

CITY OF SOMERVILLE

MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Year Ended June 30, 2016

Joseph A. Curtatone, Mayor
Edward Bean, Finance Director

Prepared by the City of Somerville Finance Department

On the Cover – Prospect Hill Monument

The historic Prospect Hill Monument and Park that overlooks Union Square. Due to its location and height Prospect Hill had great strategic importance during the Revolutionary War and was the site of the first raising of the Grand Union Flag on January 1, 1776. Photo by Rie Lowenstein

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JUNE 30, 2016

TABLE OF CONTENTS

Introductory Section.....	1
Letter of Transmittal	2
Certificate of Achievement for Excellence in Financial Reporting.....	13
Distinguished Budget Presentation Award.....	14
Organizational Chart	15
Principal Officials.....	16
Financial Section	17
Independent Auditor’s Report.....	19
Management’s Discussion and Analysis.....	21
Basic Financial Statements	32
Statement of Net Position.....	33
Statement of Activities.....	34
Governmental Funds – Balance Sheet	36
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the	
Statement of Net Position.....	37
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances	38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the	
Governmental Funds to the Statement of Activities	39
Proprietary Funds – Statement of Net Position.....	40
Proprietary Funds – Statement of Revenues, Expenses and Changes in Net Position	41
Proprietary Funds – Statement of Cash Flows	42
Fiduciary Funds – Statement of Fiduciary Net Position	43
Fiduciary Funds – Statement of Changes in Fiduciary Net Position.....	44
Notes to Basic Financial Statements	45
Required Supplementary Information	81
Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund – Budget and Actual	82
Pension Plan Schedules – Retirement System.....	87
Schedule of changes in the net pension liability and related ratios	88

Schedule of contributions	89
Schedule of investment return	90
Pension Plan Schedules - City	91
Schedule of the City's proportionate share of the net pension liability	92
Schedule of City contributions.....	93
Schedule of the special funding amounts of the net pension liability.....	94
Other Postemployment Benefits Plan Schedules	95
Other Postemployment Benefit Plan Schedule of Funding Progress and Employer Contributions.....	96
Other Postemployment Benefit Plan Actuarial Methods and Assumptions	97
Notes to Required Supplementary Information	98
Combining and Individual Fund Statements	101
Nonmajor Governmental Funds	102
Nonmajor Governmental Funds – Combining Balance Sheet.....	104
Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	108
Agency Fund.....	111
Agency Fund – Statement of Changes in Assets and Liabilities	112
Statistical Section	113
Net Position by Component – Last Ten Years.....	114
Changes in Net Position – Last Ten Years	115
Fund Balances, Governmental Funds – Last Ten Years	116
Changes in Fund Balances, Governmental Funds – Last Ten Years.....	117
Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates – Last Ten Years	118
Principal Taxpayers – Current Year and Nine Years Ago.....	119
Property Tax Levies and Collections – Last Ten Years	120
Ratios of Outstanding Debt and General Bonded Debt – Last Ten Years	121
Computation of Legal Debt Margin – Last Ten Years.....	122
Direct and Overlapping Governmental Activities Debt.....	123
Demographic and Economic Statistics – Last Ten Years	124
Principal Employers (Excluding City) – Current Year and Nine Years Ago	125
Full-Time Equivalent City Employees – Last Ten Years.....	126
Operating Indicators by Function/Program – Last Ten Years.....	127
Capital Asset Statistics by Function/Program – Last Ten Years.....	128

Introductory Section



Trum field one of several athletic fields throughout the City and site of the annual Fourth of July Celebration. The monument at this field honors P.F.C. Richard Trum, who was killed in action on November 1, 1918. The front of the memorial bears a bronze tablet that reads, "In memory of the boys from this district who made the supreme sacrifice." Photo by Rie Lowenstein

Introductory Section



City of Somerville, Massachusetts

Joseph A. Curtatone

MAYOR

December 20, 2016

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, 2016. 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, 2016, 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, 2016, are free of material misstatements.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Somerville's financial statements for the year ended June 30, 2016, 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, 2016, included no instances of significant violations of the applicable laws and regulations reported. Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic

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

GENERAL PROFILE

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



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

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

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

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

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

QUALITY OF LIFE

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

Somerville's Public Schools have regularly received a designation from Standard and Poor's School Matters program as a top-performing urban school district. MCAS scores have risen during the past decade and saw extraordinary growth (exceeding most other school districts) in the spring 2015 MCAS tests. The district's Student Growth Percentile (SGP) for 2015 was in the top 12% statewide, the only urban school district with that level of student growth – an especially astounding fact given the socio-economic diversity of Somerville schools. School programs - including arts, language extra-curricular, pre-K and after school - have seen major investments over the past decade. The City has also overhauled its youth programs by hiring new directors, and reinstating lost programs and services. Programs include the SomerTime Day Camp, the Mayor's Summer Jobs Program, and a partnership with Teen Empowerment, the nationally known non-profit organization, to establish a broad-based teen leadership program. In 2008, the City of Somerville was selected by the America's Promise Alliance as one of the top 100 communities in the U.S. for youth programming and learning opportunities.

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

With its bright development future featuring new, mixed-use development projects, and innovative local government management, Somerville has been recognized as "the best run City in the Commonwealth" by the Boston Globe magazine. The National Civic League recognized Somerville as an All-America City in 2009 for outstanding civic accomplishments in innovation, inclusiveness, civic engagement, and cross sector collaboration to address pressing local challenges. In 2015, Somerville again received this award for engaging and supporting vulnerable boys and young men.

ECONOMIC DEVELOPMENT

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

Assembly Square

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



Source: u/vanhoosear on Flickr

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

In May 2011, the developer Federal Realty Investment Trust (FRIT), the State, and the City entered into a Tri-Party Agreement that acts as the document binding each party to certain requirements which includes District Increment Financing (DIF) and the State's commitment to fund the Orange Line T Station. The Assembly Row DIF Plan defines a District that contains development Blocks 1, 3, and 4 in Assembly Row and a majority of the roadways and utility improvements needed to service them. As part of the DIF Plan, the City received approvals to acquire the newly extended portion of Assembly Square Drive, an internal roadway and utility network, and a new storm water line and outfall for an amount not to exceed \$25 million. The City will use the incremental tax revenue generated by the development of blocks 1, 3, and 4 to pay any debt incurred. To date, the DIF captured increment has significantly exceeded debt service payment amounts with an anticipated fund balance of \$9 million by the end FY2020 to be used for infrastructure improvements.

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

A new network of roadways, storm water conduit, Blocks 1, 2, 3, and 4, the Orange Line Transit Station, and the 5+-acre waterfront park have been completed along with the administrative building for Partners Healthcare. The following projects are currently under construction: FRIT development block 5 (a multistory, mixed-use building consisting of 155 hotel rooms, 104 residential units, 22,000 square-feet of retail/commercial use) and block 6 (a mixed-use structure with 471 residential units, 40,000 square feet of retail/commercial use and structured parking for 671 vehicles), and garage for the Partners Healthcare building.

Union Square

Union Square is the City's second largest business district, known throughout the region as a multi-ethnic arts and dining destination. In 2004, the City worked with neighborhood residents, businesses, and property owners to create "Union Square Main Streets," a non-profit community organization based on the National Main Street Center's successful downtown revitalization model. In the past few years, the City has received a \$415,000 grant from ArtPlace America as well as a \$460,000 grant to fund the creation of "ArtFarm for Social Innovation" on the site of a former waste transfer station; a \$42,000 grant for strategic planning for the development of city-owned properties in Union Square; over \$1,000,000 in new state and federal Brownfields funding for parcels in the area; the initiation of a Saturday farmers market partially funded by a Robert Wood Johnson Grant, and the construction of two small urban parks.

The City has completed both a \$24 million new elementary school at the edge of Union Square and a \$21 million reconstruction of Somerville Avenue between Union and Porter Squares. In January 2015, a Full Funding Grant Agreement between the MBTA and the US Department of Transportation Federal Transportation Administration was signed. Under this FFGA, federal dollars have been committed to fund approximately one half of the Green Line Extension Project. In April 2009, the Board of Aldermen approved rezoning of the Union Square and Boynton Yards areas. In Union Square, this included a new Corridor Commercial District (CCD) that increases the allowable floor-area-ratio (FAR) of future development, reduces the parking requirements, and increases flexibility in re-tenanting existing buildings. In addition, four Transit Oriented Districts ranging in height from 55 feet with a FAR of 3.0 to 135 feet and a FAR of 5.0 were mapped in the Union Square and Boynton Yard areas.

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

Boynton Yards & Inner Belt/Brickbottom

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

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

The Inner Belt is a 160-acre manufacturing and warehouse district that is anticipated to transition to higher-end office and biotechnology uses. An off-ramp which was constructed as part of the Central Artery Project (the "Big Dig") has improved regional automobile access to Inner Belt. To facilitate Inner Belt's transition to higher-end uses, the City approved a significant privately-financed infrastructure investment to connect Inner Belt to the fiber optic loop around Boston and Cambridge. The location of this

major communications node makes Inner Belt a very competitive location for technology-oriented businesses along with proximity to nearby Kendall Square in Cambridge.

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

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

Davis Square

Davis Square is one of the City’s most vibrant central business districts. This commercial center is located in close proximity to nearby Tufts University and has an MBTA Red Line subway station. The combination of this district’s location and public transit access has resulted in strong demand for office, retail, restaurant and entertainment uses. Consequently, Davis Square has limited vacancy in the retail and office market segments. Davis Square has become a regional dining and entertainment destination with some of the Boston area’s finest restaurants, nightclubs, and live entertainment venues. The residential neighborhood surrounding Davis Square has seen dramatic increases in property values and rents, which has resulted in considerable new investment and condominium conversion.

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

City-Wide Economic Evolution

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



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

Source: u/Pi.1415926535 on Wikipedia

Transportation Improvements

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

While the Assembly Square station promises to support critical smart-growth economic development, the MBTA's light rail Green Line Extension (GLX) through Somerville will, along with existing Red Line service, bring rapid transit to 85% of residents – thereby significantly improving the city's air quality, connectivity, and economic opportunity. Opening of the first three stations (Updated Lechemere, Washington St, and Union Square) is scheduled for 2020. The remaining four stations (Gilman, Lowell St, Ball Square, and College Ave) are scheduled to follow.

Major Infrastructure Projects

The City is currently planning or undertaking multiple streetscape and roadway improvement projects which will increase multimodal mobility and continue to bring an infrastructure network built in the early 1900s into the 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.

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 2016 is \$10,833,988. The following table sets forth the recent trend in Free Cash for the City.

2016	\$10,833,988
2015	11,512,278
2014	10,651,386
2013	10,637,719
2012	7,846,054
2011	7,646,537

Stabilization Funds

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

2016	\$28,852,284
2015	23,682,116
2014	15,495,452
2013	11,922,271
2012	12,476,965
2011	11,662,056

Capital Financing and Debt Management

In conjunction with the operating budget, the City annually prepares both a capital budget for the upcoming fiscal year and a ten-year Capital Investment Plan that is used as a guide for capital expenditures in future years. The Capital Investment Plan for FY16 through FY25 has an estimated cost of \$300 million. Financing for the current-year portion of the capital plan is appropriated on a project-by-project basis. The City is currently undertaking an updated Capital Investment Plan set to outline projects in the 2017-2026 time frame.

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, 2016, totaled \$104 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
2016	\$104,244,459	\$11,198,774,270	\$1,298	0.93
2015	95,151,544	10,492,225,280	1,206	0.91
2014	96,283,023	9,445,672,400	1,222	1.02
2013	97,615,491	8,595,335,050	1,275	1.14
2012	90,422,762	8,390,572,190	1,186	1.08
2011	81,971,701	8,297,876,320	1,079	0.99

Property Valuations

Based on valuations of all real and personal property as of January 1, 2016, the total value of all property in the City is \$11.2 billion. Professional reevaluations of all property in the City to full and fair cash value in compliance with Massachusetts law were mostly recently completed for use in 2014. The next reevaluation will be completed in 2017. The City conducts an interim year adjustment on values annually. The table below sets forth the trend in the City's assessed valuations, tax rates, tax levies, and tax levies per capita for the following years.

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Assessed Valuation	Tax Rate Per \$1,000 Valuation		Tax Levy	Tax Levy Per Capita
				Resid.	All other		
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, 2015. An updated valuation study is currently underway, and expected to be completed in the fall of 2016.

The total unfunded pension benefit obligation applicable to the City's employees was \$134,275,794 at December 31, 2015, as a result of rolling forward the January 1, 2015 actuarial valuation, is as follows:

Total pension benefit obligation	\$358,688,670
Net Position available for benefits, at market value	<u>(224,412,876)</u>
Unfunded pension benefit obligation	<u>\$134,275,794</u>

The City is currently on a funding schedule that will amortize its unfunded pension liability by June 30, 2034. 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 each retirement system for the 2008 through 2015 fiscal years and budgeted for fiscal year 2016 are as follows:

Year	Contributory	Non-Contributory
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
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 obtained a new actuarial valuation for the City's OPEB liability as of June 30, 2016. The City had an unfunded actuarial liability (UAL) that totaled \$301,834,818 on a pay-as-you-go 4.0% basis and \$178,480,760 on a full prefunding 7.5% basis. The City's annual required contribution (ARC) totaled \$20,168,818 on a pay-as-you-go basis and \$13,138,247 on a full prefunding basis.

INDEPENDENT AUDIT

The City's financial records, books of accounts, and financial transactions are audited each year by an independent firm of certified public accountants. The City's annual audit was performed by the independent public accounting firm of Powers & Sullivan, LLC. The independent auditors' report on the basic financial statements for the year ended June 30, 2016 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, four years in a row that the City has achieved this prestigious award. Additionally, the City's FY14, FY15, and FY16 annual operating budgets received the Distinguished Budget Presentation Award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report or budget. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

MOVING FORWARD

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

Sincerely,



Mayor Joseph A. Curtatone





Government Finance Officers Association

**Certificate of
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Presented to

**City of Somerville
Massachusetts**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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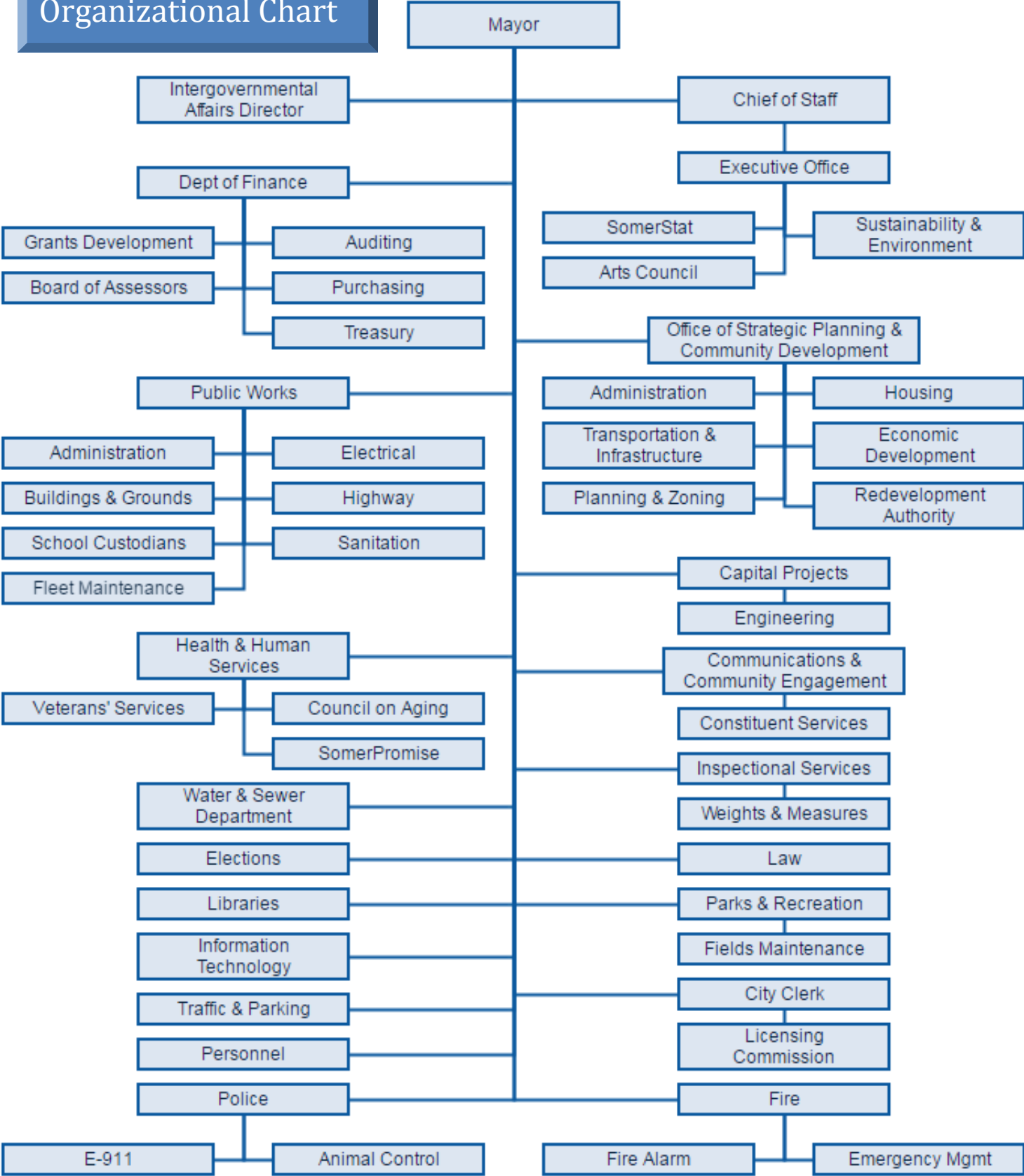
**City of Somerville
Massachusetts**

For the Fiscal Year Beginning

July 1, 2015

Executive Director

Organizational Chart





City Government

Joseph A. Curtatone, Mayor

Edward Bean, Finance Director

Ida Cody, Deputy City Auditor

Michael Mastrobuoni, Budget Manager

Chris Holak, Internal Auditor

Board of Aldermen

William A White Jr, President, At-large

John M Connolly, At-large

Mary Jo Rossetti, At-large

Dennis M Sullivan, At-large

Matthew McLaughlin, Ward 1

Maryann M Heuston, Ward 2

Robert J McWatters, Ward 3

Tony Lafuente, Ward 4

Mark Niedergang, Ward 5

Lance Davis, Ward 6

Katjana Ballantyne, Vice President, Ward 7

Financial Section



A pretty view of Broadway "Winter Hill". Photo taken by Rie Lowenstein

Financial Section

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Independent Auditor's Report

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

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, 2016, (except for the Somerville Contributory Retirement System which is as of and for the year ended December 31, 2015), 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, 2016 (except for the Somerville Contributory Retirement System which is as of December 31, 2015), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the City of Somerville, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Somerville's internal control over financial reporting and compliance.

Powers + Sullivan, LLC

December 20, 2016

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, 2016. We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

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

Overview of the Financial Statements

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

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

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

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

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

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

Fund financial statements - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Somerville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Somerville can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

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

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

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

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

The City established an Other Postemployment Benefits Trust Fund (OPEB) to account for funds set aside to help offset future post-retirement benefits for retirees. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. At year end, the balance in the OPEB trust fund was \$814,000.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City of Somerville's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$61.8 million at the close of 2016, which was a decrease of \$3.2 million from the prior year.

Net position of \$174.0 million reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$26.8 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* has a year-end deficit of \$139.0 million. The primary reason for this deficit balance is the recognition of the Pension and OPEB liabilities.

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

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Somerville, governmental assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$250 thousand and the business-type assets exceeded liabilities and deferred inflows of resources by \$61.5 million at the close of the most recent year.

Governmental Activities

The City of Somerville's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$250 thousand at the close of 2016, which was a decrease of \$7.6 million from the prior year.

