                                | \$ 3,840,141         | \$ 2,801                         | \$ 88,134         | \$ 6,614,798         |
| Adjustments to reconcile operating income to net cash from operating activities:        |   |                      |                                  |                   |                      |
| Depreciation.....   | 1,260,686                                   | 544,040              | 85,898                           | -                 | 1,890,624            |
| Deferred (outflows)/inflows related to pensions.....                                    | 206,723                                     | 90,580               | -                                | -                 | 297,303              |
| Deferred (outflows)/inflows related to other postemployment benefits.....               | 170,904                                     | 51,594               | -                                | -                 | 222,498              |
| Changes in assets and liabilities:  |   |                      |                                  |                   |                      |
| User charges.....   | (27,391)                                    | (265,412)            | -                                | -                 | (292,803)            |
| Other assets.....   | -   | 297,281              | -                                | -                 | 297,281              |
| Warrants payable.....   | 47,889                                      | (41,363)             | 184                              | -                 | 6,710                |
| Accrued payroll.....  | (9,417)                                     | 1,715                | (2,106)                          | (279)             | (10,087)             |
| Compensated absences.....   | (10,600)                                    | 16,200               | -                                | -                 | 5,600                |
| Net pension liability.....  | (336,839)                                   | 102,214              | -                                | -                 | (234,625)            |
| Other postemployment benefits.....  | (178,021)                                   | (285,124)            | -                                | -                 | (463,145)            |
| Total adjustments.....  | 1,123,934                                   | 511,725              | 83,976                           | (279)             | 1,719,356            |
| <b>NET CASH FROM OPERATING ACTIVITIES.....</b>  | <b>\$ 3,807,656</b>                         | <b>\$ 4,351,866</b>  | <b>\$ 86,777</b>                 | <b>\$ 87,855</b>  | <b>\$ 8,334,154</b>  |
| <b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>                            |   |                      |                                  |                   |                      |
| Change in the deferred loss on debt refunding.....                                      | \$ 62,149                                   | \$ 10,804            | \$ -                             | \$ -              | \$ 72,953            |

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

|  | Total Pension<br>and Other<br>Employee<br>Benefit<br>Trust Funds | Private<br>Purpose<br>Trust Funds | Agency<br>Funds |
|--|--|-----------------------------------|-----------------|
| <b>ASSETS</b>  |  |                                   |                 |
| Cash and cash equivalents.....                           | \$ 13,642,004  | \$ 99,283                         | \$ 526,387      |
| Investments:   |  |                                   |                 |
| Real estate and alternative investment mutual funds..... | 21,209,628   | -                                 | -               |
| Bond mutual funds.....                                   | 69,649,406   | -                                 | -               |
| Equity securities.....                                   | 157,747,063  | -                                 | -               |
| Equity mutual funds.....                                 | 24,463,082   | -                                 | -               |
| Receivables, net of allowance for uncollectibles:        |  |                                   |                 |
| Departmental and other.....                              | 14,283   | -                                 | -               |
| <b>TOTAL ASSETS</b> .....                                | <b>286,725,466</b>   | <b>99,283</b>                     | <b>526,387</b>  |
| <b>LIABILITIES</b>                                       |  |                                   |                 |
| Warrants payable.....                                    | 160,126  | -                                 | -               |
| Accrued payroll.....                                     | -  | -                                 | 83,181          |
| Liabilities due depositors.....                          | -  | -                                 | 443,206         |
| <b>TOTAL LIABILITIES</b> .....                           | <b>160,126</b>   | <b>-</b>                          | <b>526,387</b>  |
| <b>NET POSITION</b>                                      |  |                                   |                 |
| Restricted for pensions.....                             | 279,217,264  | -                                 | -               |
| Restricted for other postemployment benefits.....        | 7,348,076  | -                                 | -               |
| Held in trust for other purposes.....                    | -  | 99,283                            | -               |
| <b>TOTAL NET POSITION</b> .....                          | <b>\$ 286,565,340</b>  | <b>\$ 99,283</b>                  | <b>\$ -</b>     |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

|  | Total Pension<br>and Other<br>Employee<br>Benefit<br>Trust Funds | Private<br>Purpose<br>Trust Funds |
|--|--|-----------------------------------|
| <b>ADDITIONS:</b>  |  |                                   |
| Contributions:   |  |                                   |
| Employer contributions.....  | \$ 5,665,857   | \$ -                              |
| Employer contributions for other postemployment benefit payments.... | 8,485,245  | -                                 |
| Member contributions.....  | 22,636,081   | -                                 |
| Retirement benefits - transfers from other systems.....              | 579,727  | -                                 |
| Retirement benefits - workers compensation settlements.....          | 12,150   | -                                 |
| Retirement benefits - interest not refunded.....                     | 12,970   | -                                 |
| Private donations.....   | -  | 11,383                            |
| Intergovernmental.....   | 72,227   | -                                 |
| <b>Total contributions.....</b>                                      | <b>37,464,257</b>  | <b>11,383</b>                     |
| Net investment income:   |  |                                   |
| Investment income.....   | 6,598,122  | 284                               |
| Net change in fair value of investments.....                         | 37,421,939   | -                                 |
| Less: investment expense.....  | (1,300,930)  | -                                 |
| <b>Net investment income (loss).....</b>                             | <b>42,719,131</b>  | <b>284</b>                        |
| <b>TOTAL ADDITIONS.....</b>  | <b>80,183,388</b>  | <b>11,667</b>                     |
| <b>DEDUCTIONS:</b>   |  |                                   |
| Administration.....  | 463,693  | -                                 |
| Retirement benefits - transfers to other systems.....                | 894,233  | -                                 |
| Retirement benefits - 3(8)c transfer to other systems.....           | 1,051,885  | -                                 |
| Payment of benefits and refunds.....                                 | 27,345,556   | -                                 |
| OPEB Benefits.....   | 8,485,245  | -                                 |
| Educational scholarships.....  | -  | 7,500                             |
| <b>TOTAL DEDUCTIONS.....</b>   | <b>38,240,612</b>  | <b>7,500</b>                      |
| <b>NET INCREASE (DECREASE) IN NET POSITION.....</b>                  | <b>41,942,776</b>  | <b>4,167</b>                      |
| <b>NET POSITION AT BEGINNING OF YEAR.....</b>                        | <b>244,622,564</b>   | <b>95,116</b>                     |
| <b>NET POSITION AT END OF YEAR.....</b>                              | <b>\$ 286,565,340</b>  | <b>\$ 99,283</b>                  |

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. It is used to account for the City's construction deposits, police detail activity and student activity accounts.

#### 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, deferred outflows related to other postemployment benefits 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 and deferred inflows related to other postemployment benefits 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*

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*

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.

“Gifts and Grants” represents restrictions placed on assets from outside parties, such as federal and state grants.

“Community Preservation” represents financial resources raised through the tax levy to fund Community Preservation related projects.

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, 2018, the Capital Projects Fund reports a fund deficit of \$31.0 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, 2018, \$7.3 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 \$200,600,423 and the bank balance totaled \$209,148,707. Of the bank balance, \$3,473,518 was covered by Federal Depository Insurance, \$36,989,527 was covered by the Depositors Insurance Fund, \$46,238,835 was covered by Share Insurance Fund, \$94,985,827 was collateralized, and \$27,461,000 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2017, carrying amount of deposits for the System totaled \$4,911,041, and the bank balance totaled \$5,067,451. The entire bank balance of the System was covered by Federal Depository Insurance and is collateralized.

Investments

As of June 30, 2018, the City of Somerville had the following investments:

|                            |                  |
|----------------------------|------------------|
| <u>Other investments:</u>  |                  |
| MMDT - Cash portfolio..... | <u>6,136,869</u> |

As of December 31, 2017, the System had the following investments:

| <u>Investment Type</u>                   | <u>Fair value</u>     | <u>Maturities</u>   |                  |                   |                      | <u>Rating</u> |
|--|-----------------------|---------------------|------------------|-------------------|----------------------|---------------|
|  |                       | <u>Under 1 Year</u> | <u>1-5 Years</u> | <u>6-10 Years</u> | <u>Over 10 Years</u> |               |
| <u>Debt securities:</u>                  |                       |                     |                  |                   |                      |               |
| (1) Loomis Sayles Fixed Income Fund..... | \$ 69,649,406         | \$ 25,561,332       | \$ 18,387,443    | \$ 14,904,973     | \$ 10,795,658        | Aaa / NR      |
| <u>Other investments:</u>                |                       |                     |                  |                   |                      |               |
| Equity securities.....                   | 157,747,063           |                     |                  |                   |                      |               |
| Equity mutual funds.....                 | 24,463,082            |                     |                  |                   |                      |               |
| Real estate investment trust.....        | 21,209,628            |                     |                  |                   |                      |               |
| Money market mutual funds.....           | <u>1,382,887</u>      |                     |                  |                   |                      |               |
| Total investments.....                   | <u>\$ 274,452,065</u> |                     |                  |                   |                      |               |

(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 \$157,747,063, in equity securities, the System has custodial credit risk exposure of \$157,747,063, 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, 2018. 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 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, 2018:

MMDT investments of \$6.1 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, 2017:

| Investment Type                               | December 31,<br>2017 | Fair Value Measurements Using  |   |  |
|---|----------------------|--|---|--|
|   |                      | Quoted<br>Prices in<br>Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments measured at fair value:</b>    |                      |  |   |  |
| <u>Debt securities:</u>                       |                      |  |   |  |
| Fixed income mutual funds.....                | \$ 69,649,406        | \$ 69,649,406  | \$ -  | \$ -   |
| <u>Other investments:</u>                     |                      |  |   |  |
| Equity securities.....                        | 157,747,063          | 157,747,063  | -   | -  |
| Equity mutual funds.....                      | 24,463,082           | 24,463,082   | -   | -  |
| Real estate investment trust.....             | 21,209,628           | -  | -   | 21,209,628   |
| Money market mutual funds.....                | 1,382,887            | 1,382,887  | -   | -  |
| Total other investments.....                  | 204,802,659          | 183,593,031  | -   | 21,209,628   |
| Total investments measured at fair value..... | \$ 274,452,065       | \$ 253,242,437   | \$ -  | \$ 21,209,628                                      |

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, 2018, 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<br>Amount | Allowance<br>for<br>Uncollectibles | Net<br>Amount |
|--|-----------------|------------------------------------|---------------|
| <u>Receivables:</u>                          |                 |                                    |               |
| Real estate and personal property taxes..... | \$ 1,743,284    | \$ (87,082)                        | \$ 1,656,202  |
| Tax liens.....                               | 825,330         | -                                  | 825,330       |
| Community preservation fund surtax.....      | 18,338          | -                                  | 18,338        |
| Motor vehicle and other excise taxes.....    | 1,758,895       | (1,033,208)                        | 725,687       |
| Departmental and other.....                  | 14,136,388      | (11,286,393)                       | 2,849,995     |
| Intergovernmental - other.....               | 14,203,239      | -                                  | 14,203,239    |
| Community preservation state share.....      | 233,552         | -                                  | 233,552       |
| Loans.....                                   | 23,792,734      | -                                  | 23,792,734    |
| Total.....                                   | \$ 56,711,760   | \$ (12,406,683)                    | \$ 44,305,077 |

At June 30, 2018, receivables for the enterprise funds, including the applicable allowances for uncollectible accounts, are as follows:

|                         | Gross<br>Amount      | Allowance<br>for<br>Uncollectibles | Net<br>Amount        |
|-------------------------|----------------------|------------------------------------|----------------------|
| <u>Receivables:</u>     |                      |                                    |                      |
| Water user charges..... | \$ 4,279,445         | \$ -                               | \$ 4,279,445         |
| Sewer user charges..... | 7,430,559            | -                                  | 7,430,559            |
| Total.....              | <u>\$ 11,710,004</u> | <u>\$ -</u>                        | <u>\$ 11,710,004</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<br>Fund      | Community<br>Development | Other<br>Governmental<br>Funds | Total                |
|--|----------------------|--------------------------|--------------------------------|----------------------|
| <u>Receivables:</u>                                |                      |                          |                                |                      |
| Real estate and personal property taxes.....       | \$ 1,316,303         | \$ -                     | \$ -                           | \$ 1,316,303         |
| Tax liens.....                                     | 825,330              | -                        | -                              | 825,330              |
| Motor vehicle and other excise taxes.....          | 725,687              | -                        | -                              | 725,687              |
| Departmental and other.....                        | 2,805,547            | -                        | 258,643                        | 3,064,190            |
| Intergovernmental - highway improvements.....      | -                    | -                        | 2,060,220                      | 2,060,220            |
| Intergovernmental - School Building Authority..... | 6,467,484            | -                        | -                              | 6,467,484            |
| Community development block grants.....            | -                    | 1,995,742                | -                              | 1,995,742            |
| Total.....   | <u>\$ 12,140,351</u> | <u>\$ 1,995,742</u>      | <u>\$ 2,318,863</u>            | <u>\$ 16,454,956</u> |

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

|   | Beginning<br>Balance  | Increases            | Decreases             | Ending<br>Balance     |
|---|-----------------------|----------------------|-----------------------|-----------------------|
| <b>Governmental Activities:</b>                               |                       |                      |                       |                       |
| <u>Capital assets not being depreciated:</u>                  |                       |                      |                       |                       |
| Land.....   | \$ 37,082,399         | \$ 1,520,000         | \$ -                  | \$ 38,602,399         |
| Construction in progress.....                                 | 16,309,469            | 39,746,918           | (1,722,163)           | 54,334,224            |
| <b>Total capital assets not being depreciated.....</b>        | <b>53,391,868</b>     | <b>41,266,918</b>    | <b>(1,722,163)</b>    | <b>92,936,623</b>     |
| <u>Capital assets being depreciated:</u>                      |                       |                      |                       |                       |
| Land improvements.....  | 41,836,731            | 720,322              | -                     | 42,557,053            |
| Books and periodicals.....                                    | 2,626,489             | -                    | -                     | 2,626,489             |
| Buildings and improvements.....                               | 202,310,153           | 644,050              | -                     | 202,954,203           |
| Machinery and equipment.....                                  | 10,467,187            | 1,230,773            | (90,298)              | 11,607,662            |
| Vehicles.....   | 15,700,884            | 1,760,624            | (874,760)             | 16,586,748            |
| Infrastructure.....   | 47,987,060            | 1,861,561            | -                     | 49,848,621            |
| <b>Total capital assets being depreciated.....</b>            | <b>320,928,504</b>    | <b>6,217,330</b>     | <b>(965,058)</b>      | <b>326,180,776</b>    |
| <u>Less accumulated depreciation for:</u>                     |                       |                      |                       |                       |
| Land improvements.....  | (16,039,542)          | (1,592,407)          | -                     | (17,631,949)          |
| Books and periodicals.....                                    | (2,562,854)           | (30,967)             | -                     | (2,593,821)           |
| Buildings and improvements.....                               | (76,428,761)          | (4,981,657)          | -                     | (81,410,418)          |
| Machinery and equipment.....                                  | (8,385,241)           | (526,702)            | 90,298                | (8,821,645)           |
| Vehicles.....   | (9,843,473)           | (911,461)            | 874,760               | (9,880,174)           |
| Infrastructure.....   | (28,743,673)          | (972,486)            | -                     | (29,716,159)          |
| <b>Total accumulated depreciation.....</b>                    | <b>(142,003,544)</b>  | <b>(9,015,680)</b>   | <b>965,058</b>        | <b>(150,054,166)</b>  |
| <b>Total capital assets being depreciated, net.....</b>       | <b>178,924,960</b>    | <b>(2,798,350)</b>   | <b>-</b>              | <b>176,126,610</b>    |
| <b>Total governmental activities capital assets, net.....</b> | <b>\$ 232,316,828</b> | <b>\$ 38,468,568</b> | <b>\$ (1,722,163)</b> | <b>\$ 269,063,233</b> |

|  | Beginning<br>Balance | Increases    | Decreases   | Ending<br>Balance |
|--|----------------------|--------------|-------------|-------------------|
| <b>Water:</b>                                    |                      |              |             |                   |
| <u>Capital assets not being depreciated:</u>     |                      |              |             |                   |
| Construction in progress.....                    | \$ -                 | \$ 393,486   | \$ -        | \$ 393,486        |
| <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.....                              | 38,786,999           | 2,732,648    | -           | 41,519,647        |
| Total capital assets being depreciated.....      | 44,533,968           | 2,732,648    | -           | 47,266,616        |
| <u>Less accumulated depreciation for:</u>        |                      |              |             |                   |
| Buildings.....                                   | (10,052)             | (806)        | -           | (10,858)          |
| Machinery and equipment.....                     | (2,752,957)          | (360,049)    | -           | (3,113,006)       |
| Vehicles.....                                    | (446,368)            | (16,550)     | -           | (462,918)         |
| Infrastructure.....                              | (9,930,314)          | (883,281)    | -           | (10,813,595)      |
| Total accumulated depreciation.....              | (13,139,691)         | (1,260,686)  | -           | (14,400,377)      |
| Total capital assets being depreciated, net..... | 31,394,277           | 1,471,962    | -           | 32,866,239        |
| Total water activities capital assets, net.....  | \$ 31,394,277        | \$ 1,865,448 | \$ -        | \$ 33,259,725     |
| <b>Sewer:</b>                                    |                      |              |             |                   |
| <u>Capital assets not being depreciated:</u>     |                      |              |             |                   |
| Construction in progress.....                    | \$ 22,244            | \$ 2,106,846 | \$ (22,244) | \$ 2,106,846      |
| <u>Capital assets being depreciated:</u>         |                      |              |             |                   |
| Vehicles.....                                    | 434,092              | -            | -           | 434,092           |
| Infrastructure.....                              | 35,997,048           | 2,074,424    | -           | 38,071,472        |
| Total capital assets being depreciated.....      | 36,431,140           | 2,074,424    | -           | 38,505,564        |
| <u>Less accumulated depreciation for:</u>        |                      |              |             |                   |
| Vehicles.....                                    | (258,489)            | (34,924)     | -           | (293,413)         |
| Infrastructure.....                              | (14,185,778)         | (509,116)    | -           | (14,694,894)      |
| Total accumulated depreciation.....              | (14,444,267)         | (544,040)    | -           | (14,988,307)      |
| Total capital assets being depreciated, net..... | 21,986,873           | 1,530,384    | -           | 23,517,257        |
| Total sewer activities capital assets, net.....  | \$ 22,009,117        | \$ 3,637,230 | \$ (22,244) | \$ 25,624,103     |

|  | Beginning<br>Balance | Increases          | Decreases   | Ending<br>Balance   |
|--|----------------------|--------------------|-------------|---------------------|
| <b>Rink:</b>                                   |                      |                    |             |                     |
| <u>Capital assets being depreciated:</u>       |                      |                    |             |                     |
| Buildings and improvements.....                | \$ 3,435,934         | \$ -               | \$ -        | \$ 3,435,934        |
| <br><u>Less accumulated depreciation for:</u>  |                      |                    |             |                     |
| Buildings and improvements.....                | (386,542)            | (85,898)           | -           | (472,440)           |
| Total rink activities capital assets, net..... | <u>\$ 3,049,392</u>  | <u>\$ (85,898)</u> | <u>\$ -</u> | <u>\$ 2,963,494</u> |

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

|  |                     |
|--|---------------------|
| <b>Governmental Activities:</b>                            |                     |
| General government.....                                    | \$ 821,852          |
| Public safety.....   | 575,254             |
| Education.....   | 4,673,494           |
| Public works.....  | 1,772,906           |
| Culture and recreation.....                                | <u>1,172,174</u>    |
| Total depreciation expense - governmental activities.....  | <u>\$ 9,015,680</u> |
| <br><b>Business-Type Activities:</b>                       |                     |
| Water.....   | \$ 1,260,686        |
| Sewer.....   | 544,040             |
| Rink.....  | <u>85,898</u>       |
| Total depreciation expense - business-type activities..... | <u>\$ 1,890,624</u> |

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

The City’s interfund balances at June 30, 2018, consisted of \$2,163,092 in balances within the nonmajor governmental funds which represent interfund borrowings for short-term cash flow needs.

