

CITY OF SOMERVILLE

MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended June 30, 2013

Joseph A. Curtatone, Mayor
Edward Bean, Finance Director

Prepared by the City of Somerville Finance Department

On the Cover – Davis Square

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.

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JUNE 30, 2013

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Introductory Section



Assembly Square, a unique neighborhood district with a land area of 145 acres, is so named after the Ford Motor assembly plant that opened in 1926 and was an important employer in the Boston Metropolitan Area, particularly during World War II. In 2005, Federal Realty Investment Trust (FRIT), the oldest real estate investment trust in the United States, purchased the Assembly Square Mall along with other properties in Assembly Square. FRIT redeveloped the existing mall into the Assembly Square Marketplace which opened its doors in early 2006 and set in motion plans for redeveloping the rest of the site.

The revised master plan calls for the redevelopment of 56.2 acres of former industrial land into a mixed use, transit oriented neighborhood. Assembly Row is permitted to create 1.75 million square feet of new office space, 852,000 square feet of retail, up to a 200-room hotel, and 2,100 new residential units.

This project is expected to result in an estimated \$1.36 billion construction investment in the City to include new public and private infrastructure, publically accessible open space, public amenities and public benefits. The project is forecasted to generate \$24 million in annual municipal tax revenue and \$16.7 million in annual state tax revenue (gross). It expects to generate an estimated 9,700 permanent jobs, 10,300 construction jobs, while retaining 590 existing permanent jobs.

Introductory Section



City of Somerville, Massachusetts
Joseph A. Curtatone
MAYOR

December 16, 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, 2013. 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 accounting principles generally accepted in the United States of America (GAAP) and meets all requirements of state finance law of the Commonwealth of Massachusetts.

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

The Commonwealth of Massachusetts, through Chapter 190 of the Acts of 1982, requires that the City undergo an annual audit performed by a firm of independent public accountants. The City has selected Powers & Sullivan, LLC to perform the June 30, 2013 audit. This audit is conducted 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. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Somerville for the fiscal year ended June 30, 2013 are free of material misstatements.

The independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. That includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluating the overall presentation of the financial statements. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion on the City of Somerville's financial statements for the fiscal year ended June 30, 2013. 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, 2013 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**. The **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, LLC. 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 saw extraordinary growth (exceeding most other school districts) in the Spring 2013 MCAS tests. The district's Student Growth Percentile (SGP) for Spring 2013 surpassed nearly all districts with 1,000 or more students. 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 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.

Recently, a new network of roadways, the storm water conduit, and the 5+ acre waterfront park were completed. The following projects are currently under construction: the Orange Line Transit Station, commuter pathway extension project, and Blocks 1, 3, and 4. A storage building that is under construction by SSG Development outside the scope of the Assembly Row project is nearing completion as well.

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 Inner Belt’s transition to higher-end uses, the City approved a significant privately-financed infrastructure investment to connect Inner Belt to the fiber optic loop around Boston and Cambridge. The location of this major communications node makes Inner Belt a very competitive location for technology-oriented businesses.

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.

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 retenanting 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 2013 is \$10,637,719, which is the highest certification in the City's history. The following table sets forth the recent trend in Free Cash for the City.

Free Cash (July 1)	
2013	\$10,637,719
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 Funds

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

Stabilization Fund Balance	
2013	\$11,922,271
2012	12,476,965
2011	11,662,056
2010	13,996,874
2009	13,137,643
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 six-year Capital Improvement Plan that is used as a guide for capital expenditures in future years. The Capital Improvement Program for fiscal year 2013 through fiscal year 2018 has an estimated cost of \$300 million. Financing for the fiscal year 2013 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, 2013 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
2013	\$96,615,491	\$8,595,335,050	\$1,095	1.0
2012	90,422,762	8,390,572,190	1,190	1.0
2011	81,971,701	8,297,876,320	1,078	1.0
2010	84,500,080	8,261,279,820	1,108	1.0
2009	79,188,615	8,409,194,220	975	0.9
2008	81,738,048	8,592,330,090	985	0.9
2007	74,431,100	7,408,178,051	942	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		
2013	\$8,409,496,900	\$185,838,150	\$8,595,335,050	\$13.42	\$22.38	\$109,923,036	\$1,446
2012	8,212,040,400	178,531,790	8,390,572,190	13.09	21.85	104,829,090	1,383
2011	8,132,444,500	165,431,820	8,297,876,320	12.71	21.21	100,548,992	1,327
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. A new valuation is underway, but has not been completed.

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 Position 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 budgeted annual required contributions of the City related to the contributory and the actual contributions related to the non-contributory retirement systems for the 2008 through 2013 fiscal years are as follows:

Fiscal Year	Contributory	Non-Contributory
2013	\$11,084,131	\$231,999
2012	10,972,311	283,996
2011	10,830,988	257,029
2010	10,399,034	308,121
2009	11,789,638	350,305
2008	11,115,655	438,288

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:

Fiscal Year	Amount
2013	\$10,402,192
2012	10,036,871
2011	10,200,914
2010	16,325,784
2009	15,037,853
2008	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 \$19,803,786 on a pay-as-you-go basis and \$13,562,148 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 auditor's report on the basic financial statements for the year ended June 30, 2013 is included herein.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Somerville for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the first year that the government submitted its report for this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

MOVING FORWARD

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





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

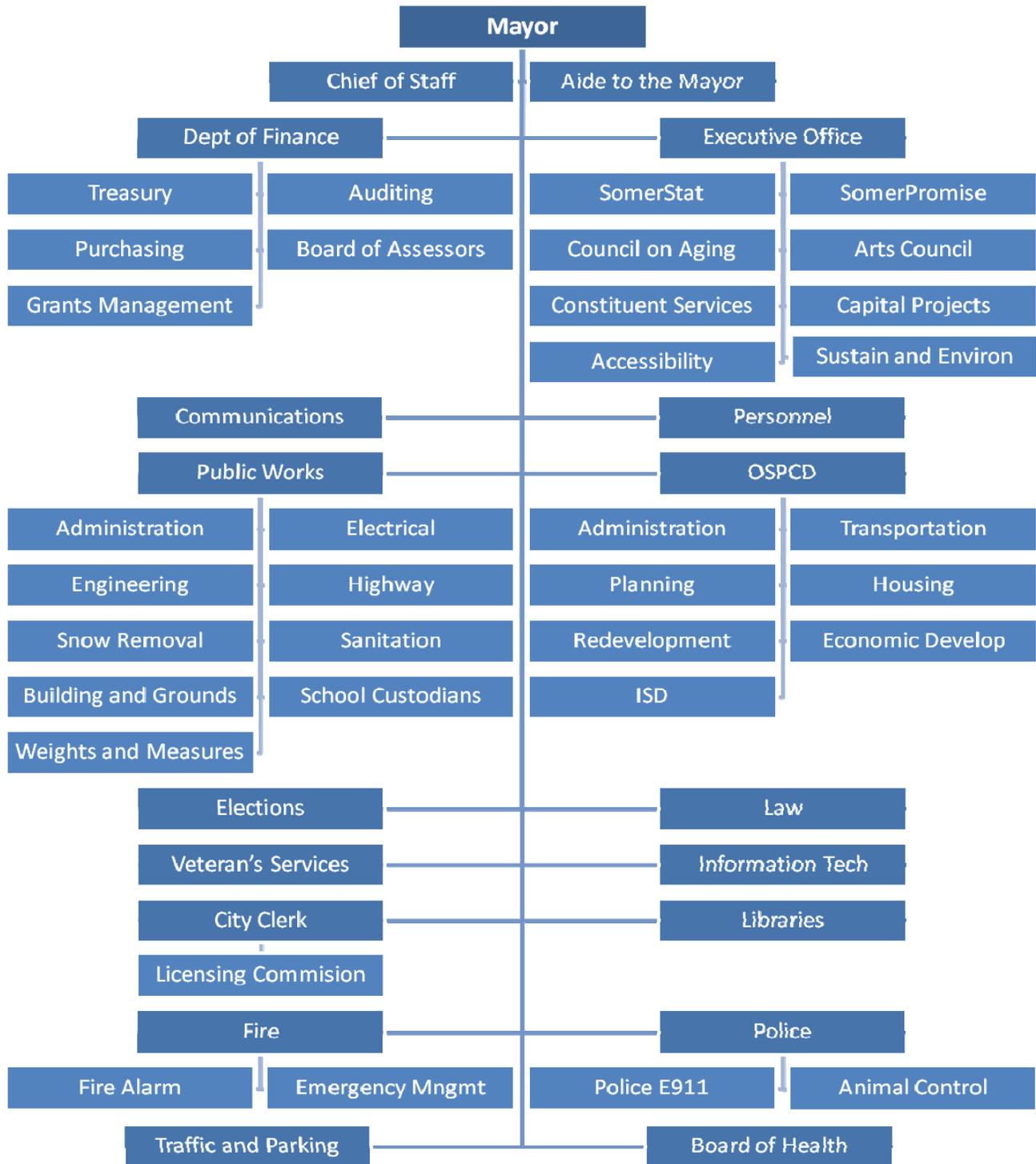
**City of Somerville
Massachusetts**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Organizational Chart





City Government

Joseph A. Curtatone, Mayor

Edward Bean, Finance Director

Doug Willardson, Budget Analyst

Colleen Tam, Systems Accountant

Chris Holak, Internal Auditor

Board of Aldermen

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

John M. Connolly, Vice President, At-large

Dennis M. Sullivan, At-large

Bruce M. Desmond, At-large

Maureen Cuff-Bastardi, Ward 1

Maryann M. Heuston, Ward 2

Thomas F. Taylor, Ward 3

Tony Lafuente, Ward 4

Sean T. O' Donovan, Ward 5

Rebekah L. Gewirtz, Ward 6

Robert C. Trane, Ward 7

Financial Section



The fall colors come alive during the autumn months as Somerville's many trees turn shades of red and yellow.

Financial Section

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Somerville, Massachusetts, as of and for the year ended June 30, 2013, (except for the Somerville Contributory Retirement System which is as of and for the year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Somerville, Massachusetts, as of June 30, 2013 (except for the Somerville Contributory Retirement System which is as of December 31, 2012), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the City of Somerville, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Somerville's internal control over financial reporting and compliance.



December 16, 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, 2013. 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 position* presents information on all of the City of Somerville's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Somerville is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future 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, culture and recreation, and interest. The business-type activities include water, sewer the Veteran's Memorial Ice Rink and Dilboy Stadium.

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

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the 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 sixteen individual governmental funds. Information is presented separately for the general fund, the strategic planning and community development fund and the capital projects fund in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. Data for certain governmental funds are combined into a single aggregated presentation under the caption *nonmajor governmental funds*.

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

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

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

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

The City established an Other Postemployment Benefits Trust Fund (OPEB) to account for funds set aside to help offset future post-retirement benefits for retirees. The City contributed \$200,000 to the fund during fiscal year 2013. 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 position may serve over time as a useful indicator of a government's financial position. In the case of the City of Somerville, governmental assets exceeded liabilities by \$137.2 million and the business-type assets exceeded liabilities by \$51.0 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 2013</u>	<u>FY 2012</u>
Assets:		
Current assets.....	\$ 98,353,227	\$ 106,329,526
Noncurrent assets (excluding capital).....	14,908,702	18,556,702
Capital assets.....	<u>210,443,825</u>	<u>188,702,533</u>
Total assets.....	<u>323,705,754</u>	<u>313,588,761</u>
Liabilities:		
Current liabilities (excluding debt).....	9,087,219	23,079,220
Noncurrent liabilities (excluding debt).....	85,050,321	75,043,096
Current debt.....	15,869,156	15,160,932
Noncurrent debt.....	<u>76,514,220</u>	<u>69,416,523</u>
Total liabilities.....	<u>186,520,916</u>	<u>182,699,771</u>
Net Position:		
Net investment in capital assets.....	136,813,615	126,834,901
Restricted.....	24,157,523	22,775,093
Unrestricted.....	<u>(23,786,300)</u>	<u>(18,721,004)</u>
Total net position.....	<u>\$ 137,184,838</u>	<u>\$ 130,888,990</u>

The largest portion of the City of Somerville's net position, \$136.8 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City of Somerville's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Somerville's net position, \$24.2 million, represents resources that are subject to external restrictions on how they may be used. These include funds for street improvement (Chapter 90), community development projects to be funded by future federal reimbursements, outstanding loan balance authorized under various housing and urban development federal grants, expendable and nonexpendable funds and school grants.

The City has \$55.9 million of unrestricted net position excluding the recorded liability for the other postemployment benefits obligation. That liability (\$80.9 million) is long-term in nature, and will not be funded from the \$55.9 million of unrestricted net position at June 30, 2013. 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, 2013, has a balance of \$400,714 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 position for the government as a whole.

Included within the noncurrent assets (excluding capital) is \$14.9 million in future school construction reimbursement grants.

Long-term liabilities include \$76.5 million in general obligation bonds; \$3.5 million in compensated absence liabilities for unused vacation, special leave, and enhanced longevity benefits payable; \$658 thousand in future year workers' compensation benefits payable; and \$80.9 million in other postemployment benefits.

Governmental activities. Governmental activities net position increased by \$6.3 million in fiscal year 2013.

	<u>FY 2013</u>	<u>FY 2012</u>
Program revenues:		
Charges for services.....	\$ 20,089,633	\$ 21,254,349
Operating grants and contributions.....	58,800,434	56,142,880
Capital grants and contributions.....	13,605,196	1,014,340
General Revenues:		
Real estate and personal property taxes.....	109,373,661	102,516,625
Tax liens.....	465,853	-
Motor vehicle and other excise taxes.....	7,299,012	6,773,737
Penalties and interest on taxes.....	1,070,330	860,457
Payments in lieu of taxes.....	182,347	192,334
Nonrestricted grants and contributions.....	23,120,989	22,936,689
Unrestricted investment income.....	258,370	320,878
Other revenues.....	115,049	61,023
Total revenues.....	<u>234,380,874</u>	<u>212,073,312</u>
Expenses:		
General government.....	25,892,120	22,124,384
Public safety.....	51,377,022	52,391,661
Education.....	113,753,374	113,396,259
Public works.....	25,203,877	23,631,860
Community development.....	5,092,521	5,225,117
Human services.....	288,766	316,137
Culture and recreation.....	4,695,015	4,160,530
Interest.....	2,858,173	2,306,520
Total expenses.....	<u>229,160,868</u>	<u>223,552,468</u>
Transfers.....	<u>1,075,842</u>	<u>670,598</u>
Change in net position.....	<u>\$ 6,295,848</u>	<u>\$ (10,808,558)</u>

The primary reasons for the \$6.3 million increase relate to the receipt of a \$12.7 million capital grant from the Massachusetts School Business Authority related to the East Somerville Community School project; the receipt of a Chapter 90 capital grant in the amount of \$951 thousand and better than expected budgetary results.

