

# CITY OF SOMERVILLE

MASSACHUSETTS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



**For the Fiscal Year Ended June 30, 2012**

Joseph A. Curtatone, Mayor  
Edward Bean, Finance Director

Prepared by the City of Somerville Finance Department

## **On the Cover – The Powder House**

The Powder House was built in 1703 or 1704 by John Mallet. It was originally used as a windmill, but the owning family sold it to the Massachusetts Bay Colony in 1747, and it was used as a powder magazine thereafter.

On September 1, 1774, British troops landed at the Ten Hills Farm on the Mystic River in present-day Somerville, and marched up Broadway to the Powder House in order to seize all 250 barrels of gunpowder that were stored there. This act led to a massive public reaction known as the Powder Alarm. Thousands of irregulars from surrounding towns prepared to march toward Boston for battle, but the rumors of war turned out to be premature. The public outrage forced the British General Gage to cancel a planned second expedition to seize more arms, and prompted the area colonists to amass their weapons at Concord and other more remote locations. The Powder House would be used as a magazine for militia troops besieging Boston in 1775.

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Prepared by the City of Somerville Finance Department

CITY OF SOMERVILLE, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2012

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# ***Introductory Section***



Somerville City Hall, originally the high school, was built in 1852 in a Colonial Revival style. The building was added to the National Register of Historic Places in 1989.

# ***Introductory Section***



## City of Somerville, Massachusetts

**Joseph A. Curtatone**

**MAYOR**

January 15, 2013

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Somerville (City) for the fiscal year ended June 30, 2012. The CAFR is prepared by the City's Auditing Department, and is intended to provide information regarding the financial position of the City. This report is prepared in accordance with generally accepted accounting principles (GAAP), and is audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report 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, 2012 audit. This audit is conducted in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Somerville for the fiscal year ended June 30, 2012 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 fiscal year ended June 30, 2012 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, 2012 included no instances of significant violations of the applicable laws and regulations reported. Management's Discussion and Analysis (MD&A) follows the independent auditor's report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement that analysis and should be read in conjunction with it.

This CAFR is presented in three sections: **Introductory**, **Financial** and **Statistical**. This **Introductory Section** contains this transmittal letter with economic conditions and outlook, major initiatives, financial information and other relevant information. The **Financial Section** contains a Management's Discussion and Analysis (MD&A) section. Generally accepted accounting principles (GAAP) 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. The **Statistical Section** contains, in most cases, a ten-year history of trends of both financial and demographic data.

## 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 75,754, 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, featuring immigrants from across Europe.



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 (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, college students and recent immigrants from countries as diverse 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 ceremonies celebrating cultural traditions and holidays. Somerville is a diverse, dense, walkable, community that offers comparatively affordable housing. 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 students make up roughly 15% 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. Among the most active today are Davis Square, Union Square, Ball Square, Teele Square, and Magoun Square. 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 is the only 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 Somerville. 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 school programs - including arts, language extra-curricular, pre-K and after school - have been restored and expanded. The City has overhauled its youth programs by hiring new directors, and reinstating lost programs and services. Programs include the SomerTime Day Camp and 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.

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.

## 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 redevelopment in the Metro Boston Area. Assembly Square is a 145-acre district located at the northeast corner of the City on the Boston line.

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 which is expected to open by October 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 will act 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.

Ultimately, 2012 represents the first year in which major construction starts in Assembly Square. Projects currently under construction include the Orange Line Transit Station, the 5+-acre waterfront park and commuter pathway extension project, a new network of roadways, the stormwater conduit, Blocks 1, 3, and 4, and a storage building that is under construction by SSG Development outside the scope of the Assembly Row project.

### **Boynton Yards**

The MBTA's plans to extend the Green Line into Union Square has generated new interest in Boynton Yards; the transit stop lies in the northwest corner of the 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), where highest density and greatest building heights (up to 135 feet) would be allowed.

The City has negotiated development agreements with two property owners in the Boynton Yards district that will affect the long-term redevelopment of the area. In the case of Royal Hospitality, the City is allowing the commercial laundry facility to double the size of its operations for a ten year period. At the end of that period, which can be extended at the City's discretion based on economic conditions, the property owner must abandon the industrial use and submit plans for the redevelopment of the property in accordance with the new TOD zoning. In the case of Green Cab, the City has issued a Special Permit which expires in ten years to allow the property to be used as a taxi cab dispatch and storage center. At the end of the ten years, the owner must submit plans to redevelop the site in accordance with the new TOD zoning, and may continue the use within the new development.

The City is under contact 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.

### **Inner Belt**

The Inner Belt is a manufacturing and warehouse district the City hopes 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 the 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 the Inner Belt a very competitive location for technology-oriented businesses.

Established employers, including MS Walker, Partners Healthcare, the MBTA Boston Engine Terminal, and Angelica Textiles 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.

The land use and planning firm Goody Clancy, has been chosen to prepare an Urban Streetscape and Adaptive Reuse Plan that builds upon the work of Greenberg/CBT to prepare an area plan that will include an analysis of the existing roadway and utility network and develop alternatives that would improve circulation, land use and zoning to support redevelopment. This two year planning held its first focus group meeting in May 2011.

### **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. 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. For example, the Somerville Theater – a 1920's vaudeville theater with a 900 seat capacity – includes a cinema complex and regularly hosts national and international musical performances attracting patrons from the entire region. 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. A major commercial building with retail, offices, and a health club opened in the heart of the square in 2008. Another mixed-use building is currently under construction in the central business district and a special permit application has been submitted for a 30 unit residential development on Summer Street.



### **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 \$90,000 state grant to create an "ArtsUnion" arts and entertainment district for economic development; 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 Square and Porter Square. The Commonwealth of Massachusetts has officially stated its commitment to construct a Green Line light-rail service to Union Square, which is expected to drive a new generation of economic development for this historic downtown. 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 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 should be completed by spring 2012 and 25% construction drawings are scheduled for delivery in fall of the same year. The project will see the reconstruction of two major arterials through the square, extension of the newly separated Somerville Avenue storm and sanitary sewer lines, and expansion of the public plaza by four fold.



**Transit Improvements**

As mentioned above, the City secured funding for a new Assembly Square Orange Line station (combination of federal, state and private funding). The station was bid in May and construction is currently underway.

While the Assembly Square station promises to bring about 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 stability. All necessary state level environmental permits

were issued last year and 30% designs are nearing completion. The state’s transportation department (MassDOT) expects to bid the project in phases. Phase 1 will be a design/build contract for two bridges and building demolition. This phase is scheduled to be bid later this year. Phase 2/2A will be a construction management/general contractor (CMGC) contract for construction of stations at Washington St and Union Square to be bid in spring/summer of 2013. Phase 3 will be a CMGC contract for construction of the maintenance facility to be bid in 2014 and Phase 4 for the remaining four green line stations.

**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 2012 is \$7,846,054, which represents 4.5% of general fund revenues, the same percentage as fiscal year 2011. The following table sets forth the recent trend in Free Cash for the City.

Free Cash (July 1)	
2012	\$7,846,054
2011	7,646,537
2010	7,364,518
2009	6,378,420
2008	10,210,232
2007	8,146,771
2006	6,945,371
2005	8,529,764

### Stabilization Fund

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 City's Stabilization Funds balances for fiscal year 2012 is \$12,476,965, which represents 7.1% of general fund revenues.

The following table lists the Stabilization Funds balances for the following fiscal years.

Stabilization Fund Balance	
2012	\$12,476,965
2011	11,662,056
2010	13,996,875
2009	13,094,036
2008	7,645,608
2007	4,800,000

### 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 five-year Capital Improvement Plan that is used as a guide for capital expenditures in future years. The Capital Improvement Program for FY 2012 through FY 2016 has an estimated cost of \$142.7 million. Financing for the fiscal year 2012 portion of the capital plan is appropriated on a project-by-project basis.

The City issues its debt in accordance with the life of the asset. In addition, the City has funded a portion of its Capital Improvement Program on a "pay-as-you-go" basis out of current revenues. The City's General Obligation (GO) outstanding bonded debt as of June 30, 2011 totaled \$81.6 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.

Fiscal Year End	General Obligation Bonds Outstanding	Local Assessed Valuation	Per Capita Debt	Bonds as a % of Assessed Valuation
2012	\$91,149,569	\$8,390,572,190	\$1,195	1.0
2011	81,971,701	8,297,876,320	1,079	1.0
2010	84,500,080	8,261,279,820	1,115	1.0
2009	79,188,615	8,409,194,220	1,047	0.9
2008	81,738,048	8,592,330,090	1,081	0.9
2007	74,431,100	7,408,178,051	983	0.9

### Property Valuations

Based on valuations of all real and personal property as of January 1, 2010, the total value of all property in the City is \$8.3 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 fiscal year 2010. The next

reevaluation will be completed in fiscal year 2014. 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 fiscal 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		
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
2010	8,112,165,500	149,114,320	8,261,279,820	12.30	20.44	96,493,032	1,274
2009	8,264,590,100	144,604,120	8,409,194,220	11.71	19.25	92,502,692	1,221
2008	8,453,997,300	138,332,790	8,592,330,090	10.95	17.97	88,230,603	1,165
2007	8,623,056,800	129,018,900	8,752,075,700	10.15	16.67	83,200,538	1,092

#### 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, 2011.

The total unfunded pension benefit obligation applicable to the City's employees was \$123,329,286 at January 1, 2011 as follows:

Total pension benefit obligation	\$311,654,245
Net assets available for benefits, at market value	<u>188,324,959</u>
Unfunded pension benefit obligation	<u>\$123,329,286</u>

The City is currently on a funding schedule that will amortize its unfunded pension liability by June 30, 2035. 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 2011 fiscal years and budgeted for fiscal year 2012 are as follows:

Fiscal Year	Contributory	Non-Contributory
2012	\$11,172,596	\$333,431
2011	10,830,988	333,431
2010	10,352,352	333,431
2009	11,792,112	399,950
2008	11,121,547	475,500

### **Other Postemployment Benefits (OPEB) Liability**

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities and towns is generally provided on a pay-as-you-go basis. The pay-as-you-go costs to the City for such benefits in recent years have been as follows:

<b>Fiscal Year</b>	<b>Amount</b>
<b>2012</b>	\$10,036,871
<b>2011</b>	10,200,914
<b>2010</b>	16,325,784
<b>2009</b>	15,037,853
<b>2008</b>	13,690,506

The City obtained a new actuarial valuation for the City's OPEB liability as of June 30, 2012. The City entered the Group Insurance Commission (GIC)—the State's health insurance consortium—on January 1, 2011. The lower costs and reduced long-term liabilities associated with the move to the GIC necessitated an updated valuation. The City had an unfunded actuarial liability (UAL) that totaled \$300,478,458 on a pay-as-you-go 4.0% basis and \$171,220,852 on a full prefunding 8% basis. The City's annual required contribution (ARC) totaled \$19,026,496 on a pay-as-you-go basis and \$12,960,892 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, 2012 is included herein.

### **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting. The City will be submitting this Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

Preparing this report represents significant effort by the entire financial team of the City, whose dedicated efforts have significantly improved the financial operations of the City. I appreciate their continued hard work and dedication to make Somerville a great place to live, work, play and raise a family.

## MOVING FORWARD

The City will continue the necessary work of growing our commercial tax base. The long-term outlook for Somerville continues to be 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.

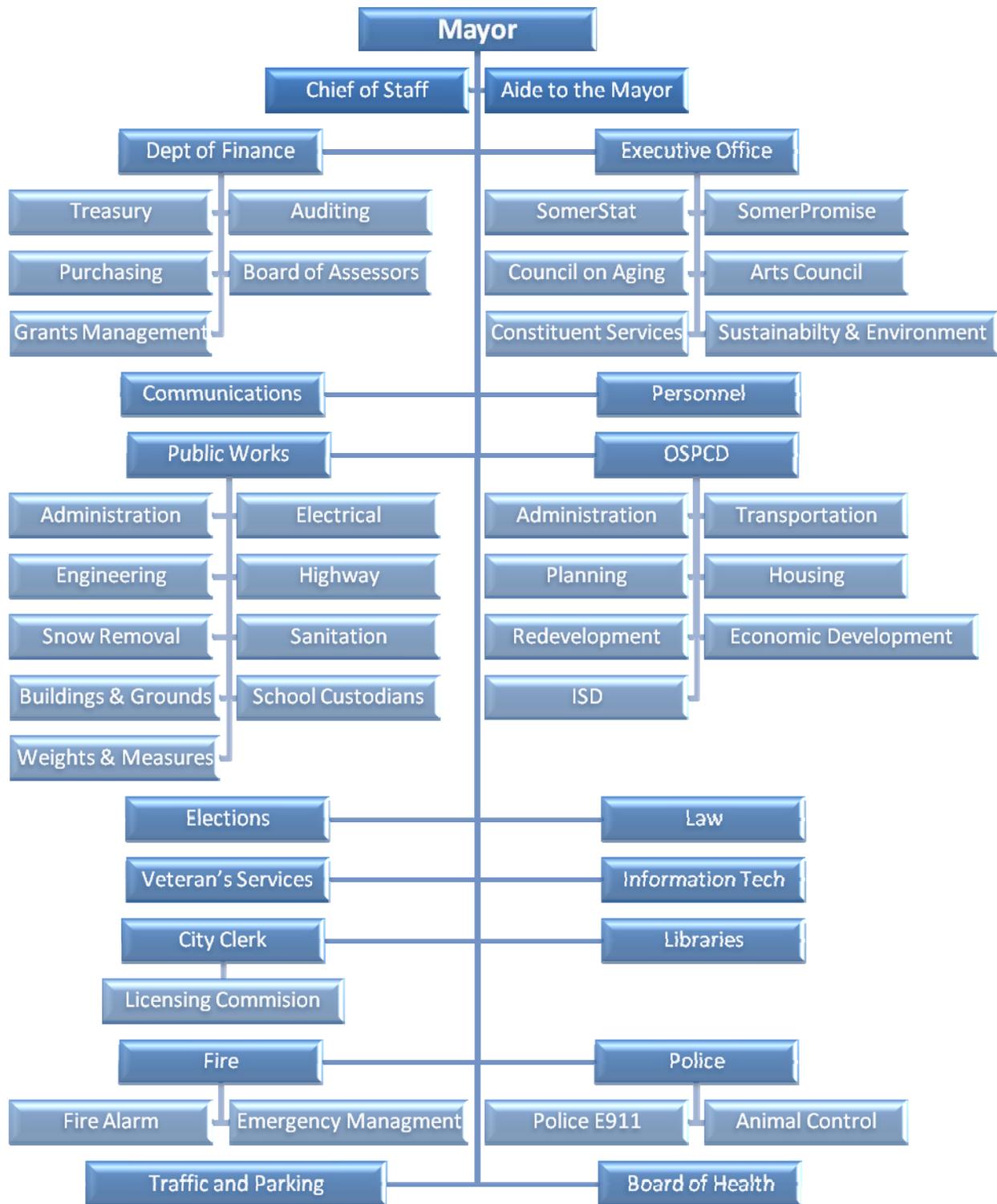
While no community can be fully insulated from continued turbulence in the national and regional economies, Somerville is well positioned to preserve its high level of municipal services while preparing for future economic development. We are governing in the present with an eye on our future.

Sincerely,

*Joseph A. Cartatone*



# Organizational Chart





## **City Government**

---

**Joseph A. Curtatone, Mayor**

**Edward Bean, Finance Director**

Doug Willardson, Budget Analyst

Colleen Tam, Systems Accountant

## **Board of Aldermen**

---

Thomas F. Taylor, President, Ward 3

William A. White Jr., Vice President, At-large

Dennis M. Sullivan, At-large

John M. Connolly, At-large

Bruce M. Desmond, At-large

Maureen Cuff-Bastardi, Ward 1

Maryann M. Heuston, Ward 2

Tony Lafuente, Ward 4

Sean T. O' Donovan, Ward 5

Rebekah L. Gewirtz, Ward 6

Robert C. Trane, Ward 7

# ***Financial Section***



Prospect Hill Park site of the first raising of the Grand Union Flag on January 1, 1776

## ***Financial Section***

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100 Quannapowitt Parkway  
Suite 101  
Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
[www.powersandsullivan.com](http://www.powersandsullivan.com)

## Independent Auditors' Report

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

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 fiscal year ended June 30, 2012 (except for the Somerville Contributory Retirement System which is as of and for the year ended December 31, 2011), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Somerville, Massachusetts' management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2012 (except for the Somerville Contributory Retirement System which is as of December 31, 2011), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013, on our consideration of the City of Somerville, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Somerville, Massachusetts' basic financial statements. The combining statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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.

The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.



January 15, 2013

# ***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 fiscal year ended June 30, 2012. 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 fiscal year. The statements are prepared using the full accrual basis of accounting. All revenues and expenses connected with the fiscal 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 assets* presents information on all of the City of Somerville's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Somerville is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (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, and culture and recreation. 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 fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

The City of Somerville adopts an annual appropriated budget for its general fund. A budgetary comparison statement 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. The City contributed \$200,000 to the fund during fiscal year 2012. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

**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 assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Somerville, Governmental assets exceeded liabilities by \$130.9 million and the business-type assets exceeded liabilities by \$47.7 million at the close of the most recent fiscal year. Key components of the City's activities are presented on the following pages.

**Governmental Activities**

	<u>FY 2012</u>	<u>FY 2011</u>
<b>Assets:</b>		
Current assets.....	\$ 106,329,526	\$ 108,006,646
Noncurrent assets (excluding capital).....	18,556,702	23,453,659
Capital assets.....	<u>188,702,533</u>	<u>159,302,299</u>
<b>Total assets.....</b>	<b><u>313,588,761</u></b>	<b><u>290,762,604</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	23,079,220	11,517,903
Noncurrent liabilities (excluding debt).....	75,043,096	66,384,970
Current debt.....	15,160,932	10,007,882
Noncurrent debt.....	<u>69,416,523</u>	<u>61,154,301</u>
<b>Total liabilities.....</b>	<b><u>182,699,771</u></b>	<b><u>149,065,056</u></b>
<b>Net Assets:</b>		
Invested in capital assets net of related debt.....	142,244,500	117,701,275
Restricted.....	22,775,093	25,126,498
Unrestricted.....	<u>(34,130,603)</u>	<u>(1,130,225)</u>
<b>Total net assets.....</b>	<b><u>\$ 130,888,990</u></b>	<b><u>\$ 141,697,548</u></b>

The largest portion of the City of Somerville's net assets, \$142.2 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 assets, \$22.8 million, represents resources that are subject to external restrictions on how they may be used. These include funds for street improvement (Ch. 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 school grants.

The City has \$37.0 million of unrestricted net assets excluding the recorded liability for a portion of the postemployment healthcare obligation. That liability (\$71.1 million) is long-term in nature, and will not be funded from the \$34.1 million of unrestricted net assets at June 30, 2012. The City began the process of pre-funding a portion of the liability in fiscal year 2012 by establishing an irrevocable trust which, as of June 30, 2012, has a balance of \$200,010 and is reported within the Fiduciary Funds in the City's financial statements.

At the end of the current fiscal year, the City of Somerville is able to report positive balances in two of its three categories of net assets for the government as a whole.

Included within the noncurrent assets (excluding capital) is \$18.6 million in future school construction reimbursement grants.

Long-term liabilities include \$69.9 million in general obligation bonds; \$3.3 million in compensated absence liabilities for unused vacation, special leave, and enhanced longevity benefits payable; \$617 thousand in future year workers' compensation benefits payable; \$71.1 million in other postemployment benefits and \$437 thousand in unamortized premium on bonds payable.