Interfund transfers for the year ended June 30, 2018, are summarized as follows:

| Transfers Out:                   | Transfers In:       |  |                       |                             |                      | Total               |     |
|----------------------------------|---------------------|--|-----------------------|-----------------------------|----------------------|---------------------|-----|
|                                  | General fund        | Strategic Planning & Community Development | Capital Projects fund | Nonmajor governmental funds | Rink Enterprise fund |                     |     |
| General fund.....                | \$ -                | \$ 29,891                                  | \$ -                  | \$ 1,572,148                | \$ 199,000           | \$ 1,801,039        | (1) |
| Capital Projects fund.....       | 6,419               | -  | -                     | -                           | -                    | 6,419               | (2) |
| Nonmajor governmental funds..... | 2,640,761           | -  | 20,055                | -                           | -                    | 2,660,816           | (3) |
| Sewer enterprise fund.....       | 655,701             | -  | -                     | -                           | -                    | 655,701             | (4) |
| Water enterprise fund.....       | <u>631,696</u>      | -  | -                     | -                           | -                    | <u>631,696</u>      | (4) |
| Total.....                       | <u>\$ 3,934,577</u> | <u>\$ 29,891</u>                           | <u>\$ 20,055</u>      | <u>\$ 1,572,148</u>         | <u>\$ 199,000</u>    | <u>\$ 5,755,671</u> |     |

(1) Represents budgeted transfers out of the general fund to various projects and nonmajor funds, a subsidy transfer to the Veteran’s Memorial Ice Rink.

(2) Represents various transfers from capital projects to the general fund.

- (3) Represents transfers with various nonmajor projects.
- (4) 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 noncancelable operating leases. The total cost of these leases for the year ended June 30, 2018, was approximately \$14,400 and is reported as public safety expenditures in the basic financial statements. The Police substation leases were renewed through February of 2021 and June of 2021.

Additionally the City entered a lease for a street sweeper under an operating lease. The total cost for the vehicle for the year ended June 30, 2018, was approximately \$37,000 and is reported as public works expenditures in the basic financial statements. The lease terms go through September of 2021.

**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, 2018, is as follows:

**Governmental Activities**

| Type                          | Purpose                | Rate (%) | Due Date | Balance at June 30, 2017 | Renewed/ Issued | Retired/ Redeemed | Balance at June 30, 2018 |
|-------------------------------|------------------------|----------|----------|--------------------------|-----------------|-------------------|--------------------------|
| <b>Governmental Funds:</b>    |                        |          |          |                          |                 |                   |                          |
| BAN                           | Municipal Purpose..... | 2.00%    | 06/08/18 | \$ 39,043,332            | \$ -            | \$ (39,043,332)   | \$ -                     |
| BAN                           | Municipal Purpose..... | 3.00%    | 06/07/19 | -                        | 89,958,702      | -                 | 89,958,702               |
| Total Governmental Funds..... |                        |          |          | \$ 39,043,332            | \$ 89,958,702   | \$ (39,043,332)   | \$ 89,958,702            |

**Enterprise Activities**

| Type                             | Purpose                                | Rate (%) | Due Date | Balance at June 30, 2017 | Renewed/ Issued | Retired/ Redeemed | Balance at June 30, 2018 |
|----------------------------------|--|----------|----------|--------------------------|-----------------|-------------------|--------------------------|
| <b>Water Enterprise Fund:</b>    |  |          |          |                          |                 |                   |                          |
| 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                              | Water Repairs.....                     | 3.00%    | 06/07/19 | -                        | 8,732,500       | -                 | 8,732,500                |
| Total Water Enterprise Fund..... |  |          |          | \$ 3,800,000             | \$ 8,732,500    | \$ (3,800,000)    | \$ 8,732,500             |
| <b>Sewer Enterprise Fund:</b>    |  |          |          |                          |                 |                   |                          |
| BAN                              | Nunziato Field Stormwater Project..... | 2.00%    | 06/08/18 | \$ 700,000               | \$ -            | \$ (700,000)      | \$ -                     |
| BAN                              | Sewer Main Repairs.....                | 2.00%    | 06/08/18 | 1,500,000                | -               | (1,500,000)       | -                        |
| BAN                              | Cedar Street Sewer Repairs.....        | 2.00%    | 06/08/18 | 3,000,000                | -               | (3,000,000)       | -                        |
| BAN                              | Sewer Repairs.....                     | 3.00%    | 06/07/19 | -                        | 20,694,500      | -                 | 20,694,500               |
| BAN                              | Nunziato Field Stormwater Project..... | 3.00%    | 06/07/19 | -                        | 500,000         | -                 | 500,000                  |
| Total Sewer Enterprise Fund..... |  |          |          | \$ 5,200,000             | \$ 21,194,500   | \$ (5,200,000)    | \$ 21,194,500            |
| Total Enterprise Funds.....      |  |          |          | \$ 9,000,000             | \$ 29,927,000   | \$ (9,000,000)    | \$ 29,927,000            |

**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 December 7 and June 7 of the current year, the City issued \$9,465,000 and \$11,320,000, respectively, of general obligation bonds which were comprised of a \$6,669,925 advance refunding, a \$2,795,075 current refunding and \$11,320,000 of new general obligation bonds. See below for a description of each issuance.

In order to take advantage of favorable interest rates the City:

- Issued \$6,669,925 of general obligation refunding bonds. \$6,905,000 of general obligation bonds were defeased by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. The City has decreased its aggregate debt service by \$579,271 and resulted in an economic gain of \$417,827. At June 30, 2018, \$6,050,000 of governmental and \$855,000 of enterprise fund bonds outstanding from the advance refunding are considered defeased.
- Issued \$2,795,075 of general obligation refunding bonds. \$2,945,000 of general obligation bonds were callable and paid down as a result of this transaction. Accordingly, the called bonds are not included in the basic financial statements. The City has decreased its aggregate debt service by \$231,690 and resulted in an economic gain of \$211,225. At June 30, 2018, \$2,090,000 of governmental and \$855,000 of sewer enterprise fund bonds were called and are not included in the basic financial statements.

The City issued \$11,320,000 of new general obligation bonds. The current year financial statements have recognized bond proceeds in the amount of \$10,143,102 in the governmental funds, \$496,898 in the water enterprise fund, and \$680,000 in the sewer enterprise fund.

Details related to the general obligation bonds outstanding at June 30, 2018, and the debt service requirements are as follows:

**Bonds Payable Schedule – Governmental Funds**

| Project   | Maturities<br>Through | Original<br>Loan<br>Amount | Interest<br>Rate<br>(%) | Outstanding<br>at June 30,<br>2018 |
|---|-----------------------|----------------------------|-------------------------|------------------------------------|
| MSBA - February 12, 2008.....                         | 2033                  | \$ 7,282,102               | 7.1% - 8.0%             | \$ 5,461,577                       |
| Municipal Purpose - February 1, 2009.....             | 2028                  | 3,030,000                  | 3.6% - 4.0%             | 200,000                            |
| Municipal Purpose - February 15, 2010.....            | 2028                  | 2,272,000                  | 2.0% - 5.0%             | 312,000                            |
| Municipal Purpose - April 1, 2010 (Refunding).....    | 2022                  | 13,407,000                 | 2.0% - 5.0%             | 6,045,000                          |
| Municipal Purpose - June 15, 2010.....                | 2029                  | 6,705,000                  | 2.0% - 5.0%             | 935,000                            |
| Municipal Purpose - February 23, 2011.....            | 2025                  | 5,020,000                  | 2.0% - 5.0%             | 2,645,000                          |
| Municipal Purpose - May 17, 2013.....                 | 2042                  | 15,750,000                 | 2.0% - 5.0%             | 14,310,000                         |
| Municipal Purpose - October 9, 2013.....              | 2033                  | 13,940,000                 | 2.0% - 5.0%             | 9,165,000                          |
| MSBA - September 25, 2013.....                        | 2043                  | 6,250,000                  | 0.02                    | 5,387,928                          |
| Municipal Purpose - October 15, 2015.....             | 2038                  | 8,603,000                  | 2.125% - 5.0%           | 8,010,000                          |
| Municipal Purpose - October 5, 2016.....              | 2039                  | 17,771,000                 | 2.0 - 4.0%              | 17,260,000                         |
| Municipal Purpose - June 1, 2017.....                 | 2042                  | 1,235,000                  | 3.0 - 5.0%              | 11,765,000                         |
| Municipal Purpose - June 7, 2018.....                 | 2023                  | 500,000                    | 2.125%                  | 500,000                            |
| Municipal Purpose - June 7, 2018.....                 | 2046                  | 9,643,102                  | 3.0 - 4.0%              | 9,643,102                          |
| Municipal Purpose - December 7, 2017 - Refunding..... | 2029                  | 7,810,975                  | 4.0%                    | 7,810,975                          |
|   |                       |                            |                         | 99,450,582                         |
| Add: Unamortized premium on bonds.....                |                       |                            |                         | 6,874,197                          |
| Total Bonds Payable, net.....                         |                       |                            |                         | \$ 106,324,779                     |

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              |
|------------------------|----------------------|----------------------|--------------------|
| 2019..... \$           | 6,812,925 \$         | 3,232,066 \$         | 10,044,991         |
| 2020.....              | 6,745,623            | 2,931,767            | 9,677,390          |
| 2021.....              | 7,119,622            | 2,507,638            | 9,627,260          |
| 2022.....              | 6,920,147            | 2,248,358            | 9,168,505          |
| 2023.....              | 5,394,622            | 1,987,571            | 7,382,193          |
| 2024.....              | 5,274,822            | 1,810,414            | 7,085,236          |
| 2025.....              | 5,154,622            | 1,327,422            | 6,482,044          |
| 2026.....              | 4,944,622            | 1,520,226            | 6,464,848          |
| 2027.....              | 4,844,622            | 1,367,592            | 6,212,214          |
| 2028.....              | 4,780,672            | 1,225,078            | 6,005,750          |
| 2029.....              | 4,164,622            | 1,101,717            | 5,266,339          |
| 2030.....              | 4,124,622            | 1,001,701            | 5,126,323          |
| 2031.....              | 3,599,622            | 905,863              | 4,505,485          |
| 2032.....              | 3,369,622            | 805,419              | 4,175,041          |
| 2033.....              | 3,469,624            | 706,642              | 4,176,266          |
| 2034.....              | 3,205,517            | 610,757              | 3,816,274          |
| 2035.....              | 2,535,517            | 533,906              | 3,069,423          |
| 2036.....              | 2,310,517            | 470,946              | 2,781,463          |
| 2037.....              | 2,375,517            | 405,216              | 2,780,733          |
| 2038.....              | 2,450,517            | 337,181              | 2,787,698          |
| 2039.....              | 2,100,517            | 273,797              | 2,374,314          |
| 2040.....              | 2,155,517            | 215,267              | 2,370,784          |
| 2041.....              | 2,220,517            | 154,963              | 2,375,480          |
| 2042 & thereafter..... | 3,376,035            | 202,017              | 3,578,052          |
| Total..... \$          | <u>99,450,582</u> \$ | <u>27,883,519</u> \$ | <u>127,334,101</u> |

**Bonds Payable Schedule – Enterprise Funds**

| Project   | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2018 |
|---|--------------------|----------------------|-------------------|------------------------------|
| Municipal Purpose - December 15, 2009.....            | 2019               | \$ 4,400,000         | 2.0%              | \$ 485,000                   |
| Municipal Purpose - February 15, 2010.....            | 2030               | 1,910,000            | 2.0% - 5.0%       | 168,000                      |
| Municipal Purpose - April 1, 2010 (Refunding).....    | 2022               | 262,000              | 2.0% - 5.0%       | 100,000                      |
| Municipal Purpose - February 23, 2013.....            | 2020               | 424,000              | 2.0% - 5.0%       | 110,000                      |
| MWRA Notes.....                                       | 2022               | 1,336,000            | 0.0%              | 534,400                      |
| MWRA Notes.....                                       | 2025               | 875,000              | 0.0%              | 612,500                      |
| MWRA Notes.....                                       | 2023               | 1,242,340            | 0.0%              | 621,170                      |
| MWRA Notes.....                                       | 2021               | 138,000              | 0.0%              | 82,800                       |
| MWRA Notes.....                                       | 2027               | 1,660,000            | 0.0%              | 1,494,000                    |
| Municipal Purpose - June 7, 2018.....                 | 2046               | 496,898              | 3.0% - 4.0%       | 496,898                      |
| Municipal Purpose - December 7, 2017 - Refunding..... | 2030               | 844,925              | 4.0%              | 844,925                      |
| Total Water Enterprise.....                           |                    |                      |                   | <u>\$ 5,549,693</u>          |

| Project   | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2018 |
|---|--------------------|----------------------|-------------------|------------------------------|
| Municipal Purpose - April 1, 2010 (Refunding).....    | 2022               | 419,000              | 2.0% - 5.0%       | \$ 160,000                   |
| MWRA Notes.....                                       | 2019               | 800,256              | 0.0%              | 160,051                      |
| Municipal Purpose - June 7, 2018.....                 | 2046               | 680,000              | 3.0% - 4.0%       | 680,000                      |
| Municipal Purpose - December 7, 2017 - Refunding..... | 2027               | 809,100              | 4.0%              | 809,100                      |
| Total Sewer Enterprise.....                           |                    |                      |                   | <u>\$ 1,809,151</u>          |
| Rink Enterprise Debt - October 9, 2013.....           | 2027               | 13,940,000           | 2.0% - 5.0%       | \$ 1,910,000                 |
| Total Business-type bonds payable, net.....           |                    |                      |                   | <u>\$ 9,268,844</u>          |

**Enterprise Funds**

| Year                   | Principal           | Interest            | Total                |
|------------------------|---------------------|---------------------|----------------------|
| 2019.....              | \$ 1,770,683        | \$ 230,743          | \$ 2,001,426         |
| 2020.....              | 1,132,934           | 207,533             | 1,340,467            |
| 2021.....              | 1,088,934           | 149,937             | 1,238,871            |
| 2022.....              | 970,809             | 127,723             | 1,098,532            |
| 2023.....              | 777,734             | 106,784             | 884,518              |
| 2024.....              | 658,300             | 88,788              | 747,088              |
| 2025.....              | 678,500             | 70,042              | 748,542              |
| 2026.....              | 571,000             | 53,348              | 624,348              |
| 2027.....              | 576,000             | 38,953              | 614,953              |
| 2028.....              | 108,950             | 17,657              | 126,607              |
| 2029.....              | 130,000             | 15,206              | 145,206              |
| 2030.....              | 125,000             | 12,475              | 137,475              |
| 2031 & thereafter..... | 680,000             | 197,449             | 877,449              |
| Total.....             | <u>\$ 9,268,844</u> | <u>\$ 1,316,635</u> | <u>\$ 10,585,479</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, 2018, the outstanding principal amount of these loans totaled \$3.5 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 2018, \$2,673,000 of such assistance was received. Approximately \$4,716,000 will be received in future years. Of this amount, approximately \$1,198,000 represents reimbursement of long-term interest costs, and approximately \$3,517,000 represents reimbursement of approved construction costs. Accordingly, a \$3,517,000 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.

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 2018, the City has recorded capital grant proceeds totaling \$13.8 million related to the East Somerville Community School, \$16.9 million related to the Somerville High School project, and \$938,000 related to the Winter Hill Community School, from the MSBA, which is equal to 80%, 75.29%, and 70.32%, 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, \$107.1 million related to the Somerville High School project, and \$873,000 related to the Winter Hill Community School. Accordingly, a \$4.8 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 2018 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, 2018, the City had the following authorized and unissued debt:

| Purpose  | Amount      |
|--|-------------|
| DPW Salt Shed.....   | \$ 19,000   |
| High School Feasibility Study & Schematic Design.....        | 141,293     |
| DPW Snow Removal Equipment.....                              | 9,425       |
| LED Light Conversion.....                                    | 1,475,000   |
| Union Square Water Mains.....                                | 85,000      |
| Union Square Streetscape & Utility Early Action Project..... | 740,000     |
| Union Square Traffic Signals and Lighting .....              | 375,000     |
| Cedar Street Water Repairs.....                              | 1,727,500   |
| Cedar Street Sewer Repairs.....                              | 4,697,500   |
| Nunziato Field Stormwater Project.....                       | 500,000     |
| Lincoln Park Renovation.....                                 | 8,262,363   |
| Sidewalk Improvements.....                                   | 3,350,000   |
| Beacon Street Reconstruction.....                            | 1,500,000   |
| East Broadway Streetscape.....                               | 175,000     |
| West Branch Library Rehabilitation.....                      | 2,500,000   |
| 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 Assesment/Preventative Maintenance Plan.....        | 410,000     |
| ADA Accessibility Building Improvements.....                 | 500,000     |
| High School Construction.....                                | 244,538,155 |
| Winter Hill Community Innovation School Repairs.....         | 3,826,747   |
| Street, Sidewalks, and ADA Ramp Improvements.....            | 2,700,000   |
| 45 College Ave Property Acquisition.....                     | 1,600,000   |
| Somerville Ave Infrastructure Improvements- Water.....       | 63,000,000  |
| Sewer Pump Station and Force Main (Poplar Street).....       | 2,100,000   |
| Spring Hill Sewer Separation Project Design Phase.....       | 1,500,000   |
| DPW Street Sweepers (Two) & Trackless Vehicles.....          | 436,528     |
| Sewer Main Rehabilitation and Replacement.....               | 1,500,000   |
| Bueno Vista Garage.....                                      | 2,000,000   |

|   |                           |
|---|---------------------------|
| West Branch Library Renovation.....       | 94,000                    |
| 100 Homes Affordable Housing Project..... | 6,000,000                 |
| Paving and Sidewalk Improvements.....     | 2,700,000                 |
| DPW Vehicles and Equipment.....           | 1,002,291                 |
| ADA Building Improvements.....            | <u>500,000</u>            |
| <br>Total.....                            | <br><u>\$ 419,296,324</u> |

Changes in Long-term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

|  | Beginning<br>Balance      | Bonds and<br>Notes<br>Issued | Bonds and<br>Notes<br>Redeemed | Other<br>Increases       | Other<br>Decreases         | Ending<br>Balance         | Due Within<br>One Year  |
|--|---------------------------|------------------------------|--------------------------------|--------------------------|----------------------------|---------------------------|-------------------------|
| <b>Governmental Activities:</b>                                |                           |                              |                                |                          |                            |                           |                         |
| Long-term bonds payable.....                                   | \$ 96,738,128             | \$ 17,954,077                | \$ (15,241,623)                | \$ -                     | \$ -                       | \$ 99,450,582             | \$ 6,812,925            |
| Add: Unamortized premium on bonds.....                         | 4,685,218                 | -                            | -                              | 2,697,949                | (508,970)                  | 6,874,197                 | 679,300                 |
| Total bonds payable.....                                       | <u>101,423,346</u>        | <u>17,954,077</u>            | <u>(15,241,623)</u>            | <u>2,697,949</u>         | <u>(508,970)</u>           | <u>106,324,779</u>        | <u>7,492,225</u>        |
| Compensated absences.....                                      | 3,764,200                 | -                            | -                              | 23,009                   | (159,509)                  | 3,627,700                 | 146,700                 |
| Workers' compensation.....                                     | 1,355,000                 | -                            | -                              | -                        | (434,000)                  | 921,000                   | 230,250                 |
| Net pension liability.....                                     | 138,459,928               | -                            | -                              | -                        | (24,744,952)               | 113,714,976               | -                       |
| Other postemployment benefits.....                             | <u>300,135,076</u>        | <u>-</u>                     | <u>-</u>                       | <u>13,264,291</u>        | <u>(46,621,379)</u>        | <u>266,777,988</u>        | <u>-</u>                |
| <br>Total governmental activity<br>long-term liabilities.....  | <br><u>\$ 545,137,550</u> | <br><u>\$ 17,954,077</u>     | <br><u>\$ (15,241,623)</u>     | <br><u>\$ 15,985,249</u> | <br><u>\$ (72,468,810)</u> | <br><u>\$ 491,366,443</u> | <br><u>\$ 7,869,175</u> |
| <b>Business-Type Activities:</b>                               |                           |                              |                                |                          |                            |                           |                         |
| Long-term bonds payable.....                                   | \$ 9,950,711              | \$ 2,830,923                 | \$ (3,512,790)                 | \$ -                     | \$ -                       | \$ 9,268,844              | \$ 1,770,683            |
| Compensated absences.....                                      | 63,500                    | -                            | -                              | 7,300                    | (1,700)                    | 69,100                    | 1,600                   |
| Net pension liability.....                                     | 1,706,463                 | -                            | -                              | -                        | (234,625)                  | 1,471,838                 | -                       |
| Other postemployment benefits.....                             | <u>2,085,321</u>          | <u>-</u>                     | <u>-</u>                       | <u>92,159</u>            | <u>(323,923)</u>           | <u>1,853,557</u>          | <u>-</u>                |
| <br>Total business-type activity<br>long-term liabilities..... | <br><u>\$ 13,805,995</u>  | <br><u>\$ 2,830,923</u>      | <br><u>\$ (3,512,790)</u>      | <br><u>\$ 99,459</u>     | <br><u>\$ (560,248)</u>    | <br><u>\$ 12,663,339</u>  | <br><u>\$ 1,772,283</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, 2018, the fund balances consisted of the following:

|   | General              | Strategic<br>Planning &<br>Community<br>Development | Capital<br>Projects<br>Funds | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|---|------------------------------|-----------------------------------|--------------------------------|
| Fund Balances:  |                      |   |                              |                                   |                                |
| Nonspendable:   |                      |   |                              |                                   |                                |
| Permanent fund principal.....                               | \$ -                 | \$ -  | \$ -                         | \$ 433,126                        | \$ 433,126                     |
| Restricted for:   |                      |   |                              |                                   |                                |
| Strategic planning & community development.....             | -                    | 16,520,928  | -                            | -                                 | 16,520,928                     |
| School special revenue funds.....                           | -                    | -   | -                            | 884,157                           | 884,157                        |
| School federal grants.....                                  | -                    | -   | -                            | 173                               | 173                            |
| School state & private grants.....                          | -                    | -   | -                            | 2,103,902                         | 2,103,902                      |
| City federal grant funds.....                               | -                    | -   | -                            | 3,409                             | 3,409                          |
| City state grant funds.....                                 | -                    | -   | -                            | 362,028                           | 362,028                        |
| City revolving funds.....                                   | -                    | -   | -                            | 198,801                           | 198,801                        |
| City receipts reserved.....                                 | -                    | -   | -                            | 5,167,134                         | 5,167,134                      |
| City private grants.....                                    | -                    | -   | -                            | 434,874                           | 434,874                        |
| School lunch.....   | -                    | -   | -                            | 739,456                           | 739,456                        |
| Community preservation.....                                 | -                    | -   | -                            | 10,957,885                        | 10,957,885                     |
| Other special revenue funds.....                            | -                    | -   | -                            | 9,384,787                         | 9,384,787                      |
| Other permanent funds.....                                  | -                    | -   | -                            | 161,034                           | 161,034                        |
| Committed to:   |                      |   |                              |                                   |                                |
| Health claims.....  | 11,461,343           | -   | -                            | -                                 | 11,461,343                     |
| Max-Pak stabilization fund.....                             | 20,363               | -   | -                            | -                                 | 20,363                         |
| East Somerville stabilization fund.....                     | 103,961              | -   | -                            | -                                 | 103,961                        |
| Street Tree stabilization fund.....                         | 12,910               | -   | -                            | -                                 | 12,910                         |
| Alpine Restaurant stabilization fund.....                   | 2,544                | -   | -                            | -                                 | 2,544                          |
| Rockwell Restaurant stabilization fund.....                 | 9,169                | -   | -                            | -                                 | 9,169                          |
| Capital Projects stabilization fund.....                    | 4,860,262            | -   | -                            | -                                 | 4,860,262                      |
| Construction stabilization fund.....                        | 1,574,181            | -   | -                            | -                                 | 1,574,181                      |
| Traffic Safety stabilization fund.....                      | 382,736              | -   | -                            | -                                 | 382,736                        |
| Mitigation stabilization fund.....                          | 100,855              | -   | -                            | -                                 | 100,855                        |
| 270 Cedar Street LLC stabilization fund.....                | 1,016                | -   | -                            | -                                 | 1,016                          |
| Workforce Training stabilization fund.....                  | 417                  | -   | -                            | -                                 | 417                            |
| Bicycle stabilization fund.....                             | 2,212                | -   | -                            | -                                 | 2,212                          |
| Linwood Street sidewalk improvement stabilization fund..... | 11,906               | -   | -                            | -                                 | 11,906                         |
| Davis Square traffic and Sign stabilization fund.....       | 288                  | -   | -                            | -                                 | 288                            |
| Trash transfer station stabilization fund.....              | 50,287               | -   | -                            | -                                 | 50,287                         |
| Salary and wage stabilization fund.....                     | 8,743,426            | -   | -                            | -                                 | 8,743,426                      |
| Open space improvement stabilization fund.....              | 95,944               | -   | -                            | -                                 | 95,944                         |
| Union square revitalization stabilization fund.....         | 31,099               | -   | -                            | -                                 | 31,099                         |
| Facility construction & renovation stabilization fund.....  | 4,483,388            | -   | -                            | -                                 | 4,483,388                      |
| Street reconstruction & resurfacing stabilization fund..... | 1,519,216            | -   | -                            | -                                 | 1,519,216                      |
| Elmwood stabilization.....                                  | 37,652               | -   | -                            | -                                 | 37,652                         |
| 377 Broadway stabilization.....                             | 4,346                | -   | -                            | -                                 | 4,346                          |
| Green Line extension stabilization.....                     | 4,458,829            | -   | -                            | -                                 | 4,458,829                      |
| Highland Ave stabilization.....                             | 10,000               | -   | -                            | -                                 | 10,000                         |
| Medical marijuana stabilization.....                        | 88,440               | -   | -                            | -                                 | 88,440                         |
| Infiltration/ Inflow stabilization.....                     | 497,508              | -   | -                            | -                                 | 497,508                        |
| Algonquin Mitigation stabilization fund.....                | 132,139              | -   | -                            | -                                 | 132,139                        |
| Boynon Yards stabilization fund.....                        | 60,000               | -   | -                            | -                                 | 60,000                         |
| Assigned to:  |                      |   |                              |                                   |                                |
| General government.....                                     | 738,060              | -   | -                            | -                                 | 738,060                        |
| Public safety.....  | 421,600              | -   | -                            | -                                 | 421,600                        |
| Education.....  | 358,962              | -   | -                            | -                                 | 358,962                        |
| Public works.....   | 2,557,531            | -   | -                            | -                                 | 2,557,531                      |
| Culture and recreation.....                                 | 4,497                | -   | -                            | -                                 | 4,497                          |
| Employee benefits.....                                      | 900                  | -   | -                            | -                                 | 900                            |
| Free cash used for subsequent year budget.....              | 1,750,000            | -   | -                            | -                                 | 1,750,000                      |
| Unassigned.....   | 19,666,376           | -   | (31,035,675)                 | -                                 | (11,369,299)                   |
| <b>Total Fund Balances.....</b>                             | <b>\$ 64,254,363</b> | <b>\$ 16,520,928</b>                                | <b>\$ (31,035,675)</b>       | <b>\$ 30,830,766</b>              | <b>\$ 80,570,382</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, 2018, the amount of the liability for workers’ compensation claims totaled \$921,000.

Changes in the reported liability since July 1, 2016, are as follows:

|           | Balance at<br>Beginning of<br>Year | Current Year<br>Claims and<br>Changes in<br>Estimate | Claims<br>Payments | Balance at<br>Year-End | Current<br>Portion |
|-----------|------------------------------------|--|--------------------|------------------------|--------------------|
| 2017..... | \$ 1,264,000                       | \$ 505,910   | \$ (414,910)       | \$ 1,355,000           | \$ 338,750         |
| 2018..... | 1,355,000                          | 386,225  | (820,225)          | 921,000                | 230,250            |

**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, 2017. The City’s portion of the collective pension expense, contributed by the Commonwealth, of \$15,799,215 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 \$151,372,752 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, 2017.

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, 2017, the SCRS membership consists of the following:

|  |                     |
|--|---------------------|
| Active members.....  | 1,195               |
| Inactive members.....  | 420                 |
| Disabled members.....  | 129                 |
| Retirees and beneficiaries currently receiving benefits..... | <u>777</u>          |
| Total.....   | <u><u>2,521</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, 2017 was \$14,805,336, 20.24% 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 \$13,808,937 which equaled its actual contribution.

*Pension Liabilities*

The components of the net pension liability of the participating member units at June 30, 2018, were as follows:

|  |    |                           |
|--|----|---------------------------|
| Total pension liability.....   | \$ | 402,269,188               |
| Total pension plan's fiduciary net position.....   |    | <u>(279,217,264)</u>      |
| Total net pension liability.....   | \$ | <u><u>123,051,924</u></u> |
|  |    |                           |
| The pension plan's fiduciary net position as<br>a percentage of the total pension liability..... |    | 69.41%                    |

At June 30, 2018, the City reported a liability of \$115,186,814 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. 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, 2017, the City's proportion was 93.61%, which changed from its proportion measured at December 31, 2016, of 93.53%.

*Pension Expense*

For the year ended June 30, 2018, the City recognized a pension expense of \$13,063,556. At June 30, 2018, the City reported deferred outflows of resources related to pensions of \$1,588,414, and deferred inflows of resources related to pensions of \$5,339,146.

The balances of deferred outflows and inflows at June 30, 2018 consist of the following:

| Deferred Category   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Total                 |
|---|--------------------------------------|-------------------------------------|-----------------------|
| Differences between expected and actual experience.....             | \$ -                                 | \$ (1,628,591)                      | \$ (1,628,591)        |
| Net asset gain (loss).....  | -                                    | (3,566,464)                         | (3,566,464)           |
| Changes in assumptions.....   | 1,552,765                            | -                                   | 1,552,765             |
| Changes in proportion and proportionate share of contributions..... | <u>35,649</u>                        | <u>(144,091)</u>                    | <u>(108,442)</u>      |
| Total deferred outflows/(inflows) of resources.....                 | \$ <u>1,588,414</u>                  | \$ <u>(5,339,146)</u>               | \$ <u>(3,750,732)</u> |

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

Year ended June 30:

|           |    |                           |
|-----------|----|---------------------------|
| 2019..... | \$ | 2,197,753                 |
| 2020..... |    | 1,041,544                 |
| 2021..... |    | (2,581,905)               |
| 2022..... |    | (4,411,140)               |
| 2023..... |    | <u>3,016</u>              |
|           | \$ | <u><u>(3,750,732)</u></u> |

*Actuarial Assumptions*

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

|                                 |  |
|---------------------------------|--|
| Valuation date.....             | 1/1/2017   |
| Actuarial cost method.....      | Individual Entry Age Normal Cost Method.   |
| Investment rate of return.....  | It is assumed that assets of the fund will accumulate at a compound annual rate of 8.00% per annum.  |
| Value of Investments.....       | Assets held by the fund are valued at market value as reported by the Public Employees' Retirement Administration Commission (PERAC).  |
| Payroll growth.....             | 3.00% per year   |
| Cost of living adjustments..... | 2.50% of the lesser of the pension amount and \$13,000 per year.   |
| Mortality rates.....            | It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MO-2015, fully generational. Mortality for retirees members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and three years for females, fully generational. Mortality for retirees members for Group 4 represented by the RP-2014 Blue Collar Mortality Table set forward three years for males and size years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2015 |

*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, 2017, are summarized in the following table:

| Asset Class                              | Long-Term Expected Asset Allocation | Long-Term Expected Real Rate of Return |
|--|-------------------------------------|--|
| Cash.....                                | 0%-10%                              | 2.75%                                  |
| Large cap equities.....                  | 45%-65%                             | 9.00%                                  |
| Small cap equities.....                  | 0%-10%                              | 9.00%                                  |
| Multi cap equities.....                  | 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, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.92%. 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, 2018, was 8.00%, which changed from June 30, 2017. 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<br>(7.00%) | Current<br>Discount<br>(8.00%) | 1% Increase<br>(9.00%) |
|--|------------------------|--------------------------------|------------------------|
| <u>December 31, 2017 Measurement Date</u>                        |                        |                                |                        |
| The City's proportionate share of the net pension liability..... | \$ 152,071,562         | \$ 115,186,814                 | \$ 83,636,996          |
| <u>December 31, 2017 Measurement Date</u>                        |                        |                                |                        |
| System total net pension liability.....                          | \$ 162,455,183         | \$ 123,051,924                 | \$ 89,347,826          |

*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 2018 totaled \$135,000.

*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.

*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 2018, the City’s benefit payments totaled \$8,485,245, and the City contributed another \$5.5 million to the OPEB Trust fund. For the year ended June 30, 2018, the City’s average contribution rate was 20.51% 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 2018, the City pre-funded future OPEB liabilities by contributing \$5,500,000 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, 2018, the balance of this fund totaled \$7.3 million.

The annual money-weighted rate of return on OPEB plan investments was 1.18%. 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, 2018:

|                                 |                         |
|---------------------------------|-------------------------|
| Active members.....             | 1,658                   |
| Retirees and beneficiaries..... | <u>1,694</u>            |
| <br>Total.....                  | <br><u><u>3,352</u></u> |

*Components of OPEB Liability* – The following table represents the components of the Plan’s OPEB liability as of June 30, 2018:

|  |                                  |
|--|----------------------------------|
| Total OPEB liability.....  | \$ 275,979,621                   |
| Less: OPEB plan's fiduciary net position.....  | <u>(7,348,076)</u>               |
| <br>Net OPEB liability.....  | <br><u><u>\$ 268,631,545</u></u> |
| <br>The OPEB plan's fiduciary net position<br>as a percentage of the total OPEB liability..... | <br><br>2.66%                    |

*Significant Actuarial Methods and Assumptions* – The total OPEB liability in the June 30, 2018, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods including the measurement date to be in accordance with GASB #74 and GASB #75.

|                                 |   |
|---------------------------------|---|
| Valuation date.....             | June 30, 2018   |
| Actuarial cost method.....      | Individual Entry Age Normal Cost Method.  |
| Asset valuation method.....     | Market Value.   |
| Discount rate.....              | 3.75%, based on June 30, long term high quality municipal bonds.  |
| Healthcare cost trend rate..... | 5.5% decreasing by 0.5% each year to 4.5% for periods starting in 2020.   |
| 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 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 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. |
| 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 0.8%. The City is expected to develop a long-term investment policy in the future.

*Discount Rate* – The discount rate used to measure the total OPEB liability was 3.75% as of June 30, 2018, which did not change from June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore the long-term expected rate of return on the OPEB plan assets was based on a yield or index rate for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher; which was selected from a range of indices including the Bond Buyer 20 – Bond Municipal Bond Index.

*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.

|                         | 1% Decrease<br>(2.75%) | Current<br>Discount Rate<br>(3.75%) | 1% Increase<br>(4.75%) |
|-------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability..... | \$ 318,595,998         | \$ 268,631,545                      | \$ 229,633,388         |

*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 (4.50%) or 1-percentage-point higher (6.50%).

|                         | 1% Decrease<br>(4.50%) | Current Trend<br>(5.50%) | 1% Increase<br>(6.50%) |
|-------------------------|------------------------|--------------------------|------------------------|
| Net OPEB liability..... | \$ 226,205,876         | \$ 268,631,545           | \$ 324,332,034         |

*Changes in Assumptions and Plan Provisions*

The following assumptions were included in the June 30, 2018, actuarial valuation:

- The healthcare cost trend rate was reduced from 6.0% to 5.5%.

There were no changes in plan provisions in the June 30, 2018 actuarial valuation.

*Summary of Significant Accounting Policies* – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan.

For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

*Changes in the Net OPEB Liability*

|   | Increase (Decrease) |                                  |                        |
|---|---------------------|----------------------------------|------------------------|
|   | Total OPEB          | Plan                             | Net OPEB               |
|   | Liability<br>(a)    | Fiduciary<br>Net Position<br>(b) | Liability<br>(a) - (b) |
| Balances at June 30, 2017.....                          | \$ 304,074,941      | \$ 1,821,275                     | \$ 302,253,666         |
| Changes for the year:                                   |                     |                                  |                        |
| Service cost.....                                       | 9,597,888           | -                                | 9,597,888              |
| Interest.....   | 11,592,912          | 26,801                           | 11,566,111             |
| Contributions - employer.....                           | -                   | 13,985,245                       | (13,985,245)           |
| Differences between expected and actual experience..... | (40,144,988)        | -                                | (40,144,988)           |
| Benefit payments.....                                   | (9,141,132)         | (8,485,245)                      | (655,887)              |
| Net change.....   | (28,095,320)        | 5,526,801                        | (33,622,121)           |
| Balances at June 30, 2018.....                          | \$ 275,979,621      | \$ 7,348,076                     | \$ 268,631,545         |

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* – For the year ended June 30, 2018, the City recognized an OPEB expense of \$13,298,301. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Deferred Category                                       | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Total           |
|---|--------------------------------------|-------------------------------------|-----------------|
| Differences between expected and actual experience..... | \$ -                                 | \$ (32,304,170)                     | \$ (32,304,170) |
| Difference between projected and actual earnings.....   | 58,149                               | -                                   | 58,149          |
| Total deferred outflows/(inflows) of resources.....     | \$ 58,149                            | \$ (32,304,170)                     | \$ (32,246,021) |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Measurement date year ended June 30: |                 |
|--------------------------------------|-----------------|
| 2019.....                            | \$ (7,824,202)  |
| 2020.....                            | (7,824,202)     |
| 2021.....                            | (7,824,201)     |
| 2022.....                            | (7,832,518)     |
| 2023.....                            | (940,898)       |
|                                      | \$ (32,246,021) |

**NOTE 13 – FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS**

GAAP requires that all Pension and Other Postemployment Trust Funds be combined and presented in one column in the Fiduciary Funds financial statements and that the individual financial statements for each trust fund plan are reported in the notes to the financial statements. Provided below are the individual financial statements for the pension and OPEB plans that are included in the Fiduciary Funds as Pension and Other Postemployment Benefit Trust Funds.

|   | Pension<br>Trust Fund<br>(as of December<br>31, 2017) | Other<br>Postemployment<br>Benefit<br>Trust Fund | Total Pension<br>and Other<br>Employee<br>Benefit<br>Trust Funds |
|---|---|--|--|
| <b>ASSETS</b>   |   |  |  |
| Cash and cash equivalents.....  | \$ 6,293,928  | \$ 7,348,076                                     | \$ 13,642,004  |
| Investments:  |   |  |  |
| Real estate and alternative investment mutual funds.....              | 21,209,628  | -  | 21,209,628   |
| Bond mutual funds.....  | 69,649,406  | -  | 69,649,406   |
| Equity securities.....  | 157,747,063   | -  | 157,747,063  |
| Equity mutual funds.....  | 24,463,082  | -  | 24,463,082   |
| Receivables, net of allowance for uncollectibles:                     |   |  |  |
| Departmental and other.....   | 14,283  | -  | 14,283   |
| <b>TOTAL ASSETS.....</b>  | <b>279,377,390</b>                                    | <b>7,348,076</b>                                 | <b>286,725,466</b>   |
| <b>LIABILITIES</b>  |   |  |  |
| Warrants payable.....   | 160,126   | -  | 160,126  |
| <b>NET POSITION</b>   |   |  |  |
| Restricted for pensions.....  | 279,217,264   | -  | 279,217,264  |
| Restricted for other postemployment benefits.....                     | -   | 7,348,076  | 7,348,076  |
| <b>TOTAL NET POSITION.....</b>  | <b>\$ 279,217,264</b>                                 | <b>\$ 7,348,076</b>                              | <b>\$ 286,565,340</b>  |
| <b>ADDITIONS:</b>   |   |  |  |
| Contributions:  |   |  |  |
| Employer contributions.....   | \$ 165,857  | \$ 5,500,000                                     | \$ 5,665,857   |
| Employer contributions for other postemployment benefit payments..... | -   | 8,485,245  | 8,485,245  |
| Member contributions.....   | 22,636,081  | -  | 22,636,081   |
| Retirement benefits - transfers from other systems.....               | 579,727   | -  | 579,727  |
| Retirement benefits - workers compensation settlements.....           | 12,150  | -  | 12,150   |
| Retirement benefits - interest not refunded.....                      | 12,970  | -  | 12,970   |
| Intergovernmental.....  | 72,227  | -  | 72,227   |
| <b>Total contributions.....</b>                                       | <b>23,479,012</b>                                     | <b>13,985,245</b>                                | <b>37,464,257</b>  |
| Net investment income:  |   |  |  |
| Investment income.....  | 6,571,321   | 26,801   | 6,598,122  |
| Net change in fair value of investments.....                          | 37,421,939  | -  | 37,421,939   |
| Less: investment expense.....   | (1,300,930)   | -  | (1,300,930)  |
| <b>Net investment income (loss).....</b>                              | <b>42,692,330</b>                                     | <b>26,801</b>                                    | <b>42,719,131</b>  |
| <b>TOTAL ADDITIONS.....</b>   | <b>66,171,342</b>                                     | <b>14,012,046</b>                                | <b>80,183,388</b>  |
| <b>DEDUCTIONS:</b>  |   |  |  |
| Administration.....   | 463,693   | -  | 463,693  |
| Retirement benefits - transfers to other systems.....                 | 894,233   | -  | 894,233  |
| Retirement benefits - 3(8)c transfer to other systems.....            | 1,051,885   | -  | 1,051,885  |
| Retirement benefits and refunds.....                                  | 27,345,556  | -  | 27,345,556   |
| Other postemployment benefit payments.....                            | -   | 8,485,245  | 8,485,245  |
| <b>TOTAL DEDUCTIONS.....</b>  | <b>29,755,367</b>                                     | <b>8,485,245</b>                                 | <b>38,240,612</b>  |
| <b>NET INCREASE (DECREASE) IN NET POSITION.....</b>                   | <b>36,415,975</b>                                     | <b>5,526,801</b>                                 | <b>41,942,776</b>  |
| <b>NET POSITION AT BEGINNING OF YEAR.....</b>                         | <b>242,801,289</b>                                    | <b>1,821,275</b>                                 | <b>244,622,564</b>   |
| <b>NET POSITION AT END OF YEAR.....</b>                               | <b>\$ 279,217,264</b>                                 | <b>\$ 7,348,076</b>                              | <b>\$ 286,565,340</b>  |

**NOTE 14 - 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 \$419.3 million. The Union Square streetscape and utility improvements, Somerville High School reconstruction, MBTA Green Line extension, and various street and sidewalk projects throughout the City are some of the major projects that the City will be completing.