	<u>2016</u>	<u>2015</u>
Assets		
Current assets.....	\$ 130,004,820	\$ 128,652,533
Noncurrent assets (excluding capital).....	6,015,394	7,611,702
Capital assets.....	<u>227,538,281</u>	<u>217,501,392</u>
Total assets.....	<u>363,558,495</u>	<u>353,765,627</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions.....	17,851,554	4,589,320
Deferred charges on refunding.....	<u>459,437</u>	<u>608,025</u>
Total deferred outflows.....	<u>18,310,991</u>	<u>5,197,345</u>
Liabilities		
Current liabilities (excluding debt).....	10,119,384	11,281,776
Noncurrent liabilities (excluding debt).....	251,672,579	225,199,873
Current debt.....	33,661,197	39,578,531
Noncurrent debt.....	<u>86,118,168</u>	<u>75,038,274</u>
Total liabilities.....	<u>381,571,328</u>	<u>351,098,454</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions.....	<u>48,336</u>	<u>-</u>
Net Position		
Net investment in capital assets.....	130,183,221	132,766,621
Restricted.....	26,765,034	25,063,900
Unrestricted.....	<u>(156,698,433)</u>	<u>(149,966,003)</u>
Total net position.....	<u>\$ 249,822</u>	<u>\$ 7,864,518</u>

The largest portion of the City of Somerville's net position, \$130.2 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City of Somerville's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

The City has \$90.3 million of unrestricted net position excluding the recorded liabilities for the other postemployment benefits obligation and the net pension liability. Those liabilities (\$114.1 million for OPEB and \$132.9 million net pension liability) are long-term in nature, and will not be funded from the \$90.3 million of unrestricted net position at June 30, 2016. 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, 2016, has a balance of \$814 thousand and is reported within the Fiduciary Funds in the City's financial statements.

Included within the noncurrent assets (excluding capital) is \$6 million in future school construction reimbursement grants.

Long-term liabilities include \$86.1 million in general obligation bonds; \$3.7 million in compensated absence liabilities for unused vacation, special leave, and enhanced longevity benefits payable; \$948 thousand in future year workers' compensation benefits payable; \$132.9 million in future pension benefits; and \$114.1 million in future other postemployment benefits.

Governmental activities net position decreased by \$7.6 million in 2016.

	<u>2016</u>	<u>2015</u>
Program Revenues		
Charges for services.....	\$ 23,373,674	\$ 28,629,999
Operating grants and contributions.....	52,059,008	51,695,061
Capital grants and contributions.....	4,302,653	1,001,436
General Revenues		
Real estate and personal property taxes.....	127,658,573	120,408,453
Tax liens.....	297,772	416,809
Motor vehicle and other excise taxes.....	9,288,744	8,609,432
Penalties and interest on taxes.....	801,173	858,956
Payments in lieu of taxes.....	829,780	304,688
Community preservation taxes.....	1,546,198	1,430,721
Nonrestricted grants and contributions.....	24,429,136	25,642,432
Unrestricted investment income.....	303,517	292,212
Miscellaneous revenues.....	308,206	113,230
Total revenues.....	<u>245,198,434</u>	<u>239,403,429</u>
Expenses		
General government.....	32,270,976	30,201,124
Public safety.....	54,345,466	52,579,803
Education.....	124,740,381	114,802,360
Public works.....	28,957,827	33,520,992
Community development.....	5,177,605	5,730,544
Human services.....	178,570	229,633
Community Preservation.....	347,016	77,672
Culture and recreation.....	4,787,187	4,948,901
Interest.....	2,956,192	2,913,723
Total expenses.....	<u>253,761,220</u>	<u>245,004,752</u>
Excess (Deficiency) before transfers.....	(8,562,786)	(5,601,323)
Transfers.....	<u>948,090</u>	<u>217,176</u>
Change in net position.....	(7,614,696)	(5,384,147)
Net position at beginning of year.....	<u>7,864,518</u>	<u>13,248,665</u>
Net position at end of year.....	<u>\$ 249,822</u>	<u>\$ 7,864,518</u>

The primary reasons for the \$7.6 million decrease relate to the \$12.2 million and \$14.1 million increases in the City's OPEB liability and net pension liability, offset by an increase of \$13.3 million in deferred outflows of resources related to pensions, and the recognition of \$4.3 million of capital grants.

Real estate tax revenue increased \$7.3 million due to new tax base growth and the proposition 2 ½ budgetary increase.

General government expenses increased by \$2.1 million which was primarily the result of increased information technology costs associated with the City’s accounting system, as well as increases in overall operational costs. Education expenses increased by \$9.9 million. This increase is due to an increase in on-behalf payments associated with the Massachusetts Teachers’ Retirement System, as well as an increase in the School’s operating budget. Public works expenses decreased by \$4.6 million. This decrease relates directly to a decrease in snow and ice removal costs that were higher in the prior year.

Business-type Activities

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

	<u>2016</u>	<u>2015</u>
Assets		
Current assets.....	\$ 23,164,206	\$ 22,506,036
Capital assets.....	53,069,746	50,073,450
Total assets.....	<u>76,233,952</u>	<u>72,579,486</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions.....	<u>185,229</u>	<u>42,135</u>
Liabilities		
Current liabilities (excluding debt).....	1,940,807	613,400
Noncurrent liabilities (excluding debt).....	2,457,645	2,083,444
Current debt.....	2,203,383	2,482,095
Noncurrent debt.....	8,290,711	10,356,093
Total liabilities.....	<u>14,892,546</u>	<u>15,535,032</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions.....	<u>501</u>	<u>-</u>
Net Position		
Net investment in capital assets.....	43,810,782	39,855,221
Unrestricted.....	17,715,352	17,231,368
Total net position.....	<u>\$ 61,526,134</u>	<u>\$ 57,086,589</u>

Business-type net position of \$43.8 million represents investments in capital assets net of related debt. The remaining \$17.7 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 \$4.4 million in net position reported in connection with the enterprise funds.

	<u>2016</u>	<u>2015</u>
Program Revenues		
Charges for services.....	\$ 33,413,924	\$ 29,985,754
General Revenues		
Unrestricted investment income.....	142,354	167,166
Total revenues.....	<u>33,556,278</u>	<u>30,152,920</u>
Expenses		
Water.....	10,211,295	9,779,632
Sewer.....	17,099,159	16,312,337
Veteran's Memorial Ice Rink.....	721,990	750,644
Dilboy Stadium.....	136,199	160,855
Total expenses.....	<u>28,168,643</u>	<u>27,003,468</u>
Excess (Deficiency) before transfers.....	5,387,635	3,149,452
Transfers.....	<u>(948,090)</u>	<u>(217,176)</u>
Change in net position.....	4,439,545	2,932,276
Net position at beginning of year.....	<u>57,086,589</u>	<u>54,154,313</u>
Net position at end of year.....	<u>\$ 61,526,134</u>	<u>\$ 57,086,589</u>

The water enterprise fund net position increased \$2.4 million. This is primarily due to an increase in water rates coupled with an increase in consumption which led to an increase in related revenue, the fact that principal payments on debt exceed depreciation on capital assets and the funds ability to maintain a minimal increase in overall operating costs.

The sewer enterprise fund net position increased by \$1.8 million. This is primarily due to an increase in sewer rates, the fact that principal payments on debt exceeded depreciation on capital assets and the funds ability to maintain a minimal increase in overall operating costs.

The Veterans Memorial Ice Rink enterprise fund net position increased by \$74 thousand. This is the result of an increase in revenues, a decrease in interest expense and a subsidy from the general fund.

The Dilboy Stadium enterprise fund net position increased by \$91 thousand. This is primarily the result of an increase in revenues that was able to fully support Stadium 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 \$76.7 million, of which positive balances of \$54.7 million was reported in the general fund, \$13.8 million in the

Strategic Planning and Community Development fund, and \$23.1 million in the nonmajor governmental funds. The capital projects fund reported a deficit of \$14.9 million. Cumulatively, there was an increase of \$8.1 million in fund balance from prior year.

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 \$15.5 million and was comprised of two components: an unreserved fund balance of \$11.4 million and a rainy day stabilization fund of \$4.1 million. Assigned fund balance, which represents amounts, designated for the 2017 budget, and amounts that have been reserved for the use of liquidating prior purchase orders, contracts, and ongoing capital articles, totaled \$5.8 million. Committed fund balance, which represents the City's various use-specific stabilization funds and the health claims trust, totaled \$33.4 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 7.2% of total general fund expenditures, while total fund balance equaled 25.5% of the same amount. Please see Note 9 for further details.

The City's general fund increased \$4.5 million in the current year. The change was primarily due to positive budgetary results and the receipt of a \$361 k bond premium.

The City's Strategic Planning and Community Development fund balance decreased by \$537 thousand. The fund operates on a grant drawdown basis and expenditures are driven based on grant allotments. The decrease is due to the expenditure of grant reimbursements received in the prior year.

The City's capital projects funds increased by \$157 thousand. The increase is due to the net effect of \$18.5 million of capital expenditures on current and prior year's projects offset by the issuance of \$17.8 million in bonds.

General Fund Budgetary Highlights

There was a \$7.3 million increase between the original budget and the final amended budget. The increase was primarily attributable to transfers to various stabilization funds.

Capital Asset and Debt Administration

Capital assets. The City of Somerville's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$227.5 million (net of accumulated depreciation) and its business-type activities amounted to \$53.1 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 \$10.0 million and business-type assets was \$3.0 million.

Major capital asset events during the year included the following:

- Improvements related to the City's Assembly Row complex;
- 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.
- Various public safety machinery & equipment items.

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

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

Long-term debt. At the end of the current year, the City of Somerville had total governmental bonded debt outstanding of \$91.9 million. Additionally, the City reported governmental short-term borrowing of \$26.0 million related to District Improvement Financing, the Union Square Revitalization Plan, the East Somerville Community School remodeling, road reconstruction, various school projects, the purchase of a departmental vehicle, and various office renovations.

During 2016, the City's governmental long-term debt increased \$10.7 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 \$2.1 million, \$6.1 million, and \$2.3 million, respectfully, at year end. Other than the Rink, all enterprise fund debt is fully supported by the rates and does not rely on a general fund subsidy.

Standard & Poor's have assigned a rating of AA+ and Moody's have assigned a rating of Aa2 to the City's bonds.

The Commonwealth of Massachusetts is obligated to provide school construction grants for approved school projects. The grants are paid annually to support future interest expense on school construction related long-term debt and the construction costs funded by that debt. At June 30, 2016, the City is scheduled to receive \$2.3 million of future interest grants and \$8.3 million of capital grants. The payment schedule for the Commonwealth is structured to match the debt service expenditures.

Beginning in 2005, the Commonwealth changed the method for funding the school building assistance program. Under the new program, the assistance is paid to support construction costs and reduce the total debt service of the City. Through the end of 2016, the City has recorded capital grant proceeds totaling \$688 thousand, from the MSBA, related to the Somerville High School project, which is equal to 71.79% of approved construction costs submitted for reimbursement. The City anticipates receiving an additional \$747 thousand of grant proceeds in 2017.

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 2010 – 2014, was \$68,866 compared with \$67,846 for the Commonwealth and \$53,482 for the nation. The per capita income was \$36,229, compared with \$36,441 for the Commonwealth and \$28,555 for the nation.
- The unemployment rate for the City of Somerville as of August 2016, is approximately 2.6%, which is a 0.6% year-over-year decrease from a rate of 3.2% in August 2015. This compares favorably to the state's average seasonally-adjusted unemployment rate of 3.8% and the national average of 4.8%.
- According to the City's Board of Assessors, for 2016, the average single family parcel in the City is valued at \$555,000; the average two-family home is valued at \$620,100; the average 2016 commercial and industrial property is valued at \$1,900,200. 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, 2016

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 96,269,474	\$ 12,282,887	\$ 108,552,361
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,096,313	-	1,096,313
Tax liens.....	1,061,267	-	1,061,267
Motor vehicle excise tax.....	157,895	-	157,895
User fees.....	-	10,881,319	10,881,319
Departmental and other.....	3,187,467	-	3,187,467
Intergovernmental.....	13,674,476	-	13,674,476
Loans.....	14,557,928	-	14,557,928
Total current assets.....	130,004,820	23,164,206	153,169,026
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	6,015,394	-	6,015,394
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	43,059,496	391,769	43,451,265
Depreciable.....	184,478,785	52,677,977	237,156,762
Total noncurrent assets.....	233,553,675	53,069,746	286,623,421
TOTAL ASSETS.....	363,558,495	76,233,952	439,792,447
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	17,851,554	185,229	18,036,783
Deferred charges on refunding.....	459,437	-	459,437
Total deferred outflows of resources.....	18,310,991	185,229	18,496,220
LIABILITIES			
CURRENT:			
Warrants payable.....	4,174,738	603,565	4,778,303
Accrued payroll.....	2,592,691	58,798	2,651,489
Tax refunds payable.....	1,278,000	-	1,278,000
Accrued interest.....	883,312	75,344	958,656
Payroll withholdings.....	664,328	-	664,328
Abandoned property.....	27,736	-	27,736
Compensated absences.....	182,579	3,100	185,679
Workers' compensation.....	316,000	-	316,000
Notes payable.....	26,029,000	1,200,000	27,229,000
Bonds payable.....	7,632,197	2,203,383	9,835,580
Total current liabilities.....	43,780,581	4,144,190	47,924,771
NONCURRENT:			
Compensated absences.....	3,710,121	72,500	3,782,621
Workers' compensation.....	948,000	-	948,000
Other postemployment benefits.....	114,117,612	1,006,197	115,123,809
Net pension liability.....	132,896,846	1,378,948	134,275,794
Bonds payable.....	86,118,168	8,290,711	94,408,879
Total noncurrent liabilities.....	337,790,747	10,748,356	348,539,103
TOTAL LIABILITIES.....	381,571,328	14,892,546	396,463,874
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	48,336	501	48,837
NET POSITION			
Net investment in capital assets.....	130,183,221	43,810,782	173,994,003
Restricted for:			
Streets.....	3,450,023	-	3,450,023
Community Development.....	4,989,292	-	4,989,292
Loans.....	14,557,928	-	14,557,928
Permanent funds:			
Expendable.....	157,315	-	157,315
Nonexpendable.....	433,126	-	433,126
Other specific purposes.....	3,177,350	-	3,177,350
Unrestricted.....	(156,698,433)	17,715,352	(138,983,081)
TOTAL NET POSITION.....	\$ 249,822	\$ 61,526,134	\$ 61,775,956

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 32,270,976	\$ 9,341,536	\$ 2,318,143	\$ -	\$ (20,611,297)
Public safety.....	54,345,466	9,726,266	734,344	-	(43,884,856)
Education.....	124,740,381	3,025,441	41,967,740	2,212,282	(77,534,918)
Public works.....	28,957,827	569,087	932,462	840,234	(26,616,044)
Community development.....	5,177,605	-	5,244,967	-	67,362
Human services.....	178,570	322,394	193,601	-	337,425
Community Preservation.....	347,016	-	4,756	1,250,137	907,877
Culture and recreation.....	4,787,187	388,950	111,012	-	(4,287,225)
Interest.....	2,956,192	-	551,983	-	(2,404,209)
Total Governmental Activities.....	253,761,220	23,373,674	52,059,008	4,302,653	(174,025,885)
<i>Business-Type Activities:</i>					
Water	10,211,295	13,249,816	-	-	3,038,521
Sewer.....	17,099,159	19,298,052	-	-	2,198,893
Veteran's Memorial Ice Rink.....	721,990	638,822	-	-	(83,168)
Dilboy Stadium.....	136,199	227,234	-	-	91,035
Total Business-Type Activities.....	28,168,643	33,413,924	-	-	5,245,281
Total Primary Government.....	\$ 281,929,863	\$ 56,787,598	\$ 52,059,008	\$ 4,302,653	\$ (168,780,604)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (174,025,885)	\$ 5,245,281	\$ (168,780,604)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	127,658,573	-	127,658,573
Tax and utility liens.....	297,772	-	297,772
Motor vehicle and other excise taxes.....	9,288,744	-	9,288,744
Penalties and interest on taxes.....	801,173	-	801,173
Payments in lieu of taxes.....	829,780	-	829,780
Community preservation taxes.....	1,546,198	-	1,546,198
Grants and contributions not restricted to specific programs.....	24,429,136	-	24,429,136
Unrestricted investment income.....	303,517	142,354	445,871
Miscellaneous.....	308,206	-	308,206
<i>Transfers, net</i>	948,090	(948,090)	-
Total general revenues and transfers.....	166,411,189	(805,736)	165,605,453
Change in net position.....	(7,614,696)	4,439,545	(3,175,151)
<i>Net Position</i>			
Beginning of year.....	7,864,518	57,086,589	64,951,107
End of year.....	\$ 249,822	\$ 61,526,134	\$ 61,775,956

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2016

	General	Strategic Planning & Community Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 61,665,038	\$ 1,616,994	\$ 11,338,746	\$ 21,648,696	\$ 96,269,474
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	1,096,313	-	-	-	1,096,313
Tax liens.....	1,061,267	-	-	-	1,061,267
Motor vehicle excise taxes.....	157,895	-	-	-	157,895
Departmental and other.....	3,168,590	-	-	18,877	3,187,467
Intergovernmental.....	10,829,874	4,989,292	-	3,870,704	19,689,870
Loans.....	-	12,923,548	-	1,634,380	14,557,928
TOTAL ASSETS.....	<u>\$ 77,978,977</u>	<u>\$ 19,529,834</u>	<u>\$ 11,338,746</u>	<u>\$ 27,172,657</u>	<u>\$ 136,020,214</u>
LIABILITIES					
Warrants payable.....	\$ 3,255,334	\$ 702,183	\$ 203,752	\$ 13,469	\$ 4,174,738
Accrued payroll.....	2,360,827	24,305	1,665	205,894	2,592,691
Tax refunds payable.....	1,278,000	-	-	-	1,278,000
Payroll withholdings.....	664,328	-	-	-	664,328
Abandoned property.....	27,736	-	-	-	27,736
Notes payable.....	-	-	26,029,000	-	26,029,000
TOTAL LIABILITIES.....	<u>7,586,225</u>	<u>726,488</u>	<u>26,234,417</u>	<u>219,363</u>	<u>34,766,493</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue.....	15,707,863	4,989,292	-	3,889,581	24,586,736
FUND BALANCES					
Nonspendable.....	-	-	-	433,126	433,126
Restricted.....	-	13,814,054	-	22,630,587	36,444,641
Committed.....	33,354,136	-	-	-	33,354,136
Assigned.....	5,823,265	-	-	-	5,823,265
Unassigned.....	15,507,488	-	(14,895,671)	-	611,817
TOTAL FUND BALANCES.....	<u>54,684,889</u>	<u>13,814,054</u>	<u>(14,895,671)</u>	<u>23,063,713</u>	<u>76,666,985</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	<u>\$ 77,978,977</u>	<u>\$ 19,529,834</u>	<u>\$ 11,338,746</u>	<u>\$ 27,172,657</u>	<u>\$ 136,020,214</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

