CITY OF SOMERVILLE

MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

Joseph A. Curtatone, Mayor
Edward Bean, Finance Director

Prepared by the City of Somerville Finance Department

On the Cover – Flatiron Building Mural

One of seven panels representing the history of Union Square, this mural is a collage depicting highlights of Union Square from both past and present, featuring the old fire station in the background and the vibrant contemporary activity. A Nepali festival dancer oversees jubilant Somerville Highlanders sell fluff-n-nutters for the annual Fluff festival as two onlookers enjoy their time in the square.

Artist: David Fichter

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JUNE 30, 2019

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Introductory Section

Assembly Row MBTA stop
Photo by Rie Lowenstein

Introductory Section

City of Somerville, Massachusetts

Joseph A. Curtatone

MAYOR

December 23, 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, 2019. 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, 2019, 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, 2019, 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, 2019, 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, 2019, 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 City Council 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 its 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 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 Massachusetts 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 (2018) all-time high of 86.7% while the drop-out rate has continued to decline to all-time lows. (1.2% in the latest report, 2018). 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.

Urban Mobility 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 as the number one City on the East coast and fifth in the nation in terms of bike commuting mode share in a 2017 report. The City is also recognized as a gold-level bicycle friendly community by the League of American Bicyclists. American Community Survey data from 2018 show that an incredible 55.4% of all commuting trips are made by biking, walking, or taking public transportation – a metric which is only expected to increase when the extension of the MBTA’s Green Line through Somerville is completed in 2021.

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 has recognized Somerville as an All-America

City three times, twice under the current Administration's leadership, for outstanding civic accomplishments in innovation, inclusiveness, civic engagement, and cross sector collaboration to address pressing local challenges.

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 district and one of the premier economic development sites in New England. The 145-acre district is located at the northeast corner of the Somerville along the Mystic River.

Source: u/vanhoosear on Flickr

Its location, less than two and one half miles from Downtown Boston and two miles from Kendall Square in Cambridge is linked to the region by robust transportation infrastructure. Assembly Square is directly accessible from Interstate 93 and State Route 28. In September of 2014, the Assembly Square Orange Line transit stop became the first new stop in the Massachusetts Bay Transit Authority system in over a generation. For the past two decades, the City has undertaken an ambitious effort to maximize its locational advantages and transform this former industrial district into the Greater Boston's newest neighborhood. Thoughtful planning and strategic investments has created a model for successful mix-used, transit-oriented developments.

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 new 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. The Company has the opportunity to expand its presence and build a new, 400,000 square foot building at some future point. From a municipal finance perspective, the project has been just as successful. To date, the DIF-captured incremental tax revenue has significantly exceeded the cost to service the debt required to build the area's infrastructure.

Development activity is accelerating at Assembly Square. Federal Realty recently completed construction of Montage, a 768,000 sq. ft. project on Block 6, a 7-story, 447-unit residential building with 48,000 sq. ft. of ground floor retail space. Across the street, Block 5A, a 303,000 square foot building that includes a 160-room Marriot Autograph Collection hotel, Alloy, a 132-unit condominium project along with 20,000 sq. ft. of ground floor retail space.

Three new buildings are under construction in Assembly Square. At Assembly Row, a 275,000 sq. ft. commercial building will be known as 455 Grand Union Blvd and include the North American Headquarters of Puma. Adjacent to the MBTA transit station is Block 8, a 525,300 sq. ft. residential building featuring 500 apartments and 26,500 sq. ft of ground floor retail. A few blocks away, the first building broken ground from the 1.4M sq. ft. master-planned project known as XMBLY. Alta XMBLY will be a 329-unit residential building with ground floor retail space.

Union Square

Union Square, located on the southern end of the city, is Somerville's second largest business district. It's known throughout the region as a multi-ethnic arts and dining destination. For the past 15 years, the City has collaborated with neighborhood residents, businesses, and property owners to launch plans to strengthen the district. In 2004, the collaboration created "Union Square Main Streets," a non-profit community organization based on the National Main Street Center's successful downtown revitalization model.

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 be the terminus of the expanded MBTA Green Line. In 2012, the City and the Somerville Redevelopment Authority (SRA) approved the Union Square Urban Revitalization Plan and identified seven major redevelopment parcels. 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, the community's master plan. 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, including housing, retail, office and lab space. The first phase of the project is expected to break ground in 2020 and will include a 175,000 sq. ft. commercial/lab building and a 450-unit residential building.

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 the MBTA Green Line. 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 City approved a plan to finance $141 million in public infrastructure to alleviate existing flooding issues, replace critical sub-surface infrastructure and provide capacity to unlock the development potential in the district. In December of 2017, the City approved the Union Square DIF financing plan and the first phase of projects, which includes a $63 million of 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 and helps to attract millions in new investment each year for its resident firms. Greentown Labs 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 City Council 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.

Boynton Yards

The extension of the Green Line into Union Square has also generated new interest in Boynton Yards, a 35-acre industrial district located south of the future Union Square transit stop. In April 2009, the City upzoned the district in order to encourage denser, transit oriented development.

Development interest in Boynton Yards is increasing. US2 has acquired an interest in the property located at 50 Webster Street, a key part of the D-3 development site US2 has entitled as part of the Union Square project. In the heart of Boynton Yards, a partnership formed by DLJ Capital Partners and Leggat McCall has acquired over six acres of land. The partnership has broken ground on a 290,000 sq. ft. lab building located at 101 South Street and is preparing plans for additional buildings.

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.

The district is home to many of the City’s largest employers, including ABM Industries, the Angelica Corporation, Triumvirate Environmental and Finch Therapeutics. In 2020, a 205-unit residential building and 120-room hotel are poised to break ground at 0 and 20 Innerbelt Road. Down the street and near the planned East Somerville Green Line transit stop, the Somerville Redevelopment Authority has acquired a vacant four-acre parcel located at 90 Washington Street where it plans to construct a new public safety complex while leaving a portion of the site available for transformative, transit-oriented development. The OSPCD will launch the Brickbottom Neighborhood Plan in 2020 to develop strategies to further unlock the area’s potential.

Cambridge Crossing

DivcoWest is implementing a master plan on 43 acres of land split between Somerville, Cambridge and Boston. The project is approved for over 4.5 million sq. ft. of development, including 2.1 million square feet of science and technology space. The project sits adjacent to the MBTA Orange Line station at Community College and Green Line station at Lechmere. The project is positioned to attract growing companies seeking space close to the dynamic concentration of life sciences companies in Kendall Square.

Philips will become a lead tenant in the new building at 250 North Street, which sits on the Cambridge/Somerville line. In early 2020, Philips will move its North American headquarters into 350,000 sq. ft. of space. A 483,000 sq. ft. lab building is under construction at nearby Parcel E/F, located entirely within Somerville.

Davis Square

Davis Square is Somerville's most vibrant central business district located close to Tufts University and anchored by an MBTA Red Line subway station. for the district has become well-known throughout Greater Boston as a food, entertainment and cultural mecca. Consequently, Davis Square has limited vacancy in the retail and office market segments. 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 21st 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 2019 is $19,654,550. The following table sets forth the recent trend in Free Cash for the City.

	Free Cash (July 1)
2019	$19,654,550
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 City Council meeting for any municipal purpose.
The following table lists the Stabilization Funds balances for the following years.

	Stabilization Cash Balance
2019	$43,185,319
2018	41,919,377
2017	34,162,355
2016	28,852,284
2015	23,682,116
2014	15,495,452

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 FY20 through FY29 has an estimated cost of $390 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, 2019, totaled $127.5 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
2019	$127,508,593	$15,656,512,018	$1,563	0.81
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, 2018, the total value of all property in the City is $15.7 billion. Professional reevaluations of all property in the City to full and fair cash value in compliance with Massachusetts law were mostly recently completed for use in 2019. 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		
2019	$15,363,243,508	$293,268,510	$15,656,512,018	$10.76	$17.33	$153,031,240	1,876
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, 2019.

The total unfunded pension benefit obligation applicable to the City's Pension System was $186,162,171 at January 1, 2019.

Total pension benefit obligation	$448,787,334
Net Position available for benefits, at market value	(262,625,163)
Unfunded pension benefit obligation	$186,162,171

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 2019 fiscal years are as follows:

Year	Contributory	Non-Contributory
2019	$14,364,292	$108,112
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
2019	$8,485,245
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 the unfunded OPEB liability, as of June 30, 2019, the unfunded liability recorded equals $278,519,559.

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, 2019 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, seven 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. We acknowledge the assistance of the entire financial team of the City and the firm of Powers & Sullivan, LLC in making this report a reality.

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

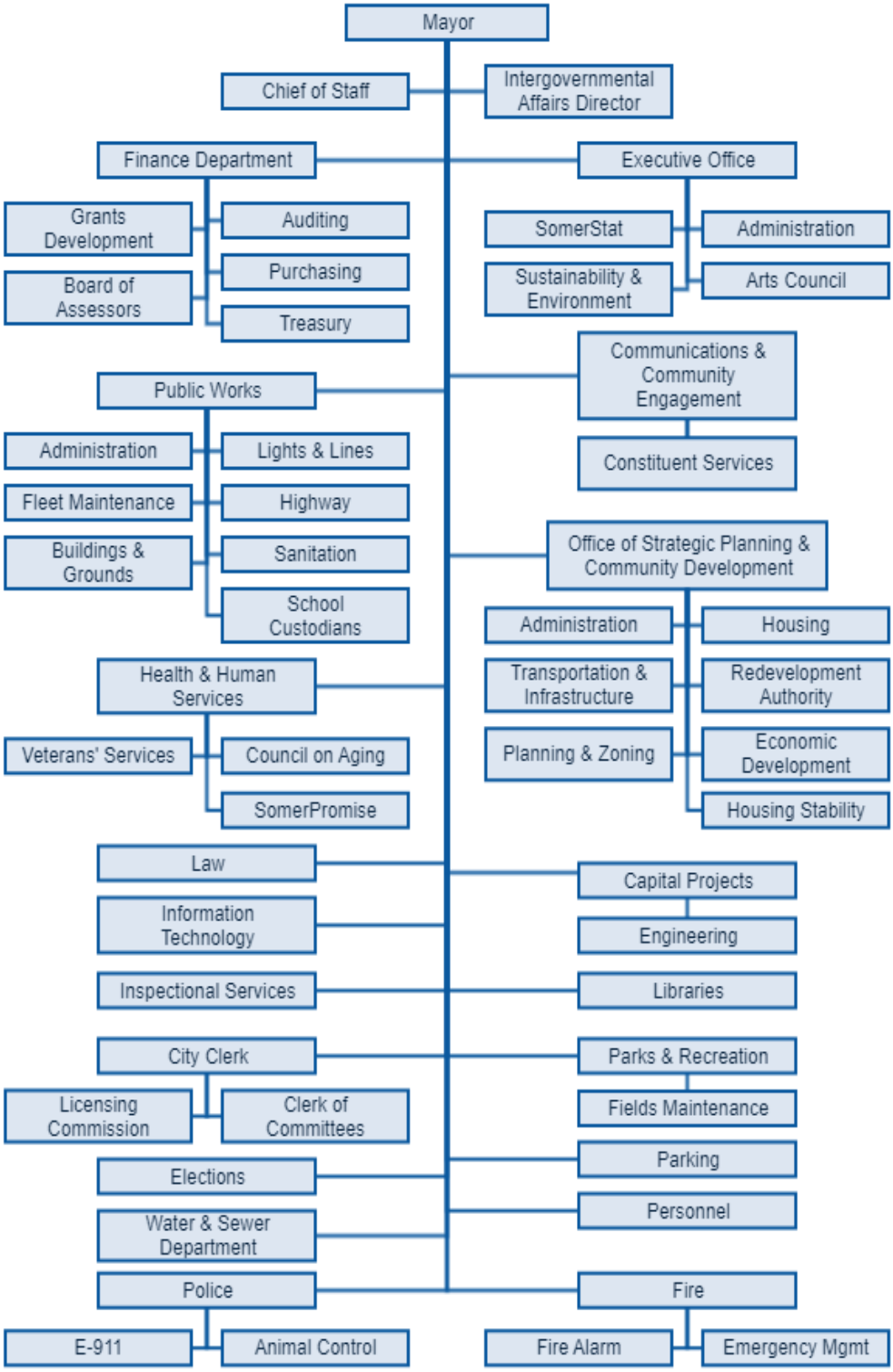
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

Organizational Chart



City Government

Joseph A. Curtatone, Mayor

Edward Bean, Finance Director

Colleen Tam, Deputy City Auditor

Linda Dubuque, City Treasurer/Collector

Michael Mastrobuoni, Budget Manager

City Council

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

Financial Section

Fall decorations at Assembly Row
Photo by Rie Lowenstein

Financial Section

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Powers & Sullivan, LLC
Certified Public Accountants

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Somerville, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Somerville, Massachusetts, as of and for the year ended June 30, 2019, (except for the Somerville Contributory Retirement System which is as of and for the year ended December 31, 2018), 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, 2019 (except for the Somerville Contributory Retirement System which is as of December 31, 2018), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 23, 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

December 23, 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, 2019. 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, health and 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 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 $8.9 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 $46.4 million at the close of 2019, which was a decrease of $43.0 million from the prior year balances.

Net position of $221.4 million reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, $57.0 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 $324.7 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 $132.4 million and the business-type assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $86.0 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 $132.4 million at the close of 2019.

	2019	2018
Assets:		
Current assets	$ 213,709,163	$ 195,405,981
Noncurrent assets (excluding capital)	1,758,720	5,588,124
Capital assets, nondepreciable	148,473,307	92,936,623
Capital assets, net of accumulated depreciation	172,611,957	176,126,610
Total assets	**536,553,147**	**470,057,338**
Deferred outflows of resources	**46,911,795**	**1,974,980**
Liabilities:		
Current liabilities (excluding debt)	21,159,557	15,257,419
Noncurrent liabilities (excluding debt)	453,768,882	384,664,714
Current debt	104,243,333	97,450,927
Noncurrent debt	110,257,282	98,832,554
Total liabilities	**689,429,054**	**596,205,614**
Deferred inflows of resources	**26,461,047**	**37,171,890**
Net position:		
Net investment in capital assets	157,254,898	138,950,212
Restricted	56,924,125	43,189,284
Unrestricted	(346,604,182)	(343,484,682)
Total net position	$ **(132,425,159)**	$ **(161,345,186)**

The largest portion of the City of Somerville's net position $157.3 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City of Somerville's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Somerville's net position, $57.0 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 $103.4 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 $346.6 million deficit of unrestricted net position at June 30, 2019. 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, 2019, has a balance of $8.9 million and is reported within the Fiduciary Funds in the City's financial statements.

Included within the noncurrent assets (excluding capital) is $1.8 million in future school construction reimbursement grants.

Long-term liabilities include $110.3 million in general obligation bonds; $3.1 million in compensated absence liabilities for unused vacation, special leave, and enhanced longevity benefits payable; $696 thousand in future year workers' compensation benefits payable; $173.4 million in future pension benefits; and $276.6 million in future other postemployment benefits.

Governmental activities net position increased by $29.0 million in 2019.

	2019	2018
Program Revenues:		
Charges for services	$ 34,031,569	$ 33,414,711
Operating grants and contributions	64,508,414	62,086,194
Capital grants and contributions	36,587,710	14,224,905
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable	153,006,112	141,935,979
Tax and other liens	771,316	159,603
Motor vehicle and other excise taxes	10,470,518	10,032,977
Community preservation tax	1,955,547	1,794,508
Penalties and interest on taxes	673,359	869,868
Payments in lieu of taxes	1,507,020	1,327,790
Grants and contributions not restricted to specific programs	27,049,919	26,368,477
Unrestricted investment income	3,545,866	1,407,965
Gain on sale of capital assets	68,470	3,911
Miscellaneous	282,746	537,703
Total revenues	**334,458,566**	**294,164,591**
Expenses:		
General government	45,798,151	39,372,354
Public safety	65,598,846	54,307,824
Education	136,314,822	128,921,395
Public works	35,201,167	30,766,736
Community development	5,623,403	4,556,946
Health and human services	468,398	279,442
Culture and recreation	5,780,260	5,843,577
Community preservation	1,848,792	4,207,687
Interest	8,746,700	3,727,244
Total expenses	**305,380,539**	**271,983,205**
Excess (Deficiency) before transfers	**29,078,027**	**22,181,386**
Transfers	**(158,000)**	**1,088,397**
Change in net position	28,920,027	23,269,783
Net position, beginning of year	(161,345,186)	(184,614,969)
Net position, end of year	$ **(132,425,159)**	$ **(161,345,186)**

The primary reasons for the $28.9 million increase in net position relates to a net increase of $55.8 million in the deferred outflows and deferred inflows of resources related to pensions and the recognition of $36.6 million of capital grants. These increases were offset by an increase of $9.8 million and $59.7 million in the City's OPEB liability and net pension liability, respectfully. Real estate and personal property tax revenue increased $11.1 million due to new tax base growth and the proposition 2 ½ budgetary increase.