These increases were offset by a \$9.8 million increase in the City's OPEB liability; as well as an increase of \$167 thousand in the accrual for compensated absences and depreciation exceeding principal payments on long-term debt.

Real estate tax revenue increased \$6.9 million due to new tax base growth and the proposition 2 ½ budgetary increase.

General government and public works expense increased by \$3.8 million and \$1.6 million, respectively. Both increases are primarily related to budgetary needs, as a result of the contract settlements, as well as increases in pension costs.

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 2013</u>	<u>FY 2012</u>
Assets:		
Current assets.....	\$ 26,842,349	\$ 27,754,877
Capital assets.....	<u>38,380,718</u>	<u>35,053,167</u>
Total assets.....	<u>65,223,067</u>	<u>62,808,044</u>
Liabilities:		
Current liabilities (excluding debt).....	107,433	105,295
Noncurrent liabilities (excluding debt).....	841,627	731,418
Current debt.....	2,257,656	2,228,640
Noncurrent debt.....	<u>11,001,312</u>	<u>12,016,629</u>
Total liabilities.....	<u>14,208,028</u>	<u>15,081,982</u>
Net Position:		
Net investment in capital assets.....	29,794,495	24,078,204
Unrestricted.....	<u>21,220,544</u>	<u>23,647,858</u>
Total net position.....	<u>\$ 51,015,039</u>	<u>\$ 47,726,062</u>

Business-type net position of \$29.8 million represents investments in capital assets net of related debt. The remaining \$21.2 million is available to be used for the ongoing operation of the City's water, Veteran's Memorial Ice Rink, Dilboy Stadium, and sewer activities. There was an overall increase of \$3.3 million in net position reported in connection with the enterprise funds.

	<u>FY 2013</u>	<u>FY 2012</u>
Program revenues:		
Charges for services.....	\$ 29,414,773	\$ 29,473,199
Capital grants and contributions.....	-	1,322,550
General Revenues:		
Unrestricted investment income.....	146,840	155,276
Total revenues.....	<u>29,561,613</u>	<u>30,951,025</u>
Expenses:		
Water.....	9,222,940	8,366,003
Sewer.....	15,303,668	14,803,664
Veteran's Memorial Ice Rink.....	522,392	337,456
Dilboy Stadium.....	147,794	132,312
Total expenses.....	<u>25,196,794</u>	<u>23,639,435</u>
Transfers.....	<u>(1,075,842)</u>	<u>(670,598)</u>
Change in net position.....	<u>\$ 3,288,977</u>	<u>\$ 6,640,992</u>

The water enterprise fund net position increased \$2.1 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 increase in costs of services is due to the City increasing their fixed asset capitalization threshold.

The Veterans Memorial Ice Rink enterprise fund net position decreased by \$145 thousand. This is primarily the result of increases in utilities and salaries related to the ice rink's operations.

The Dilboy Stadium enterprise fund net position increased by \$29 thousand. This is primarily the result of an operating subsidy from the general fund.

The sewer enterprise fund net position increased \$1.4 million. This is primarily due to the fund's ability to set rates to cover costs of operations including principal payments on debt, which resulted in operating income of \$1.8 million which was offset by an indirect cost transfer to the general fund of \$498 thousand.

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 \$62.7 million, of which positive balances of \$47.1 million was reported in the general fund, \$13.2 million in the Strategic Planning and Community Development fund, and \$11.3 million in the nonmajor governmental funds. The capital projects fund reported a deficit of \$8.8 million. Cumulatively, there was an increase of \$4.6 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 \$17.0 million and was comprised of two components: an unreserved fund balance of \$13.2 million and a rainy day stabilization fund of \$3.8 million. Assigned fund balance, which represents amounts, designated for the fiscal year 2014 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 and the unemployment trust, totaled \$24.2 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 8.6% of total general fund expenditures, while total fund balance equaled 23.9% of the same amount. Please see Note 9 for further details.

The City's general fund increased \$5.5 million in the current fiscal year. The primary reasons for the increase were a budgetary surplus of \$2.2 million, a surplus of \$2.8 million in the unemployment trust and a decrease in the liability related to Appellate Tax Board cases of \$692 thousand.

The City's Strategic Planning and Community Development fund balance increased by approximately \$612 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 \$933 thousand. The decrease is due to the net effect of \$27.5 million of capital expenditures on current and prior fiscal year's projects offset by \$12.7 million in MSBA grant revenue and the issuance of \$13.9 million in bonds.

General Fund Budgetary Highlights

There was a \$4.9 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 capital project and trash transfer station stabilization funds.

Capital Asset and Debt Administration

Capital assets. The City of Somerville's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$210.4 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, books and periodicals, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The net increase in the City's investment in capital assets for the current year was \$21.7 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 following chart summarizes the net carrying value of the various capital asset categories within the governmental activities.

	<u>2013</u>	<u>2012</u>
Land and land improvements.....	\$ 51,519,603	\$ 47,059,935
Construction in progress.....	32,650,351	14,950,941
Books and periodicals.....	310,490	403,176
Buildings and improvements.....	106,307,304	106,294,470
Machinery and equipment.....	2,507,847	2,808,145
Vehicles.....	2,666,733	3,031,284
Infrastructure.....	<u>14,481,497</u>	<u>14,154,582</u>
Total.....	<u>\$ 210,443,825</u>	<u>\$ 188,702,533</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 \$83.9 million. Additionally, the City reported governmental short-term borrowing of \$9.0 million related to the Union Square Revitalization Plan, the purchase of a fire truck, network improvements, road reconstruction, various school projects, the purchase of a departmental vehicle, and various office renovations. The chart below summarizes outstanding governmental long term debt at year-end.

General Obligation Bonds Outstanding

	<u>2013</u>	<u>2012</u>
Municipal Purpose - August 16, 2006 (Refunding)...	\$ 11,230,000	\$ 13,585,000
General Obligation Bond - March 15, 2004.....	1,492,011	2,331,093
Municipal Purpose - August 15, 2006.....	3,795,000	4,165,000
MSBA - February 12, 2008.....	7,282,102	7,646,207
Municipal Purpose - February 1, 2009.....	3,030,000	3,375,000
Municipal Purpose - February 15, 2010.....	2,272,000	2,478,000
Municipal Purpose - April 1, 2010 (Refunding).....	13,407,000	14,814,000
Municipal Purpose - June 15, 2010.....	6,705,000	7,085,000
Municipal Purpose - February 23, 2011.....	5,020,000	5,675,000
General Obligation Bond - May 17, 2013.....	15,750,000	15,750,000
General Obligation Bond - October 9, 2013.....	<u>13,940,000</u>	<u>-</u>
Total.....	<u>\$ 83,923,113</u>	<u>\$ 76,904,300</u>

During fiscal year 2013, the City's governmental long-term debt increased \$7.0 million. This change is due to the net effect of current year principal payments combined with the issuance general obligation bonds for various projects during the year. 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 income of the City for the period 2007 – 2011 was \$64,480 compared with \$65,981 for the Commonwealth and \$52,762 for the nation. The per capita income was \$32,785, compared with \$35,051 for the Commonwealth and \$27,915 for the nation.
- The unemployment rate for the City of Somerville is approximately 4.8%, which is a 0.2% increase from a rate of 4.6% a year ago. This compares favorably to the state's average unemployment rate of 6.8% and the national average of 7.3%.
- According to the City's Board of Assessors, the average fiscal year 2013 single family home in the city is valued at \$417,500; the average two-family home is valued at \$494,900; the average fiscal year 2013 commercial and industrial property is valued at \$1,429,800. 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 POSITION

JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 64,329,055	\$ 16,664,340	\$ 80,993,395
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,362,956	-	1,362,956
Tax liens.....	1,487,080	-	1,487,080
Motor vehicle excise tax.....	321,010	-	321,010
User fees.....	-	10,178,009	10,178,009
Departmental and other.....	5,403,808	-	5,403,808
Intergovernmental.....	11,097,024	-	11,097,024
Loans.....	14,350,487	-	14,350,487
Other assets.....	1,807	-	1,807
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	14,908,702	-	14,908,702
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	67,302,074	-	67,302,074
Depreciable.....	143,141,751	38,380,718	181,522,469
TOTAL ASSETS.....	323,705,754	65,223,067	388,928,821
LIABILITIES			
CURRENT:			
Warrants payable.....	3,963,873	-	3,963,873
Accrued payroll.....	1,955,215	29,775	1,984,990
Tax refunds payable.....	723,000	-	723,000
Accrued interest.....	715,119	74,958	790,077
Payroll withholdings.....	1,029,794	-	1,029,794
Abandoned property.....	294,628	-	294,628
Compensated absences.....	186,340	2,700	189,040
Workers' compensation.....	219,250	-	219,250
Notes payable.....	9,026,853	-	9,026,853
Bonds payable.....	6,842,303	2,257,656	9,099,959
NONCURRENT:			
Compensated absences.....	3,508,460	70,000	3,578,460
Workers' compensation.....	657,750	-	657,750
Other postemployment benefits.....	80,884,111	771,627	81,655,738
Bonds payable.....	76,514,220	11,001,312	87,515,532
TOTAL LIABILITIES.....	186,520,916	14,208,028	200,728,944
NET POSITION			
Net investment in capital assets.....	136,813,615	29,794,495	166,608,110
Restricted for:			
Streets.....	2,083,602	-	2,083,602
Community Development.....	4,851,348	-	4,851,348
Loans.....	14,350,487	-	14,350,487
Permanent funds:			
Expendable.....	163,326	-	163,326
Nonexpendable.....	433,126	-	433,126
Other specific purposes.....	2,275,634	-	2,275,634
Unrestricted.....	(23,786,300)	21,220,544	(2,565,756)
TOTAL NET POSITION.....	\$ 137,184,838	\$ 51,015,039	\$ 188,199,877

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 25,892,120	\$ 4,716,640	\$ 2,208,949	\$ -	\$ (18,966,531)
Public safety.....	51,377,022	10,743,269	733,021	-	(39,900,732)
Education.....	113,753,374	2,620,430	47,121,192	12,653,757	(51,357,995)
Public works.....	25,203,877	1,374,781	1,201,182	951,439	(21,676,475)
Community development.....	5,092,521	16,030	6,544,448	-	1,467,957
Human services.....	288,766	336,503	281,724	-	329,461
Culture and recreation.....	4,695,015	281,980	127,261	-	(4,285,774)
Interest.....	2,858,173	-	582,657	-	(2,275,516)
Total Governmental Activities.....	229,160,868	20,089,633	58,800,434	13,605,196	(136,665,605)
<i>Business-Type Activities:</i>					
Water	9,222,940	11,878,296	-	-	2,655,356
Sewer.....	15,303,668	17,012,055	-	-	1,708,387
Veteran's Memorial Ice Rink.....	522,392	377,422	-	-	(144,970)
Dilboy Stadium.....	147,794	147,000	-	-	(794)
Total Business-Type Activities.....	25,196,794	29,414,773	-	-	4,217,979
Total Primary Government.....	\$ 254,357,662	\$ 49,504,406	\$ 58,800,434	\$ 13,605,196	\$ (132,447,626)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (136,665,605)	\$ 4,217,979	\$ (132,447,626)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	109,373,661	-	109,373,661
Tax and utility liens.....	465,853	-	465,853
Motor vehicle and other excise taxes.....	7,299,012	-	7,299,012
Penalties and interest on taxes.....	1,070,330	-	1,070,330
Payments in lieu of taxes.....	182,347	-	182,347
Grants and contributions not restricted to specific programs.....	23,120,989	-	23,120,989
Unrestricted investment income.....	258,370	146,840	405,210
Miscellaneous.....	115,049	-	115,049
<i>Transfers, net</i>	1,075,842	(1,075,842)	-
Total general revenues and transfers.....	142,961,453	(929,002)	142,032,451
Change in net position.....	6,295,848	3,288,977	9,584,825
<i>Net Position</i>			
Beginning of year.....	130,888,990	47,726,062	178,615,052
End of year.....	\$ 137,184,838	\$ 51,015,039	\$ 188,199,877

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2013

ASSETS	General	Strategic Planning & Community Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 53,044,791	\$ 568,290	\$ 1,422,676	\$ 9,293,298	\$ 64,329,055
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	1,362,956	-	-	-	1,362,956
Tax liens.....	1,487,080	-	-	-	1,487,080
Motor vehicle excise taxes.....	321,010	-	-	-	321,010
Departmental and other.....	5,403,808	-	-	-	5,403,808
Intergovernmental.....	18,557,000	4,851,348	-	2,597,378	26,005,726
Loans.....	-	12,596,262	-	1,754,225	14,350,487
Due from other funds.....	-	-	-	128,021	128,021
Other assets.....	1,807	-	-	-	1,807
TOTAL ASSETS.....	\$ 80,178,452	\$ 18,015,900	\$ 1,422,676	\$ 13,772,922	\$ 113,389,950
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 2,699,177	\$ -	\$ 1,226,510	\$ 38,186	\$ 3,963,873
Accrued payroll.....	1,740,438	5,788	-	208,989	1,955,215
Tax refunds payable.....	723,000	-	-	-	723,000
Payroll withholdings.....	1,029,794	-	-	-	1,029,794
Abandoned property.....	294,628	-	-	-	294,628
Deferred revenues.....	26,624,501	4,851,348	-	2,083,602	33,559,451
Due to other funds.....	-	-	-	128,021	128,021
Notes payable.....	-	-	9,026,853	-	9,026,853
TOTAL LIABILITIES.....	33,111,538	4,857,136	10,253,363	2,458,798	50,680,835
FUND BALANCES:					
Nonspendable.....	-	-	-	433,126	433,126
Restricted.....	-	13,158,764	-	10,880,998	24,039,762
Committed.....	24,171,167	-	-	-	24,171,167
Assigned.....	5,890,549	-	-	-	5,890,549
Unassigned.....	17,005,198	-	(8,830,687)	-	8,174,511
TOTAL FUND BALANCES.....	47,066,914	13,158,764	(8,830,687)	11,314,124	62,709,115
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 80,178,452	\$ 18,015,900	\$ 1,422,676	\$ 13,772,922	\$ 113,389,950