**Governmental activities.** Governmental activities net assets decreased by \$10.8 million in fiscal year 2012.

	<u>FY 2012</u>	<u>FY 2011</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 21,254,349	\$ 21,518,457
Operating grants and contributions.....	56,142,880	57,842,184
Capital grants and contributions.....	1,014,340	1,300,151
<b>General Revenues:</b>		
Real estate and personal property taxes.....	102,516,625	100,266,040
Motor vehicle and other excise taxes.....	6,773,737	5,067,456
Penalties and interest on taxes.....	860,457	1,266,600
Payments in lieu of taxes.....	192,334	398,281
Nonrestricted grants and contributions.....	22,936,689	24,479,415
Unrestricted investment income.....	320,878	419,721
Gain on sale of capital assets.....	-	9,355
Other revenues.....	61,023	884,039
<b>Total revenues.....</b>	<b><u>212,073,312</u></b>	<b><u>213,451,699</u></b>
<b>Expenses:</b>		
General government.....	22,124,384	21,655,742
Public safety.....	52,391,661	45,903,858
Education.....	113,396,259	108,691,993
Public works.....	23,631,860	23,346,672
Community development.....	5,225,117	6,958,331
Human services.....	316,137	131,480
Culture and recreation.....	4,160,530	4,413,109
Interest.....	2,306,520	2,282,434
<b>Total expenses.....</b>	<b><u>223,552,468</u></b>	<b><u>213,383,619</u></b>
<b>Transfers.....</b>	<b><u>670,598</u></b>	<b><u>-</u></b>
<b>Change in net assets.....</b>	<b><u>\$ (10,808,558)</u></b>	<b><u>\$ 68,080</u></b>

The primary reason for the decrease relates to the liability relating to GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which requires the recognition of other postemployment benefits (OPEB) cost over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan. In fiscal year 2012 the City reported a liability of \$71.1 million for its portion of the liability that was not paid, an increase of \$9.4 million. Another contributing factor was an increase of \$457 thousand in the Appellate Tax Board cases due to the inclusion of the telecommunication companies

winning their personal property cases in the appeals process, and the City's use of reserves to fund the general fund budget.

These decreases were offset by the receipt of \$1 million in capital grants related to developer payments received from the Federal Realty Investment Trust and a State grant for the purchase of land and principal payments on long-term debt exceeded depreciation expense by \$1.4 million.

Public safety and education expenses increased by \$6.5 million and \$4.7 million, respectively. Both increases are primarily related to budgetary needs as well as increases in health insurance and pension costs. The large decrease in community development expenses was due to a reduction in available ARRA funds as well as the timing of CDBG and HOME grant expenditures versus the recognition of the related revenue.

**Business-type Activities**

Relevant details to operations of the water, Veteran's Memorial Ice Rink, Dilboy Stadium and sewer operations, which are presented as business-type activities are shown below.

	<u>FY 2012</u>	<u>FY 2011</u>
<b>Assets:</b>		
Current assets.....	\$ 27,754,877	\$ 21,810,729
Capital assets.....	35,053,167	33,368,962
<b>Total assets.....</b>	<b><u>62,808,044</u></b>	<b><u>55,179,691</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	105,295	122,129
Noncurrent liabilities (excluding debt).....	731,418	628,643
Current debt.....	2,228,640	2,051,025
Noncurrent debt.....	<u>12,016,629</u>	<u>11,292,824</u>
<b>Total liabilities.....</b>	<b><u>15,081,982</u></b>	<b><u>14,094,621</u></b>
<b>Net Assets:</b>		
Invested in capital assets net of related debt.....	24,078,204	20,725,186
Unrestricted.....	<u>23,647,858</u>	<u>20,359,884</u>
<b>Total net assets.....</b>	<b><u>\$ 47,726,062</u></b>	<b><u>\$ 41,085,070</u></b>

Business-type net assets of \$24.1 million (51%) represent investments in capital assets net of related debt. The remaining \$23.6 million (49%) is available to be used for the ongoing operation of the City's water, Veteran's Memorial Ice Rink, Dilboy Stadium, and sewer activities. There was an overall increase of \$6.6 million in net assets reported in connection with the enterprise funds.

	<u>FY 2012</u>	<u>FY 2011</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 29,473,199	\$ 28,693,886
<b>General Revenues:</b>		
Unrestricted investment income.....	155,276	162,484
Other revenues.....	<u>1,322,550</u>	<u>-</u>
<b>Total revenues.....</b>	<b><u>30,951,025</u></b>	<b><u>28,856,370</u></b>
<b>Expenses:</b>		
Water.....	8,366,003	9,034,024
Veteran's Memorial Ice Rink.....	337,456	-
Dilboy Stadium.....	132,312	-
Sewer.....	<u>14,803,664</u>	<u>14,185,999</u>
<b>Total expenses.....</b>	<b><u>23,639,435</u></b>	<b><u>23,220,023</u></b>
<b>Transfers.....</b>	<b><u>(670,598)</u></b>	<b><u>-</u></b>
<b>Change in net assets.....</b>	<b><u>\$ 6,640,992</u></b>	<b><u>\$ 5,636,347</u></b>

The water enterprise fund net assets increased \$3.0 million. This is primarily due to the fund's ability to set rates designed to cover costs of operations as well as principal payments on debt.

The sewer enterprise fund net assets increased \$3.4 million. This is primarily due to the fund's ability to set rates to cover costs of operations including principal payments on debt, and the recognition of a \$1.3 million capital grant from the Massachusetts Water Resource Authority.

In fiscal year 2012, the City established the Veterans Memorial Ice Rink enterprise fund. Based on an agreement with the City of Somerville and the State Department of Conservation and Recreation, the City entered into a five year permit agreement to operate, manage and maintain the Veterans Memorial Ice Rink. The fund is being used to account for operating revenues and expenses. For fiscal year 2012, the fund net assets increased by \$236 thousand. This is primarily the result of an operating loss of \$67 thousand offset by a transfer in of \$302 thousand from the previously maintained Veterans Memorial Ice Rink revolving fund.

In fiscal year 2012, the City established the Dilboy Stadium enterprise fund. This fund is being used to account for all sporting activities that take place at Dilboy Stadium. For fiscal year 2012, the fund net assets increased by \$33 thousand. This is primarily the result of an operating loss of \$42 thousand offset by a transfer in of \$75 thousand from the previously maintained Dilboy Stadium revolving fund.

### ***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 fiscal year.

At the end of the current fiscal year, the City of Somerville's governmental funds combined ending balances totaled \$58.1 million, of which positive balances of \$41.6 million was reported in the general fund, \$12.5 million in the strategic planning and community development fund, and \$11.8 million in the nonmajor governmental funds. The capital projects fund reported a deficit of (\$7.9) million. Cumulatively there was a decrease of \$15.1 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 fiscal year unassigned fund balance of the general fund totaled \$13.7 million and was comprised of two components: an unreserved fund balance of \$9.9 million and a rainy day stabilization fund of \$3.8 million. Assigned fund balance, which represents amounts, designated for the fiscal year 2013 budget, and amounts that have been reserved for the use of liquidating prior period purchase orders, contracts, and ongoing capital articles, totaled \$5.9 million. Committed fund balance, which represents the City's various use-specific stabilization funds, totaled \$21.9 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 fiscal year-end unassigned fund balance equaled 7.0% of total general fund expenditures, while total fund balance equaled 21.3% of the same amount. Please see Note 9 for further details.

The City's general fund increased \$913 thousand in the current fiscal year. The primary reasons for the increase were better than expected collections, higher than expected budgetary appropriation turnbacks and a surplus in its unemployment trust. These increases were offset by the City's planned use of reserves to balance the budget.

The City's strategic planning and community development fund balance increased by approximately \$288 thousand. The fund operates on a grant drawdown basis and expenditures are driven based on grant allotments.

The City's capital projects funds decreased by \$7.9 million. The decrease is due to the net effect of \$31.4 million of capital related expenditures on current and prior fiscal year's projects offset by the issuance of \$15.8 million in bonds and \$7.9 million in transfers from a receipts reserved insurance account.

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

There was a \$2.5 million increase between the original budget and the final amended budget. The increase was attributable to public safety, education, public works, and employee benefits line items, as well as transfers to the rainy day stabilization fund.

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

**Capital assets.** The City of Somerville's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$188.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net increase in the City's investment in capital assets for the current year was \$29.4 million.

Major capital asset events during the fiscal year included the following:

- Purchase of land related to the City's District Improvement Financing project;
- Improvements to the City's recreational parks;
- Investments made to improve and expand the buildings of the School department and Public works;
- A variety of infrastructure investments in the street and sidewalk 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 fiscal year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures. The chart below summarizes the net carrying value of the various capital asset categories within the governmental activities.

	<u>2012</u>	<u>2011</u>
Land and land improvements.....	\$ 47,059,935	\$ 31,779,388
Construction in progress.....	14,950,941	3,192,942
Books and periodicals.....	403,176	512,188
Buildings and improvements.....	106,294,470	104,840,652
Machinery and equipment.....	2,808,145	2,994,153
Vehicles.....	3,031,284	3,740,307
Infrastructure.....	<u>14,154,582</u>	<u>12,242,669</u>
Total.....	<u>\$ 188,702,533</u>	<u>\$ 159,302,299</u>

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 fiscal year, the City of Somerville had total governmental bonded debt outstanding of \$76.9 million. Additionally, the City reported governmental short-term borrowing of \$8.4 million related to various school projects, outdoor ice rink construction, street resurfacing and various building improvements. The chart below summarizes outstanding governmental long term debt at year-end.

**General Obligation Bonds Outstanding**

	<u>2012</u>	<u>2011</u>
Municipal Purpose - August 16, 2006 (Refunding)...	\$ 13,585,000	\$ 15,870,000
Municipal Purpose - February 15, 2002.....	-	1,255,000
General Obligation Bond - March 15, 2004.....	2,331,093	3,144,540
Municipal Purpose - August 15, 2006.....	4,165,000	4,750,000
MSBA - February 12, 2008.....	7,646,207	8,010,312
Municipal Purpose - February 1, 2009.....	3,375,000	3,900,000
Municipal Purpose - February 15, 2010.....	2,478,000	2,694,000
Municipal Purpose - April 1, 2010 (Refunding).....	14,814,000	14,954,000
Municipal Purpose - June 15, 2010.....	7,085,000	7,445,000
Municipal Purpose - February 23, 2011.....	5,675,000	6,305,000
General Obligation Bond - May 17, 2012.....	<u>15,750,000</u>	<u>-</u>
Total bonds payable.....	76,904,300	68,327,852
Section 108 Intergovernmental Loans.....	<u>-</u>	<u>300,000</u>
Total.....	<u>\$ 76,904,300</u>	<u>\$ 68,627,852</u>

During fiscal year 2012, the City's governmental long-term debt increased \$8.3. This change is due to the net effect of current year principal payments combined with the issuance general obligation bonds for various projects during fiscal year 2012. See note 8 for further long term debt information.

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

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

- According to the U.S. Census Bureau, the median family income of the City for the period 2006 – 2010 was \$61,731 compared with \$64,509 for the Commonwealth and \$51,914 for the nation. The per capita income was \$32,517, compared with \$33,966 for the Commonwealth and \$27,334 for the nation.
- The unemployment rate for the City of Somerville is approximately 4.3%, which is a 0.2% drop from a rate of 4.5% a year ago. This compares favorably to the state's average unemployment rate of 6.1% and the national average of 7.8%.
- According to the City's Board of Assessors, the average fiscal year 2012 single family home in the city is valued at \$402,000; the average two-family home is valued at \$484,800; the average fiscal year 2012 commercial and industrial property is valued at \$1,459,600. 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.

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## ***Basic Financial Statements***

**STATEMENT OF NET ASSETS**

JUNE 30, 2012

	<b>Primary Government</b>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 73,373,869	\$ 17,695,969	\$ 91,069,838
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,117,682	-	1,117,682
Tax liens.....	2,139,706	-	2,139,706
Motor vehicle excise tax.....	229,049	-	229,049
User fees.....	-	10,058,908	10,058,908
Departmental and other.....	5,600,444	-	5,600,444
Intergovernmental.....	9,993,450	-	9,993,450
Loans.....	13,875,326	-	13,875,326
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	18,556,702	-	18,556,702
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	45,171,215	-	45,171,215
Depreciable.....	143,531,318	35,053,167	178,584,485
<b>TOTAL ASSETS.....</b>	<b>313,588,761</b>	<b>62,808,044</b>	<b>376,396,805</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	17,477,932	-	17,477,932
Other liabilities.....	1,728	-	1,728
Accrued payroll.....	1,478,012	20,890	1,498,902
Health claims payable.....	22,642	-	22,642
Tax refunds payable.....	1,415,000	-	1,415,000
Accrued interest.....	791,941	82,205	874,146
Payroll withholdings.....	828,467	-	828,467
Abandoned property.....	655,673	-	655,673
Compensated absences.....	202,325	2,200	204,525
Workers' compensation.....	205,500	-	205,500
Notes payable.....	8,399,962	-	8,399,962
Bonds payable.....	6,760,970	2,228,640	8,989,610
<b>NONCURRENT:</b>			
Compensated absences.....	3,325,975	56,400	3,382,375
Workers' compensation.....	616,500	-	616,500
Other postemployment benefits.....	71,100,621	675,018	71,775,639
Bonds payable.....	69,416,523	12,016,629	81,433,152
<b>TOTAL LIABILITIES.....</b>	<b>182,699,771</b>	<b>15,081,982</b>	<b>197,781,753</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	142,244,500	24,078,204	166,322,704
Restricted for:			
Streets.....	719,645	-	719,645
Community Development.....	4,706,594	-	4,706,594
Loans.....	13,875,326	-	13,875,326
Permanent funds:			
Expendable.....	217,978	-	217,978
Nonexpendable.....	433,126	-	433,126
Other specific purposes.....	2,822,424	-	2,822,424
Unrestricted.....	(34,130,603)	23,647,858	(10,482,745)
<b>TOTAL NET ASSETS.....</b>	<b>\$ 130,888,990</b>	<b>\$ 47,726,062</b>	<b>\$ 178,615,052</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 22,124,384	\$ 5,645,000	\$ 2,241,945	\$ 1,003,200	\$ (13,234,239)
Public safety.....	52,391,661	10,402,613	583,597	-	(41,405,451)
Education.....	113,396,259	2,888,195	46,478,286	-	(64,029,778)
Public works.....	23,631,860	1,386,673	149,243	11,140	(22,084,804)
Community development.....	5,225,117	401,441	5,677,368	-	853,692
Human services.....	316,137	345,933	270,362	-	300,158
Culture and recreation.....	4,160,530	184,494	159,354	-	(3,816,682)
Interest.....	2,306,520	-	582,725	-	(1,723,795)
<b>Total Governmental Activities.....</b>	<b>223,552,468</b>	<b>21,254,349</b>	<b>56,142,880</b>	<b>1,014,340</b>	<b>(145,140,899)</b>
<i>Business-Type Activities:</i>					
Water .....	8,366,003	11,972,625	-	-	3,606,622
Sewer.....	14,803,664	17,139,421	-	1,322,550	3,658,307
Dilboy Stadium.....	132,312	90,527	-	-	(41,785)
Veteran's Memorial Ice Rink.....	337,456	270,626	-	-	(66,830)
<b>Total Business-Type Activities.....</b>	<b>23,639,435</b>	<b>29,473,199</b>	<b>-</b>	<b>1,322,550</b>	<b>7,156,314</b>
<b>Total Primary Government.....</b>	<b>\$ 247,191,903</b>	<b>\$ 50,727,548</b>	<b>\$ 56,142,880</b>	<b>\$ 2,336,890</b>	<b>\$ (137,984,585)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

FISCAL YEAR ENDED JUNE 30, 2012

	<b>Primary Government</b>		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ <b>(145,140,899)</b>	\$ <b>7,156,314</b>	\$ <b>(137,984,585)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	102,516,625	-	102,516,625
Motor vehicle and other excise taxes.....	6,773,737	-	6,773,737
Penalties and interest on taxes.....	860,457	-	860,457
Payments in lieu of taxes.....	192,334	-	192,334
Grants and contributions not restricted to specific programs.....	22,936,689	-	22,936,689
Unrestricted investment income.....	320,878	155,276	476,154
Miscellaneous.....	61,023	-	61,023
<i>Transfers, net</i> .....	670,598	(670,598)	-
Total general revenues and transfers.....	134,332,341	(515,322)	133,817,019
Change in net assets.....	(10,808,558)	6,640,992	(4,167,566)
<i>Net Assets:</i>			
Beginning of year.....	141,697,548	41,085,070	182,782,618
End of year.....	\$ <u>130,888,990</u>	\$ <u>47,726,062</u>	\$ <u>178,615,052</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2012

<b>ASSETS</b>	General	Strategic Planning & Community Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 47,603,416	\$ 273,440	\$ 15,914,422	\$ 9,582,591	\$ 73,373,869
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	1,117,682	-	-	-	1,117,682
Tax liens.....	2,139,706	-	-	-	2,139,706
Motor vehicle excise taxes.....	229,049	-	-	-	229,049
Departmental and other.....	5,600,444	-	-	-	5,600,444
Intergovernmental.....	22,205,000	4,706,594	-	1,638,558	28,550,152
Loans.....	-	12,297,586	-	1,577,740	13,875,326
Due from other funds.....	-	-	-	586,487	586,487
<b>TOTAL ASSETS.....</b>	<b>\$ 78,895,297</b>	<b>\$ 17,277,620</b>	<b>\$ 15,914,422</b>	<b>\$ 13,385,376</b>	<b>\$ 125,472,715</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 2,042,454	\$ -	\$ 15,409,599	\$ 25,879	\$ 17,477,932
Other liabilities.....	1,728	-	-	-	1,728
Accrued payroll.....	1,240,548	24,506	2,112	210,846	1,478,012
Health claims payable.....	22,642	-	-	-	22,642
Tax refunds payable.....	1,415,000	-	-	-	1,415,000
Payroll withholdings.....	828,467	-	-	-	828,467
Abandoned property.....	655,673	-	-	-	655,673
Deferred revenues.....	31,076,034	4,706,594	-	719,645	36,502,273
Due to other funds.....	-	-	-	586,487	586,487
Notes payable.....	-	-	8,399,962	-	8,399,962
<b>TOTAL LIABILITIES.....</b>	<b>37,282,546</b>	<b>4,731,100</b>	<b>23,811,673</b>	<b>1,542,857</b>	<b>67,368,176</b>
<b>FUND BALANCES:</b>					
Nonspendable.....	-	-	-	433,126	433,126
Restricted.....	-	12,546,520	-	11,409,393	23,955,913
Committed.....	21,929,103	-	-	-	21,929,103
Assigned.....	5,948,451	-	-	-	5,948,451
Unassigned.....	13,735,197	-	(7,897,251)	-	5,837,946
<b>TOTAL FUND BALANCES.....</b>	<b>41,612,751</b>	<b>12,546,520</b>	<b>(7,897,251)</b>	<b>11,842,519</b>	<b>58,104,539</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 78,895,297</b>	<b>\$ 17,277,620</b>	<b>\$ 15,914,422</b>	<b>\$ 13,385,376</b>	<b>\$ 125,472,715</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