**NOTE 15 - 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, 2018, 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, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2018.

**NOTE 16 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 25, 2019, which is the date the financial statements were available to be issued.

**NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2018, the following GASB pronouncements were implemented:

- GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #81, *Irrevocable Split-Interest Agreements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #85, *Omnibus 2017*. This pronouncement did not impact the basic financial statements.

- GASB Statement #86, *Certain Debt Extinguishment Issues*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- 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 2019.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- The GASB issued Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented in 2019.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2020.

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

#### **NOTE 18 – REVISION OF NET POSITION**

The beginning net position of governmental and business-type activities has been revised to reflect the implementation of GASB Statement #75. To reflect this change, the City has recorded a net other postemployment liability, which has resulted in the revision of the June 30, 2017 balance of the governmental activities and business type activities by \$173,502,189 and \$1,999,048 respectively. Previously reported governmental activities negative net position of \$11,112,780 has been revised to negative \$184,614,969. Previously reported business-type activities net position of \$68,330,849 has been revised to \$66,331,801.

***Required Supplementary Information***

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

YEAR ENDED JUNE 30, 2018

|   | Budgeted Amounts                   |                    |                    | Actual<br>Budgetary<br>Amounts | Amounts<br>Carried Forward<br>To Next Year | Variance<br>to Final<br>Budget |
|---|------------------------------------|--------------------|--------------------|--------------------------------|--|--------------------------------|
|   | Amounts                            | Original           | Final              |                                |  |                                |
|   | Carried Forward<br>From Prior Year | Budget             | Budget             |                                |  |                                |
| <b>REVENUES:</b>  |                                    |                    |                    |                                |  |                                |
| Real estate and personal property taxes,<br>net of tax refunds..... | \$ -                               | \$ 141,124,459     | \$ 141,962,349     | \$ 142,187,805                 | \$ -                                       | \$ 225,456                     |
| Tax liens.....  | -                                  | -                  | -                  | 192,533                        | -  | 192,533                        |
| Motor vehicle and other excise taxes.....                           | -                                  | 9,474,672          | 9,760,840          | 9,484,191                      | -  | (276,649)                      |
| Penalties and interest on taxes.....                                | -                                  | 808,000            | 808,000            | 869,868                        | -  | 61,868                         |
| Payments in lieu of taxes.....                                      | -                                  | 1,344,840          | 1,344,840          | 1,327,790                      | -  | (17,050)                       |
| Intergovernmental - other.....                                      | -                                  | 49,874,378         | 50,032,227         | 49,452,074                     | -  | (580,153)                      |
| Departmental and other.....   | -                                  | 21,909,592         | 20,904,788         | 25,592,325                     | -  | 4,687,537                      |
| Investment income.....  | -                                  | 275,000            | 302,397            | 925,494                        | -  | 623,097                        |
| Miscellaneous.....  | -                                  | 18,000             | 18,000             | 227,341                        | -  | 209,341                        |
| <b>TOTAL REVENUES.....</b>  | <b>-</b>                           | <b>224,828,941</b> | <b>225,133,441</b> | <b>230,259,421</b>             | <b>-</b>                                   | <b>5,125,980</b>               |
| <b>EXPENDITURES:</b>  |                                    |                    |                    |                                |  |                                |
| <b>GENERAL GOVERNMENT</b>   |                                    |                    |                    |                                |  |                                |
| <b>Board of Alderman</b>  |                                    |                    |                    |                                |  |                                |
| Salaries.....   | -                                  | 456,906            | 456,894            | 456,906                        | -  | (12)                           |
| Expenses.....   | -                                  | 40,660             | 40,658             | 38,125                         | 1,200                                      | 1,333                          |
| <b>TOTAL.....</b>   | <b>-</b>                           | <b>497,566</b>     | <b>497,552</b>     | <b>495,031</b>                 | <b>1,200</b>                               | <b>1,321</b>                   |
| <b>Clerk of Committees</b>  |                                    |                    |                    |                                |  |                                |
| Salaries.....   | -                                  | 76,659             | 87,659             | 87,659                         | -  | -                              |
| Expenses.....   | -                                  | 1,000              | 1,000              | -                              | -  | 1,000                          |
| <b>TOTAL.....</b>   | <b>-</b>                           | <b>77,659</b>      | <b>88,659</b>      | <b>87,659</b>                  | <b>-</b>                                   | <b>1,000</b>                   |
| <b>Executive Office</b>   |                                    |                    |                    |                                |  |                                |
| Salaries.....   | -                                  | 3,318,359          | 3,318,359          | 3,245,505                      | -  | 72,854                         |
| Expenses.....   | 118,946                            | 802,214            | 812,946            | 669,242                        | 56,560                                     | 87,144                         |
| Special Items.....  | 1,098                              | 217,598            | 216,748            | 190,286                        | -  | 26,462                         |
| Capital.....  | 85,615                             | 310,615            | 299,526            | 164,642                        | 134,599                                    | 285                            |
| <b>TOTAL.....</b>   | <b>205,659</b>                     | <b>4,648,786</b>   | <b>4,647,579</b>   | <b>4,269,675</b>               | <b>191,159</b>                             | <b>186,745</b>                 |
| <b>Auditor's Office</b>   |                                    |                    |                    |                                |  |                                |
| Salaries.....   | -                                  | 794,276            | 794,276            | 755,712                        | -  | 38,564                         |
| Expenses.....   | 110,829                            | 218,914            | 147,878            | 96,014                         | 32,070                                     | 19,794                         |
| <b>TOTAL.....</b>   | <b>110,829</b>                     | <b>1,013,190</b>   | <b>942,154</b>     | <b>851,726</b>                 | <b>32,070</b>                              | <b>58,358</b>                  |
| <b>Grants Management</b>  |                                    |                    |                    |                                |  |                                |
| Salaries.....   | -                                  | 154,084            | 154,084            | 154,076                        | -  | 8                              |
| Expenses.....   | -                                  | 5,760              | 5,760              | 4,661                          | -  | 1,099                          |
| <b>TOTAL.....</b>   | <b>-</b>                           | <b>159,844</b>     | <b>159,844</b>     | <b>158,737</b>                 | <b>-</b>                                   | <b>1,107</b>                   |
| <b>Purchasing</b>   |                                    |                    |                    |                                |  |                                |
| Salaries.....   | -                                  | 413,916            | 413,916            | 382,063                        | -  | 31,853                         |
| Expenses.....   | -                                  | 30,100             | 30,100             | 21,857                         | -  | 8,243                          |
| <b>TOTAL.....</b>   | <b>-</b>                           | <b>444,016</b>     | <b>444,016</b>     | <b>403,920</b>                 | <b>-</b>                                   | <b>40,096</b>                  |
| <b>Assessing</b>  |                                    |                    |                    |                                |  |                                |
| Salaries.....   | -                                  | 567,611            | 567,611            | 561,012                        | -  | 6,599                          |
| Expenses.....   | -                                  | 85,800             | 85,800             | 65,043                         | -  | 20,757                         |
| <b>TOTAL.....</b>   | <b>-</b>                           | <b>653,411</b>     | <b>653,411</b>     | <b>626,055</b>                 | <b>-</b>                                   | <b>27,356</b>                  |
| <b>Treasurer's/ Collector's Office</b>                              |                                    |                    |                    |                                |  |                                |
| Salaries.....   | -                                  | 689,161            | 689,161            | 621,176                        | -  | 67,985                         |
| Expenses.....   | 2,768                              | 223,692            | 220,952            | 155,007                        | 3,257                                      | 62,688                         |
| <b>TOTAL.....</b>   | <b>2,768</b>                       | <b>912,853</b>     | <b>910,113</b>     | <b>776,183</b>                 | <b>3,257</b>                               | <b>130,673</b>                 |
| <b>Law Department</b>   |                                    |                    |                    |                                |  |                                |
| Salaries.....   | -                                  | 799,499            | 799,499            | 798,403                        | -  | 1,096                          |
| Expenses.....   | 43,023                             | 223,998            | 722,688            | 622,447                        | 87,890                                     | 12,351                         |
| <b>TOTAL.....</b>   | <b>43,023</b>                      | <b>1,023,497</b>   | <b>1,522,187</b>   | <b>1,420,850</b>               | <b>87,890</b>                              | <b>13,447</b>                  |
| <b>Personnel Department</b>   |                                    |                    |                    |                                |  |                                |
| Salaries.....   | -                                  | 955,545            | 955,795            | 907,588                        | -  | 48,207                         |
| Expenses.....   | 23,280                             | 336,032            | 324,422            | 176,002                        | 36,871                                     | 111,549                        |
| Special Items.....  | -                                  | 61,000             | 61,000             | 27,481                         | -  | 33,519                         |
| <b>TOTAL.....</b>   | <b>23,280</b>                      | <b>1,352,577</b>   | <b>1,341,217</b>   | <b>1,111,071</b>               | <b>36,871</b>                              | <b>193,275</b>                 |

(Continued)

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

YEAR ENDED JUNE 30, 2018

|                                      | Budgeted Amounts                              |                    |                   | Actual<br>Budgetary<br>Amounts | Amounts<br>Carried Forward<br>To Next Year | Variance<br>to Final<br>Budget |
|--------------------------------------|---|--------------------|-------------------|--------------------------------|--|--------------------------------|
|                                      | Amounts<br>Carried Forward<br>From Prior Year | Original<br>Budget | Final<br>Budget   |                                |  |                                |
| <b>Information Technology</b>        |   |                    |                   |                                |  |                                |
| Salaries.....                        | -   | 796,426            | 796,426           | 774,268                        | -  | 22,158                         |
| Expenses.....                        | 268,435                                       | 2,059,906          | 2,028,856         | 1,723,879                      | 238,488                                    | 66,489                         |
| <b>TOTAL.....</b>                    | <b>268,435</b>                                | <b>2,856,332</b>   | <b>2,825,282</b>  | <b>2,498,147</b>               | <b>238,488</b>                             | <b>88,647</b>                  |
| <b>Communications</b>                |   |                    |                   |                                |  |                                |
| Salaries.....                        | -   | 712,801            | 729,051           | 715,372                        | -  | 13,679                         |
| Expenses.....                        | 2,079   | 187,726            | 197,727           | 140,785                        | -  | 56,942                         |
| <b>TOTAL.....</b>                    | <b>2,079</b>                                  | <b>900,527</b>     | <b>926,778</b>    | <b>856,157</b>                 | <b>-</b>                                   | <b>70,621</b>                  |
| <b>City Clerk</b>                    |   |                    |                   |                                |  |                                |
| Salaries.....                        | -   | 449,775            | 449,775           | 444,986                        | -  | 4,789                          |
| Expenses.....                        | 13,522  | 183,259            | 182,495           | 121,559                        | 40,097                                     | 20,839                         |
| <b>TOTAL.....</b>                    | <b>13,522</b>                                 | <b>633,034</b>     | <b>632,270</b>    | <b>566,545</b>                 | <b>40,097</b>                              | <b>25,628</b>                  |
| <b>Elections</b>                     |   |                    |                   |                                |  |                                |
| Salaries.....                        | -   | 389,259            | 389,259           | 351,982                        | -  | 37,277                         |
| Expenses.....                        | -   | 114,100            | 114,100           | 89,078                         | -  | 25,022                         |
| Capital.....                         | 24,077  | 24,077             | 24,077            | 24,077                         | -  | -                              |
| <b>TOTAL.....</b>                    | <b>24,077</b>                                 | <b>527,436</b>     | <b>527,436</b>    | <b>465,137</b>                 | <b>-</b>                                   | <b>62,299</b>                  |
| <b>Licensing Committee</b>           |   |                    |                   |                                |  |                                |
| Salaries.....                        | -   | 11,310             | 11,310            | 8,130                          | -  | 3,180                          |
| <b>Community Development</b>         |   |                    |                   |                                |  |                                |
| Salaries.....                        | -   | 4,587,305          | 4,661,227         | 4,499,569                      | -  | 161,658                        |
| Expenses.....                        | 276,958                                       | 1,318,958          | 1,130,842         | 785,556                        | 107,028                                    | 238,258                        |
| <b>TOTAL.....</b>                    | <b>276,958</b>                                | <b>5,906,263</b>   | <b>5,792,069</b>  | <b>5,285,125</b>               | <b>107,028</b>                             | <b>399,916</b>                 |
| <b>Veterans Benefits</b>             |   |                    |                   |                                |  |                                |
| Salaries.....                        | -   | 131,229            | 131,229           | 130,462                        | -  | 767                            |
| Expenses.....                        | 90  | 634,425            | 623,335           | 439,955                        | -  | 183,380                        |
| <b>TOTAL.....</b>                    | <b>90</b>                                     | <b>765,654</b>     | <b>754,564</b>    | <b>570,417</b>                 | <b>-</b>                                   | <b>184,147</b>                 |
| <b>Building Insurance</b>            |   |                    |                   |                                |  |                                |
| Expenses.....                        | -   | 430,000            | 430,000           | 380,275                        | -  | 49,725                         |
| <b>Person and Property Insurance</b> |   |                    |                   |                                |  |                                |
| Expenses.....                        | -   | 175,000            | 75,000            | 49,789                         | -  | 25,211                         |
| <b>Contingency Account</b>           |   |                    |                   |                                |  |                                |
| Expenses.....                        | -   | 2,930,000          | 214,537           | 103,603                        | -  | 110,934                        |
| <b>Total General Government.....</b> | <b>970,720</b>                                | <b>25,918,955</b>  | <b>23,395,978</b> | <b>20,984,232</b>              | <b>738,060</b>                             | <b>1,673,686</b>               |
| <b>PUBLIC SAFETY</b>                 |   |                    |                   |                                |  |                                |
| <b>Police Department</b>             |   |                    |                   |                                |  |                                |
| Salaries.....                        | -   | 16,211,694         | 16,039,682        | 15,507,626                     | -  | 532,056                        |
| Expenses.....                        | 67,952  | 681,568            | 681,900           | 526,697                        | 94,314                                     | 60,889                         |
| Special items.....                   | -   | 51,314             | 51,314            | 44,600                         | -  | 6,714                          |
| <b>TOTAL.....</b>                    | <b>67,952</b>                                 | <b>16,944,576</b>  | <b>16,772,896</b> | <b>16,078,923</b>              | <b>94,314</b>                              | <b>599,659</b>                 |
| <b>Fire Department</b>               |   |                    |                   |                                |  |                                |
| Salaries.....                        | 2,350   | 16,103,369         | 16,352,279        | 16,239,308                     | 13,314                                     | 99,657                         |
| Expenses.....                        | 41,819  | 502,219            | 501,081           | 398,118                        | 62,249                                     | 40,714                         |
| Special items.....                   | -   | 11,000             | 11,000            | 10,051                         | -  | 949                            |
| <b>TOTAL.....</b>                    | <b>44,169</b>                                 | <b>16,616,588</b>  | <b>16,864,360</b> | <b>16,647,477</b>              | <b>75,563</b>                              | <b>141,320</b>                 |
| <b>Emergency Management</b>          |   |                    |                   |                                |  |                                |
| Salaries.....                        | -   | 20,667             | 20,667            | 20,667                         | -  | -                              |
| Expenses.....                        | -   | 10,390             | 10,390            | 8,105                          | 1,585                                      | 700                            |
| <b>TOTAL.....</b>                    | <b>-</b>                                      | <b>31,057</b>      | <b>31,057</b>     | <b>28,772</b>                  | <b>1,585</b>                               | <b>700</b>                     |
| <b>Animal Control</b>                |   |                    |                   |                                |  |                                |
| Salaries.....                        | -   | 109,847            | 111,847           | 107,956                        | -  | 3,891                          |
| Expenses.....                        | 3,186   | 21,236             | 17,139            | 10,674                         | 1,341                                      | 5,124                          |
| <b>TOTAL.....</b>                    | <b>3,186</b>                                  | <b>131,083</b>     | <b>128,986</b>    | <b>118,630</b>                 | <b>1,341</b>                               | <b>9,015</b>                   |
| <b>Traffic and Parking</b>           |   |                    |                   |                                |  |                                |
| Salaries.....                        | -   | 2,633,080          | 2,633,080         | 2,513,217                      | -  | 119,863                        |
| Expenses.....                        | 92,618  | 1,691,243          | 1,638,143         | 1,262,872                      | 155,589                                    | 219,682                        |
| Capital.....                         | 50,629  | 50,629             | 49,729            | 49,729                         | -  | -                              |
| <b>TOTAL.....</b>                    | <b>143,247</b>                                | <b>4,374,952</b>   | <b>4,320,952</b>  | <b>3,825,818</b>               | <b>155,589</b>                             | <b>339,545</b>                 |

(Continued)