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

Total governmental fund balances.....		\$ 62,709,115
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		210,443,825
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		33,559,451
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(715,119)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(83,356,523)	
Workers compensation.....	(877,000)	
Compensated absences.....	(3,694,800)	
Other postemployment benefits.....	<u>(80,884,111)</u>	
Net effect of reporting long-term liabilities.....		<u>(168,812,434)</u>
Net position of governmental activities.....		<u>\$ 137,184,838</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

	General	Strategic Planning & Community Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 109,391,564	\$ -	\$ -	\$ -	\$ 109,391,564
Tax liens.....	1,118,479	-	-	-	1,118,479
Motor vehicle and other excise taxes.....	7,206,904	-	-	-	7,206,904
Payments in lieu of taxes.....	182,347	-	-	-	182,347
Intergovernmental.....	64,146,120	6,399,669	12,653,459	12,165,515	95,364,763
Departmental and other.....	16,140,477	15,590	-	6,423,752	22,579,819
Contributions.....	19,750	-	-	1,106,401	1,126,151
Investment income.....	231,480	2,226	-	4,914	238,620
Miscellaneous.....	102,500	-	-	-	102,500
TOTAL REVENUES.....	198,539,621	6,417,485	12,653,459	19,700,582	237,311,147
EXPENDITURES:					
Current:					
General government.....	13,714,915	-	5,552,256	2,528,046	21,795,217
Public safety.....	35,752,765	-	1,734,025	1,013,039	38,499,829
Education.....	52,764,253	-	19,452,810	12,579,745	84,796,808
Public works.....	21,462,562	-	155,949	854,236	22,472,747
Community development.....	-	5,092,521	-	-	5,092,521
Human services.....	-	-	-	288,766	288,766
Culture and recreation.....	3,030,743	731,910	624,133	315,302	4,702,088
Pension benefits.....	28,472,130	-	-	-	28,472,130
Employee benefits.....	20,642,529	-	-	-	20,642,529
Claims and judgments.....	87,190	-	-	-	87,190
State and county charges.....	11,189,172	-	-	-	11,189,172
Debt service:					
Principal.....	6,921,187	-	-	-	6,921,187
Interest.....	2,871,080	-	-	-	2,871,080
TOTAL EXPENDITURES.....	196,908,526	5,824,431	27,519,173	17,579,134	247,831,264
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	1,631,095	593,054	(14,865,714)	2,121,448	(10,520,117)
OTHER FINANCING SOURCES (USES):					
Proceeds from long-term bonds.....	-	-	13,940,000	-	13,940,000
Premium from issuance of bonds.....	-	-	-	96,302	96,302
Sale of assets.....	12,549	-	-	-	12,549
Transfers in.....	3,939,914	19,190	530,603	109,300	4,599,007
Transfers out.....	(129,395)	-	(538,325)	(2,855,445)	(3,523,165)
TOTAL OTHER FINANCING SOURCES (USES).....	3,823,068	19,190	13,932,278	(2,649,843)	15,124,693
NET CHANGE IN FUND BALANCES.....	5,454,163	612,244	(933,436)	(528,395)	4,604,576
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR.....	41,612,751	12,546,520	(7,897,251)	11,842,519	58,104,539
FUND BALANCES (DEFICITS) AT END OF YEAR.....	\$ 47,066,914	\$ 13,158,764	\$ (8,830,687)	\$ 11,314,124	\$ 62,709,115

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, 2013

Net change in fund balances - total governmental funds.....		\$ 4,604,576
<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.....	28,892,038	
Depreciation expense.....	<u>(7,150,746)</u>	
Net effect of reporting capital assets.....		21,741,292
<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>		
		(2,942,822)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Proceeds from bonds.....	(13,940,000)	
Debt service principal payments.....	6,921,187	
Amortization of bond premiums.....	84,607	
Amortization of deferred charge on refunding.....	<u>(244,824)</u>	
Net effect of reporting long-term debt.....		(7,179,030)
<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.....	(166,500)	
Net change in accrued interest on long-term debt.....	76,822	
Net change in workers' compensation accrual.....	(55,000)	
Net change in postemployment benefits liability.....	<u>(9,783,490)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(9,928,168)</u>
Change in net position of governmental activities.....		<u>\$ 6,295,848</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Veterans Memorial Ice Rink	Dilboy Stadium	Total
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 5,896,509	\$ 10,607,805	\$ 94,682	\$ 65,344	\$ 16,664,340
Receivables, net of allowance for uncollectibles:					
User fees.....	4,024,216	6,153,793	-	-	10,178,009
Total current assets.....	9,920,725	16,761,598	94,682	65,344	26,842,349
NONCURRENT:					
Capital assets, net of accumulated depreciation.....	26,483,888	11,896,830	-	-	38,380,718
TOTAL ASSETS.....	36,404,613	28,658,428	94,682	65,344	65,223,067
LIABILITIES					
CURRENT:					
Accrued payroll.....	15,866	6,543	3,623	3,743	29,775
Accrued interest.....	47,906	27,052	-	-	74,958
Compensated absences.....	1,600	1,100	-	-	2,700
Bonds payable.....	1,671,674	585,982	-	-	2,257,656
Total current liabilities.....	1,737,046	620,677	3,623	3,743	2,365,089
NONCURRENT:					
Compensated absences.....	46,200	23,800	-	-	70,000
Other postemployment benefits.....	627,286	144,341	-	-	771,627
Bonds payable.....	8,216,118	2,785,194	-	-	11,001,312
Total noncurrent liabilities.....	8,889,604	2,953,335	-	-	11,842,939
TOTAL LIABILITIES.....	10,626,650	3,574,012	3,623	3,743	14,208,028
NET POSITION					
Net investment in capital assets.....	18,600,171	11,194,324	-	-	29,794,495
Unrestricted.....	7,177,792	13,890,092	91,059	61,601	21,220,544
TOTAL NET POSITION.....	\$ 25,777,963	\$ 25,084,416	\$ 91,059	\$ 61,601	\$ 51,015,039

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Veterans Memorial Ice Rink	Dilboy Stadium	Total
OPERATING REVENUES:					
Charges for services	\$ 11,878,296	\$ 17,012,055	\$ 377,422	\$ 147,000	\$ 29,414,773
OPERATING EXPENSES:					
Cost of services and administration	8,043,571	14,950,670	522,392	147,794	23,664,427
Depreciation.....	983,900	268,277	-	-	1,252,177
TOTAL OPERATING EXPENSES	9,027,471	15,218,947	522,392	147,794	24,916,604
OPERATING INCOME (LOSS).....	2,850,825	1,793,108	(144,970)	(794)	4,498,169
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	3,780	143,060	-	-	146,840
Interest expense.....	(195,469)	(84,721)	-	-	(280,190)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(191,689)	58,339	-	-	(133,350)
INCOME (LOSS) BEFORE TRANSFERS.....	2,659,136	1,851,447	(144,970)	(794)	4,364,819
TRANSFERS:					
Transfers in.....	-	-	6,354	29,395	35,749
Transfers out.....	(607,059)	(498,323)	(6,209)	-	(1,111,591)
TOTAL OPERATING TRANSFERS.....	(607,059)	(498,323)	145	29,395	(1,075,842)
CHANGE IN NET POSITION.....	2,052,077	1,353,124	(144,825)	28,601	3,288,977
NET POSITION AT BEGINNING OF YEAR.....	23,725,886	23,731,292	235,884	33,000	47,726,062
NET POSITION AT END OF YEAR.....	\$ 25,777,963	\$ 25,084,416	\$ 91,059	\$ 61,601	\$ 51,015,039

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Veterans Memorial Ice Rink	Dilboy Stadium	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 11,848,862	\$ 16,922,388	\$ 377,422	\$ 147,000	\$ 29,295,672
Payments to vendors.....	(7,061,704)	(14,622,790)	(518,769)	(144,051)	(22,347,314)
Payments to employees.....	(896,086)	(301,433)	-	-	(1,197,519)
NET CASH FROM OPERATING ACTIVITIES.....	3,891,072	1,998,165	(141,347)	2,949	5,750,839
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in.....	-	-	6,354	29,395	35,749
Transfers out.....	(607,059)	(498,323)	(6,209)	-	(1,111,591)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(607,059)	(498,323)	145	29,395	(1,075,842)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	1,242,340	-	-	-	1,242,340
Acquisition and construction of capital assets.....	(2,362,709)	(2,217,019)	-	-	(4,579,728)
Principal payments on bonds and notes.....	(1,640,013)	(588,628)	-	-	(2,228,641)
Interest expense.....	(200,298)	(87,139)	-	-	(287,437)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,960,680)	(2,892,786)	-	-	(5,853,466)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income.....	3,780	143,060	-	-	146,840
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	327,113	(1,249,884)	(141,202)	32,344	(1,031,629)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	5,569,396	11,857,689	235,884	33,000	17,695,969
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 5,896,509	\$ 10,607,805	\$ 94,682	\$ 65,344	\$ 16,664,340
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ 2,850,825	\$ 1,793,108	\$ (144,970)	\$ (794)	\$ 4,498,169
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	983,900	268,277	-	-	1,252,177
Changes in assets and liabilities:					
User fees.....	(29,434)	(89,667)	-	-	(119,101)
Accrued payroll.....	348	1,171	3,623	3,743	8,885
Accrued compensated absences.....	8,200	5,900	-	-	14,100
Other postemployment benefits.....	77,233	19,376	-	-	96,609
Total adjustments.....	1,040,247	205,057	3,623	3,743	1,252,670
NET CASH FROM OPERATING ACTIVITIES.....	\$ 3,891,072	\$ 1,998,165	\$ (141,347)	\$ 2,949	\$ 5,750,839

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Pension Trust Funds (1)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 2,075,594	\$ 400,714	\$ 76,431	\$ 1,578,250
Investments:				
Bond mutual funds.....	65,191,622	-	-	-
Real estate and alternative investment mutual funds.....	15,516,383	-	-	-
Equity mutual funds.....	17,991,128	-	-	-
Equity securities.....	94,642,662	-	-	-
Interest and dividends.....	73	-	-	-
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	5,916,401	-	-	-
TOTAL ASSETS.....	201,333,863	400,714	76,431	1,578,250
LIABILITIES				
Warrants payable.....	92,744	-	-	-
Accrued liabilities.....	-	-	-	25,459
Liabilities due depositors.....	-	-	-	1,552,791
TOTAL LIABILITIES.....	92,744	-	-	1,578,250
NET POSITION				
Held in trust for:				
Pension benefits.....	201,241,119	-	-	-
OPEB benefits.....	-	400,714	-	-
Other purposes.....	-	-	76,431	-
TOTAL NET POSITION.....	\$ 201,241,119	\$ 400,714	\$ 76,431	\$ -

(1) As of December 31, 2012

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FISCAL YEAR ENDED JUNE 30, 2013

	Pension Trust Funds (1)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Employer.....	\$ 11,820,973	\$ 200,000	\$ -
Employee.....	5,992,099	-	-
Private donations.....	-	-	4,416
Total contributions.....	<u>17,813,072</u>	<u>200,000</u>	<u>4,416</u>
Net investment income (loss):			
Net change in fair value of investments.....	21,832,679	-	-
Interest.....	<u>5,591,133</u>	<u>704</u>	<u>274</u>
Total investment income (loss).....	27,423,812	704	274
Less: investment expense.....	<u>(895,677)</u>	<u>-</u>	<u>-</u>
Net investment income (loss).....	<u>26,528,135</u>	<u>704</u>	<u>274</u>
Intergovernmental.....	<u>594,158</u>	<u>-</u>	<u>-</u>
Transfers from other systems.....	<u>578,963</u>	<u>-</u>	<u>-</u>
TOTAL ADDITIONS.....	<u>45,514,328</u>	<u>200,704</u>	<u>4,690</u>
DEDUCTIONS:			
Administration.....	265,237	-	-
Transfers to other systems.....	1,206,717	-	-
Retirement benefits and refunds.....	22,580,454	-	-
Educational scholarships.....	-	-	7,350
TOTAL DEDUCTIONS.....	<u>24,052,408</u>	<u>-</u>	<u>7,350</u>
CHANGE IN NET POSITION.....	21,461,920	200,704	(2,660)
NET POSITION AT BEGINNING OF YEAR.....	<u>179,779,199</u>	<u>200,010</u>	<u>79,091</u>
NET POSITION AT END OF YEAR.....	<u>\$ 201,241,119</u>	<u>\$ 400,714</u>	<u>\$ 76,431</u>

(1) For the year ended December 31, 2012

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

Availability of Financial Information for Component Units

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

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

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

Major Fund Criteria

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

- If the total assets, 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 benefits trust fund* is a fund being used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

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

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the 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, books and periodicals, buildings and improvements, machinery and equipment, vehicles, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental activity column of the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction period interest is capitalized on constructed capital assets except for the capital assets of the governmental activities column in the government-wide financial statements.

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

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

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

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

Governmental Fund Financial Statements

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

H. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

I. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. 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.

K. 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.

L. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

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

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

Net Position has been “restricted for” the following:

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

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

“Loans” represents community development outstanding loans receivable balances.

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

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

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

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Approval by the 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. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

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

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

M. Long-term debt*Government-Wide and Proprietary Fund Financial Statements*

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

Governmental Fund Financial Statements

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

N. Investment Income

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

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

O. 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.

P. 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.

Q. Individual Fund Deficits

At June 30, 2013, the Capital Projects Fund reports a fund deficit of \$8,830,687. This deficit will be funded with available funds and future bond proceeds.

R. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

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

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

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

The City Treasurer is the custodian of funds held in the Other Postemployment Benefit (OPEB) Trust Fund. As of June 30, 2013, \$400,714 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 \$75,532,701 and the bank balance totaled \$81,811,475. Of the bank balance, \$1,813,917 was covered by Federal Depository Insurance, \$3,752,615 was covered by the Depositors Insurance Fund, \$74,683,201 was collateralized, and \$1,561,742 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2012, carrying amount of deposits for the System totaled \$1,641,935 and the bank balance totaled \$1,934,726. The entire bank balance of the System was covered by Federal Depository Insurance and is collateralized.