The majority of governmental expenses increased as a result of a budgeted $18.2 million increase in budgetary expenditures. Education expenses increased by $7.4, 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 safety increased by $11.2 million which is the result of an increase in the budget and the settlement of various union contracts that resulted in back pay paid to employees. Public works expenses increased by $4.4 million, this decrease relates directly to an increase in the operational costs of the Department. Community Preservation expenses decreased $2.4 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:

	2019	2018
Assets:		
Current assets	$ 48,787,509	$ 53,784,520
Capital assets, nondepreciable	15,635,958	2,500,332
Capital assets, net of accumulated depreciation	65,883,474	59,346,990
Total assets	**130,306,941**	**115,631,842**
Deferred outflows of resources	**602,117**	**273,955**
Liabilities:		
Current liabilities (excluding debt)	226,875	925,419
Noncurrent liabilities (excluding debt)	4,192,738	3,392,895
Current debt	23,985,212	31,697,683
Noncurrent debt	16,318,724	7,498,161
Total liabilities	**44,723,549**	**43,514,158**
Deferred inflows of resources	**195,508**	**471,426**
Net position:		
Net investment in capital assets	64,130,762	45,635,475
Unrestricted	21,859,239	26,284,738
Total net position	$ **85,990,001**	$ **71,920,213**

Business-type net position of $64.1 million represents investments in capital assets net of related debt. The remaining $21.9 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 $14.1 million in net position reported in connection with the enterprise funds.

	2019	2018
Program Revenues:		
Charges for services	$ 37,916,582	$ 37,290,669
General Revenues:		
Unrestricted investment income	361,159	270,925
Intergovernmental	5,654,101	-
Total revenues	**43,931,842**	**37,561,594**
Expenses:		
Water	12,091,409	12,049,054
Sewer	19,328,306	19,265,858
Veteran's Memorial Ice Rink	693,015	713,303
Dilboy Stadium	144,238	143,967
Total expenses	**32,256,968**	**32,172,182**
Excess (Deficiency) before transfers	**11,674,874**	**5,389,412**
Transfers	**158,000**	**199,000**
Change in net position	11,832,874	5,588,412
Net position, beginning of year	**71,920,213**	**66,331,801**
Net position, end of year	$ **83,753,087**	$ **71,920,213**

The water enterprise fund net position increased $4.2 million. This is primarily due to the receipt of $2.2 million of capital grants, the receipt of $439 thousand of water lien revenue, 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 $9.9 million. This is primarily due to an increase in sewer rates, the receipt of $750 thousand of sewer liens, the receipt of $5.7 million of capital grants, and the funds ability to maintain a minimal increase in overall operating costs.

The Veterans Memorial Ice Rink enterprise fund net position increased by $36 thousand. This is the result of an operational subsidy from the general fund offset by interest expense and an operating deficit.

The Dilboy Stadium enterprise fund net position increased by $17 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 $91.1 million, of which positive balances of $68.9 million was reported in the general fund, $17.2 million in the Strategic Planning and Community Development fund, and $43.9 million in the nonmajor governmental funds.

The capital projects fund reported a deficit of $38.9 million. Cumulatively, there was an increase in the governmental funds of $10.5 million from prior year. This is due to a $4.4 million budgetary surplus, an operating deficit in the capital projects fund of $7.9 million offset by an operating surplus of $725 thousand in the Strategic Planning & Community Development Fund, 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 $26.0 million and was comprised of two components: an unreserved fund balance of $21.8 million and a rainy day stabilization fund of $4.2 million. Assigned fund balance, which represents amounts designated for the 2020 budget and amounts that have been reserved for the use of liquidating prior purchase orders, contracts, and ongoing capital articles, totaled $4.6 million. Committed fund balance, which represents the City's various use-specific stabilization funds and the health claims trust, totaled $38.3 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 10.0% of total general fund expenditures, while total fund balance equaled 26.4% of the same amount. Please see Note 9 for further details.

The City's general fund increased $4.7 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 $725 thousand. The fund operates on a grant drawdown basis and the results of operations are primarily the result of the timing of the expenditure of grant allotments.

The City's capital projects funds decreased by $7.9 million. The decrease is due to the net effect of $60.1 million of capital expenditures on current and prior year's projects offset by the issuance of $16.9 million in bonds and the receipt of a $2.2 million bond premium.

General Fund Budgetary Highlights

There was an $18.2 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, 2019, amounts to $321.1 million (net of accumulated depreciation) and its business-type activities amounted to $81.5 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, books and periodicals, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The net increase in the City's investment in capital assets for the current year governmental assets was $52.0 million and business-type assets was $19.7 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 ten-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 $118.7 million. Additionally, the City reported governmental short-term borrowing of $95.8 million related to the High School Construction, road reconstruction and improvement projects, the Green Line extension, and various other projects around the City.

During 2019, the City's governmental long-term debt increased $12.4 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 $6.2 million, $10.1 million, and $1.7 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 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 2019, $1,497,811 of such assistance was received. Approximately $3,537,000 will be received in future years. Of this amount, approximately $899,000 represents reimbursement of long-term interest costs, and approximately $2,638,000 represents reimbursement of approved construction costs. Accordingly, a $2,638,000 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 2019, the City has recorded capital grant proceeds totaling $14.9 million related to the East Somerville Community School, (this project is not eligible for further reimbursement), $51.4 million related to the Somerville High School project, and $1.5 million 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 $72.6 million related to the Somerville High School project and $262 thousand related to the Winter Hill Community School. Accordingly, a $12.9 million intergovernmental receivable and corresponding revenue has been reported in the governmental fund financial statements. This receivable relates to expenditures incurred during 2019 and submitted for reimbursement from the MSBA.

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 September 2019 is approximately 2.0%, which is a 0.1% year-over-year decrease from a rate of 2.1% in September 2018. This compares favorably to the state's average seasonally-adjusted unemployment rate of 2.9% and the national average of 3.5%.

- According to the City's Board of Assessors, for 2019, the average single-family parcel in the City is valued at $854,994; the average two-family home is valued at $940,890; the average 2019 commercial and industrial property is valued at $2,889,898. 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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents	$ 149,626,390	$ 37,435,820	$ 187,062,210
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	1,669,830	-	1,669,830
Tax liens	1,310,080	-	1,310,080
Community preservation fund surtax	18,813	-	18,813
Motor vehicle and other excise taxes	705,490	-	705,490
User charges	-	11,351,689	11,351,689
Departmental and other	2,627,241	-	2,627,241
Intergovernmental	30,094,562	-	30,094,562
Community preservation state share	206,130	-	206,130
Loans	27,450,627	-	27,450,627
Total current assets	213,709,163	48,787,509	262,496,672
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental	1,758,720	-	1,758,720
Capital assets, nondepreciable	148,473,307	15,635,958	164,109,265
Capital assets, net of accumulated depreciation	172,611,957	65,883,474	238,495,431
Total noncurrent assets	322,843,984	81,519,432	404,363,416
TOTAL ASSETS	536,553,147	130,306,941	666,860,088
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows for refunding debt	382,635	-	382,635
Deferred outflows related to pensions	46,487,914	601,830	47,089,744
Deferred outflows related to other postemployment benefits	41,246	287	41,533
TOTAL DEFERRED OUTFLOWS OF RESOURCES	46,911,795	602,117	47,513,912
LIABILITIES			
CURRENT:			
Warrants payable	11,260,680	86,609	11,347,289
Accrued payroll	2,088,246	40,818	2,129,064
Tax refunds payable	1,386,000	-	1,386,000
Accrued interest	3,644,576	97,748	3,742,324
Other liabilities	2,399,455	-	2,399,455
Compensated absences	148,600	1,700	150,300
Workers' compensation	232,000	-	232,000
Notes payable	95,822,511	22,328,000	118,150,511
Bonds payable	8,420,822	1,657,212	10,078,034
Total current liabilities	125,402,890	24,212,087	149,614,977
NONCURRENT:			
Compensated absences	3,104,000	26,500	3,130,500
Workers' compensation	696,000	-	696,000
Net pension liability	173,371,108	2,244,453	175,615,561
Net other postemployment benefits liability	276,597,774	1,921,785	278,519,559
Bonds payable	110,257,282	16,318,724	126,576,006
Total noncurrent liabilities	564,026,164	20,511,462	584,537,626
TOTAL LIABILITIES	689,429,054	44,723,549	734,152,603
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,943,537	25,161	1,968,698
Deferred inflows related to other postemployment benefits	24,517,510	170,347	24,687,857
TOTAL DEFERRED INFLOWS OF RESOURCES	26,461,047	195,508	26,656,555
NET POSITION			
Net investment in capital assets	157,254,898	64,130,762	221,385,660
Restricted for:			
Streets	148,365	-	148,365
Community Development	3,013,531	-	3,013,531
Loans	27,450,627	-	27,450,627
Permanent funds:			
Expendable	168,906	-	168,906
Nonexpendable	433,126	-	433,126
Gifts and grants	11,077,010	-	11,077,010
Community preservation	14,632,560	-	14,632,560
Unrestricted	(346,604,182)	21,859,239	(324,744,943)
TOTAL NET POSITION	$ (132,425,159)	$ 85,990,001	$ (46,435,158)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
Governmental Activities:					
General government	$ 45,798,151	$ 16,052,363	$ 4,483,922	$ -	$ (25,261,866)
Public safety	65,598,846	12,128,811	1,504,557	137,813	(51,827,665)
Education	136,314,822	4,258,895	47,632,509	30,995,107	(53,428,311)
Public works	35,201,167	537,786	1,799,897	5,022,370	(27,841,114)
Community development	5,623,403	-	7,252,605	27,500	1,656,702
Health and human services	468,398	582,843	927,854	-	1,042,299
Culture and recreation	5,780,260	470,871	288,619	-	(5,020,770)
Community preservation	1,848,792	-	-	404,920	(1,443,872)
Interest	8,746,700	-	618,451	-	(8,128,249)
Total Governmental Activities	305,380,539	34,031,569	64,508,414	36,587,710	**(170,252,846)**
Business-Type Activities:					
Water	12,091,409	13,771,306	-	2,236,914	3,916,811
Sewer	19,328,306	23,414,555	-	5,654,101	9,740,350
Veteran's Memorial Ice Rink	693,015	570,342	-	-	(122,673)
Dilboy Stadium	144,238	160,379	-	-	16,141
Total Business-Type Activities	32,256,968	37,916,582	-	7,891,015	**13,550,629**
Total Primary Government	$ 337,637,507	$ 71,948,151	$ 64,508,414	$ 44,478,725	$ **(156,702,217)**

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (continued)

YEAR ENDED JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page	$ **(170,252,846)**	$ **13,550,629**	$ **(156,702,217)**
General revenues:			
Real estate and personal property taxes, net of tax refunds payable	153,006,112	-	153,006,112
Tax and utility liens	771,316	-	771,316
Motor vehicle and other excise taxes	10,470,518	-	10,470,518
Community preservation tax	1,955,547	-	1,955,547
Penalties and interest on taxes	673,359	-	673,359
Payments in lieu of taxes	1,507,020	-	1,507,020
Grants and contributions not restricted to specific programs	27,049,919	-	27,049,919
Unrestricted investment income	3,545,866	361,159	3,907,025
Gain on sale of assets	68,470	-	68,470
Miscellaneous	282,746	-	282,746
Transfers, net	(158,000)	158,000	-
Total general revenues and transfers	199,172,873	519,159	199,692,032
Change in net position	28,920,027	14,069,788	42,989,815
Net position:			
Beginning of year	(161,345,186)	71,920,213	(89,424,973)
End of year	$ (132,425,159)	$ 85,990,001	$ (46,435,158)

See notes to basic financial statements. (Concluded)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2019

	General	Strategic Planning & Community Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 66,745,470	$ 525,825	$ 51,282,283	$ 31,072,812	$ 149,626,390
Receivables, net of uncollectibles:					
Real estate and personal property taxes	1,669,830	-	-	-	1,669,830
Tax liens	1,297,908	-	-	12,172	1,310,080
Community preservation fund surtax	-	-	-	18,813	18,813
Motor vehicle and other excise taxes	705,490	-	-	-	705,490
Departmental and other	2,627,241	-	-	-	2,627,241
Intergovernmental	6,269,386	3,013,531	12,877,925	9,692,440	31,853,282
Community preservation state share	-	-	-	206,130	206,130
Loans	-	16,845,656	-	10,604,971	27,450,627
Due from other funds	6,875,842	-	-	-	6,875,842
TOTAL ASSETS	$ 86,191,167	$ 20,385,012	$ 64,160,208	$ 51,607,338	$ 222,343,725
LIABILITIES					
Warrants payable	$ 3,730,087	$ 112,340	$ 7,264,055	$ 154,198	$ 11,260,680
Accrued payroll	1,754,096	13,265	654	320,231	2,088,246
Tax refunds payable	1,386,000	-	-	-	1,386,000
Due to other funds	-	-	-	6,875,842	6,875,842
Other liabilities	2,399,455	-	-	-	2,399,455
Notes payable	-	-	95,822,511	-	95,822,511
TOTAL LIABILITIES	9,269,638	125,605	103,087,220	7,350,271	119,832,734
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	8,020,053	3,013,531	-	385,481	11,419,065
FUND BALANCES					
Nonspendable	-	-	-	433,126	433,126
Restricted	-	17,245,876	-	43,438,460	60,684,336
Committed	38,314,287	-	-	-	38,314,287
Assigned	4,572,556	-	-	-	4,572,556
Unassigned	26,014,633	-	(38,927,012)	-	(12,912,379)
TOTAL FUND BALANCES	68,901,476	17,245,876	(38,927,012)	43,871,586	91,091,926
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 86,191,167	$ 20,385,012	$ 64,160,208	$ 51,607,338	$ 222,343,725

See notes to basic financial statements.

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

JUNE 30, 2019

Total governmental fund balances		$ 91,091,926
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds		321,085,264
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds		11,419,065
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred		20,450,748
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due		(3,644,576)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable	(118,678,104)	
Net pension liability	(173,371,108)	
Net other postemployment benefits liability	(276,597,774)	
Workers' compensation	(928,000)	
Compensated absences	(3,252,600)	
Net effect of reporting long-term liabilities		(572,827,586)
Net position of governmental activities		$ (132,425,159)

See notes to basic financial statements.

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2019

	General	Strategic Planning & Community Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds	$ 153,512,695	$ -	$ -	$ -	$ 153,512,695
Tax liens	291,986	-	-	-	291,986
Motor vehicle and other excise taxes	10,490,716	-	-	-	10,490,716
Penalties and interest on taxes	673,359	-	-	-	673,359
Payments in lieu of taxes	1,507,020	-	-	-	1,507,020
Intergovernmental - Teachers Retirement	16,047,345	-	-	-	16,047,345
Intergovernmental	49,487,815	6,221,888	34,307,471	24,913,630	114,930,804
Departmental and other	24,059,057	-	-	10,814,321	34,873,378
Community preservation taxes	-	-	-	1,955,547	1,955,547
Community preservation state match	-	-	-	432,342	432,342
Contributions and donations	330,819	40,286	-	484,329	855,434
Investment income	3,377,305	17,122	-	140,788	3,535,215
Miscellaneous	266,414	-	-	16,332	282,746
TOTAL REVENUES	260,044,531	6,279,296	34,307,471	38,757,289	339,388,587
EXPENDITURES:					
Current:					
General government	27,873,706	-	16,398,298	2,210,183	46,482,187
Public safety	46,480,785	-	-	2,378,932	48,859,717
Education	72,292,696	-	40,947,139	12,946,219	126,186,054
Public works	28,268,804	-	1,517,951	1,255,689	31,042,444
Community development	-	5,584,239	-	-	5,584,239
Health and human services	-	-	-	469,398	469,398
Culture and recreation	3,917,216	-	1,307,040	507,592	5,731,848
Community preservation	-	-	-	1,961,132	1,961,132
Pension benefits	14,336,380	-	-	-	14,336,380
Pension benefits - Teachers Retirement	16,047,345				16,047,345
Employee benefits	25,610,600	-	-	-	25,610,600
State and county charges	12,993,749	-	-	-	12,993,749
Debt service:					
Principal	6,812,925	-	-	-	6,812,925
Interest	6,505,047	-	-	-	6,505,047
TOTAL EXPENDITURES	261,139,253	5,584,239	60,170,428	21,729,145	348,623,065
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,094,722)	695,057	(25,862,957)	17,028,144	(9,234,478)
OTHER FINANCING SOURCES (USES):					
Issuance of bonds	-	-	16,895,000	-	16,895,000
Premium from issuance of bonds	-	-	2,234,342	716,210	2,950,552
Proceeds from the sale of assets	68,470	-	-	-	68,470
Transfers in	6,426,366	29,891	-	105,000	6,561,257
Transfers out	(753,001)	-	(1,157,722)	(4,808,534)	(6,719,257)
TOTAL OTHER FINANCING SOURCES (USES)	5,741,835	29,891	17,971,620	(3,987,324)	19,756,022
NET CHANGE IN FUND BALANCES	4,647,113	724,948	(7,891,337)	13,040,820	10,521,544
FUND BALANCES AT BEGINNING OF YEAR	64,254,363	16,520,928	(31,035,675)	30,830,766	80,570,382
FUND BALANCES AT END OF YEAR	$ 68,901,476	$ 17,245,876	$ (38,927,012)	$ 43,871,586	$ 91,091,926