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

YEAR ENDED JUNE 30, 2018

|  | Budgeted Amounts                   |                    |                   | Actual<br>Budgetary<br>Amounts | Amounts<br>Carried Forward<br>To Next Year | Variance<br>to Final<br>Budget |
|--|------------------------------------|--------------------|-------------------|--------------------------------|--|--------------------------------|
|  | Amounts                            |                    | Final<br>Budget   |                                |  |                                |
|  | Carried Forward<br>From Prior Year | Original<br>Budget |                   |                                |  |                                |
| <b>Board of Health</b>                   |                                    |                    |                   |                                |  |                                |
| Salaries.....                            | -                                  | 2,172,374          | 2,112,374         | 1,917,899                      | -  | 194,475                        |
| Expenses.....                            | 18,254                             | 640,196            | 700,196           | 542,247                        | 93,208                                     | 64,741                         |
| <b>TOTAL.....</b>                        | <b>18,254</b>                      | <b>2,812,570</b>   | <b>2,812,570</b>  | <b>2,460,146</b>               | <b>93,208</b>                              | <b>259,216</b>                 |
| <b>Total Public Safety.....</b>          | <b>276,808</b>                     | <b>40,910,826</b>  | <b>40,930,821</b> | <b>39,159,766</b>              | <b>421,600</b>                             | <b>1,349,455</b>               |
| <b>EDUCATION</b>                         |                                    |                    |                   |                                |  |                                |
| Operational.....                         | 674,470                            | 69,248,650         | 69,214,226        | 68,799,420                     | 358,962                                    | 55,844                         |
| <b>PUBLIC WORKS</b>                      |                                    |                    |                   |                                |  |                                |
| <b>Administration</b>                    |                                    |                    |                   |                                |  |                                |
| Salaries.....                            | -                                  | 651,008            | 651,008           | 642,205                        | -  | 8,803                          |
| Expenses.....                            | 102,399                            | 1,041,499          | 982,262           | 610,400                        | 132,750                                    | 239,112                        |
| <b>TOTAL.....</b>                        | <b>102,399</b>                     | <b>1,692,507</b>   | <b>1,633,270</b>  | <b>1,252,605</b>               | <b>132,750</b>                             | <b>247,915</b>                 |
| <b>Electrical</b>                        |                                    |                    |                   |                                |  |                                |
| Salaries.....                            | -                                  | 341,820            | 341,820           | 359,976                        | -  | (18,156)                       |
| Expenses.....                            | 28,576                             | 272,076            | 247,583           | 104,375                        | 118,911                                    | 24,297                         |
| <b>TOTAL.....</b>                        | <b>28,576</b>                      | <b>613,896</b>     | <b>589,403</b>    | <b>464,351</b>                 | <b>118,911</b>                             | <b>6,141</b>                   |
| <b>Engineering</b>                       |                                    |                    |                   |                                |  |                                |
| Salaries.....                            | -                                  | 192,248            | 232,055           | 166,358                        | -  | 65,697                         |
| Expenses.....                            | 86,585                             | 389,385            | 368,683           | 185,552                        | 152,739                                    | 30,392                         |
| <b>TOTAL.....</b>                        | <b>86,585</b>                      | <b>581,633</b>     | <b>600,738</b>    | <b>351,910</b>                 | <b>152,739</b>                             | <b>96,089</b>                  |
| <b>Snow Removal</b>                      |                                    |                    |                   |                                |  |                                |
| Expenses.....                            | -                                  | 1,298,860          | 3,036,064         | 3,029,790                      | 6,245                                      | 29                             |
| <b>Highway</b>                           |                                    |                    |                   |                                |  |                                |
| Salaries.....                            | -                                  | 2,648,755          | 2,648,755         | 2,516,378                      | -  | 132,377                        |
| Expenses.....                            | 113,526                            | 1,364,121          | 1,294,092         | 944,888                        | 181,992                                    | 167,212                        |
| <b>TOTAL.....</b>                        | <b>113,526</b>                     | <b>4,012,876</b>   | <b>3,942,847</b>  | <b>3,461,266</b>               | <b>181,992</b>                             | <b>299,589</b>                 |
| <b>Sanitation</b>                        |                                    |                    |                   |                                |  |                                |
| Expenses.....                            | 10,902                             | 5,183,902          | 5,559,387         | 4,681,921                      | 497,128                                    | 380,338                        |
| <b>Building and Grounds</b>              |                                    |                    |                   |                                |  |                                |
| Salaries.....                            | -                                  | 2,271,099          | 2,271,099         | 2,239,269                      | -  | 31,830                         |
| Expenses.....                            | 1,535,297                          | 10,615,828         | 10,021,684        | 7,637,997                      | 1,405,597                                  | 978,090                        |
| <b>TOTAL.....</b>                        | <b>1,535,297</b>                   | <b>12,886,927</b>  | <b>12,292,783</b> | <b>9,877,266</b>               | <b>1,405,597</b>                           | <b>1,009,920</b>               |
| <b>Fleet</b>                             |                                    |                    |                   |                                |  |                                |
| Expenses.....                            | -                                  | 461,000            | 461,001           | 348,255                        | 62,169                                     | 50,577                         |
| <b>School Custodians</b>                 |                                    |                    |                   |                                |  |                                |
| Salaries.....                            | -                                  | 1,908,672          | 1,908,672         | 1,764,998                      | -  | 143,674                        |
| Expenses.....                            | -                                  | 906,272            | 906,272           | 905,662                        | -  | 610                            |
| <b>TOTAL.....</b>                        | <b>-</b>                           | <b>2,814,944</b>   | <b>2,814,944</b>  | <b>2,670,660</b>               | <b>-</b>                                   | <b>144,284</b>                 |
| <b>Total Public Works.....</b>           | <b>1,877,285</b>                   | <b>29,546,545</b>  | <b>30,930,437</b> | <b>26,138,024</b>              | <b>2,557,531</b>                           | <b>2,234,882</b>               |
| <b>CULTURE AND RECREATION</b>            |                                    |                    |                   |                                |  |                                |
| <b>Library</b>                           |                                    |                    |                   |                                |  |                                |
| Salaries.....                            | -                                  | 1,984,541          | 1,984,541         | 1,945,609                      | -  | 38,932                         |
| Expenses.....                            | -                                  | 361,800            | 361,801           | 357,405                        | -  | 4,396                          |
| <b>TOTAL.....</b>                        | <b>-</b>                           | <b>2,346,341</b>   | <b>2,346,342</b>  | <b>2,303,014</b>               | <b>-</b>                                   | <b>43,328</b>                  |
| <b>Recreation and Youth Programs</b>     |                                    |                    |                   |                                |  |                                |
| Salaries.....                            | -                                  | 934,325            | 864,321           | 852,808                        | -  | 11,513                         |
| Expenses.....                            | 107,701                            | 797,001            | 791,640           | 590,857                        | 4,497                                      | 196,286                        |
| <b>TOTAL.....</b>                        | <b>107,701</b>                     | <b>1,731,326</b>   | <b>1,655,961</b>  | <b>1,443,665</b>               | <b>4,497</b>                               | <b>207,799</b>                 |
| <b>Total Culture and Recreation.....</b> | <b>107,701</b>                     | <b>4,077,667</b>   | <b>4,002,303</b>  | <b>3,746,679</b>               | <b>4,497</b>                               | <b>251,127</b>                 |

(Continued)

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

YEAR ENDED JUNE 30, 2018

|   | Budgeted Amounts                              |                      |                     | Actual<br>Budgetary<br>Amounts | Amounts<br>Carried Forward<br>To Next Year | Variance<br>to Final<br>Budget |
|---|---|----------------------|---------------------|--------------------------------|--|--------------------------------|
|   | Amounts<br>Carried Forward<br>From Prior Year | Original<br>Budget   | Final<br>Budget     |                                |  |                                |
| <b>OTHER</b>  |   |                      |                     |                                |  |                                |
| Pension Benefits  |   |                      |                     |                                |  |                                |
| Pension benefits.....   | -   | 13,857,795           | 13,847,195          | 13,808,937                     | -  | 38,258                         |
| Non-contributory pension.....                                     | -   | 123,597              | 134,197             | 134,096                        | -  | 101                            |
| <b>Total Pension Benefits.....</b>                                | <b>-</b>                                      | <b>13,981,392</b>    | <b>13,981,392</b>   | <b>13,943,033</b>              | <b>-</b>                                   | <b>38,359</b>                  |
| Employee Benefits   |   |                      |                     |                                |  |                                |
| Health and life insurance.....                                    | 833   | 25,305,828           | 25,805,827          | 24,632,659                     | 900  | 1,172,268                      |
| Worker's Compensation.....  | -   | 833,032              | 833,032             | 806,065                        | -  | 26,967                         |
| Unemployment compensation.....                                    | -   | 125,000              | 125,000             | 16,362                         | -  | 108,638                        |
| <b>Total Employee Benefits.....</b>                               | <b>833</b>                                    | <b>26,263,860</b>    | <b>26,763,859</b>   | <b>25,455,086</b>              | <b>900</b>                                 | <b>1,307,873</b>               |
| Debt and Interest   |   |                      |                     |                                |  |                                |
| Debt principal.....   | -   | 6,873,624            | 7,111,623           | 7,101,623                      | -  | 10,000                         |
| Debt interest.....  | -   | 3,699,171            | 4,068,452           | 4,170,752                      | -  | (102,300)                      |
| <b>TOTAL.....</b>   | <b>-</b>                                      | <b>10,572,795</b>    | <b>11,180,075</b>   | <b>11,272,375</b>              | <b>-</b>                                   | <b>(92,300)</b>                |
| State and County Charges  |   |                      |                     |                                |  |                                |
| State and county.....   | -   | 14,235,017           | 14,235,616          | 13,634,548                     |  | 601,068                        |
| <b>Total Other.....</b>   | <b>833</b>                                    | <b>65,053,064</b>    | <b>66,160,942</b>   | <b>64,305,042</b>              | <b>900</b>                                 | <b>1,855,000</b>               |
| <b>TOTAL EXPENDITURES.....</b>                                    | <b>3,907,817</b>                              | <b>234,755,707</b>   | <b>234,634,707</b>  | <b>223,133,163</b>             | <b>4,081,550</b>                           | <b>7,419,994</b>               |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER (UNDER) EXPENDITURES..... | (3,907,817)                                   | (9,926,766)          | (9,501,266)         | 7,126,258                      | (4,081,550)                                | 12,545,974                     |
| <b>OTHER FINANCING SOURCES (USES):</b>                            |   |                      |                     |                                |  |                                |
| Proceeds from the sale of capital assets.....                     | -   | -                    | -                   | 3,911                          | -  | 3,911                          |
| Transfers in.....   | -   | 3,687,397            | 4,483,042           | 4,590,080                      | -  | 107,038                        |
| Transfers out.....  | -   | (199,000)            | (8,774,011)         | (8,774,011)                    | -  | -                              |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES).....</b>              | <b>-</b>                                      | <b>3,488,397</b>     | <b>(4,290,969)</b>  | <b>(4,180,020)</b>             | <b>-</b>                                   | <b>110,949</b>                 |
| <b>NET CHANGE IN FUND BALANCE.....</b>                            | <b>(3,907,817)</b>                            | <b>(6,438,369)</b>   | <b>(13,792,235)</b> | <b>2,946,238</b>               | <b>(4,081,550)</b>                         | <b>12,656,923</b>              |
| BUDGETARY FUND BALANCE, Beginning of year.....                    | -   | 19,506,195           | 19,506,195          | 19,506,195                     | -  | -                              |
| <b>BUDGETARY FUND BALANCE, End of year.....</b>                   | <b>\$ (3,907,817)</b>                         | <b>\$ 13,067,826</b> | <b>\$ 5,713,960</b> | <b>\$ 22,452,433</b>           | <b>\$ (4,081,550)</b>                      | <b>\$ 12,656,923</b>           |

(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,<br>2014  | December 31,<br>2015  | December 31,<br>2016  | December 31,<br>2017  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Total pension liability:</b>  |                       |                       |                       |                       |
| Service cost.....  | \$ 7,699,763          | \$ 8,007,754          | \$ 8,007,754          | \$ 8,025,850          |
| Interest.....  | 29,232,338            | 31,265,848            | 30,159,556            | 30,905,512            |
| Changes in benefit terms.....  | -                     | -                     | -                     | -                     |
| Differences between expected and actual experience.....                            | -                     | -                     | (2,943,803)           | -                     |
| Changes in assumptions.....  | -                     | -                     | 2,806,740             | -                     |
| Benefit payments.....  | (24,693,645)          | (26,374,021)          | (28,179,587)          | (29,318,266)          |
| Interest on benefit payments.....  | -                     | (1,066,370)           | -                     | -                     |
| Net change in total pension liability.....   | 12,238,456            | 11,833,211            | 9,850,660             | 9,613,096             |
| Total pension liability - beginning.....   | <u>358,733,765</u>    | <u>370,972,221</u>    | <u>382,805,432</u>    | <u>392,656,092</u>    |
| Total pension liability - ending (a).....  | <u>\$ 370,972,221</u> | <u>\$ 382,805,432</u> | <u>\$ 392,656,092</u> | <u>\$ 402,269,188</u> |
| <b>Plan fiduciary net position:</b>  |                       |                       |                       |                       |
| Employer contributions.....  | \$ 13,812,101         | \$ 14,199,527         | \$ 14,659,434         | \$ 14,805,336         |
| Member contributions.....  | 6,233,959             | 7,044,521             | 7,560,253             | 7,910,511             |
| Net investment income (loss).....  | 12,996,452            | 454,830               | 8,831,845             | 42,779,686            |
| Administrative expenses.....   | (380,845)             | (397,417)             | (468,722)             | (500,849)             |
| Retirement benefits and refunds.....   | (24,693,645)          | (24,855,194)          | (27,275,655)          | (29,318,266)          |
| Other receipts.....  | -                     | -                     | -                     | 739,557               |
| Net increase (decrease) in fiduciary net position.....                             | 7,968,022             | (3,553,733)           | 3,307,155             | 36,415,975            |
| Fiduciary net position - beginning of year.....                                    | <u>235,079,845</u>    | <u>243,047,867</u>    | <u>239,494,134</u>    | <u>242,801,289</u>    |
| Fiduciary net position - end of year (b).....                                      | <u>\$ 243,047,867</u> | <u>\$ 239,494,134</u> | <u>\$ 242,801,289</u> | <u>\$ 279,217,264</u> |
| <b>Net pension liability - ending (a)-(b).....</b>                                 | <u>\$ 127,924,354</u> | <u>\$ 143,311,298</u> | <u>\$ 149,854,803</u> | <u>\$ 123,051,924</u> |
| Plan fiduciary net position as a percentage of the<br>total pension liability..... | 65.52%                | 62.56%                | 61.84%                | 69.41%                |
| Covered payroll.....   | \$ 66,506,738         | \$ 69,167,008         | \$ 71,454,475         | \$ 72,883,565         |
| Net pension liability as a percentage of<br>covered payroll.....                   | 192.35%               | 207.20%               | 209.72%               | 168.83%               |

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**

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| Year                   | Actuarially<br>determined<br>contribution | Contributions in<br>relation to the<br>actuarially<br>determined<br>contribution | Contribution<br>deficiency<br>(excess) | Covered<br>payroll | Contributions as<br>a percentage of<br>covered<br>payroll |
|------------------------|---|--|--|--------------------|---|
| December 31, 2017..... | \$ 14,805,336                             | \$ (14,805,336)  | -                                      | \$ 72,883,565      | 20.31%  |
| December 31, 2016..... | 14,659,434                                | (14,659,434)   | -                                      | 71,454,475         | 20.52%  |
| December 31, 2015..... | 14,199,527                                | (14,199,527)   | -                                      | 69,167,008         | 20.53%  |
| December 31, 2014..... | 13,147,710                                | (13,147,710)   | -                                      | 66,506,738         | 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 RETURNS**  
**SOMERVILLE CONTRIBUTORY RETIREMENT SYSTEM**

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| <u>Year</u>            | <u>Annual money-weighted<br/>rate of return,<br/>net of investment expense</u> |
|------------------------|--|
| December 31, 2017..... | 17.92%   |
| December 31, 2016..... | 3.73%  |
| December 31, 2015..... | 1.04%  |
| December 31, 2014..... | 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**

| Year                   | Proportion of<br>the net pension<br>liability (asset) | Proportionate<br>share of the<br>net pension<br>liability (asset) | Covered<br>payroll | Net pension<br>liability as a<br>percentage of<br>covered<br>payroll | Plan fiduciary<br>net position as<br>a percentage of<br>the total<br>pension liability |
|------------------------|---|---|--------------------|--|--|
| December 31, 2017..... | 93.61%  | \$ 115,186,814  | \$ 66,887,331      | 172.21%  | 69.41%   |
| December 31, 2016..... | 93.53%  | 140,166,391   | 66,834,814         | 209.72%  | 61.84%   |
| December 31, 2015..... | 93.70%  | 134,275,794   | 62,344,746         | 215.38%  | 62.56%   |
| December 31, 2014..... | 93.74%  | 119,918,981   | 62,344,746         | 192.35%  | 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 THE CITY'S CONTRIBUTIONS**  
**SOMERVILLE CONTRIBUTORY RETIREMENT SYSTEM**

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| Year               | Actuarially<br>determined<br>contribution | Contributions in<br>relation to the<br>actuarially<br>determined<br>contribution | Contribution<br>deficiency<br>(excess) | Covered<br>payroll | Contributions as<br>a percentage of<br>covered<br>payroll |
|--------------------|---|--|--|--------------------|---|
| June 30, 2018..... | \$ 13,808,937                             | \$ (13,808,937)  | -                                      | \$ 68,225,078      | 20.24%  |
| June 30, 2017..... | 13,711,675                                | (13,711,675)   | -                                      | 68,171,510         | 20.11%  |
| June 30, 2016..... | 13,304,274                                | (13,304,274)   | -                                      | 63,591,641         | 20.92%  |
| June 30, 2015..... | 12,324,940                                | (12,324,940)   | -                                      | 63,591,641         | 19.38%  |

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. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

| Year      | Commonwealth's<br>100% Share of the<br>Associated Net<br>Pension Liability | Expense and<br>Revenue<br>Recognized for the<br>Commonwealth's<br>Support | Plan Fiduciary Net<br>Position as a<br>Percentage of the<br>Total Liability |
|-----------|--|---|---|
| 2018..... | \$ 151,372,752   | \$ 15,799,215   | 54.25%  |
| 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.

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

|   | June 30,<br>2017      | June 30,<br>2018      |
|---|-----------------------|-----------------------|
| <b>Total OPEB Liability</b>   |                       |                       |
| Service Cost.....   | \$ 11,768,411         | \$ 9,597,889          |
| Interest.....   | 11,159,516            | 11,592,912            |
| Changes of benefit terms.....   | -                     | -                     |
| Differences between expected and actual experience....                          | -                     | (40,800,875)          |
| Changes of assumptions.....   | -                     | -                     |
| Benefit payments.....   | <u>(9,258,566)</u>    | <u>(8,485,245)</u>    |
| Net change in total OPEB liability.....   | 13,669,361            | (28,095,319)          |
| Total OPEB liability - beginning.....   | <u>290,405,580</u>    | <u>304,074,941</u>    |
| Total OPEB liability - ending (a).....  | <u>\$ 304,074,941</u> | <u>\$ 275,979,622</u> |
| <b>Plan fiduciary net position</b>  |                       |                       |
| Employer contributions.....   | \$ 10,258,566         | \$ 13,985,245         |
| Employer contributions for OPEB payments.....                                   | -                     | -                     |
| Net investment income.....  | 7,508                 | 26,801                |
| Benefit payments.....   | <u>(9,258,566)</u>    | <u>(8,485,245)</u>    |
| Net change in plan fiduciary net position.....                                  | 1,007,508             | 5,526,801             |
| Plan fiduciary net position - beginning of year.....                            | <u>813,767</u>        | <u>1,821,275</u>      |
| Plan fiduciary net position - end of year (b).....                              | <u>\$ 1,821,275</u>   | <u>\$ 7,348,076</u>   |
| <b>Net OPEB liability - ending (a)-(b).....</b>                                 | <u>\$ 302,253,666</u> | <u>\$ 268,631,546</u> |
| Plan fiduciary net position as a percentage of the<br>total OPEB liability..... | 0.60%                 | 2.66%                 |
| Covered-employee payroll.....   | \$ 104,221,637        | \$ 107,444,987        |
| Net OPEB liability as a percentage of<br>covered-employee payroll.....          | 290.01%               | 250.02%               |

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 CITY'S CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

| <u>Year</u>        | <u>Actuarially<br/>determined<br/>contribution</u> | <u>Contributions in<br/>relation to the<br/>actuarially<br/>determined<br/>contribution</u> | <u>Contribution<br/>deficiency<br/>(excess)</u> | <u>Covered-<br/>employee payroll</u> | <u>Contributions as<br/>a percentage of<br/>covered-<br/>employee payroll</u> |
|--------------------|--|---|---|--------------------------------------|---|
| June 30, 2018..... | \$ 22,034,131                                      | \$ (13,985,245)   | \$ 8,048,886                                    | \$ 107,444,987                       | 20.51%  |
| June 30, 2017..... | 21,086,425   | (10,258,566)  | 10,827,859                                      | 104,221,637                          | 20.23%  |

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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| <u>Year</u>        | <u>Annual money-weighted<br/>rate of return,<br/>net of investment expense</u> |
|--------------------|--|
| June 30, 2018..... | 1.18%  |
| June 30, 2017..... | 0.92%  |

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.

**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 2018 approved budget authorized \$234.9 million in appropriations and other amounts to be raised. During 2018, the Board also increased appropriations by approximately \$8.5 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, 2018, is depicted below:

|  |                     |
|--|---------------------|
| Net change in fund balance - budgetary basis.....                                | \$ 2,946,238        |
| <u>Perspective differences:</u>  |                     |
| Activity of the stabilization fund recorded in the<br>general fund for GAAP..... | 6,139,075           |
| Unemployment insurance trust recorded in the<br>general fund for GAAP.....       | (4,827,784)         |
| <u>Basis of accounting differences:</u>  |                     |
| Net change in recording tax refunds payable.....                                 | (109,000)           |
| Net change in recording 60 day receipts.....                                     | (19,500)            |
| Net change in recording accrued expenditures.....                                | (510,545)           |
| Recognition of revenue for on-behalf payments.....                               | 15,799,215          |
| Recognition of expenditures for on-behalf payments.....                          | <u>(15,799,215)</u> |
| Net change in fund balance - GAAP basis.....                                     | <u>\$ 3,618,484</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.

The total OPEB liability in the June 30, 2018, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods including the measurement date to be in accordance with GASB #74.

|                                 |   |
|---------------------------------|---|
| Valuation date.....             | June 30, 2018   |
| Actuarial cost method.....      | Individual Entry Age Normal Cost Method.  |
| Asset valuation method.....     | Market Value.   |
| Discount rate.....              | 3.75%, based on June 30, long term high quality municipal bonds.  |
| Healthcare cost trend rate..... | 5.5% decreasing by 0.5% each year to 4.5% for periods starting in 2020.   |
| 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 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 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. |
| 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.   |

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.