Total governmental fund balances.....		\$ 76,666,985
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		227,538,281
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		24,586,736
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		17,803,218
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(883,312)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(93,750,365)	
Workers compensation.....	(1,264,000)	
Compensated absences.....	(3,892,700)	
Other postemployment benefits.....	(114,117,612)	
Net pension liability.....	<u>(132,896,846)</u>	
Net effect of reporting long-term liabilities.....		(345,921,523)
In the statement of activities, deferred charges on refunding are reported as a deferred outflow of resources and are amortized over the shorter of the remaining life of the refunding bonds or refunded bonds. In governmental funds, these changes are expensed when the refunding bonds are issued.....		<u>459,437</u>
Net position of governmental activities.....		<u>\$ 249,822</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	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.....	\$ 127,359,478	\$ -	\$ -	\$ -	\$ 127,359,478
Tax liens.....	606,130	-	-	-	606,130
Motor vehicle and other excise taxes.....	9,345,084	-	-	-	9,345,084
Payments in lieu of taxes.....	829,780	-	-	-	829,780
Intergovernmental.....	59,068,965	4,634,138	541,662	13,192,155	77,436,920
Departmental and other.....	18,716,425	-	30,000	8,049,350	26,795,775
Community preservation taxes.....	-	-	-	2,375,654	2,375,654
Contributions.....	511,270	-	-	246,604	757,874
Investment income.....	281,335	6,191	-	20,763	308,289
Miscellaneous.....	205,935	-	-	-	205,935
TOTAL REVENUES.....	216,924,402	4,640,329	571,662	23,884,526	246,020,919
EXPENDITURES:					
Current:					
General government.....	18,833,514	-	11,867,418	2,737,502	33,438,434
Public safety.....	37,913,217	-	1,036,184	746,916	39,696,317
Education.....	62,250,736	-	899,520	13,920,603	77,070,859
Public works.....	22,909,878	-	3,040,789	452,797	26,403,464
Community development.....	-	5,177,605	-	-	5,177,605
Human services.....	-	-	-	178,570	178,570
Culture and recreation.....	2,848,667	-	1,645,075	339,305	4,833,047
Pension benefits.....	23,927,384	-	-	-	23,927,384
Employee benefits.....	23,240,346	-	-	-	23,240,346
Claims and judgments.....	99,590	-	-	-	99,590
Community preservation.....	-	-	-	771,733	771,733
State and county charges.....	12,740,178	-	-	-	12,740,178
Debt service:					
Principal.....	7,110,623	-	-	-	7,110,623
Interest.....	2,866,743	-	-	-	2,866,743
TOTAL EXPENDITURES.....	214,740,876	5,177,605	18,488,986	19,147,426	257,554,893
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	2,183,526	(537,276)	(17,917,324)	4,737,100	(11,533,974)
OTHER FINANCING SOURCES (USES):					
Issuance of debt.....	-	-	17,771,000	-	17,771,000
Premium from issuance of bonds.....	360,744	-	-	569,647	930,391
Transfers in.....	2,894,503	-	303,449	555,640	3,753,592
Transfers out.....	(971,585)	-	-	(1,833,917)	(2,805,502)
TOTAL OTHER FINANCING SOURCES (USES).....	2,283,662	-	18,074,449	(708,630)	19,649,481
NET CHANGE IN FUND BALANCES.....	4,467,188	(537,276)	157,125	4,028,470	8,115,507
FUND BALANCES AT BEGINNING OF YEAR.....	50,217,701	14,351,330	(15,052,796)	19,035,243	68,551,478
FUND BALANCES AT END OF YEAR.....	\$ 54,684,889	\$ 13,814,054	\$ (14,895,671)	\$ 23,063,713	\$ 76,666,985

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, 2016

Net change in fund balances - total governmental funds.....		\$ 8,115,507
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	18,695,120	
Depreciation expense.....	<u>(8,658,231)</u>	
Net effect of reporting capital assets.....		10,036,889
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(822,485)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of debt.....	(17,771,000)	
Debt service principal payments.....	7,110,623	
Amortization of bond premiums.....	(776,632)	
Amortization of deferred charge on refunding.....	<u>(148,588)</u>	
Net effect of reporting long-term debt.....		(11,585,597)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(164,100)	
Net change in accrued interest on long-term debt.....	(94,620)	
Net change in workers' compensation accrual.....	(9,000)	
Net change in postemployment benefits liability.....	(12,236,355)	
Net change in deferred (inflow) of resources related to pensions.....	(48,336)	
Net change in deferred outflow of resources related to pensions.....	13,262,234	
Net change in net pension liability.....	<u>(14,068,833)</u>	
Net effect of recording long-term liabilities.....		<u>(13,359,010)</u>
Change in net position of governmental activities.....		\$ <u><u>(7,614,696)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Veterans Memorial Ice Rink	Dilboy Stadium	Total
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 4,714,911	\$ 7,325,926	\$ 96,357	\$ 145,693	\$ 12,282,887
Receivables, net of allowance for uncollectibles:					
User fees.....	4,227,587	6,653,732	-	-	10,881,319
Total current assets.....	8,942,498	13,979,658	96,357	145,693	23,164,206
NONCURRENT:					
Capital assets, non depreciable.....	116,945	274,824	-	-	391,769
Capital assets, net of accumulated depreciation.....	30,698,200	18,844,487	3,135,290	-	52,677,977
Total noncurrent assets.....	30,815,145	19,119,311	3,135,290	-	53,069,746
TOTAL ASSETS.....	39,757,643	33,098,969	3,231,647	145,693	76,233,952
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions.....	136,664	48,565	-	-	185,229
LIABILITIES					
CURRENT:					
Warrants payable.....	178,692	419,197	4,077	1,599	603,565
Accrued payroll.....	36,869	11,885	5,806	4,238	58,798
Accrued interest.....	32,618	19,551	23,175	-	75,344
Compensated absences.....	2,000	1,100	-	-	3,100
Notes payable.....	500,000	700,000	-	-	1,200,000
Bonds payable.....	1,388,045	630,338	185,000	-	2,203,383
Total current liabilities.....	2,138,224	1,782,071	218,058	5,837	4,144,190
NONCURRENT:					
Compensated absences.....	49,100	23,400	-	-	72,500
Other postemployment benefits.....	822,507	183,690	-	-	1,006,197
Net pension liability.....	1,017,401	361,547	-	-	1,378,948
Bonds payable.....	4,705,606	1,480,105	2,105,000	-	8,290,711
Total noncurrent liabilities.....	6,594,614	2,048,742	2,105,000	-	10,748,356
TOTAL LIABILITIES.....	8,732,838	3,830,813	2,323,058	5,837	14,892,546
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions.....	370	131	-	-	501
NET POSITION					
Net investment in capital assets.....	25,030,183	17,935,309	845,290	-	43,810,782
Unrestricted.....	6,130,916	11,381,281	63,299	139,856	17,715,352
TOTAL NET POSITION.....	\$ 31,161,099	\$ 29,316,590	\$ 908,589	\$ 139,856	\$ 61,526,134

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Veterans Memorial Ice Rink	Dilboy Stadium	Total
OPERATING REVENUES:					
Charges for services	\$ 13,249,816	\$ 19,298,052	\$ 638,822	\$ 227,234	\$ 33,413,924
OPERATING EXPENSES:					
Cost of services and administration	8,897,314	16,611,756	542,042	136,199	26,187,311
Depreciation.....	1,191,972	430,641	85,898	-	1,708,511
TOTAL OPERATING EXPENSES	10,089,286	17,042,397	627,940	136,199	27,895,822
OPERATING INCOME (LOSS).....	3,160,530	2,255,655	10,882	91,035	5,518,102
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	9,503	132,663	94	94	142,354
Interest expense.....	(122,009)	(56,762)	(94,050)	-	(272,821)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(112,506)	75,901	(93,956)	94	(130,467)
INCOME (LOSS) BEFORE TRANSFERS.....	3,048,024	2,331,556	(83,074)	91,129	5,387,635
TRANSFERS:					
Transfers in.....	-	-	157,292	-	157,292
Transfers out.....	(607,059)	(498,323)	-	-	(1,105,382)
TOTAL OPERATING TRANSFERS.....	(607,059)	(498,323)	157,292	-	(948,090)
CHANGE IN NET POSITION.....	2,440,965	1,833,233	74,218	91,129	4,439,545
NET POSITION AT BEGINNING OF YEAR.....	28,720,134	27,483,357	834,371	48,727	57,086,589
NET POSITION AT END OF YEAR.....	\$ 31,161,099	\$ 29,316,590	\$ 908,589	\$ 139,856	\$ 61,526,134

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Veterans Memorial Ice Rink	Dilboy Stadium	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 12,765,494	\$ 18,562,845	\$ 638,822	\$ 227,234	\$ 32,194,395
Payments to vendors.....	(8,022,046)	(16,275,660)	(348,507)	(57,366)	(24,703,579)
Payments to employees.....	(888,727)	(356,444)	(186,265)	(75,960)	(1,507,396)
NET CASH FROM OPERATING ACTIVITIES.....	3,854,721	1,930,741	104,050	93,908	5,983,420
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in.....	-	-	157,292	-	157,292
Transfers out.....	(607,059)	(498,323)	-	-	(1,105,382)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(607,059)	(498,323)	157,292	-	(948,090)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Issuance of debt.....	638,000	700,000	-	-	1,338,000
Acquisition and construction of capital assets.....	(2,320,329)	(1,992,709)	-	-	(4,313,038)
Principal payments on bonds and notes.....	(1,563,197)	(738,897)	(180,000)	-	(2,482,094)
Interest expense.....	(127,220)	(59,291)	(95,400)	-	(281,911)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(3,372,746)	(2,090,897)	(275,400)	-	(5,739,043)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income.....	9,503	132,663	94	94	142,354
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(115,581)	(525,816)	(13,964)	94,002	(561,359)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	4,830,492	7,851,742	110,321	51,691	12,844,246
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 4,714,911	\$ 7,325,926	\$ 96,357	\$ 145,693	\$ 12,282,887
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH					
FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ 3,160,530	\$ 2,255,655	\$ 10,882	\$ 91,035	\$ 5,518,102
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	1,191,972	430,641	85,898	-	1,708,511
Deferred outflows (inflows) related to pensions:.....	(103,227)	(39,366)	-	-	(142,593)
Changes in assets and liabilities:					
User fees.....	(484,322)	(735,207)	-	-	(1,219,529)
Warrants payable.....	(150,103)	(134,712)	4,077	1,599	(279,139)
Accrued payroll.....	13,473	5,327	3,193	1,274	23,267
Accrued compensated absences.....	(5,000)	7,500	-	-	2,500
Other postemployment benefits.....	70,176	14,145	-	-	84,321
Net pension liability.....	161,222	126,758	-	-	287,980
Total adjustments.....	694,191	(324,914)	93,168	2,873	465,318
NET CASH FROM OPERATING ACTIVITIES.....	\$ 3,854,721	\$ 1,930,741	\$ 104,050	\$ 93,908	\$ 5,983,420

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Pension Trust Funds (1)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 6,991,836	\$ 813,768	\$ 89,833	\$ 1,052,254
Investments:				
Bond mutual funds.....	62,292,042	-	-	-
Real estate and alternative investment mutual funds.....	20,889,595	-	-	-
Equity mutual funds.....	19,262,186	-	-	-
Equity securities.....	129,980,439	-	-	-
Interest and dividends.....	2,706	-	-	-
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	204,019	-	-	-
TOTAL ASSETS.....	239,622,823	813,768	89,833	1,052,254
LIABILITIES				
Warrants payable.....	128,689	-	-	-
Accrued liabilities.....	-	-	-	116,723
Liabilities due depositors.....	-	-	-	935,531
TOTAL LIABILITIES.....	128,689	-	-	1,052,254
NET POSITION				
Restricted for pensions.....	239,494,134	-	-	-
Held in trust for OPEB benefits.....	-	813,768	-	-
Held in trust for other purposes.....	-	-	89,833	-
TOTAL NET POSITION.....	\$ 239,494,134	\$ 813,768	\$ 89,833	\$ -

(1) As of December 31, 2015

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2016

	Pension Trust Funds (1)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Employer.....	\$ 14,199,527	\$ -	\$ -
Employee.....	6,599,964	-	-
Private donations.....	-	-	8,987
Total contributions.....	<u>20,799,491</u>	<u>-</u>	<u>8,987</u>
Net investment income (loss):			
Net change in fair value of investments.....	(4,586,654)	-	-
Interest.....	6,667,580	7,445	206
Total investment income (loss).....	2,080,926	7,445	206
Less: investment expense.....	<u>(1,216,671)</u>	<u>-</u>	<u>-</u>
Net investment income (loss).....	<u>864,255</u>	<u>7,445</u>	<u>206</u>
Intergovernmental.....	199,708	-	-
Transfers from other systems.....	1,319,118	-	-
TOTAL ADDITIONS.....	<u>23,182,572</u>	<u>7,445</u>	<u>9,193</u>
DEDUCTIONS:			
Administration.....	362,607	-	-
Transfers to other systems.....	1,491,582	-	-
Retirement benefits and refunds.....	24,882,116	-	-
TOTAL DEDUCTIONS.....	<u>26,736,305</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION.....	(3,553,733)	7,445	9,193
NET POSITION AT BEGINNING OF YEAR.....	<u>243,047,867</u>	<u>806,323</u>	<u>80,640</u>
NET POSITION AT END OF YEAR.....	<u>\$ 239,494,134</u>	<u>\$ 813,768</u>	<u>\$ 89,833</u>

(1) For the year ended December 31, 2015

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

Availability of Financial Information for Component Units

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

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

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

Fund Financial Statements

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

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

Major Fund Criteria

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

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

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

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

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

The following major proprietary funds are reported:

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

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

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

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

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

The following fiduciary fund types are reported:

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

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

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

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

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

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

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

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

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

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 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 are recorded at the estimated fair market value at the date of donation. Construction period interest is capitalized on constructed capital assets except for the capital assets of the governmental activities column in the government-wide financial statements.

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

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

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

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

Governmental Fund Financial Statements

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

J. Unavailable Revenue

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

K. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

M. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

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

Net position has been “restricted for” the following:

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

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

“Loans” represents community development outstanding loans receivable balances.

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

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

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

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

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

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

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The 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, 2016, the Capital Projects Fund reports a fund deficit of \$14.9 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, 2016, \$813,768 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 \$105,272,525 and the bank balance totaled \$107,997,509. Of the bank balance, \$2,075,351 was covered by Federal Depository Insurance, \$7,454,928 was covered by the Depositors Insurance Fund, \$7,786,802 was covered by Share Insurance fund, \$90,036,359 was collateralized, and \$644,069 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2015, carrying amount of deposits for the System totaled \$6,117,782 and the bank balance totaled \$6,199,260. The entire bank balance of the System was covered by Federal Depository Insurance and is collateralized.

Investments

As of June 30, 2016, the City of Somerville had the following investments:

<u>Other Investments</u>	
MMDT.....	\$ <u>5,235,691</u>

As of December 31, 2015, the System had the following investments:

Investment Type	Fair Value	Maturity				Rating
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years	
<u>Debt Securities</u>						
(1) Loomis Sayles Fixed Income Fund	\$ 62,292,042	\$ 12,707,577	\$ 23,857,852	\$ 14,202,586	\$ 11,524,027	Aaa / NR
<u>Other Investments</u>						
Equity Mutual Funds (Domestic).....	7,147,305					
Equity Mutual Funds (International).....	12,114,881					
Equities.....	129,980,439					
Real Estate and Alternative Mutual Funds.....	20,889,595					
Money Market Mutual Funds.....	874,054					
Total Investments.....	\$ 233,298,316					

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

Custodial Credit Risk – Investments

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

Of the System’s \$129,980,439 in equity securities, the System has custodial credit risk exposure of \$129,980,439 because the related securities are uninsured, unregistered and held by the counterparty. The System has not adopted a formal investment policy to manage custodial credit risk.

Interest Rate Risk

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

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

Credit Risk

The City has not adopted a formal policy related to credit risk. The City does not have any debt securities as of June 30, 2016. The City’s investment in MMDT is unrated.

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

Concentration of Credit Risk

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

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

Fair Market Value of Investments

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

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

The City has the following recurring fair value measurements as of June 30, 2016:

MMDT investments of \$5.2 million are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

Retirement System

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

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following recurring fair value measurements as of December 31, 2015:

Investment Type	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level			
<u>Debt securities</u>			
Fixed Income Mutual Funds.....	\$ 62,292,042	\$ 62,292,042	\$ -
<u>Other investments</u>			
Equity securities.....	129,980,439	129,980,439	-
Real Estate investment trusts.....	20,889,595	-	20,889,595
Money market mutual funds.....	874,054	874,054	-
Equity mutual funds.....	19,262,186	19,262,186	-
Total other investments.....	171,006,274	150,116,679	20,889,595
Total investments by fair value level.....	\$ 233,298,316	\$ 212,408,721	\$ 20,889,595

Debt 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, 2016, receivables for the individual major governmental funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,243,176	\$ (146,863)	\$ 1,096,313
Tax liens.....	1,061,267	-	1,061,267
Motor vehicle excise taxes.....	1,544,877	(1,386,982)	157,895
Departmental and other.....	13,372,215	(10,184,748)	3,187,467
Intergovernmental.....	19,689,870	-	19,689,870
Loans.....	14,557,928	-	14,557,928
Total.....	<u>\$ 51,469,333</u>	<u>\$ (11,718,593)</u>	<u>\$ 39,750,740</u>

At June 30, 2016, receivables for the enterprise funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Sewer.....	\$ 6,653,732	\$ -	\$ 6,653,732
Water.....	4,227,587	-	4,227,587
Total.....	<u>\$ 10,881,319</u>	<u>\$ -</u>	<u>\$ 10,881,319</u>

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

	General Fund	Community Development	Non-Major Governmental Funds	Total
<u>Receivable type:</u>				
Real estate and personal property taxes.....	\$ 490,237	\$ -	\$ -	\$ 490,237
Tax liens.....	1,061,267	-	-	1,061,267
Motor vehicle excise.....	157,895	-	-	157,895
Departmental and other.....	3,168,590	-	18,877	3,187,467
Intergovernmental.....	10,829,874	4,989,292	3,870,704	19,689,870
Total.....	<u>\$ 15,707,863</u>	<u>\$ 4,989,292</u>	<u>\$ 3,889,581</u>	<u>\$ 24,586,736</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 36,757,399	\$ 325,000	\$ -	\$ 37,082,399
Construction in progress.....	4,874,432	2,275,387	(1,172,722)	5,977,097
Total capital assets not being depreciated.....	<u>41,631,831</u>	<u>2,600,387</u>	<u>(1,172,722)</u>	<u>43,059,496</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	30,698,090	10,440,696	-	41,138,786
Books and periodicals.....	2,626,489	-	-	2,626,489
Buildings and improvements.....	204,974,991	1,436,326	-	206,411,317
Machinery and equipment.....	9,671,332	603,998	-	10,275,330
Vehicles.....	13,992,096	2,397,598	(1,005,834)	15,383,860
Infrastructure.....	44,496,246	2,388,837	-	46,885,083
Total capital assets being depreciated.....	<u>306,459,244</u>	<u>17,267,455</u>	<u>(1,005,834)</u>	<u>322,720,865</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(12,986,412)	(1,466,216)	-	(14,452,628)
Books and periodicals.....	(2,465,336)	(54,536)	-	(2,519,872)
Buildings and improvements.....	(71,351,979)	(5,006,101)	-	(76,358,080)
Machinery and equipment.....	(7,358,091)	(518,474)	-	(7,876,565)
Vehicles.....	(9,398,564)	(799,353)	1,005,834	(9,192,083)
Infrastructure.....	(27,029,301)	(813,551)	-	(27,842,852)
Total accumulated depreciation.....	<u>(130,589,683)</u>	<u>(8,658,231)</u>	<u>1,005,834</u>	<u>(138,242,080)</u>
Total capital assets being depreciated, net.....	<u>175,869,561</u>	<u>8,609,224</u>	<u>-</u>	<u>184,478,785</u>
Total governmental activities capital assets, net.....	<u>\$ 217,501,392</u>	<u>\$ 11,209,611</u>	<u>\$ (1,172,722)</u>	<u>\$ 227,538,281</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities: Water				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 211,851	\$ 116,945	\$ (211,851)	\$ 116,945
<u>Capital assets being depreciated:</u>				
Buildings.....	16,087	-	-	16,087
Machinery and equipment.....	5,267,964	-	-	5,267,964
Vehicles.....	462,918	-	-	462,918
Infrastructure.....	34,325,068	2,532,180	-	36,857,248
Total capital assets being depreciated.....	40,072,037	2,532,180	-	42,604,217
<u>Less accumulated depreciation for:</u>				
Buildings.....	(8,444)	(804)	-	(9,248)
Machinery and equipment.....	(2,031,010)	(361,282)	-	(2,392,292)
Vehicles.....	(373,268)	(37,700)	-	(410,968)
Infrastructure.....	(8,301,323)	(792,186)	-	(9,093,509)
Total accumulated depreciation.....	(10,714,045)	(1,191,972)	-	(11,906,017)
Total water capital assets being depreciated, net.....	29,357,992	1,340,208	-	30,698,200
Total water activities capital assets, net.....	\$ 29,569,843	\$ 1,457,153	\$ (211,851)	\$ 30,815,145
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities: Sewer				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 279,085	\$ 274,824	\$ (279,085)	\$ 274,824
<u>Capital assets being depreciated:</u>				
Vehicles.....	434,092	-	-	434,092
Infrastructure.....	30,095,866	2,271,794	-	32,367,660
Total capital assets being depreciated.....	30,529,958	2,271,794	-	32,801,752
<u>Less accumulated depreciation for:</u>				
Vehicles.....	(185,991)	(37,574)	-	(223,565)
Infrastructure.....	(13,340,633)	(393,067)	-	(13,733,700)
Total accumulated depreciation.....	(13,526,624)	(430,641)	-	(13,957,265)
Total sewer capital assets being depreciated, net.....	17,003,334	1,841,153	-	18,844,487
Total sewer activities capital assets, net.....	\$ 17,282,419	\$ 2,115,977	\$ (279,085)	\$ 19,119,311

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities: Rink				
<u>Capital assets being depreciated:</u>				
Buildings Improvements.....	\$ 3,435,934	\$ -	\$ -	\$ 3,435,934
<u>Less accumulated depreciation for:</u>				
Buildings Improvements.....	(214,746)	(85,898)	-	(300,644)
Total rink activities capital assets, net.....	<u>\$ 3,221,188</u>	<u>\$ (85,898)</u>	<u>\$ -</u>	<u>\$ 3,135,290</u>

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

Governmental Activities:

General government.....	\$ 632,158
Public safety.....	560,465
Education.....	4,732,354
Public works.....	1,513,471
Culture and recreation.....	<u>1,219,783</u>

Total depreciation expense - governmental activities..... \$ 8,658,231

Business-Type Activities:

Water.....	\$ 1,191,972
Sewer.....	430,641
Rink.....	<u>85,898</u>

Total depreciation expense - business-type activities..... \$ 1,708,511

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers for the year ended June 30, 2016, are summarized as follows:

Operating Transfers Out:	Transfers In:				Total	
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Veteran's Memorial Ice Rink		
General Fund.....	\$ -	\$ 303,449	\$ 510,844	\$ 157,292	\$ 971,585	(1)
Nonmajor Governmental Funds...	1,789,121	-	44,796	-	1,833,917	(2)
Sewer Enterprise Fund.....	498,323	-	-	-	498,323	(3)
Water Enterprise Fund.....	<u>607,059</u>	-	-	-	<u>607,059</u>	(3)
Total.....	<u>\$ 2,894,503</u>	<u>\$ 303,449</u>	<u>\$ 555,640</u>	<u>\$ 157,292</u>	<u>\$ 3,910,884</u>	
	From R-50 2,894,503	303,449	555,640	157,292	3,910,884	

- (1) Represents budgeted transfers out of the general fund to the capital projects fund to paydown a BAN, a subsidy transfer to the Veteran's Memorial Ice Rink and Dilboy Stadium enterprise funds, and funding for Community Preservation Fund projects.
- (2) Represents a transfer from the parking receipts reserve fund and the bond issuance expense fund to the general fund, along with various other non-major projects.
- (3) Represents the transfer of indirect costs to the general fund.