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, 2019

Net change in fund balances - total governmental funds		$ 10,521,544
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.		
Capital outlay	61,385,051	
Depreciation expense	(9,363,020)	
Net effect of reporting capital assets		52,022,031
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		(5,035,891)
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.		
Issuance of bonds	(16,895,000)	
Premium from issuance of bonds	(2,950,552)	
Net amortization of premium from issuance of bonds	679,302	
Net change in deferred charge on refunding	(146,784)	
Debt service principal payments	6,812,925	
Net effect of reporting long-term debt		(12,500,109)
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.		
Net change in compensated absences accrual	375,100	
Net change in accrued interest on long-term debt	(2,774,172)	
Net change in deferred outflow/(inflow) of resources related to pensions	48,247,183	
Net change in net pension liability	(59,656,132)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits	7,547,259	
Net change in net other postemployment benefits liability	(9,819,786)	
Net change in workers' compensation liability	(7,000)	
Net effect of recording long-term liabilities		(16,087,548)
Change in net position of governmental activities		$ 28,920,027

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2019

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Veterans Memorial Ice Rink	Dilboy Stadium	Total
ASSETS					
CURRENT:					
Cash and cash equivalents	$ 12,256,068	$ 24,843,503	$ 42,118	$ 294,131	$ 37,435,820
Receivables, net of allowance for uncollectibles:					
User charges	4,016,822	7,334,867	-	-	11,351,689
Total current assets	16,272,890	32,178,370	42,118	294,131	48,787,509
NONCURRENT:					
Capital assets, nondepreciable	4,503,897	11,132,061	-	-	15,635,958
Capital assets, net of accumulated depreciation	36,083,925	26,921,953	2,877,596	-	65,883,474
Total noncurrent assets	40,587,822	38,054,014	2,877,596	-	81,519,432
TOTAL ASSETS	56,860,712	70,232,384	2,919,714	294,131	130,306,941
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	273,826	328,004	-	-	601,830
Deferred outflows related to other postemployment benefits	221	66	-	-	287
TOTAL DEFERRED OUTFLOWS OF RESOURCES	274,047	328,070	-	-	602,117
LIABILITIES					
CURRENT:					
Warrants payable	60,844	25,765	-	-	86,609
Accrued payroll	15,628	19,182	2,246	3,762	40,818
Accrued interest	38,142	24,537	35,069	-	97,748
Compensated absences	500	1,200	-	-	1,700
Notes payable	5,432,500	16,895,500	-	-	22,328,000
Bonds payable	1,032,234	419,978	205,000	-	1,657,212
Total current liabilities	6,579,848	17,386,162	242,315	3,762	24,212,087
NONCURRENT:					
Compensated absences	10,500	16,000	-	-	26,500
Net pension liability	1,021,201	1,223,252	-	-	2,244,453
Net other postemployment benefits liability	1,476,154	445,631	-	-	1,921,785
Bonds payable	9,060,627	5,753,097	1,505,000	-	16,318,724
Total noncurrent liabilities	11,568,482	7,437,980	1,505,000	-	20,511,462
TOTAL LIABILITIES	18,148,330	24,824,142	1,747,315	3,762	44,723,549
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	11,448	13,713	-	-	25,161
Deferred inflows related to other postemployment benefits	130,846	39,501	-	-	170,347
TOTAL DEFERRED INFLOWS OF RESOURCES	142,294	53,214	-	-	195,508
NET POSITION					
Net investment in capital assets	31,753,928	31,209,238	1,167,596	-	64,130,762
Unrestricted	7,090,207	14,473,860	4,803	290,369	21,859,239
TOTAL NET POSITION	$ 38,844,135	$ 45,683,098	$ 1,172,399	$ 290,369	$ 85,990,001

See notes to basic financial statements.

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Veterans Memorial Ice Rink	Dilboy Stadium	Total
OPERATING REVENUES:					
Charges for services	$ 13,332,166	$ 22,664,175	$ 570,342	$ 160,379	$ 36,727,062
Liens - charges for services	439,140	750,380	-	-	1,189,520
TOTAL OPERATING REVENUES	13,771,306	23,414,555	570,342	160,379	37,916,582
OPERATING EXPENSES:					
Cost of services and administration	10,558,981	18,470,037	516,536	144,238	29,689,792
Depreciation	1,319,031	616,778	85,898	-	2,021,707
TOTAL OPERATING EXPENSES	11,878,012	19,086,815	602,434	144,238	31,711,499
OPERATING INCOME (LOSS)	1,893,294	4,327,740	(32,092)	16,141	6,205,083
NONOPERATING REVENUES (EXPENSES):					
Investment income	240,921	119,060	589	589	361,159
Interest expense	(213,397)	(241,491)	(90,581)	-	(545,469)
TOTAL NONOPERATING REVENUES (EXPENSES), NET	27,524	(122,431)	(89,992)	589	(184,310)
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	1,920,818	4,205,309	(122,084)	16,730	6,020,773
CAPITAL CONTRIBUTIONS	2,236,914	5,654,101	-	-	7,891,015
TRANSFERS:					
Transfers in	-	-	158,000	-	158,000
CHANGE IN NET POSITION	4,157,732	9,859,410	35,916	16,730	14,069,788
NET POSITION AT BEGINNING OF YEAR	34,686,403	35,823,688	1,136,483	273,639	71,920,213
NET POSITION AT END OF YEAR	$ 38,844,135	$ 45,683,098	$ 1,172,399	$ 290,369	$ 85,990,001

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Veterans Memorial Ice Rink	Dilboy Stadium	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	$ 13,771,306	$ 23,510,247	$ 570,342	$ 160,379	$ 38,012,274
Payments to vendors	(9,767,380)	(17,386,073)	(307,929)	(66,619)	(27,528,001)
Payments to employees	(827,629)	(860,350)	(207,943)	(76,754)	(1,972,676)
NET CASH FROM OPERATING ACTIVITIES	3,176,297	5,263,824	54,470	17,006	8,511,597
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	-	158,000	-	158,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes	11,170,500	21,635,275	-	-	32,805,775
Premium from the issuance of bonds	105,000	254,650	-	-	359,650
Capital grants	2,236,914	5,654,101	-	-	7,891,015
Acquisition and construction of capital assets	(8,647,128)	(13,581,098)	-	-	(22,228,226)
Principal payments on bonds and notes	(9,927,332)	(21,570,351)	(200,000)	-	(31,697,683)
Interest expense	(249,947)	(474,686)	(75,350)	-	(799,983)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(5,311,993)	(8,082,109)	(275,350)	-	(13,669,452)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	240,921	119,060	589	589	361,159
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,894,775)	(2,699,225)	(62,291)	17,595	(4,638,696)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,150,843	27,542,728	104,409	276,536	42,074,516
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 12,256,068	$ 24,843,503	$ 42,118	$ 294,131	$ 37,435,820
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss)	$ 1,893,294	$ 4,327,740	$ (32,092)	$ 16,141	$ 6,205,083
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation	1,319,031	616,778	85,898	-	2,021,707
Deferred (outflows)/inflows related to pensions	(291,077)	(333,518)	-	-	(624,595)
Deferred (outflows)/inflows related to other postemployment benefits	(40,279)	(12,159)	-	-	(52,438)
Changes in assets and liabilities:					
User charges	262,623	95,692	-	-	358,315
Warrants payable	(130,163)	(69,979)	(213)	-	(200,355)
Accrued payroll	(2,281)	4,476	877	865	3,937
Compensated absences	(27,100)	(13,800)	-	-	(40,900)
Net pension liability	139,842	632,773	-	-	772,615
Other postemployment benefits	52,407	15,821	-	-	68,228
Total adjustments	1,283,003	936,084	86,562	865	2,306,514
NET CASH FROM OPERATING ACTIVITIES	$ 3,176,297	$ 5,263,824	$ 54,470	$ 17,006	$ 8,511,597
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
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, 2019

	Total Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	$ 6,010,739	$ 98,401	$ 3,584,142
Investments:			
Investments in Pension Reserve Investment Trust	277,799	-	-
U.S. treasuries	769,625	-	-
Real estate and alternative investment mutual funds	22,486,452	-	-
Bond mutual funds	60,701,220	-	-
Equity securities	155,088,456	-	-
Equity mutual funds	23,784,835	-	-
Fixed income mutual funds	1,006,318	-	-
Other investments	1,652,841	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other	50,804	-	-
TOTAL ASSETS	271,829,089	98,401	3,584,142
LIABILITIES			
Warrants payable	299,667	-	-
Accrued payroll	-	-	2,863
Liabilities due depositors	-	-	3,581,279
TOTAL LIABILITIES	299,667	-	3,584,142
NET POSITION			
Restricted for pensions	262,625,163	-	-
Restricted for other postemployment benefits	8,904,259	-	-
Held in trust for other purposes	-	98,401	-
TOTAL NET POSITION	$ 271,529,422	$ 98,401	$ -

(1) The Pension Trust Fund is as of December 31, 2018.

See notes to basic financial statements.

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2019

	Total Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions	$ 16,226,941	$ -
Employer contributions for other postemployment benefit payments	8,485,245	-
Member contributions	7,569,416	-
Retirement benefits - transfers from other systems	668,722	-
Retirement benefits - 3(8)c contributions from other systems	518,307	-
Retirement benefits - workers compensation settlements	13,712	-
Retirement benefits - state COLA reimbursements	316,625	-
Retirement benefits - interest not refunded	3,969	-
Private donations	-	8,714
Intergovernmental	27,322	-
Total contributions	33,830,259	8,714
Net investment income:		
Investment income	6,996,260	1,079
Net change in fair value of investments	(14,262,432)	-
Less: investment expense	(1,309,903)	-
Net investment income (loss)	(8,576,075)	1,079
TOTAL ADDITIONS	25,254,184	9,793
DEDUCTIONS:		
Administration	607,269	-
Retirement benefits - transfers to other systems	924,024	-
Retirement benefits - 3(8)c transfer to other systems	1,392,647	-
Payment of benefits and refunds	28,880,917	-
OPEB Benefits	8,485,245	-
Educational scholarships	-	10,675
TOTAL DEDUCTIONS	40,290,102	10,675
NET INCREASE (DECREASE) IN NET POSITION	(15,035,918)	(882)
NET POSITION AT BEGINNING OF YEAR	286,565,340	99,283
NET POSITION AT END OF YEAR	$ 271,529,422	$ 98,401

(1) The Pension Trust Fund is as of December 31, 2018.

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 City Council (Council).

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 1st 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 1st, November 1st, February 1st and May 1st 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 treasurers 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:

Capital Asset Type	Estimated Useful Life (in years)
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 City Council 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, 2019, the Capital Projects Fund reports a fund deficit of $38.9 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, 2019, $8.9 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 $179,549,649 and the bank balance totaled $189,580,607. Of the bank balance, $4,000,000 was covered by Federal Depository Insurance, $48,673,272 was covered by the Depositors Insurance Fund, $37,268,900 was covered by Share Insurance Fund, $52,021,483 was collateralized, and $47,616,952 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2018, carrying amount of deposits for the System totaled $4,210,328, and the bank balance totaled $4,487,241. The entire bank balance of the System was covered by Federal Depository Insurance and is collateralized.

Investments

As of June 30, 2019, the City of Somerville had the following investments:

Investment Type	Fair value	Maturities: Under 1 Year	Maturities: 1-5 Years	Maturities: 6-10 Years
Debt securities:				
U.S. treasury bonds	$ 769,625	$ -	$ 663,297	$ 106,328
Government sponsored enterprises	757,402	74,572	633,339	49,491
Corporate bonds	895,439	-	763,984	131,455
Total debt securities	$ 2,422,466	$ 74,572	$ 2,060,620	$ 287,274
Other investments:				
Equity securities	2,373,308			
Equity mutual funds	1,967,745			
Fixed income mutual funds	1,006,318			
MMDT - Cash portfolio	12,329,526			
Total investments	$ 20,099,363			

As of December 31, 2018, the System had the following investments:

Investment Type	Fair value	Maturities: Under 1 Year	Maturities: 1-5 Years	Maturities: 6-10 Years	Maturities: Over 10 Years	Rating
Debt securities:						
(1) Loomis Sayles Fixed Income Fund	$ 60,701,220	$ 18,695,976	$ 18,149,665	$ 12,868,659	$ 10,986,921	Aaa / NR
Other investments:						
Equity securities	152,715,148					
Equity mutual funds	21,817,090					
Real estate investment trust	22,486,452					
Money market mutual funds	665,989					
Pension Reserve Investment Trust (PRIT)	277,799					
Total investments	$ 258,663,698					

(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 City's U.S. treasury bonds of $769,625, Government sponsored enterprises of $757,402, Corporate bonds of $895,439, and Equity securities of $2,373,308, the City has custodial credit risk exposure of $4,795,774, because the related securities are uninsured, unregistered and held by the counterparty.

Of the System's $152,715,148 in equity securities, the System has custodial credit risk exposure of $152,715,148, 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, and 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'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 chooses a tabular format for disclosing the levels within the fair value hierarchy.

The City has the following recurring fair value measurements as of June 30, 2019:

Investment Type	June 30, 2019	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Debt securities:				
U.S. treasury bonds	$ 769,625	$ 769,625	$ -	$ -
Government sponsored enterprises	757,402	757,402	-	-
Corporate bonds	895,439	-	895,439	-
Total debt securities	2,422,466	1,527,027	895,439	-
Other investments:				
Equity securities	2,373,308	2,373,308	-	-
Equity mutual funds	1,967,745	1,967,745	-	-
Fixed income mutual funds	1,006,318	1,006,318	-	-
Total other investments	5,347,371	5,347,371	-	-
Total investments measured at fair value	7,769,837	$ 6,874,398	$ 895,439	$ -
Investments measured at amortized cost:				
MMDT - Cash portfolio	12,329,526			
Total investments	$ 20,099,363			

U.S. Treasury bonds, government sponsored enterprises, fixed income mutual funds, equity securities, and equity mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique.

MMDT investments 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, 2018:

		Fair Value Measurements Using		
Investment Type	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Debt securities:				
Fixed income mutual funds	$ 60,701,220	$ 60,701,220	$ -	$ -
Other investments:				
Equity securities	152,715,148	152,715,148	-	-
Equity mutual funds	21,817,090	21,817,090	-	-
Real estate investment trust	22,486,452	-	-	22,486,452
Money market mutual funds	665,989	665,989	-	-
Total other investments	197,684,679	175,198,227	-	22,486,452
Total investments measured at fair value	258,385,899	$ 235,899,447	$ -	$ 22,486,452
Investments measured at net asset value:				
Pension Reserve Investment Trust (PRIT)	277,799			
Total investments	$ 258,663,698			

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, 2019, receivables for the individual major governmental funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	$ 1,778,577	$ (108,747)	$ 1,669,830
Tax liens	1,310,080	-	1,310,080
Community preservation fund surtax	18,813	-	18,813
Motor vehicle and other excise taxes	1,797,052	(1,091,562)	705,490
Departmental and other	7,927,539	(5,300,298)	2,627,241
Intergovernmental - other	31,853,282	-	31,853,282
Community preservation state share	206,130	-	206,130
Loans	27,450,627	-	27,450,627
Total	$ 72,342,100	$ (6,500,607)	$ 65,841,493

At June 30, 2019, receivables for the enterprise funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user charges	$ 4,016,822	$ -	$ 4,016,822
Sewer user charges	7,334,867	-	7,334,867
Total	$ 11,351,689	$ -	$ 11,351,689

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

	General Fund	Community Development	Other Governmental Funds	Total
Receivables:				
Real estate and personal property taxes	$ 757,723	$ -	$ -	$ 757,723
Tax liens	1,350,762	-	-	1,350,762
Motor vehicle and other excise taxes	705,490	-	-	705,490
Departmental and other	2,567,998	-	237,116	2,805,114
Intergovernmental - highway improvements	-	-	148,365	148,365
Intergovernmental - School Building Authority	2,638,080	-	-	2,638,080
Community development block grants	-	3,013,531	-	3,013,531
Total	$ 8,020,053	$ 3,013,531	$ 385,481	$ 11,419,065

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 38,602,399	$ 13,145,550	$ -	$ 51,747,949
Construction in progress	54,334,224	42,995,848	(604,714)	96,725,358
Total capital assets not being depreciated	92,936,623	56,141,398	(604,714)	148,473,307
Capital assets being depreciated:				
Land improvements	42,557,053	2,505,331	-	45,062,384
Books and periodicals	2,626,489	-	-	2,626,489
Buildings and improvements	202,954,203	59,006	-	203,013,209
Machinery and equipment	11,607,662	500,964	-	12,108,626
Vehicles	16,586,748	662,034	-	17,248,782
Infrastructure	49,848,621	2,121,032	-	51,969,653
Total capital assets being depreciated	326,180,776	5,848,367	-	332,029,143
Less accumulated depreciation for:				
Land improvements	(17,631,949)	(1,663,851)	-	(19,295,800)
Books and periodicals	(2,593,821)	(19,186)	-	(2,613,007)
Buildings and improvements	(81,410,418)	(4,980,935)	-	(86,391,353)
Machinery and equipment	(8,821,645)	(569,211)	-	(9,390,856)
Vehicles	(9,880,174)	(1,060,210)	-	(10,940,384)
Infrastructure	(29,716,159)	(1,069,627)	-	(30,785,786)
Total accumulated depreciation	(150,054,166)	(9,363,020)	-	(159,417,186)
Total capital assets being depreciated, net	176,126,610	(3,514,653)	-	172,611,957
Total governmental activities capital assets, net	$ 269,063,233	$ 52,626,745	$ (604,714)	$ 321,085,264