Changes in Assumptions and Plan Provisions

The following assumptions were included in the June 30, 2018 actuarial valuation:

- The healthcare cost trend rate was reduced from 6.0% to 5.5%.

There were no changes in plan provisions in the June 30, 2018 actuarial valuation.

## ***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, 2018

|   | Special Revenue Funds              |                             |                                     |                                |                              |
|---|------------------------------------|-----------------------------|-------------------------------------|--------------------------------|------------------------------|
|   | School<br>Special Revenue<br>Funds | School<br>Federal<br>Grants | School<br>State & Private<br>Grants | City<br>Federal Grant<br>Funds | City<br>State Grant<br>Funds |
|   |                                    |                             |                                     |                                |                              |
| <b>ASSETS</b>   |                                    |                             |                                     |                                |                              |
| Cash and cash equivalents.....  | \$ 1,011,850                       | \$ 7,121                    | \$ 2,186,294                        | \$ -                           | \$ -                         |
| Receivables, net of uncollectibles:   |                                    |                             |                                     |                                |                              |
| Tax liens.....  | -                                  | -                           | -                                   | -                              | -                            |
| Community preservation fund surtax.....   | -                                  | -                           | -                                   | -                              | -                            |
| Intergovernmental - other.....  | -                                  | 42,657                      | -                                   | 7,904                          | 1,152,426                    |
| Community preservation state share.....   | -                                  | -                           | -                                   | -                              | -                            |
| Loans.....  | -                                  | -                           | -                                   | -                              | -                            |
| <b>TOTAL ASSETS.....</b>  | <b>\$ 1,011,850</b>                | <b>\$ 49,778</b>            | <b>\$ 2,186,294</b>                 | <b>\$ 7,904</b>                | <b>\$ 1,152,426</b>          |
| <b>LIABILITIES</b>  |                                    |                             |                                     |                                |                              |
| Warrants payable.....   | \$ 1,422                           | \$ -                        | \$ 43,750                           | \$ -                           | \$ -                         |
| Accrued payroll.....  | 126,271                            | 49,605                      | 38,642                              | 1,177                          | 9,691                        |
| Due to other funds.....   | -                                  | -                           | -                                   | 3,318                          | 780,707                      |
| <b>TOTAL LIABILITIES.....</b>   | <b>127,693</b>                     | <b>49,605</b>               | <b>82,392</b>                       | <b>4,495</b>                   | <b>790,398</b>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                                    |                             |                                     |                                |                              |
| Unavailable revenue.....  | -                                  | -                           | -                                   | -                              | -                            |
| <b>FUND BALANCES</b>  |                                    |                             |                                     |                                |                              |
| Nonspendable.....   | -                                  | -                           | -                                   | -                              | -                            |
| Restricted.....   | 884,157                            | 173                         | 2,103,902                           | 3,409                          | 362,028                      |
| <b>TOTAL FUND BALANCES.....</b>   | <b>884,157</b>                     | <b>173</b>                  | <b>2,103,902</b>                    | <b>3,409</b>                   | <b>362,028</b>               |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES.....</b> | <b>\$ 1,011,850</b>                | <b>\$ 49,778</b>            | <b>\$ 2,186,294</b>                 | <b>\$ 7,904</b>                | <b>\$ 1,152,426</b>          |

Special Revenue Funds

| Highway<br>Improvement<br>Funds | City<br>Revolving<br>Funds | Receipts<br>Reserved | City<br>Private<br>Grants | School<br>Lunch<br>Funds | Other<br>Special Revenue<br>Funds | Community<br>Preservation | Subtotal             |
|---------------------------------|----------------------------|----------------------|---------------------------|--------------------------|-----------------------------------|---------------------------|----------------------|
| \$ -                            | \$ 200,426                 | \$ 5,167,134         | \$ 437,793                | \$ 750,314               | \$ 6,730,496                      | \$ 6,161,540              | \$ 22,652,968        |
| -                               | -                          | -                    | -                         | -                        | -                                 | 6,752                     | 6,752                |
| -                               | -                          | -                    | -                         | -                        | -                                 | 18,338                    | 18,338               |
| 4,287,146                       | -                          | -                    | -                         | -                        | -                                 | -                         | 5,490,133            |
| -                               | -                          | -                    | -                         | -                        | -                                 | 233,552                   | 233,552              |
| -                               | -                          | -                    | -                         | -                        | 2,699,486                         | 4,836,790                 | 7,536,276            |
| <u>\$ 4,287,146</u>             | <u>\$ 200,426</u>          | <u>\$ 5,167,134</u>  | <u>\$ 437,793</u>         | <u>\$ 750,314</u>        | <u>\$ 9,429,982</u>               | <u>\$ 11,256,972</u>      | <u>\$ 35,938,019</u> |
| \$ 847,859                      | \$ -                       | \$ -                 | \$ -                      | \$ -                     | \$ 34,500                         | \$ 39,164                 | \$ 966,695           |
| -                               | 1,625                      | -                    | 2,919                     | 10,858                   | 10,695                            | 1,280                     | 252,763              |
| <u>1,379,067</u>                | <u>-</u>                   | <u>-</u>             | <u>-</u>                  | <u>-</u>                 | <u>-</u>                          | <u>-</u>                  | <u>2,163,092</u>     |
| <u>2,226,926</u>                | <u>1,625</u>               | <u>-</u>             | <u>2,919</u>              | <u>10,858</u>            | <u>45,195</u>                     | <u>40,444</u>             | <u>3,382,550</u>     |
| <u>2,060,220</u>                | <u>-</u>                   | <u>-</u>             | <u>-</u>                  | <u>-</u>                 | <u>-</u>                          | <u>258,643</u>            | <u>2,318,863</u>     |
| -                               | -                          | -                    | -                         | -                        | -                                 | -                         | -                    |
| <u>-</u>                        | <u>198,801</u>             | <u>5,167,134</u>     | <u>434,874</u>            | <u>739,456</u>           | <u>9,384,787</u>                  | <u>10,957,885</u>         | <u>30,236,606</u>    |
| <u>-</u>                        | <u>198,801</u>             | <u>5,167,134</u>     | <u>434,874</u>            | <u>739,456</u>           | <u>9,384,787</u>                  | <u>10,957,885</u>         | <u>30,236,606</u>    |
| <u>\$ 4,287,146</u>             | <u>\$ 200,426</u>          | <u>\$ 5,167,134</u>  | <u>\$ 437,793</u>         | <u>\$ 750,314</u>        | <u>\$ 9,429,982</u>               | <u>\$ 11,256,972</u>      | <u>\$ 35,938,019</u> |

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2018

|   | Permanent Funds                 |                                  |                   | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|---------------------------------|----------------------------------|-------------------|--|
|   | Permanent<br>Funds<br>Principal | Expendable<br>Permanent<br>Funds | Subtotal          |  |
|   |                                 |                                  |                   |  |
| <b>ASSETS</b>   |                                 |                                  |                   |  |
| Cash and cash equivalents.....  | \$ 433,126                      | \$ 161,034                       | \$ 594,160        | \$ 23,247,128                              |
| Receivables, net of uncollectibles:   |                                 |                                  |                   |  |
| Tax liens.....  | -                               | -                                | -                 | 6,752                                      |
| Community preservation fund surtax.....   | -                               | -                                | -                 | 18,338                                     |
| Intergovernmental - other.....  | -                               | -                                | -                 | 5,490,133                                  |
| Community preservation state share.....   | -                               | -                                | -                 | 233,552                                    |
| Loans.....  | -                               | -                                | -                 | 7,536,276                                  |
| <b>TOTAL ASSETS.....</b>  | <b>\$ 433,126</b>               | <b>\$ 161,034</b>                | <b>\$ 594,160</b> | <b>\$ 36,532,179</b>                       |
| <b>LIABILITIES</b>  |                                 |                                  |                   |  |
| Warrants payable.....   | \$ -                            | \$ -                             | \$ -              | \$ 966,695                                 |
| Accrued payroll.....  | -                               | -                                | -                 | 252,763                                    |
| Due to other funds.....   | -                               | -                                | -                 | 2,163,092                                  |
| <b>TOTAL LIABILITIES.....</b>   | <b>-</b>                        | <b>-</b>                         | <b>-</b>          | <b>3,382,550</b>                           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                                 |                                  |                   |  |
| Unavailable revenue.....  | -                               | -                                | -                 | 2,318,863                                  |
| <b>FUND BALANCES</b>  |                                 |                                  |                   |  |
| Nonspendable.....   | 433,126                         | -                                | 433,126           | 433,126                                    |
| Restricted.....   | -                               | 161,034                          | 161,034           | 30,397,640                                 |
| <b>TOTAL FUND BALANCES.....</b>   | <b>433,126</b>                  | <b>161,034</b>                   | <b>594,160</b>    | <b>30,830,766</b>                          |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES.....</b> | <b>\$ 433,126</b>               | <b>\$ 161,034</b>                | <b>\$ 594,160</b> | <b>\$ 36,532,179</b>                       |

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

YEAR ENDED JUNE 30, 2018

|   | Special Revenue Funds              |                             |                                     |                                |                              |
|---|------------------------------------|-----------------------------|-------------------------------------|--------------------------------|------------------------------|
|   | School<br>Special Revenue<br>Funds | School<br>Federal<br>Grants | School<br>State & Private<br>Grants | City<br>Federal Grant<br>Funds | City<br>State Grant<br>Funds |
| <b>REVENUES:</b>  |                                    |                             |                                     |                                |                              |
| Intergovernmental - other.....  | \$ -                               | \$ 3,719,952                | \$ 3,235,788                        | \$ 618,181                     | \$ 2,032,763                 |
| Departmental and other.....   | 3,100,525                          | -                           | -                                   | -                              | 65,998                       |
| Community preservation taxes.....   | -                                  | -                           | -                                   | -                              | -                            |
| Community preservation state match.....                                   | -                                  | -                           | -                                   | -                              | -                            |
| Contributions and donations.....  | 12,046                             | -                           | -                                   | -                              | 17,637                       |
| Investment income.....  | -                                  | -                           | -                                   | -                              | -                            |
| <b>TOTAL REVENUES.....</b>  | <b>3,112,571</b>                   | <b>3,719,952</b>            | <b>3,235,788</b>                    | <b>618,181</b>                 | <b>2,116,398</b>             |
| <b>EXPENDITURES:</b>  |                                    |                             |                                     |                                |                              |
| Current:  |                                    |                             |                                     |                                |                              |
| General government.....   | -                                  | -                           | -                                   | 250,480                        | 1,393,710                    |
| Public safety.....  | -                                  | -                           | -                                   | 134,004                        | 597,783                      |
| Education.....  | 2,954,650                          | 3,826,318                   | 3,966,363                           | -                              | -                            |
| Public works.....   | -                                  | -                           | -                                   | 13,932                         | 7,809                        |
| Health and human services.....  | -                                  | -                           | -                                   | 222,436                        | 31,204                       |
| Culture and recreation.....   | -                                  | -                           | -                                   | -                              | 36,615                       |
| Community preservation.....   | -                                  | -                           | -                                   | -                              | -                            |
| <b>TOTAL EXPENDITURES.....</b>  | <b>2,954,650</b>                   | <b>3,826,318</b>            | <b>3,966,363</b>                    | <b>620,852</b>                 | <b>2,067,121</b>             |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES.....</b> | <b>157,921</b>                     | <b>(106,366)</b>            | <b>(730,575)</b>                    | <b>(2,671)</b>                 | <b>49,277</b>                |
| <b>OTHER FINANCING SOURCES (USES):</b>                                    |                                    |                             |                                     |                                |                              |
| Premium from issuance of bonds.....                                       | -                                  | -                           | -                                   | -                              | -                            |
| Transfers in.....   | -                                  | -                           | -                                   | -                              | -                            |
| Transfers out.....  | -                                  | -                           | (2,126)                             | (27)                           | (98,183)                     |
| <b>TOTAL OTHER FINANCING SOURCES (USES).....</b>                          | <b>-</b>                           | <b>-</b>                    | <b>(2,126)</b>                      | <b>(27)</b>                    | <b>(98,183)</b>              |
| <b>NET CHANGE IN FUND BALANCES.....</b>                                   | <b>157,921</b>                     | <b>(106,366)</b>            | <b>(732,701)</b>                    | <b>(2,698)</b>                 | <b>(48,906)</b>              |
| <b>FUND BALANCES AT BEGINNING OF YEAR.....</b>                            | <b>726,236</b>                     | <b>106,539</b>              | <b>2,836,603</b>                    | <b>6,107</b>                   | <b>410,934</b>               |
| <b>FUND BALANCES AT END OF YEAR.....</b>                                  | <b>\$ 884,157</b>                  | <b>\$ 173</b>               | <b>\$ 2,103,902</b>                 | <b>\$ 3,409</b>                | <b>\$ 362,028</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             |
| \$ 2,254,337              | \$ -                 | \$ 272,795          | \$ 307,179          | \$ 2,255,674       | \$ 1,147,673                | \$ 3,636,132           | \$ 19,480,474        |
| -                         | 400,680              | 2,498,115           | -                   | 585,696            | 1,648,075                   | -                      | 8,299,089            |
| -                         | -                    | -                   | -                   | -                  | -                           | 1,794,508              | 1,794,508            |
| -                         | -                    | -                   | -                   | -                  | -                           | 370,465                | 370,465              |
| -                         | -                    | -                   | -                   | -                  | 275,798                     | -                      | 305,481              |
| -                         | -                    | -                   | -                   | -                  | 39,020                      | 17,564                 | 56,584               |
| <u>2,254,337</u>          | <u>400,680</u>       | <u>2,770,910</u>    | <u>307,179</u>      | <u>2,841,370</u>   | <u>3,110,566</u>            | <u>5,818,669</u>       | <u>30,306,601</u>    |
| -                         | 194,687              | -                   | 64,442              | -                  | 2,131,602                   | -                      | 4,034,921            |
| -                         | 7,874                | -                   | -                   | -                  | 197,772                     | -                      | 937,433              |
| -                         | -                    | -                   | 102,930             | 2,973,108          | 10,626                      | -                      | 13,833,995           |
| 2,254,337                 | 3,378                | -                   | -                   | -                  | 56,191                      | -                      | 2,335,647            |
| -                         | 571                  | -                   | 1,962               | -                  | 20,131                      | -                      | 276,304              |
| -                         | 110,386              | -                   | -                   | -                  | 103,537                     | -                      | 250,538              |
| -                         | -                    | -                   | -                   | -                  | -                           | 5,061,851              | 5,061,851            |
| <u>2,254,337</u>          | <u>316,896</u>       | <u>-</u>            | <u>169,334</u>      | <u>2,973,108</u>   | <u>2,519,859</u>            | <u>5,061,851</u>       | <u>26,730,689</u>    |
| -                         | 83,784               | 2,770,910           | 137,845             | (131,738)          | 590,707                     | 756,818                | 3,575,912            |
| -                         | -                    | -                   | -                   | -                  | 1,845,411                   | -                      | 1,845,411            |
| -                         | -                    | -                   | -                   | -                  | 1,072,148                   | 500,000                | 1,572,148            |
| -                         | -                    | (2,540,151)         | -                   | -                  | (20,063)                    | (266)                  | (2,660,816)          |
| -                         | -                    | (2,540,151)         | -                   | -                  | 2,897,496                   | 499,734                | 756,743              |
| -                         | 83,784               | 230,759             | 137,845             | (131,738)          | 3,488,203                   | 1,256,552              | 4,332,655            |
| -                         | 115,017              | 4,936,375           | 297,029             | 871,194            | 5,896,584                   | 9,701,333              | 25,903,951           |
| <u>\$ -</u>               | <u>\$ 198,801</u>    | <u>\$ 5,167,134</u> | <u>\$ 434,874</u>   | <u>\$ 739,456</u>  | <u>\$ 9,384,787</u>         | <u>\$ 10,957,885</u>   | <u>\$ 30,236,606</u> |

(Continued)

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

YEAR ENDED JUNE 30, 2018

|   | Permanent Funds                 |                                  |                   | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|---------------------------------|----------------------------------|-------------------|--|
|   | Permanent<br>Funds<br>Principal | Expendable<br>Permanent<br>Funds | Subtotal          |  |
| <b>REVENUES:</b>  |                                 |                                  |                   |  |
| Intergovernmental - other.....  | \$ -                            | \$ -                             | \$ -              | \$ 19,480,474                              |
| Departmental and other.....   | -                               | -                                | -                 | 8,299,089                                  |
| Community preservation taxes.....   | -                               | -                                | -                 | 1,794,508                                  |
| Community preservation state match.....                                   | -                               | -                                | -                 | 370,465                                    |
| Contributions and donations.....  | -                               | -                                | -                 | 305,481                                    |
| Investment income.....  | -                               | 2,333                            | 2,333             | 58,917                                     |
| <b>TOTAL REVENUES.....</b>  | <b>-</b>                        | <b>2,333</b>                     | <b>2,333</b>      | <b>30,308,934</b>                          |
| <b>EXPENDITURES:</b>  |                                 |                                  |                   |  |
| Current:  |                                 |                                  |                   |  |
| General government.....   | -                               | -                                | -                 | 4,034,921                                  |
| Public safety.....  | -                               | -                                | -                 | 937,433                                    |
| Education.....  | -                               | 512                              | 512               | 13,834,507                                 |
| Public works.....   | -                               | -                                | -                 | 2,335,647                                  |
| Health and human services.....  | -                               | -                                | -                 | 276,304                                    |
| Culture and recreation.....   | -                               | -                                | -                 | 250,538                                    |
| Community preservation.....   | -                               | -                                | -                 | 5,061,851                                  |
| <b>TOTAL EXPENDITURES.....</b>  | <b>-</b>                        | <b>512</b>                       | <b>512</b>        | <b>26,731,201</b>                          |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES.....</b> | <b>-</b>                        | <b>1,821</b>                     | <b>1,821</b>      | <b>3,577,733</b>                           |
| <b>OTHER FINANCING SOURCES (USES):</b>                                    |                                 |                                  |                   |  |
| Premium from issuance of bonds.....                                       | -                               | -                                | -                 | 1,845,411                                  |
| Transfers in.....   | -                               | -                                | -                 | 1,572,148                                  |
| Transfers out.....  | -                               | -                                | -                 | (2,660,816)                                |
| <b>TOTAL OTHER FINANCING SOURCES (USES).....</b>                          | <b>-</b>                        | <b>-</b>                         | <b>-</b>          | <b>756,743</b>                             |
| <b>NET CHANGE IN FUND BALANCES.....</b>                                   | <b>-</b>                        | <b>1,821</b>                     | <b>1,821</b>      | <b>4,334,476</b>                           |
| <b>FUND BALANCES AT BEGINNING OF YEAR.....</b>                            | <b>433,126</b>                  | <b>159,213</b>                   | <b>592,339</b>    | <b>26,496,290</b>                          |
| <b>FUND BALANCES AT END OF YEAR.....</b>                                  | <b>\$ 433,126</b>               | <b>\$ 161,034</b>                | <b>\$ 594,160</b> | <b>\$ 30,830,766</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, 2018

|                                 | June 30,<br>2017 | Additions    | Deletions      | June 30,<br>2018 |
|---------------------------------|------------------|--------------|----------------|------------------|
| <b>ASSETS</b>                   |                  |              |                |                  |
| CURRENT:                        |                  |              |                |                  |
| Cash and cash equivalents.....  | \$ 637,342       | \$ 6,206,219 | \$ (6,317,174) | \$ 526,387       |
| <b>LIABILITIES</b>              |                  |              |                |                  |
| Liabilities due depositors..... | \$ 564,656       | \$ 4,750,474 | \$ (4,871,924) | \$ 443,206       |
| Accrued liabilities.....        | 72,686           | 1,455,745    | (1,445,250)    | 83,181           |
| TOTAL LIABILITIES.....          | \$ 637,342       | \$ 6,206,219 | \$ (6,317,174) | \$ 526,387       |

# ***Statistical Section***



**Prospect Hill Park** located adjacent to the Prospect Hill Memorial Flag Tower and Observatory at the corner of Munroe Street and Prospect Hill Parkway, is an important gem in Somerville's park network. It was on Prospect Hill that, on January 1, 1776, George Washington ordered the raising of the first true American flag, the Grand Union Flag. Rehabilitation of the park will begin in 2019.