NOTE 6 – OPERATING LEASES

Operating Leases

The City leases three police sub-stations under several non-cancelable operating leases. The total cost of these leases for the year ended June 30, 2016, was approximately \$36,000 and is reported as public safety expenditures in the basic financial statements. The Police sub-station leases were renewed through February of 2017.

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, 2016, is as follows:

Governmental Activities

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2015	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2016
BAN	Municipal Purpose.....	0.80	10/16/15	\$ 8,906,449	\$ -	\$ 8,906,449	\$ -
BAN	Municipal Purpose.....	1.50	06/10/16	32,000,000	-	32,000,000	-
BAN	Municipal Purpose.....	1.25	10/14/16	-	18,168,551	-	18,168,551 (1)
BAN	Municipal Purpose.....	2.00	06/09/17	-	25,631,449	-	25,631,449
Total Short-Term Debt.....				<u>\$ 40,906,449</u>	<u>\$ 43,800,000</u>	<u>\$ 40,906,449</u>	\$ 43,800,000
General obligation bonds issued 10/5/16 (see note 8).....							<u>(17,771,000)</u>
Total.....							<u>\$ 26,029,000</u>

(1) Subsequent to year end \$17,771,000 of BAN's were redeemed by the issuance of general obligation bonds. The remaining balance of \$397,551 was paid down with available funds. Please see Note 8 for further information.

Enterprise Activities

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2015	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2016
BAN	Water Repairs.....	2.00	06/09/17	\$ -	\$ 500,000	\$ -	\$ 500,000
BAN	Sewer Repairs.....	2.00	06/09/17	-	500,000	-	500,000
BAN	Nunziato Field Stormwater Project.....	2.00	06/09/17	-	200,000	-	200,000
Total.....				\$ -	\$ 1,200,000	\$ -	\$ 1,200,000

NOTE 8 - LONG-TERM DEBT

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

ON October 5, 2016, the City issued \$17,771,000 of general obligation debt that relates to BAN's outstanding as of June 30, 2016. Accordingly, the current year financial statements have recognized bond proceeds in the amount of \$17,771,000 in the City's capital projects fund.

Details related to the general obligation bonds outstanding at June 30, 2016, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Original Borrowing	Maturities Through	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Municipal Purpose - August 16, 2006 (Refunding)...	\$ 11,230,000	2018	3.5% - 5.0%	\$ 6,400,000	\$ -	\$ 2,550,000	\$ 3,850,000
Municipal Purpose - August 15, 2006.....	3,795,000	2027	4.0% - 4.1%	3,075,000	-	345,000	2,730,000
MSBA - February 12, 2008.....	7,282,102	2033	7.1% - 8.0%	6,553,892	-	364,105	6,189,787
Municipal Purpose - February 1, 2009.....	3,030,000	2028	3.6% - 4.0%	2,350,000	-	335,000	2,015,000
Municipal Purpose - February 15, 2010.....	2,272,000	2028	2.0% - 5.0%	1,950,000	-	161,000	1,789,000
Municipal Purpose - April 1, 2010 (Refunding).....	13,407,000	2022	2.0% - 5.0%	10,531,500	-	1,480,000	9,051,500
Municipal Purpose - June 15, 2010.....	6,705,000	2029	2.0% - 5.0%	5,890,000	-	440,000	5,450,000
Municipal Purpose - February 23, 2011.....	5,020,000	2025	2.0% - 5.0%	3,635,000	-	315,000	3,320,000
Municipal Purpose - May 17, 2013.....	15,750,000	2042	2.0% - 5.0%	15,400,000	-	355,000	15,045,000
Municipal Purpose - October 9, 2013.....	13,940,000	2033	2.0% - 5.0%	10,775,000	-	550,000	10,225,000
MSBA - September 25, 2013.....	6,250,000	2043	2.00%	6,034,482	-	215,518	5,818,964
Municipal Purpose - October 15, 2015.....	8,603,000	2038	2.125% - 5.0%	8,603,000	-	-	8,603,000
Municipal Purpose - October 5, 2016.....	17,771,000	2039	2.0 - 4.0%	-	17,771,000	-	17,771,000
Total bonds payable.....				81,197,874	17,771,000	7,110,623	91,858,251
Add: unamortized premium.....				1,115,482	930,391	153,759	1,892,114
Total.....				\$ 82,313,356	\$ 18,701,391	\$ 7,264,382	\$ 93,750,365

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

Governmental Funds

Year	Principal	Interest	Total
2017.....	\$ 7,455,123	\$ 3,037,410	\$ 10,492,533
2018.....	6,531,623	2,905,536	9,437,159
2019.....	5,425,623	2,662,706	8,088,329
2020.....	5,305,623	2,448,797	7,754,420
2021.....	5,685,622	2,248,909	7,934,531
2022.....	5,846,622	2,020,867	7,867,489
2023.....	4,281,622	1,778,127	6,059,749
2024.....	4,084,622	1,615,162	5,699,784
2025.....	3,934,622	1,456,726	5,391,348
2026.....	3,684,622	1,305,872	4,990,494
2027.....	3,759,622	1,175,811	4,935,433
2028.....	3,644,622	1,055,821	4,700,443
2029.....	2,984,622	944,412	3,929,034
2030.....	2,874,622	865,782	3,740,404
2031.....	2,784,622	788,163	3,572,785
2032.....	2,839,622	704,362	3,543,984
2033.....	2,929,624	614,586	3,544,210
2034.....	2,650,517	523,201	3,173,718
2035.....	1,955,517	450,975	2,406,492
2036.....	1,930,517	392,971	2,323,488
2037.....	1,985,517	332,528	2,318,045
2038.....	2,045,517	269,968	2,315,485
2039.....	1,680,517	212,352	1,892,869
2040.....	1,730,517	159,916	1,890,433
2041.....	1,780,517	105,756	1,886,273
2042.....	1,830,517	50,045	1,880,562
2043.....	215,518	4,310	219,828
Total.....	\$ <u>91,858,251</u>	\$ <u>30,131,065</u>	\$ <u>121,989,316</u>

Bonds Payable Schedule – Enterprise Funds

Project	Original Borrowing	Maturities Through	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
MWRA Notes.....	\$ 7,584,424	2018	0.0%	\$ 568,831	\$ -	\$ 284,418	\$ 284,413
Municipal Purpose - March 15, 2004.....	1,285,440	2016	4.0%	112,445	-	112,445	-
Municipal Purpose August 15, 2006.....	1,500,000	2017	4.0%	300,000	-	150,000	150,000
Municipal Purpose - December 15, 2009.....	4,400,000	2019	2.0%	1,950,000	-	490,000	1,460,000
Municipal Purpose - February 15, 2010.....	1,910,000	2030	2.0% - 5.0%	1,350,000	-	109,000	1,241,000
Municipal Purpose - April 1, 2010 (Refunding).....	262,000	2022	2.0% - 5.0%	178,500	-	27,000	151,500
Municipal Purpose - February 23, 2013.....	424,000	2020	2.0% - 5.0%	255,000	-	45,000	210,000
MWRA Notes.....	1,336,000	2022	0.0%	935,200	-	133,600	801,600
MWRA Notes.....	1,242,340	2016	0.0%	993,872	-	124,234	869,638
MWRA Notes.....	875,000	2025	0.0%	875,000	-	87,500	787,500
MWRA Notes.....	138,000	2021	0.0%	-	138,000	-	138,000
Total Water Enterprise.....				<u>7,518,848</u>	<u>138,000</u>	<u>1,563,197</u>	<u>6,093,651</u>
Municipal Purpose - March 15, 2004.....	1,229,551	2016	4.0%	107,556	-	107,556	-
Municipal Purpose - August 15, 2006.....	2,070,000	2027	4.0%	1,170,000	-	105,000	1,065,000
Municipal Purpose - April 1, 2010 (Refunding).....	419,000	2022	2.0% - 5.0%	285,000	-	43,000	242,000
MWRA Notes.....	1,616,450	2017	0.0%	646,580	-	323,290	323,290
MWRA Notes.....	800,256	2019	0.0%	640,204	-	160,051	480,153
Total Sewer Enterprise.....				<u>2,849,340</u>	<u>-</u>	<u>738,897</u>	<u>2,110,443</u>
Rink Enterprise Debt - October 9, 2013.....	13,940,000	2027	2.0% - 5.0%	2,470,000	-	180,000	2,290,000
Total.....				\$ <u>12,838,188</u>	\$ <u>138,000</u>	\$ <u>2,482,094</u>	\$ <u>10,494,094</u>

Water Enterprise Fund

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017.....	\$ 1,388,042	\$ 59,885	\$ 1,447,927
2018.....	1,136,739	50,640	1,187,379
2019.....	1,021,934	44,315	1,066,249
2020.....	536,934	39,115	576,049
2021.....	481,934	34,165	516,099
2022.....	458,334	30,435	488,769
2023.....	294,734	26,105	320,839
2024.....	167,500	23,200	190,700
2025.....	167,500	20,400	187,900
2026.....	80,000	17,400	97,400
2027.....	80,000	14,400	94,400
2028.....	80,000	11,200	91,200
2029.....	100,000	8,000	108,000
2030.....	<u>100,000</u>	<u>4,000</u>	<u>104,000</u>
Total.....	\$ <u>6,093,651</u>	\$ <u>383,260</u>	\$ <u>6,476,911</u>

Sewer Enterprise Fund

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017.....	\$ 630,341	\$ 50,036	\$ 680,377
2018.....	305,051	44,576	349,627
2019.....	305,051	38,976	344,027
2020.....	145,000	33,176	178,176
2021.....	145,000	27,776	172,776
2022.....	140,000	22,076	162,076
2023.....	95,000	16,129	111,129
2024.....	95,000	12,234	107,234
2025.....	105,000	8,134	113,134
2026.....	75,000	4,435	79,435
2027.....	<u>70,000</u>	<u>1,444</u>	<u>71,444</u>
Total.....	\$ <u>2,110,443</u>	\$ <u>258,992</u>	\$ <u>2,369,435</u>

Rink Enterprise Fund

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017.....	\$ 185,000	\$ 89,925	\$ 274,925
2018.....	195,000	83,250	278,250
2019.....	200,000	75,350	275,350
2020.....	205,000	69,044	274,044
2021.....	215,000	61,363	276,363
2022.....	190,000	51,238	241,238
2023.....	200,000	41,488	241,488
2024.....	210,000	31,238	241,238
2025.....	220,000	20,488	240,488
2026.....	230,000	11,394	241,394
2027.....	240,000	3,900	243,900
Total.....	\$ <u>2,290,000</u>	\$ <u>538,675</u>	\$ <u>2,828,675</u>

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a non-interest bearing loan. At June 30, 2016, the outstanding principal amount of these loans totaled \$3,684,594. 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 2016, \$3,993,000 of such assistance was received. Approximately \$10,517,000 will be received in future years. Of this amount, approximately \$2,253,000 represents reimbursement of long-term interest costs, and approximately \$8,264,000 represents reimbursement of approved construction costs. Accordingly, a \$8,264,000 intergovernmental receivable and corresponding unavailable revenue have been reported in governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

Beginning in 2005 the Commonwealth changed the method for funding the school building assistance program. Under the new program, the assistance is paid to support construction costs and reduce the total debt service of the City. Through the end of 2016, the City has recorded capital grant proceeds totaling \$13.8 million related to the East Somerville Community School and \$688 thousand related to the Somerville High School project, from the MSBA, which is equal to 80% and 71.79%, respectively, of approved construction costs submitted for reimbursement. The City anticipates receiving an additional \$1.4 million related to the East Somerville Community School project and \$747 thousand related to the Somerville High School project. Accordingly, a \$2.1 million intergovernmental receivable and corresponding deferred inflow of resources - unavailable revenue has been reported in the governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

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

At June 30, 2016, the City had the following authorized and unissued debt:

Purpose	Amount
Central Hill Memorial Park.....	\$ 450,000
Veterans Memorial Ice Rink.....	950
Street Resurfacing.....	15,979
Public Safety Building Repairs.....	56,200
East Somerville Community School Remodeling.....	10,422,563
Morse-Kelley Park Renovations.....	2,445
Departmental Equipment (Radio).....	23,000
ISD Office Renovations.....	15,000
Park Construction.....	500,000
Various School and City Building Improvements.....	1,000,000
Departmental Equipment (Ladder Truck).....	1,000
2012 Union Square Revitalization Plan.....	1,500,000
Recreation Department Vehicle.....	15,000
Network Infrastructure Replacement.....	1,000
MWRA Infiltration & Inflow.....	90
DPW Equipment Replacement/ Street Sweeper.....	876
DPW Salt Shed.....	19,000
High School Feasibility Study & Schematic Design.....	1,526,293
Computer Hardware & Software.....	455,000
Citywide Bicycle & Pedestrian Upgrades.....	30,000
Street & Sidewalk Repairs.....	1,400,000
ADA Accessibility - Curb Ramp Installation and Improvements.....	578,465
ADA Accessibility Building Improvements.....	300,000
West Branch Library Design & Engineering.....	275,000
DPW Snow Removal Equipment.....	9,425
Powderhouse Square Rotary Traffic Signal Improvements.....	250,000
LED Light Conversion.....	2,475,000
Union Square Streetscape & Utility Early Action Project.....	2,200,000
Cedar Street Water Repairs.....	1,727,500
Cedar Street Sewer Repairs.....	4,697,500
Nunziato Field Stormwater Project.....	500,000
Lincoln Park Renovation.....	8,262,363
Sidewalk Improvements.....	3,350,000
Beacon Street Reconstruction.....	1,500,000
East Broadway Streetscape.....	175,000
West Branch Library Rehabilitation.....	2,500,000
Winter Hill Schoolyard & Nunziato Fields.....	275,000
Total.....	\$ 46,509,649

Calculation of Net Investment in Capital Assets

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation.....	\$ 227,538,281	\$ 53,069,746
Outstanding principal of related debt:		
Long-term debt.....	(93,750,365)	(10,494,094)
Short-term debt.....	(26,029,000)	(1,200,000)
Add:		
Deferred charges on refunding.....	459,437	-
Unspent proceeds of capital debt.....	11,134,994	2,435,130
Noncapital-related debt (1).....	10,829,874	-
Net investment in capital assets.....	\$ 130,183,221	\$ 43,810,782

(1) School construction grant financing.

Changes in Long-term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Governmental Activities:					
Long-Term Bonds.....	\$ 81,197,874	\$ 17,771,000	\$ (7,110,623)	\$ 91,858,251	\$ 7,455,123
Add: Unamortized Premium.....	1,115,482	930,391	(153,759)	1,892,114	177,074
Total Bonds Payable.....	82,313,356	18,701,391	(7,264,382)	93,750,365	7,632,197
Workers' Compensation.....	1,255,000	385,995	(376,995)	1,264,000	316,000
Other Postemployment Benefits.....	101,881,257	20,705,708	(8,469,353)	114,117,612	-
Net Pension Liability.....	118,828,013	14,068,833	-	132,896,846	-
Compensated Absences.....	3,728,600	343,347	(179,247)	3,892,700	182,579
Total.....	<u>\$ 308,006,226</u>	<u>\$ 54,205,274</u>	<u>\$ (16,289,977)</u>	<u>\$ 345,921,523</u>	<u>\$ 8,130,776</u>
Business-Type Activities:					
Long-Term Bonds.....	\$ 12,838,188	\$ 138,000	\$ (2,482,094)	\$ 10,494,094	\$ 2,203,383
Other Postemployment Benefits.....	921,876	148,464	(64,143)	1,006,197	-
Net Pension Liability.....	1,090,968	287,980	-	1,378,948	-
Compensated Absences.....	73,100	5,000	(2,500)	75,600	3,100
Total.....	<u>\$ 14,924,132</u>	<u>\$ 579,444</u>	<u>\$ (2,548,737)</u>	<u>\$ 12,954,839</u>	<u>\$ 2,206,483</u>

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

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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, 2016, 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.....	-	13,814,054	-	-	13,814,054
School special revenue funds.....	-	-	-	1,099,939	1,099,939
School federal grants.....	-	-	-	148,924	148,924
School state & private grants.....	-	-	-	2,709,331	2,709,331
City federal grant funds.....	-	-	-	16,257	16,257
City state grant funds.....	-	-	-	466,376	466,376
City revolving funds.....	-	-	-	109,833	109,833
City receipts reserved.....	-	-	-	3,991,616	3,991,616
City Private grants.....	-	-	-	263,353	263,353
School lunch.....	-	-	-	1,092,297	1,092,297
Community preservation.....	-	-	-	8,217,066	8,217,066
Other special revenue funds.....	-	-	-	4,358,279	4,358,279
Other permanent funds.....	-	-	-	157,316	157,316
Committed to:					
Health claims.....	16,231,260	-	-	-	16,231,260
Max-Pak stabilization fund.....	20,143	-	-	-	20,143
East Somerville stabilization fund.....	102,837	-	-	-	102,837
Street Tree stabilization fund.....	7,428	-	-	-	7,428
Alpine Restaurant stabilization fund.....	2,516	-	-	-	2,516
Rockwell Restaurant stabilization fund.....	9,069	-	-	-	9,069
Capital Projects stabilization fund.....	4,305,058	-	-	-	4,305,058
Construction stabilization fund.....	2,439,175	-	-	-	2,439,175
Traffic Safety stabilization fund.....	180,896	-	-	-	180,896
Mitigation stabilization fund.....	232,692	-	-	-	232,692
270 Cedar Street LLC stabilization fund.....	1,005	-	-	-	1,005
Workforce Training stabilization fund.....	9,911	-	-	-	9,911
Bicycle stabilization fund.....	2,188	-	-	-	2,188
Linwood Street sidewalk improvement stabilization fund.....	11,777	-	-	-	11,777
Davis Square traffic and Sign stabilization fund.....	285	-	-	-	285
Trash transfer station stabilization fund.....	155,634	-	-	-	155,634
Salary and wage stabilization fund.....	5,882,502	-	-	-	5,882,502
Open space improvement stabilization fund.....	94,906	-	-	-	94,906
Union square revitalization stabilization fund.....	5,917	-	-	-	5,917
Facility construction & renovation stabilization fund.....	2,003,736	-	-	-	2,003,736
Street reconstruction & resurfacing stabilization fund.....	1,502,788	-	-	-	1,502,788
Millbrook stabilization.....	47,826	-	-	-	47,826
Elmwood stabilization.....	12,515	-	-	-	12,515
377 Broadway stabilization.....	4,300	-	-	-	4,300
Infiltration/Inflow stabilization.....	87,772	-	-	-	87,772
Assigned to:					
General government.....	610,370	-	-	-	610,370
Public safety.....	387,124	-	-	-	387,124
Education.....	569,554	-	-	-	569,554
Public works.....	1,741,335	-	-	-	1,741,335
Culture and recreation.....	13,670	-	-	-	13,670
Employee benefits.....	1,212	-	-	-	1,212
Free cash used for the 2017 budget.....	2,500,000	-	-	-	2,500,000
Unassigned.....	15,507,488	-	(14,895,671)	-	611,817
TOTAL FUND BALANCES (DEFICIT).....	\$ 54,684,889	\$ 13,814,054	\$ (14,895,671)	\$ 23,063,713	\$ 76,666,985

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, 2016, the amount of the liability for workers' compensation claims totaled \$1,264,000.