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
Capital assets not being depreciated:				
Construction in progress	$ 393,486	$ 4,110,411	$ -	$ 4,503,897
Capital assets being depreciated:				
Buildings	16,087	-	-	16,087
Machinery and equipment	5,267,964	-	-	5,267,964
Vehicles	462,918	-	-	462,918
Infrastructure	41,519,647	4,536,717	-	46,056,364
Total capital assets being depreciated	47,266,616	4,536,717	-	51,803,333
Less accumulated depreciation for:				
Buildings	(10,858)	(805)	-	(11,663)
Machinery and equipment	(3,113,006)	(360,049)	-	(3,473,055)
Vehicles	(462,918)	-	-	(462,918)
Infrastructure	(10,813,595)	(958,177)	-	(11,771,772)
Total accumulated depreciation	(14,400,377)	(1,319,031)	-	(15,719,408)
Total capital assets being depreciated, net	32,866,239	3,217,686	-	36,083,925
Total water activities capital assets, net	$ 33,259,725	$ 7,328,097	$ -	$ 40,587,822

Sewer:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	$ 2,106,846	$ 9,025,215		$ 11,132,061
Capital assets being depreciated:				
Vehicles	434,092	-	-	434,092
Infrastructure	38,071,472	4,021,474	-	42,092,946
Total capital assets being depreciated	38,505,564	4,021,474	-	42,527,038
Less accumulated depreciation for:				
Vehicles	(293,413)	(34,924)	-	(328,337)
Infrastructure	(14,694,894)	(581,854)	-	(15,276,748)
Total accumulated depreciation	(14,988,307)	(616,778)	-	(15,605,085)
Total capital assets being depreciated, net	23,517,257	3,404,696	-	26,921,953
Total sewer activities capital assets, net	$ 25,624,103	$ 12,429,911	$ -	$ 38,054,014

Rink:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Buildings and improvements	$ 3,435,934	$ -	$ -	$ 3,435,934
Less accumulated depreciation for:				
Buildings and improvements	(472,440)	(85,898)	-	(558,338)
Total rink activities capital assets, net	$ 2,963,494	$ (85,898)	$ -	$ 2,877,596

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

Governmental Activities:	
General government	$ 865,389
Public safety	593,805
Education	4,651,465
Public works	2,064,127
Culture and recreation	1,188,234
Total depreciation expense - governmental activities	$ 9,363,020
Business-Type Activities:	
Water	$ 1,319,031
Sewer	616,778
Rink	85,898
Total depreciation expense - business-type activities	$ 2,021,707

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City's interfund balances at June 30, 2019, consisted of $6.9 million 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, 2019, are summarized as follows:

	Transfers In:					
Transfers Out:	General fund	Strategic Planning & Community Development	Nonmajor governmental funds	Rink Enterprise fund	Total	
General fund	$ 460,110	$ 29,891	$ 105,000	$ 158,000	$ 753,001	(1)
Capital Projects fund	1,157,722				1,157,722	(2)
Nonmajor governmental funds	4,808,534				4,808,534	(3)
Total	$ 6,426,366	$ 29,891	$ 105,000	$ 158,000	$ 6,719,257	

(1) Represents budgeted transfers out of the general fund to various projects and nonmajor funds, and 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.

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, 2019, was approximately $83,000 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, 2019, is as follows:

Governmental Activities

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2018	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2019
Governmental Funds:							
BAN	Municipal Purpose	2.00%	06/07/19	$ 89,958,702	$ -	$ (89,958,702)	$ -
BAN	High School Construction	2.00%	10/25/19	-	55,000,000	-	55,000,000
BAN	Central Hill Memorial Park	2.25%	06/05/20	-	75,000	-	75,000
BAN	LED Light Conservation	2.25%	06/05/20	-	570,624	-	570,624
BAN	Lincoln Park Renovation	2.25%	06/05/20	-	1,762,363	-	1,762,363
BAN	Green Line Extension	2.25%	06/05/20	-	20,000,000	-	20,000,000
BAN	Building Assessment Maint. Plan	2.25%	06/05/20	-	410,000	-	410,000
BAN	Winter Hill Community Repairs	2.25%	06/05/20	-	877,000	-	877,000
BAN	45 College Land Ave Acquisition	2.25%	06/05/20	-	1,520,000	-	1,520,000
BAN	DPW Sweepers & Trackless Vehicles	2.25%	06/05/20	-	435,524	-	435,524
BAN	Somerville Ave Infrastructure Improvements	2.25%	06/05/20	-	4,488,000	-	4,488,000
BAN	Bueno Vista Garage	2.25%	06/05/20	-	63,000	-	63,000
BAN	DPW Vehicles and Equipment	2.25%	06/05/20	-	896,000	-	896,000
BAN	ADA Building Improvements	2.25%	06/05/20	-	312,000	-	312,000
BAN	West Branch Library Renovation/Reconstruction	2.25%	06/05/20	-	555,000	-	555,000
BAN	Public Safety Building Construction/Design	2.25%	06/05/20	-	30,000	-	30,000
BAN	Redevelopment Authority Acquisition	2.25%	06/05/20	-	8,778,000	-	8,778,000
BAN	Sacramento Street Underpass Reconstruction	2.25%	06/05/20	-	50,000	-	50,000
	Total Governmental Funds			$ 89,958,702	$ 95,822,511	$ (89,958,702)	$ 95,822,511

Enterprise Activities

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2018	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2019
Water Enterprise Fund:							
BAN	Water Repairs	3.00%	06/07/19	$ 8,732,500	$ -	$ (8,732,500)	$ -
BAN	Water Main Rehabilitation & Replacement	2.25%	06/05/20	-	1,700,000	-	1,700,000
BAN	Cedar Street Water Repairs	2.25%	06/05/20	-	927,500	-	927,500
BAN	Somerville Ave Water Repairs	2.25%	06/05/20	-	2,805,000	-	2,805,000
	Total Water Enterprise Fund			$ 8,732,500	$ 5,432,500	$ (8,732,500)	$ 5,432,500
Sewer Enterprise Fund:							
BAN	Nunziato Field Stormwater Project	3.00%	06/07/19	$ 500,000	$ -	(500,000)	$ -
BAN	Sewer Repairs	3.00%	06/07/19	20,694,500	-	(20,694,500)	-
BAN	Sewer Main Rehabilitation and Replacement	2.25%	06/05/20	-	1,000,000	-	1,000,000
BAN	Cedar Street Sewer Repairs	2.25%	06/05/20	-	2,197,500	-	2,197,500
BAN	Somerville Ave Sewer Improvements	2.25%	06/05/20	-	13,497,000	-	13,497,000
BAN	Sewer Pump Station & Force Main	2.25%	06/05/20	-	15,000	-	15,000
BAN	Spring Hill Sewer Separation Project	2.25%	06/05/20	-	95,000	-	95,000
BAN	Sewer Main Rehabilitation and Replacement	2.25%	06/05/20	-	91,000	-	91,000
	Total Sewer Enterprise Fund			$ 21,194,500	$ 16,895,500	$ (21,194,500)	$ 16,895,500
	Total Enterprise Funds			$ 29,927,000	$ 22,328,000	$ (29,927,000)	$ 22,328,000

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".

In prior years, the City defeased general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At June 30, 2019, $4,765,000 of governmental bonds and $855,000 of enterprise bonds that were defeased bonds remain outstanding.

The City issued $27,372,775 of new general obligation bonds. The current year financial statements have recognized bond proceeds in the amount of $16,895,000 in the governmental funds, $5,738,000 in the water enterprise fund, and $4,739,775 in the sewer enterprise fund.

Details related to the general obligation bonds outstanding at June 30, 2019, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2019
MSBA - February 12, 2008	2033	$ 7,282,102	7.1% - 8.0%	$ 5,097,472
Municipal Purpose - February 15, 2010	2028	2,272,000	2.0% - 5.0%	156,000
Municipal Purpose - April 1, 2010 (Refunding)	2022	13,407,000	2.0% - 5.0%	4,530,000
Municipal Purpose - June 15, 2010	2029	6,705,000	2.0% - 5.0%	460,000
Municipal Purpose - February 23, 2011	2025	5,020,000	2.0% - 5.0%	2,290,000
Municipal Purpose - May 17, 2013	2042	15,750,000	2.0% - 5.0%	13,930,000
Municipal Purpose - October 9, 2013	2033	13,940,000	2.0% - 5.0%	8,645,000
MSBA - September 25, 2013	2043	6,250,000	0.02	5,172,410
Municipal Purpose - October 15, 2015	2038	8,603,000	2.125% - 5.0%	7,610,000
Municipal Purpose - October 5, 2016	2039	17,771,000	2.0 - 4.0%	16,710,000
Municipal Purpose - June 1, 2017	2042	1,235,000	3.0 - 5.0%	11,175,000
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%	8,845,000
Municipal Purpose - December 7, 2017 - Refunding	2029	7,810,975	4.0%	7,516,775
Municipal Purpose - June 6, 2019	2047	16,895,000	3.0 - 5.00%	16,894,999
Total Bonds Payable				109,532,656
Add: Unamortized premium on bonds				9,145,448
Total Bonds Payable, net				$ 118,678,104

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

Year	Principal	Interest	Total
2020	$ 7,525,623	$ 3,644,576	$ 11,170,199
2021	7,924,622	3,191,488	11,116,110
2022	7,765,147	2,891,958	10,657,105
2023	6,284,622	2,588,921	8,873,543
2024	6,204,822	2,367,264	8,572,086
2025	6,134,622	1,327,422	7,462,044
2026	5,969,622	1,981,576	7,951,198
2027	5,929,622	1,777,692	7,707,314
2028	5,780,672	1,580,928	7,361,600
2029	5,214,622	1,407,567	6,622,189
2030	5,214,622	1,265,551	6,480,173
2031	4,729,622	1,103,913	5,833,535
2032	4,549,622	980,469	5,530,091
2033	3,714,624	834,492	4,549,116
2034	3,430,517	728,807	4,159,324
2035	2,770,517	642,956	3,413,473
2036	2,550,517	572,946	3,123,463
2037	2,620,517	500,016	3,120,533
2038	2,705,517	424,631	3,130,148
2039	2,360,517	353,597	2,714,114
2040	2,425,517	287,267	2,712,784
2041	2,500,517	218,863	2,719,380
2042 & thereafter	5,226,034	400,467	5,626,501
Total	$ 109,532,656	$ 31,073,363	$ 140,606,019

Bonds Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2019
Municipal Purpose - February 15, 2010	2030	1,910,000	2.0% - 5.0%	$ 84,000
Municipal Purpose - April 1, 2010 (Refunding)	2022	262,000	2.0% - 5.0%	75,000
Municipal Purpose - February 23, 2013	2020	424,000	2.0% - 5.0%	55,000
MWRA Notes	2022	1,336,000	0.0%	400,800
MWRA Notes	2025	875,000	0.0%	496,936
MWRA Notes	2023	1,242,340	0.0%	525,000
MWRA Notes	2021	138,000	0.0%	55,200
MWRA Notes	2027	1,660,000	0.0%	1,328,000
Municipal Purpose - June 7, 2018	2046	496,898	3.0% - 4.0%	490,000
Municipal Purpose - December 7, 2017 - Refunding	2030	844,925	4.0%	844,925
Municipal Purpose - June 6, 2019	2047	3,195,000	3.00 - 5.00%	3,195,000
MWRA Note	2029	2,543,000	0.00%	2,543,000
Total Water Enterprise				$ 10,092,861

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2019
Municipal Purpose - April 1, 2010	2022	419,000	2.0% - 5.0%	$ 120,000
Municipal Purpose - June 7, 2018	2046	680,000	3.0% - 4.0%	610,000
Municipal Purpose - December 7, 2017	2027	809,100	4.0%	703,300
Municipal Purpose - June 6, 2019	2047	4,240,000	3.0% - 5.0%	4,240,000
MWRA Notes	2029	499,775	0.0%	499,775
Total Sewer Enterprise				$ 6,173,075
Rink Enterprise Debt - October 9, 2013	2027	13,940,000	2.0% - 5.0%	$ 1,710,000
Total Business-type bonds payable, net				$ 17,975,936

Enterprise Funds

Year	Principal	Interest	Total
2020	$ 1,657,212	$ 477,092	$ 2,134,304
2021	1,618,212	411,837	2,030,049
2022	1,515,087	378,373	1,893,460
2023	1,242,012	345,434	1,587,446
2024	1,132,578	319,438	1,452,016
2025	1,152,778	292,192	1,444,970
2026	1,065,278	266,998	1,332,276
2027	1,080,278	243,103	1,323,381
2028	618,228	224,413	842,641
2029	649,273	211,112	860,385
2030	350,000	199,181	549,181
2031 & thereafter	5,895,000	1,745,699	7,640,699
Total	$ 17,975,936	$ 5,114,869	$ 23,090,805

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, 2019, the outstanding principal amount of these loans totaled $5.8 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 2019, $1,497,811 of such assistance was received. Approximately $3,537,000 will be received in future years. Of this amount, approximately $899,000 represents reimbursement of long-term interest costs, and approximately $2,638,000 represents reimbursement of approved construction costs. Accordingly, a $2,638,000 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 2019, the City has recorded capital grant proceeds totaling $14.9 million related to the East Somerville Community School this project is not eligible for further reimbursement), $51.4 million related to the Somerville High School project, and $1.5 million related to the Winter Hill Community School, from the MSBA, which is equal to 80.00%, 75.29%, and 70.32%, respectively, of approved construction costs submitted for reimbursement. The City anticipates receiving an additional $72.6 million related to the Somerville High School project and $262 thousand related to the Winter Hill Community School. Accordingly, a $12.9 million intergovernmental receivable and corresponding revenue has been reported in the governmental fund financial statements. This receivable relates to expenditures incurred during 2019 and submitted for reimbursement from the MSBA.

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, 2019, the City had the following authorized and unissued debt:

Purpose	Amount
DPW Salt Shed	$ 19,000
Central Hill Memorial Park	450,000
DPW Snow Removal Equipment	9,425
LED Light Conversion	570,625
Veterans Memorial Ice Rink	950
Street Resurfacing	15,978
Public Satety Building Repairs	56,200
Cedar Street Water Repairs	927,500
Cedar Street Sewer Repairs	2,197,500
East Somerville Community School Remodeling	848,630
Lincoln Park Renovation	2,262,363
Sidewalk Improvements	1,850,000
Morse-Keley Park Renovations	2,445
East Broadway Streetscape	175,000
West Branch Library Rehabilitation	2,500,000
Departmental Equipment (Radio)	23,000
Sewer Main Rehabilitation & Replacement	1,000,000
Water Main Rehabilitation & Replacement	1,700,000
Park Construction	500,000
DepartmentalEquipment (Ladder Truck)	1,000
MBTA Green Line Extension	50,000,000
Recreation Department Vehicle	15,000
U8 Winter Hill Community School Soccer Field	54,945
Building Assesment/Preventative Maintenance Plan	410,000
Network Infrastructure Replacement	1,000
High School Construction	225,861,352
Winter Hill Community Innovation School Repairs	2,345,259
Street, Sidewalks, and ADA Ramp Improvements	2,700,000
45 College Ave Property Acquisition	1,520,000
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
MWRA Infiltration & Inflow	90
Paving and Sidewalk Improvements	2,700,000
DPW Vehicles and Equipment	1,002,291
ADA Building Improvements	500,000
West Branch Library Renovation	7,350,000
West Branch Library Construction	1,600,000
Sewer Cleaner Vactor	425,670
Water Department Vehicle	442,235
Design and Project Management Services	1,860,000
SRA Acquisition of 90 Washingtion Street	8,778,000
Fire Vehicles	202,698
DPW Vehicles	1,105,050
Field Playground Improvement	752,000
Sacremento Street Underpass	729,000
Total	$ 396,094,734

Changes in Long-term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable	$ 99,450,582	$ 16,895,000	$ (6,812,925)	$ -	$ -	$ 109,532,657	$ 7,525,623
Add: Unamortized premium on bonds	6,874,197	-	-	2,950,552	(679,302)	9,145,447	895,199
Total bonds payable	106,324,779	16,895,000	(6,812,925)	2,950,552	(679,302)	118,678,104	8,420,822
Compensated absences	3,627,700	-	-	-	(375,100)	3,252,600	148,600
Workers' compensation	921,000	-	-	332,500	(325,500)	928,000	232,000
Net pension liability	113,714,976	-	-	71,065,082	(11,408,950)	173,371,108	-
Other postemployment benefits	266,777,988	-	-	19,890,944	(10,071,158)	276,597,774	-
Total governmental activity long-term liabilities	$ 491,366,443	$ 16,895,000	$ (6,812,925)	$ 94,239,078	$ (22,860,010)	$ 572,827,586	$ 8,801,422
Business-Type Activities:							
Long-term bonds payable	$ 9,268,844	$ 10,477,775	$ (1,770,683)	$ -	$ -	$ 17,975,936	$ 1,657,212
Compensated absences	69,100	-	-	-	(40,900)	28,200	1,700
Net pension liability	1,471,838	-	-	920,636	(148,021)	2,244,453	-
Other postemployment benefits	1,853,557	-	-	138,202	(69,974)	1,921,785	-
Total business-type activity long-term liabilities	$ 12,663,339	$ 10,477,775	$ (1,770,683)	$ 1,058,838	$ (258,895)	$ 22,170,374	$ 1,658,912