Total governmental fund balances.....		\$ 58,104,539
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		188,702,533
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		36,502,273
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(791,941)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(76,177,493)	
Workers compensation.....	(822,000)	
Compensated absences.....	(3,528,300)	
Other postemployment benefits.....	<u>(71,100,621)</u>	
Net effect of reporting long-term liabilities.....		<u>(151,628,414)</u>
Net assets of governmental activities.....		<u>\$ 130,888,990</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	General	Strategic Planning & Community Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 102,575,530	\$ -	\$ -	\$ -	\$ 102,575,530
Tax liens.....	1,297,050	-	-	-	1,297,050
Motor vehicle and other excise taxes.....	6,762,048	-	-	-	6,762,048
Payments in lieu of taxes.....	192,334	-	-	-	192,334
Intergovernmental.....	63,328,037	6,368,149	-	13,532,303	83,228,489
Departmental and other.....	16,666,181	401,276	-	6,665,467	23,732,924
Contributions.....	103,178	-	-	1,257,842	1,361,020
Investment income.....	313,768	2,637	-	4,473	320,878
Miscellaneous.....	71,679	-	-	-	71,679
<b>TOTAL REVENUES.....</b>	<b>191,309,805</b>	<b>6,772,062</b>	<b>-</b>	<b>21,460,085</b>	<b>219,541,952</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	9,990,855	-	15,184,655	2,503,833	27,679,343
Public safety.....	35,808,614	-	950,726	833,737	37,593,077
Education.....	50,504,799	-	12,289,863	12,898,228	75,692,890
Public works.....	20,346,357	-	461,968	1,663,509	22,471,834
Community development.....	-	5,462,027	-	-	5,462,027
Human services.....	-	-	-	312,548	312,548
Culture and recreation.....	2,906,174	717,320	2,537,595	393,331	6,554,420
Pension benefits.....	27,154,941	-	-	-	27,154,941
Employee benefits.....	27,555,222	-	-	-	27,555,222
Claims and judgments.....	124,666	-	-	-	124,666
State and county charges.....	10,922,689	-	-	-	10,922,689
Debt service:					
Principal.....	7,173,552	300,000	-	-	7,473,552
Interest.....	2,489,382	5,160	-	-	2,494,542
<b>TOTAL EXPENDITURES.....</b>	<b>194,977,251</b>	<b>6,484,507</b>	<b>31,424,807</b>	<b>18,605,186</b>	<b>251,491,751</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(3,667,446)</b>	<b>287,555</b>	<b>(31,424,807)</b>	<b>2,854,899</b>	<b>(31,949,799)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from long-term bonds.....	-	-	15,750,000	-	15,750,000
Premium from issuance of bonds.....	84,756	-	-	268,727	353,483
Sale of assets.....	16,384	-	-	-	16,384
Transfers in.....	4,478,897	-	7,819,905	-	12,298,802
Transfers out.....	-	-	-	(11,628,204)	(11,628,204)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>4,580,037</b>	<b>-</b>	<b>23,569,905</b>	<b>(11,359,477)</b>	<b>16,790,465</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>912,591</b>	<b>287,555</b>	<b>(7,854,902)</b>	<b>(8,504,578)</b>	<b>(15,159,334)</b>
<b>FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR.....</b>	<b>40,700,160</b>	<b>12,258,965</b>	<b>(42,349)</b>	<b>20,347,097</b>	<b>73,263,873</b>
<b>FUND BALANCES (DEFICITS) AT END OF YEAR.....</b>	<b>\$ 41,612,751</b>	<b>\$ 12,546,520</b>	<b>\$ (7,897,251)</b>	<b>\$ 11,842,519</b>	<b>\$ 58,104,539</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds.....		\$ (15,159,334)
<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.....	35,537,453	
Depreciation expense.....	<u>(6,101,619)</u>	
Net effect of reporting capital assets.....		29,435,834
Disposal of capital assets.....		(35,600)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(7,449,424)
<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 assets. 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>		
Proceeds from bonds and notes.....	(15,750,000)	
Debt service principal payments.....	7,473,552	
Amortization of bond premiums.....	85,292	
Amortization of deferred charge on refunding.....	<u>(270,036)</u>	
Net effect of reporting long-term debt.....		(8,461,192)
<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.....	(72,900)	
Net change in accrued interest on long-term debt.....	19,283	
Net change in workers' compensation accrual.....	193,000	
Net change in postemployment benefits liability.....	<u>(9,278,225)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(9,138,842)</u>
Change in net assets of governmental activities.....		<u>\$ (10,808,558)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-Type Activities - Enterprise Funds				
	Water	Veterans Memorial Ice Rink	Dilboy Stadium	Sewer	Total
<b>ASSETS</b>					
<b>CURRENT:</b>					
Cash and cash equivalents..... \$	5,569,396	\$ 235,884	\$ 33,000	\$ 11,857,689	\$ 17,695,969
Receivables, net of allowance for uncollectibles:					
User fees.....	3,994,782	-	-	6,064,126	10,058,908
Total current assets.....	9,564,178	235,884	33,000	17,921,815	27,754,877
<b>NONCURRENT:</b>					
Capital assets, net of accumulated depreciation.....	25,105,079	-	-	9,948,088	35,053,167
<b>TOTAL ASSETS.....</b>	<b>34,669,257</b>	<b>235,884</b>	<b>33,000</b>	<b>27,869,903</b>	<b>62,808,044</b>
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Accrued payroll.....	15,518	-	-	5,372	20,890
Accrued interest.....	52,735	-	-	29,470	82,205
Compensated absences.....	1,300	-	-	900	2,200
Bonds payable.....	1,640,012	-	-	588,628	2,228,640
Total current liabilities.....	1,709,565	-	-	624,370	2,333,935
<b>NONCURRENT:</b>					
Compensated absences.....	38,300	-	-	18,100	56,400
Other postemployment benefits.....	550,053	-	-	124,965	675,018
Bonds and notes payable.....	8,645,453	-	-	3,371,176	12,016,629
Total noncurrent liabilities.....	9,233,806	-	-	3,514,241	12,748,047
<b>TOTAL LIABILITIES.....</b>	<b>10,943,371</b>	<b>-</b>	<b>-</b>	<b>4,138,611</b>	<b>15,081,982</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt.....	16,190,052	-	-	7,888,152	24,078,204
Unrestricted.....	7,535,834	235,884	33,000	15,843,140	23,647,858
<b>TOTAL NET ASSETS..... \$</b>	<b>23,725,886</b>	<b>\$ 235,884</b>	<b>\$ 33,000</b>	<b>\$ 23,731,292</b>	<b>\$ 47,726,062</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds				
	Water	Veterans Memorial Ice Rink	Dilboy Stadium	Sewer	Total
<b>OPERATING REVENUES:</b>					
Charges for services .....	\$ 11,972,625	\$ 270,626	\$ 90,527	\$ 17,139,421	\$ 29,473,199
<b>OPERATING EXPENSES:</b>					
Cost of services and administration .....	7,227,753	337,456	132,312	14,485,661	22,183,182
Depreciation.....	918,971	-	-	223,855	1,142,826
<b>TOTAL OPERATING EXPENSES .....</b>	<b>8,146,724</b>	<b>337,456</b>	<b>132,312</b>	<b>14,709,516</b>	<b>23,326,008</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>3,825,901</b>	<b>(66,830)</b>	<b>(41,785)</b>	<b>2,429,905</b>	<b>6,147,191</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income.....	5,272	-	-	150,004	155,276
Interest expense.....	(219,279)	-	-	(94,148)	(313,427)
Intergovernmental.....	-	-	-	1,322,550	1,322,550
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(214,007)</b>	<b>-</b>	<b>-</b>	<b>1,378,406</b>	<b>1,164,399</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>3,611,894</b>	<b>(66,830)</b>	<b>(41,785)</b>	<b>3,808,311</b>	<b>7,311,590</b>
<b>TRANSFERS:</b>					
Transfers in.....	-	302,714	74,785	-	377,499
Transfers out.....	(606,279)	-	-	(441,818)	(1,048,097)
<b>TOTAL OPERATING TRANSFERS.....</b>	<b>(606,279)</b>	<b>302,714</b>	<b>74,785</b>	<b>(441,818)</b>	<b>(670,598)</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>3,005,615</b>	<b>235,884</b>	<b>33,000</b>	<b>3,366,493</b>	<b>6,640,992</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>20,720,271</b>	<b>-</b>	<b>-</b>	<b>20,364,799</b>	<b>41,085,070</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 23,725,886</b>	<b>\$ 235,884</b>	<b>\$ 33,000</b>	<b>\$ 23,731,292</b>	<b>\$ 47,726,062</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds				
	Water	Veterans Memorial Ice Rink	Dilboy Stadium	Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users.....	\$ 12,083,761	\$ 270,626	\$ 90,527	\$ 17,186,106	\$ 29,631,020
Payments to vendors.....	(6,380,978)	(337,456)	(132,312)	(14,180,547)	(21,031,293)
Payments to employees.....	(771,678)	-	-	(287,169)	(1,058,847)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>4,931,105</b>	<b>(66,830)</b>	<b>(41,785)</b>	<b>2,718,390</b>	<b>7,540,880</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers in.....	-	302,714	74,785	-	377,499
Transfers out.....	(606,279)	-	-	(441,818)	(1,048,097)
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(606,279)</b>	<b>302,714</b>	<b>74,785</b>	<b>(441,818)</b>	<b>(670,598)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from the issuance of bonds and notes.....	1,336,000	-	-	1,616,450	2,952,450
Intergovernmental capital grants.....	-	-	-	1,322,550	1,322,550
Acquisition and construction of capital assets.....	(1,654,547)	-	-	(1,172,484)	(2,827,031)
Principal payments on bonds and notes.....	(1,605,102)	-	-	(445,928)	(2,051,030)
Interest expense.....	(223,891)	-	-	(96,637)	(320,528)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(2,147,540)</b>	<b>-</b>	<b>-</b>	<b>1,223,951</b>	<b>(923,589)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income.....	5,272	-	-	150,004	155,276
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>2,182,558</b>	<b>235,884</b>	<b>33,000</b>	<b>3,650,527</b>	<b>6,101,969</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>3,386,838</b>	<b>-</b>	<b>-</b>	<b>8,207,162</b>	<b>11,594,000</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 5,569,396</b>	<b>\$ 235,884</b>	<b>\$ 33,000</b>	<b>\$ 11,857,689</b>	<b>\$ 17,695,969</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>					
Operating income (loss).....	\$ 3,825,901	\$ (66,830)	\$ (41,785)	\$ 2,429,905	\$ 6,147,191
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	918,971	-	-	223,855	1,142,826
Changes in assets and liabilities:					
User fees.....	111,136	-	-	46,685	157,821
Accrued payroll.....	(6,752)	-	-	(3,481)	(10,233)
Accrued compensated absences.....	8,000	-	-	2,900	10,900
Other postemployment benefits.....	73,849	-	-	18,526	92,375
Total adjustments.....	1,105,204	-	-	288,485	1,393,689
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 4,931,105</b>	<b>\$ (66,830)</b>	<b>\$ (41,785)</b>	<b>\$ 2,718,390</b>	<b>\$ 7,540,880</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 1,400,032	\$ 79,091	\$ 374,181
Investments:			
Bond mutual funds.....	58,156,494	-	-
Real estate and alternative investment mutual funds.....	14,248,730	-	-
Equity mutual funds.....	14,937,678	-	-
Equity securities.....	85,357,634	-	-
Interest and dividends.....	73	-	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	6,161,885	-	-
<b>TOTAL ASSETS.....</b>	<b>180,262,526</b>	<b>79,091</b>	<b>374,181</b>
<b>LIABILITIES</b>			
Warrants payable.....	283,317	-	-
Accrued liabilities.....	-	-	25,474
Liabilities due depositors.....	-	-	348,707
<b>TOTAL LIABILITIES.....</b>	<b>283,317</b>	<b>-</b>	<b>374,181</b>
<b>NET ASSETS</b>			
Held in trust for:			
Pension benefits.....	179,779,199	-	-
OPEB benefits.....	200,010	-	-
Other purposes.....	-	79,091	-
<b>TOTAL NET ASSETS.....</b>	<b>\$ 179,979,209</b>	<b>\$ 79,091</b>	<b>\$ -</b>

(1) The Pension Trust Fund is as of December 31, 2011.

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Contributions:		
Employer.....	\$ 12,250,926	\$ -
Employee.....	5,305,999	-
Private donations.....	-	3,275
	17,556,925	3,275
Net investment income (loss):		
Net change in fair value of investments.....	(1,382,529)	-
Interest.....	5,946,093	195
	4,563,564	195
Less: investment expense.....	(866,498)	-
	3,697,066	195
Intergovernmental.....	666,451	-
Transfers from other systems.....	652,388	-
	22,572,830	3,470
<b>DEDUCTIONS:</b>		
Administration.....	316,363	-
Transfers to other systems.....	759,845	-
Retirement benefits and refunds.....	22,076,298	-
Educational scholarships.....	-	644
	23,152,506	644
CHANGE IN NET ASSETS.....	(579,676)	2,826
NET ASSETS AT BEGINNING OF YEAR.....	180,558,885	76,265
NET ASSETS AT END OF YEAR.....	\$ 179,979,209	\$ 79,091

(1) The Pension Trust Fund is as of December 31, 2011.

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.

*Blended Component Units* – Blended component units are entities that are legally separate from the City, but are so related that they are, in substance, the same as the City or entities providing services entirely or almost entirely for the benefit of the City. The following component unit is blended within the primary government:

In the Fiduciary Funds:

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 assets and the statement of changes in net assets) 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, liabilities, revenues, or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds), *and*
- If the total assets, liabilities, 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 fiscal 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 fiscal 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 *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.

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.

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

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

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

#### 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. Accounts Receivable

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

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

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

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

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

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 fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value. The allowance for 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 fiscal 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 fiscal 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.

**F. 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.

**G. Capital Assets*****Government-Wide Fund Financial Statements***

Capital assets, which include land, construction in progress, land improvements, buildings, 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 \$10,000 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 improvements.....	10
Buildings and periodicals.....	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 fiscal year of the purchase.

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

*Fund Financial Statements*

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.

I. 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.

J. Deferred Revenue

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

K. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

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

Net assets have 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.

*Fund Financial Statements (Fund Balances)*

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Approval by the City Council is the highest level of decision-making authority for the government that can, by approval of a council order prior to the end of the fiscal 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.

“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.

#### L. 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 assets. 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.

#### M. 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 water and sewer enterprise funds.

#### N. 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.

O. 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 fiscal year. Actual results could vary from estimates that were used.

P. Individual Fund Deficits

At June 30, 2012, the Capital Projects Fund reports a fund deficit of \$7,897,251. This deficit will be funded with available funds and future bond proceeds.

Q. 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 (the 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, 2012, \$200,010 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 will also subscribe to a bank rating service to assist in the determination of which banks to place deposits with. At fiscal year-end, the carrying amount of deposits totaled \$84,043,475 and the bank balance totaled \$87,032,353. Of the bank balance, \$1,828,453 was covered by Federal Depository Insurance, \$5,051,576 was covered by the Shared Insurance Fund, \$79,146,057 was collateralized, and \$1,006,267 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2011, carrying amount of deposits for the System totaled \$527,470 and the bank balance totaled \$858,791. The entire bank balance of the System was covered by Federal Depository Insurance and is collateralized.

Investments

As of June 30, 2012, the City of Somerville had the following investments:

<u>Other Investments</u>	
MMDT.....	\$ <u>7,679,645</u>

As of December 31, 2011, the System had the following investments:

<u>Investment Type</u>	<u>Maturity</u>			<u>Rating</u>
	<u>Fair Value</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>	
<u>Debt Securities</u>				
(1) Loomis Sayles Fixed Income Fund .....	\$ 58,133,962	\$ -	\$ 58,133,962	Baa1 / BBB+
(1) Cypress Asset Management Fixed Income Fund.....	<u>22,532</u>	<u>22,532</u>	-	AA1
Total Debt Securities.....	58,156,494	\$ <u>22,532</u>	\$ <u>58,133,962</u>	
<u>Other Investments</u>				
Equity Mutual Funds (Domestic).....	4,920,426			
Equity Mutual Funds (International).....	10,017,252			
Equities.....	85,357,634			
Real Estate.....	14,248,730			
Money Market Mutual Funds.....	<u>672,552</u>			
Total Investments.....	\$ <u>173,373,088</u>			

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

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The City does not have custodial credit risk exposure because the City's investment of \$7,679,645 is invested with MMDT. 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 \$85,357,634 in equity securities, the System has custodial credit risk exposure of \$85,357,634 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, 2012. The City's investment in MMDT is unrated.

The System has not adopted a formal policy related to Credit Risk.

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.

**NOTE 3 – RECEIVABLES**

At June 30, 2012, receivables for the individual major governmental funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,209,496	\$ (91,814)	\$ 1,117,682
Tax liens.....	2,139,706	-	2,139,706
Motor vehicle excise taxes.....	1,741,125	(1,512,076)	229,049
Departmental and other.....	10,773,216	(5,172,772)	5,600,444
Intergovernmental.....	28,550,152	-	28,550,152
Loans.....	<u>13,875,326</u>	<u>-</u>	<u>13,875,326</u>
Total.....	<u>\$ 58,289,021</u>	<u>\$ (6,776,662)</u>	<u>\$ 51,512,359</u>

At June 30, 2012, receivables for the enterprise funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Sewer.....	\$ 6,064,126	\$ -	\$ 6,064,126
Water.....	<u>3,994,782</u>	<u>-</u>	<u>3,994,782</u>
Total.....	<u>\$ 10,058,908</u>	<u>\$ -</u>	<u>\$ 10,058,908</u>

Governmental funds report *deferred 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 fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	<u>General Fund</u>	<u>Community Development</u>	<u>Governmental Funds</u>	<u>Nonmajor Total</u>
<u>Receivable type:</u>				
Real estate and personal property taxes.....	\$ 901,835	\$ -	\$ -	\$ 901,835
Tax liens.....	2,139,706	-	-	2,139,706
Motor vehicle excise.....	229,049	-	-	229,049
Departmental and other.....	5,600,444	-	-	5,600,444
Intergovernmental.....	<u>22,205,000</u>	<u>4,706,594</u>	<u>719,645</u>	<u>27,631,239</u>
Total.....	<u>\$ 31,076,034</u>	<u>\$ 4,706,594</u>	<u>\$ 719,645</u>	<u>\$ 36,502,273</u>

**NOTE 4 – CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 15,220,274	\$ 15,000,000	\$ -	\$ 30,220,274
Construction in progress.....	3,192,942	11,757,999	-	14,950,941
 Total capital assets not being depreciated.....	 18,413,216	 26,757,999	 -	 45,171,215
 <u>Capital assets being depreciated:</u>				
Land improvements.....	24,950,952	1,350,419	-	26,301,371
Books and periodicals.....	2,626,489	-	-	2,626,489
Buildings and improvements.....	159,701,484	4,524,551	-	164,226,035
Machinery and equipment.....	8,450,972	372,160	(218,223)	8,604,909
Vehicles.....	11,550,912	87,590	(649,446)	10,989,056
Infrastructure.....	36,893,328	2,444,734	-	39,338,062
 Total capital assets being depreciated.....	 244,174,137	 8,779,454	 (867,669)	 252,085,922
 <u>Less accumulated depreciation for:</u>				
Land improvements.....	(8,391,838)	(1,069,872)	-	(9,461,710)
Books and periodicals.....	(2,114,301)	(109,012)	-	(2,223,313)
Buildings and improvements.....	(54,860,832)	(3,070,733)	-	(57,931,565)
Machinery and equipment.....	(5,456,819)	(522,568)	182,623	(5,796,764)
Vehicles.....	(7,810,605)	(796,613)	649,446	(7,957,772)
Infrastructure.....	(24,650,659)	(532,821)	-	(25,183,480)
 Total accumulated depreciation.....	 (103,285,054)	 (6,101,619)	 832,069	 (108,554,604)
 Total capital assets being depreciated, net.....	 140,889,083	 2,677,835	 (35,600)	 143,531,318
 Total governmental activities capital assets, net.....	 \$ 159,302,299	 \$ 29,435,834	 \$ (35,600)	 \$ 188,702,533

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities: Water</b>				
<u>Capital assets being depreciated:</u>				
Buildings.....	\$ 16,087	\$ -	\$ -	\$ 16,087
Machinery and equipment.....	5,267,964	-	-	5,267,964
Vehicles.....	417,030	-	(14,611)	402,419
Infrastructure.....	25,322,010	1,654,547	-	26,976,557
Total capital assets being depreciated.....	31,023,091	1,654,547	(14,611)	32,663,027
<u>Less accumulated depreciation for:</u>				
Buildings.....	(5,230)	(802)	-	(6,032)
Machinery and equipment.....	(568,056)	(367,800)	-	(935,856)
Vehicles.....	(192,851)	(43,423)	14,611	(221,663)
Infrastructure.....	(5,887,451)	(506,946)	-	(6,394,397)
Total accumulated depreciation.....	(6,653,588)	(918,971)	14,611	(7,557,948)
Total capital assets being depreciated, net.....	\$ 24,369,503	\$ 735,576	\$ -	\$ 25,105,079

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities: Sewer</b>				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 12,467	\$ -	\$ -	\$ 12,467
Vehicles.....	139,786	-	-	139,786
Infrastructure.....	21,202,105	1,172,484	-	22,374,589
Total capital assets being depreciated.....	21,354,358	1,172,484	-	22,526,842
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(8,728)	(2,493)	-	(11,221)
Vehicles.....	(46,944)	(17,164)	-	(64,108)
Infrastructure.....	(12,299,227)	(204,198)	-	(12,503,425)
Total accumulated depreciation.....	(12,354,899)	(223,855)	-	(12,578,754)
Total capital assets being depreciated, net.....	\$ 8,999,459	\$ 948,629	\$ -	\$ 9,948,088

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

**Governmental Activities:**

General government.....	\$ 345,206
Public safety.....	701,915
Education.....	3,293,929
Public works.....	897,343
Culture and recreation.....	<u>863,226</u>

Total depreciation expense - governmental activities..... \$ 6,101,619

**Business-Type Activities:**

Water.....	\$ 918,971
Sewer.....	<u>223,855</u>

Total depreciation expense - business-type activities..... \$ 1,142,826

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

The City’s interfund balances at June 30, 2012 consisted of \$586,487 in balances within the nonmajor governmental funds all of which represents interfund borrowings for cash flow purposes.