Changes in the reported liability since July 1, 2014, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at End of Year
2015.....	\$ 638,000	\$ 934,277	\$ (317,277)	\$ 1,255,000
2016.....	1,255,000	385,995	(376,995)	1,264,000

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, 2015. The City's portion of the collective pension expense, contributed by the Commonwealth, of \$10,503,653 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 \$129,500,617 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, 2015.

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, 2015, the SCRS membership consists of the following:

Active members.....	1,178
Inactive members.....	388
Retirees and beneficiaries currently receiving benefits.....	<u>860</u>
 Total.....	 <u><u>2,426</u></u>

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the SCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2015 was \$14,199,527, 20.53% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City's proportionate share of the required contribution was \$13,304,274 which equaled its actual contribution.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2016, were as follows:

Total pension liability.....	\$ 382,805,432
The pension plan's fiduciary net position.....	<u>(239,494,134)</u>
The net pension liability.....	\$ <u>143,311,298</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....	62.56%

At June 30, 2016, the City reported a liability of \$134,275,795 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. 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, 2015, the City's proportion was 93.70%, which changed from its proportion measured at December 31, 2014, of 93.74%.

Pension Expense

For the year ended June 30, 2016, the City recognized a pension expense of \$14,304,596. At June 30, 2016, the City reported deferred outflows of resources related to pensions of \$18,036,783, from the net difference between projected and actual investment earnings on pension plan investments, and deferred inflows of \$48,837, from the changes in proportionate share of contributions. Since the System performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience or changes of assumptions as of December 31, 2015.

The balances of deferred outflows and inflows at June 30, 2016 consist of the following:

<u>Deferred Category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Difference between projected and actual earnings.....	\$ 18,036,783	\$ -	\$ 18,036,783
Changes in proportionate share of contributions.....	<u>-</u>	<u>(48,837)</u>	<u>(48,837)</u>
Total Deferred Outflows/(Inflows) of Resources.....	\$ <u>18,036,783</u>	\$ <u>(48,837)</u>	\$ <u>17,987,946</u>

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

Year ended June 30:

2017.....	\$ 4,789,423
2018.....	4,789,423
2019.....	4,789,423
2020.....	3,632,138
2021.....	(9,094)
2022.....	<u>(3,367)</u>
Total.....	\$ <u>17,987,946</u>

Actuarial Assumptions

The total pension liability in the January 1, 2015, actuarial valuation was determined using the following actuarial assumptions, rolled forward to the measurement date of December 31, 2015:

Valuation date.....	January 1, 2015
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Amortization method.....	Payments increasing at 4.0%
Remaining amortization period.....	Increasing amortization at 4% of unfunded actuarial accrued liability over 19 years completed by June 30, 2034, 5 years from June 30, 2014 for the 2002 Early Retirement Incentive, and 5 years from June 30, 2015 for 2003 Early Retirement Incentive.
Asset valuation method.....	The actuarial value of assets is determined using a five-year smoothing of asset returns greater than or less than the assumed rate of return, with a 20% corridor.
Inflation rate.....	4.00%
Projected salary increases.....	It is assumed that salaries including longevity will increase at a rate of 3.00% per year.
Cost of living adjustments.....	2.5% of the first \$12,000 of retirement income.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Mortality Rates:	
Pre-Retirement.....	The RP-2000 Employee Mortality Table projected generationally with a Scale AA from 2015.
Healthy Retiree.....	The RP-2000 Healthy Annuitant Mortality Table projected generationally with a Scale AA from 2015.
Disabled Retiree.....	The RP-2000 Healthy Annuitant Mortality Table set forward two years for all disabled members only projected generationally with Scale AA from 2015.
Investment rate of return/Discount rate.....	8.25%, 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, 2015, are summarized in the following table:

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

Rate of return

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.04%. 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 was 8.25%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25%) or 1-percentage-point higher (9.25%) than the current rate:

	1% Decrease (7.25%)	Current Discount (8.25%)	1% Increase (9.25%)
The City’s proportionate share of the net pension liability.....	\$ <u>168,958,384</u>	\$ <u>134,275,795</u>	\$ <u>104,395,292</u>
System total net pension liability.....	\$ <u>180,327,700</u>	\$ <u>143,311,298</u>	\$ <u>111,420,117</u>

Noncontributory Retirement Allowance – The City pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for 2016 totaled \$119,000.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The City of Somerville administers a single-employer defined benefit healthcare plan (“Plan”). The Plan 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 82.5% of the premium and for all indemnity plans, the employer contributes 75% of the premium. The City’s assessment of the employer’s share by the GIC, for retired teachers, for 2016 totaled \$2,767,000.

Funding Policy – Contribution requirements are also negotiated between the City and the PEC. The required contribution is based on a pay-as-you-go financing requirement. The City contributes 82.5% 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 17.5% for all HMO and PPO plans and 25% for all indemnity plans. For 2016, the City’s benefit payments totaled \$8,533,496.

Annual OPEB Cost and Net OPEB Obligation – The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual Required Contribution.....	\$	20,168,818
Interest on existing net OPEB obligation.....		4,112,125
Adjustments to annual required contribution.....		(3,426,771)
Annual OPEB cost (expense).....		<u>20,854,172</u>
Contributions made.....		<u>(8,533,496)</u>
Increase in net OPEB obligation.....		12,320,676
Net OPEB obligation-beginning of year.....		<u>102,803,133</u>
Net OPEB obligation-end of year.....	\$	<u><u>115,123,809</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 20,854,172	41%	\$ 115,123,809
6/30/2015	20,365,492	47%	102,803,133
6/30/2014	19,472,663	46%	92,083,431

Funded Status and Funding Progress

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

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

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

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

NOTE 13 - COMMITMENTS

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

The School Department has entered into an agreement with S. P. & R. Transportation, Inc. to provide for the transportation of its students. The contract bears an annual cost of approximately \$1,820,100 and expired on June 30, 2016. Annual appropriations for this contract are not to exceed \$5,460,300 over the term of the contract. An amendment was filed to this agreement on December 1, 2015, to increase the fiscal year 2016 amount by \$1,365,075 which brings the total amount of the contract to \$6,825,375.

The City has entered into, or is planning to enter into, contracts totaling approximately \$276,736,916. The Union Square streetscape and utility improvements, Somerville High School reconstruction, new Somerville Library central branch, new fire and police stations, and various street and sidewalk projects throughout the City are some of the major projects that the City will be completing.

NOTE 14 - CONTINGENCIES

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2016, 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, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 20, 2016, which is the date the financial statements were available to be issued.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2016, the following GASB pronouncements were implemented:

- GASB Statement #72, *Fair Value Measurement and Application*. Notes to the basic financial statements were changed to provide additional disclosure on fair value measurement.
- GASB Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This pronouncement did not impact the basic financial statements.
- GASB Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not impact the basic financial statements.
- GASB Statement #79, *Certain External Investment Pools and Pool Participants*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.
- The GASB issued Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*, which is required to be implemented in 2018.

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

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Required Supplementary Information

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts						Variance To Final Budget
	Amounts Carried forward From Prior Year	Current Year			Actual Budgetary Amounts	Amounts Carried Forward To Next Year	
		Initial Budget	Original Budget	Final Budget			
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 127,312,860	\$ 127,312,860	\$ 127,467,767	\$ 127,547,978	\$ -	\$ 80,211
Tax liens.....	-	-	-	-	606,130	-	606,130
Motor vehicle and other excise taxes.....	-	8,465,477	8,465,477	8,379,171	9,345,084	-	965,913
Payments in lieu of taxes.....	-	855,630	855,630	855,738	829,780	-	(25,958)
Intergovernmental.....	-	48,032,158	48,032,158	48,173,210	48,564,965	-	391,755
Departmental and other.....	-	18,267,365	18,267,365	17,959,781	18,716,425	-	756,644
Investment income.....	-	200,000	200,000	200,000	227,554	-	27,554
Miscellaneous.....	-	-	-	-	118,170	-	118,170
TOTAL REVENUES.....	-	203,133,490	203,133,490	203,035,667	205,956,086	-	2,920,419
EXPENDITURES:							
GENERAL GOVERNMENT							
Board of Alderman							
Salaries.....	-	284,922	284,922	284,922	284,920	-	2
Expenses.....	-	40,660	40,660	40,660	37,274	251	3,135
TOTAL.....	-	325,582	325,582	325,582	322,194	251	3,137
Clerk of Committees							
Salaries.....	-	56,244	56,244	56,244	56,051	-	193
Expenses.....	-	1,000	1,000	1,000	-	-	1,000
TOTAL.....	-	57,244	57,244	57,244	56,051	-	1,193
Executive Office							
Salaries.....	-	2,725,050	2,725,050	2,725,050	2,671,777	-	53,273
Expenses.....	13,172	704,292	717,464	714,621	526,398	135,215	53,008
Special Items.....	89,283	166,500	255,783	166,500	137,846	-	28,654
Capital.....	-	150,000	150,000	228,193	170,906	54,010	3,277
TOTAL.....	102,455	3,745,842	3,848,297	3,834,364	3,506,927	189,225	138,212
Auditor's Office							
Salaries.....	-	750,232	750,232	750,232	711,840	-	38,392
Expenses.....	101,061	106,995	208,056	208,056	82,501	125,555	-
TOTAL.....	101,061	857,227	958,288	958,288	794,341	125,555	38,392
Grants Management							
Salaries.....	-	129,880	129,880	129,880	129,880	-	-
Expenses.....	10,000	5,776	15,776	15,776	4,384	10,000	1,392
TOTAL.....	10,000	135,656	145,656	145,656	134,264	10,000	1,392
Purchasing							
Salaries.....	-	387,381	387,381	387,381	387,379	-	2
Expenses.....	1,000	32,900	33,900	33,618	30,769	285	2,564
TOTAL.....	1,000	420,281	421,281	420,999	418,148	285	2,566
Assessing							
Salaries.....	-	532,605	532,605	532,605	518,675	-	13,930
Expenses.....	10,149	129,390	139,539	139,539	119,869	-	19,670
TOTAL.....	10,149	661,995	672,144	672,144	638,544	-	33,600
Treasurer's/Collector's Office							
Salaries.....	-	655,717	655,717	655,717	630,394	-	25,323
Expenses.....	28,598	286,690	315,288	302,225	259,957	30,632	11,636
TOTAL.....	28,598	942,407	971,005	957,942	890,351	30,632	36,959
Law Department							
Salaries.....	-	704,235	704,235	684,235	668,001	-	16,234
Expenses.....	10,900	175,275	186,175	826,175	616,809	75,745	133,621
TOTAL.....	10,900	879,510	890,410	1,510,410	1,284,810	75,745	149,855
Personnel Department							
Salaries.....	-	737,958	737,958	737,958	716,202	-	21,756
Expenses.....	3,992	307,700	311,692	311,472	161,280	20,858	129,334
Special Items.....	-	61,010	61,010	61,010	54,665	-	6,345
TOTAL.....	3,992	1,106,668	1,110,660	1,110,440	932,147	20,858	157,435

(Continued)

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts					Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Current Year			Final Budget			
		Initial Budget	Original Budget					
Information Technology								
Salaries.....	-	718,870	718,870	718,870	703,903	-	14,967	
Expenses.....	296,051	1,298,080	1,594,131	1,570,682	1,478,064	75,977	16,641	
TOTAL.....	296,051	2,016,950	2,313,001	2,289,552	2,181,967	75,977	31,608	
Communications								
Salaries.....	-	331,464	331,464	331,464	304,235	-	27,229	
Expenses.....	-	21,565	21,565	21,565	15,749	-	5,816	
TOTAL.....	-	353,029	353,029	353,029	319,984	-	33,045	
City Clerk								
Salaries.....	-	423,774	423,774	423,774	420,425	-	3,349	
Expenditures.....	2,467	140,410	142,877	142,674	117,042	6,097	19,535	
Special Items.....	-	35,000	35,000	35,000	-	-	35,000	
TOTAL.....	2,467	599,184	601,651	601,448	537,467	6,097	57,884	
Elections								
Salaries.....	-	378,554	378,554	378,554	332,952	-	45,602	
Expenditures.....	-	189,650	189,650	189,650	142,308	-	47,342	
TOTAL.....	-	568,204	568,204	568,204	475,260	-	92,944	
Licensing Committee								
Salaries.....	-	10,800	10,800	10,800	10,800	-	-	
Community Development								
Salaries.....	-	3,433,872	3,433,872	3,433,872	3,299,394	-	134,478	
Expenses.....	51,063	1,211,336	1,262,399	1,246,446	726,271	75,745	444,430	
Capital.....	-	58,730	58,730	58,730	56,132	-	2,598	
TOTAL.....	51,063	4,703,938	4,755,001	4,739,048	4,081,797	75,745	581,506	
Veterans Benefits								
Salaries.....	-	116,281	116,281	116,281	101,126	-	15,155	
Expenses.....	658	634,035	634,693	634,035	558,071	-	75,964	
TOTAL.....	658	750,316	750,974	750,316	659,197	-	91,119	
Building Insurance								
Expenses.....	-	438,150	438,150	438,150	429,289	-	8,861	
Person and Property Insurance								
Expenditures.....	-	175,000	175,000	115,000	99,590	-	15,410	
Contingency Account								
Expenses.....	-	1,143,701	1,143,701	52,538	52,523	-	15	
Total General Government.....	618,394	19,891,684	20,510,078	19,911,154	17,825,651	610,370	1,475,133	
PUBLIC SAFETY								
Police Department								
Salaries.....	-	14,945,936	14,945,936	14,826,936	14,609,608	-	217,328	
Expenses.....	28,545	556,483	585,028	584,860	486,903	22,530	75,427	
Special Items.....	-	51,314	51,314	51,314	41,400	-	9,914	
TOTAL.....	28,545	15,553,733	15,582,278	15,463,110	15,137,911	22,530	302,669	
Fire Department								
Salaries.....	-	15,957,999	15,957,999	16,457,999	16,242,805	-	215,194	
Expenses.....	34,767	429,950	464,717	462,852	376,674	7,776	78,402	
TOTAL.....	34,767	16,387,949	16,422,716	16,920,851	16,619,479	7,776	293,596	
Emergency Management								
Salaries.....	-	20,826	20,826	20,826	20,827	-	(1)	
Expenses.....	700	5,700	6,400	6,400	6,400	-	-	
TOTAL.....	700	26,526	27,226	27,226	27,227	-	(1)	
Animal Control								
Salaries.....	-	104,750	104,750	104,750	86,445	-	18,305	
Expenses.....	3,853	16,050	19,903	17,393	13,061	1,149	3,183	
TOTAL.....	3,853	120,800	124,653	122,143	99,506	1,149	21,488	
Traffic and Parking								
Salaries.....	-	2,533,529	2,533,529	2,533,529	2,481,472	-	52,057	
Expenses.....	157,189	1,408,276	1,565,465	1,547,316	1,183,067	229,734	134,515	
TOTAL.....	157,189	3,941,805	4,098,994	4,080,845	3,664,539	229,734	186,572	

(Continued)

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Current Year		Final Budget			
		Initial Budget	Original Budget				
Board of Health							
Salaries.....	-	1,960,918	1,960,918	1,949,918	1,837,710	-	112,208
Expenses.....	105,338	288,830	394,168	503,204	358,706	125,935	18,563
TOTAL.....	105,338	2,249,748	2,355,086	2,453,122	2,196,416	125,935	130,771
Total Public Safety.....	330,392	38,280,561	38,610,953	39,067,297	37,745,078	387,124	935,095
EDUCATION							
Operational.....	681,231	62,512,658	63,193,889	63,127,266	62,150,250	569,554	407,462
PUBLIC WORKS							
Administration							
Salaries.....	-	594,017	594,017	594,017	590,647	-	3,370
Expenses.....	20,082	822,450	842,532	836,942	653,391	76,460	107,091
TOTAL.....	20,082	1,416,467	1,436,549	1,430,959	1,244,038	76,460	110,461
Electrical							
Salaries.....	-	311,916	311,916	401,916	361,371	-	40,545
Expenses.....	81,111	197,000	278,111	250,575	169,500	61,669	19,406
TOTAL.....	81,111	508,916	590,027	652,491	530,871	61,669	59,951
Engineering							
Salaries.....	-	155,691	155,691	135,691	121,422	-	14,269
Expenses.....	58,784	137,100	195,884	210,946	134,958	63,046	12,942
TOTAL.....	58,784	292,791	351,575	346,637	256,380	63,046	27,211
Snow Removal							
Expenses.....	-	1,286,000	1,286,000	1,294,300	1,294,296	-	4
Highway							
Salaries.....	-	2,310,611	2,310,611	2,310,611	2,234,083	-	76,528
Expenses.....	86,970	1,183,845	1,270,815	1,257,263	908,263	239,167	109,833
TOTAL.....	86,970	3,494,456	3,581,426	3,567,874	3,142,346	239,167	186,361
Sanitation							
Expenditures.....	413,982	5,162,426	5,576,408	5,506,319	4,782,269	370,005	354,045
Building and Grounds							
Salaries.....	-	2,151,570	2,151,570	2,176,570	2,098,039	-	78,531
Expenditures.....	630,938	7,662,250	8,293,188	8,123,302	6,581,163	930,988	611,151
TOTAL.....	630,938	9,813,820	10,444,758	10,299,872	8,679,202	930,988	689,682
School Custodians							
Salaries.....	-	1,847,962	1,847,962	1,822,962	1,674,822	-	148,140
Expenses.....	-	871,080	871,080	871,080	870,480	-	600
TOTAL.....	-	2,719,042	2,719,042	2,694,042	2,545,302	-	148,740
Weights and Measures							
Salaries.....	-	87,865	87,865	87,865	77,272	-	10,593
Expenses.....	-	2,790	2,790	2,790	1,074	-	1,716
TOTAL.....	-	90,655	90,655	90,655	78,346	-	12,309
Total Public Works.....	1,291,867	24,784,573	26,076,440	25,883,149	22,553,050	1,741,335	1,588,764
CULTURE AND RECREATION							
Library							
Salaries.....	-	1,703,241	1,703,241	1,703,241	1,682,525	-	20,716
Expenses.....	10,666	309,386	320,052	320,052	308,286	-	11,766
Capital.....	7,532	-	7,532	7,532	7,494	-	38
TOTAL.....	18,198	2,012,627	2,030,825	2,030,825	1,998,305	-	32,520
Recreation and Youth Programs							
Salaries.....	-	612,026	612,026	612,026	564,404	-	47,622
Expenses.....	19,150	222,850	242,000	234,898	191,443	13,670	29,785
TOTAL.....	19,150	834,876	854,026	846,924	755,847	13,670	77,407
Total Culture and Recreation.....	37,348	2,847,503	2,884,851	2,877,749	2,754,152	13,670	109,927

(Continued)

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
OTHER							
Pension Benefits							
Pension Benefits.....	-	13,304,274	13,304,274	13,304,274	13,304,274	-	-
Non-Contributory Pension.....	-	125,862	125,862	125,862	119,110	-	6,752
Total Pension Benefits.....	-	13,430,136	13,430,136	13,430,136	13,423,384	-	6,752
Employee Benefits							
Health and Life Insurance.....	1,001	23,107,579	23,108,580	23,106,939	22,532,806	1,212	572,921
Worker's Compensation.....	-	766,944	766,944	766,944	664,011	-	102,933
Unemployment Compensation.....	-	125,000	125,000	125,000	89,263	-	35,737
Total Employee Benefits.....	1,001	23,999,523	24,000,524	23,998,883	23,286,080	1,212	711,591
Debt and Interest							
Debt Principal.....	-	7,149,624	7,149,624	7,132,582	7,110,623	-	21,959
Debt Interest.....	-	2,724,537	2,724,537	2,866,743	2,866,743	-	-
TOTAL.....	-	9,874,161	9,874,161	9,999,325	9,977,366	-	21,959
State and County Charges							
State & County.....	-	13,411,387	13,411,387	13,409,986	12,740,178	-	669,808
Total Other.....	1,001	60,715,207	60,716,208	60,838,330	59,427,008	1,212	1,410,110
TOTAL EXPENDITURES.....	2,960,233	209,032,186	211,992,419	211,704,945	202,455,189	3,323,265	5,926,491
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,960,233)	(5,898,696)	(8,858,929)	(8,669,278)	3,500,897	(3,323,265)	8,846,910
OTHER FINANCING SOURCES (USES):							
Premium from issuance of bonds.....	-	-	-	-	360,744	-	360,744
Transfers in.....	-	2,548,696	2,548,696	3,166,412	3,214,996	-	48,584
Transfers out.....	-	(150,000)	(150,000)	(7,712,748)	(7,712,748)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	2,398,696	2,398,696	(4,546,336)	(4,137,008)	-	409,328
NET CHANGE IN FUND BALANCE.....	(2,960,233)	(3,500,000)	(6,460,233)	(13,215,614)	(636,111)	(3,323,265)	9,256,238
BUDGETARY FUND BALANCE, Beginning of year.....	-	18,957,665	18,957,665	18,957,665	18,957,665	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (2,960,233)	\$ 15,457,665	\$ 12,497,432	\$ 5,742,051	\$ 18,321,554	\$ (3,323,265)	\$ 9,256,238

See notes to required supplementary information.