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 $4.2 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, 2019, the fund balances consisted of the following:

	General	Strategic Planning & Community Development	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Permanent fund principal	$ -	$ -	$ -	$ 433,126	$ 433,126
Restricted for:					
Strategic planning & community development	-	17,245,876	-	-	17,245,876
School special revenue funds	-	-	-	1,467,274	1,467,274
School federal grants	-	-	-	57,369	57,369
School state & private grants	-	-	-	2,978,059	2,978,059
City federal grant funds	-	-	-	4,775	4,775
City state grant funds	-	-	-	5,589,748	5,589,748
Highway improvement funds	-	-	-	2,226,926	2,226,926
City revolving funds	-	-	-	131,364	131,364
City receipts reserved	-	-	-	2,076,485	2,076,485
City private grants	-	-	-	979,785	979,785
School lunch	-	-	-	927,404	927,404
Community preservation	-	-	-	14,632,560	14,632,560
Other special revenue funds	-	-	-	12,197,805	12,197,805
Other permanent funds	-	-	-	168,906	168,906
Committed to:					
Health claims	10,678,736	-	-	-	10,678,736
Max-Pak stabilization fund	20,617	-	-	-	20,617
East Somerville stabilization fund	105,256	-	-	-	105,256
Street Tree stabilization fund	15,325	-	-	-	15,325
Alpine Restaurant stabilization fund	2,575	-	-	-	2,575
Rockwell Restaurant stabilization fund	9,283	-	-	-	9,283
Capital Projects stabilization fund	6,257,004	-	-	-	6,257,004
Construction stabilization fund	1,395,996	-	-	-	1,395,996
Traffic Safety stabilization fund	352,864	-	-	-	352,864
Mitigation stabilization fund	100,951	-	-	-	100,951
270 Cedar Street LLC stabilization fund	1,029	-	-	-	1,029
Workforce Training stabilization fund	422	-	-	-	422
Bicycle stabilization fund	2,240	-	-	-	2,240
Linwood Street sidewalk improvement stabilization fund	12,053	-	-	-	12,053
Davis Square traffic and Sign stabilization fund	292	-	-	-	292
Trash transfer station stabilization fund	13,875	-	-	-	13,875
Salary and wage stabilization fund	6,248,135	-	-	-	6,248,135
Open space improvement stabilization fund	97,140	-	-	-	97,140
Union square revitalization stabilization fund	12,999	-	-	-	12,999
Facility construction & renovation stabilization fund	4,574,001	-	-	-	4,574,001
Street reconstruction & resurfacing stabilization fund	1,540,118	-	-	-	1,540,118
Elmwood stabilization	37,813	-	-	-	37,813
377 Broadway stabilization	4,400	-	-	-	4,400
Green Line extension stabilization	5,564,057	-	-	-	5,564,057
Highland Ave stabilization	10,002	-	-	-	10,002
Medical marijuana stabilization	400,065	-	-	-	400,065
Infiltration/ Inflow stabilization	723,316	-	-	-	723,316
Algonquin Mitigation stabilization fund	132,266	-	-	-	132,266
Boynton Yards stabilization fund	1,457	-	-	-	1,457
Assigned to:					
General government	795,888	-	-	-	795,888
Public safety	262,451	-	-	-	262,451
Education	527,874	-	-	-	527,874
Public works	1,834,322	-	-	-	1,834,322
Culture and recreation	52,021	-	-	-	52,021
Free cash used for subsequent year budget	1,100,000	-	-	-	1,100,000
Unassigned	26,014,633	-	(38,927,012)	-	(12,912,379)
Total Fund Balances	$ 68,901,476	$ 17,245,876	$ (38,927,012)	$ 43,871,586	$ 91,091,926

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, 2019, the amount of the liability for workers' compensation claims totaled $928,000.

Changes in the reported liability since July 1, 2017, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2018……	$ 1,355,000	$ 386,225	$ (820,225)	$ 921,000	$ 230,250
2019……	921,000	332,000	(325,000)	928,000	232,000

NOTE 11 - PENSION PLAN

Plan Descriptions

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

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

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2018. The City's portion of the collective pension expense, contributed by the Commonwealth, of $16,047,345 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 $158,358,537 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, 2018.

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, 2018, the SCRS membership consists of the following:

Active members……	1,195
Inactive members……	420
Disabled members……	129
Retirees and beneficiaries currently receiving benefits……	777
Total……	2,521

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, 2018 was $15,226,941, 20.16% 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 $14,364,992 which equaled its actual contribution.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2019, were as follows:

Total pension liability	$	448,787,334
Total pension plan's fiduciary net position		(262,625,163)
Total net pension liability	$	186,162,171
The pension plan's fiduciary net position as a percentage of the total pension liability		58.52%

At June 30, 2019, the City reported a liability of $175,615,561 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019. 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, 2018, the City's proportion was 94.33% which changed from its proportion measured at December 31, 2017, of 93.61%.

Pension Expense

For the year ended June 30, 2019, the City recognized a pension expense of $25,921,262. At June 30, 2019, the City reported deferred outflows of resources related to pensions of $47,089,744, and deferred inflows of resources related to pensions of $1,968,698.

The balances of deferred outflows and inflows at June 30, 2019 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience	$ -	$ (1,876,477)	$ (1,876,477)
Net asset gain (loss)	17,602,837	-	17,602,837
Changes in assumptions	28,708,999	-	28,708,999
Changes in proportion and proportionate share of contributions	777,908	(92,221)	685,687
Total deferred outflows/(inflows) of resources	$ 47,089,744	$ (1,968,698)	$ 45,121,046

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

Year ended June 30:		
2020	$	13,880,765
2021		10,229,106
2022		8,385,364
2023		12,562,275
2024		63,536
	$	45,121,046

Actuarial Assumptions

The total pension liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	January 1, 2019
Actuarial cost method	Individual Entry Age Normal Cost Method.
Amortization method	Payments increasing at 4.0%
Remaining amortization period	Increasing amortization at 3.5% of unfunded actuarial accrued liability over 14 years completed by June 30, 2033, and 1 years by June 30, 2020 for 2003 Early Retirement Incentive.
Asset valuation method	The actuarial value of assets is determined using a five-year smoothing of asset returns greater than or less than the assumed rate of return, with a 20% corridor.
Inflation rate	4.00%
Projected salary increases	It is assumed that salaries including longevity will increase at a rate of 3.00% per year.
Cost of living adjustments	2.75% of the lesser of the pension amount or $14,000.
Rates of retirement	Varies based upon age for general employees, police and fire employees.
Rates of disability	For general employees, it was assumed that 40% of all disabilities are ordinary (60% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Mortality Rates	It is assumed that mortality is represented by the various SOA Pub-2010 Public Retirement Plans Mortality Tables specific to the Group, Pre-retirement versus Post, Disabled and Beneficiaries, with Scale MP-2018 improvements until 2025.
Investment rate of return/Discount rate	7.75%, compounded annual rate

Investment policy

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2019, 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, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -3.94%. 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 December 31, 2018, was 7.75%, which changed from 8.00% at December 31, 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 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
	December 31, 2018 Measurement Date		
The City's proportionate share of the net pension liability……	$ 219,406,690	$ 175,615,561	$ 138,299,752
	December 31, 2018 Measurement Date		
System total net pension liability……	$ 232,583,181	$ 186,162,171	$ 146,605,357

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 2019 totaled $108,000.

Changes in Assumptions

- The discount rate has changed from 8.00% to 7.75%.
- The annual amount of administrative expenses has been increased to $500,000 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 $13,000 to $14,000.

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 2019, the City's benefit payments totaled $8,485,245, and the City contributed another $1.0 million to the OPEB Trust fund. For the year ended June 30, 2019, the City's average contribution rate was 8.53% 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 2019, the City pre-funded future OPEB liabilities by contributing $1.0 million 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, 2019, the balance of this fund totaled $8.9 million.

The annual money-weighted rate of return on OPEB plan investments was 7.49%. 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	1,694
Total	3,352

Components of OPEB Liability – The following table represents the components of the Plan's OPEB liability as of June 30, 2019:

Total OPEB liability	$ 287,423,818
Less: OPEB plan's fiduciary net position	(8,904,259)
Net OPEB liability	$ 278,519,559
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability	3.10%

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……	Partial prefunding: 3.75% per year, net of investment expenses.
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 City Council 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. During the current year, the Plan invested available funds. 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, 2019, which did not change from June 30, 2018. 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 (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB liability……	$ 333,830,628	$ 278,519,559	$ 235,552,658

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 5.50%, 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 (4.50%)	Current Trend (5.50%)	1% Increase (6.50%)
Net OPEB liability……	$ 232,071,586	$ 278,519,559	$ 339,800,875

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% 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 Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018	$ 275,979,622	$ 7,348,077	$ 268,631,545
Changes for the year:			
Service cost	10,029,794	556,182	9,473,612
Interest	10,555,534	-	10,555,534
Contributions - employer	-	9,485,245	(9,485,245)
Benefit payments	(9,141,132)	(8,485,245)	(655,887)
Net change	11,444,196	1,556,182	9,888,014
Balances at June 30, 2019	$ 287,423,818	$ 8,904,259	$ 278,519,559

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the City recognized an OPEB expense of $12,429,447. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience	$ -	$ (24,687,857)	$ (24,687,857)
Difference between projected and actual earnings	41,533	-	41,533
Total deferred outflows/(inflows) of resources	$ 41,533	$ (24,687,857)	$ (24,646,324)

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:	
2020	$ (7,880,328)
2021	(7,880,327)
2022	(7,888,644)
2023	(997,025)
	$ (24,646,324)

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 Trust Fund (as of December 31, 2018)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
ASSETS			
Cash and cash equivalents	$ 4,876,317	$ 1,134,422	$ 6,010,739
Investments:			
Investments in Pension Reserve Investment Trust	277,799	-	277,799
U.S. treasuries	-	769,625	769,625
Real estate and alternative investment mutual funds	22,486,452	-	22,486,452
Bond mutual funds	60,701,220	-	60,701,220
Equity securities	152,715,148	2,373,308	155,088,456
Equity mutual funds	21,817,090	1,967,745	23,784,835
Fixed income mutual funds	-	1,006,318	1,006,318
Other investments	-	1,652,841	1,652,841
Receivables, net of allowance for uncollectibles:			
Departmental and other	50,804	-	50,804
TOTAL ASSETS	262,924,830	8,904,259	271,829,089
LIABILITIES			
Warrants payable	299,667	-	299,667
NET POSITION			
Restricted for pensions	262,625,163	-	262,625,163
Restricted for other postemployment benefits	-	8,904,259	8,904,259
TOTAL NET POSITION	$ 262,625,163	$ 8,904,259	$ 271,529,422

	Pension Trust Fund (as of December 31, 2018)	Other Postemployment Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
ADDITIONS:			
Contributions:			
Employer contributions	$ 15,226,941	$ 1,000,000	$ 16,226,941
Employer contributions for other postemployment benefit payments	-	8,485,245	8,485,245
Member contributions	7,569,416	-	7,569,416
Retirement benefits - transfers from other systems	668,722	-	668,722
Retirement benefits - 3(8)c contributions from other systems	518,307	-	518,307
Retirement benefits - workers compensation settlements	13,712	-	13,712
Retirement benefits - state COLA reimbursements	316,625	-	316,625
Retirement benefits - interest not refunded	3,969	-	3,969
Intergovernmental	27,322	-	27,322
Total contributions	24,345,014	9,485,245	33,830,259
Net investment income:			
Investment income	6,440,077	556,183	6,996,260
Net change in fair value of investments	(14,262,432)	-	(14,262,432)
Less: investment expense	(1,309,903)	-	(1,309,903)
Net investment income (loss)	(9,132,258)	556,183	(8,576,075)
TOTAL ADDITIONS	15,212,756	10,041,428	25,254,184
DEDUCTIONS:			
Administration	607,269	-	607,269
Retirement benefits - transfers to other systems	924,024	-	924,024
Retirement benefits - 3(8)c transfer to other systems	1,392,647	-	1,392,647
Retirement benefits and refunds	28,880,917	-	28,880,917
Other postemployment benefit payments	-	8,485,245	8,485,245
TOTAL DEDUCTIONS	31,804,857	8,485,245	40,290,102
NET INCREASE (DECREASE) IN NET POSITION	(16,592,101)	1,556,183	(15,035,918)
NET POSITION AT BEGINNING OF YEAR	279,217,264	7,348,076	286,565,340
NET POSITION AT END OF YEAR	$ 262,625,163	$ 8,904,259	$ 271,529,422

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 NRT Bus, Inc. to provide for the transportation of its students. The contract bears an annual cost of approximately $2.4 million and expires on June 30, 2022.

The City has entered into, or is planning to enter into, contracts totaling approximately $396.1 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, 2019, 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, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2019.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 23, 2019, which is the date the financial statements were available to be issued.

NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2019, the following GASB pronouncements were implemented:

- GASB Statement #83, *Certain Asset Retirement Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities,* which is required to be implemented in 2020.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- 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.

- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2022.

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

Required Supplementary Information

GENERAL FUND

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

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts					
	Amounts Carried Forward To Next Year	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
REVENUES:						
Real estate and personal property taxes, net of tax refunds	$ -	$ 153,441,206	$ 153,383,537	$ 153,386,795	$ -	$ 3,258
Tax liens	-	-	-	291,986	-	291,986
Motor vehicle and other excise taxes	-	10,059,067	9,922,151	10,490,716	-	568,565
Penalties and interest on taxes	-	628,116	629,136	673,359	-	44,223
Payments in lieu of taxes	-	1,555,356	1,538,300	1,507,020	-	(31,280)
Intergovernmental - other	-	49,537,607	49,639,964	49,487,815	-	(152,149)
Departmental and other	-	17,970,082	18,036,560	24,059,057	-	6,022,497
Investment income	-	600,000	600,000	2,670,774	-	2,070,774
Miscellaneous	-	10,000	10,000	47,648	-	37,648
TOTAL REVENUES	-	233,801,434	233,759,648	242,615,170	-	8,855,522
EXPENDITURES:						
GENERAL GOVERNMENT						
City Council						
Salaries	-	456,906	456,896	456,885	-	11
Expenses	1,200	41,860	41,537	39,629	-	1,908
TOTAL	1,200	498,766	498,433	496,514	-	1,919
Clerk of Committees						
Salaries	-	76,659	76,659	75,253	-	1,406
Expenses	-	1,000	1,000	-	-	1,000
TOTAL	-	77,659	77,659	75,253	-	2,406
Executive Office						
Salaries	-	3,480,940	3,498,411	3,355,657	-	142,754
Expenses	56,560	852,507	819,666	716,430	13,168	90,068
Special items	-	204,500	200,654	159,323	9,950	31,381
Capital	134,599	359,599	339,419	232,074	44,186	63,159
TOTAL	191,159	4,897,546	4,858,150	4,463,484	67,304	327,362
Auditor's Office						
Salaries	-	824,370	861,838	822,075	-	39,763
Expenses	32,070	142,170	135,296	133,545	-	1,751
TOTAL	32,070	966,540	997,134	955,620	-	41,514
Grants Management						
Salaries	-	159,676	159,676	159,676	-	-
Expenses	-	7,275	7,275	5,462	-	1,813
TOTAL	-	166,951	166,951	165,138	-	1,813
Purchasing						
Salaries	-	420,048	429,885	402,035	-	27,850
Expenses	-	30,650	30,650	24,554	-	6,096
TOTAL	-	450,698	460,535	426,589	-	33,946
Assessing						
Salaries	-	569,107	590,560	582,610	-	7,950
Expenses	-	96,600	96,600	82,642	-	13,958
TOTAL	-	665,707	687,160	665,252	-	21,908
Treasurer's/ Collector's Office						
Salaries	-	662,517	690,093	637,836	-	52,257
Expenses	3,257	261,721	261,721	165,558	-	96,163
TOTAL	3,257	924,238	951,814	803,394	-	148,420
Law Department						
Salaries	-	824,715	824,715	824,175	-	540
Expenses	87,890	268,865	1,643,704	1,218,577	237,814	187,313
TOTAL	87,890	1,093,580	2,468,419	2,042,752	237,814	187,853
Personnel Department						
Salaries	-	1,008,371	1,020,825	1,015,509	-	5,316
Expenses	36,871	351,147	339,269	190,487	82,957	65,825
Special Items	-	61,000	61,000	22,102	-	38,898
TOTAL	36,871	1,420,518	1,421,094	1,228,098	82,957	110,039

(Continued)