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

Operating Transfers Out:	Transfers In:					Total	
	General Fund	Capital Projects Fund	Veteran's Memorial Ice Rink	Dilboy Stadium	Total		
Sewer Enterprise Fund.....	\$ 441,818	\$ -	\$ -	\$ -	\$ -	441,818	(1)
Water Enterprise Fund.....	606,279	-	-	-	-	606,279	(1)
Nonmajor Governmental Funds...	<u>3,430,800</u>	<u>7,819,905</u>	<u>302,714</u>	<u>74,785</u>	<u>11,628,204</u>	<u>11,628,204</u>	(2)
Total.....	<u>\$ 4,478,897</u>	<u>\$ 7,819,905</u>	<u>\$ 302,714</u>	<u>\$ 74,785</u>	<u>\$ 12,676,301</u>		

(1) Represents the transfer of indirect costs to the general fund.

(2) Represents the transfer of other available funds to the general fund, a transfer from the insurance proceeds over \$20,000 fund to the capital projects fund, and transfers from revolving funds to the new Veteran’s Memorial Ice Rink and the Dilboy Stadium enterprise funds.

**NOTE 6 – LEASES**

Operating Leases

The City leases three buildings, a police sub-station, and a licensed parking area under several non-cancelable operating leases. The total cost of these leases for the fiscal year ended June 30, 2012 was approximately \$87,000 and is reported as general government, education and public safety expenditures in the basic financial statements.

The future minimum lease payments are as follows:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2013.....	\$ <u><u>33,926</u></u>

**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 fiscal year ended June 30, 2012, is as follows:

**Governmental Activities**

<u>Type</u>	<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2011</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2012</u>
BAN	Municipal Purpose.....	1.50	06/29/12	\$ 2,834,331	\$ -	\$ 2,834,331	\$ -
BAN	Municipal Purpose.....	1.25	06/28/13	<u>-</u>	<u>8,399,962</u>	<u>-</u>	<u>8,399,962</u>
Total.....				<u>\$ 2,834,331</u>	<u>\$ 8,399,962</u>	<u>\$ 2,834,331</u>	<u>\$ 8,399,962</u>

**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".

Details related to the outstanding indebtedness at June 30, 2012, and the debt service requirements are as follows:

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Original Borrowing	Maturities Through	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
Municipal Purpose - August 16, 2006 (Refunding)...	\$ 23,705,000	2018	3.5% - 5.0%	\$ 15,870,000	\$ -	\$ 2,285,000	\$ 13,585,000
Municipal Purpose - February 15, 2002.....	25,700,000	2012	3.0% - 5.0%	1,255,000	-	1,255,000	-
General Obligation Bond - March 15, 2004.....	7,840,009	2015	2.0% - 4.0%	3,144,540	-	813,447	2,331,093
Municipal Purpose - August 15, 2006.....	7,900,000	2027	4.0% - 4.1%	4,750,000	-	585,000	4,165,000
MSBA - February 12, 2008.....	8,010,312	2033	7.1% - 8.0%	8,010,312	-	364,105	7,646,207
General Obligation Bond - February 1, 2009.....	3,900,000	2028	3.6% - 4.0%	3,900,000	-	525,000	3,375,000
Municipal Purpose - February 15, 2010.....	2,924,000	2028	2.0% - 5.0%	2,694,000	-	216,000	2,478,000
Municipal Purpose - April 1, 2010 (Refunding).....	15,129,000	2022	2.0% - 5.0%	14,954,000	-	140,000	14,814,000
Municipal Purpose - June 15, 2010.....	7,771,000	2029	2.0% - 5.0%	7,445,000	-	360,000	7,085,000
Municipal Purpose - February 23, 2011.....	6,305,000	2025	2.0% - 5.0%	6,305,000	-	630,000	5,675,000
General Obligation Bond - May 17, 2012.....	15,750,000	2042	2.0% - 5.0%	-	15,750,000	-	15,750,000
<b>Total bonds and notes payable.....</b>				<b>68,327,852</b>	<b>15,750,000</b>	<b>7,173,552</b>	<b>76,904,300</b>
Section 108 Intergovernmental Loans.....	2,900,000	2012	7.1% - 8.0%	300,000	-	300,000	-
Add: unamortized premium.....				607,212	-	85,292	521,920
Less: deferred charges on refunding.....				(1,518,763)	-	(270,036)	(1,248,727)
<b>Total.....</b>				<b>\$ 67,716,301</b>	<b>\$ 15,750,000</b>	<b>\$ 7,288,808</b>	<b>\$ 76,177,493</b>

**Bonds and Notes Payable Schedule – Enterprise Funds**

**Enterprise Funds**

Project	Original Borrowing	Maturities Through	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
MWRA Notes.....	\$ 7,584,424	2018	0.0%	\$ 2,654,552	\$ -	\$ 663,640	\$ 1,990,912
Municipal Purpose February 15, 2002.....	500,000	2012	4.5%	25,000	-	25,000	-
General Obligation Bond March 15, 2004.....	1,285,440	2016	4.0%	588,015	-	123,462	464,553
Municipal Purpose August 15, 2006.....	1,500,000	2017	4.0%	900,000	-	150,000	750,000
General Obligation Bond - December 15, 2009.....	4,400,000	2019	2.0%	3,910,000	-	490,000	3,420,000
Municipal Purpose - February 15, 2010.....	1,910,000	2030	2.0% - 5.0%	1,791,000	-	114,000	1,677,000
Municipal Purpose - April 1, 2010 (Refunding).....	262,000	2022	2.0% - 5.0%	262,000	-	-	262,000
Municipal Purpose - February 23, 2011.....	424,000	2020	2.0% - 5.0%	424,000	-	39,000	385,000
MWRA Notes.....	1,336,000	2022	0.0%	-	1,336,000	-	1,336,000
<b>Total Water Enterprise.....</b>				<b>10,554,567</b>	<b>1,336,000</b>	<b>1,605,102</b>	<b>10,285,465</b>
MWRA Notes.....	989,175	2012	0.0%	197,835	-	197,835	-
Municipal Purpose February 15, 2002.....	800,000	2012	4.5%	40,000	-	40,000	-
General Obligation Bond March 15, 2004.....	1,229,551	2016	4.0%	562,447	-	118,093	444,354
Municipal Purpose - August 15, 2006.....	2,070,000	2027	4.0%	1,570,000	-	90,000	1,480,000
Municipal Purpose - April 1, 2010 (Refunding).....	419,000	2022	2.0% - 5.0%	419,000	-	-	419,000
MWRA Notes.....	1,616,450	2017	0.0%	-	1,616,450	-	1,616,450
<b>Total Sewer Enterprise.....</b>				<b>2,789,282</b>	<b>1,616,450</b>	<b>445,928</b>	<b>3,959,804</b>
<b>Total.....</b>				<b>\$ 13,343,849</b>	<b>\$ 2,952,450</b>	<b>\$ 2,051,030</b>	<b>\$ 14,245,269</b>

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

**Governmental Funds**

Fiscal Year	Principal	Interest	Total
2013.....	\$ 6,921,187	\$ 2,735,370	\$ 9,656,557
2014.....	6,971,598	2,503,939	9,475,537
2015.....	7,226,123	2,273,646	9,499,769
2016.....	6,345,105	2,021,995	8,367,100
2017.....	6,466,605	1,775,715	8,242,320
2018.....	4,925,105	1,542,439	6,467,544
2019.....	3,740,105	1,359,979	5,100,084
2020.....	3,655,105	1,207,801	4,862,906
2021.....	3,735,105	1,077,928	4,813,033
2022.....	3,821,105	932,922	4,754,027
2023.....	2,276,105	771,992	3,048,097
2024.....	2,124,105	691,262	2,815,367
2025.....	2,029,105	615,212	2,644,317
2026.....	1,709,105	542,002	2,251,107
2027.....	1,744,105	480,792	2,224,897
2028.....	1,614,105	426,176	2,040,281
2029.....	959,105	374,044	1,333,149
2030.....	934,105	348,511	1,282,616
2031.....	954,105	324,129	1,278,234
2032.....	974,105	293,247	1,267,352
2033.....	999,107	261,565	1,260,672
2034.....	655,000	233,963	888,963
2035.....	680,000	212,675	892,675
2036.....	700,000	190,575	890,575
2037.....	725,000	166,075	891,075
2038.....	750,000	140,700	890,700
2039.....	775,000	114,450	889,450
2040.....	805,000	87,325	892,325
2041.....	830,000	59,150	889,150
2042.....	860,000	-	860,000
<b>Total.....</b>	<b>\$ 76,904,300</b>	<b>\$ 23,765,569</b>	<b>\$ 100,669,869</b>

**Water Enterprise Fund**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013.....	\$ 1,640,012	\$ 112,136	\$ 1,752,148
2014.....	1,547,441	99,176	1,646,617
2015.....	1,448,036	85,654	1,533,690
2016.....	1,351,464	72,811	1,424,275
2017.....	1,148,711	59,885	1,208,596
2018.....	897,401	50,640	948,041
2019.....	782,600	44,315	826,915
2020.....	297,600	39,115	336,715
2021.....	242,600	34,165	276,765
2022.....	246,600	30,435	277,035
2023.....	83,000	26,105	109,105
2024.....	80,000	23,200	103,200
2025.....	80,000	20,400	100,400
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.....	100,000	4,000	104,000
Total.....	\$ <u>10,285,465</u>	\$ <u>753,037</u>	\$ <u>11,038,502</u>

**Sewer Enterprise Fund**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013.....	\$ 588,628	\$ 87,139	\$ 675,767
2014.....	585,982	78,002	663,984
2015.....	576,059	68,382	644,441
2016.....	578,845	59,290	638,135
2017.....	470,290	50,036	520,326
2018.....	145,000	44,576	189,576
2019.....	145,000	38,976	183,976
2020.....	145,000	33,176	178,176
2021.....	145,000	27,776	172,776
2022.....	140,000	22,076	162,076
2023.....	95,000	16,129	111,129
2024.....	95,000	12,234	107,234
2025.....	105,000	8,134	113,134
2026.....	75,000	4,435	79,435
2027.....	70,000	1,444	71,444
Total.....	\$ <u>3,959,804</u>	\$ <u>551,805</u>	\$ <u>4,511,609</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, 2012, the outstanding principal amount of these loans totaled \$4,943,362.

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 fiscal year 2012, \$4,230,955 of such assistance was received. Approximately \$26,959,000 will be received in future fiscal years. Of this amount, approximately \$4,754,000 represents reimbursement of long-term interest costs, and approximately \$22,205,000 represents reimbursement of approved construction costs. Accordingly, a \$22,205,000 intergovernmental receivable and corresponding deferred revenue have been reported in governmental fund financial statements. The deferred 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, 2012, the City had the following authorized and unissued debt:

Purpose	Amount
Lincoln Park School Project.....	\$ 8,161,478
Powder House Building.....	5,800,000
Sewer.....	76,975
Communications & Equipment.....	55,000
Ladder Truck.....	34,199
Central Hill Memorial Park.....	450,000
MWRA Water Loan Bond.....	948,053
Ice Skating Rink.....	38,307
Resurfacing of Streets.....	15,979
Public Safety Building.....	56,200
East Somerville Community School.....	30,800,001
District Improvement Financing.....	10,000,000
Morse-Kelley Park Renovations.....	22,769
Radio Equipment.....	23,000
DPW Equipment.....	8,793
ISD Office Renovations.....	150,000
Park Construction.....	781,250
Refunding.....	5,485,000
Total.....	<u>\$ 62,907,004</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
<b>Governmental Activities:</b>					
Long-Term Bonds and Notes.....	\$ 68,327,852	\$ 15,750,000	\$ (7,173,552)	\$ 76,904,300	\$ 6,921,187
Long-Term Intergovernmental Loans.....	300,000	-	(300,000)	-	-
Add: unamortized premium.....	607,212	-	(85,292)	521,920	84,607
Less: deferred charges on refunding.....	(1,518,763)	-	270,036	(1,248,727)	(244,824)
Total bonds payable.....	67,716,301	15,750,000	(7,288,808)	76,177,493	6,760,970
Workers' Compensation.....	1,015,000	99,727	(292,727)	822,000	205,500
Other Postemployment Benefits.....	61,822,396	19,211,959	(9,933,734)	71,100,621	-
Compensated Absences.....	3,455,400	248,896	(175,996)	3,528,300	202,325
Total.....	<u>\$ 134,009,097</u>	<u>\$ 35,310,582</u>	<u>\$ (17,691,265)</u>	<u>\$ 151,628,414</u>	<u>\$ 7,168,795</u>
	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
<b>Business-Type Activities:</b>					
Long-Term Bonds and Notes.....	\$ 13,343,849	\$ 2,952,450	\$ (2,051,030)	\$ 14,245,269	\$ 2,228,640
Other Postemployment Benefits.....	582,643	195,512	(103,137)	675,018	-
Compensated Absences.....	47,700	12,600	(1,700)	58,600	2,200
Total.....	<u>\$ 13,974,192</u>	<u>\$ 3,160,562</u>	<u>\$ (2,155,867)</u>	<u>\$ 14,978,887</u>	<u>\$ 2,230,840</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, 2012, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS				
	General	Strategic Planning & Community Development	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>					
Nonspendable:					
Permanent fund principal..... \$	- \$	- \$	- \$	433,126 \$	433,126
Restricted for:					
Strategic Planning & Community Development....	-	12,546,520	-	-	12,546,520
School special revenue funds.....	-	-	-	1,466,931	1,466,931
School federal grants.....	-	-	-	331,801	331,801
School state & private grants .....	-	-	-	1,851,846	1,851,846
City federal grant funds.....	-	-	-	125,541	125,541
City state grant funds.....	-	-	-	410,027	410,027
City revolving funds.....	-	-	-	755,158	755,158
City receipts reserved.....	-	-	-	1,404,875	1,404,875
City Private grants.....	-	-	-	103,209	103,209
School lunch.....	-	-	-	657,922	657,922
Other special revenue funds.....	-	-	-	4,084,105	4,084,105
Other permanent funds.....	-	-	-	217,978	217,978
Committed to:					
Health Claims.....	13,264,252	-	-	-	13,264,252
Max-Pak Stabilization Fund.....	20,056	-	-	-	20,056
East Somerville Stabilization Fund.....	102,391	-	-	-	102,391
Street Tree Stabilization Fund.....	1,905	-	-	-	1,905
Alpine Restaurant Stabilization Fund.....	2,505	-	-	-	2,505
Rockwell Restaurant Stabilization Fund.....	9,030	-	-	-	9,030
Capital Projects Stabilization Fund.....	4,698,744	-	-	-	4,698,744
Construction Stabilization Fund.....	3,144,108	-	-	-	3,144,108
Traffic Safety Stabilization Fund.....	230,105	-	-	-	230,105
Mitigation Stabilization Fund.....	352,761	-	-	-	352,761
270 Cedar Street LLC Stabilization Fund.....	1,001	-	-	-	1,001
Workforce Training Stabilization Fund.....	100,067	-	-	-	100,067
Bicycle Stabilization Fund.....	2,178	-	-	-	2,178
Assigned to:					
General government.....	743,094	-	-	-	743,094
Public safety.....	214,059	-	-	-	214,059
Education.....	317,227	-	-	-	317,227
Public works.....	1,167,898	-	-	-	1,167,898
Culture and recreation.....	6,173	-	-	-	6,173
Free cash used for the fiscal year 2013 budget...	3,500,000	-	-	-	3,500,000
Unassigned.....	13,735,197	-	(7,897,251)	-	5,837,946
<b>TOTAL FUND BALANCES (DEFICIT)..... \$</b>	<b>41,612,751 \$</b>	<b>12,546,520 \$</b>	<b>(7,897,251) \$</b>	<b>11,842,519 \$</b>	<b>58,104,539</b>

**NOTE 10 – RISK FINANCING**

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

The City was self-insured for its retirees’ health insurance through December 31, 2012, at which time they entered the Group Insurance Commission. The City is self-insured for its workers’ compensation activities. These activities are accounted for in the General Fund. Liabilities, including amounts Incurred But Not Reported (IBNR), are recorded when the claim is incurred. Settlements have not exceeded coverage for each of the past three years.

(a) *Health Insurance*

The estimate of Incurred But Not Reported (IBNR) claims is based on a three month claims paid average. At June 30, 2012, the amount of the liability for health insurance claims totaled \$22,642. As of January 1, 2012, the City has entered the Group Insurance Commission and is no longer self-insured for its health claims. Amounts represent runoff claims filed prior to January 1, 2012. This liability is the best estimate based on available information. Changes in the reported liability since July 1, 2010, are as follows:

	Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Fiscal Year-End
Fiscal Year 2011.....	\$ 1,861,562	\$	31,402,143	\$	(30,475,621)	\$	2,788,084
Fiscal Year 2012.....	2,788,084		15,926,396		(18,691,838)		22,642

(b) *Workers’ Compensation*

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, 2012, the amount of the liability for workers’ compensation claims totaled \$822,000. Changes in the reported liability since July 1, 2010, are as follows:

	Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Claims Payments		Balance at Fiscal Year-End
Fiscal Year 2011.....	\$ 962,000	\$	343,916	\$	(290,916)	\$	1,015,000
Fiscal Year 2012.....	1,015,000		99,727		(292,727)		822,000

**NOTE 11 - PENSION PLAN**

*Plan Description* - The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Somerville Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$15,885,000 for the fiscal year ended June 30, 2012, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. 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 Somerville Contributory Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 50 Evergreen Avenue, Somerville, Massachusetts 02145.

At December 31, 2010, the System's membership consists of the following:

Active members.....	1,134
Inactive members.....	288
Retirees and beneficiaries currently receiving benefits.....	<u>1,262</u>
 Total.....	 <u><u>2,684</u></u>

*Funding Policy* - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the City to contribute approximately 93% of the total. Chapter 32 of the MGL governs the contributions of plan members and the City.

*Annual Pension Cost* - The City's contributions to the System for the fiscal years ended June 30, 2012, 2011, and 2010 were \$10,972,311, \$10,830,988 and \$10,399,034, respectively, which equaled its required contribution for each fiscal year. At June 30, 2012, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.25% investment rate of return, cost of living increases projected at 2.50% and projected salary increases of 3.00% per year. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at January 1, 2011, was 23 years.

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/11	\$ 188,324,959	\$ 311,654,245	\$ 123,329,286	60.4%	\$ 56,709,233	217.5%
01/01/08	183,769,256	280,399,899	96,630,643	65.5%	54,546,918	177.2%
01/01/07	167,527,653	266,454,022	98,926,369	62.9%	48,837,222	202.6%
01/01/04	145,850,905	246,797,910	100,947,005	59.1%	43,875,838	230.1%
01/01/01	134,378,449	204,557,523	70,179,074	65.7%	44,779,084	156.7%
01/01/98	103,343,920	168,736,337	65,392,417	61.2%	38,969,295	167.8%
01/01/95	67,754,043	127,119,756	59,365,713	53.3%	31,711,990	187.2%
01/01/92	58,351,419	115,469,624	57,118,205	50.5%	28,547,090	200.1%
01/01/87	36,135,000	91,470,000	55,335,000	39.5%	22,342,000	247.7%

Funding progress is reported based on the triennial actuarial valuation performed by the System, and is being accumulated on a triennial basis. The City is responsible for 93% of the unfunded liability.