Investments

As of June 30, 2013, the City of Somerville had the following investments:

<u>Other Investments</u>	
MMDT.....	\$ <u>7,516,089</u>

As of December 31, 2012, the System had the following investments:

Investment Type	Fair Value	Maturity				Rating
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years	
<u>Debt Securities</u>						
(1) Loomis Sayles Fixed Income Fund	\$ 65,191,622	\$ 8,813,907	\$ 23,038,720	\$ 15,235,282	\$ 18,103,713	Aaa / NR
<u>Other Investments</u>						
Equity Mutual Funds (Domestic).....	5,705,094					
Equity Mutual Funds (International).....	12,286,034					
Equities.....	94,642,662					
Alternative Real Estate.....	15,516,383					
Money Market Mutual Funds.....	433,659					
Total Investments.....	\$ 193,775,454					

(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 \$7,516,089 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 \$94,642,662 in equity securities, the System has custodial credit risk exposure of \$94,642,662 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, 2013. 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, 2013, receivables for the individual major governmental funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,430,902	\$ (67,946)	\$ 1,362,956
Tax liens.....	1,487,080	-	1,487,080
Motor vehicle excise taxes.....	1,521,207	(1,200,197)	321,010
Departmental and other.....	11,194,296	(5,790,488)	5,403,808
Intergovernmental.....	26,005,726	-	26,005,726
Loans.....	14,350,487	-	14,350,487
Total.....	<u>\$ 55,989,698</u>	<u>\$ (7,058,631)</u>	<u>\$ 48,931,067</u>

At June 30, 2013, receivables for the enterprise funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Sewer.....	\$ -	\$ -	\$ -
Water.....	4,024,216	-	4,024,216
Total.....	<u>\$ 4,024,216</u>	<u>\$ -</u>	<u>\$ 4,024,216</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:

	General Fund	Community Development	Governmental Funds	Nonmajor Total
<u>Receivable type:</u>				
Real estate and personal property taxes.....	\$ 855,603	\$ -	\$ -	\$ 855,603
Tax liens.....	1,487,080	-	-	1,487,080
Motor vehicle excise.....	321,010	-	-	321,010
Departmental and other.....	5,403,808	-	-	5,403,808
Intergovernmental.....	18,557,000	4,851,348	2,083,602	25,491,950
Total.....	<u>\$ 26,624,501</u>	<u>\$ 4,851,348</u>	<u>\$ 2,083,602</u>	<u>\$ 33,559,451</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 30,220,274	\$ 4,431,449	\$ -	\$ 34,651,723
Construction in progress.....	14,950,941	20,843,137	(3,143,727)	32,650,351
Total capital assets not being depreciated.....	<u>45,171,215</u>	<u>25,274,586</u>	<u>(3,143,727)</u>	<u>67,302,074</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	26,301,371	1,149,225	-	27,450,596
Books and periodicals.....	2,626,489	-	-	2,626,489
Buildings and improvements.....	164,226,035	4,132,182	-	168,358,217
Machinery and equipment.....	8,604,909	210,027	-	8,814,936
Vehicles.....	10,989,056	400,350	(759,068)	10,630,338
Infrastructure.....	39,338,062	869,395	-	40,207,457
Total capital assets being depreciated.....	<u>252,085,922</u>	<u>6,761,179</u>	<u>(759,068)</u>	<u>258,088,033</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(9,461,710)	(1,121,006)	-	(10,582,716)
Books and periodicals.....	(2,223,313)	(92,686)	-	(2,315,999)
Buildings and improvements.....	(57,931,565)	(4,119,348)	-	(62,050,913)
Machinery and equipment.....	(5,796,764)	(510,325)	-	(6,307,089)
Vehicles.....	(7,957,772)	(764,901)	759,068	(7,963,605)
Infrastructure.....	(25,183,480)	(542,480)	-	(25,725,960)
Total accumulated depreciation.....	<u>(108,554,604)</u>	<u>(7,150,746)</u>	<u>759,068</u>	<u>(114,946,282)</u>
Total capital assets being depreciated, net.....	<u>143,531,318</u>	<u>(389,567)</u>	<u>-</u>	<u>143,141,751</u>
Total governmental activities capital assets, net.....	<u>\$ 188,702,533</u>	<u>\$ 24,885,019</u>	<u>\$ (3,143,727)</u>	<u>\$ 210,443,825</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities: Water				
<u>Capital assets being depreciated:</u>				
Buildings.....	\$ 16,087	\$ -	\$ -	\$ 16,087
Machinery and equipment.....	5,267,964	-	-	5,267,964
Vehicles.....	402,419	60,499	-	462,918
Infrastructure.....	<u>26,976,557</u>	<u>2,302,210</u>	<u>-</u>	<u>29,278,767</u>
Total capital assets being depreciated.....	<u>32,663,027</u>	<u>2,362,709</u>	<u>-</u>	<u>35,025,736</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(6,032)	(804)	-	(6,836)
Machinery and equipment.....	(935,856)	(366,553)	-	(1,302,409)
Vehicles.....	(221,663)	(49,472)	-	(271,135)
Infrastructure.....	<u>(6,394,397)</u>	<u>(567,071)</u>	<u>-</u>	<u>(6,961,468)</u>
Total accumulated depreciation.....	<u>(7,557,948)</u>	<u>(983,900)</u>	<u>-</u>	<u>(8,541,848)</u>
Total water capital assets being depreciated, net.....	<u>\$ 25,105,079</u>	<u>\$ 1,378,809</u>	<u>\$ -</u>	<u>\$ 26,483,888</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities: Sewer				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 12,467	\$ -	\$ -	\$ 12,467
Vehicles.....	139,786	294,306	-	434,092
Infrastructure.....	<u>22,374,589</u>	<u>1,922,713</u>	<u>-</u>	<u>24,297,302</u>
Total capital assets being depreciated.....	<u>22,526,842</u>	<u>2,217,019</u>	<u>-</u>	<u>24,743,861</u>
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(11,221)	(1,246)	-	(12,467)
Vehicles.....	(64,108)	(31,880)	-	(95,988)
Infrastructure.....	<u>(12,503,425)</u>	<u>(235,151)</u>	<u>-</u>	<u>(12,738,576)</u>
Total accumulated depreciation.....	<u>(12,578,754)</u>	<u>(268,277)</u>	<u>-</u>	<u>(12,847,031)</u>
Total sewer capital assets being depreciated, net.....	<u>\$ 9,948,088</u>	<u>\$ 1,948,742</u>	<u>\$ -</u>	<u>\$ 11,896,830</u>

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

Governmental Activities:

General government.....	\$ 375,447
Public safety.....	788,950
Education.....	3,764,872
Public works.....	1,110,702
Culture and recreation.....	<u>1,110,775</u>

Total depreciation expense - governmental activities..... \$ 7,150,746

Business-Type Activities:

Water.....	\$ 983,900
Sewer.....	<u>268,277</u>

Total depreciation expense - business-type activities..... \$ 1,252,177

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City’s interfund balances at June 30, 2013 consisted of \$128,021 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, 2013, are summarized as follows:

Operating Transfers Out:	Transfers In:						Total
	General Fund	Strategic Planning & Community Development	Capital Projects Fund	Nonmajor Governmental Fund	Veteran's Memorial Ice Rink	Dilboy Stadium	
General Fund.....	\$ -	\$ -	\$ 100,000	\$ -	\$ -	\$ 29,395	\$ 129,395 (1)
Capital Projects Fund.....	538,325	-	-	-	-	-	538,325 (2)
Nonmajor Governmental Funds...	2,289,998	19,190	430,603	109,300	6,354	-	2,855,445 (3)
Sewer Enterprise Fund.....	498,323	-	-	-	-	-	498,323 (4)
Water Enterprise Fund.....	607,059	-	-	-	-	-	607,059 (4)
Veteran's Memorial Ice Rink.....	<u>6,209</u>	-	-	-	-	-	<u>6,209 (4)</u>
Total.....	<u>\$ 3,939,914</u>	<u>\$ 19,190</u>	<u>\$ 530,603</u>	<u>\$ 109,300</u>	<u>\$ 6,354</u>	<u>\$ 29,395</u>	<u>\$ 4,634,756</u>

- (1) Represents budgeted transfers out of the general fund to the Hurricane Sandy capital project fund and a subsidy transfer to the Dilboy Stadium enterprise fund.
- (2) Represents a transfer from the Assembly Square District Improvement Financing capital project fund to cover current fiscal year principle and interest related to District Improvement Financing long-term debt.
- (3) Represents the transfer of other available funds to supplement the general fund budget, transfer from nonmajor funds into the City's Strategic Planning & Community Development fund, transfer from the insurance proceeds over \$20,000 fund to the capital projects fund, miscellaneous transfers between nonmajor funds, and the closeout of the Veteran's Memorial Ice Rink revolving fund to the Veteran's Memorial Ice Rink enterprise fund.
- (4) Represents the transfer of indirect costs to the general fund.

NOTE 6 – LEASES

Operating Leases

The City leases three police sub-stations and a police trailer under several non-cancelable operating leases. The total cost of these leases for the fiscal year ended June 30, 2013 was approximately \$69,900 and is reported as 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>
2014.....	\$ 36,000
2015.....	<u>36,000</u>
Total.....	<u>\$ 72,000</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, 2013, is as follows:

Governmental Activities

<u>Type</u>	<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2012</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2013</u>
BAN	Municipal Purpose.....	1.25	06/28/13	\$ 8,399,962	\$ -	\$ 8,399,962	\$ -
BAN	Municipal Purpose.....	0.70	10/25/13	-	14,079,404	-	14,079,404 (1)
BAN	Municipal Purpose.....	1.00	06/27/14	<u>-</u>	<u>8,887,449</u>	<u>-</u>	<u>8,887,449</u>
Total Short-Term Debt.....				<u>\$ 8,399,962</u>	<u>\$ 22,966,853</u>	<u>\$ 8,399,962</u>	22,966,853
General obligation bonds issued 10/9/13 (see note 8).....							<u>(13,940,000)</u>
Total.....							<u>\$ 9,026,853</u>

(1) Subsequent to year end \$13,940,000 of BAN's were redeemed by the issuance of general obligation bonds. The remaining balance of \$139,404 was paid down with available funds. Please see note 8 for further information.

NOTE 8 - LONG-TERM DEBT

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

On October 9, 2013, the City issued \$13,940,000 of general obligation debt that related to BAN's outstanding as of June 30, 2013. Accordingly, the current year financial statements have recognized bond proceeds in the amount of \$13,940,000 in the City's capital projects fund.

Details related to the general obligation bonds outstanding at June 30, 2013, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Original Borrowing	Maturities Through	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Municipal Purpose - August 16, 2006 (Refunding)...	\$ 23,705,000	2018	3.5% - 5.0%	\$ 13,585,000	\$ -	\$ 2,355,000	\$ 11,230,000
Municipal Purpose - March 15, 2004.....	7,840,009	2015	2.0% - 4.0%	2,331,093	-	839,082	1,492,011
Municipal Purpose - August 15, 2006.....	7,900,000	2027	4.0% - 4.1%	4,165,000	-	370,000	3,795,000
MSBA - February 12, 2008.....	7,646,207	2033	7.1% - 8.0%	7,646,207	-	364,105	7,282,102
Municipal Purpose - February 1, 2009.....	3,375,000	2028	3.6% - 4.0%	3,375,000	-	345,000	3,030,000
Municipal Purpose - February 15, 2010.....	2,924,000	2028	2.0% - 5.0%	2,478,000	-	206,000	2,272,000
Municipal Purpose - April 1, 2010 (Refunding).....	15,129,000	2022	2.0% - 5.0%	14,814,000	-	1,407,000	13,407,000
Municipal Purpose - June 15, 2010.....	7,771,000	2029	2.0% - 5.0%	7,085,000	-	380,000	6,705,000
Municipal Purpose - February 23, 2012.....	6,305,000	2025	2.0% - 5.0%	5,675,000	-	655,000	5,020,000
Municipal Purpose - May 17, 2013.....	15,750,000	2042	2.0% - 5.0%	15,750,000	-	-	15,750,000
Municipal Purpose - October 9, 2013.....	13,940,000	2033	2.0% - 5.0%	-	13,940,000	-	13,940,000
Total bonds payable.....				76,904,300	13,940,000	6,921,187	83,923,113
Add: unamortized premium.....				521,920	-	84,607	437,313
Less: deferred charges on refunding.....				(1,248,727)	-	(244,824)	(1,003,903)
Total.....				\$ 76,177,493	\$ 13,940,000	\$ 6,760,970	\$ 83,356,523

Bonds Payable Schedule – Enterprise Funds

Project	Original Borrowing	Maturities Through	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
MWRA Notes.....	\$ 7,584,424	2018	0.0%	\$ 1,990,912	\$ -	\$ 568,831	\$ 1,422,081
Municipal Purpose - March 15, 2004.....	1,285,440	2016	4.0%	464,553	-	120,582	343,971
Municipal Purpose August 15, 2006.....	1,500,000	2017	4.0%	750,000	-	150,000	600,000
Municipal Purpose - December 15, 2009.....	4,400,000	2019	2.0%	3,420,000	-	490,000	2,930,000
Municipal Purpose - February 15, 2010.....	1,910,000	2030	2.0% - 5.0%	1,677,000	-	109,000	1,568,000
Municipal Purpose - April 1, 2010 (Refunding).....	262,000	2022	2.0% - 5.0%	262,000	-	28,000	234,000
Municipal Purpose - February 23, 2012.....	424,000	2020	2.0% - 5.0%	385,000	-	40,000	345,000
MWRA Notes.....	1,336,000	2022	0.0%	1,336,000	-	133,600	1,202,400
MWRA Notes.....	1,242,340	2013	0.0%	-	1,242,340	-	1,242,340
Total Water Enterprise.....				10,285,465	1,242,340	1,640,013	9,887,792
Municipal Purpose - March 15, 2004.....	1,229,551	2016	4.0%	444,354	-	115,338	329,016
Municipal Purpose - August 15, 2006.....	2,070,000	2027	4.0%	1,480,000	-	105,000	1,375,000
Municipal Purpose - April 1, 2010 (Refunding).....	419,000	2022	2.0% - 5.0%	419,000	-	45,000	374,000
MWRA Notes.....	1,616,450	2017	0.0%	1,616,450	-	323,290	1,293,160
Total Sewer Enterprise.....				3,959,804	-	588,628	3,371,176
Total.....				\$ 14,245,269	\$ 1,242,340	\$ 2,228,641	\$ 13,258,968

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
2014.....	\$ 6,971,598	\$ 2,503,939	\$ 9,475,537
2015.....	7,921,123	2,273,646	10,194,769
2016.....	7,075,105	2,021,995	9,097,100
2017.....	7,221,605	1,775,715	8,997,320
2018.....	5,610,105	1,542,439	7,152,544
2019.....	4,460,105	1,359,979	5,820,084
2020.....	4,400,105	1,207,801	5,607,906
2021.....	4,500,105	1,077,928	5,578,033
2022.....	4,591,105	932,922	5,524,027
2023.....	2,996,105	771,992	3,768,097
2024.....	2,874,105	691,262	3,565,367
2025.....	2,804,105	615,212	3,419,317
2026.....	2,514,105	542,002	3,056,107
2027.....	2,549,105	480,792	3,029,897
2028.....	2,149,105	426,176	2,575,281
2029.....	1,519,105	374,044	1,893,149
2030.....	1,514,105	348,511	1,862,616
2031.....	1,554,105	324,129	1,878,234
2032.....	1,594,105	293,247	1,887,352
2033.....	1,649,107	261,565	1,910,672
2034.....	1,330,000	233,963	1,563,963
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
Total.....	\$ 83,923,113	\$ 21,030,199	\$ 104,953,312

Water Enterprise Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$ 1,671,674	\$ 99,176	\$ 1,770,850
2015.....	1,572,270	85,654	1,657,924
2016.....	1,475,698	72,811	1,548,509
2017.....	1,272,945	59,885	1,332,830
2018.....	1,021,635	50,640	1,072,275
2019.....	906,834	44,315	951,149
2020.....	421,834	39,115	460,949
2021.....	366,834	34,165	400,999
2022.....	370,834	30,435	401,269
2023.....	207,234	26,105	233,339
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>9,887,792</u>	\$ <u>640,901</u>	\$ <u>10,528,693</u>

Sewer Enterprise Fund

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>3,371,176</u>	\$ <u>464,666</u>	\$ <u>3,835,842</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, 2013, the outstanding principal amount of these loans totaled \$5,159,981. The imputed interest on these loans is immaterial and has not been recognized by the City.