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

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts					
	Amounts Carried Forward To Next Year	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
Information Technology						
Salaries	-	815,599	823,257	804,173	-	19,084
Expenses	238,488	1,873,568	1,807,914	1,579,777	190,149	37,988
TOTAL	238,488	2,689,167	2,631,171	2,383,950	190,149	57,072
Communications						
Salaries	-	794,938	803,530	775,659	-	27,871
Expenses	-	154,291	154,292	151,113	-	3,179
TOTAL	-	949,229	957,822	926,772	-	31,050
City Clerk						
Salaries	-	462,059	520,944	509,015	-	11,929
Expenses	40,097	205,425	292,154	171,726	102,749	17,679
TOTAL	40,097	667,484	813,098	680,741	102,749	29,608
Elections						
Salaries	-	466,710	475,165	427,207	-	47,958
Expenses	-	162,950	162,950	150,741	-	12,209
TOTAL	-	629,660	638,115	577,948	-	60,167
Licensing Committee						
Salaries	-	10,992	10,992	10,356	-	636
TOTAL	-	10,992	10,992	10,356	-	636
Community Development						
Salaries	-	5,080,368	5,290,024	5,052,615	-	237,409
Expenses	107,028	1,185,992	1,364,121	923,484	96,715	343,922
Capital	-	-	37,864	37,149	-	715
TOTAL	107,028	6,266,360	6,692,009	6,013,248	96,715	582,046
Veterans Benefits						
Salaries	-	132,367	150,940	150,608	-	332
Expenses	-	634,335	624,336	528,748	18,200	77,388
TOTAL	-	766,702	775,276	679,356	18,200	77,720
Building Insurance						
Salaries		-	-	-		-
Expenses	-	446,770	446,770	442,240	-	4,530
TOTAL	-	446,770	446,770	442,240	-	4,530
Person and Property Insurance						
Salaries		-	-	-		-
Expenses	-	175,000	5,465,479	5,424,330	-	41,149
TOTAL	-	175,000	5,465,479	5,424,330	-	41,149
Contingency Account						
Salaries		-	-	-		-
Expenses	-	4,131,500	143,531	25,017	-	118,514
TOTAL	-	4,131,500	143,531	25,017	-	118,514
Total General Government	738,060	27,895,067	31,161,612	28,486,052	795,888	1,879,672
PUBLIC SAFETY						
Police Department						
Salaries	-	16,477,001	19,090,774	18,113,142	-	977,632
Expenses	94,314	759,244	741,198	559,909	69,182	112,107
TOTAL	94,314	17,236,245	19,831,972	18,673,051	69,182	1,089,739
Fire Department						
Salaries	13,314	16,253,615	19,923,489	19,879,657	-	43,832
Expenses	62,249	526,649	499,478	421,977	50,095	27,406
Special items	-	11,500	11,500	11,500	-	-
TOTAL	75,563	16,791,764	20,434,467	20,313,134	50,095	71,238
Emergency Management						
Salaries	-	20,667	20,667	18,680	-	1,987
Expenses	1,585	12,275	12,275	3,722	1,500	7,053
TOTAL	1,585	32,942	32,942	22,402	1,500	9,040
Animal Control						
Salaries	-	107,189	107,190	110,240	-	(3,050)
Expenses	1,341	19,391	19,384	11,463	2,106	5,815
TOTAL	1,341	126,580	126,574	121,703	2,106	2,765
Traffic and Parking						
Salaries	-	2,640,254	2,992,572	2,857,871	-	134,701
Expenses	155,589	1,726,013	1,707,686	1,551,714	135,901	20,071
TOTAL	155,589	4,366,267	4,700,258	4,409,585	135,901	154,772

(Continued)

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

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts					
	Amounts Carried Forward To Next Year	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
Board of Health						
Salaries	-	2,179,183	2,226,358	2,015,093	-	211,265
Expenses	93,208	755,150	755,020	708,159	3,667	43,194
TOTAL	93,208	2,934,333	2,981,378	2,723,252	3,667	254,459
Total Public Safety	421,600	41,488,131	48,107,591	46,263,127	262,451	1,582,013
EDUCATION						
Operational	358,962	73,038,287	73,014,211	72,288,796	527,874	197,541
PUBLIC WORKS						
Administration						
Salaries	-	661,103	705,870	681,955	-	23,915
Expenses	132,750	1,034,250	969,152	725,800	138,766	104,586
TOTAL	132,750	1,695,353	1,675,022	1,407,755	138,766	128,501
Electrical						
Salaries	-	343,070	392,976	385,716	-	7,260
Expenses	118,911	382,411	325,492	293,468	28,374	3,650
TOTAL	118,911	725,481	718,468	679,184	28,374	10,910
Engineering						
Salaries	-	271,572	296,876	207,150	-	89,726
Expenses	152,739	455,539	447,130	180,490	231,362	35,278
TOTAL	152,739	727,111	744,006	387,640	231,362	125,004
Snow Removal						
Expenses	6,245	1,306,937	1,742,950	1,739,379	483	3,088
Highway						
Salaries	-	2,651,708	3,070,256	2,962,133	-	108,123
Expenses	181,992	1,448,042	1,323,896	1,202,258	48,805	72,833
TOTAL	181,992	4,099,750	4,394,152	4,164,391	48,805	180,956
Sanitation						-
Expenses	497,128	5,946,628	5,863,625	5,449,907	156,650	257,068
Building and Grounds						
Salaries	-	2,253,212	2,583,067	2,542,768	-	40,299
Expenses	1,405,597	10,239,697	9,809,211	8,077,836	1,211,376	519,999
TOTAL	1,405,597	12,492,909	12,392,278	10,620,604	1,211,376	560,298
Fleet						
Expenses	62,169	530,669	453,948	403,896	18,506	31,546
TOTAL	62,169	530,669	453,948	403,896	18,506	31,546
School Custodians						
Salaries	-	1,826,975	2,109,449	2,081,533	-	27,916
Expenses	-	950,000	950,000	943,079	-	6,921
TOTAL	-	2,776,975	3,059,449	3,024,612	-	34,837
Total Public Works	2,557,531	30,301,813	31,043,898	27,877,368	1,834,322	1,332,208
CULTURE AND RECREATION						
Library						
Salaries	-	2,053,167	2,328,019	2,206,749	-	121,270
Expenses	-	389,559	389,559	385,010	973	3,576
TOTAL	-	2,442,726	2,717,578	2,591,759	973	124,846
Recreation and Youth Programs						
Salaries	-	911,235	945,550	918,754	-	26,796
Expenses	4,497	615,197	645,279	410,438	51,048	183,793
TOTAL	4,497	1,526,432	1,590,829	1,329,192	51,048	210,589
Total Culture and Recreation	4,497	3,969,158	4,308,407	3,920,951	52,021	335,435

(Continued)

GENERAL FUND

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

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts					
	Amounts Carried Forward To Next Year	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
OTHER						
Pension Benefits						
Pension benefits	-	14,364,292	14,364,292	14,364,292	-	-
Non-contributory pension	-	123,597	123,597	108,112	-	15,485
Total Pension Benefits	-	14,487,889	14,487,889	14,472,404	-	15,485
Employee Benefits						
Health and life insurance	900	24,959,472	24,574,080	24,089,701	-	484,379
Worker's Compensation	-	843,883	843,883	787,544	-	56,339
Unemployment compensation	-	132,613	92,613	69,189	-	23,424
Total Employee Benefits	900	25,935,968	25,510,576	24,946,434	-	564,142
Debt and Interest						
Debt principal	-	6,404,823	6,812,925	6,812,925	-	-
Debt interest	-	5,241,435	6,527,892	6,505,047	-	22,845
TOTAL	-	11,646,258	13,340,817	13,317,972	-	22,845
State and County Charges						
State and county		14,170,060	14,170,060	12,993,749		1,176,311
Total Other	900	66,240,175	67,509,342	65,730,559	-	1,778,783
TOTAL EXPENDITURES	4,081,550	242,932,631	255,145,061	244,566,853	3,472,556	7,105,652
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,081,550)	(9,131,197)	(21,385,413)	(1,951,683)	(3,472,556)	15,961,174
OTHER FINANCING SOURCES (USES):						
Proceeds from the sale of assets	-	-	-	68,470	-	68,470
Transfers in	-	4,242,812	10,205,981	12,359,100	-	2,153,119
Transfers out	-	(158,000)	(6,113,018)	(6,113,018)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	4,084,812	4,092,963	6,314,552	-	2,221,589
NET CHANGE IN FUND BALANCE	(4,081,550)	(5,046,385)	(17,292,450)	4,362,869	(3,472,556)	18,182,763
BUDGETARY FUND BALANCE, Beginning of year	-	22,452,433	22,452,433	22,452,433	-	-
BUDGETARY FUND BALANCE, End of year	$ (4,081,550)	$ 17,406,048	$ 5,159,983	$ 26,815,302	$ (3,472,556)	$ 18,182,763

(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, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Total pension liability:					
Service cost	$ 7,699,763	$ 8,007,754	$ 8,007,754	$ 8,025,850	$ 8,961,771
Interest	29,232,338	31,265,848	30,159,556	30,905,512	31,673,364
Changes in benefit terms	-	-	-	-	1,387,482
Differences between expected and actual experience	-	-	(2,943,803)	-	(1,066,376)
Changes in assumptions	-	-	2,806,740	-	36,759,494
Benefit payments	(24,693,645)	(26,374,021)	(28,179,587)	(29,318,266)	(31,197,589)
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	46,518,146
Total pension liability - beginning	358,733,765	370,972,221	382,805,432	392,656,092	402,269,188
Total pension liability - ending (a)	$ 370,972,221	$ 382,805,432	$ 392,656,092	$ 402,269,188	$ 448,787,334
Plan fiduciary net position:					
Employer contributions	$ 13,812,101	$ 14,199,527	$ 14,659,434	$ 14,805,336	$ 15,226,941
Member contributions	6,233,959	7,044,521	7,560,253	7,910,511	8,238,138
Net investment income (loss)	12,996,452	454,830	8,831,845	42,779,686	(9,074,396)
Administrative expenses	(380,845)	(397,417)	(468,722)	(500,849)	(647,449)
Retirement benefits and refunds	(24,693,645)	(24,855,194)	(27,275,655)	(29,318,266)	(31,197,589)
Other receipts	-	-	-	739,557	862,254
Net increase (decrease) in fiduciary net position	7,968,022	(3,553,733)	3,307,155	36,415,975	(16,592,101)
Fiduciary net position - beginning of year	235,079,845	243,047,867	239,494,134	242,801,289	279,217,264
Fiduciary net position - end of year (b)	$ 243,047,867	$ 239,494,134	$ 242,801,289	$ 279,217,264	$ 262,625,163
Net pension liability - ending (a)-(b)	$ 127,924,354	$ 143,311,298	$ 149,854,803	$ 123,051,924	$ 186,162,171
Plan fiduciary net position as a percentage of the total pension liability	65.52%	62.56%	61.84%	69.41%	58.52%
Covered payroll	$ 66,506,738	$ 69,167,008	$ 71,454,475	$ 72,883,565	$ 75,529,665
Net pension liability as a percentage of covered payroll	192.35%	207.20%	209.72%	168.83%	246.48%

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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2018……	$ 15,226,941	$ (15,226,941)	$ -	$ 75,529,665	20.16%
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

Year	Annual money-weighted rate of return, net of investment expense
December 31, 2018……	-3.94%
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 the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2018…….	94.33%	$ 175,615,561	$ 71,250,697	246.48%	58.52%
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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2019….....	$ 14,364,992	$ (14,364,992)	$ -	$ 71,250,697	20.16%
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

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 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2019	$ 158,358,537	$ 16,047,345	54.84%
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, 2017	June 30, 2018	June 30, 2019
Total OPEB Liability			
Service Cost	$ 11,768,411	$ 9,597,889	$ 10,029,794
Interest	11,159,516	11,592,912	9,899,647
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(40,800,875)	-
Changes of assumptions	-	-	-
Benefit payments	(9,258,566)	(8,485,245)	(8,485,245)
Net change in total OPEB liability	13,669,361	(28,095,319)	11,444,196
Total OPEB liability - beginning	290,405,580	304,074,941	275,979,622
Total OPEB liability - ending (a)	$ 304,074,941	$ 275,979,622	$ 287,423,818
Plan fiduciary net position			
Employer contributions	$ 10,258,566	$ 13,985,245	$ 9,485,245
Employer contributions for OPEB payments	-	-	-
Net investment income	7,508	26,801	556,183
Benefit payments	(9,258,566)	(8,485,245)	(8,485,245)
Net change in plan fiduciary net position	1,007,508	5,526,801	1,556,183
Plan fiduciary net position - beginning of year	813,767	1,821,275	7,348,076
Plan fiduciary net position - end of year (b)	$ 1,821,275	$ 7,348,076	$ 8,904,259
Net OPEB liability - ending (a)-(b)	$ 302,253,666	$ 268,631,546	$ 278,519,559
Plan fiduciary net position as a percentage of the total OPEB liability	0.60%	2.66%	3.10%
Covered-employee payroll	$ 104,221,637	$ 107,444,987	$ 111,205,562
Net OPEB liability as a percentage of covered-employee payroll	290.01%	250.02%	250.45%

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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
June 30, 2019……	$ 23,011,857	$ (9,485,245)	$ 13,526,612	$ 111,205,562	8.53%
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

Year	Annual money-weighted rate of return, net of investment expense
June 30, 2019……	7.49%
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 Council. The Mayor presents an annual budget to the Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Council, 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 Council approval via a supplemental appropriation or Council 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 Council.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2018 approved budget authorized $243.1 million in appropriations and other amounts to be raised. During 2019, the Council also increased appropriations by approximately $18.2 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, 2019, is depicted below:

Net change in fund balance - budgetary basis	$ 4,362,869
Perspective differences:	
Activity of the stabilization fund recorded in the general fund for GAAP	428,981
Unemployment insurance trust recorded in the general fund for GAAP	(782,606)
Basis of accounting differences:	
Net change in recording tax refunds payable	(415,000)
Net change in recording 60 day receipts	542,070
Net change in recording accrued expenditures	510,799
Recognition of revenue for on-behalf payments	16,047,345
Recognition of expenditures for on-behalf payments	(16,047,345)
Net change in fund balance - GAAP basis	$ 4,647,113

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 8.00% to 7.75%.

The annual amount of administrative expenses has been increased to $500,000 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 $13,000 to $14,000.

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……	Partial prefunding: 3.75% per year, net of investment expenses.
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, 2019 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.

C*ommunity Preservation Fund – a*ccounts 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, 2019

	Special Revenue Funds				
	School Special Revenue Funds	School Federal Grants	School State & Private Grants	City Federal Grant Funds	City State Grant Funds
ASSETS					
Cash and cash equivalents	$ 1,598,495	$ 94,203	$ 3,034,093	$ -	$ 5,161,399
Receivables, net of uncollectibles:					
Tax liens	-	-	-	-	-
Community preservation fund surtax	-	-	-	-	-
Intergovernmental - other	-	-	-	150,964	6,608,818
Community preservation state share	-	-	-	-	-
Loans	-	-	-	-	-
TOTAL ASSETS	$ 1,598,495	$ 94,203	$ 3,034,093	$ 150,964	$ 11,770,217
LIABILITIES					
Warrants payable	$ -	$ 7,954	$ -	$ -	$ -
Accrued payroll	131,221	28,880	56,034	1,299	6,884
Due to other funds	-	-	-	144,890	6,173,585
TOTAL LIABILITIES	131,221	36,834	56,034	146,189	6,180,469
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	1,467,274	57,369	2,978,059	4,775	5,589,748
TOTAL FUND BALANCES	1,467,274	57,369	2,978,059	4,775	5,589,748
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 1,598,495	$ 94,203	$ 3,034,093	$ 150,964	$ 11,770,217

Special Revenue Funds							
Highway Improvement Funds	City Revolving Funds	Receipts Reserved	City Private Grants	School Lunch Funds	Other Special Revenue Funds	Community Preservation	Subtotal
$ -	$ 157,302	$ 2,120,003	$ 1,006,106	$ 1,036,369	$ 9,600,707	$ 6,662,103	$ 30,470,780
-	-	-	-	-	-	12,172	12,172
-	-	-	-	-	-	18,813	18,813
2,932,658	-	-	-	-	-	-	9,692,440
-	-	-	-	-	-	206,130	206,130
-	-	-	-	-	2,633,181	7,971,790	10,604,971
$ 2,932,658	$ 157,302	$ 2,120,003	$ 1,006,106	$ 1,036,369	$ 12,233,888	$ 14,871,008	$ 51,005,306
$ -	$ -	$ 43,518	$ -	$ 102,726	$ -	$ -	$ 154,198
-	25,938	-	26,321	6,239	36,083	1,332	320,231
557,367	-	-	-	-	-	-	6,875,842
557,367	25,938	43,518	26,321	108,965	36,083	1,332	7,350,271
148,365	-	-	-	-	-	237,116	385,481
-	-	-	-	-	-	-	-
2,226,926	131,364	2,076,485	979,785	927,404	12,197,805	14,632,560	43,269,554
2,226,926	131,364	2,076,485	979,785	927,404	12,197,805	14,632,560	43,269,554
$ 2,932,658	$ 157,302	$ 2,120,003	$ 1,006,106	$ 1,036,369	$ 12,233,888	$ 14,871,008	$ 51,005,306

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2019

	Permanent Funds			
	Permanent Funds Principal	Expendable Permanent Funds	Subtotal	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 433,126	$ 168,906	$ 602,032	$ 31,072,812
Receivables, net of uncollectibles:				
Tax liens	-	-	-	12,172
Community preservation fund surtax	-	-	-	18,813
Intergovernmental - other	-	-	-	9,692,440
Community preservation state share	-	-	-	206,130
Loans	-	-	-	10,604,971
TOTAL ASSETS	$ 433,126	$ 168,906	$ 602,032	$ 51,607,338
LIABILITIES				
Warrants payable	$ -	$ -	$ -	$ 154,198
Accrued payroll	-	-	-	320,231
Due to other funds	-	-	-	6,875,842
TOTAL LIABILITIES	-	-	-	7,350,271
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	385,481
FUND BALANCES				
Nonspendable	433,126	-	433,126	433,126
Restricted	-	168,906	168,906	43,438,460
TOTAL FUND BALANCES	433,126	168,906	602,032	43,871,586
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 433,126	$ 168,906	$ 602,032	$ 51,607,338