(Concluded)

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

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

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
SOMERVILLE CONTRIBUTORY RETIREMENT SYSTEM

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

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURN
SOMERVILLE CONTRIBUTORY RETIREMENT SYSTEM

	December 31, 2015	December 31, 2014
Annual money-weighted rate of return, net of investment expense.....	1.04%	5.63%

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

See notes to required supplementary information.

Pension Plan Schedules – City

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

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

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

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

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

	December 31, 2015	December 31, 2014
City's proportion of the net pension liability (asset).....	93.70%	93.74%
City's proportionate share of the net pension liability (asset)..... \$	134,275,794	\$ 119,918,981
City's covered employee payroll..... \$	69,167,008	\$ 62,344,746
Net pension liability as a percentage of the City's covered employee payroll.....	194.13%	192.35%
Plan fiduciary net position as a percentage of the total pension liability.....	62.56%	65.52%

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

See notes to required supplementary information.

SCHEDULE OF CITY CONTRIBUTIONS
SOMERVILLE CONTRIBUTORY RETIREMENT SYSTEM

	December 31, 2015	December 31, 2014
Actuarially determined contribution..... \$	13,304,274	\$ 12,324,940
Contributions in relation to the actuarially determined contribution.....	<u>13,304,274</u>	<u>12,324,940</u>
Contribution deficiency (excess)..... \$	<u>-</u>	<u>-</u>
Covered-employee payroll..... \$	69,167,008	\$ 62,344,746
Contributions as a percentage of covered- employee payroll.....	19.24%	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 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. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the City; the portion of the collective pension expense as both a revenue and pension expense recognized by the City; and the Plan's fiduciary net position as a percentage of the total liability.

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the City</u>	<u>City's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
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 Funding progress and employer contributions compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

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

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2016	\$ 813,768	\$ 302,648,586	\$ 301,834,818	0.27%	\$ 149,233,169	202.3%
6/30/2014	-	285,255,653	285,255,653	0.00%	112,256,322	254.1%
6/30/2012	-	300,478,458	300,478,458	0.00%	84,899,992	353.9%
6/30/2010	-	356,691,278	356,691,278	0.00%	98,234,425	363.1%
6/30/2008	-	570,928,572	570,928,572	0.00%	161,325,500	353.9%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2016	\$ 20,168,818	8,533,496	42%
6/30/2015	19,751,604	9,645,790	49%
6/30/2014	18,928,291	9,044,970	48%
6/30/2013	19,803,786	10,402,192	53%
6/30/2012	19,026,496	10,036,871	53%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

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

Actuarial Assumptions:

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

Plan Membership:

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

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2016 approved budget authorized \$212 million in appropriations and other amounts to be raised. During 2016, the Board also increased appropriations by approximately \$7.3 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, 2016, is depicted below:

Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ (636,111)
<u>Perspective difference:</u>	
Unemployment insurance trust recorded in the general fund for GAAP.....	130,708
Stabilization funds recorded in the general fund for GAAP.....	5,161,094
<u>Basis of accounting differences:</u>	
Net change in recording 60-day receipts accrual.....	(105,503)
Net change in recording tax refunds payable.....	(83,000)
Recognition of revenue for on-behalf payments.....	(10,504,000)
Recognition of expenditures for on-behalf payments.....	<u>10,504,000</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ 4,467,188</u>

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

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

Since the retirement system performs an actuarial valuation bi-annually, there are no reported amounts for the changes in benefit terms, differences between expected and actual experience and changes in assumptions as of December 31, 2015.

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 Liabilities

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 Town; the portion of the collective pension expense as both revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

D. Changes in Assumptions

None

E. Changes in Plan Provisions

None

NOTE C - OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health 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 City currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the City has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

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

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

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

Combining and Individual Fund Statements

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

Permanent Funds

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

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

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

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2016

	<i>Special Revenue Funds</i>				
	School Special Revenue Funds	School Federal Grants	School State & Private Grant	City Federal Grant Funds	City State Grant Funds
ASSETS					
Cash and cash equivalents.....	\$ 1,183,065	\$ 173,475	\$ 2,755,979	\$ 22,483	\$ 479,439
Departmental and other.....	-	-	-	-	-
Intergovernmental.....	-	-	-	-	-
Loans.....	-	-	-	-	-
TOTAL ASSETS.....	\$ 1,183,065	\$ 173,475	\$ 2,755,979	\$ 22,483	\$ 479,439
LIABILITIES					
Warrants payable.....	\$ -	\$ 1,753	\$ 2,622	\$ 1,923	\$ -
Accrued payroll.....	83,126	22,798	44,026	4,303	13,063
TOTAL LIABILITIES.....	83,126	24,551	46,648	6,226	13,063
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue.....	-	-	-	-	-
FUND BALANCES					
Nonspendable.....	-	-	-	-	-
Restricted.....	1,099,939	148,924	2,709,331	16,257	466,376
TOTAL FUND BALANCES.....	1,099,939	148,924	2,709,331	16,257	466,376
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 1,183,065	\$ 173,475	\$ 2,755,979	\$ 22,483	\$ 479,439

Special Revenue Funds

Highway Improvement Funds	City Revolving Funds	Receipts Reserved	City Private Grants	School Lunch Funds	Other Special Revenue Funds	Community Preservation	Subtotal
\$ -	\$ 131,291	\$ 3,991,616	\$ 263,353	\$ 1,096,439	\$ 2,741,661	\$ 8,219,453	\$ 21,058,254
-	-	-	-	-	-	18,877	18,877
3,450,023	-	-	-	-	-	420,681	3,870,704
-	-	-	-	-	1,634,380	-	1,634,380
<u>\$ 3,450,023</u>	<u>\$ 131,291</u>	<u>\$ 3,991,616</u>	<u>\$ 263,353</u>	<u>\$ 1,096,439</u>	<u>\$ 4,376,041</u>	<u>\$ 8,659,011</u>	<u>\$ 26,582,215</u>
\$ -	\$ 2,934	\$ -	\$ -	\$ -	\$ 4,237	\$ -	\$ 13,469
-	18,524	-	-	4,142	13,525	2,387	205,894
-	21,458	-	-	4,142	17,762	2,387	219,363
3,450,023	-	-	-	-	-	439,558	3,889,581
-	-	-	-	-	-	-	-
-	109,833	3,991,616	263,353	1,092,297	4,358,279	8,217,066	22,473,271
-	109,833	3,991,616	263,353	1,092,297	4,358,279	8,217,066	22,473,271
<u>\$ 3,450,023</u>	<u>\$ 131,291</u>	<u>\$ 3,991,616</u>	<u>\$ 263,353</u>	<u>\$ 1,096,439</u>	<u>\$ 4,376,041</u>	<u>\$ 8,659,011</u>	<u>\$ 26,582,215</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2016

	<u>Permanent Funds</u>			Total Nonmajor Governmental Funds
	Permanent Funds Principal	Expendable Permanent Funds	Subtotal	
ASSETS				
Cash and cash equivalents.....	\$ 433,126	\$ 157,316	\$ 590,442	\$ 21,648,696
Departmental and other.....	-	-	-	18,877
Intergovernmental.....	-	-	-	3,870,704
Loans.....	-	-	-	1,634,380
TOTAL ASSETS.....	<u>\$ 433,126</u>	<u>\$ 157,316</u>	<u>\$ 590,442</u>	<u>\$ 27,172,657</u>
LIABILITIES				
Warrants payable.....	\$ -	\$ -	\$ -	\$ 13,469
Accrued payroll.....	-	-	-	205,894
TOTAL LIABILITIES.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,363</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	-	-	-	3,889,581
FUND BALANCES				
Nonspendable.....	433,126	-	433,126	433,126
Restricted.....	-	157,316	157,316	22,630,587
TOTAL FUND BALANCES.....	<u>433,126</u>	<u>157,316</u>	<u>590,442</u>	<u>23,063,713</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	<u>\$ 433,126</u>	<u>\$ 157,316</u>	<u>\$ 590,442</u>	<u>\$ 27,172,657</u>

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

YEAR ENDED JUNE 30, 2016

	Special Revenue Funds				
	School Special Revenue Funds	School Federal Grants	School State & Private Grant	City Federal Grant Funds	City State Grant Funds
REVENUES:					
Intergovernmental.....	\$ -	\$ 4,186,021	\$ 4,652,109	\$ 480,759	\$ 1,043,922
Departmental and other.....	2,423,031	-	-	-	93,662
Community Preservation.....	-	-	-	-	-
Contributions.....	8,355	-	-	-	-
Investment income.....	-	-	-	-	-
TOTAL REVENUES.....	2,431,386	4,186,021	4,652,109	480,759	1,137,584
EXPENDITURES:					
Current:					
General government.....	-	38,736	-	47,690	622,559
Public safety.....	-	-	-	110,717	457,241
Education.....	2,666,772	4,257,405	4,137,032	-	-
Public works.....	-	-	-	138,814	-
Human services.....	-	-	-	175,786	2,784
Culture and recreation.....	-	-	-	-	53,484
Community Preservation.....	-	-	-	-	-
TOTAL EXPENDITURES.....	2,666,772	4,296,141	4,137,032	473,007	1,136,068
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(235,386)	(110,120)	515,077	7,752	1,516
OTHER FINANCING SOURCES (USES):					
Premium from issuance of bonds.....	-	-	-	-	-
Transfers in.....	-	-	-	-	44,796
Transfers out.....	-	-	-	-	(12,130)
TOTAL OTHER FINANCING SOURCES (USES).....	-	-	-	-	32,666
NET CHANGE IN FUND BALANCES.....	(235,386)	(110,120)	515,077	7,752	34,182
FUND BALANCES AT BEGINNING OF YEAR.....	1,335,325	259,044	2,194,254	8,505	432,194
FUND BALANCES AT END OF YEAR.....	\$ 1,099,939	\$ 148,924	\$ 2,709,331	\$ 16,257	\$ 466,376

Special Revenue Funds

Highway Improvement Funds	City Revolving Funds	Receipts Reserved	City Private Grants	School Lunch Funds	Other Special Revenue Funds	Community Preservation	Sub-total
\$ 283,583	\$ -	\$ -	\$ 116,287	\$ 2,180,099	\$ 249,375	\$ -	\$ 13,192,155
-	1,096,703	1,968,709	-	602,410	1,864,835	-	8,049,350
-	-	-	-	-	-	2,375,654	2,375,654
-	-	29,333	-	-	208,916	-	246,604
-	-	-	-	-	6,399	12,779	19,178
<u>283,583</u>	<u>1,096,703</u>	<u>1,998,042</u>	<u>116,287</u>	<u>2,782,509</u>	<u>2,329,525</u>	<u>2,388,433</u>	<u>23,882,941</u>
-	989,945	-	164,976	-	873,596	-	2,737,502
-	-	-	-	-	178,958	-	746,916
-	-	-	-	2,826,058	33,336	-	13,920,603
283,583	6,300	-	-	-	24,100	-	452,797
-	-	-	-	-	-	-	178,570
-	113,893	-	-	-	171,928	-	339,305
-	-	-	-	-	-	771,733	771,733
<u>283,583</u>	<u>1,110,138</u>	<u>-</u>	<u>164,976</u>	<u>2,826,058</u>	<u>1,281,918</u>	<u>771,733</u>	<u>19,147,426</u>
-	(13,435)	1,998,042	(48,689)	(43,549)	1,047,607	1,616,700	4,735,515
-	-	-	-	-	569,647	-	569,647
-	-	-	-	-	-	510,844	555,640
-	(40,334)	(1,332,082)	-	-	(449,371)	-	(1,833,917)
-	(40,334)	(1,332,082)	-	-	120,276	510,844	(708,630)
-	(53,769)	665,960	(48,689)	(43,549)	1,167,883	2,127,544	4,026,885
-	163,602	3,325,656	312,042	1,135,846	3,190,396	6,089,522	18,446,386
<u>\$ -</u>	<u>\$ 109,833</u>	<u>\$ 3,991,616</u>	<u>\$ 263,353</u>	<u>\$ 1,092,297</u>	<u>\$ 4,358,279</u>	<u>\$ 8,217,066</u>	<u>\$ 22,473,271</u>

(Continued)

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

YEAR ENDED JUNE 30, 2016

	<i>Permanent Funds</i>			Total Nonmajor Governmental Funds
	Permanent Funds Principal	Expendable Permanent Funds	Sub-total	
REVENUES:				
Intergovernmental.....	\$ -	\$ -	\$ -	\$ 13,192,155
Departmental and other.....	-	-	-	8,049,350
Community Preservation.....	-	-	-	2,375,654
Contributions.....	-	-	-	246,604
Investment income.....	-	1,585	1,585	20,763
TOTAL REVENUES.....	-	1,585	1,585	23,884,526
EXPENDITURES:				
Current:				
General government.....	-	-	-	2,737,502
Public safety.....	-	-	-	746,916
Education.....	-	-	-	13,920,603
Public works.....	-	-	-	452,797
Human services.....	-	-	-	178,570
Culture and recreation.....	-	-	-	339,305
Community Preservation.....	-	-	-	771,733
TOTAL EXPENDITURES.....	-	-	-	19,147,426
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	-	1,585	1,585	4,737,100
OTHER FINANCING SOURCES (USES):				
Premium from issuance of bonds.....	-	-	-	569,647
Transfers in.....	-	-	-	555,640
Transfers out.....	-	-	-	(1,833,917)
TOTAL OTHER FINANCING SOURCES (USES).....	-	-	-	(708,630)
NET CHANGE IN FUND BALANCES.....	-	1,585	1,585	4,028,470
FUND BALANCES AT BEGINNING OF YEAR.....	433,126	155,731	588,857	19,035,243
FUND BALANCES AT END OF YEAR.....	\$ 433,126	\$ 157,316	\$ 590,442	\$ 23,063,713

(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, 2016

	Beginning of Year	Additions	Deletions	End of Year
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 591,739	\$ 4,992,691	\$ (4,532,176)	\$ 1,052,254
LIABILITIES				
Accrued liabilities.....	\$ 55,015	\$ 116,723	\$ (55,015)	\$ 116,723
Liabilities due depositors.....	536,724	4,875,968	(4,477,161)	935,531
TOTAL LIABILITIES.....	\$ 591,739	\$ 4,992,691	\$ (4,532,176)	\$ 1,052,254

Statistical Section



Legoland Discovery Center and AMC Movie Theater opened in 2014, are just two of many attractions located at Assembly Row. Photo taken by Rie Lowenstein

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

Net Position By Component

Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 (1)</u>	<u>2015</u>	<u>2016</u>
Governmental activities										
Net investment in capital assets.....	\$ 111,143,022	\$ 112,716,973	\$ 114,071,426	\$ 114,146,078	\$ 117,701,275	\$ 126,834,901	\$ 136,813,615	\$ 135,597,852	\$ 132,766,621	\$ 130,183,221
Restricted.....	21,855,935	23,920,569	19,464,156	24,114,249	25,126,498	22,775,093	24,157,523	23,001,973	25,063,900	26,765,034
Unrestricted.....	47,126,745	32,910,522	22,052,332	3,369,141	(1,130,225)	(18,721,004)	(23,786,300)	(145,351,160)	(149,966,003)	(156,698,433)
Total governmental activities net assets.....	\$ 180,125,702	\$ 169,548,064	\$ 155,587,914	\$ 141,629,468	\$ 141,697,548	\$ 130,888,990	\$ 137,184,838	\$ 13,248,665	\$ 7,864,518	\$ 249,822
Business-type activities										
Net investment in capital assets.....	\$ -	\$ 4,762,242	\$ 7,539,882	\$ 16,039,555	\$ 20,025,113	\$ 24,078,204	\$ 29,794,495	\$ 35,084,760	\$ 39,855,221	\$ 43,810,782
Unrestricted.....	11,128,502	17,892,482	20,821,058	19,409,168	21,059,957	23,647,858	21,220,544	19,069,553	17,231,368	17,715,352
Total business-type activities net assets.....	\$ 11,128,502	\$ 22,654,724	\$ 28,360,940	\$ 35,448,723	\$ 41,085,070	\$ 47,726,062	\$ 51,015,039	\$ 54,154,313	\$ 57,086,589	\$ 61,526,134
Primary government										
Net investment in capital assets.....	\$ 111,143,022	\$ 117,479,215	\$ 121,611,308	\$ 130,185,633	\$ 137,726,388	\$ 150,913,105	\$ 166,608,110	\$ 170,682,612	\$ 172,621,842	\$ 173,994,003
Restricted.....	21,855,935	23,920,569	19,464,156	24,114,249	25,126,498	22,775,093	24,157,523	23,001,973	25,063,900	26,765,034
Unrestricted.....	58,255,247	50,803,004	42,873,390	22,778,309	19,929,732	4,926,854	(2,565,756)	(126,281,607)	(132,734,635)	(138,983,081)
Total primary government net position.....	\$ 191,254,204	\$ 192,202,788	\$ 183,948,854	\$ 177,078,191	\$ 182,782,618	\$ 178,615,052	\$ 188,199,877	\$ 67,402,978	\$ 64,951,107	\$ 61,775,956