*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 fiscal year 2012 totaled \$284,000.

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

*Plan Description* – The City of Somerville 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 group health and life insurance plans, which covers both active and retired members. Chapter 32b of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the City and the unions representing City employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report. Additionally, retired teachers and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC). Each participating municipality is assessed for the governmental share of health and life insurance premiums paid on behalf of its teacher retirees by the state. The employer’s share is 90% of the total premium; the retiree’s co-payment is 10% of the total premium as well as full payment for catastrophic illness coverage. The City’s assessment of the employer’s share by the GIC, for retired teachers, for fiscal year 2012, totaled \$1,435,300 million.

*Funding Policy* – Contribution requirements are also negotiated between the City and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The City contributes 90 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 10 percent of their premium costs. For fiscal year 2012, the City’s estimated benefit payments total is \$10,036,871.

*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.....	\$ 19,026,496
Interest on existing net OPEB obligation.....	2,184,176
Adjustments to annual required contribution.....	<u>(1,803,201)</u>
Annual OPEB cost (expense).....	19,407,471
Contributions Made.....	<u>(10,036,871)</u>
Increase/(Decrease) in net OPEB obligation.....	9,370,600
Net OPEB obligation-beginning of year.....	<u>62,405,039</u>
Net OPEB obligation-end of year.....	<u><u>\$ 71,775,639</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 19,407,471	52%	\$ 71,775,639
6/30/2011	22,692,280	45%	62,405,039
6/30/2010	35,528,884	46%	58,062,301

*Funded Status and Funding Progress.*

As of June 30, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$300 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$85 million, and the ratio of the UAAL to the covered payroll was 354 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, 2012, 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 8% initially, graded to 4.5% over 8 years, which equals the projected inflation rate fluctuation. The UAAL is being amortized over a 30 year open period, with amortization payments increasing at 4.5% per year. The remaining amortization period at June 30, 2012 is 30 years.

**NOTE 13 - COMMITMENTS**

The City has entered into an agreement with Waste Management of Massachusetts, 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 \$1,585,896 and expires on June 30, 2013. Annual appropriations for this contract are not to exceed \$5,257,688 over the term of the contract.

The City has entered into, or is planning to enter into, contracts totaling approximately \$62,907,000 for the reconstruction of the Lincoln School, for projects relating to energy conservation and alternative energy source improvements, for the renovation of the Powder House building, demolition of a wing of the East Somerville Community School, various district improvements and for various street and sidewalk projects throughout the City.

#### **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 the Single Audit Act Amendments of 1996 through June 30, 2012, 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, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

#### **NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2012, the following GASB pronouncements were implemented:

- The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The implementation of this pronouncement did not impact the basic financial statements.
- The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years.

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.

- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.

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**

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Original Budget	Final Budget			
<b>REVENUES:</b>						
Real estate and personal property taxes, net of tax refunds.....	\$	\$ 103,426,680	\$ 103,426,680	\$ 102,975,330	\$ -	\$(451,350)
Tax liens.....	-	-	-	1,297,050	-	1,297,050
Motor vehicle and other excise taxes.....	-	6,228,108	6,228,108	6,762,048	-	533,940
Payments in lieu of taxes.....	-	143,472	143,472	192,334	-	48,862
Intergovernmental.....	-	47,523,195	47,523,195	47,039,837	-	\$(483,358)
Departmental and other.....	-	17,253,716	17,253,716	16,666,181	-	\$(587,535)
Investment income.....	-	200,000	200,000	302,077	-	102,077
Miscellaneous.....	-	-	-	71,679	-	71,679
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>174,775,171</b>	<b>174,775,171</b>	<b>175,306,536</b>	<b>-</b>	<b>531,365</b>
<b>EXPENDITURES:</b>						
<b>GENERAL GOVERNMENT</b>						
<b>Board of Alderman</b>						
Salaries.....	-	284,922	284,922	284,922	-	-
Expenses.....	1,098	41,758	41,558	39,678	-	1,880
<b>TOTAL.....</b>	<b>1,098</b>	<b>326,680</b>	<b>326,480</b>	<b>324,600</b>	<b>-</b>	<b>1,880</b>
<b>Clerk of Committees</b>						
Salaries.....	-	51,450	51,450	51,726	-	\$(276)
Expenses.....	-	1,000	1,000	885	-	115
<b>TOTAL.....</b>	<b>-</b>	<b>52,450</b>	<b>52,450</b>	<b>52,611</b>	<b>-</b>	<b>\$(161)</b>
<b>Executive Office</b>						
Salaries.....	-	1,728,297	1,688,150	1,656,978	-	31,172
Expenses.....	5,547	153,605	150,040	122,168	5,198	22,674
Special Items.....	2,460	107,460	107,460	107,439	-	21
<b>TOTAL.....</b>	<b>8,007</b>	<b>1,989,362</b>	<b>1,945,650</b>	<b>1,886,585</b>	<b>5,198</b>	<b>53,867</b>
<b>Auditor's Office</b>						
Salaries.....	-	760,852	747,454	708,594	-	38,860
Expenses.....	176,508	271,798	271,793	81,122	188,810	1,861
<b>TOTAL.....</b>	<b>176,508</b>	<b>1,032,650</b>	<b>1,019,247</b>	<b>789,716</b>	<b>188,810</b>	<b>40,721</b>
<b>Grants Management</b>						
Salaries.....	-	106,531	106,531	100,631	-	5,900
Expenses.....	24,697	29,153	29,153	7,560	21,526	67
<b>TOTAL.....</b>	<b>24,697</b>	<b>135,684</b>	<b>135,684</b>	<b>108,191</b>	<b>21,526</b>	<b>5,967</b>
<b>Purchasing</b>						
Salaries.....	-	268,592	268,421	265,877	-	2,544
Expenses.....	1,570	34,145	33,026	25,663	975	6,388
<b>TOTAL.....</b>	<b>1,570</b>	<b>302,737</b>	<b>301,447</b>	<b>291,540</b>	<b>975</b>	<b>8,932</b>
<b>Finance Personnel Services</b>						
Salaries.....	-	57,227	-	-	-	-
<b>Assessing</b>						
Salaries.....	-	446,279	446,054	446,054	-	-
Expenses.....	31,011	106,011	75,000	57,611	-	17,389
<b>TOTAL.....</b>	<b>31,011</b>	<b>552,290</b>	<b>521,054</b>	<b>503,665</b>	<b>-</b>	<b>17,389</b>
<b>Treasurer's/Collector's Office</b>						
Salaries.....	-	583,956	548,431	522,897	-	25,534
Expenses.....	16,084	337,584	325,979	229,362	21,845	74,772
Debt Service.....	-	8,000	8,000	-	-	8,000
<b>TOTAL.....</b>	<b>16,084</b>	<b>929,540</b>	<b>882,410</b>	<b>752,259</b>	<b>21,845</b>	<b>108,306</b>
<b>Law Department</b>						
Salaries.....	-	535,959	535,830	535,449	-	381
Expenses.....	2,023	133,723	82,666	33,611	1,142	47,913
<b>TOTAL.....</b>	<b>2,023</b>	<b>669,682</b>	<b>618,496</b>	<b>569,060</b>	<b>1,142</b>	<b>48,294</b>
<b>Personnel Department</b>						
Salaries.....	-	233,328	233,235	230,079	-	3,156
Expenses.....	8,576	228,476	283,352	113,966	53,943	115,443
Special Items.....	-	44,000	44,000	13,720	-	30,280
<b>TOTAL.....</b>	<b>8,576</b>	<b>505,804</b>	<b>560,587</b>	<b>357,765</b>	<b>53,943</b>	<b>148,879</b>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Original Budget	Final Budget			
<b>Information Technology</b>						
Salaries.....	-	552,981	552,976	552,976	-	-
Expenses.....	47,526	945,036	920,371	904,496	14,543	1,332
<b>TOTAL.....</b>	<b>47,526</b>	<b>1,498,017</b>	<b>1,473,347</b>	<b>1,457,472</b>	<b>14,543</b>	<b>1,332</b>
<b>Communications</b>						
Salaries.....	-	43,148	43,068	43,068	-	-
Expenses.....	-	8,325	8,326	7,431	53	842
<b>TOTAL.....</b>	<b>-</b>	<b>51,473</b>	<b>51,394</b>	<b>50,499</b>	<b>53</b>	<b>842</b>
<b>City Clerk</b>						
Salaries.....	-	318,728	327,675	326,667	-	1,008
Expenditures.....	16,597	130,274	129,551	95,107	2,508	31,936
<b>TOTAL.....</b>	<b>16,597</b>	<b>449,002</b>	<b>457,226</b>	<b>421,774</b>	<b>2,508</b>	<b>32,944</b>
<b>Elections</b>						
Salaries.....	-	323,397	323,084	300,644	-	22,440
Expenditures.....	-	137,320	137,320	127,496	-	9,824
<b>TOTAL.....</b>	<b>-</b>	<b>460,717</b>	<b>460,404</b>	<b>428,140</b>	<b>-</b>	<b>32,264</b>
<b>Licensing Committee</b>						
Salaries.....	-	6,530	6,530	6,530	-	-
<b>Community Development</b>						
Salaries.....	-	1,690,745	1,648,632	1,542,739	-	105,893
Expenses.....	16,828	223,667	246,978	135,782	46,996	64,200
<b>TOTAL.....</b>	<b>16,828</b>	<b>1,914,412</b>	<b>1,895,610</b>	<b>1,678,521</b>	<b>46,996</b>	<b>170,093</b>
<b>Veterans Benefits</b>						
Salaries.....	-	107,597	101,328	95,636	-	5,692
Expenses.....	-	278,304	352,304	346,611	-	5,693
<b>TOTAL.....</b>	<b>-</b>	<b>385,901</b>	<b>453,632</b>	<b>442,247</b>	<b>-</b>	<b>11,385</b>
<b>Building Insurance</b>						
Expenses.....	-	251,600	251,600	245,924	-	5,676
<b>Person and Property Insurance</b>						
Expenditures.....	-	175,000	175,000	124,666	-	50,334
<b>Contingency Account</b>						
Expenses.....	4,994,810	5,781,695	496,680	111,124	385,555	1
<b>Total General Government.....</b>	<b>5,345,335</b>	<b>17,528,453</b>	<b>12,084,928</b>	<b>10,602,889</b>	<b>743,094</b>	<b>738,945</b>
<b>PUBLIC SAFETY</b>						
<b>Police Department</b>						
Salaries.....	-	13,654,508	14,887,321	14,575,762	-	311,559
Expenses.....	17,398	491,970	486,424	395,210	26,608	64,606
Special Items.....	-	51,314	51,314	31,140	-	20,174
<b>TOTAL.....</b>	<b>17,398</b>	<b>14,197,792</b>	<b>15,425,059</b>	<b>15,002,112</b>	<b>26,608</b>	<b>396,339</b>
<b>Fire Department</b>						
Salaries.....	5,490	13,055,897	16,358,158	16,241,075	1,200	115,883
Expenses.....	16,363	298,625	297,896	280,978	10,881	6,037
Special Items.....	-	50,923	50,923	35,738	-	15,185
<b>TOTAL.....</b>	<b>21,853</b>	<b>13,405,445</b>	<b>16,706,977</b>	<b>16,557,791</b>	<b>12,081</b>	<b>137,105</b>
<b>Emergency Management</b>						
Salaries.....	-	18,792	18,792	18,792	-	-
Expenses.....	237	5,937	5,937	5,937	-	-
<b>TOTAL.....</b>	<b>237</b>	<b>24,729</b>	<b>24,729</b>	<b>24,729</b>	<b>-</b>	<b>-</b>
<b>Animal Control</b>						
Salaries.....	-	69,751	69,751	66,176	-	3,575
Expenses.....	595	14,102	14,093	8,988	1,243	3,862
<b>TOTAL.....</b>	<b>595</b>	<b>83,853</b>	<b>83,844</b>	<b>75,164</b>	<b>1,243</b>	<b>7,437</b>
<b>Traffic and Parking</b>						
Salaries.....	-	2,195,397	2,152,057	2,084,414	-	67,643
Expenses.....	138,076	950,176	984,130	812,886	166,469	4,775
Capital.....	11,556	11,556	6,020	6,020	-	-
<b>TOTAL.....</b>	<b>149,632</b>	<b>3,157,129</b>	<b>3,142,207</b>	<b>2,903,320</b>	<b>166,469</b>	<b>72,418</b>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Original Budget	Final Budget			
<b>Board of Health</b>						
Salaries.....	-	1,226,826	1,158,365	1,095,021	-	63,344
Expenses.....	620	116,079	137,079	78,432	7,658	50,989
<b>TOTAL.....</b>	<b>620</b>	<b>1,342,905</b>	<b>1,295,444</b>	<b>1,173,453</b>	<b>7,658</b>	<b>114,333</b>
<b>Total Public Safety.....</b>	<b>190,335</b>	<b>32,211,853</b>	<b>36,678,260</b>	<b>35,736,569</b>	<b>214,059</b>	<b>727,632</b>
<b>EDUCATION</b>						
Operational.....	370,787	49,860,209	50,731,755	50,375,549	317,227	38,979
<b>PUBLIC WORKS</b>						
<b>Administration</b>						
Salaries.....	-	580,865	580,357	529,775	-	50,582
Expenses.....	14,042	781,642	817,770	733,030	37,617	47,123
<b>TOTAL.....</b>	<b>14,042</b>	<b>1,362,507</b>	<b>1,398,127</b>	<b>1,262,805</b>	<b>37,617</b>	<b>97,705</b>
<b>Electrical</b>						
Salaries.....	-	307,682	307,213	306,754	-	459
Expenses.....	9,723	173,723	172,723	61,472	95,296	15,955
Capital.....	610	610	-	-	-	-
<b>TOTAL.....</b>	<b>10,333</b>	<b>482,015</b>	<b>479,936</b>	<b>368,226</b>	<b>95,296</b>	<b>16,414</b>
<b>Engineering</b>						
Salaries.....	-	85,873	85,791	84,889	-	902
Expenses.....	1,600	8,025	87,582	6,452	80,000	1,130
<b>TOTAL.....</b>	<b>1,600</b>	<b>93,898</b>	<b>173,373</b>	<b>91,341</b>	<b>80,000</b>	<b>2,032</b>
<b>Snow Removal</b>						
Expenses.....	1,615	651,615	477,829	406,250	-	71,579
<b>Highway</b>						
Salaries.....	-	1,682,990	1,680,499	1,553,076	-	127,423
Expenses.....	59,622	794,122	777,827	657,083	72,976	47,768
<b>TOTAL.....</b>	<b>59,622</b>	<b>2,477,112</b>	<b>2,458,326</b>	<b>2,210,159</b>	<b>72,976</b>	<b>175,191</b>
<b>Sanitation</b>						
Expenditures.....	359,998	4,357,198	4,239,761	4,001,154	60,718	177,889
<b>Building and Grounds</b>						
Salaries.....	-	1,899,596	1,889,844	1,855,570	-	34,274
Expenditures.....	384,860	7,261,860	7,489,666	6,272,809	821,291	395,566
Capital.....	-	-	35,000	35,000	-	-
<b>TOTAL.....</b>	<b>384,860</b>	<b>9,161,456</b>	<b>9,414,510</b>	<b>8,163,379</b>	<b>821,291</b>	<b>429,840</b>
<b>School Custodians</b>						
Salaries.....	-	1,483,254	1,850,658	1,793,353	-	57,305
Expenses.....	-	805,000	805,000	803,400	-	1,600
<b>TOTAL.....</b>	<b>-</b>	<b>2,288,254</b>	<b>2,655,658</b>	<b>2,596,753</b>	<b>-</b>	<b>58,905</b>
<b>Weights and Measures</b>						
Salaries.....	-	84,537	84,393	60,298	-	24,095
Expenses.....	-	2,790	2,790	205	-	2,585
<b>TOTAL.....</b>	<b>-</b>	<b>87,327</b>	<b>87,183</b>	<b>60,503</b>	<b>-</b>	<b>26,680</b>
<b>Total Public Works.....</b>	<b>832,070</b>	<b>20,961,382</b>	<b>21,384,703</b>	<b>19,160,570</b>	<b>1,167,898</b>	<b>1,056,235</b>
<b>CULTURE AND RECREATION</b>						
<b>Library</b>						
Salaries.....	-	1,377,307	1,365,246	1,364,520	-	726
Expenses.....	2,352	252,876	252,675	247,601	3,412	1,662
<b>TOTAL.....</b>	<b>2,352</b>	<b>1,630,183</b>	<b>1,617,921</b>	<b>1,612,121</b>	<b>3,412</b>	<b>2,388</b>
<b>Recreation and Youth Programs</b>						
Salaries.....	-	389,533	389,153	388,385	-	768
Expenses.....	1,590	26,515	26,227	19,843	2,761	3,623
<b>TOTAL.....</b>	<b>1,590</b>	<b>416,048</b>	<b>415,380</b>	<b>408,228</b>	<b>2,761</b>	<b>4,391</b>
<b>Total Culture and Recreation.....</b>	<b>3,942</b>	<b>2,046,231</b>	<b>2,033,301</b>	<b>2,020,349</b>	<b>6,173</b>	<b>6,779</b>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Original Budget	Final Budget			
<b>OTHER</b>						
Pension Benefits						
Pension Accumulation.....	-	11,172,596	10,985,945	10,985,945	-	-
Non-Contributory Pension.....	-	333,431	333,432	283,996	-	49,436
<b>Total Pension Benefits.....</b>	<b>-</b>	<b>11,506,027</b>	<b>11,319,377</b>	<b>11,269,941</b>	<b>-</b>	<b>49,436</b>
Employee Benefits						
Health and Life Insurance.....	-	31,463,899	31,663,899	30,088,951	-	1,574,948
Worker's Compensation.....	34,638	765,206	665,206	516,882	-	148,324
Unemployment Compensation.....	-	300,000	300,000	243,142	-	56,858
<b>Total Employee Benefits.....</b>	<b>34,638</b>	<b>32,529,105</b>	<b>32,629,105</b>	<b>30,848,975</b>	<b>-</b>	<b>1,780,130</b>
Debt and Interest						
Debt Principal.....	-	7,173,552	7,173,552	7,173,552	-	-
Debt Interest.....	-	2,632,138	2,632,138	2,489,382	-	142,756
<b>TOTAL.....</b>	<b>-</b>	<b>9,805,690</b>	<b>9,805,690</b>	<b>9,662,934</b>	<b>-</b>	<b>142,756</b>
State and County Charges						
State & County.....	-	11,730,948	11,727,942	10,922,689	-	805,253
<b>Total Other.....</b>	<b>34,638</b>	<b>65,571,770</b>	<b>65,482,114</b>	<b>62,704,539</b>	<b>-</b>	<b>2,777,575</b>
<b>TOTAL EXPENDITURES.....</b>	<b>6,777,107</b>	<b>188,179,898</b>	<b>188,395,061</b>	<b>180,600,465</b>	<b>2,448,451</b>	<b>5,346,145</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	<u>(6,777,107)</u>	<u>(13,404,727)</u>	<u>(13,619,890)</u>	<u>(5,293,929)</u>	<u>(2,448,451)</u>	<u>5,877,510</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Premium from issuance of bonds.....	-	-	-	84,756	-	84,756
Sale of capital assets.....	-	-	-	16,384	-	16,384
Transfers in.....	-	3,024,829	3,396,022	4,187,572	-	791,550
Transfers out.....	-	-	(2,300,000)	(2,300,000)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>3,024,829</b>	<b>1,096,022</b>	<b>1,988,712</b>	<b>-</b>	<b>892,690</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(6,777,107)</b>	<b>(10,379,898)</b>	<b>(12,523,868)</b>	<b>(3,305,217)</b>	<b>(2,448,451)</b>	<b>6,770,200</b>
BUDGETARY FUND BALANCE, Beginning of year.....	-	20,376,151	20,376,151	20,376,151	-	-
BUDGETARY FUND BALANCE, End of year.....	<u>\$ (6,777,107)</u>	<u>\$ 9,996,253</u>	<u>\$ 7,852,283</u>	<u>\$ 17,070,934</u>	<u>\$ (2,448,451)</u>	<u>\$ 6,770,200</u>

See notes to required supplementary information.