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NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2019

	Special Revenue Funds				
	School Special Revenue Funds	School Federal Grants	School State & Private Grants	City Federal Grant Funds	City State Grant Funds
REVENUES:					
Intergovernmental - other	$ -	$ 3,194,426	$ 4,456,158	$ 558,932	$ 6,516,863
Departmental and other	3,521,615	-	-	-	96,336
Community preservation taxes	-	-	-	-	-
Community preservation state match	-	-	-	-	-
Contributions and donations	17,260	-	124,167	-	8,839
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
TOTAL REVENUES	3,538,875	3,194,426	4,580,325	558,932	6,622,038
EXPENDITURES:					
Current:					
General government	-	-	-	18,958	164,168
Public safety	-	-	-	341,156	733,622
Education	2,960,758	3,137,230	3,706,168	-	-
Public works	-	-	-	-	242,919
Health and human services	-	-	-	197,429	38,989
Culture and recreation	-	-	-	-	214,615
Community preservation	-	-	-	-	-
TOTAL EXPENDITURES	2,960,758	3,137,230	3,706,168	557,543	1,394,313
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	578,117	57,196	874,157	1,389	5,227,725
OTHER FINANCING SOURCES (USES):					
Premium from issuance of bonds	-	-	-	-	-
Transfers in	5,000	-	-	-	-
Transfers out	-	-	-	(23)	(5)
TOTAL OTHER FINANCING SOURCES (USES)	5,000	-	-	(23)	(5)
NET CHANGE IN FUND BALANCES	583,117	57,196	874,157	1,366	5,227,720
FUND BALANCES AT BEGINNING OF YEAR	884,157	173	2,103,902	3,409	362,028
FUND BALANCES AT END OF YEAR	$ 1,467,274	$ 57,369	$ 2,978,059	$ 4,775	$ 5,589,748

Special Revenue Funds							
Highway Improvement Funds	City Revolving Funds	Receipts Reserved	City Private Grants	School Lunch Funds	Other Special Revenue Funds	Community Preservation	Subtotal
$ 3,049,892	$ -	$ 398,168	$ 647,256	$ 2,427,131	529,804	3,135,000	24,913,630
-	385,614	2,487,499	-	739,077	3,584,180	-	10,814,321
-	-	-	-	-	-	1,955,547	1,955,547
-	-	-	-	-	-	432,342	432,342
-	-	47,035	104,669	-	182,359	-	484,329
-	-	145	-	-	119,853	12,918	132,916
-	-	-	-	-	16,332	-	16,332
3,049,892	385,614	2,932,847	751,925	3,166,208	4,432,528	5,535,807	38,749,417
-	207,430	349,953	31,981	-	1,437,693	-	2,210,183
-	-	-	19,899	-	1,284,255	-	2,378,932
-	-	-	153,824	2,978,260	9,979	-	12,946,219
822,966	4,438	185,366	-	-	-	-	1,255,689
-	389	37,565	1,289	-	193,737	-	469,398
-	240,720	-	-	-	52,257	-	507,592
-	-	-	-	-	-	1,961,132	1,961,132
822,966	452,977	572,884	206,993	2,978,260	2,977,921	1,961,132	21,729,145
2,226,926	(67,363)	2,359,963	544,932	187,948	1,454,607	3,574,675	17,020,272
-	-	-	-	-	716,210	-	716,210
-	-	-	-	-	-	100,000	105,000
-	(74)	(5,080,765)	(21)	-	272,354	-	(4,808,534)
-	(74)	(5,080,765)	(21)	-	988,564	100,000	(3,987,324)
2,226,926	(67,437)	(2,720,802)	544,911	187,948	2,443,171	3,674,675	13,032,948
-	198,801	4,797,287	434,874	739,456	9,754,634	10,957,885	30,236,606
$ 2,226,926	$ 131,364	$ 2,076,485	$ 979,785	$ 927,404	$ 12,197,805	$ 14,632,560	$ 43,269,554

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2019

	Permanent Funds			
	Permanent Funds Principal	Expendable Permanent Funds	Subtotal	Total Nonmajor Governmental Funds
REVENUES:				
Intergovernmental - other	$ -	$ -	$ -	$ 24,913,630
Departmental and other	-	-	-	10,814,321
Community preservation taxes	-	-	-	1,955,547
Community preservation state match	-	-	-	432,342
Contributions and donations	-	-	-	484,329
Investment income	-	7,872	7,872	140,788
Miscellaneous	-	-	-	16,332
TOTAL REVENUES	-	7,872	7,872	38,757,289
EXPENDITURES:				
Current:				
General government	-	-	-	2,210,183
Public safety	-	-	-	2,378,932
Education	-	-	-	12,946,219
Public works	-	-	-	1,255,689
Health and human services	-	-	-	469,398
Culture and recreation	-	-	-	507,592
Community preservation	-	-	-	1,961,132
TOTAL EXPENDITURES	-	-	-	21,729,145
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	7,872	7,872	17,028,144
OTHER FINANCING SOURCES (USES):				
Premium from issuance of bonds	-	-	-	716,210
Transfers in	-	-	-	105,000
Transfers out	-	-	-	(4,808,534)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(3,987,324)
NET CHANGE IN FUND BALANCES	-	7,872	7,872	13,040,820
FUND BALANCES AT BEGINNING OF YEAR	433,126	161,034	594,160	30,830,766
FUND BALANCES AT END OF YEAR	$ 433,126	$ 168,906	$ 602,032	$ 43,871,586

(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, 2019

	June 30, 2018	Additions	Deletions	June 30, 2019
ASSETS				
CURRENT:				
Cash and cash equivalents……	$ 526,387	$ 8,487,058	$ (5,429,303)	$ 3,584,142
LIABILITIES				
Liabilities due depositors……	$ 443,206	$ 8,484,195	$ (5,346,122)	$ 3,581,279
Accrued liabilities……	83,181	2,863	(83,181)	2,863
TOTAL LIABILITIES……	$ 526,387	$ 8,487,058	$ (5,429,303)	$ 3,584,142

Statistical Section

Central Library and War Memorial – Highland Ave
Photo 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

	2010	2011	2012	2013	2014 (1)	2015	2016	2017 (2)	2018	2019
Governmental activities										
Net investment in capital assets	$ 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	$ 157,254,898
Restricted	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	56,924,125
Unrestricted	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)	(346,604,182)
Total governmental activities net assets	$ 141,629,468	$ 141,697,548	$ 130,888,990	$ 137,184,838	$ 13,248,665	$ 7,864,518	$ 249,822	$ (184,614,969)	$ (161,345,186)	$ (132,425,159)
Business-type activities										
Net investment in capital assets	$ 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	$ 64,130,762
Unrestricted	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	21,859,239
Total business-type activities net assets	$ 35,448,723	$ 41,085,070	$ 47,726,062	$ 51,015,039	$ 54,154,313	$ 57,086,589	$ 61,526,134	$ 66,331,801	$ 71,920,213	$ 85,990,001
Primary government										
Net investment in capital assets	$ 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	$ 221,385,660
Restricted	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	56,924,125
Unrestricted	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)	(324,744,943)
Total primary government net position	$ 177,078,191	$ 182,782,618	$ 178,615,052	$ 188,199,877	$ 67,402,978	$ 64,951,107	$ 61,775,956	$ (118,283,168)	$ (89,424,973)	$ (46,435,158)

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	$ 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	$ 45,798,151
Public safety	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	65,598,846
Education	108,803,922	108,813,913	113,396,259	113,753,374	121,176,505	114,802,360	124,740,381	132,958,254	128,921,395	136,314,822
Public works	24,973,616	23,346,672	23,631,860	25,203,877	26,974,196	33,520,992	28,957,827	31,017,581	30,766,736	35,201,167
Commmunity development	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	5,623,403
Human services	18,802	9,560	316,137	288,766	227,030	229,633	178,570	244,417	279,442	468,398
Community preservation	-	-	-	-	56,770	77,672	347,016	1,522,282	4,207,687	5,780,260
Culture and recreation	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	1,848,792
Interest	2,713,563	2,282,434	2,306,520	2,858,173	3,178,533	2,913,723	2,956,192	3,563,654	3,727,244	8,746,700
Total government activities expenses	221,197,928	213,383,619	223,552,468	229,160,868	239,999,528	245,004,752	253,761,220	276,488,072	271,983,205	305,380,539
Business-type activities:										
Water	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	12,091,409
Sewer	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	19,328,306
Veteran's memorial ice rink	-	-	337,456	522,392	584,995	750,644	721,990	679,098	713,303	693,015
Dilboy stadium	-	-	132,312	147,794	217,761	160,855	136,199	154,881	143,967	144,238
Total business-type activities expenses	20,108,295	23,220,023	23,639,435	25,196,794	25,735,352	27,003,468	28,168,643	30,106,761	30,884,785	32,256,968
Total primary government expenses	$ 241,306,223	$ 236,603,642	$ 247,191,903	$ 254,357,662	$ 265,734,880	$ 272,008,220	$ 281,929,863	$ 306,594,833	$ 302,867,990	$ 337,637,507
Program Revenues										
Governmental activities:										
General government charges for services	$ 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	$ 16,052,363
Public safety charges for services	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	12,128,811
Education charges for services	1,523,386	2,773,301	2,888,195	2,620,430	2,744,125	2,854,004	3,025,441	3,251,770	3,689,821	4,258,895
Other charges for services	1,511,902	2,464,581	2,318,541	2,009,294	1,234,865	1,200,251	1,280,431	1,231,044	1,417,770	1,591,500
General government operating grants and contributions	1,142,773	2,190,637	2,241,945	2,208,949	2,275,935	3,306,728	2,318,143	3,611,794	6,351,895	4,483,922
Public safety operating grants and contributions	1,582,812	984,665	583,597	733,021	1,035,751	787,168	734,344	567,768	780,100	1,504,557
Education operating grants and contributions	47,963,393	46,517,454	46,478,286	47,121,192	49,332,811	38,046,566	41,967,740	46,466,462	46,045,575	47,632,509
Public works operating grants and contributions	816,657	20,000	149,243	1,201,182	1,030,318	1,151,440	932,462	2,059,979	389,071	1,799,897
Community development operating grants and contributions	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	7,252,605
Other operating grants and contributions	1,101,023	1,375,021	1,012,441	991,642	1,028,356	957,692	861,352	888,955	900,158	1,834,924
Education capital grants and contributions	-	-	-	12,653,757	1,686,711	9,685	2,212,282	1,598,709	12,072,086	30,995,107
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	5,592,603
Total government activities program revenues	80,821,235	80,660,792	78,411,569	92,495,263	81,648,678	81,326,496	79,735,335	88,890,968	109,725,810	135,127,693
Business-type activities:										
Water charges for services	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	13,771,306
Sewer charges for services	15,654,243	15,631,262	17,139,421	17,012,055	17,055,541	17,304,880	19,298,052	21,673,233	22,396,044	23,414,555
Veteran's memorial ice rink charges for services	-	-	270,626	377,422	530,583	579,538	638,822	587,035	634,804	570,342
Dilboy stadium charges for services	-	-	90,527	147,000	110,200	181,942	227,234	200,074	232,101	160,379
Other capital grant and contributions	-	-	1,322,550	-	654,755	-	-	-	-	7,891,015
Total business-type activities program revenues	25,622,382	27,131,220	30,795,749	29,414,773	30,303,391	29,989,384	33,413,924	36,406,067	37,290,669	45,807,597
Total primary government program revenues	$ 106,443,617	$ 107,792,012	$ 109,207,318	$ 121,910,036	$ 111,952,069	$ 111,315,880	$ 113,149,259	$ 125,297,035	$ 147,016,479	$ 180,935,290
Net (Expense)/Program Revenue										
Governmental activities	$ (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)	$ (170,252,846)
Business-type activities	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	13,550,629
Total primary government net (expense)/program revenue	$ (134,862,606)	$ (128,811,630)	$ (137,984,585)	$ (132,447,626)	$ (153,782,811)	$ (160,692,340)	$ (168,780,604)	$ (181,297,798)	$ (155,851,511)	$ (156,702,217)
General Revenues and other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes	$ 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	$ 153,006,112
Tax and utility liens	-	-	-	465,853	968,105	416,809	297,772	201,283	159,603	771,316
Motor vehicle and other excise taxes	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	10,470,518
Penalties and interest on taxes	982,668	1,266,600	860,457	1,070,330	1,121,504	858,956	801,173	729,944	869,868	1,955,547
Payments in lieu of taxes	163,644	398,281	192,334	182,347	285,596	304,688	829,780	1,248,682	1,327,790	673,359
Community Preservation surtax	-	-	-	-	1,323,320	1,430,721	1,545,198	1,664,815	1,794,508	1,507,020
Grants and contributions not restricted	23,777,003	24,479,415	22,936,689	23,120,989	23,374,357	25,642,432	24,429,136	25,455,469	26,368,477	27,049,919
Unrestricted investment income	584,028	419,721	320,878	258,370	238,031	292,212	303,517	496,273	1,407,965	3,545,866
Gain on disposal of assets	8,635	9,355	-	-	-	2,031,564	2,031,564	2,031,564	3,911	68,470
Miscellaneous	458,502	884,039	61,023	115,049	278,074	113,230	308,206	184,008	537,703	282,746
Transfers, net	-	-	670,598	1,075,842	526,840	217,176	949,090	(345,056)	1,088,397	(158,000)
Total governmental activities	126,418,247	132,790,907	134,332,341	142,961,453	149,275,914	160,325,673	168,442,753	176,234,502	185,527,178	199,172,873
Business-type activities:										
Tax and utility liens	1,413,910	1,562,666	-	-	-	-	-	-	-	-
Unrestricted investment income	159,786	162,484	155,276	146,840	152,624	163,536	142,354	160,353	270,925	361,159
Transfers	-	-	(670,598)	(1,075,842)	(526,840)	(217,176)	(948,090)	345,056	(1,088,397)	158,000
Total business-type activities	1,573,696	1,725,150	(515,322)	(929,002)	(374,216)	(53,640)	(805,736)	505,409	(817,472)	519,159
Total primary government general revenues and other changes in net position	$ 127,991,943	$ 134,516,057	$ 133,817,019	$ 142,032,451	$ 148,901,698	$ 160,272,033	$ 167,637,017	$ 176,739,911	$ 184,709,706	$ 199,692,032
Changes in Net Position										
Governmental activities	$ (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	$ 28,920,027
Business-type activities	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	14,069,788
Total primary government changes in net position	$ (6,870,663)	$ 5,704,427	$ (4,167,566)	$ 9,584,825	$ (4,881,113)	$ (420,307)	$ (1,143,587)	$ (4,557,887)	$ 28,858,195	$ 42,989,815

Note: Prior to 2012, Veteran's Memorial Ice Rink and Dilboy Stadium activity was accounted for in a special revenue fund.
Prior to 2019, the Business-Type activities reported transfers out for their indirect charges, in 2019 these costs are accounted for in the fund the costs relate to.