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

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

Changes in Net Position

Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government.....	\$ 18,995,359	\$ 22,192,789	\$ 23,220,232	\$ 21,779,285	\$ 21,655,742	\$ 22,124,384	\$ 25,892,120	\$ 27,028,141	\$ 30,201,124	\$ 32,270,976
Public safety.....	39,923,227	54,178,926	53,444,548	52,328,325	45,903,858	52,391,661	51,377,022	52,091,080	52,579,803	54,345,466
Education.....	93,333,997	102,347,605	110,053,080	108,903,922	106,813,913	113,396,259	113,753,374	121,176,505	114,802,360	124,740,361
Public works.....	26,217,844	30,054,802	27,101,081	24,973,616	23,346,672	23,631,860	25,203,677	26,974,196	33,520,992	28,957,827
Community development.....	4,086,638	8,021,636	9,504,292	6,014,349	7,491,176	5,225,117	5,092,521	5,399,251	5,730,544	5,177,605
Human services.....	2,974	22,475	122,641	18,802	9,560	316,137	288,766	227,030	228,633	178,570
Community preservation.....	-	-	-	-	-	-	-	56,770	77,672	347,016
Culture and recreation.....	4,208,127	969,173	4,159,278	4,566,066	3,880,264	4,160,530	4,695,015	3,868,022	4,948,901	4,787,187
Interest.....	3,511,789	3,003,452	2,865,682	2,713,563	2,282,434	2,306,520	2,858,173	3,178,533	2,913,723	2,956,192
Total governmental activities expenses.....	190,279,055	220,790,858	230,470,834	221,197,928	213,383,619	223,552,468	229,160,868	239,999,528	245,004,752	253,761,220
Business-type activities:										
Water.....	6,915,717	7,111,413	7,920,756	8,663,013	9,034,024	8,366,003	9,222,940	9,120,695	9,779,632	10,211,295
Sewer.....	11,565,119	11,554,303	12,979,914	13,245,282	14,185,999	14,803,664	15,303,668	15,811,901	16,312,337	17,099,159
Veteran's memorial ice rink.....	-	-	-	-	-	337,456	522,392	584,995	750,644	721,990
Dilboy stadium.....	-	-	-	-	-	132,312	147,794	217,761	160,855	136,199
Total business-type activities expenses.....	18,480,836	18,665,716	20,900,670	20,108,295	23,220,023	23,639,435	25,196,794	25,735,352	27,003,468	28,168,643
Total primary government expenses.....	\$ 208,759,891	\$ 239,456,574	\$ 251,371,504	\$ 241,306,223	\$ 236,603,642	\$ 247,191,903	\$ 254,357,662	\$ 265,734,880	\$ 272,008,220	\$ 281,929,863
Program Revenues										
Governmental activities:										
General government charges for services.....	\$ 2,525,059	\$ 2,683,805	\$ 2,613,510	\$ 3,929,772	\$ 5,111,948	\$ 5,645,000	\$ 4,716,640	\$ 6,078,676	\$ 14,874,314	\$ 9,341,536
Public safety charges for services.....	10,675,114	13,782,939	11,279,366	11,653,283	11,168,627	10,402,613	10,743,269	9,504,549	9,701,430	9,726,266
Education charges for services.....	1,566,641	1,287,818	1,289,836	1,523,386	2,773,301	2,888,195	2,620,430	2,744,125	2,854,004	3,025,441
Other charges for services.....	1,254,632	1,163,619	1,638,308	1,511,902	2,464,591	2,316,541	2,009,294	1,234,865	1,200,251	1,280,431
General government operating grants and contributions.....	1,277,274	1,112,730	1,065,242	1,142,773	2,190,637	2,241,945	2,208,949	2,275,935	3,306,728	2,316,143
Public safety operating grants and contributions.....	1,914,580	1,979,862	2,073,664	1,582,812	984,665	583,597	733,021	1,035,751	787,168	734,344
Education operating grants and contributions.....	45,527,173	46,931,033	48,503,731	47,963,393	46,517,454	46,478,286	47,121,192	49,332,811	38,046,566	41,967,740
Public works operating grants and contributions.....	2,772,390	867,986	865,255	816,657	20,000	1,430,216	1,030,318	1,201,444	1,151,440	932,462
Community development operating grants and contributions.....	854,630	14,267,545	7,104,189	9,996,234	6,754,407	5,677,368	6,544,448	5,331,152	7,445,467	5,244,967
Other operating grants and contributions.....	2,280,956	566,590	1,173,232	1,101,023	1,375,021	1,012,441	991,642	1,028,396	957,692	861,352
Education capital grants and contributions.....	24,363,592	-	1,021,427	-	-	-	12,653,757	1,686,711	9,685	2,212,282
Other capital grants and contributions.....	-	-	-	-	1,300,151	1,014,340	951,439	365,429	991,751	2,090,371
Total governmental activities program revenues.....	94,992,041	84,643,927	78,627,760	80,821,235	80,660,792	78,411,569	92,495,263	81,648,678	81,326,496	79,735,335
Business-type activities:										
Water charges for services.....	5,674,055	9,198,012	9,826,242	9,968,139	11,499,958	11,972,625	11,878,296	11,952,312	11,923,024	13,249,816
Sewer charges for services.....	15,500,715	15,191,936	14,849,185	15,654,243	15,631,262	17,139,421	17,012,055	17,055,541	17,304,880	19,298,052
Veteran's memorial ice rink charges for services.....	-	-	-	-	-	270,626	377,422	530,583	579,538	638,822
Dilboy stadium charges for services.....	-	-	-	-	-	90,527	147,000	110,200	181,942	227,234
Other capital grant and contributions.....	-	-	-	-	-	1,322,550	-	654,755	-	-
Total business-type activities program revenues.....	21,174,770	24,389,948	24,675,427	25,622,382	27,131,220	30,795,749	29,414,773	30,303,391	29,989,384	33,413,924
Total primary government program revenues.....	\$ 116,166,811	\$ 109,033,875	\$ 103,303,187	\$ 106,443,617	\$ 107,792,012	\$ 109,207,318	\$ 121,910,036	\$ 111,952,069	\$ 111,315,880	\$ 113,149,259
Net (Expense)/Program Revenue	\$ (95,287,014)	\$ (136,146,931)	\$ (151,843,074)	\$ (140,376,693)	\$ (132,722,827)	\$ (145,140,899)	\$ (136,665,605)	\$ (158,350,850)	\$ (163,678,256)	\$ (174,025,885)
Governmental activities.....	2,893,934	5,724,232	3,774,757	5,514,087	3,911,197	7,156,314	4,217,979	4,568,039	2,985,916	5,245,281
Business-type activities.....	(92,593,080)	(130,422,699)	(148,068,317)	(134,862,606)	(128,811,630)	(137,984,585)	(132,447,626)	(153,782,811)	(160,692,340)	(168,780,604)
Total primary government net (expense)/program revenue.....	\$ (89,699,146)	\$ (124,698,467)	\$ (144,293,560)	\$ (129,348,609)	\$ (124,899,433)	\$ (130,828,271)	\$ (132,429,646)	\$ (149,214,811)	\$ (157,686,344)	\$ (163,535,603)
General Revenues and other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes.....	\$ 82,120,795	\$ 86,835,733	\$ 91,192,133	\$ 96,029,743	\$ 100,266,040	\$ 102,516,625	\$ 109,373,661	\$ 113,520,645	\$ 120,408,453	\$ 127,658,573
Tax and utility liens.....	-	-	-	-	-	-	465,853	968,105	1,16,809	297,772
Motor vehicle and other excise taxes.....	5,068,422	4,976,795	4,190,680	4,414,024	5,067,456	6,773,737	7,299,012	7,639,442	8,609,432	9,288,744
Penalties and interest on taxes.....	475,391	821,535	695,914	982,668	1,266,600	860,457	1,070,330	1,121,504	858,956	801,173
Payments in lieu of taxes.....	131,329	314,262	158,827	163,644	398,281	192,334	182,347	285,596	304,688	829,780
Community Preservation surtax.....	-	-	-	-	-	-	-	1,323,320	1,430,721	1,546,198
Grants and contributions not restricted.....	32,563,468	32,519,533	38,521,736	23,777,003	24,479,415	22,936,689	23,120,989	23,374,357	25,642,432	24,429,136
Unrestricted investment income.....	2,261,853	1,805,434	1,096,779	584,028	419,721	320,878	258,370	238,031	292,212	303,517
Gain on disposal of assets.....	148,563	1,780	7,838	6,635	9,355	-	-	-	-	-
Donation of land.....	678,300	-	-	-	-	-	-	-	-	-
Miscellaneous.....	899,510	2,010,382	2,019,017	458,502	884,039	61,023	115,049	278,074	113,230	308,206
Transfers, net.....	2,607,821	-	-	-	-	670,598	1,075,842	528,840	217,176	948,090
Total governmental activities.....	126,955,452	129,085,454	137,882,924	126,418,247	132,790,907	134,332,341	142,961,453	149,275,914	158,294,109	166,411,189
Business-type activities:										
Tax and utility liens.....	655,236	1,589,910	1,609,372	1,413,910	1,562,666	-	-	-	-	-
Unrestricted investment income.....	149,505	695,919	322,087	159,786	162,484	155,276	146,840	152,624	163,536	142,354
Transfers.....	(2,607,821)	-	-	-	-	(670,598)	(1,075,842)	(528,840)	(217,176)	(948,090)
Total business-type activities.....	(1,803,080)	2,285,829	1,931,459	1,573,696	1,725,150	(515,322)	(929,002)	(374,216)	(53,640)	(805,736)
Total primary government general revenues and other changes in net position.....	\$ 125,152,372	\$ 131,371,283	\$ 139,814,383	\$ 127,991,943	\$ 134,516,057	\$ 133,817,019	\$ 142,032,451	\$ 148,901,698	\$ 158,240,469	\$ 165,605,453
Changes in Net Position										
Governmental activities.....	\$ 31,668,438	\$ (7,061,477)	\$ (13,960,150)	\$ (13,958,446)	\$ 68,080	\$ (10,808,558)	\$ 6,295,848	\$ (9,074,936)	\$ (5,384,147)	\$ (7,614,696)
Business-type activities.....	890,854	8,010,061	5,706,216	7,087,783	5,636,347	6,640,992	3,288,977	4,193,823	2,932,276	4,439,545
Total primary government changes in net position.....	\$ 32,559,292	\$ 948,584	\$ (8,253,934)	\$ (6,870,663)	\$ 5,704,427	\$ (4,167,566)	\$ 9,584,825	\$ (4,881,113)	\$ (2,451,871)	\$ (3,175,151)

Note: Prior to 2006, water and sewer enterprise activity was accounted for in the general fund.
Prior to 2012, Veteran's Memorial Ice Rink and Dilboy Stadium activity was accounted for in a special revenue fund.

Fund Balances, Governmental Funds

Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Reserved.....	\$ 11,389,250	\$ 12,484,743	\$ 14,740,399	\$ 15,210,735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved.....	17,846,988	17,701,780	11,952,907	12,687,703	-	-	-	-	-	-
Committed.....	-	-	-	-	18,712,499	21,929,103	24,171,167	25,038,098	30,065,350	33,354,136
Assigned.....	-	-	-	-	10,242,471	5,948,451	5,890,549	5,976,724	6,460,233	5,823,265
Unassigned.....	-	-	-	-	11,745,190	13,735,197	17,005,198	15,520,425	13,692,118	15,507,488
Total general fund.....	\$ 29,236,238	\$ 30,186,523	\$ 26,693,306	\$ 27,898,438	\$ 40,700,160	\$ 41,612,751	\$ 47,066,914	\$ 46,535,247	\$ 50,217,701	\$ 54,684,889
All Other Governmental Funds										
Reserved.....	\$ 12,312,520	\$ 13,552,469	\$ 12,276,896	\$ 13,423,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	8,112,563	9,163,103	17,964,768	20,226,857	-	-	-	-	-	-
Capital projects funds.....	3,260,677	119,927	(59,498)	6,678,591	-	-	-	-	-	-
Permanent funds.....	196,730	216,731	217,881	163,066	-	-	-	-	-	-
Nonspendable.....	-	-	-	-	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
Unassigned.....	-	-	-	-	(42,349)	(7,897,251)	(8,830,687)	(11,138,192)	(15,052,796)	(14,895,671)
Total all other governmental funds..	\$ 23,882,490	\$ 23,052,230	\$ 30,400,047	\$ 40,491,618	\$ 32,563,713	\$ 16,491,788	\$ 15,642,201	\$ 18,399,965	\$ 18,333,777	\$ 21,982,096

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

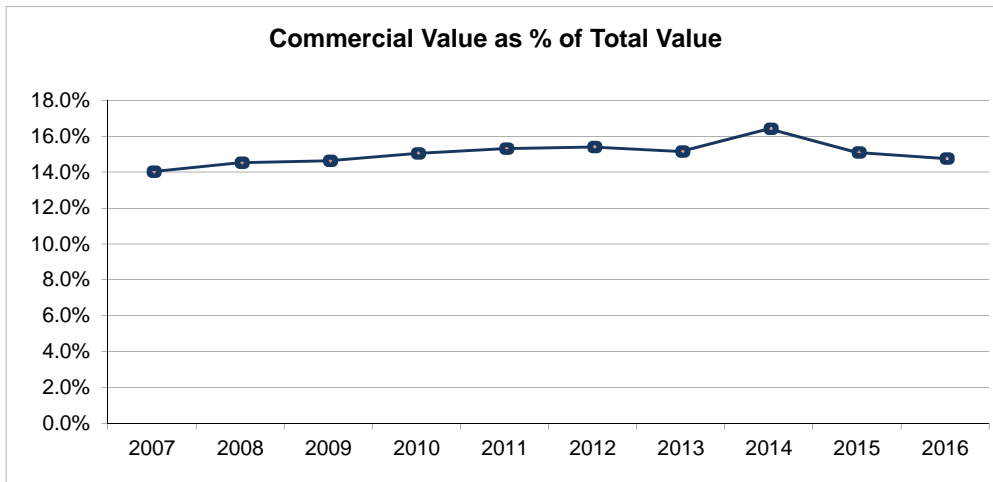
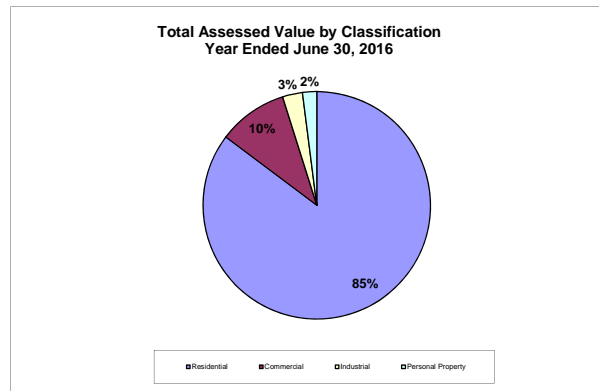
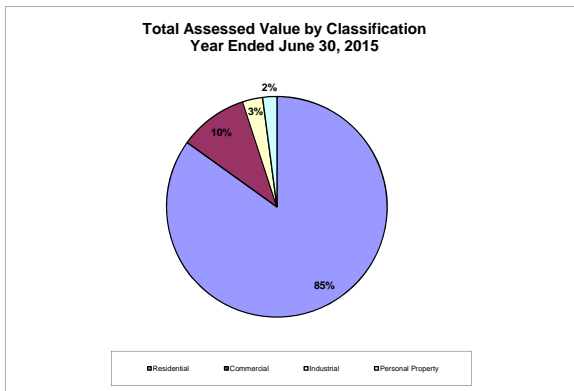
Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Real estate and personal property taxes.....	\$ 81,122,008	\$ 85,100,033	\$ 89,398,919	\$ 95,031,409	\$ 98,921,096	\$ 102,575,530	\$ 109,391,564	\$ 113,427,599	\$ 120,742,247	\$ 127,359,478
Tax liens.....	660,729	870,517	1,165,496	1,078,578	1,161,723	1,297,050	1,118,479	847,582	654,405	606,130
Motor vehicle and other excise taxes.....	5,009,381	5,007,547	4,531,602	4,563,267	4,894,601	6,762,048	7,206,904	7,759,040	8,596,756	9,345,084
Payments in lieu of taxes.....	131,329	314,262	158,827	163,644	398,281	192,334	182,347	285,596	304,688	829,780
Intergovernmental.....	106,134,045	95,212,975	89,793,239	83,710,418	85,293,814	83,228,489	95,364,763	88,757,484	75,012,124	77,436,920
Departmental and other.....	20,275,793	21,760,536	22,282,936	23,300,994	23,946,046	23,732,924	22,579,819	22,368,780	31,314,092	26,795,775
Community preservation taxes.....	-	-	-	-	-	-	-	1,323,320	2,335,638	2,375,654
Contributions.....	2,046,099	1,273,574	160,049	1,162,345	1,354,249	1,361,020	1,126,151	256,094	3,044,440	757,874
Investment income.....	2,221,664	1,605,434	1,096,779	584,028	419,721	320,878	238,620	238,031	292,212	308,289
Miscellaneous.....	-	1,700,000	12,270,901	312,803	229,144	71,679	102,500	268,687	113,209	205,935
Total Revenue.....	217,601,048	212,844,878	220,858,748	209,907,486	216,618,675	219,541,952	237,311,147	235,532,213	242,409,811	246,020,919
Expenditures:										
General government.....	10,724,631	11,832,794	12,284,477	11,345,329	12,623,157	12,679,343	16,705,382	17,643,136	19,760,973	21,121,725
Public safety.....	28,071,124	33,422,270	31,952,078	31,850,195	30,938,872	36,463,494	37,408,954	37,020,112	38,187,360	38,861,329
Education.....	59,635,425	58,150,030	61,298,672	60,033,670	63,007,532	63,303,388	65,203,861	68,950,650	71,696,093	76,278,689
Public works.....	21,588,243	24,166,057	20,701,397	19,162,374	19,461,296	19,831,102	21,203,002	23,213,680	30,173,419	24,285,794
Community development.....	4,086,638	4,807,530	9,503,292	6,015,349	5,142,819	5,225,117	5,092,521	5,399,251	6,731,292	4,752,888
Human services.....	3,458	3,682	108,906	2,681	7,095	312,548	288,766	224,330	229,633	178,570
Culture and recreation.....	1,861,663	1,994,251	1,841,688	2,596,786	2,397,542	2,413,694	2,853,452	1,792,055	716,322	2,624,181
Pension benefits.....	22,252,303	24,027,834	25,601,417	25,028,473	25,986,011	27,154,941	28,472,130	29,482,862	19,710,963	23,927,384
Employee benefits.....	24,574,027	25,804,216	29,525,454	28,046,345	28,783,865	27,555,222	20,642,529	23,240,442	23,167,986	23,240,346
Claims and judgments.....	-	-	-	-	-	-	124,666	87,190	149,138	237,987
Community preservation.....	-	-	-	-	-	-	-	56,770	77,672	771,733
State and county charges.....	8,700,697	9,083,059	9,628,426	9,815,484	10,990,847	10,922,689	11,189,172	11,854,949	12,569,633	12,740,178
Capital outlay.....	28,488,767	19,917,387	6,947,220	6,576,020	9,937,843	35,537,453	28,892,038	12,164,916	14,038,651	18,695,120
Debt service:										
Principal.....	5,671,986	5,503,616	5,003,735	6,048,976	6,799,951	7,473,552	6,921,187	6,971,599	7,968,384	7,110,623
Interest.....	2,928,446	2,836,481	2,615,224	2,802,736	2,404,731	2,494,542	2,871,080	2,890,706	3,016,183	2,866,743
Total Expenditures.....	218,587,408	221,549,207	217,011,986	209,324,418	218,481,561	251,491,751	247,831,264	241,054,596	248,282,551	257,554,893
Excess of revenues over (under) expenditures.....	(986,360)	(8,704,329)	3,846,762	583,068	(1,862,886)	(31,949,799)	(10,520,117)	(5,522,383)	(5,872,740)	(11,533,974)
Other Financing Sources (Uses)										
Issuance of bonds and notes.....	5,617,227	13,713,522	-	10,695,000	6,305,000	15,750,000	13,940,000	6,250,000	8,603,000	17,771,000
Issuance of refunding bonds.....	23,705,000	-	-	15,129,000	-	-	-	-	-	-
Premium from issuance of bonds.....	420,654	62,957	-	10,000	422,348	353,483	96,302	962,253	-	930,391
Premium from issuance of refunding bonds.....	-	-	-	682,609	-	-	-	-	-	-
Payments to refunding bond escrow agent.....	(24,115,350)	-	-	(15,811,609)	-	-	-	-	-	-
Sale of capital assets.....	150,000	1,780	7,838	8,635	9,355	16,384	12,549	9,387	-	-
Transfers in.....	8,162,546	6,091,842	2,211,567	3,295,179	5,278,835	12,298,802	4,599,007	5,578,902	4,828,239	3,753,592
Transfers out.....	(5,554,725)	(6,091,842)	(2,211,567)	(3,295,179)	(5,278,835)	(11,628,204)	(3,523,165)	(5,052,062)	(3,942,233)	(2,805,502)
Total other financing sources (uses).....	8,385,352	13,778,259	7,838	10,713,635	6,736,703	16,790,465	15,124,693	7,748,480	9,489,006	19,649,481
Net change in fund balance.....	\$ 7,398,992	\$ 5,073,930	\$ 3,854,600	\$ 11,296,703	\$ 4,873,817	\$ (15,159,334)	\$ 4,604,576	\$ 2,226,097	\$ 3,616,266	\$ 8,115,507
Debt service as a percentage of noncapital expenditures.....	4.54%	4.14%	3.63%	4.37%	4.41%	4.62%	4.47%	4.31%	4.69%	4.18%

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
2007	\$ 7,523,926,865	\$ 10.15	\$ 843,514,735	\$ 255,615,200	\$ 129,018,900	\$ 1,228,148,835	\$ 16.67	\$ 11.06	\$ 8,752,075,700
2008	\$ 7,343,629,210	\$ 10.95	\$ 851,069,790	\$ 259,298,300	\$ 138,332,790	\$ 1,248,700,880	\$ 17.97	\$ 11.97	\$ 8,592,330,090
2009 (1)	\$ 7,178,108,247	\$ 11.71	\$ 826,175,153	\$ 260,306,700	\$ 144,604,120	\$ 1,231,085,973	\$ 19.25	\$ 12.81	\$ 8,409,194,220
2010	\$ 7,017,857,230	\$ 12.30	\$ 820,005,970	\$ 274,302,300	\$ 149,114,320	\$ 1,243,422,590	\$ 20.44	\$ 13.53	\$ 8,261,279,820
2011	\$ 7,027,712,955	\$ 12.71	\$ 831,013,262	\$ 273,718,283	\$ 165,431,820	\$ 1,270,163,365	\$ 21.21	\$ 14.01	\$ 8,297,876,320
2012	\$ 7,099,067,112	\$ 13.09	\$ 836,954,788	\$ 276,018,500	\$ 178,531,790	\$ 1,291,505,078	\$ 21.85	\$ 14.44	\$ 8,390,572,190
2013	\$ 7,293,246,502	\$ 13.42	\$ 843,242,898	\$ 273,007,500	\$ 185,838,150	\$ 1,302,088,548	\$ 22.38	\$ 14.78	\$ 8,595,335,050
2014 (1)	\$ 7,894,327,349	\$ 12.66	\$ 1,020,307,151	\$ 331,988,000	\$ 199,049,900	\$ 1,551,345,051	\$ 21.51	\$ 14.11	\$ 9,445,672,400
2015	\$ 8,909,186,864	\$ 12.61	\$ 1,055,713,836	\$ 311,627,700	\$ 215,696,880	\$ 1,583,038,416	\$ 20.38	\$ 13.78	\$ 10,492,225,280
2016	\$ 9,546,993,086	\$ 12.53	\$ 1,108,832,814	\$ 318,967,000	\$ 223,981,370	\$ 1,651,781,184	\$ 20.18	\$ 13.66	\$ 11,198,774,270



(1) Revaluation year.