(Concluded)

# ***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**

June 30, 2012

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)
6/30/2012	\$ -	\$ 300,478,458	\$ 300,478,458	0%	\$ 84,899,992	353.9%
6/30/2010	-	356,691,278	356,691,278	0%	98,234,425	363.1%
6/30/2008	-	570,928,572	570,928,572	0%	161,325,500	353.9%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2012	\$ 19,026,496	\$ 10,036,871	53%
6/30/2011	22,387,563	10,200,914	46%
6/30/2010	36,283,712	16,325,784	45%
6/30/2009	34,732,505	15,037,853	43%
6/30/2008	33,234,694	13,690,506	41%

See notes to required supplementary information.

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

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Actuarial Methods:

Valuation date.....	June 30, 2012
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4%, open
Remaining amortization period.....	30 years as of June 30, 2012

Actuarial Assumptions:

Investment rate of return.....	4%, pay-as-you-go scenario
Medical/drug cost trend rate.....	8% graded to 4.5% over 8 years
Projected salary increases .....	4%

Plan Membership:

Current retirees and beneficiaries.....	1,237
Current active members.....	<u>1,484</u>
 Total.....	 <u><u>2,721</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 fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal 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 fiscal year 2012 approved budget authorized \$188.2 million in appropriations and other amounts to be raised. During fiscal year 2012, the Board also increased appropriations by approximately \$2.5 million. The City Auditor's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2012, is on the following page:

Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ (3,305,217)
<u>Perspective difference:</u>	
Unemployment insurance trust recorded in the General Fund for GAAP.....	3,404,877
Stabilization funds recorded in the General Fund for GAAP.....	814,911
<u>Basis of accounting differences:</u>	
Net change in recording 60-day receipts accrual.....	57,200
Net change in recording tax refunds payable.....	(457,000)
Net change in recording unrecorded liabilities.....	397,820
Recognition of revenue for on-behalf payments.....	(15,885,000)
Recognition of expenditures for on-behalf payments.....	<u>15,885,000</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ 912,591</u>

### C. Appropriation Deficits

General fund expenditures exceeded budgeted appropriations for Clerk of Committees. This deficit will be funded in fiscal year 2013 through tax levy or other available funds.

### **NOTE B - 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 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* – 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 and 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 Funds* – 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.

***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, 2012

	<i>Special Revenue Funds</i>				
	School Special Revenue Funds	School Federal Grants	School State & Private Grant	City Federal Grant Funds	City State Grant Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 1,526,576	\$ 68,776	\$ 1,876,490	\$ 2,163,485	\$ 440,131
Receivables, net of uncollectibles:					
Intergovernmental.....	-	332,426	-	-	-
Loans.....	-	-	-	1,577,740	-
Due from other funds.....	-	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 1,526,576</b>	<b>\$ 401,202</b>	<b>\$ 1,876,490</b>	<b>\$ 3,741,225</b>	<b>\$ 440,131</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ -	\$ 18,141	\$ 7,738	\$ -	\$ -
Accrued payroll.....	59,645	51,260	16,906	8,458	30,104
Deferred revenues.....	-	-	-	-	-
Due to other funds.....	-	-	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>59,645</b>	<b>69,401</b>	<b>24,644</b>	<b>8,458</b>	<b>30,104</b>
<b>FUND BALANCES:</b>					
Nonspendable.....	-	-	-	-	-
Restricted.....	1,466,931	331,801	1,851,846	3,732,767	410,027
<b>TOTAL FUND BALANCES.....</b>	<b>1,466,931</b>	<b>331,801</b>	<b>1,851,846</b>	<b>3,732,767</b>	<b>410,027</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 1,526,576</b>	<b>\$ 401,202</b>	<b>\$ 1,876,490</b>	<b>\$ 3,741,225</b>	<b>\$ 440,131</b>

**Special Revenue Funds**

Highway Improvement Funds	City Revolving Funds	Receipts Reserved	City Private Grants	School Lunch	Other Special Revenue Funds	Subtotal
\$ -	\$ 191,895	\$ 1,404,875	\$ 103,930	\$ 676,826	\$ 478,503	\$ 8,931,487
1,306,132	-	-	-	-	-	1,638,558
-	-	-	-	-	-	1,577,740
-	586,487	-	-	-	-	586,487
<u>\$ 1,306,132</u>	<u>\$ 778,382</u>	<u>\$ 1,404,875</u>	<u>\$ 103,930</u>	<u>\$ 676,826</u>	<u>\$ 478,503</u>	<u>\$ 12,734,272</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,879
-	23,224	-	721	18,904	1,624	210,846
719,645	-	-	-	-	-	719,645
586,487	-	-	-	-	-	586,487
<u>1,306,132</u>	<u>23,224</u>	<u>-</u>	<u>721</u>	<u>18,904</u>	<u>1,624</u>	<u>1,542,857</u>
-	-	-	-	-	-	-
-	755,158	1,404,875	103,209	657,922	476,879	11,191,415
-	755,158	1,404,875	103,209	657,922	476,879	11,191,415
<u>\$ 1,306,132</u>	<u>\$ 778,382</u>	<u>\$ 1,404,875</u>	<u>\$ 103,930</u>	<u>\$ 676,826</u>	<u>\$ 478,503</u>	<u>\$ 12,734,272</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS**  
COMBINING BALANCE SHEET

JUNE 30, 2012

	<i>Permanent Funds</i>			Total Nonmajor Governmental Funds
	Permanent Funds Principal	Expendable Permanent Funds	Subtotal	
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 433,126	\$ 217,978	\$ 651,104	\$ 9,582,591
Receivables, net of uncollectibles:				
Intergovernmental.....	-	-	-	1,638,558
Loans.....	-	-	-	1,577,740
Due from other funds.....	-	-	-	586,487
<b>TOTAL ASSETS.....</b>	<b>\$ 433,126</b>	<b>\$ 217,978</b>	<b>\$ 651,104</b>	<b>\$ 13,385,376</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Warrants payable.....	\$ -	\$ -	\$ -	\$ 25,879
Accrued payroll.....	-	-	-	210,846
Deferred revenues.....	-	-	-	719,645
Due to other funds.....	-	-	-	586,487
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,542,857</b>
<b>FUND BALANCES:</b>				
Nonspendable.....	433,126	-	433,126	433,126
Restricted.....	-	217,978	217,978	11,409,393
<b>TOTAL FUND BALANCES.....</b>	<b>433,126</b>	<b>217,978</b>	<b>651,104</b>	<b>11,842,519</b>
<b>TOTAL LIABILITIES AND FUND BALANCES....</b>	<b>\$ 433,126</b>	<b>\$ 217,978</b>	<b>\$ 651,104</b>	<b>\$ 13,385,376</b>

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

FISCAL YEAR ENDED JUNE 30, 2012

	<i>Special Revenue Funds</i>				
	School Special Revenue Funds	School Federal Grants	School State & Private Grant	City Federal Grant Funds	City State Grant Funds
<b>REVENUES:</b>					
Intergovernmental.....	\$ 12,002	\$ 5,786,996	\$ 2,967,716	\$ 1,229,593	\$ 299,538
Departmental and other.....	2,008,523	-	-	581,419	-
Contributions.....	88,190	-	-	70,830	-
Investment income.....	-	-	-	2,145	-
<b>TOTAL REVENUES.....</b>	<b>2,108,715</b>	<b>5,786,996</b>	<b>2,967,716</b>	<b>1,883,987</b>	<b>299,538</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	-	-	-	899,221	137,906
Public safety.....	-	-	-	503,628	298,133
Education.....	1,964,152	5,779,696	2,519,956	-	-
Public works.....	-	-	-	264,315	20,000
Human services.....	-	-	-	213,311	7,997
Culture and recreation.....	-	-	-	215,799	29,000
<b>TOTAL EXPENDITURES.....</b>	<b>1,964,152</b>	<b>5,779,696</b>	<b>2,519,956</b>	<b>2,096,274</b>	<b>493,036</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>144,563</b>	<b>7,300</b>	<b>447,760</b>	<b>(212,287)</b>	<b>(193,498)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Premium from issuance of bonds.....	-	-	-	268,727	-
Transfers out.....	-	-	-	(876,246)	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(607,519)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>144,563</b>	<b>7,300</b>	<b>447,760</b>	<b>(819,806)</b>	<b>(193,498)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>1,322,368</b>	<b>324,501</b>	<b>1,404,086</b>	<b>4,552,573</b>	<b>603,525</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 1,466,931</b>	<b>\$ 331,801</b>	<b>\$ 1,851,846</b>	<b>\$ 3,732,767</b>	<b>\$ 410,027</b>

**Special Revenue Funds**

Highway Improvement Funds	City Revolving Funds	Receipts Reserved	City Private Grants	School Lunch	Other Special Revenue Funds	Sub-total
\$ 1,221,848	\$ -	\$ -	\$ 187,050	\$ 1,827,560	\$ -	\$ 13,532,303
-	1,311,205	1,709,288	-	879,672	175,360	6,665,467
-	13,647	836,760	-	-	148,415	1,157,842
-	-	-	-	186	583	2,914
<u>1,221,848</u>	<u>1,324,852</u>	<u>2,546,048</u>	<u>187,050</u>	<u>2,707,418</u>	<u>324,358</u>	<u>21,358,526</u>
-	1,153,656	-	102,820	-	210,230	2,503,833
-	5,600	-	1,000	-	25,376	833,737
-	-	-	-	2,634,424	-	12,898,228
1,329,893	22,393	-	-	-	26,908	1,663,509
-	1,185	-	81,724	-	-	304,217
-	135,743	-	12,411	-	-	392,953
<u>1,329,893</u>	<u>1,318,577</u>	<u>-</u>	<u>197,955</u>	<u>2,634,424</u>	<u>262,514</u>	<u>18,596,477</u>
<u>(108,045)</u>	<u>6,275</u>	<u>2,546,048</u>	<u>(10,905)</u>	<u>72,994</u>	<u>61,844</u>	<u>2,762,049</u>
-	-	-	-	-	-	268,727
-	(377,499)	(10,374,459)	-	-	-	(11,628,204)
-	(377,499)	(10,374,459)	-	-	-	(11,359,477)
(108,045)	(371,224)	(7,828,411)	(10,905)	72,994	61,844	(8,597,428)
<u>108,045</u>	<u>1,126,382</u>	<u>9,233,286</u>	<u>114,114</u>	<u>584,928</u>	<u>415,035</u>	<u>19,788,843</u>
<u>\$ -</u>	<u>\$ 755,158</u>	<u>\$ 1,404,875</u>	<u>\$ 103,209</u>	<u>\$ 657,922</u>	<u>\$ 476,879</u>	<u>\$ 11,191,415</u>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2012

	<i>Permanent Funds</i>			Total Nonmajor Governmental Funds
	Permanent Funds Principal	Expendable Permanent Funds	Sub-total	
<b>REVENUES:</b>				
Intergovernmental.....	\$ -	\$ -	\$ -	\$ 13,532,303
Departmental and other.....	-	-	-	6,665,467
Contributions.....	-	100,000	100,000	1,257,842
Investment income.....	-	1,559	1,559	4,473
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>101,559</b>	<b>101,559</b>	<b>21,460,085</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	-	-	-	2,503,833
Public safety.....	-	-	-	833,737
Education.....	-	-	-	12,898,228
Public works.....	-	-	-	1,663,509
Human services.....	-	8,331	8,331	312,548
Culture and recreation.....	-	378	378	393,331
<b>TOTAL EXPENDITURES.....</b>	<b>-</b>	<b>8,709</b>	<b>8,709</b>	<b>18,605,186</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>-</b>	<b>92,850</b>	<b>92,850</b>	<b>2,854,899</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Premium from issuance of bonds.....	-	-	-	268,727
Transfers out.....	-	-	-	(11,628,204)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,359,477)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>-</b>	<b>92,850</b>	<b>92,850</b>	<b>(8,504,578)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>433,126</b>	<b>125,128</b>	<b>558,254</b>	<b>20,347,097</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 433,126</b>	<b>\$ 217,978</b>	<b>\$ 651,104</b>	<b>\$ 11,842,519</b>

(Concluded)

# ***Employee Benefit Trust Funds***

*Pension Trust Fund* – This fund is used to account for the Somerville Retirement System.

*Other Postemployment Benefit Trust Fund* – This fund is used to account for assets being accumulated to fund future liabilities for “other” postemployment employee benefits.

**EMPLOYEE BENEFIT TRUST FUNDS**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**

JUNE 30, 2012

	Pension Trust Fund (as of December 31, 2011)	Other Postemployment Benefits Trust Fund	Total Employee Benefit Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 1,200,022	\$ 200,010	\$ 1,400,032
Investments:			
Bond mutual funds.....	58,156,494	-	58,156,494
Real estate and alternative investment mutual funds.....	14,248,730	-	14,248,730
Equity mutual funds.....	14,937,678	-	14,937,678
Equity securities.....	85,357,634	-	85,357,634
Interest and dividends.....	73	-	73
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	6,161,885	-	6,161,885
<b>TOTAL ASSETS.....</b>	<b>180,062,516</b>	<b>200,010</b>	<b>180,262,526</b>
<b>LIABILITIES</b>			
Warrants payable.....	283,317	-	283,317
<b>NET ASSETS</b>			
Held in trust for pension and OPEB benefits.....	\$ 179,779,199	\$ 200,010	\$ 179,979,209

**EMPLOYEE BENEFIT TRUST FUNDS**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

FISCAL YEAR ENDED JUNE 30, 2012

	Pension Trust Fund (as of December 31, 2011)	Other Postemployment Benefits Trust Fund	Total Employee Benefit Trust Funds
<b>ADDITIONS:</b>			
Contributions:			
Employer.....	\$ 12,050,926	\$ 200,000	\$ 12,250,926
Plan member.....	5,305,999	-	5,305,999
<b>Total contributions.....</b>	<b>17,356,925</b>	<b>200,000</b>	<b>17,556,925</b>
Net investment income:			
Net change in fair value of investments.....	(1,382,529)	-	(1,382,529)
Interest.....	5,946,083	10	5,946,093
<b>Total investment income.....</b>	<b>4,563,554</b>	<b>10</b>	<b>4,563,564</b>
Less: investment expense.....	(866,498)	-	(866,498)
<b>Net investment income.....</b>	<b>3,697,056</b>	<b>10</b>	<b>3,697,066</b>
Intergovernmental.....	666,451	-	666,451
Transfers from other systems.....	652,388	-	652,388
<b>TOTAL ADDITIONS.....</b>	<b>22,372,820</b>	<b>200,010</b>	<b>22,572,830</b>
<b>DEDUCTIONS:</b>			
Administration.....	316,363	-	316,363
Transfers to other systems.....	759,845	-	759,845
Retirement benefits and refunds.....	22,076,298	-	22,076,298
<b>TOTAL DEDUCTIONS.....</b>	<b>23,152,506</b>	<b>-</b>	<b>23,152,506</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>(779,686)</b>	<b>200,010</b>	<b>(579,676)</b>
NET ASSETS AT BEGINNING OF YEAR.....	180,558,885	-	180,558,885
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 179,779,199</b>	<b>\$ 200,010</b>	<b>\$ 179,979,209</b>

# ***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

FISCAL YEAR ENDED JUNE 30, 2012

	Beginning of Year	Additions	Deletions	End of Year
<b>ASSETS</b>				
CURRENT:				
Cash and cash equivalents.....	\$ 512,834	\$ 2,745,370	\$ (2,884,023)	\$ 374,181
NONCURRENT:				
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	52,439	-	(52,439)	-
TOTAL ASSETS.....	<u>\$ 565,273</u>	<u>\$ 2,745,370</u>	<u>\$ (2,936,462)</u>	<u>\$ 374,181</u>
<b>LIABILITIES</b>				
Accrued liabilities.....	\$ 96,619	\$ 122,093	\$ (193,238)	\$ 25,474
Liabilities due depositors.....	468,654	2,623,277	(2,743,224)	348,707
TOTAL LIABILITIES.....	<u>\$ 565,273</u>	<u>\$ 2,745,370</u>	<u>\$ (2,936,462)</u>	<u>\$ 374,181</u>

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# ***Statistical Section***



Davis Square; the brick-paved square contains a rich mixture of shops, restaurants, bars, coffee shops, a 1000 seat movie theater complex, a smaller 200 seat live performance theater, and other attractions.

# ***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 Assets By Component**

**Last Ten Fiscal Years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>										
Invested in capital assets, net of related debt.....	\$ 41,273,262	\$ 79,339,521	\$ 84,887,642	\$ 87,930,204	\$ 111,143,022	\$ 112,716,973	\$ 114,071,426	\$ 114,146,078	\$ 117,701,275	\$ 142,244,500
Restricted.....	12,323,650	23,005,696	23,076,486	23,512,466	21,855,935	23,920,569	19,464,156	24,114,249	25,126,498	22,775,093
Unrestricted.....	66,887,132	31,851,918	36,014,618	37,014,594	47,126,745	32,910,522	22,052,332	3,369,141	(1,130,225)	(34,130,603)
<b>Total governmental activities net assets.....</b>	<b>\$ 120,484,044</b>	<b>\$ 134,197,135</b>	<b>\$ 143,978,746</b>	<b>\$ 148,457,264</b>	<b>\$ 180,125,702</b>	<b>\$ 169,548,064</b>	<b>\$ 155,587,914</b>	<b>\$ 141,629,468</b>	<b>\$ 141,697,548</b>	<b>\$ 130,888,990</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,762,242	\$ 7,539,882	\$ 16,039,555	\$ 20,025,113	\$ 24,078,204
Unrestricted.....	-	-	-	10,237,648	11,128,502	17,892,482	20,821,058	19,409,168	21,059,957	23,647,858
<b>Total business-type activities net assets.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,237,648</b>	<b>\$ 11,128,502</b>	<b>\$ 22,654,724</b>	<b>\$ 28,360,940</b>	<b>\$ 35,448,723</b>	<b>\$ 41,085,070</b>	<b>\$ 47,726,062</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt.....	\$ 41,273,262	\$ 79,339,521	\$ 84,887,642	\$ 87,930,204	\$ 111,143,022	\$ 117,479,215	\$ 121,611,308	\$ 130,185,633	\$ 137,726,388	\$ 166,322,704
Restricted.....	12,323,650	23,005,696	23,076,486	23,512,466	21,855,935	23,920,569	19,464,156	24,114,249	25,126,498	22,775,093
Unrestricted.....	66,887,132	31,851,918	36,014,618	47,252,242	58,255,247	50,803,004	42,873,390	22,778,309	19,929,732	(10,482,745)
<b>Total primary government net assets.....</b>	<b>\$ 120,484,044</b>	<b>\$ 134,197,135</b>	<b>\$ 143,978,746</b>	<b>\$ 158,694,912</b>	<b>\$ 191,254,204</b>	<b>\$ 192,202,788</b>	<b>\$ 183,948,854</b>	<b>\$ 177,078,191</b>	<b>\$ 182,782,618</b>	<b>\$ 178,615,052</b>

Note: Prior to 2006, water and sewer enterprise activity was accounted for in the general fund.