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2013, \$4,230,955 of such assistance was received. Approximately \$22,678,000 will be received in future fiscal years. Of this amount, approximately \$4,121,000 represents reimbursement of long-term interest costs, and approximately \$18,557,000 represents reimbursement of approved construction costs. Accordingly, an \$18,557,000 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, 2013, the City had the following authorized and unissued debt:

Purpose	Amount
Ladder Truck.....	\$ 19,000
Central Hill Memorial Park.....	450,000
Ice Skating Rink.....	950
Resurfacing of Streets.....	56,200
East Somerville Community School.....	25,201,237
District Improvement Financing.....	10,000,000
Morse-Kelley Park Renovations.....	4,220
Radio Equipment.....	23,000
ISD Office Renovations.....	136,500
Park Construction.....	781,250
Refunding.....	5,485,000
Road Construction.....	625,000
School & City Building Improvements.....	1,502,000
2012 Union Square Revitalization Plan.....	2,000,000
Recreation Department Vehicles.....	15,000
Network Infrastructure Replacement.....	2,000
Wall Repairs.....	394,700
Firefighter Protective Bunker Gear.....	304,000
High School Design/Renovation.....	182,200
MWRA Infiltration & Inflow.....	1,455,100
North Street Veterans Playground.....	715,000
Street Sweeper.....	750,876
Total.....	<u>\$ 50,103,233</u>

Calculation of Net Investment in Capital Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation.....	\$ 210,443,825	\$ 38,380,718
Outstanding principal of related debt:		
Long-term debt.....	(83,356,523)	(13,258,968)
Short-term debt.....	(9,026,853)	-
Add:		
Unspent proceeds of capital debt.....	196,166	4,672,745
Noncapital-related debt (1).....	<u>18,557,000</u>	<u>-</u>
 Net investment in capital assets.....	 <u>\$ 136,813,615</u>	 <u>\$ 29,794,495</u>

(1) School construction grant financing.

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2013, the following changes occurred in long-term liabilities:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Current Portion</u>
Governmental Activities:					
Long-Term Bonds and Notes.....	\$ 76,904,300	\$ 13,940,000	\$ (6,921,187)	\$ 83,923,113	\$ 6,971,598
Add: unamortized premium.....	521,920	-	(84,607)	437,313	79,640
Less: deferred charges on refunding.....	(1,248,727)	-	244,824	(1,003,903)	(208,935)
Total bonds payable.....	<u>76,177,493</u>	<u>13,940,000</u>	<u>(6,760,970)</u>	<u>83,356,523</u>	<u>6,842,303</u>
Workers' Compensation.....	822,000	326,119	(271,119)	877,000	219,250
Other Postemployment Benefits.....	71,100,621	20,078,792	(10,295,302)	80,884,111	-
Compensated Absences.....	<u>3,528,300</u>	<u>368,825</u>	<u>(202,325)</u>	<u>3,694,800</u>	<u>186,340</u>
Total.....	<u>\$ 151,628,414</u>	<u>\$ 34,713,736</u>	<u>\$ (17,529,716)</u>	<u>\$ 168,812,434</u>	<u>\$ 7,247,893</u>
	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Current Portion</u>
Business-Type Activities:					
Long-Term Bonds and Notes.....	\$ 14,245,269	\$ 1,242,340	\$ (2,228,641)	\$ 13,258,968	\$ 2,257,656
Other Postemployment Benefits.....	675,018	203,499	(106,890)	771,627	-
Compensated Absences.....	<u>58,600</u>	<u>16,300</u>	<u>(2,200)</u>	<u>72,700</u>	<u>2,700</u>
Total.....	<u>\$ 14,978,887</u>	<u>\$ 1,462,139</u>	<u>\$ (2,337,731)</u>	<u>\$ 14,103,295</u>	<u>\$ 2,260,356</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, 2013, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS				
	General	Strategic Planning & Community Development	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 433,126	\$ 433,126
Restricted for:					
Strategic Planning & Community Development.....	-	13,158,764	-	-	13,158,764
School special revenue funds.....	-	-	-	1,305,515	1,305,515
School federal grants.....	-	-	-	298,761	298,761
School state & private grants.....	-	-	-	1,741,319	1,741,319
City federal grant funds.....	-	-	-	3,693,184	3,693,184
City state grant funds.....	-	-	-	258,113	258,113
City revolving funds.....	-	-	-	291,231	291,231
City receipts reserved.....	-	-	-	1,626,240	1,626,240
City Private grants.....	-	-	-	96,350	96,350
School lunch.....	-	-	-	888,265	888,265
Other special revenue funds.....	-	-	-	518,694	518,694
Other permanent funds.....	-	-	-	163,326	163,326
Committed to:					
Health Claims.....	16,065,054	-	-	-	16,065,054
Max-Pak Stabilization Fund.....	20,077	-	-	-	20,077
East Somerville Stabilization Fund.....	102,499	-	-	-	102,499
Street Tree Stabilization Fund.....	1,907	-	-	-	1,907
Alpine Restaurant Stabilization Fund.....	2,508	-	-	-	2,508
Rockwell Restaurant Stabilization Fund.....	9,040	-	-	-	9,040
Capital Projects Stabilization Fund.....	4,028,015	-	-	-	4,028,015
Construction Stabilization Fund.....	2,760,878	-	-	-	2,760,878
Traffic Safety Stabilization Fund.....	205,145	-	-	-	205,145
Mitigation Stabilization Fund.....	352,935	-	-	-	352,935
270 Cedar Street LLC Stabilization Fund.....	1,002	-	-	-	1,002
Workforce Training Stabilization Fund.....	100,173	-	-	-	100,173
Bicycle Stabilization Fund.....	2,181	-	-	-	2,181
Linwood Street Sidewalk Improvement Stabilization Fund.....	11,750	-	-	-	11,750
Davis Square Traffic and Sign Stabilization Fund.....	8,000	-	-	-	8,000
Trash Transfer Station Stabilization Fund.....	500,003	-	-	-	500,003
Assigned to:					
General government.....	509,117	-	-	-	509,117
Public safety.....	207,464	-	-	-	207,464
Education.....	358,265	-	-	-	358,265
Public works.....	1,202,582	-	-	-	1,202,582
Culture and recreation.....	112,621	-	-	-	112,621
Employee benefits.....	500	-	-	-	500
Free cash used for the fiscal year 2014 budget.....	3,500,000	-	-	-	3,500,000
Unassigned.....	17,005,198	-	(8,830,687)	-	8,174,511
TOTAL FUND BALANCES (DEFICIT).....	\$ 47,066,914	\$ 13,158,764	\$ (8,830,687)	\$ 11,314,124	\$ 62,709,115

NOTE 10 – RISK FINANCING

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City participates in premium-based health care plans for its active employees and retirees through the Group Insurance Commission.

The City is self-insured for its workers' compensation activities. These activities are accounted for in the General Fund. Workers' compensation claims are administered in house and are funded on a pay-as-you-go basis from annual appropriations. The estimated future workers' compensation liability is based on history and injury type. At June 30, 2013, the amount of the liability for workers' compensation claims totaled \$877,000.

Changes in the reported liability since July 1, 2011, 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 2012.....	\$ 1,015,000	\$ 99,727	\$ (292,727)	\$ 822,000
Fiscal Year 2013.....	822,000	326,119	(271,119)	877,000

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 \$17,156,000 for the fiscal year ended June 30, 2013, 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, 2012, the System's membership consists of the following:

Active members.....	1,143
Inactive members.....	288
Retirees and beneficiaries currently receiving benefits.....	<u>915</u>
Total.....	<u><u>2,346</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, 2013, 2012, and 2011 were \$11,084,131 \$10,985,945, and \$10,589,982, respectively, which equaled its required contribution for each fiscal year. At June 30, 2013, 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 an open basis. The remaining amortization period at January 1, 2012, was 22 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%

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 approximately 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 2013 totaled \$232,000.

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 2013, totaled \$2,815,700.

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 2013, the City’s estimated benefit payments total is \$10,402,192.

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.....	\$ 19,803,786
Interest on existing net OPEB obligation.....	2,871,026
Adjustments to annual required contribution.....	(2,392,521)
Annual OPEB cost (expense).....	<u>20,282,291</u>
Contributions Made.....	<u>(10,402,192)</u>
Increase/(Decrease) in net OPEB obligation.....	9,880,099
Net OPEB obligation-beginning of year.....	<u>71,775,639</u>
Net OPEB obligation-end of year.....	<u>\$ 81,655,738</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 2013 and the two preceding years 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>
6/30/2013	\$ 20,282,291	\$ 51%	\$ 81,655,738
6/30/2012	19,407,471	52%	71,775,639
6/30/2011	22,692,280	45%	62,405,039

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% per year. The remaining amortization period at June 30, 2013 is 30 years.

NOTE 13 - COMMITMENTS

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

The School Department has entered into an agreement with S. P. & R. Transportation, Inc. to provide for the transportation of its students. The contract bears an annual cost of approximately \$1,820,100 and expires on June 30, 2016. Annual appropriations for this contract are not to exceed \$5,460,300 over the term of the contract.

The City has entered into, or is planning to enter into, contracts totaling approximately \$50,103,000 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, 2013, 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, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2013, the following GASB pronouncements were implemented:

- GASB Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #61, *The Financial Reporting Entity: Omnibus*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Financial statement changes include net assets changing to net position and invested in capital assets, net of related debt changing to net investment in capital assets. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.

- GASB Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*. 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 #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014.
- 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.
- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2014.

Management is currently assessing the impact that 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, 2013

	Budgeted Amounts					
	Amounts		Actual		Amounts	Variance
	Carried forward	Original	Final	Budgetary		
From Prior Year	Budget	Budget	Amounts	To Next Year	Budget	
REVENUES:						
Real estate and personal property taxes, net of tax refunds.....	\$	\$ 108,049,016	\$ 108,049,016	\$ 108,407,664	\$ -	\$ 358,648
Tax liens.....	-	-	-	1,118,479	-	1,118,479
Motor vehicle and other excise taxes.....	-	6,869,821	6,869,821	7,206,904	-	337,083
Payments in lieu of taxes.....	-	180,000	180,000	182,347	-	2,347
Intergovernmental.....	-	46,564,706	46,564,706	46,990,120	-	425,414
Departmental and other.....	-	15,767,555	15,767,555	16,140,477	-	372,922
Investment income.....	-	260,000	260,000	219,363	-	(40,637)
Miscellaneous.....	-	-	-	102,500	-	102,500
TOTAL REVENUES.....	-	177,691,098	177,691,098	180,367,854	-	2,676,756
EXPENDITURES:						
GENERAL GOVERNMENT						
Board of Alderman						
Salaries.....	-	284,922	284,922	283,236	-	1,686
Expenses.....	-	40,660	40,660	37,998	-	2,662
TOTAL.....	-	325,582	325,582	321,234	-	4,348
Clerk of Committees						
Salaries.....	-	57,450	61,556	57,075	-	4,481
Expenses.....	-	1,000	1,000	652	250	98
TOTAL.....	-	58,450	62,556	57,727	250	4,579
Executive Office						
Salaries.....	-	2,052,830	2,383,635	2,310,846	-	72,789
Expenses.....	5,198	413,313	527,038	341,223	134,049	51,766
Special Items.....	-	170,000	170,000	130,435	35,625	3,940
TOTAL.....	5,198	2,636,143	3,080,673	2,782,504	169,674	128,495
Auditor's Office						
Salaries.....	-	757,194	851,710	737,654	-	114,056
Expenses.....	188,810	294,800	294,795	83,167	211,628	-
TOTAL.....	188,810	1,051,994	1,146,505	820,821	211,628	114,056
Grants Management						
Salaries.....	-	106,123	117,607	95,297	-	22,310
Expenses.....	21,526	25,982	25,982	3,957	21,025	1,000
TOTAL.....	21,526	132,105	143,589	99,254	21,025	23,310
Purchasing						
Salaries.....	-	315,354	371,006	332,383	-	38,623
Expenses.....	975	36,050	35,677	30,575	-	5,102
TOTAL.....	975	351,404	406,683	362,958	-	43,725
Assessing						
Salaries.....	-	445,678	510,384	510,384	-	-
Expenses.....	-	87,100	87,100	78,988	-	8,112
TOTAL.....	-	532,778	597,484	589,372	-	8,112
Treasurer's/Collector's Office						
Salaries.....	-	583,986	657,014	648,555	-	8,459
Expenses.....	21,845	318,345	300,177	239,006	32,443	28,728
TOTAL.....	21,845	902,331	957,191	887,561	32,443	37,187
Law Department						
Salaries.....	-	556,538	633,035	623,412	-	9,623
Expenses.....	1,142	126,842	126,274	45,409	720	80,145
TOTAL.....	1,142	683,380	759,309	668,821	720	89,768
Personnel Department						
Salaries.....	-	395,985	464,280	453,567	-	10,713
Expenses.....	53,943	272,843	271,916	163,807	44,988	63,121
Special Items.....	-	44,000	44,000	13,041	-	30,959
TOTAL.....	53,943	712,828	780,196	630,415	44,988	104,793