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**

|   | 2009                  | 2010                  | 2011                  | 2012                  | 2013                  | 2014 (1)             | 2015                 | 2016                 | 2017 (2)                | 2018                    |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|-------------------------|-------------------------|
| <b>Governmental activities</b>                        |                       |                       |                       |                       |                       |                      |                      |                      |                         |                         |
| Net investment in capital assets.....                 | \$ 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          | \$ 138,950,212          |
| Restricted.....                                       | 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              | 43,189,284              |
| Unrestricted.....                                     | 22,052,332            | 3,369,141             | (1,130,225)           | (18,721,004)          | (23,786,300)          | (145,351,160)        | (149,966,003)        | (156,698,433)        | (339,726,313)           | (343,484,682)           |
| <b>Total governmental activities net assets.....</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>\$ (184,614,969)</b> | <b>\$ (161,345,186)</b> |
| <b>Business-type activities</b>                       |                       |                       |                       |                       |                       |                      |                      |                      |                         |                         |
| Net investment in capital assets.....                 | \$ 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           | \$ 45,635,475           |
| Unrestricted.....                                     | 20,821,058            | 19,409,168            | 21,059,957            | 23,647,858            | 21,220,544            | 19,069,553           | 17,231,368           | 17,715,352           | 20,250,359              | 26,284,738              |
| <b>Total business-type activities net assets.....</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>\$ 66,331,801</b>    | <b>\$ 71,920,213</b>    |
| <b>Primary government</b>                             |                       |                       |                       |                       |                       |                      |                      |                      |                         |                         |
| Net investment in capital assets.....                 | \$ 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          | \$ 184,585,687          |
| Restricted.....                                       | 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              | 43,189,284              |
| Unrestricted.....                                     | 42,873,390            | 22,778,309            | 19,929,732            | 4,926,854             | (2,565,756)           | (126,281,607)        | (132,734,635)        | (138,983,081)        | (319,475,954)           | (317,199,944)           |
| <b>Total primary government net position.....</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>\$ (118,283,168)</b> | <b>\$ (89,424,973)</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.

(2) = Unrestricted net position has been revised to reflect the implementation of GASB Statement #75.

**Changes in Net Position**

**Last Ten Years**

|   | 2009                    | 2010                    | 2011                    | 2012                    | 2013                    | 2014                    | 2015                    | 2016                    | 2017                    | 2018                    |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Expenses</b>   |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| <b>Governmental activities:</b>   |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| General government.....   | \$ 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           | \$ 39,372,354           |
| Public safety.....  | 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              | 54,307,824              |
| Education.....  | 110,053,080             | 108,803,922             | 108,813,913             | 113,396,259             | 113,753,374             | 121,176,505             | 114,802,360             | 124,740,381             | 132,958,254             | 128,921,385             |
| Public works.....   | 27,101,081              | 24,973,616              | 23,346,672              | 23,631,860              | 25,203,877              | 26,974,162              | 33,520,992              | 28,957,827              | 31,017,581              | 30,766,736              |
| Community development.....  | 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               | 4,556,946               |
| Human services.....   | 122,641                 | 18,802                  | 9,560                   | 316,137                 | 288,766                 | 227,030                 | 229,633                 | 178,570                 | 244,417                 | 279,442                 |
| Community preservation.....   | -                       | -                       | -                       | -                       | -                       | 56,770                  | 77,672                  | 347,016                 | 1,522,282               | 4,207,687               |
| Culture and recreation.....   | 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               | 5,843,577               |
| Interest.....   | 2,865,682               | 2,713,563               | 2,282,434               | 2,306,520               | 2,858,173               | 3,178,533               | 2,913,723               | 2,956,122               | 3,563,654               | 3,727,244               |
| <b>Total governmental activities expenses.....</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>271,983,205</b>      |
| <b>Business-type activities:</b>  |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Water.....  | 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              | 11,417,358              |
| Sewer.....  | 12,979,914              | 13,245,282              | 14,185,999              | 14,803,664              | 15,303,668              | 15,811,901              | 16,312,337              | 17,099,159              | 18,106,483              | 18,610,157              |
| Veteran's memorial ice rink.....  | -                       | -                       | -                       | 337,456                 | 522,392                 | 584,995                 | 750,644                 | 721,990                 | 679,098                 | 713,303                 |
| Dilboy stadium.....   | -                       | -                       | -                       | 132,312                 | 147,794                 | 217,761                 | 160,855                 | 136,199                 | 154,881                 | 143,967                 |
| <b>Total business-type activities expenses.....</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>30,884,785</b>       |
| <b>Total primary government expenses.....</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>\$ 302,867,990</b>   |
| <b>Program Revenues</b>   |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| <b>Governmental activities:</b>   |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| General government charges for services.....  | \$ 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           | \$ 17,374,072           |
| Public safety charges for services.....   | 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              | 10,933,048              |
| Education charges for services.....   | 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               | 3,889,821               |
| Other charges for services.....   | 1,636,308               | 1,511,902               | 2,464,581               | 2,318,541               | 2,009,294               | 1,234,865               | 1,200,251               | 1,230,431               | 1,231,044               | 1,417,770               |
| General government operating grants and contributions.....                              | 1,065,242               | 1,142,773               | 2,190,637               | 2,241,945               | 2,208,949               | 2,275,935               | 3,306,728               | 2,318,143               | 3,511,794               | 6,351,895               |
| Public safety operating grants and contributions.....                                   | 2,073,664               | 1,582,812               | 984,665                 | 583,597                 | 733,021                 | 1,035,751               | 787,168                 | 734,344                 | 567,768                 | 780,100                 |
| Education operating grants and contributions.....                                       | 48,503,731              | 47,963,393              | 46,517,454              | 46,478,266              | 47,121,192              | 49,332,811              | 38,046,566              | 41,967,740              | 46,466,462              | 46,045,575              |
| Public works operating grants and contributions.....                                    | 865,255                 | 816,657                 | 20,000                  | 149,243                 | 1,201,182               | 1,030,318               | 1,151,440               | 932,462                 | 2,059,979               | 389,071                 |
| Community development operating grants and contributions.....                           | 7,104,189               | 9,596,234               | 6,754,407               | 5,677,368               | 6,544,448               | 5,331,152               | 7,445,467               | 5,244,967               | 6,297,670               | 7,619,395               |
| Other operating grants and contributions.....   | 1,173,232               | 1,101,023               | 1,375,021               | 1,012,441               | 991,642                 | 1,028,356               | 957,692                 | 861,352                 | 888,955                 | 900,158                 |
| Education capital grants and contributions.....   | 1,621,427               | -                       | -                       | -                       | 12,653,757              | 16,886,711              | 9,685                   | 2,212,282               | 1,598,709               | 12,072,086              |
| Other capital grants and contributions.....   | -                       | -                       | 1,300,151               | 1,014,340               | 951,439                 | 365,429                 | 991,751                 | 2,090,371               | 440,747                 | 2,152,819               |
| <b>Total governmental activities program revenues.....</b>                              | <b>78,627,780</b>       | <b>80,821,235</b>       | <b>80,680,792</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>109,725,810</b>      |
| <b>Business-type activities:</b>  |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Water charges for services.....   | 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              | 14,027,720              |
| Sewer charges for services.....   | 14,849,185              | 15,654,243              | 15,631,282              | 17,139,421              | 17,012,055              | 17,045,541              | 17,304,880              | 19,298,052              | 21,673,233              | 23,366,044              |
| Veteran's memorial ice rink charges for services.....                                   | -                       | -                       | -                       | 270,262                 | 377,422                 | 530,583                 | 579,538                 | 638,822                 | 587,035                 | 634,804                 |
| Dilboy stadium charges for services.....  | -                       | -                       | -                       | 90,527                  | 147,000                 | 110,200                 | 181,942                 | 200,074                 | 200,074                 | 232,101                 |
| Other capital grant and contributions.....  | -                       | -                       | -                       | 1,322,550               | 550,000                 | 654,755                 | -                       | -                       | -                       | -                       |
| <b>Total business-type activities program revenues.....</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>30,303,917</b>       | <b>29,989,384</b>       | <b>33,413,924</b>       | <b>36,406,667</b>       | <b>37,290,669</b>       |
| <b>Total primary government program revenues.....</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>\$ 147,016,479</b>   |
| <b>Net (Expense)/Program Revenue</b>  |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Governmental activities.....  | \$ (151,843,074)        | \$ (140,376,693)        | \$ (132,722,827)        | \$ (145,140,899)        | \$ (136,665,605)        | \$ (158,350,850)        | \$ (163,678,256)        | \$ (174,025,885)        | \$ (187,597,104)        | \$ (162,257,395)        |
| Business-type activities.....   | 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               | 6,405,884               |
| <b>Total primary government net (expense)/program revenue.....</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>\$ (155,851,511)</b> |
| <b>General Revenues and other Changes in Net Position</b>                               |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| <b>Governmental activities:</b>   |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Real estate and personal property taxes.....  | \$ 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          | \$ 141,935,979          |
| Tax and utility liens.....  | -                       | -                       | -                       | -                       | 465,853                 | 968,105                 | 416,809                 | 297,772                 | 201,283                 | 159,603                 |
| Motor vehicle and other excise taxes.....   | 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               | 10,032,977              |
| Penalties and interest on taxes.....  | 695,914                 | 982,668                 | 1,266,600               | 860,457                 | 1,070,330               | 1,121,504               | 858,956                 | 801,173                 | 729,944                 | 869,868                 |
| Payments in lieu of taxes.....  | 158,827                 | 163,644                 | 398,281                 | 192,334                 | 162,347                 | 285,596                 | 304,688                 | 829,780                 | 1,248,682               | 1,327,790               |
| Community Preservation surtax.....  | -                       | -                       | -                       | -                       | -                       | 1,323,320               | 1,430,721               | 1,545,198               | 1,684,815               | 1,794,508               |
| Grants and contributions not restricted.....  | 38,521,736              | 23,777,003              | 24,479,415              | 22,936,689              | 23,120,989              | 23,374,357              | 25,842,432              | 24,429,136              | 25,455,469              | 26,388,477              |
| Unrestricted investment income.....   | 1,096,779               | 584,028                 | 419,721                 | 320,878                 | 258,370                 | 238,031                 | 292,212                 | 303,517                 | 496,273                 | 1,407,965               |
| Gain on disposal of assets.....   | 7,838                   | 8,635                   | 9,355                   | -                       | -                       | -                       | 2,031,564               | 2,031,564               | 2,031,564               | 3,911                   |
| Miscellaneous.....  | 2,019,017               | 458,502                 | 884,039                 | 61,023                  | 115,049                 | 278,074                 | 113,230                 | 308,206                 | 184,008                 | 537,703                 |
| Transfers, net.....   | -                       | -                       | -                       | 670,598                 | 1,075,842               | 526,840                 | 217,176                 | 949,090                 | (345,056)               | 1,088,397               |
| <b>Total governmental activities.....</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>185,527,178</b>      |
| <b>Business-type activities:</b>  |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Tax and utility liens.....  | 1,609,372               | 1,413,910               | 1,562,666               | -                       | -                       | -                       | -                       | -                       | -                       | -                       |
| Unrestricted investment income.....   | 322,087                 | 159,786                 | 162,484                 | 155,276                 | 146,840                 | 152,624                 | 163,536                 | 142,354                 | 160,353                 | 270,925                 |
| Transfers.....  | -                       | -                       | -                       | (670,598)               | (1,075,842)             | (526,840)               | (217,176)               | (948,090)               | 345,056                 | (1,088,397)             |
| <b>Total business-type activities.....</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>(53,640)</b>         | <b>(805,736)</b>        | <b>505,409</b>          | <b>(817,472)</b>        |
| <b>Total primary government general revenues and other changes in net position.....</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>\$ 184,709,706</b>   |
| <b>Changes in Net Position</b>  |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Governmental activities.....  | \$ (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)         | \$ 23,269,783           |
| Business-type activities.....   | 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               | 5,588,412               |
| <b>Total primary government changes in net position.....</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>   | <b>\$ 28,858,195</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>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>2018</u>          |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>General Fund</b>                         |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Reserved.....                               | \$ 14,740,399        | \$ 15,210,735        | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Unreserved.....                             | 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           | 38,756,437           |
| Assigned.....                               | -                    | -                    | 10,242,471           | 5,948,451            | 5,890,549            | 5,976,724            | 6,460,233            | 5,823,265            | 5,907,817            | 5,831,550            |
| Unassigned.....                             | -                    | -                    | 11,745,190           | 13,735,197           | 17,005,198           | 15,520,425           | 13,692,118           | 15,507,488           | 20,194,053           | 19,666,376           |
| <b>Total general fund.....</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>\$ 64,254,363</b> |
| <b>All Other Governmental Funds</b>         |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Reserved.....                               | \$ 12,276,896        | \$ 13,423,104        | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Unreserved, reported in:                    |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Special revenue funds.....                  | 17,964,768           | 20,226,857           | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Capital projects funds.....                 | (59,498)             | 6,678,591            | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Permanent funds.....                        | 217,881              | 163,066              | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Nonspendable.....                           | -                    | -                    | 433,126              | 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           | 46,918,568           |
| Unassigned.....                             | -                    | -                    | (42,349)             | (7,897,251)          | (8,830,687)          | (11,138,192)         | (15,052,796)         | (14,895,671)         | (11,385,014)         | (31,035,675)         |
| <b>Total all other governmental funds..</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> | <b>\$ 16,316,019</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

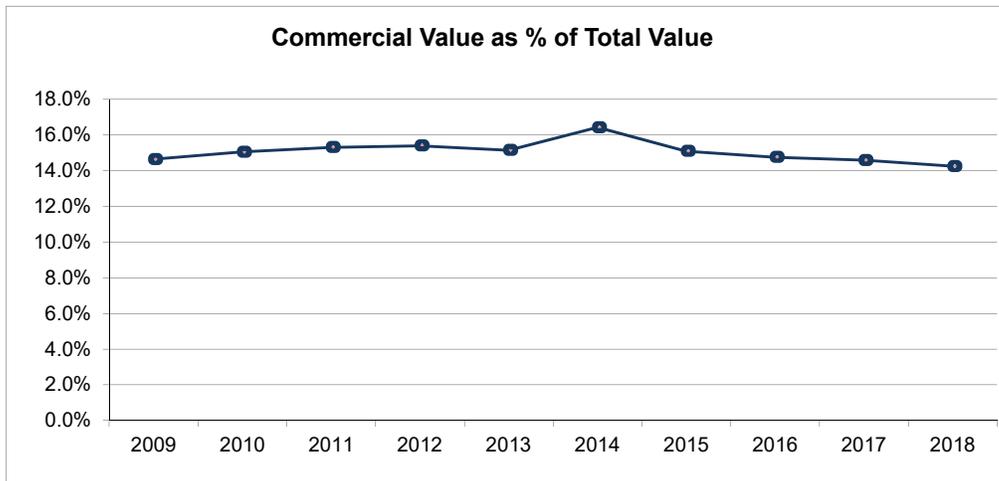
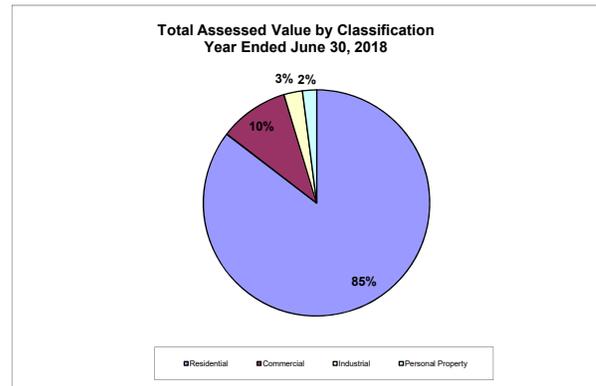
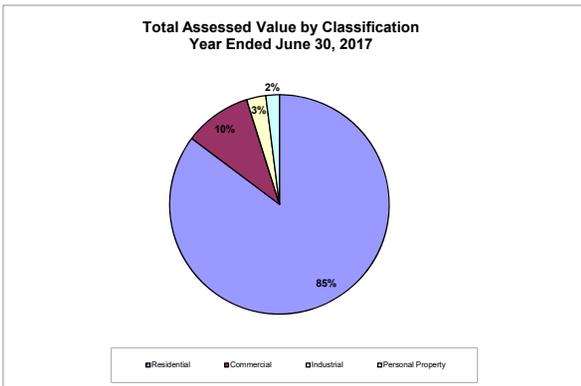
Last Ten Years

|  | 2009                | 2010                 | 2011                | 2012                   | 2013                | 2014                | 2015                | 2016                | 2017                 | 2018                  |
|--|---------------------|----------------------|---------------------|------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|-----------------------|
| <b>Revenues:</b>   |                     |                      |                     |                        |                     |                     |                     |                     |                      |                       |
| Real estate and personal property taxes.....                 | \$ 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       | \$ 142,059,305        |
| Tax liens.....   | 1,165,496           | 1,078,578            | 1,161,723           | 1,297,050              | 1,118,479           | 847,582             | 654,405             | 606,130             | 392,962              | 192,533               |
| Motor vehicle and other excise taxes.....                    | 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            | 9,484,191             |
| Payments in lieu of taxes.....                               | 158,827             | 163,644              | 398,281             | 192,334                | 182,347             | 285,596             | 304,688             | 829,780             | 1,248,682            | 1,327,790             |
| Intergovernmental.....                                       | 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           | 103,603,155           |
| Departmental and other.....                                  | 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           | 34,761,282            |
| Community preservation taxes.....                            | -                   | -                    | -                   | -                      | -                   | 1,323,320           | 2,335,638           | 2,375,654           | 2,085,496            | 2,164,973             |
| Contributions.....   | 160,049             | 1,162,345            | 1,354,249           | 1,361,020              | 1,126,151           | 256,094             | 3,044,440           | 757,874             | 621,388              | 644,117               |
| Investment income.....                                       | 1,096,779           | 584,028              | 419,721             | 320,878                | 238,620             | 238,031             | 292,212             | 308,289             | 500,910              | 1,415,231             |
| Miscellaneous.....   | 12,270,901          | 312,803              | 229,144             | 71,679                 | 102,500             | 268,687             | 113,209             | 205,935             | 134,582              | 537,703               |
| <b>Total Revenue.....</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>296,190,280</b>    |
| <b>Expenditures:</b>   |                     |                      |                     |                        |                     |                     |                     |                     |                      |                       |
| General government.....                                      | 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           | 26,581,937            |
| Public safety.....   | 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           | 40,521,432            |
| Education.....   | 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           | 82,088,771            |
| Public works.....  | 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           | 26,404,859            |
| Community development.....                                   | 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            | 4,556,946             |
| Human services.....  | 108,906             | 2,681                | 7,095               | 312,548                | 288,766             | 224,330             | 229,633             | 178,570             | 244,417              | 276,304               |
| Culture and recreation.....                                  | 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            | 3,499,569             |
| Pension benefits.....  | 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           | 29,742,248            |
| Employee benefits.....                                       | 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           | 30,438,102            |
| 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            | 4,207,687             |
| State and county charges.....                                | 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           | 13,634,548            |
| Capital outlay.....  | 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           | 45,762,086            |
| Debt service:  |                     |                      |                     |                        |                     |                     |                     |                     |                      |                       |
| Principal.....   | 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            | 7,101,623             |
| Interest.....  | 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            | 4,112,187             |
| <b>Total Expenditures.....</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>   | <b>318,928,299</b>    |
| Excess of revenues over (under) expenditures.....            | 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)          | (22,738,019)          |
| <b>Other Financing Sources (Uses)</b>                        |                     |                      |                     |                        |                     |                     |                     |                     |                      |                       |
| Issuance of bonds and notes.....                             | -                   | 10,695,000           | 6,305,000           | 15,750,000             | 13,940,000          | 6,250,000           | 8,603,000           | 17,771,000          | 12,335,000           | 10,143,102            |
| Issuance of refunding bonds.....                             | -                   | 15,129,000           | -                   | -                      | -                   | -                   | -                   | -                   | -                    | 7,810,975             |
| Premium from issuance of bonds.....                          | -                   | 10,000               | 422,348             | 353,483                | 96,302              | 962,253             | -                   | 930,391             | 2,970,178            | 2,119,409             |
| Premium from issuance of refunding bonds.....                | -                   | 682,609              | -                   | -                      | -                   | -                   | -                   | -                   | -                    | 578,540               |
| Payments to refunded bond escrow agent.....                  | -                   | (15,811,609)         | -                   | -                      | -                   | -                   | -                   | -                   | -                    | (8,448,080)           |
| Sale of capital assets.....                                  | 7,838               | 8,635                | 9,355               | 16,384                 | 12,549              | 9,387               | -                   | -                   | 2,120,152            | 3,911                 |
| Transfers in.....  | 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            | 5,556,671             |
| Transfers out.....   | (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)          | (4,468,274)           |
| <b>Total other financing sources (uses).....</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>13,296,254</b>     |
| <b>Net change in fund balance.....</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> | <b>\$ (9,441,765)</b> |
| Debt service as a percentage of noncapital expenditures..... | 3.63%               | 4.37%                | 4.41%               | 4.62%                  | 4.47%               | 4.31%               | 4.69%               | 4.18%               | 4.28%                | 4.11%                 |