Changes in Net Assets

Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government.....	\$ 15,038,488	\$ 14,466,369	\$ 15,078,317	\$ 17,625,708	\$ 18,995,359	\$ 22,192,789	\$ 23,220,232	\$ 21,779,285	\$ 21,655,742	\$ 22,124,384
Public safety.....	35,159,934	35,448,718	36,223,663	39,481,659	39,923,227	54,178,826	53,444,548	52,328,325	45,903,658	52,391,661
Education.....	90,883,709	89,377,755	89,232,607	93,324,939	93,333,097	102,347,605	110,053,080	108,803,922	108,813,913	113,396,259
Public works.....	17,018,244	17,693,144	19,914,505	20,814,103	26,217,844	30,054,802	27,101,081	24,973,616	23,346,672	23,631,860
Water & sewer.....	14,454,823	16,353,929	17,129,773	-	-	-	-	-	-	-
Intergovernment subsidy.....	220,000	220,000	220,000	220,000	-	-	-	-	-	-
Community development.....	6,803,065	7,118,832	5,419,101	5,173,783	4,086,638	8,021,636	9,504,292	6,014,349	7,491,176	5,225,117
Human services.....	85,145	95,384	86,314	26,210	2,974	22,475	122,641	18,802	9,560	316,137
Culture and recreation.....	3,863,157	3,641,051	2,923,143	4,513,673	4,206,127	989,173	4,159,278	4,566,066	3,880,264	4,160,530
Interest.....	3,812,012	3,443,680	3,495,985	2,885,144	3,511,789	3,003,492	2,865,682	2,713,563	2,282,434	2,306,520
<b>Total governmental activities expenses.....</b>	<b>187,136,577</b>	<b>187,858,862</b>	<b>189,728,408</b>	<b>184,065,219</b>	<b>190,279,055</b>	<b>220,790,858</b>	<b>230,470,834</b>	<b>221,197,928</b>	<b>213,383,619</b>	<b>223,552,468</b>
<b>Business-type activities:</b>										
Water.....	-	-	-	6,524,762	6,915,717	7,111,413	7,920,756	6,863,013	9,034,024	8,366,003
Sewer.....	-	-	-	11,502,866	11,565,119	11,554,303	12,979,914	13,245,282	14,185,999	14,803,664
Dilboy stadium.....	-	-	-	-	-	-	-	-	-	132,312
Veteran's memorial ice rink.....	-	-	-	-	-	-	-	-	-	337,456
<b>Total business-type activities expenses.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,027,628</b>	<b>18,480,836</b>	<b>18,665,716</b>	<b>20,900,670</b>	<b>20,108,295</b>	<b>23,220,023</b>	<b>23,639,435</b>
<b>Total primary government expenses.....</b>	<b>\$ 187,136,577</b>	<b>\$ 187,858,862</b>	<b>\$ 189,728,408</b>	<b>\$ 202,092,847</b>	<b>\$ 208,759,891</b>	<b>\$ 239,456,574</b>	<b>\$ 251,371,504</b>	<b>\$ 241,306,223</b>	<b>\$ 236,603,642</b>	<b>\$ 247,191,903</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Public safety charges for services.....	\$ 6,172,715	\$ 7,450,425	\$ 9,394,324	\$ 10,127,903	\$ 10,675,114	\$ 13,782,939	\$ 11,279,366	\$ 11,653,283	\$ 11,168,627	\$ 10,402,613
Education charges for services.....	2,101,753	1,913,707	2,424,782	2,130,300	1,566,641	1,287,818	1,289,836	1,523,386	2,773,301	2,888,195
Water & sewer charges for services.....	18,291,993	15,989,797	19,870,735	-	-	-	-	-	-	-
Other charges for services.....	1,781,846	2,377,686	2,800,271	3,673,824	3,779,691	3,847,424	4,251,818	5,441,674	7,576,529	7,963,541
Public safety operating grants and contributions.....	1,693,930	1,808,128	2,233,643	2,141,500	1,914,580	1,979,862	2,073,664	1,582,812	984,665	583,597
Education operating grants and contributions.....	37,007,150	31,367,805	32,845,893	42,363,167	45,527,173	46,931,033	48,503,731	47,963,393	46,517,454	46,478,286
Public works operating grants and contributions.....	1,217,554	379,725	1,789,910	1,764,836	2,772,390	867,986	865,255	816,657	20,000	149,243
Community development operating grants and contributions.....	4,423,799	12,248,956	5,390,842	5,466,570	854,630	14,267,545	7,104,189	9,596,234	6,754,407	5,677,368
Other operating grants and contributions.....	10,555,264	11,327,274	12,524,054	3,658,793	3,538,230	1,679,320	2,238,474	2,243,796	3,565,658	3,254,386
Education capital grants and contributions.....	11,759,349	1,075,394	-	3,879,094	24,363,592	-	1,021,427	-	-	-
Other capital grants and contributions.....	18,206	-	-	-	-	-	-	-	1,300,151	1,014,340
<b>Total governmental activities program revenues.....</b>	<b>95,003,559</b>	<b>85,938,897</b>	<b>89,274,454</b>	<b>75,205,993</b>	<b>94,992,041</b>	<b>84,643,927</b>	<b>78,627,760</b>	<b>80,821,235</b>	<b>80,660,792</b>	<b>78,411,569</b>
<b>Business-type activities:</b>										
Water charges for services.....	-	-	-	7,760,415	5,674,055	9,198,012	9,826,242	9,968,139	11,499,958	11,972,625
Sewer charges for services.....	-	-	-	15,550,914	15,500,715	15,191,936	14,849,185	15,654,243	15,631,262	17,139,421
Dilboy stadium charges for services.....	-	-	-	-	-	-	-	-	-	90,527
Veteran's memorial ice rink charges for services.....	-	-	-	-	-	-	-	-	-	270,626
Other capital grant and contributions.....	-	-	-	-	-	-	-	-	-	1,322,550
<b>Total business-type activities program revenues.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,311,329</b>	<b>21,174,770</b>	<b>24,389,948</b>	<b>24,675,427</b>	<b>25,622,382</b>	<b>27,131,220</b>	<b>30,795,749</b>
<b>Total primary government program revenues.....</b>	<b>\$ 95,003,559</b>	<b>\$ 85,938,897</b>	<b>\$ 89,274,454</b>	<b>\$ 98,517,322</b>	<b>\$ 116,166,811</b>	<b>\$ 109,033,875</b>	<b>\$ 103,303,187</b>	<b>\$ 106,443,617</b>	<b>\$ 107,792,012</b>	<b>\$ 109,207,318</b>
<b>Net (Expense)/Program Revenue</b>										
Governmental activities.....	\$ (92,133,018)	\$ (101,919,965)	\$ (100,453,954)	\$ (108,859,226)	\$ (95,287,014)	\$ (136,146,931)	\$ (151,843,074)	\$ (140,376,693)	\$ (132,722,827)	\$ (145,140,899)
Business-type activities.....	-	-	-	5,283,701	2,693,934	5,724,232	3,774,757	5,514,087	3,911,197	7,156,314
<b>Total primary government net (expense)/program revenue.....</b>	<b>\$ (92,133,018)</b>	<b>\$ (101,919,965)</b>	<b>\$ (100,453,954)</b>	<b>\$ (103,575,525)</b>	<b>\$ (92,593,080)</b>	<b>\$ (130,422,699)</b>	<b>\$ (148,068,317)</b>	<b>\$ (134,862,606)</b>	<b>\$ (128,811,630)</b>	<b>\$ (137,984,585)</b>
<b>General Revenues and other Changes in Net Assets</b>										
<b>Governmental activities:</b>										
Real estate and personal property taxes.....	\$ 65,969,974	\$ 69,545,138	\$ 73,478,791	\$ 78,141,388	\$ 82,120,795	\$ 86,835,733	\$ 91,192,133	\$ 96,029,743	\$ 100,266,040	\$ 102,516,625
Motor vehicle and other excise taxes.....	5,718,828	5,266,072	5,429,328	5,189,010	5,069,422	4,976,795	4,190,680	4,414,024	5,067,456	6,773,737
Penalties and interest on taxes.....	817,312	742,005	599,400	619,375	475,391	821,535	695,914	982,668	1,266,500	860,457
Payments in lieu of taxes.....	-	-	341,819	354,342	131,329	314,262	158,827	163,644	398,281	192,334
Grants and contributions not restricted.....	29,084,074	26,992,050	28,411,388	28,456,720	32,563,468	32,519,533	38,521,736	23,777,003	24,479,415	22,936,689
Unrestricted investment income.....	713,751	480,472	929,090	1,476,584	2,261,853	1,605,434	1,096,779	584,028	419,721	320,878
Gain on disposal of assets.....	-	2,683,084	867,752	150,484	148,563	1,780	7,838	8,635	9,355	-
Donation of land.....	-	-	-	-	678,300	-	-	-	-	-
Miscellaneous.....	743,938	434,403	177,997	1,048,792	899,510	2,010,382	2,019,017	458,502	884,039	61,023
Transfers, net.....	-	-	-	829,217	2,607,821	-	-	-	-	670,598
<b>Total governmental activities.....</b>	<b>103,047,877</b>	<b>106,143,224</b>	<b>110,235,565</b>	<b>116,265,912</b>	<b>126,955,452</b>	<b>129,085,454</b>	<b>137,882,924</b>	<b>126,418,247</b>	<b>132,790,907</b>	<b>134,332,341</b>
<b>Business-type activities:</b>										
Tax and utility liens.....	-	-	-	904,658	655,236	1,589,910	1,609,372	1,413,910	1,562,666	-
Unrestricted investment income.....	-	-	-	201,498	149,505	695,919	322,087	159,786	162,484	155,276
Transfers.....	-	-	-	(829,217)	(2,607,821)	-	-	-	-	(670,598)
<b>Total business-type activities.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>276,939</b>	<b>(1,803,080)</b>	<b>2,285,829</b>	<b>1,931,459</b>	<b>1,573,696</b>	<b>1,725,150</b>	<b>(515,322)</b>
<b>Total primary government general revenues and other changes in net assets.....</b>	<b>\$ 103,047,877</b>	<b>\$ 106,143,224</b>	<b>\$ 110,235,565</b>	<b>\$ 116,542,851</b>	<b>\$ 125,152,372</b>	<b>\$ 131,371,283</b>	<b>\$ 139,814,383</b>	<b>\$ 127,991,943</b>	<b>\$ 134,516,057</b>	<b>\$ 133,817,019</b>
<b>Changes in Net Assets</b>										
Governmental activities.....	\$ 10,914,859	\$ 4,223,259	\$ 9,781,611	\$ 7,406,686	\$ 31,668,438	\$ (7,061,477)	\$ (13,960,150)	\$ (13,958,446)	\$ 68,080	\$ (10,808,558)
Business-type activities.....	-	-	-	5,660,640	890,854	8,010,061	5,706,216	7,087,783	5,636,347	6,640,992
<b>Total primary government changes in net assets.....</b>	<b>\$ 10,914,859</b>	<b>\$ 4,223,259</b>	<b>\$ 9,781,611</b>	<b>\$ 12,967,326</b>	<b>\$ 32,559,292</b>	<b>\$ 948,584</b>	<b>\$ (8,253,934)</b>	<b>\$ (6,870,663)</b>	<b>\$ 5,704,427</b>	<b>\$ (4,167,566)</b>

Note: Prior to 2006, water and sewer enterprise activity was accounted for in the general fund.

**Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund</b>										
Reserved.....	\$ 2,168,856	\$ 3,348,936	\$ 8,058,346	\$ 9,007,502	\$ 11,389,250	\$ 12,484,743	\$ 14,740,399	\$ 15,210,735	\$ -	\$ -
Unreserved.....	9,395,918	11,760,657	15,041,825	16,863,793	17,846,988	17,701,780	11,952,907	12,687,703	-	-
Committed.....	-	-	-	-	-	-	-	-	18,712,499	21,929,103
Assigned.....	-	-	-	-	-	-	-	-	10,242,471	5,948,451
Unassigned.....	-	-	-	-	-	-	-	-	11,745,190	13,735,197
<b>Total general fund.....</b>	<b>\$ 11,564,774</b>	<b>\$ 15,109,593</b>	<b>\$ 23,100,171</b>	<b>\$ 25,871,295</b>	<b>\$ 29,236,238</b>	<b>\$ 30,186,523</b>	<b>\$ 26,693,306</b>	<b>\$ 27,898,438</b>	<b>\$ 40,700,160</b>	<b>\$ 41,612,751</b>
<b>All Other Governmental Funds</b>										
Reserved.....	\$ 5,554,367	\$ 11,683,724	\$ 11,361,753	\$ 11,865,594	\$ 12,312,520	\$ 13,552,469	\$ 12,276,896	\$ 13,423,104	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	5,475,149	3,482,079	4,329,384	7,306,605	8,112,563	9,163,103	17,964,768	20,226,857	-	-
Capital projects funds.....	4,756,877	211,079	(2,877,173)	498,479	3,260,677	119,927	(59,498)	6,678,591	-	-
Permanent funds.....	152,317	174,327	165,688	177,763	196,730	216,731	217,881	163,066	-	-
Nonspendable.....	-	-	-	-	-	-	-	-	433,126	433,126
Restricted.....	-	-	-	-	-	-	-	-	32,172,936	23,955,913
Unassigned.....	-	-	-	-	-	-	-	-	(42,349)	(7,897,251)
<b>Total all other governmental funds.....</b>	<b>\$ 15,938,710</b>	<b>\$ 15,551,209</b>	<b>\$ 12,979,652</b>	<b>\$ 19,848,441</b>	<b>\$ 23,882,490</b>	<b>\$ 23,052,230</b>	<b>\$ 30,400,047</b>	<b>\$ 40,491,618</b>	<b>\$ 32,563,713</b>	<b>\$ 16,491,788</b>

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

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

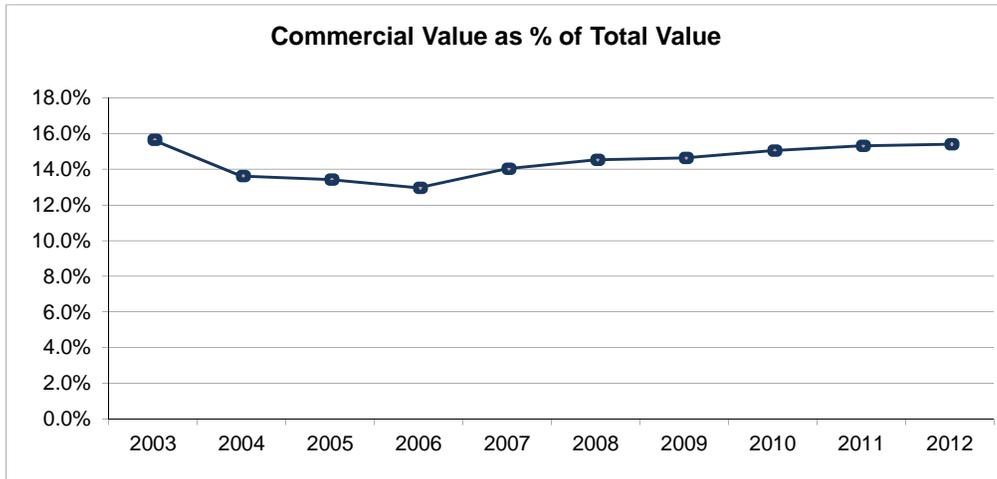
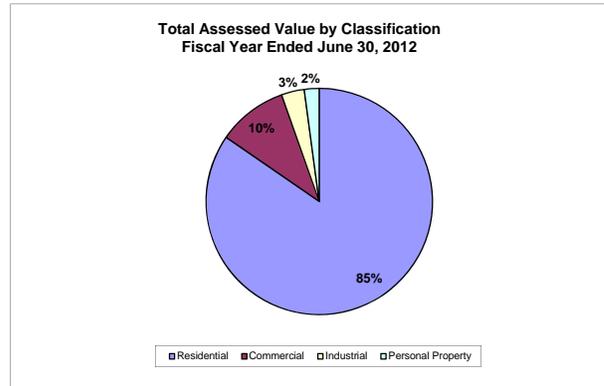
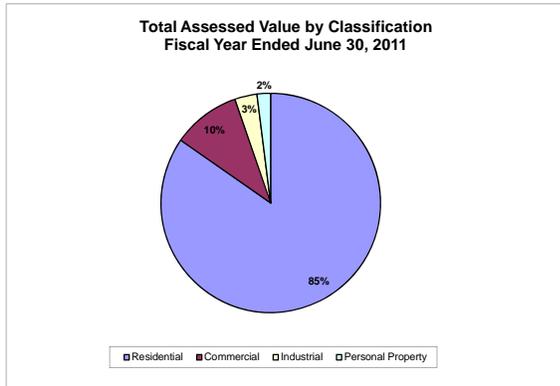
	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>										
Real estate and personal property taxes.....	\$ 65,940,754	\$ 69,495,393	\$ 72,598,949	\$ 76,923,448	\$ 81,122,008	\$ 85,100,033	\$ 89,398,919	\$ 95,031,409	\$ 98,921,096	\$ 102,575,530
Tax liens.....	756,298	881,336	1,144,242	986,111	660,729	870,517	1,165,496	1,078,578	1,161,723	1,297,050
Motor vehicle and other excise taxes.....	5,441,575	5,353,299	5,379,484	5,272,658	5,009,381	5,007,547	4,531,602	4,563,267	4,894,601	6,762,048
Water and sewer charges.....	14,983,548	15,495,651	17,459,055	-	-	-	-	-	-	-
Payments in lieu of taxes.....	-	-	341,819	354,342	131,329	314,262	158,827	163,644	398,281	192,334
Intergovernmental.....	85,630,124	80,812,995	81,906,392	84,231,538	106,134,045	95,212,975	89,793,239	83,710,418	85,293,814	83,228,489
Departmental and other.....	18,208,143	14,273,455	18,252,107	19,737,439	20,275,793	21,760,536	22,282,936	23,300,994	23,946,046	23,732,924
Contributions.....	-	-	-	1,958	2,046,099	1,273,574	160,049	1,162,345	1,354,249	1,361,020
Investment income.....	713,751	480,472	929,090	1,432,620	2,221,664	1,605,434	1,096,779	584,028	419,721	320,878
Miscellaneous.....	-	-	-	1,750	-	1,700,000	12,270,901	312,803	229,144	71,679
<b>Total Revenue.....</b>	<b>191,674,193</b>	<b>186,792,601</b>	<b>198,011,138</b>	<b>188,941,864</b>	<b>217,601,048</b>	<b>212,844,878</b>	<b>220,858,748</b>	<b>209,907,486</b>	<b>216,618,675</b>	<b>219,541,952</b>
<b>Expenditures:</b>										
General government.....	8,477,140	7,739,537	8,668,100	9,662,698	10,724,631	11,832,794	12,284,477	11,345,329	12,623,157	12,679,343
Public safety.....	25,884,826	25,595,905	26,057,427	28,006,510	28,071,124	33,422,270	31,952,078	31,850,195	30,938,872	36,463,494
Education.....	62,100,544	59,075,065	57,293,807	58,544,508	59,635,425	58,150,030	61,298,672	60,033,670	63,007,532	63,303,388
Public works.....	15,126,640	15,777,945	16,064,423	16,915,999	21,588,243	24,166,057	20,701,397	19,162,374	19,461,296	19,831,102
Water and sewer.....	14,454,823	16,353,929	17,129,773	-	-	-	-	-	-	-
Intergovernmental subsidy.....	220,000	220,000	220,000	220,000	-	-	-	-	-	-
Community development.....	6,811,065	7,094,833	5,436,101	5,170,783	4,086,638	4,807,530	9,503,292	6,015,349	5,142,819	5,225,117
Human services.....	14,279	8,480	3,849	6,339	3,458	3,682	108,906	2,681	7,095	312,548
Culture and recreation.....	2,675,872	2,519,402	1,795,859	2,740,471	1,861,663	1,994,251	1,841,688	2,596,786	2,397,542	2,413,694
Pension benefits.....	15,870,603	17,048,989	18,907,078	20,836,787	22,252,303	24,027,834	25,601,417	25,028,473	25,986,011	27,154,941
Employee benefits.....	18,436,513	20,815,373	20,026,746	24,159,735	24,574,027	25,804,216	29,525,454	28,046,345	28,783,865	27,555,222
Claims and judgments.....	-	-	-	-	-	-	-	-	-	124,666
State and county charges.....	9,094,624	8,858,332	8,134,727	7,987,790	8,700,697	9,083,059	9,628,426	9,815,484	10,990,847	10,922,689
Capital outlay.....	17,655,512	5,516,084	7,109,180	9,334,147	28,488,767	19,917,387	6,947,220	6,576,020	9,937,843	35,537,453
Debt service:										
Principal.....	4,936,637	4,376,442	4,684,221	4,880,181	5,671,986	5,503,616	5,003,735	6,048,976	6,799,951	7,473,552
Interest.....	3,881,705	3,462,679	3,474,325	2,833,751	2,928,446	2,836,481	2,615,224	2,802,736	2,404,731	2,494,542
<b>Total Expenditures.....</b>	<b>205,640,783</b>	<b>194,462,995</b>	<b>195,005,616</b>	<b>191,299,699</b>	<b>218,587,408</b>	<b>221,549,207</b>	<b>217,011,986</b>	<b>209,324,418</b>	<b>218,481,561</b>	<b>251,491,751</b>
Excess of revenues over (under) expenditures.....	(13,966,590)	(7,670,394)	3,005,522	(2,357,835)	(986,360)	(8,704,329)	3,846,762	583,068	(1,862,886)	(31,949,799)
<b>Other Financing Sources (Uses)</b>										
Issuance of bonds and notes.....	948,053	948,053	1,178,828	10,073,053	5,617,227	13,713,522	-	10,695,000	6,305,000	15,750,000
Issuance of refunding bonds.....	-	10,355,000	-	-	23,705,000	-	-	15,129,000	-	-
Premium from issuance of bonds.....	-	76,854	-	-	420,654	62,957	-	10,000	422,348	353,483
Premium from issuance of refunding bonds.....	-	-	-	-	-	-	-	682,609	-	-
Payments to refunded bond escrow agent.....	-	(10,334,532)	-	-	(24,115,350)	-	-	(15,811,609)	-	-
Sale of capital assets.....	-	3,299,674	1,234,671	150,484	150,000	1,780	7,838	8,635	9,355	16,384
Transfers in.....	500,526	1,141,291	924,277	3,190,622	8,162,546	6,091,842	2,211,567	3,295,179	5,278,835	12,298,802
Transfers out.....	(500,526)	(1,141,291)	(924,277)	(2,361,405)	(5,554,725)	(6,091,842)	(2,211,567)	(3,295,179)	(5,278,835)	(11,628,204)
<b>Total other financing sources (uses).....</b>	<b>948,053</b>	<b>4,345,049</b>	<b>2,413,499</b>	<b>11,052,754</b>	<b>8,385,352</b>	<b>13,778,259</b>	<b>7,838</b>	<b>10,713,635</b>	<b>6,736,703</b>	<b>16,790,465</b>
Net change in fund balance.....	\$ (13,018,537)	\$ (3,325,345)	\$ 5,419,021	\$ 8,694,919	\$ 7,398,992	\$ 5,073,930	\$ 3,854,600	\$ 11,296,703	\$ 4,873,817	\$ (15,159,334)
Debt service as a percentage of noncapital expenditures....	4.69%	4.16%	4.34%	4.24%	4.54%	4.14%	3.63%	4.37%	4.41%	4.62%

Note: After 2005 activity related to the City's water and sewer operations were moved to their respective enterprise funds.