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2013

	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			
Information Technology						
Salaries.....	-	555,108	631,771	630,672	-	1,099
Expenses.....	14,543	1,059,088	1,073,223	1,041,136	12,488	19,599
TOTAL.....	14,543	1,614,196	1,704,994	1,671,808	12,488	20,698
Communications						
Salaries.....	-	42,910	52,355	52,355	-	-
Expenses.....	53	23,378	23,325	11,676	168	11,481
TOTAL.....	53	66,288	75,680	64,031	168	11,481
City Clerk						
Salaries.....	-	345,501	420,485	420,361	-	124
Expenditures.....	2,508	136,305	136,120	104,584	2,307	29,229
TOTAL.....	2,508	481,806	556,605	524,945	2,307	29,353
Elections						
Salaries.....	-	324,953	375,594	365,403	-	10,191
Expenditures.....	-	74,670	204,450	180,382	1,588	22,480
TOTAL.....	-	399,623	580,044	545,785	1,588	32,671
Licensing Committee						
Salaries.....	-	6,530	10,800	10,800	-	-
Community Development						
Salaries.....	-	1,815,843	2,133,245	1,981,260	-	151,985
Expenses.....	46,996	303,725	265,543	189,581	7,168	68,794
Capital.....	-	-	26,000	21,330	4,670	-
TOTAL.....	46,996	2,119,568	2,424,788	2,192,171	11,838	220,779
Veterans Benefits						
Salaries.....	-	107,115	117,111	117,111	-	-
Expenses.....	-	358,304	525,334	479,715	-	45,619
TOTAL.....	-	465,419	642,445	596,826	-	45,619
Building Insurance						
Expenses.....	-	271,000	271,000	271,000	-	-
Person and Property Insurance						
Expenditures.....	-	175,000	175,000	87,190	-	87,810
Contingency Account						
Expenses.....	385,555	4,776,166	1,864,494	942,860	-	921,634
Total General Government.....	743,094	17,762,591	16,565,618	14,128,083	509,117	1,928,418
PUBLIC SAFETY						
Police Department						
Salaries.....	-	14,520,070	14,609,091	14,057,364	-	551,727
Expenses.....	26,608	502,240	510,451	469,525	35,726	5,200
Special Items.....	-	51,314	51,314	33,000	-	18,314
TOTAL.....	26,608	15,073,624	15,170,856	14,559,889	35,726	575,241
Fire Department						
Salaries.....	1,200	15,315,211	15,343,306	15,169,618	-	173,688
Expenses.....	10,881	343,931	343,832	322,720	10,591	10,521
Special Items.....	-	54,465	54,465	54,465	-	-
TOTAL.....	12,081	15,713,607	15,741,603	15,546,803	10,591	184,209
Emergency Management						
Salaries.....	-	18,792	20,741	20,442	-	299
Expenses.....	-	5,700	5,700	5,659	-	41
TOTAL.....	-	24,492	26,441	26,101	-	340
Animal Control						
Salaries.....	-	90,057	102,778	99,564	-	3,214
Expenses.....	1,243	14,750	13,338	8,689	1,256	3,393
TOTAL.....	1,243	104,807	116,116	108,253	1,256	6,607
Traffic and Parking						
Salaries.....	-	2,201,785	2,657,244	2,619,321	-	37,923
Expenses.....	166,469	1,068,569	1,108,792	909,260	159,538	39,994
TOTAL.....	166,469	3,270,354	3,766,036	3,528,581	159,538	77,917

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2013

	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			
Board of Health						
Salaries.....	-	1,274,814	1,511,721	1,394,901	-	116,820
Expenses.....	7,658	123,257	119,007	75,341	353	43,313
TOTAL.....	7,658	1,398,071	1,630,728	1,470,242	353	160,133
Total Public Safety.....	214,059	35,584,955	36,451,780	35,239,869	207,464	1,004,447
EDUCATION						
Operational.....	317,227	52,862,484	53,159,753	52,751,288	358,265	50,200
PUBLIC WORKS						
Administration						
Salaries.....	-	503,746	578,381	521,801	-	56,580
Expenses.....	37,617	880,092	802,880	748,455	53,083	1,342
TOTAL.....	37,617	1,383,838	1,381,261	1,270,256	53,083	57,922
Electrical						
Salaries.....	-	317,597	384,678	384,678	-	-
Expenses.....	95,296	304,296	194,689	114,454	58,735	21,500
TOTAL.....	95,296	621,893	579,367	499,132	58,735	21,500
Engineering						
Salaries.....	-	101,825	116,075	112,167	-	3,908
Expenses.....	80,000	87,850	217,850	124,220	86,994	6,636
TOTAL.....	80,000	189,675	333,925	236,387	86,994	10,544
Snow Removal						
Expenses.....	-	650,000	1,613,434	1,524,266	27,189	61,979
Highway						
Salaries.....	-	1,830,038	2,193,003	1,979,156	-	213,847
Expenses.....	72,976	881,492	875,249	682,812	105,149	87,288
TOTAL.....	72,976	2,711,530	3,068,252	2,661,968	105,149	301,135
Sanitation						
Expenditures.....	60,718	4,002,298	3,840,104	3,605,717	21,126	213,261
Building and Grounds						
Salaries.....	-	1,897,428	2,348,112	2,276,157	-	71,955
Expenditures.....	821,291	7,726,812	7,660,508	6,534,436	850,306	275,766
TOTAL.....	821,291	9,624,240	10,008,620	8,810,593	850,306	347,721
School Custodians						
Salaries.....	-	1,630,257	1,651,550	1,537,602	-	113,948
Expenses.....	-	827,502	827,502	816,252	-	11,250
TOTAL.....	-	2,457,759	2,479,052	2,353,854	-	125,198
Weights and Measures						
Salaries.....	-	83,946	100,599	100,111	-	488
Expenses.....	-	2,790	2,790	635	-	2,155
TOTAL.....	-	86,736	103,389	100,746	-	2,643
Total Public Works.....	1,167,898	21,727,969	23,407,404	21,062,919	1,202,582	1,141,903
CULTURE AND RECREATION						
Library						
Salaries.....	-	1,453,222	1,738,194	1,727,607	-	10,587
Expenses.....	3,412	317,561	357,287	343,795	11,396	2,096
Capital.....	-	-	93,000	-	93,000	-
TOTAL.....	3,412	1,770,783	2,188,481	2,071,402	104,396	12,683
Recreation and Youth Programs						
Salaries.....	-	538,139	622,208	609,689	-	12,519
Expenses.....	2,761	89,686	81,721	64,680	8,225	8,816
TOTAL.....	2,761	627,825	703,929	674,369	8,225	21,335
Total Culture and Recreation.....	6,173	2,398,608	2,892,410	2,745,771	112,621	34,018

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2013

	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			
OTHER						
Pension Benefits						
Pension Accumulation.....	-	11,084,135	11,084,135	11,084,131	-	4
Non-Contributory Pension.....	-	274,001	274,001	231,999	-	42,002
Total Pension Benefits.....	-	11,358,136	11,358,136	11,316,130	-	42,006
Employee Benefits						
Health and Life Insurance.....	-	22,445,461	22,645,461	21,883,437	500	761,524
Worker's Compensation.....	-	680,367	691,533	522,641	-	168,892
Unemployment Compensation.....	-	250,000	238,083	94,393	-	143,690
Total Employee Benefits.....	-	23,375,828	23,575,077	22,500,471	500	1,074,106
Debt and Interest						
Debt Principal.....	-	6,730,188	6,921,188	6,921,188	-	-
Debt Interest.....	-	2,268,139	2,935,367	2,871,079	-	64,288
TOTAL.....	-	8,998,327	9,856,555	9,792,267	-	64,288
State and County Charges						
State & County.....	-	11,871,004	11,866,423	11,189,172	-	677,251
Total Other.....	-	55,603,295	56,656,191	54,798,040	500	1,857,651
TOTAL EXPENDITURES.....	2,448,451	185,939,902	189,133,156	180,725,970	2,390,549	6,016,637
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(2,448,451)	(8,248,804)	(11,442,058)	(358,116)	(2,390,549)	8,693,393
OTHER FINANCING SOURCES (USES):						
Sale of capital assets.....	-	-	-	12,549	-	12,549
Transfers in.....	-	2,732,869	3,884,144	4,259,817	-	375,673
Transfers out.....	-	-	(1,690,095)	(1,690,095)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	2,732,869	2,194,049	2,582,271	-	388,222
NET CHANGE IN FUND BALANCE.....	(2,448,451)	(5,515,935)	(9,248,009)	2,224,155	(2,390,549)	9,081,615
BUDGETARY FUND BALANCE, Beginning of year.....	-	17,070,934	17,070,934	17,070,934	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (2,448,451)	\$ 11,554,999	\$ 7,822,925	\$ 19,295,089	\$ (2,390,549)	\$ 9,081,615

See notes to required supplementary information.

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Retirement System Schedules of Funding Progress and Employer Contributions

The Retirement System Schedule of Funding Progress presents multiyear trend information relating to the cost-sharing plan as a whole, of which the City is one participating employer, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the City is one participating employer, as well as the City's proportionate share of the plan's annual contributions.

SOMERVILLE CONTRIBUTORY RETIREMENT SYSTEM
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%

See notes to required supplementary information.

SOMERVILLE CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	System Wide			City of Somerville	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) City's Percentage of System Wide Actual Contributions
2013	\$ 11,820,973	\$ 11,820,973	100%	\$ 11,084,131	93.77%
2012	11,755,395	11,755,395	100%	10,972,311	93.34%
2011	11,394,783	11,394,783	100%	10,830,988	95.05%
2010	11,046,043	11,046,043	100%	10,399,034	94.14%
2009	12,485,661	12,485,661	100%	11,789,638	94.43%
2008	11,775,000	11,775,000	100%	11,115,655	94.40%
2007	11,399,000	11,399,000	100%	10,727,743	94.11%
2006	11,036,000	11,036,000	100%	10,347,418	93.76%

The City's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

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

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

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2012	\$ -	\$ 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
6/30/2013	\$ 19,803,786	\$ 10,402,192	53%
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

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, 2013

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 2013 approved budget authorized \$185.9 million in appropriations and other amounts to be raised. During fiscal year 2013, the Board also increased appropriations by approximately \$4.9 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, 2013, is depicted below:

Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ 2,224,155
<u>Perspective difference:</u>	
Unemployment insurance trust recorded in the General Fund for GAAP.....	2,800,802
Stabilization funds recorded in the General Fund for GAAP.....	(554,695)
<u>Basis of accounting differences:</u>	
Net change in recording 60-day receipts accrual.....	291,901
Net change in recording tax refunds payable.....	692,000
Recognition of revenue for on-behalf payments.....	17,156,000
Recognition of expenditures for on-behalf payments.....	<u>(17,156,000)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ 5,454,163</u>

NOTE B – PENSION PLAN

The City contributes to the System, a cost-sharing, multiple-employer defined benefit pension plan ("Plan") administered by the Somerville Contributory Retirement Board. The System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. The City is required to pay into the Retirement System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information presents multi-year trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the City is one participating employer, as well as the City's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the City.

The following actuarial methods and assumptions were used in the Retirement System's most recent actuarial valuation:

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2011
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Level percentage of payrolls, open
Remaining Amortization Period.....	22 years as of January 1, 2012
Asset Valuation Method.....	Fair Value
Investment rate of return.....	8.25%
Projected salary increases.....	3.00%
Cost of living adjustments.....	2.50%

NOTE C - OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

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

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

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Combining and Individual Fund Statements

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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, 2013

	Special Revenue Funds				
	School Special Revenue Funds	School Federal Grants	School State & Private Grant	City Federal Grant Funds	City State Grant Funds
ASSETS					
Cash and cash equivalents.....	\$ 1,315,985	\$ -	\$ 1,802,871	\$ 1,948,615	\$ 262,756
Receivables, net of uncollectibles:					
Intergovernmental.....	-	439,851	-	-	-
Loans.....	-	-	-	1,754,225	-
Due from other funds.....	54,096	-	-	-	-
TOTAL ASSETS.....	\$ 1,370,081	\$ 439,851	\$ 1,802,871	\$ 3,702,840	\$ 262,756
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ -	\$ 18,158	\$ 20,028	\$ -	\$ -
Accrued payroll.....	64,566	68,836	41,524	9,656	4,643
Deferred revenues.....	-	-	-	-	-
Due to other funds.....	-	54,096	-	-	-
TOTAL LIABILITIES.....	64,566	141,090	61,552	9,656	4,643
FUND BALANCES:					
Nonspendable.....	-	-	-	-	-
Restricted.....	1,305,515	298,761	1,741,319	3,693,184	258,113
TOTAL FUND BALANCES.....	1,305,515	298,761	1,741,319	3,693,184	258,113
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 1,370,081	\$ 439,851	\$ 1,802,871	\$ 3,702,840	\$ 262,756

Special Revenue Funds

Highway Improvement Funds	City Revolving Funds	Receipts Reserved	City Private Grants	School Lunch Funds	Other Special Revenue Funds	Subtotal
\$ -	\$ 231,061	\$ 1,626,240	\$ 96,350	\$ 893,561	\$ 519,407	\$ 8,696,846
2,157,527	-	-	-	-	-	2,597,378
-	-	-	-	-	-	1,754,225
-	73,925	-	-	-	-	128,021
<u>\$ 2,157,527</u>	<u>\$ 304,986</u>	<u>\$ 1,626,240</u>	<u>\$ 96,350</u>	<u>\$ 893,561</u>	<u>\$ 519,407</u>	<u>\$ 13,176,470</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,186
-	13,755	-	-	5,296	713	208,989
2,083,602	-	-	-	-	-	2,083,602
73,925	-	-	-	-	-	128,021
<u>2,157,527</u>	<u>13,755</u>	<u>-</u>	<u>-</u>	<u>5,296</u>	<u>713</u>	<u>2,458,798</u>
-	-	-	-	-	-	-
-	291,231	1,626,240	96,350	888,265	518,694	10,717,672
-	291,231	1,626,240	96,350	888,265	518,694	10,717,672
<u>\$ 2,157,527</u>	<u>\$ 304,986</u>	<u>\$ 1,626,240</u>	<u>\$ 96,350</u>	<u>\$ 893,561</u>	<u>\$ 519,407</u>	<u>\$ 13,176,470</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2013