**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  |
| 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 |
| 2018     | \$ 11,826,529,847                        | \$ 11.31             | \$ 1,349,824,853 | \$ 348,231,400   | \$ 266,170,830    | \$ 1,964,227,083       | \$ 18.21            | \$ 12.29              | \$ 13,790,756,930 |



(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**

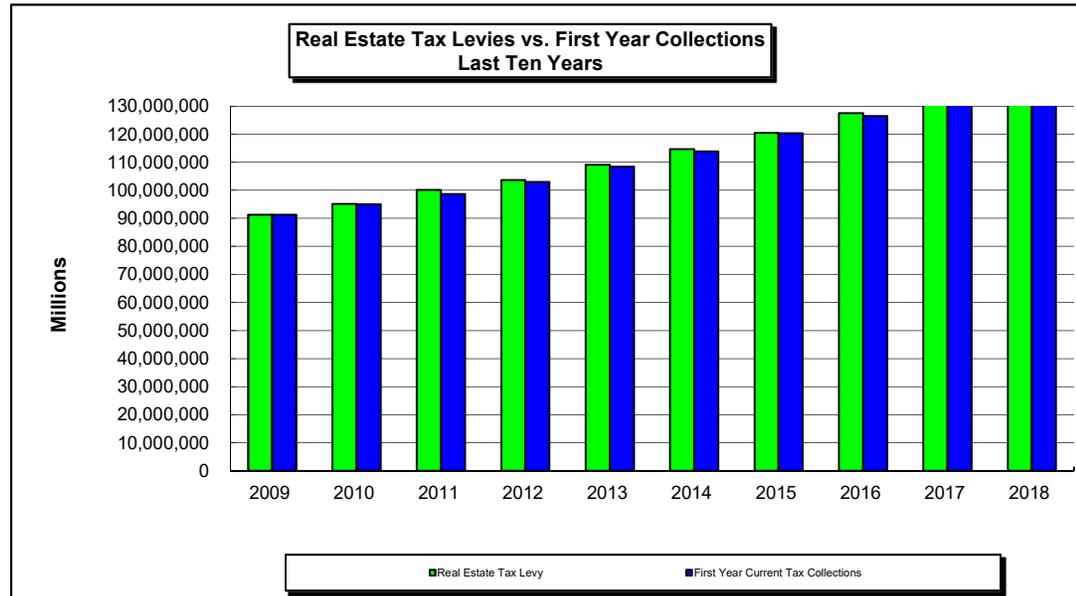
| Name                               | Nature of Business    | 2018                 |      |  | 2009                 |      |  |
|------------------------------------|-----------------------|----------------------|------|--|----------------------|------|--|
|                                    |                       | Assessed Valuation   | Rank | Percentage of Total Taxable Assessed Value | Assessed Valuation   | Rank | Percentage of Total Taxable Assessed Value |
| Street Retail Inc                  | Commercial            | \$ 392,559,100       | 1    | 4.16%                                      | -                    | -    | -  |
| NSTAR Electric Co                  | Electric Company      | \$ 81,640,080        | 2    | 0.86%                                      | \$ 54,794,010        | 3    | 0.64%                                      |
| FR Assembly Square LLC             | Shopping Mall         | \$ 78,066,700        | 3    | 0.83%                                      | \$ 62,391,000        | 1    | 0.73%                                      |
| Twin City Plaza LLC                | Retail Mall           | \$ 52,838,300        | 4    | 0.56%                                      | \$ 55,126,300        | 2    | 0.64%                                      |
| NSTAR Gas Co                       | Electric Company      | \$ 45,267,680        | 5    | 0.48%                                      | -                    | -    | -  |
| I-93 Somerville LLC                | Retail                | \$ 40,078,400        | 6    | 0.42%                                      | \$ 37,000,000        | 4    | 0.43%                                      |
| National Tax Search LLC Trustee    | Office Building       | \$ 37,899,500        | 7    | 0.40%                                      | \$ 24,658,800        | 8    | 0.29%                                      |
| GAHC3 Somerville MOB LLC           | Professional Building | \$ 37,428,100        | 8    | 0.40%                                      | -                    | -    | -  |
| CRP 70 Inner Belt LLC              | Telecom               | \$ 37,289,300        | 9    | 0.39%                                      | \$ 30,684,700        | 6    | 0.36%                                      |
| IMP Maxwell's Green LLC            | Residential           | \$ 48,913,500        | 10   | 0.52%                                      | -                    | -    | -  |
| 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>\$851,980,660</u> |      | <u>9.02%</u>                               | <u>\$372,742,910</u> |      | <u>4.34%</u>                               |

Source: Official Statement for Sale of Bonds

**Property Tax Levies and Collections**

**Last Ten Years**

| Year |     | (2)<br>Total<br>Tax Levy | Less<br>Abatements &<br>Exemptions | (2)<br>Net<br>Tax Levy | First Year<br>Current<br>Tax Collections | Percent of<br>Net Levy<br>Collected | Delinquent<br>Tax<br>Collections | Total<br>Tax<br>Collections | (3)<br>Percent of<br>Total Tax<br>Collections to<br>Net Tax Levy |
|------|-----|--------------------------|------------------------------------|------------------------|--|-------------------------------------|----------------------------------|-----------------------------|--|
| 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%                              | \$ 948,287                       | \$ 134,679,076              | 100.24%  |
| 2018 |     | \$ 143,491,095           | \$ 1,528,746                       | \$ 141,962,349         | \$ 141,091,495                           | 99.39%                              | \$ -                             | \$ 141,091,495              | 99.39%   |



(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 |
| 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%                        |
| 2018 | 81,360                  | \$ 3,283,364,160 | \$ 13,790,756,930 | \$ -                     | \$ -           | \$ -       | 0.00%                         | 0.00%                        |

| 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 |
| 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%                        |
| 2018 | \$ -                         | \$ -           | \$ -                     | \$ -       | 0.00%                         | 0.00%                        |

(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

|  | 2009             | 2010             | 2011             | 2012             | 2013             | 2014             | 2015              | 2016              | 2017              | 2018              |
|--|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Equalized Valuation.....   | \$ 9,612,275,100 | \$ 9,612,275,100 | \$ 9,139,060,000 | \$ 9,139,060,000 | \$ 9,237,328,000 | \$ 9,237,328,000 | \$ 10,446,575,400 | \$ 10,446,575,400 | \$ 12,444,120,102 | \$ 12,444,120,102 |
| Debt Limit -5% of Equalized Valuation                                    | \$ 480,613,755   | \$ 480,613,755   | \$ 456,953,000   | \$ 456,953,000   | \$ 461,866,400   | \$ 461,866,400   | \$ 522,328,770    | \$ 522,328,770    | \$ 622,206,005    | \$ 622,206,005    |
| Less:  |                  |                  |                  |                  |                  |                  |                   |                   |                   |                   |
| Outstanding debt applicable to limit.                                    | 31,599,202       | 39,044,961       | 41,567,791       | 37,839,168       | 34,360,463       | 44,912,764       | 40,816,987        | 45,884,806        | 53,465,081        | 59,559,553        |
| Authorized and unissued debt.....  | 28,958,133       | 29,217,833       | 18,828,465       | 21,688,655       | 16,399,828       | 18,467,952       | 31,140,652        | 53,584,828        | 94,436,450        | 158,894,669       |
| Legal debt margin.....   | \$ 420,056,420   | \$ 412,350,961   | \$ 396,556,744   | \$ 397,425,177   | \$ 411,106,109   | \$ 398,485,684   | \$ 450,371,131    | \$ 422,859,136    | \$ 474,304,474    | \$ 403,751,783    |
| Total debt applicable to the limit<br>as a percentage of debt limit..... | 12.60%           | 14.20%           | 13.22%           | 13.03%           | 10.99%           | 13.72%           | 13.78%            | 19.04%            | 23.77%            | 35.11%            |

Source: Official Statement for Sale of Bonds

**Direct and Overlapping Governmental Activities Debt**

**As of June 30, 2018**

| <u>City of Somerville, Massachusetts</u>        | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable</u> | <u>Estimated<br/>Share of<br/>Overlapping<br/>Debt</u> |
|---|-----------------------------|--|--|
| Debt repaid with property taxes                 |                             |  |  |
| MWRA Water.....                                 | \$ 2,057,635,000            | 3.27%  | \$ 67,284,665  |
| MWRA Sewer.....                                 | 3,572,843,000               | 3.47%  | 123,977,652  |
| Massachusetts Bay Transportation Authority..... | 5,563,850,000               | 3.10%  | <u>172,479,350</u>                                     |
| Subtotal, overlapping debt.....                 |                             |  | <u>363,741,667</u>                                     |
| City direct debt.....                           |                             |  | <u>-</u>   |
| Total direct and overlapping debt.....          |                             |  | <u>\$ 363,741,667</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 |
|------|----------------------|------------------|----------------------------|------------|-------------------|
| 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%              |
| 2018 | 81,360               | \$ 3,283,364,160 | \$ 40,356                  | 31.6       | 3.5%              |

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     | 2018         |      |                                     | 2009         |      |                                     |
|--------------------------------------|------------------------|--------------|------|-------------------------------------|--------------|------|-------------------------------------|
|                                      |                        | Employees    | Rank | Percentage of Total City Employment | Employees    | Rank | Percentage of Total City Employment |
| Partners Healthcare                  | Health Care            | 3,700        | 1    | 13.3%                               | -            | -    | -                                   |
| ABM Industries                       | Janitorial Services    | 2,000        | 2    | 7.2%                                | 2,000        | 1    | 9.2%                                |
| Cambridge Health Alliance            | Health Care            | 1,014        | 3    | 3.7%                                | 1,014        | 2    | 4.6%                                |
| J&S Electric Company                 | Building Equipment     | 525          | 4    | 1.9%                                | -            | -    | -                                   |
| Somerville Hospital                  | Health Care            | 500          | 5    | 1.8%                                | -            | -    | -                                   |
| Angelica Corp.                       | Laundry                | 412          | 6    | 1.5%                                | 546          | 3    | 2.5%                                |
| Royal Hospital Services Incorporated | Office Supplies        | 380          | 7    | 1.4%                                | -            | -    | -                                   |
| Market Basket                        | Grocery Store          | 372          | 8    | 1.3%                                | -            | -    | -                                   |
| FormLabs                             | Scientific Research    | 300          | 9    | 1.1%                                | -            | -    | -                                   |
| Rogers Foam Corp.                    | Foam Products          | 300          | 10   | 1.1%                                | -            | -    | -                                   |
| Van der Weil                         | Engineering/Consulting | -            | -    | -                                   | 300          | 4    | 1.4%                                |
| Gentle Giant                         | Local Trucking         | -            | -    | -                                   | 250          | 5    | 1.1%                                |
| Harvard Vanguard                     | Health Care            | -            | -    | -                                   | 225          | 6    | 1.0%                                |
| FISEVR                               | Data Processing        | -            | -    | -                                   | 220          | 7    | 1.0%                                |
| Star Market / Shaw's Supermarkets    | Grocery                | -            | -    | -                                   | 217          | 8    | 1.0%                                |
| Home Depot                           | Retail                 | -            | -    | -                                   | 215          | 9    | 1.0%                                |
| Ames Safety Envelope                 | Envelopes & Printing   | -            | -    | -                                   | 200          | 10   | 0.9%                                |
|                                      | <b>Totals</b>          | <u>9,503</u> |      | <u>34.3%</u>                        | <u>5,187</u> |      | <u>23.7%</u>                        |

Source: Massachusetts Department of Workforce Development

**Full-Time Equivalent City Employees**

**Last Ten Years**

|                              | <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>2018</u>  |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>Full-Time Equivalents</u> |              |              |              |              |              |              |              |              |              |              |
| City.....                    | 712          | 708          | 670          | 675          | 696          | 714          | 729          | 736          | 755          | 772          |
| School.....                  | 853          | 823          | 843          | 845          | 892          | 908          | 923          | 929          | 937          | 932          |
| Total .....                  | <u>1,564</u> | <u>1,531</u> | <u>1,513</u> | <u>1,520</u> | <u>1,587</u> | <u>1,622</u> | <u>1,652</u> | <u>1,665</u> | <u>1,692</u> | <u>1,704</u> |

Source: Finance Committee Report

**Operating Indicators by Function/Program**

**Last Ten Years**

|  | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015       | 2016         | 2017         | 2018          |
|--|--------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|--------------|---------------|
| <b>General Government:</b>               |              |              |              |              |              |              |            |              |              |               |
| Registered Voters.....                   | 42,759       | 42,937       | 43,633       | 45,987       | 47,484       | 47,454       | 45,655     | 51,319       | 51,362       | 54,672        |
| Births.....                              | 885          | 873          | 922          | 962          | 957          | 974          | 863        | 838          | 854          | 618**         |
| Marriages.....                           | 602          | 586          | 553          | 503          | 591          | 548          | 513        | 590          | 606          | 438**         |
| Deaths.....                              | 393          | 459          | 441          | 420          | 410          | 517          | 589        | 561          | 427          | 519**         |
| Dogs licensed.....                       | 1,120        | 1,289        | 1,595        | 1,967        | 1,790        | 2,127        | 1,780      | 2,053        | 1,831        | 1,859**       |
| Business Certificates.....               | 471          | 466          | 445          | 451          | 425          | 483          | 318        | 307          | 274          | 218**         |
| <b>Fire:</b>                             |              |              |              |              |              |              |            |              |              |               |
| Total Fires.....                         | 134          | 98           | 156          | 279          | 476          | 377          | 431        | 429          | 462          | 440*          |
| Structure Fires.....                     | 59           | 42           | 44           | 60           | 107          | 56           | 258        | 321          | 354          | 311*          |
| Vehicle Fires.....                       | 17           | 16           | 16           | 15           | 24           | 14           | 24         | 14           | 21           | 20*           |
| Other Fires.....                         | 58           | 40           | 96           | 204          | 345          | 307          | 149        | 94           | 87           | 110*          |
| <b>Civilian</b>                          |              |              |              |              |              |              |            |              |              |               |
| Deaths.....                              | 0            | 0            | 3            | 1            | 0            | 0            | 0          | 0            | 0            | 0*            |
| Injuries.....                            | 1            | 24           | 41           | 22           | 5            | 1            | 0          | 8            | 5            | 4*            |
| <b>Fire Service</b>                      |              |              |              |              |              |              |            |              |              |               |
| Deaths.....                              | 0            | 0            | 0            | 0            | 0            | 0            | 0          | 0            | 0            | 0*            |
| Injuries.....                            | 84           | 76           | 81           | 44           | 71           | 38           | 17         | 29           | 23           | 23*           |
| Dollar Loss.....                         | \$ 2,211,115 | \$ 2,258,000 | \$ 3,019,600 | \$ 2,438,000 | \$ 5,850,000 | \$ 1,559,364 | \$ 663,875 | \$ 3,601,500 | \$ 3,666,101 | \$ 2,643,825* |
| <b>Police:</b>                           |              |              |              |              |              |              |            |              |              |               |
| Violent crime total.....                 | 282          | 226          | 259          | 258          | 178          | 206          | 183        | 198          | 172          | 183           |
| Murder and nonnegligent manslaughter.... | 3            | 0            | 1            | 0            | 0            | 1            | 0          | 0            | 2            | 0*            |
| Forcible rape.....                       | 7            | 14           | 17           | 22           | 17           | 10           | 8          | 15           | 19           | 14*           |
| Robbery.....                             | 104          | 77           | 90           | 84           | 51           | 58           | 40         | 48           | 39           | 42*           |
| Aggravated assault.....                  | 168          | 135          | 151          | 152          | 110          | 137          | 135        | 135          | 112          | 127*          |
| Property crime total.....                | 1,970        | 2,028        | 1,760        | 1,752        | 1,552        | 1,253        | 1,695      | 1,239        | 1,104        | 1,346         |
| Burglary.....                            | 493          | 514          | 416          | 349          | 430          | 192          | 305        | 207          | 171          | 228*          |
| Larceny-theft.....                       | 1,314        | 1,336        | 1,193        | 1,270        | 1,021        | 949          | 1,257      | 931          | 834          | 1,007*        |
| Motor vehicle theft.....                 | 163          | 178          | 151          | 133          | 101          | 112          | 133        | 101          | 99           | 111*          |
| <b>Traffic and Parking:</b>              |              |              |              |              |              |              |            |              |              |               |
| Tickets Issued.....                      | 189,878      | 158,995      | 152,381      | 149,844      | 144,919      | 128,449      | 140,974    | 137,973      | 125,472      | 134,806*      |
| <b>Inspectional:</b>                     |              |              |              |              |              |              |            |              |              |               |
| Building Permit Count.....               | 1,507        | 1,736        | 1,627        | 1,682        | 1,775        | 1,775*       | 2,166      | 2,034        | 2,186        | 2,128*        |
| <b>Education:</b>                        |              |              |              |              |              |              |            |              |              |               |
| Total enrollment.....                    | 4,877        | 4,842        | 4,855        | 4,877        | 4,922        | 4,940        | 4,987      | 4,931        | 4,950        | 4,956         |
| <b>Library:+</b>                         |              |              |              |              |              |              |            |              |              |               |
| Total Circulation.....                   | 499,205      | 501,095      | 466,304      | 448,579      | 415,666      | 411,566      | 387,222    | 396,812      | 378,929      | 387,654*      |
| Total Holdings.....                      | 185,611      | 183,791      | 185,930      | 192,229      | 194,451      | 200,522      | 205,045    | 211,941      | 215,289      | 210,758*      |
| Registered users.....                    | 27,939       | 27,663       | 27,826       | 27,934       | 28,017       | 29,611       | 29,351     | 33,500       | 34,395       | 32,415*       |

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                           | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015  | 2016  | 2017  | 2018  |
|------------------------------------|--------|--------|--------|--------|--------|--------|-------|-------|-------|-------|
| <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      | 2      | 2      | 3      | 3      | 3     | 3     | 3     | 3     |
| <b>Public works:</b>               |        |        |        |        |        |        |       |       |       |       |
| Streets (miles).....               | 106.15 | 106.17 | 106.17 | 106.17 | 108.97 | 115.11 | 119.7 | 119.7 | 119.7 | 119.7 |
| <b>Electric:</b>                   |        |        |        |        |        |        |       |       |       |       |
| Streetlights.....                  | 4,006  | 4,006  | 4,006  | 4,032  | 4,032  | 4,032  | 4,056 | 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.....               | 41     | 41     | 41     | 43     | 43     | 43     | 43    | 69    | 69    | 69    |
| Acreage.....                       | 49.27  | 49.27  | 49.27  | 51.35  | 51.35  | 51.35  | 51.35 | 58.3  | 58.3  | 58.3  |
| <b>DCR Parks in Somerville</b>     |        |        |        |        |        |        |       |       |       |       |
| Number of Parks.....               | 6      | 6      | 6      | 6      | 6      | 6      | 6     | 8     | 8     | 8     |
| Acreage.....                       | 77.5   | 77.5   | 77.5   | 77.5   | 77.5   | 77.5   | 77.5  | 81.3  | 81.3  | 81.3  |
| <b>Other Open and Public Space</b> |        |        |        |        |        |        |       |       |       |       |
| Number of Spaces.....              | 28     | 28     | 28     | 28     | 28     | 28     | 28    | 10    | 11    | 11    |
| Acreage.....                       | 50.34  | 50.34  | 50.34  | 50.34  | 50.34  | 50.34  | 50.34 | 19.3  | 25.0  | 25.0  |
| <b>Water:</b>                      |        |        |        |        |        |        |       |       |       |       |
| Water mains (miles).....           | 125    | 125    | 125    | 125    | 125    | 125    | 125   | 125   | 125   | 125   |
| Fire hydrants.....                 | 1,508  | 1,523  | 1,523  | 1,523  | 1,523  | 1,550  | 1,555 | 1,555 | 1,555 | 1,555 |
| <b>Education:</b>                  |        |        |        |        |        |        |       |       |       |       |
| Elementary schools.....            | 9      | 9      | 9      | 9      | 10     | 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