Fund Balances, Governmental Funds

Last Ten Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	$ 15,210,735	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	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	38,314,287
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	4,572,556
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	26,014,633
Total general fund	$ 27,898,438	$ 40,700,160	$ 41,612,751	$ 47,066,914	$ 46,535,247	$ 50,217,701	$ 54,684,889	$ 60,635,867	$ 64,254,363	$ 68,901,476
All Other Governmental Funds										
Reserved	$ 13,423,104	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	20,226,857	-	-	-	-	-	-	-	-	-
Capital projects funds	6,678,591	-	-	-	-	-	-	-	-	-
Permanent funds	163,066	-	-	-	-	-	-	-	-	-
Nonspendable	-	433,126	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	60,684,336
Unassigned	-	(42,349)	(7,897,251)	(8,830,687)	(11,138,192)	(15,052,796)	(14,895,671)	(11,385,014)	(31,035,675)	(38,927,012)
Total all other governmental funds	$ 40,491,618	$ 32,563,713	$ 16,491,788	$ 15,642,201	$ 18,399,965	$ 18,333,777	$ 21,982,096	$ 29,376,280	$ 16,316,019	$ 22,190,450

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

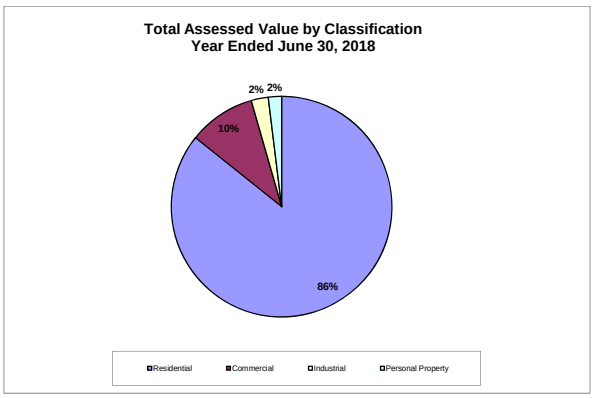
Last Ten Years

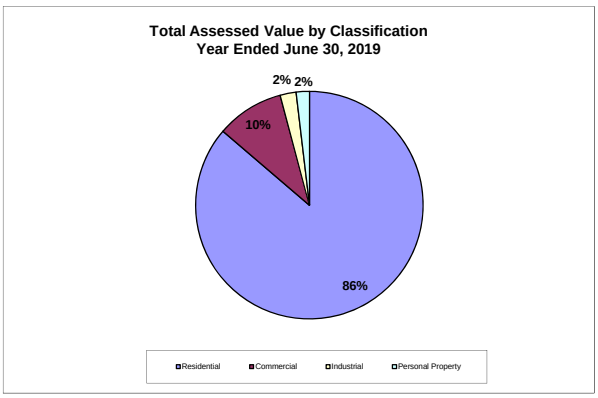
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Real estate and personal property taxes	$ 95,031,409	$ 98,921,096	$ 102,575,530	$ 109,391,564	$ 113,427,599	$ 120,742,247	$ 127,359,478	$ 134,759,721	$ 142,059,305	$ 153,512,695
Tax liens	1,078,578	1,161,723	1,297,050	1,118,479	847,582	654,405	606,130	392,962	192,533	291,986
Motor vehicle and other excise taxes	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	10,490,716
Payments in lieu of taxes	163,644	398,281	192,334	182,347	285,596	304,688	829,780	1,248,682	1,327,790	1,507,020
Intergovernmental	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	130,978,149
Departmental and other	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	35,546,737
Community preservation taxes	-	-	-	-	1,323,320	2,335,638	2,375,654	2,085,496	2,164,973	2,387,889
Contributions	1,162,345	1,354,249	1,361,020	1,126,151	256,094	3,044,440	757,874	621,388	644,117	855,434
Investment income	584,028	419,721	320,878	238,620	238,031	292,212	308,289	500,910	1,415,231	3,535,215
Miscellaneous	312,803	229,144	71,679	102,500	268,687	113,209	205,935	134,582	537,703	282,746
Total Revenue	209,907,486	216,618,675	219,541,952	237,311,147	235,532,213	242,409,811	246,020,919	269,541,142	296,190,280	339,388,587
Expenditures:										
General government	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	31,844,419
Public safety	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	48,610,806
Education	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	83,620,583
Public works	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	29,827,378
Community development	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	5,584,239
Human services	2,681	7,095	312,548	288,766	224,330	229,633	178,570	244,417	276,304	430,234
Culture and recreation	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	3,165,517
Pension benefits	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	30,383,725
Employee benefits	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	25,610,600
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	1,848,792
State and county charges	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	12,993,749
Capital outlay	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	61,385,051
Debt service:										
Principal	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	6,812,925
Interest	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	6,505,047
Total Expenditures	209,324,418	218,481,561	251,491,751	247,831,264	241,054,596	248,282,551	257,554,893	273,276,254	318,928,299	348,623,065
Excess of revenues over (under) expenditures	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)	(9,234,478)
Other Financing Sources (Uses)										
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	16,895,000
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	2,950,552
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	8,635	9,355	16,384	12,549	9,387	-	-	2,120,152	3,911	68,470
Transfers in	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	6,561,257
Transfers out	(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)	(6,719,257)
Total other financing sources (uses)	10,713,635	6,736,703	16,790,465	15,124,693	7,748,480	9,489,006	19,649,481	17,080,274	13,296,254	19,756,022
Net change in fund balance	$ 11,296,703	$ 4,873,817	$ (15,159,334)	$ 4,604,576	$ 2,226,097	$ 3,616,266	$ 8,115,507	$ 13,345,162	$ (9,441,765)	$ 10,521,544
Debt service as a percentage of noncapital expenditures	4.37%	4.41%	4.62%	4.47%	4.31%	4.69%	4.18%	4.28%	4.11%	4.64%

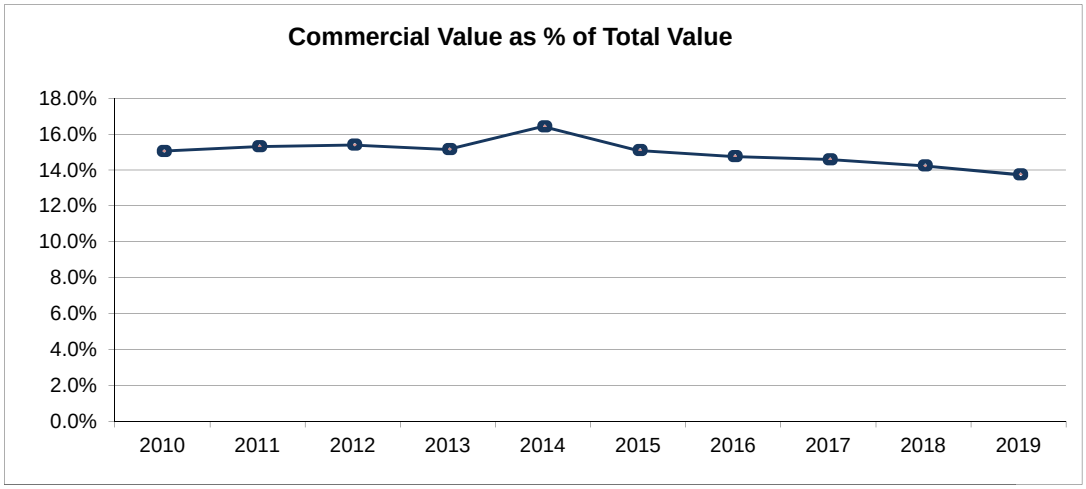
Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates

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
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
2019	(1) $ 13,505,275,940	$ 10.76	$ 1,503,833,168	$ 354,134,400	$ 293,268,510	$ 2,151,236,078	$ 17.33	$ 11.66	$ 15,656,512,018







(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

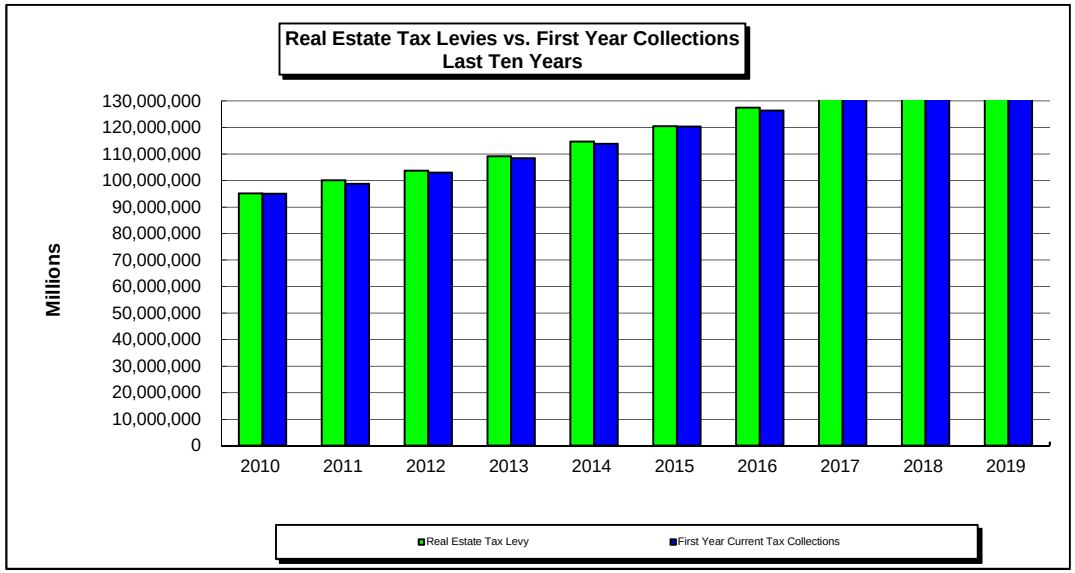
		2019			2010		
Name	**Nature of Business**	**Assessed Valuation**	**Rank**	**Percentage of Total Taxable Assessed Value**	**Assessed Valuation**	**Rank**	**Percentage of Total Taxable Assessed Value**
Street Retail Inc	Commercial/Residential	$ 488,130,000	1	5.17%	$ -	-	-
FR Assembly Square LLC	Shopping Mall	$ 77,747,900	2	0.82%	$ 62,391,000	1	0.73%
NSTAR Electric Co	Electric Company	$ 76,599,590	3	0.81%	$ -	-	-
DW NP Property LLC	Office Building	$ 62,366,600	4	0.66%	$ -	-	-
Twin City Plaza LLC	Retail Mall	$ 54,998,900	5	0.58%	$ 55,126,300	2	0.64%
NSTAR Gas Co	Electric Company	$ 51,026,530	6	0.54%	$ 54,794,010	3	0.64%
National Tax Search LLC Trustee	Office Building	$ 41,721,500	7	0.44%	$ 23,658,800	8	0.28%
I-93 Somerville LLC	Retail	$ 40,743,100	8	0.43%	$ 37,000,000	4	0.43%
Assembly Row Condominium	Residential	$ 64,588,300	9	0.68%	$ -	-	-
CRP 70 Inner Belt LLC	Telecom	$ 39,560,600	10	0.42%	$ 30,684,700	6	0.36%
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%
	Totals	$997,483,020		10.56%	$371,742,910		4.33%

Source: Official Statement for Sale of Bonds

Property Tax Levies and Collections

Last Ten Years

Year		(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	(3) Percent of Total Tax Collections to Net Tax Levy
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%	$ 424,866	$ 141,516,361	99.69%
2019		$ 155,031,240	$ 1,647,702	$ 153,383,538	$ 152,583,237	99.48%	$ -	$ 152,583,237	99.48%



(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	Governmental Activities: Capital Leases	Governmental Activities: Per Capita	Governmental Activities: Percentage of Personal Income	Governmental Activities: Percentage of Assessed Value
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	$ 99,450,581	$ -	$ 1,222	3.03%	0.72%
2019	81,562	$ 3,621,271,238	$ 15,656,512,018	$ 118,878,104	$ -	$ 1,458	3.28%	0.76%

Year	Business-type Activities (1): General Obligation Bonds	Business-type Activities (1): Capital Leases	Total Primary Government: Total Debt Outstanding	Total Primary Government: Per Capita	Total Primary Government: Percentage of Personal Income	Total Primary Government: Percentage of Assessed Value
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	$ 9,268,844	$ -	$ 108,719,425	$ 1,336	3.31%	0.79%
2019	$ 17,975,936	$ -	$ 136,854,040	$ 1,678	3.78%	0.87%

(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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Equalized Valuation……	$ 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	$ 15,170,069,800
Debt Limit -5% of Equalized Valuation	$ 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	$ 758,503,490
Less:										
Outstanding debt applicable to limit.	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	72,113,521
Authorized and unissued debt……	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	155,911,994
Legal debt margin……	$ 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	$ 530,477,975
Total debt applicable to the limit as a percentage of debt limit……	14.20%	13.22%	13.03%	10.99%	13.72%	13.78%	19.04%	23.77%	35.11%	30.06%

Source: Official Statement for Sale of Bonds

Direct and Overlapping Governmental Activities Debt

As of June 30, 2019

City of Somerville, Massachusetts	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
MWRA Water	$ 2,044,213,000	3.22%	$ 65,823,659
MWRA Sewer	3,449,020,000	3.51%	121,060,602
Massachusetts Bay Transportation Authority	5,728,840,000	3.12%	178,739,808
Subtotal, overlapping debt			365,624,069
City direct debt			214,700,615
Total direct and overlapping debt			$ 580,324,684

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
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%
2019	81,562	$ 3,621,271,238	$ 44,399	31.5	2.0%

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

		2019			2010		
Employer	**Nature of Business**	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Partners Healthcare	Health Care	4,500	1	16.2%	-	-	-
ABM Industries	Janitorial Services	2,000	2	7.2%	-	-	-
Cambridge Health Alliance	Health Care	1,014	3	3.7%	771	1	3.5%
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	2	2.5%
Royal Hospital Services Incorporated	Office Supplies	380	7	1.4%	-	-	-
Market Basket	Grocery Store	372	8	1.3%	275	5	1.3%
FormLabs	Scientific Research	300	9	1.1%	-	-	-
Rogers Foam Corp.	Foam Products	300	10	1.1%	-	-	-
Ames Safety Envelope	Envelopes & Printing	-	-	-	400	3	1.8%
Star Market / Shaw's Supermarkets	Grocery	-	-	-	400	4	1.8%
MBTA Commuter Rail Maintenance Facility	Rail Maintenance	-	-	-	250	6	1.1%
Gentle Giant	Local Trucking	-	-	-	250	7	1.1%
Target	Retail	-	-	-	200	8	0.9%
Share Group	Telemarketing	-	-	-	196	9	0.9%
United Parcel Service	Package Delivery	-	-	-	180	10	0.8%
	Totals	10,303		37.1%	3,468		15.9%

Source: Massachusetts Department of Workforce Development

Full-Time Equivalent City Employees

Last Ten Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018*	2019
Full-Time Equivalents										
City……	708	670	675	696	714	729	736	755	762	780
School……	823	843	845	892	908	923	929	937	1107	1139
Total ……	1,531	1,513	1,520	1,587	1,622	1,652	1,665	1,692	1,869	1,919

Source: City of Somerville Budget
*Please note that in FY18 the school department changed how employees are counted, resulting in a change in reporting.

Operating Indicators by Function/Program

Last Ten Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government:										
Registered Voters	42,937	43,633	45,987	47,484	47,454	45,655	51,319	51,362	54,672	54,351
Births	873	922	962	957	974	863	838	854	798	636**
Marriages	586	553	503	591	548	513	590	606	557	467**
Deaths	459	441	420	410	517	589	561	427	415	354**
Dogs licensed	1,289	1,595	1,967	1,790	2,127	1,780	2,053	1,831	1,759	1,870**
Business Certificates	466	445	451	425	483	318	307	274	290	237**
Fire:										
Total Fires	98	156	279	476	377	431	429	462	442	444*
Structure Fires	42	44	60	107	56	258	321	354	360	345*
Vehicle Fires	16	16	15	24	14	24	14	21	17	17*
Other Fires	40	96	204	345	307	149	94	87	65	82*
Civilian										
Deaths	0	3	1	0	0	0	0	0	0	0*
Injuries	24	41	22	5	1	0	8	5	3	5*
Fire Service										
Deaths	0	0	0	0	0	0	0	0	0	0*
Injuries	76	81	44	71	38	17	29	23	75	42*
Dollar Loss	$ 2,258,000	$ 3,019,600	$ 2,438,000	$ 5,850,000	$ 1,559,364	$ 663,875	$ 3,601,500	$3,666,101	$1,703,650	$2,990,417*
Police:										
Violent crime total	226	259	258	178	206	183	198	172	184	185*
Murder and nonnegligent manslaughter	0	1	0	0	1	0	0	2	0	0*
Forcible rape	14	17	22	17	10	8	15	19	26	20*
Robbery	77	90	84	51	58	40	48	39	44	44*
Aggravated assault	135	151	152	110	137	135	135	112	114	120*
Property crime total	2,028	1,760	1,752	1,552	1,253	1,695	1,239	1,104	1,062	1,135*
Burglary	514	416	349	430	192	305	207	171	161	180*
Larceny-theft	1,336	1,193	1,270	1,021	949	1,257	931	834	789	851*
Motor vehicle theft	178	151	133	101	112	133	101	99	112	104*
Traffic and Parking:										
Tickets Issued	158,995	152,381	149,844	144,919	128,449	140,974	137,973	125,472	124,855	129,433*
Inspectional:										
Building Permit Count	1,736	1,627	1,682	1,775	1,775*	2,166	2,034	2,186	2,194	2,138*
Education:										
Total enrollment	4,842	4,855	4,877	4,922	4,940	4,987	4,931	4,950	4,956	4,909
Library:+										
Total Circulation	501,095	466,304	448,579	415,666	411,566	387,222	396,812	378,929	381,074	385,605*
Total Holdings	183,791	185,930	192,229	194,451	200,522	205,045	211,941	215,289	217,865	215,032*
Registered users	27,663	27,826	27,934	28,017	29,611	29,351	33,500	34,395	28,626	32,174*

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fire:										
Fire stations	5	5	5	5	5	5	5	5	5	5
Emergency vehicles	8	8	8	8	8	8	8	8	8	8
Police:										
Stations	3	2	2	3	3	3	3	3	3	3
Public works:										
Streets (miles)	106.17	106.17	106.17	108.97	115.11	119.7	119.7	119.7	119.7	119.7
Electric:										
Streetlights	4,006	4,006	4,032	4,032	4,032	4,056	4,056	4,056	4,056	4,056
Sewer:										
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
Library:										
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
Parks and recreation:										
City Parks										
Number of Parks	41	41	43	43	43	43	69	69	69	69
Acreage	49.27	49.27	51.35	51.35	51.35	51.35	58.3	58.3	58.3	57.6
DCR Parks in Somerville										
Number of Parks	6	6	6	6	6	6	8	8	8	8
Acreage	77.5	77.5	77.5	77.5	77.5	77.5	81.3	81.3	81.3	81.3
Other Open and Public Space										
Number of Spaces	28	28	28	28	28	28	10	11	11	13
Acreage	50.34	50.34	50.34	50.34	50.34	50.34	19.3	25.0	25.0	32.1
Water:										
Water mains (miles)	125	125	125	125	125	125	125	125	125	125
Fire hydrants	1,523	1,523	1,523	1,523	1,550	1,555	1,555	1,555	1,555	1,555
Education:										
Elementary schools	9	9	9	10	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