	<i>Permanent Funds</i>			Total Nonmajor Governmental Funds
	Permanent Funds Principal	Expendable Permanent Funds	Subtotal	
ASSETS				
Cash and cash equivalents.....	\$ 433,126	\$ 163,326	\$ 596,452	\$ 9,293,298
Receivables, net of uncollectibles:				
Intergovernmental.....	-	-	-	2,597,378
Loans.....	-	-	-	1,754,225
Due from other funds.....	-	-	-	128,021
TOTAL ASSETS.....	\$ 433,126	\$ 163,326	\$ 596,452	\$ 13,772,922
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ -	\$ -	\$ -	\$ 38,186
Accrued payroll.....	-	-	-	208,989
Deferred revenues.....	-	-	-	2,083,602
Due to other funds.....	-	-	-	128,021
TOTAL LIABILITIES.....	-	-	-	2,458,798
FUND BALANCES:				
Nonspendable.....	433,126	-	433,126	433,126
Restricted.....	-	163,326	163,326	10,880,998
TOTAL FUND BALANCES.....	433,126	163,326	596,452	11,314,124
TOTAL LIABILITIES AND FUND BALANCES....	\$ 433,126	\$ 163,326	\$ 596,452	\$ 13,772,922

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

FISCAL YEAR ENDED JUNE 30, 2013

	<i>Special Revenue Funds</i>				
	School Special Revenue Funds	School Federal Grants	School State & Private Grant	City Federal Grant Funds	City State Grant Funds
REVENUES:					
Intergovernmental.....	\$ 116	\$ 4,760,190	\$ 2,955,727	\$ 1,126,598	\$ 448,927
Departmental and other.....	1,960,593	-	-	590,542	-
Contributions.....	70,166	-	-	28,077	-
Investment income.....	-	-	-	2,083	-
TOTAL REVENUES.....	2,030,875	4,760,190	2,955,727	1,747,300	448,927
EXPENDITURES:					
Current:					
General government.....	-	-	-	832,111	125,977
Public safety.....	-	-	-	638,431	279,646
Education.....	2,177,701	4,793,230	3,066,254	-	173,094
Public works.....	-	-	-	-	20,000
Human services.....	-	-	-	224,468	2,123
Culture and recreation.....	-	-	-	177,267	-
TOTAL EXPENDITURES.....	2,177,701	4,793,230	3,066,254	1,872,277	600,840
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(146,826)	(33,040)	(110,527)	(124,977)	(151,913)
OTHER FINANCING SOURCES (USES):					
Premium from issuance of bonds.....	-	-	-	96,302	-
Transfers in.....	-	-	84,393	83	18,946
Transfers out.....	(14,590)	-	(84,393)	(10,991)	(18,947)
TOTAL OTHER FINANCING SOURCES (USES).....	(14,590)	-	-	85,394	(1)
NET CHANGE IN FUND BALANCES.....	(161,416)	(33,040)	(110,527)	(39,583)	(151,914)
FUND BALANCES AT BEGINNING OF YEAR.....	1,466,931	331,801	1,851,846	3,732,767	410,027
FUND BALANCES AT END OF YEAR.....	\$ 1,305,515	\$ 298,761	\$ 1,741,319	\$ 3,693,184	\$ 258,113

Special Revenue Funds

Highway Improvement Funds	City Revolving Funds	Receipts Reserved	City Private Grants	School Lunch Funds	Other Special Revenue Funds	Sub-total
\$ 768,664	\$ -	\$ -	\$ 165,998	\$ 1,938,021	\$ 1,274	\$ 12,165,515
-	1,344,587	1,754,116	-	659,837	114,077	6,423,752
-	-	818,386	5,870	-	183,902	1,106,401
-	-	-	-	59	648	2,790
<u>768,664</u>	<u>1,344,587</u>	<u>2,572,502</u>	<u>171,868</u>	<u>2,597,917</u>	<u>299,901</u>	<u>19,698,458</u>
-	1,280,683	-	94,424	-	194,851	2,528,046
-	797	-	79	-	43,380	962,333
-	-	-	-	2,367,574	-	12,577,853
768,664	47,564	-	-	-	18,008	854,236
-	1,295	-	59,702	-	-	287,588
-	110,574	-	24,461	-	-	312,302
<u>768,664</u>	<u>1,440,913</u>	<u>-</u>	<u>178,666</u>	<u>2,367,574</u>	<u>256,239</u>	<u>17,522,358</u>
-	(96,326)	2,572,502	(6,798)	230,343	43,662	2,176,100
-	-	-	-	-	-	96,302
-	-	-	5,878	-	-	109,300
-	(367,601)	(2,351,137)	(5,939)	-	(1,847)	(2,855,445)
-	(367,601)	(2,351,137)	(61)	-	(1,847)	(2,649,843)
-	(463,927)	221,365	(6,859)	230,343	41,815	(473,743)
-	755,158	1,404,875	103,209	657,922	476,879	11,191,415
<u>\$ -</u>	<u>\$ 291,231</u>	<u>\$ 1,626,240</u>	<u>\$ 96,350</u>	<u>\$ 888,265</u>	<u>\$ 518,694</u>	<u>\$ 10,717,672</u>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2013

	<u>Permanent Funds</u>			Total Nonmajor Governmental Funds
	Permanent Funds Principal	Expendable Permanent Funds	Sub-total	
REVENUES:				
Intergovernmental.....	\$ -	\$ -	\$ -	\$ 12,165,515
Departmental and other.....	-	-	-	6,423,752
Contributions.....	-	-	-	1,106,401
Investment income.....	-	2,124	2,124	4,914
TOTAL REVENUES.....	-	2,124	2,124	19,700,582
EXPENDITURES:				
Current:				
General government.....	-	-	-	2,528,046
Public safety.....	-	50,706	50,706	1,013,039
Education.....	-	1,892	1,892	12,579,745
Public works.....	-	-	-	854,236
Human services.....	-	1,178	1,178	288,766
Culture and recreation.....	-	3,000	3,000	315,302
TOTAL EXPENDITURES.....	-	56,776	56,776	17,579,134
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	-	(54,652)	(54,652)	2,121,448
OTHER FINANCING SOURCES (USES):				
Premium from issuance of bonds.....	-	-	-	96,302
Transfers in.....	-	-	-	109,300
Transfers out.....	-	-	-	(2,855,445)
TOTAL OTHER FINANCING SOURCES (USES).....	-	-	-	(2,649,843)
NET CHANGE IN FUND BALANCES.....	-	(54,652)	(54,652)	(528,395)
FUND BALANCES AT BEGINNING OF YEAR.....	433,126	217,978	651,104	11,842,519
FUND BALANCES AT END OF YEAR.....	\$ 433,126	\$ 163,326	\$ 596,452	\$ 11,314,124

(Concluded)

Agency Fund

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

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2013

	Beginning of Year	Additions	Deletions	End of Year
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 374,181	\$ 3,865,331	\$ (2,661,262)	\$ 1,578,250
LIABILITIES				
Accrued liabilities.....	\$ 25,474	\$ 50,948	\$ (50,963)	\$ 25,459
Liabilities due depositors.....	348,707	3,814,383	(2,610,299)	1,552,791
TOTAL LIABILITIES.....	\$ 374,181	\$ 3,865,331	\$ (2,661,262)	\$ 1,578,250

Statistical Section



Young residents welcome Paul Revere on his way through Somerville as the City celebrates Patriots Day.

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

Net Position By Component

Last Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets.....	\$ 79,339,521	\$ 84,887,642	\$ 87,930,204	\$ 111,143,022	\$ 112,716,973	\$ 114,071,426	\$ 114,146,078	\$ 117,701,275	\$ 126,834,901	\$ 136,813,615
Restricted.....	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	24,157,523
Unrestricted.....	31,851,918	36,014,618	37,014,594	47,126,745	32,910,522	22,052,332	3,369,141	(1,130,225)	(18,721,004)	(23,786,300)
Total governmental activities net assets.....	\$ 134,197,135	\$ 143,978,746	\$ 148,457,264	\$ 180,125,702	\$ 169,548,064	\$ 155,587,914	\$ 141,629,468	\$ 141,697,548	\$ 130,888,990	\$ 137,184,838
Business-type activities										
Net investment in capital assets.....	\$ -	\$ -	\$ -	\$ -	\$ 4,762,242	\$ 7,539,882	\$ 16,039,555	\$ 20,025,113	\$ 24,078,204	\$ 29,794,495
Unrestricted.....	-	-	10,237,648	11,128,502	17,892,482	20,821,058	19,409,168	21,059,957	23,647,858	21,220,544
Total business-type activities net assets.....	\$ -	\$ -	\$ 10,237,648	\$ 11,128,502	\$ 22,654,724	\$ 28,360,940	\$ 35,448,723	\$ 41,085,070	\$ 47,726,062	\$ 51,015,039
Primary government										
Net investment in capital assets.....	\$ 79,339,521	\$ 84,887,642	\$ 87,930,204	\$ 111,143,022	\$ 117,479,215	\$ 121,611,308	\$ 130,185,633	\$ 137,726,388	\$ 150,913,105	\$ 166,608,110
Restricted.....	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	24,157,523
Unrestricted.....	31,851,918	36,014,618	47,252,242	58,255,247	50,803,004	42,873,390	22,778,309	19,929,732	4,926,854	(2,565,756)
Total primary government net position.....	\$ 134,197,135	\$ 143,978,746	\$ 158,694,912	\$ 191,254,204	\$ 192,202,788	\$ 183,948,854	\$ 177,078,191	\$ 182,782,618	\$ 178,615,052	\$ 188,199,877

Note: Prior to 2006, water and sewer enterprise activity was accounted for in the general fund.
 In 2008, the City reclassified capital assets related to the water and sewer enterprise funds from the governmental capital assets.

Changes in Net Position

Last Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government.....	\$ 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	\$ 25,892,120
Public safety.....	35,448,718	36,223,663	39,481,659	39,923,227	54,178,926	53,444,548	52,328,325	45,903,858	52,391,661	51,377,022
Education.....	89,377,755	89,232,007	93,324,939	93,333,097	102,347,605	110,053,080	108,803,922	108,813,913	113,996,259	113,753,374
Public works.....	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	25,203,877
Water & sewer.....	16,353,929	17,129,773	-	-	-	-	-	-	-	-
Intergovernment subsidy.....	220,000	220,000	220,000	-	-	-	-	-	-	-
Community development.....	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	5,092,521
Human services.....	95,384	86,314	26,210	2,974	22,475	122,641	18,802	9,560	316,137	288,766
Culture and recreation.....	3,641,051	2,928,143	4,513,673	4,208,127	969,173	4,159,278	4,566,066	3,880,264	4,160,530	4,695,015
Interest.....	3,443,680	3,485,985	2,885,144	3,511,789	3,003,452	2,865,682	2,713,563	2,282,434	2,306,520	2,858,173
Total government activities expenses.....	187,858,862	189,728,408	184,065,219	190,279,055	220,790,858	230,470,834	221,197,928	213,383,619	223,552,468	229,160,868
Business-type activities:										
Water.....	-	-	6,524,762	6,915,717	7,111,413	7,920,756	6,863,013	9,034,024	8,366,003	9,222,840
Sewer.....	-	-	11,502,866	11,565,119	11,554,303	12,979,914	13,245,282	14,185,999	14,803,664	15,303,668
Dilboy stadium.....	-	-	-	-	-	-	-	-	132,312	147,794
Veteran's memorial ice rink.....	-	-	-	-	-	-	-	-	337,456	522,392
Total business-type activities expenses.....	-	-	18,027,628	18,480,836	18,665,716	20,900,670	20,108,295	23,200,023	23,639,435	25,196,794
Total primary government expenses.....	\$ 187,858,862	\$ 189,728,408	\$ 202,092,847	\$ 208,759,891	\$ 239,456,574	\$ 251,371,504	\$ 241,306,223	\$ 236,603,642	\$ 247,191,903	\$ 254,357,662
Program Revenues										
Governmental activities:										
Public safety charges for services.....	\$ 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	\$ 10,743,269
Education charges for services.....	1,913,707	2,424,782	2,130,300	1,566,641	1,267,818	1,289,836	1,523,386	2,773,301	2,888,195	2,620,430
Water & sewer charges for services.....	15,989,797	19,870,735	-	-	-	-	-	-	-	-
Other charges for services.....	2,377,686	2,900,271	3,673,824	3,779,691	3,847,424	4,251,818	5,441,674	7,576,529	7,963,541	6,725,934
Public safety operating grants and contributions.....	1,808,128	2,233,643	2,141,506	1,914,580	1,979,862	2,073,664	1,582,812	984,665	583,597	733,021
Education operating grants and contributions.....	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	47,121,192
Public works operating grants and contributions.....	379,725	1,789,910	1,764,836	2,772,390	867,986	865,255	816,657	20,000	149,243	1,201,182
Community development operating grants and contributions.....	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	6,544,448
Other operating grants and contributions.....	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	3,200,591
Education capital grants and contributions.....	1,075,394	-	3,879,694	24,363,592	-	1,021,427	-	-	-	12,653,757
Other capital grants and contributions.....	-	-	-	-	-	-	-	1,300,151	1,014,340	851,439
Total government activities program revenues.....	85,938,897	89,274,454	75,205,993	94,992,041	84,643,927	78,627,760	80,821,235	80,660,792	78,411,569	92,495,263
Business-type activities:										
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	11,878,296
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	17,012,055
Dilboy stadium charges for services.....	-	-	-	-	-	-	-	-	90,527	147,000
Veteran's memorial ice rink charges for services.....	-	-	-	-	-	-	-	-	270,626	377,422
Other capital grant and contributions.....	-	-	-	-	-	-	-	-	1,322,550	-
Total business-type activities program revenues.....	-	-	23,311,329	21,174,770	24,389,948	24,675,427	25,622,382	27,131,220	30,795,749	29,414,773
Total primary government program revenues.....	\$ 85,938,897	\$ 89,274,454	\$ 98,517,322	\$ 116,166,811	\$ 109,033,875	\$ 103,303,187	\$ 106,443,617	\$ 107,792,012	\$ 109,207,318	\$ 121,910,036
Net (Expense)/Program Revenue										
Governmental activities.....	\$ (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)	\$ (136,665,605)
Business-type activities.....	-	-	5,283,701	2,693,934	5,724,232	3,774,757	5,514,087	3,911,197	7,156,314	4,217,979
Total primary government net (expense)/program revenue.....	\$ (101,919,965)	\$ (100,453,954)	\$ (103,575,525)	\$ (92,593,080)	\$ (130,422,699)	\$ (148,068,317)	\$ (134,862,606)	\$ (128,811,630)	\$ (137,984,585)	\$ (132,447,626)
General Revenues and other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes.....	\$ 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	\$ 109,373,661
Tax and utility liens.....	-	-	-	-	-	-	-	-	-	466,853
Motor vehicle and other excise taxes.....	5,266,072	5,429,328	5,189,010	5,068,422	4,976,795	4,190,680	4,414,024	5,067,456	6,773,737	7,299,012
Penalties and interest on taxes.....	742,005	599,400	619,975	475,391	821,535	695,914	982,668	1,266,600	860,457	1,070,330
Payments in lieu of taxes.....	-	341,819	354,342	131,329	314,262	158,827	163,644	398,281	192,334	182,347
Grants and contributions not restricted.....	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	23,120,989
Unrestricted investment income.....	480,472	929,090	1,476,584	2,261,853	1,605,434	1,096,779	584,028	419,271	320,878	258,370
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.....	-	-	-	673,300	-	-	-	-	-	-
Miscellaneous.....	434,403	177,997	1,048,792	899,510	2,010,382	2,019,017	458,502	884,039	61,023	115,049
Transfers, net.....	-	-	829,217	2,607,821	-	-	-	-	670,598	1,075,842
Total governmental activities.....	106,143,224	110,235,565	116,265,912	126,955,452	129,085,454	137,882,924	126,418,247	132,790,907	134,332,341	142,961,453
Business-type activities:										
Tax and utility liens.....	-	-	904,658	655,226	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	146,840
Transfers.....	-	-	(829,217)	(2,607,821)	-	-	-	-	(670,598)	(1,075,842)
Total business-type activities.....	-	-	276,939	(1,803,080)	2,285,829	1,931,459	1,573,696	1,725,150	(515,322)	(929,002)
Total primary government general revenues and other changes in net position.....	\$ 106,143,224	\$ 110,235,565	\$ 116,542,851	\$ 125,152,372	\$ 131,371,283	\$ 139,814,383	\$ 127,991,943	\$ 134,516,057	\$ 133,817,019	\$ 142,032,451
Changes in Net Position										
Governmental activities.....	\$ 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)	\$ 6,295,848
Business-type activities.....	-	-	5,560,640	890,854	8,010,061	5,706,216	7,087,783	5,636,347	6,640,992	3,288,977
Total primary government changes in net position.....	\$ 4,223,259	\$ 9,781,611	\$ 12,967,326	\$ 32,559,292	\$ 948,584	\$ (8,253,934)	\$ (6,870,663)	\$ 5,704,427	\$ (4,167,566)	\$ 9,584,825