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

Last Ten Fiscal Years

Fiscal 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
2003	(1) \$ 4,786,203,050	\$ 12.46	\$ 583,343,850	\$ 205,478,700	\$ 99,113,200	\$ 887,935,750	\$ 20.60	\$ 13.73	\$ 5,674,138,800
2004	\$ 5,712,928,622	\$ 11.17	\$ 568,399,378	\$ 214,673,200	\$ 117,853,700	\$ 900,926,278	\$ 21.49	\$ 12.58	\$ 6,613,854,900
2005	\$ 6,282,436,389	\$ 10.75	\$ 625,603,211	\$ 235,060,500	\$ 112,783,900	\$ 973,447,611	\$ 20.29	\$ 12.03	\$ 7,255,884,000
2006	(1) \$ 6,872,700,152	\$ 10.53	\$ 647,632,248	\$ 237,166,100	\$ 137,399,800	\$ 1,022,198,148	\$ 18.90	\$ 11.61	\$ 7,894,898,300
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	\$ 13.10	\$ 836,954,788	\$ 276,018,500	\$ 178,531,790	\$ 1,291,505,078	\$ 21.86	\$ 14.45	\$ 8,390,572,190



(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 fiscal 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**

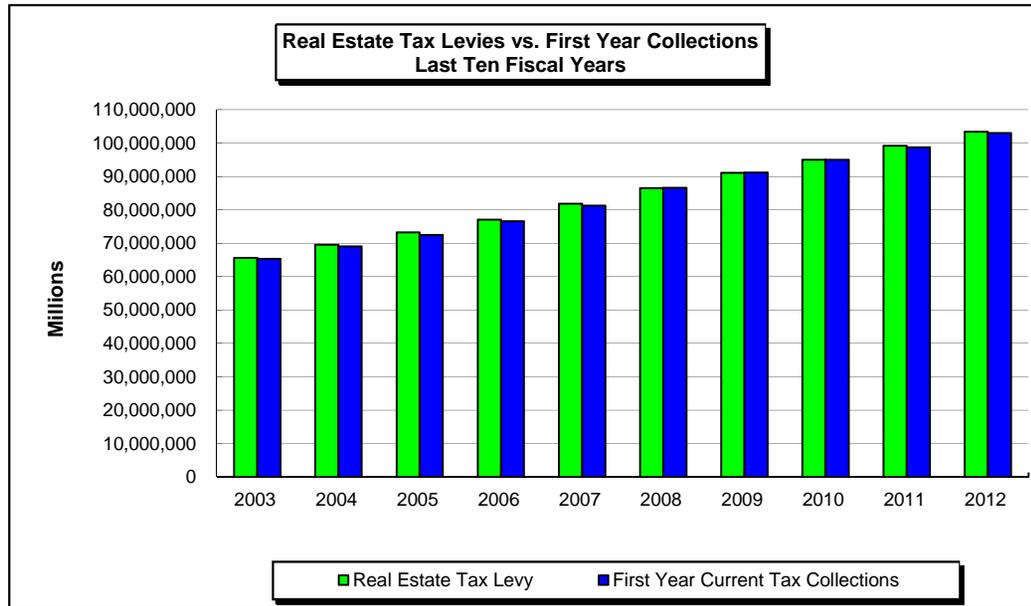
Name	Nature of Business	2012			2003		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
NSTAR Electric Co.	Electric Utility Company	\$ 62,673,210	1	0.75%	\$ 35,246,300	2	0.62%
FRIT Assembly Square LLC	Shopping Mall	\$ 62,624,000	2	0.75%	\$ 26,581,400	7	0.47%
Twin City Plaza LLC	Retail Mall	\$ 50,000,000	3	0.60%	\$ 25,138,200	4	0.44%
1-93 Somerville LLC	Retail	\$ 36,000,000	4	0.43%	\$ -	-	0.00%
CRP 70 Inner Blet LLC	Telecom	\$ 33,680,000	5	0.40%	\$ -	-	0.00%
Kadima Medical Properties	Professional Building	\$ 32,094,100	6	0.38%	\$ -	-	0.00%
Nation Tax Search LLC Trustee	Office Building	\$ 24,275,800	7	0.29%	\$ 20,272,100	5	0.36%
ST Retail Inc and FR Sturtevant ST LLC	Developable Land Comm	\$ 20,923,200	8	0.25%	\$ -	-	0.00%
NSTAR Gas Co.	Gas Utility Company	\$ 20,454,580	9	0.24%	\$ -	-	0.00%
IKEA Property Inc.	Developable Land Comm	\$ 18,301,200	10	0.22%	\$ 21,408,900	6	0.38%
Trust Atlantis	Property Management	\$ -	-	-	\$ 35,246,300	1	0.62%
AHE of Somerville Inc.	Medical Equipment	\$ -	-	-	\$ 25,147,000	3	0.44%
Verizon New England Inc.	Communications Company	\$ -	-	-	\$ 18,075,400	8	0.32%
KMC Telecom Funding LLC	Professional Building	\$ -	-	-	\$ 17,951,100	9	0.32%
CP/HERS Somerville Corp	Industrial Office Parking	\$ -	-	-	\$ 16,278,500	10	0.29%
	<b>Totals</b>	<u>\$361,026,090</u>		<u>4.30%</u>	<u>\$241,345,200</u>		<u>4.25%</u>

Source: Official Statement for Sale of Bonds

**Property Tax Levies and Collections**

**Last Ten Fiscal Years**

Fiscal 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	(4) Percent of Total Tax Collections to Net Tax Levy
2003	(1)	\$ 66,781,087	\$ 1,204,941	\$ 65,576,146	\$ 65,329,717	99.62%	\$ 399,031	\$ 65,728,748	100.23%
2004		\$ 71,083,469	\$ 1,558,006	\$ 69,525,463	\$ 69,083,718	99.36%	\$ 587,573	\$ 69,671,291	100.21%
2005		\$ 74,736,578	\$ 1,489,945	\$ 73,246,633	\$ 72,465,026	98.93%	\$ 1,004,384	\$ 73,469,410	100.30%
2006	(1)	\$ 78,528,814	\$ 1,505,475	\$ 77,023,339	\$ 76,559,265	99.40%	\$ 1,702,188	\$ 78,261,453	101.61%
2007		\$ 83,200,538	\$ 1,345,578	\$ 81,854,960	\$ 81,298,109	99.32%	\$ 1,203,595	\$ 82,501,704	100.79%
2008		\$ 88,230,603	\$ 1,740,520	\$ 86,490,083	\$ 86,635,835	100.17%	\$ 2,082,119	\$ 88,717,954	102.58%
2009	(1)	\$ 92,502,692	\$ 1,425,728	\$ 91,076,964	\$ 91,213,775	100.15%	\$ 56,154	\$ 91,269,929	100.21%
2010		\$ 96,493,032	\$ 1,482,905	\$ 95,010,127	\$ 94,988,009	99.98%	\$ 128,204	\$ 95,116,213	100.11%
2011		\$ 100,548,992	\$ 1,373,464	\$ 99,175,528	\$ 98,703,495	99.52%	\$ 1,377,979	\$ 100,081,474	100.91%
2012		\$ 104,765,287	\$ 1,338,607	\$ 103,426,680	\$ 102,975,339	99.56%	\$ -	\$ 102,975,339	99.56%



(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.

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

**Last Ten Fiscal Years**

Fiscal 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
2003	76,831	\$ 1,926,477,598	\$ 5,674,138,800	\$ 74,796,769	\$ -	\$ 974	3.88%	1.32%
2004	76,464	\$ 1,955,620,866	\$ 6,613,854,900	\$ 72,263,380	\$ -	\$ 945	3.70%	1.09%
2005	76,295	\$ 1,990,324,543	\$ 7,255,884,000	\$ 68,757,987	\$ -	\$ 901	3.45%	0.95%
2006	76,048	\$ 2,023,558,619	\$ 7,894,898,300	\$ 73,950,859	\$ -	\$ 972	3.65%	0.94%
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%

Fiscal 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
2003	\$ -	\$ -	\$ 74,796,769	\$ 974	3.88%	1.32%
2004	\$ -	\$ -	\$ 72,263,380	\$ 945	3.70%	1.09%
2005	\$ -	\$ -	\$ 68,757,987	\$ 901	3.45%	0.95%
2006	\$ -	\$ -	\$ 73,950,859	\$ 972	3.65%	0.94%
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%

(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 Fiscal Years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Equalized Valuation.....	<u>\$ 7,316,371,300</u>	<u>\$ 7,316,371,300</u>	<u>\$ 8,760,328,000</u>	<u>\$ 8,760,328,000</u>	<u>\$ 9,612,275,100</u>	<u>\$ 9,612,275,100</u>	<u>\$ 9,139,060,000</u>	<u>\$ 9,139,060,000</u>	<u>\$ 9,226,665,200</u>	<u>\$ 9,226,665,200</u>
Debt Limit -5% of Equalized Valuation.....	\$ 365,818,565	\$ 365,818,565	\$ 438,016,400	\$ 438,016,400	\$ 480,613,755	\$ 480,613,755	\$ 456,953,000	\$ 456,953,000	\$ 461,333,260	\$ 461,333,260
Less:										
Outstanding debt applicable to limit.....	71,896,769	69,363,380	66,137,987	64,170,858	71,381,925	74,634,995	73,888,615	83,900,079	81,671,701	90,422,762
Authorized and unissued debt.....	<u>32,857,000</u>	<u>35,462,750</u>	<u>32,627,528</u>	<u>30,371,174</u>	<u>30,867,117</u>	<u>30,514,133</u>	<u>30,868,133</u>	<u>24,070,363</u>	<u>79,179,716</u>	<u>62,907,004</u>
Legal debt margin.....	<u>\$ 261,064,796</u>	<u>\$ 260,992,435</u>	<u>\$ 339,250,885</u>	<u>\$ 343,474,368</u>	<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>
Total debt applicable to the limit as a percentage of debt limit.....	28.64%	28.66%	22.55%	21.58%	21.27%	21.88%	22.93%	23.63%	34.87%	33.24%

Source: Official Statement for Sale of Bonds

**Demographic and Economic Statistics**

**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population Estimates</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Unemployment Rate</b>
2003	76,831	\$ 1,926,477,598	\$ 25,074	31.1	4.8%
2004	76,464	\$ 1,955,620,866	\$ 25,576	31.1	4.0%
2005	76,295	\$ 1,990,324,543	\$ 26,087	31.1	3.5%
2006	76,048	\$ 2,023,558,619	\$ 26,609	31.1	3.5%
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%

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

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

Employer	Nature of Business	2012			2003		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Tufts University	Educational Institution	2,193	1	7%	2,000	1	6%
ABM Industries	Janitorial Services	2,000	2	7%	-	-	0%
Somerville School Department	Municipal	834	3	3%	865	2	3%
Cambridge Health Alliance	Health Care	1,014	4	3%	771	4	2%
City of Somerville	Municipal	675	5	2%	787	3	2%
Agelica Textiles	Laundry	546	6	2%	-	-	0%
Federal Realty Investmetn Trust	Real Estate	510	7	2%	-	-	0%
Gentle Giant	Local Trucking	375	9	1%	-	-	0%
Rogers Foam Corporation	Foam Products	300	8	1%	210	10	1%
Van der Weil	Engineering/Consulting	300	10	1%	-	-	0%
Royal Institutional Service	Laundry	-	-	0%	710	5	2%
Ames Safety Envelope	Envelopes and File Folders	-	-	0%	525	6	2%
Home Depot	Retail Store	-	-	0%	351	7	1%
MBTA Boston Engine Terminal	Railroad Maintenance	-	-	0%	350	8	1%
Harvard Vanguard Medical Assoc.	Health Care	-	-	0%	250	9	1%
	<b>Totals</b>	<u>10,759</u>		<u>28.98%</u>	<u>8,822</u>		<u>21.48%</u>

Source: Massachusetts Department of Workforce Development

**Full-Time Equivalent City Employees**

**Last Ten Fiscal Years**

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Full-Time Equivalents</u>										
City.....	787	772	765	750	736	721	712	708	670	675
School.....	865	867	858	863	851	847	853	823	843	834
Total .....	<u>1,652</u>	<u>1,639</u>	<u>1,623</u>	<u>1,613</u>	<u>1,586</u>	<u>1,568</u>	<u>1,564</u>	<u>1,531</u>	<u>1,513</u>	<u>1,509</u>

Source: Finance Committee Report

**Operating Indicators by Function/Program**

**Last Ten Fiscal Years**

Calendar Year

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Government:</b>										
Registered Voters.....	41,242	41,631	42,019	42,407	42,795	44,483	42,759	42,937	43,633	45,987
Births.....	848	862	853	868	873	837	903	887	912	926
Marriages.....	454	505	514	464	520	501	485	510	498	503
Deaths.....	368	384	384	390	394	389	395	393	357	385
Dogs licensed.....	2,211	2,099	2,047	2,075	2,258	2,183	2,043	2,393	2,401	2,150
Business Certificates.....	485	468	516	498	509	455	508	452	510	526
<b>Fire:</b>										
Total Fires.....	89	74	69	66	52	60	49	43	47	41
Structure Fires.....	45	46	30	36	34	34	32	29	31	30
Vehicle Fires.....	39	26	39	29	18	25	16	13	19	22
Other Fires.....	5	2	0	1	0	1	1	1	1	0
<b>Civilian</b>										
Deaths.....	1	2	0	0	2	0	0	0	0	0
Injuries.....	3	3	2	6	1	1	2	5	1	1
<b>Fire Service</b>										
Deaths.....	0	0	0	0	0	0	0	0	0	0
Injuries.....	23	15	38	29	25	28	5	21	26	19
Dollar Loss.....	\$ 2,648,200	\$ 2,314,450	\$ 2,781,050	\$ 3,058,495	\$ 19,701,575	\$ 3,197,750	\$ 2,095,920	\$ 2,091,500	\$ 3,003,785	\$ 2,551,234
<b>Police:</b>										
Violent crime total.....	259	258	262	322	289	304	312	246	255	242
Murder and nonnegligent manslaughter.....	0	3	1	2	1	2	3	0	0	0
Forcible rape.....	11	13	7	19	17	20	7	13	9	6
Robbery.....	98	114	139	129	119	112	104	77	73	61
Aggravated assault.....	150	128	115	172	152	170	198	156	174	175
Property crime total.....	1,795	1,829	1,673	1,954	2,252	2,313	1,955	2,007	2,056	2,044
Burglary.....	378	468	521	434	436	450	494	510	528	549
Larceny-theft.....	901	1,002	833	1,204	1,533	1,614	1,301	1,322	1,396	1,396
Motor vehicle theft.....	516	359	319	316	283	249	160	175	132	99
<b>Traffic and Parking:</b>										
Tickets Issued.....	N/A	N/A	N/A	N/A	223,154	220,754	207,915	189,878	158,995	152,381
<b>Inspectional:</b>										
Building Permit Count.....	1,725	1,945	2,052	1,876	1,793	1,718	1,507	1,736	1,627	1,682
<b>Education:</b>										
Total enrollment.....	6,177	5,882	5,562	5,338	5,233	5,283	5,300	5,274	5,397	5,421
<b>Library:</b>										
Total Circulation.....	385,535	417,976	436,454	397,302	399,470	425,743	499,205	501,095	466,304	503,980
Total Holdings.....	184,806	187,167	182,769	178,038	180,499	185,847	185,611	183,791	185,930	184,902
Registered users.....	26,843	28,931	28,812	28,000	25,629	27,447	27,939	27,663	27,826	27,934

NA - Information not available  
Source: Various City Departments

**Capital Asset Statistics by Function/Program**

**Last Ten Fiscal Years**

Function	Calendar Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Fire:</b>										
Fire stations.....	5	5	5	5	5	5	5	5	5	5
Emergency vehicles.....	7	7	7	7	8	8	8	8	8	8
<b>Police:</b>										
Stations.....	3	3	3	3	3	3	3	3	2	2
<b>Public works:</b>										
Streets (miles).....	N/A	N/A	N/A	N/A	N/A	105.64	106.15	106.17	106.17	106.17
<b>Electric:</b>										
Streetlights.....	3957	3957	3957	3986	3986	3986	4006	4006	4006	4032
<b>Sewer:</b>										
Sanitary sewers (miles).....	68	68	68	68	68	68	68	68	68	68
Storm sewers (miles).....	35	35	35	35	35	35	35	35	35	35
<b>Library:</b>										
Main library.....	1	1	1	1	1	1	1	1	1	1
Number of branches.....	2	2	2	2	2	2	2	2	2	2
<b>Parks and recreation:</b>										
<b>City Parks</b>										
Number of Parks.....	40	40	40	40	40	40	41	41	41	43
Acreage.....	48.18	48.18	48.18	48.18	48.18	48.18	49.27	49.27	49.27	51.35
<b>DCR Parks in Somerville</b>										
Number of Parks.....	6	6	6	6	6	6	6	6	6	6
Acreage.....	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5
<b>Other Open and Public Space</b>										
Number of Spaces.....	24	24	24	25	25	28	28	28	28	28
Acreage.....	45.96	45.96	45.96	48.36	48.36	50.34	50.34	50.34	50.34	50.34
<b>Water:</b>										
Water mains (miles).....	125	125	125	125	125	125	125	125	125	125
Fire hydrants.....	1497	1497	1497	1497	1508	1508	1508	1523	1523	1523
<b>Education:</b>										
Elementary schools.....	11	11	10	10	10	10	9	9	9	9
High school.....	1	1	1	1	1	1	1	1	1	1

NA - Information not available  
Source: Various City Departments