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

Source: Assessor's Department, City of Somerville

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

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the City. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value.

The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

Principal Taxpayers

Current Year and Nine Years Ago

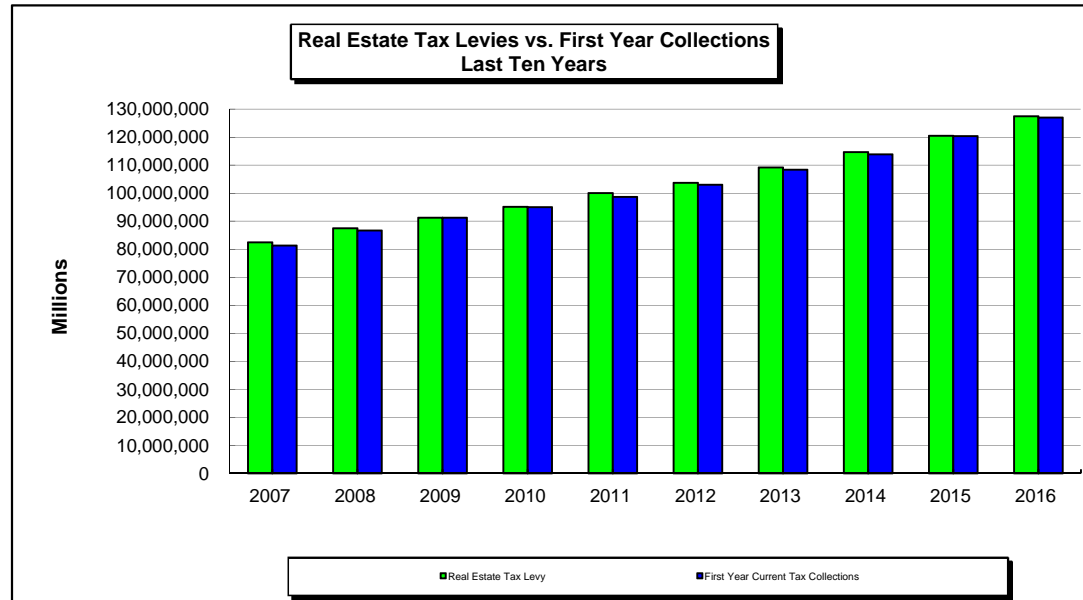
Name	Nature of Business	2016			2007		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Street Retail Inc	Commercial	\$ 165,591,200	1	1.75%	\$ -	-	-
NSTAR Electric Co	Electric Company	\$ 72,028,940	2	0.76%	\$ -	-	-
FR Assembly Square LLC	Shopping Mall	\$ 71,669,900	3	0.76%	\$ 63,129,200	2	0.87%
Twin City Plaza LLC	Retail Mall	\$ 50,129,000	4	0.53%	\$ 44,384,700	4	-
I-93 Somerville LLC	Retail	\$ 36,411,900	5	0.39%	\$ 47,093,000	3	0.00%
CRP 70 Inner Belt LLC	Telecom	\$ 34,761,300	6	0.37%	\$ -	-	0.00%
GAHC3 Somerville MOB LLC	Professional Building	\$ 33,828,600	7	0.36%	\$ -	-	-
North River II LLC	Industrial Office	\$ 30,617,500	8	0.32%	\$ -	-	0.00%
National Tax Search LLC Trustee	Office Building	\$ 28,981,700	9	0.31%	\$ 28,740,100	6	-
CRP 70 Inner Belt LLC	Industrial	\$ 25,083,900	10	0.27%	\$ -	-	0.00%
Boston Edison Company	Utility & Real Estate	\$ -	-	-	\$ 66,638,000	1	0.92%
Kadina Medical Properties	Professional Building	\$ -	-	-	\$ 33,034,100	5	0.46%
IKEA Property Inc	Commercial Land	\$ -	-	-	\$ 24,742,000	8	0.34%
FR Sturtevant Street LLC	Commercial	\$ -	-	-	\$ 19,930,400	9	0.27%
CP/Hers Somerville Corp	Industrial Office Parking	\$ -	-	-	\$ 19,258,300	10	0.27%
Cobble Hill Apartment Company	Real Estate	\$ -	-	-	\$ 27,568,200	7	0.38%
	Totals	<u>\$549,103,940</u>		<u>5.81%</u>	<u>\$374,518,000</u>		<u>3.50%</u>

Source: Official Statement for Sale of Bonds

Property Tax Levies and Collections

Last Ten Years

Year	(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	(3) Percent of Total Tax Collections to Net Tax Levy
2007	\$ 83,200,538	\$ 700,578	\$ 82,499,960	\$ 81,298,109	98.54%	\$ 1,203,595	\$ 82,501,704	100.00%
2008	\$ 88,230,603	\$ 740,520	\$ 87,490,083	\$ 86,635,835	99.02%	\$ 932,119	\$ 87,567,954	100.09%
2009	(1) \$ 92,502,692	\$ 1,235,728	\$ 91,266,964	\$ 91,213,775	99.94%	\$ 56,154	\$ 91,269,929	100.00%
2010	\$ 96,493,032	\$ 1,372,905	\$ 95,120,127	\$ 94,988,009	99.86%	\$ 128,204	\$ 95,116,213	100.00%
2011	\$ 100,548,992	\$ 463,464	\$ 100,085,528	\$ 98,703,495	98.62%	\$ 1,377,979	\$ 100,081,474	100.00%
2012	\$ 104,765,287	\$ 1,088,607	\$ 103,676,680	\$ 102,975,339	99.32%	\$ 696,871	\$ 103,672,210	100.00%
2013	\$ 109,923,036	\$ 799,886	\$ 109,123,150	\$ 108,407,664	99.34%	\$ 711,174	\$ 109,118,838	100.00%
2014	(1) \$ 116,112,597	\$ 1,416,537	\$ 114,696,060	\$ 113,841,400	99.25%	\$ 860,377	\$ 114,701,777	100.00%
2015	\$ 122,165,461	\$ 1,697,496	\$ 120,467,965	\$ 120,376,618	99.92%	\$ 814,136	\$ 121,190,754	100.60%
2016	\$ 129,147,863	\$ 1,680,095	\$ 127,467,767	\$ 126,959,692	99.60%	\$ -	\$ 126,959,692	99.60%



(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

Abatements and Exemptions figures from tax recap

Ratios of Outstanding Debt and General Bonded Debt

Last Ten Years

Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2007	75,699	\$ 2,054,557,532	\$ 8,752,075,700	\$ 74,431,100	\$ -	\$ 983	3.62%	0.85%
2008	75,620	\$ 2,093,461,649	\$ 8,592,330,090	\$ 68,811,515	\$ -	\$ 910	3.56%	0.87%
2009	75,656	\$ 2,136,347,437	\$ 8,409,194,220	\$ 63,807,780	\$ -	\$ 843	2.99%	0.76%
2010	75,754	\$ 2,463,292,818	\$ 8,261,279,820	\$ 69,122,803	\$ -	\$ 912	2.81%	0.84%
2011	75,965	\$ 2,519,556,983	\$ 8,297,876,320	\$ 68,627,852	\$ -	\$ 903	2.72%	0.83%
2012	76,267	\$ 2,580,164,990	\$ 8,390,572,190	\$ 76,177,493	\$ -	\$ 999	2.95%	0.91%
2013	76,589	\$ 2,642,879,641	\$ 8,595,335,050	\$ 83,356,523	\$ -	\$ 1,088	3.15%	0.97%
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%

Year	Business-type Activities (1)		Total Primary Government			
	General Obligation Bonds	Capital Leases	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2007	\$ -	\$ -	\$ 74,431,100	\$ 983	3.62%	0.85%
2008	\$ 12,926,533	\$ -	\$ 81,738,048	\$ 1,081	3.90%	0.95%
2009	\$ 15,380,835	\$ -	\$ 79,188,615	\$ 1,047	3.71%	0.94%
2010	\$ 15,377,277	\$ -	\$ 84,500,080	\$ 1,115	3.43%	1.02%
2011	\$ 13,343,849	\$ -	\$ 81,971,701	\$ 1,079	3.25%	0.99%
2012	\$ 14,245,269	\$ -	\$ 90,422,762	\$ 1,186	3.50%	1.08%
2013	\$ 13,258,968	\$ -	\$ 96,615,491	\$ 1,261	3.66%	1.12%
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%

(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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Equalized Valuation.....	\$ 9,612,275,100	\$ 9,612,275,100	\$ 9,139,060,000	\$ 9,139,060,000	\$ 9,226,665,200	\$ 9,226,665,200	\$ 9,237,328,000	\$ 9,237,328,000	\$ 10,446,575,400	\$ 10,446,575,400
Debt Limit -5% of Equalized Valuation...	\$ 480,613,755	\$ 480,613,755	\$ 456,953,000	\$ 456,953,000	\$ 461,333,260	\$ 461,333,260	\$ 461,866,400	\$ 461,866,400	\$ 522,328,770	\$ 522,328,770
Less:										
Outstanding debt applicable to limit....	71,381,925	74,634,995	73,888,615	83,900,079	81,671,701	90,422,762	96,615,491	96,283,023	95,151,544	104,244,459
Authorized and unissued debt.....	30,867,117	30,514,133	30,868,133	24,070,363	79,179,716	62,907,004	50,103,233	27,875,515	23,156,766	46,509,649
Legal debt margin.....	<u>\$ 378,364,713</u>	<u>\$ 375,464,627</u>	<u>\$ 352,196,252</u>	<u>\$ 348,982,558</u>	<u>\$ 300,481,843</u>	<u>\$ 308,003,494</u>	<u>\$ 315,147,676</u>	<u>\$ 337,707,862</u>	<u>\$ 404,020,460</u>	<u>\$ 371,574,662</u>
Total debt applicable to the limit as a percentage of debt limit.....	21.27%	21.88%	22.93%	23.63%	34.87%	33.24%	31.77%	26.88%	22.65%	28.86%

Source: Official Statement for Sale of Bonds

Direct and Overlapping Governmental Activities Debt

As of June 30, 2016

<u>City of Somerville, Massachusetts</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
MWRA Water.....	\$ 2,101,091,000	3.28%	\$ 68,915,785
MWRA Sewer.....	3,797,261,000	3.41%	129,486,600
Massachusetts Bay Transportation Authority.....	5,656,191,000	3.12%	<u>176,473,159</u>
Subtotal, overlapping debt.....			374,875,544
City direct debt.....			<u>93,750,365</u>
Total direct and overlapping debt.....			<u>\$ 468,625,909</u>

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

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

Demographic and Economic Statistics

Last Ten Years

Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	Unemployment Rate
2007	75,699	\$ 2,054,557,532	\$ 27,141	31.1	3.2%
2008	75,620	\$ 2,093,461,649	\$ 27,684	31.1	3.8%
2009	75,656	\$ 2,136,347,437	\$ 28,238	31.1	6.3%
2010	75,754	\$ 2,463,292,818	\$ 32,517	31.4	6.4%
2011	75,965	\$ 2,519,556,983	\$ 33,167	31.4	5.2%
2012	76,267	\$ 2,580,164,990	\$ 33,831	31.4	4.9%
2013	76,589	\$ 2,642,879,641	\$ 34,507	31.4	5.2%
2014	* 78,804	\$ 2,773,699,578	\$ 35,197	31.3	3.7%
2015	78,901	\$ 2,832,656,005	\$ 35,901	31.3	3.3%
2016	80,318	\$ 2,941,198,848	\$ 36,619	31.3	2.6%

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

Principal Employers (Excluding City)

Current Year and Nine Years Ago

Employer	Nature of Business	2016			2007		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
ABM Industries	Janitorial Services	2,000	1	4.14%	-	-	-
Partners Healthcare	Health Care	1,200	2	2.48%	-	-	-
Cambridge Health Alliance	Health Care	1,014	3	2.10%	771	1	1.72%
Agelica Corporation	Drycleaning & Laundry	546	4	1.13%	546	2	1.22%
J&S Electric Company	Building Equipment	525	5	1.09%	-	-	-
Federal Realty Investment Trust	Real Estate	510	6	1.06%	-	-	-
Somerville Hospital	Health Care	500	7	1.03%	-	-	-
Market Basket	Grocery Store	400	8	0.83%	275	5	0.61%
Rogers Foam Corporation	Foam Products	300	9	0.62%	-	-	-
Royal Hospitality Service Inc	Office Supplies	300	10	0.62%	-	-	-
Super Stop & Shop	Grocery Store	-	-	-	-	-	-
Ames Safety Envelope	Envelopes and File Folders	-	-	-	400	3	0.89%
Star Market / Shaw's	Grocery	-	-	-	400	4	0.89%
MBTA Boston Engine Terminal	Railroad Maintenance	-	-	-	350	6	0.78%
Gentle Giant	Local Trucking	-	-	-	300	7	0.67%
Target	Retail Store	-	-	-	200	8	0.45%
Share Group	Non-Profit Telemarketing	-	-	-	196	9	0.44%
United Parcel Service	Package Delivery Service	-	-	-	180	10	0.40%
Totals		<u>7,295</u>		<u>15.10%</u>	<u>3,618</u>		<u>8.08%</u>

Source: Massachusetts Department of Workforce Development

Full-Time Equivalent City Employees

Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Full-Time Equivalents</u>										
City.....	736	721	712	708	670	675	696	714	729	736
School.....	851	847	853	823	843	845	892	908	923	929
Total	<u>1,586</u>	<u>1,568</u>	<u>1,564</u>	<u>1,531</u>	<u>1,513</u>	<u>1,520</u>	<u>1,587</u>	<u>1,622</u>	<u>1,652</u>	<u>1,665</u>

Source: Finance Committee Report

Operating Indicators by Function/Program

Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government:										
Registered Voters.....	42,795	44,483	42,759	42,937	43,633	45,987	47,484	47,454	45,655	51,319
Births.....	798	827	885	873	922	962	957	974	863	598**
Marriages.....	593	595	602	586	553	503	591	548	513	369**
Deaths.....	482	410	393	459	441	420	410	517	589	285**
Dogs licensed.....	899	981	1,120	1,289	1,595	1,967	1,790	2,127	1,780	2,030**
Business Certificates.....	491	451	471	466	445	451	425	483	318	325**
Fire:										
Total Fires.....	348	239	134	98	156	279	476	377	431	273*
Structure Fires.....	197	75	59	42	44	60	107	56	258	87*
Vehicle Fires.....	13	19	17	16	16	15	24	14	24	18*
Other Fires.....	138	145	58	40	96	204	345	307	149	168*
Civilian										
Deaths.....	0	0	0	0	3	1	0	0	0	1*
Injuries.....	14	2	1	24	41	22	5	1	0	12*
Fire Service										
Deaths.....	0	0	0	0	0	0	0	0	0	0*
Injuries.....	87	112	84	76	81	44	71	38	17	65*
Dollar Loss.....	\$ 5,279,160	\$ 2,981,170	\$ 2,211,115	\$ 2,258,000	\$ 3,019,600	\$ 2,438,000	\$ 5,850,000	\$ 1,559,364	\$ 663,875	\$ 2,622,640*
Police:										
Violent crime total.....	277	283	282	226	259	258	178	206	183	146**
Murder and nonnegligent manslaughter....	1	2	3	0	1	0	0	1	0	0**
Forcible rape.....	17	20	7	14	17	22	17	10	8	8**
Robbery.....	120	112	104	77	90	84	51	58	40	37**
Aggravated assault.....	139	149	168	135	151	152	110	137	135	101**
Property crime total.....	2,278	2,336	1,970	2,028	1,760	1,752	1,552	1,253	1,695	909**
Burglary.....	437	453	493	514	416	349	430	192	305	152**
Larceny-theft.....	1,555	1,633	1,314	1,336	1,193	1,270	1,021	949	1,257	699**
Motor vehicle theft.....	286	250	163	178	151	133	101	112	133	58**
Traffic and Parking:										
Tickets Issued.....	220,754	207,915	189,878	158,995	152,381	149,844	144,919	128,449	247,243	161,675**
Inspectional:										
Building Permit Count.....	1,793	1,718	1,507	1,736	1,627	1,682	1,775	1,775*	2,166	1,619**
Education:										
Total enrollment.....	4,894	4,890	4,877	4,842	4,855	4,877	4,922	4,940	4,987	4,905
Library:+										
Total Circulation.....	399,470	425,743	499,205	501,095	466,304	448,579	415,666	411,566	387,222	387,222*
Total Holdings.....	180,499	185,847	185,611	183,791	185,930	192,229	194,451	200,522	205,045	205,045*
Registered users.....	25,629	27,447	27,939	27,663	27,826	27,934	28,017	29,611	29,351	29,351*

NA - Information not available

+ Denotes fiscal year reporting schedule, * Denotes estimates based on 2013 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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	3	3	3	2	2	3	3	3	3
Public works:										
Streets (miles).....	N/A	105.64	106.15	106.17	106.17	106.17	108.97	115.11	119.7	119.7
Electric:										
Streetlights.....	3,986	3,986	4,006	4,006	4,006	4,032	4,032	4,032	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.....	40	40	41	41	41	43	43	43	43	69
Acreage.....	48.18	48.18	49.27	49.27	49.27	51.35	51.35	51.35	51.35	58.3
DCR Parks in Somerville										
Number of Parks.....	6	6	6	6	6	6	6	6	6	8
Acreage.....	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	81.3
Other Open and Public Space										
Number of Spaces.....	25	28	28	28	28	28	28	28	28	10
Acreage.....	48.36	50.34	50.34	50.34	50.34	50.34	50.34	50.34	50.34	19.3
Water:										
Water mains (miles).....	125	125	125	125	125	125	125	125	125	125
Fire hydrants.....	1,508	1,508	1,508	1,523	1,523	1,523	1,523	1,550	1,555	1,555
Education:										
Elementary schools.....	10	10	9	9	9	9	10	10	10	10
High school.....	1	1	1	1	1	1	1	1	1	1

NA - Information not available
 Source: Various City Departments