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

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved.....	\$ 3,348,936	\$ 8,058,346	\$ 9,007,502	\$ 11,389,250	\$ 12,484,743	\$ 14,740,399	\$ 15,210,735	\$ -	\$ -	\$ -
Unreserved.....	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	24,171,167
Assigned.....	-	-	-	-	-	-	-	10,242,471	5,948,451	5,890,549
Unassigned.....	-	-	-	-	-	-	-	11,745,190	13,735,197	17,005,198
Total general fund.....	\$ 15,109,593	\$ 23,100,171	\$ 25,871,295	\$ 29,236,238	\$ 30,186,523	\$ 26,693,306	\$ 27,898,438	\$ 40,700,160	\$ 41,612,751	\$ 47,066,914
All Other Governmental Funds										
Reserved.....	\$ 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.....	3,482,079	4,329,384	7,306,605	8,112,563	9,163,103	17,964,768	20,226,857	-	-	-
Capital projects funds.....	211,079	(2,877,173)	498,479	3,260,677	119,927	(59,498)	6,678,591	-	-	-
Permanent funds.....	174,327	165,688	177,763	196,730	216,731	217,881	163,066	-	-	-
Nonspendable.....	-	-	-	-	-	-	-	433,126	433,126	433,126
Restricted.....	-	-	-	-	-	-	-	32,172,936	23,955,913	24,039,762
Unassigned.....	-	-	-	-	-	-	-	(42,349)	(7,897,251)	(8,830,687)
Total all other governmental funds.....	\$ 15,551,209	\$ 12,979,652	\$ 19,848,441	\$ 23,882,490	\$ 23,052,230	\$ 30,400,047	\$ 40,491,618	\$ 32,563,713	\$ 16,491,788	\$ 15,642,201

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

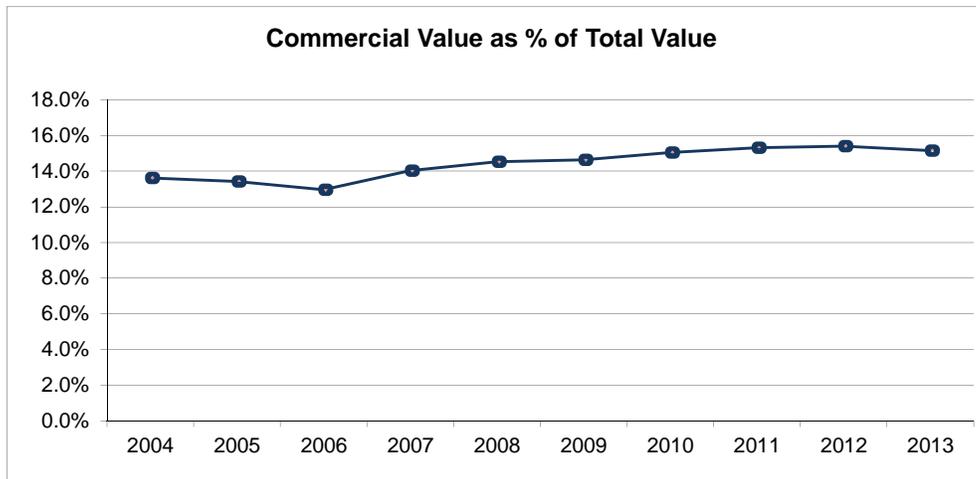
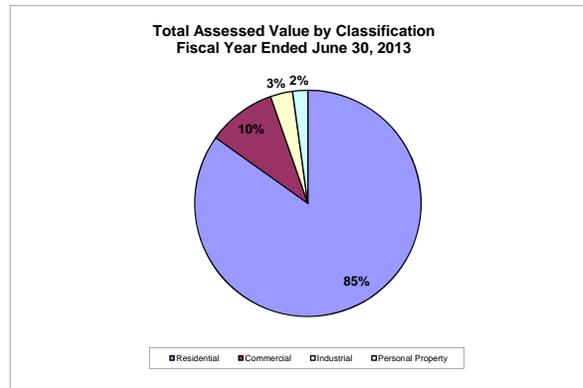
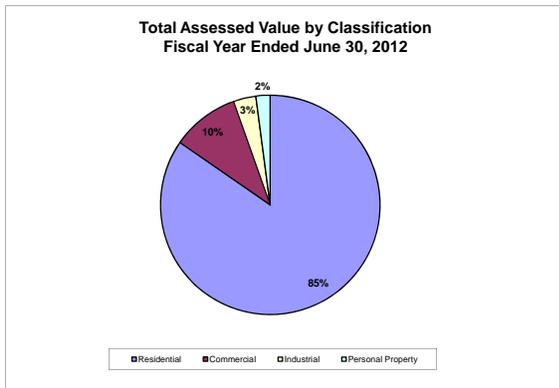
	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Real estate and personal property taxes.....	\$ 69,495,393	\$ 72,598,949	\$ 76,923,448	\$ 81,122,008	\$ 85,100,033	\$ 89,398,919	\$ 95,031,409	\$ 98,921,096	\$ 102,575,530	\$ 109,391,564
Tax liens.....	881,336	1,144,242	986,111	660,729	870,517	1,165,496	1,078,578	1,161,723	1,297,050	1,118,479
Motor vehicle and other excise taxes.....	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	7,206,904
Water and sewer charges.....	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	182,347
Intergovernmental.....	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	95,364,763
Departmental and other.....	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	22,579,819
Contributions.....	-	-	1,958	2,046,099	1,273,574	160,049	1,162,345	1,354,249	1,361,020	1,126,151
Investment income.....	480,472	929,090	1,432,620	2,221,664	1,605,434	1,096,779	584,028	419,721	320,878	238,620
Miscellaneous.....	-	-	1,750	-	1,700,000	12,270,901	312,803	229,144	71,679	102,500
Total Revenue.....	186,792,601	198,011,138	188,941,864	217,601,048	212,844,878	220,858,748	209,907,486	216,618,675	219,541,952	237,311,147
Expenditures:										
General government.....	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	16,705,382
Public safety.....	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	37,408,954
Education.....	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	65,203,861
Public works.....	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	21,203,002
Water and sewer.....	16,353,929	17,129,773	-	-	-	-	-	-	-	-
Intergovernmental subsidy.....	220,000	220,000	220,000	-	-	-	-	-	-	-
Community development.....	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	5,092,521
Human services.....	8,480	3,849	6,339	3,458	3,682	108,906	2,681	7,095	312,548	288,766
Culture and recreation.....	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	2,853,452
Pension benefits.....	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	28,472,130
Employee benefits.....	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	20,642,529
Claims and judgments.....	-	-	-	-	-	-	-	-	124,666	87,190
State and county charges.....	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	11,189,172
Capital outlay.....	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	28,892,038
Debt service:										
Principal.....	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	6,921,187
Interest.....	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	2,871,080
Total Expenditures.....	194,462,995	195,005,616	191,299,699	218,587,408	221,549,207	217,011,986	209,324,418	218,481,561	251,491,751	247,831,264
Excess of revenues over (under) expenditures.....	(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)	(10,520,117)
Other Financing Sources (Uses)										
Issuance of bonds and notes.....	948,053	1,178,828	10,073,053	5,617,227	13,713,522	-	10,695,000	6,305,000	15,750,000	13,940,000
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	96,302
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	12,549
Transfers in.....	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	4,599,007
Transfers out.....	(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)	(3,523,165)
Total other financing sources (uses).....	4,345,049	2,413,499	11,052,754	8,385,352	13,778,259	7,838	10,713,635	6,736,703	16,790,465	15,124,693
Net change in fund balance.....	\$ (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)	\$ 4,604,576
Debt service as a percentage of noncapital expenditures.....	4.16%	4.34%	4.24%	4.54%	4.14%	3.63%	4.37%	4.41%	4.62%	4.47%

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
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	\$ 13.09	\$ 836,954,788	\$ 276,018,500	\$ 178,531,790	\$ 1,291,505,078	\$ 21.85	\$ 14.44	\$ 8,390,572,190
2013	\$ 7,293,246,502	\$ 13.42	\$ 843,242,898	\$ 273,007,500	\$ 185,838,150	\$ 1,302,088,548	\$ 22.38	\$ 14.78	\$ 8,595,335,050



(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

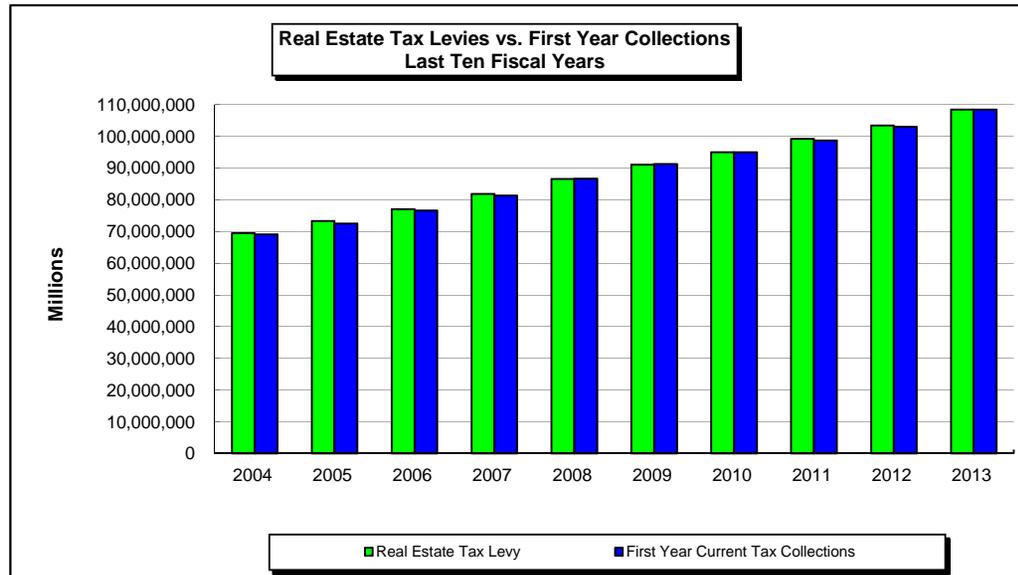
Name	Nature of Business	2013			2004		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
FRIT Assembly Square LLC	Shopping Mall	\$ 63,040,200	1	0.75%	\$ 26,581,400	7	0.47%
NSTAR Electric Co.	Electric Utility Company	\$ 61,485,440	2	0.73%	\$ 33,504,000	2	0.59%
Twin City Plaza LLC	Retail Mall	\$ 50,000,000	3	0.60%	\$ 25,138,200	4	0.44%
ST Retail Inc and FR Sturtevant ST LLC	Developable Land Comm	\$ 46,384,600	4	0.55%	\$ -	-	-
1-93 Somerville LLC	Retail	\$ 36,036,500	5	0.43%	\$ -	-	-
CRP 70 Inner Blet LLC	Telecom	\$ 34,051,800	6	0.41%	\$ -	-	-
Claredon Hill Somerville LP	Apartments	\$ 35,424,000	7	0.42%	\$ -	-	-
Kadima Medical Properties	Professional Building	\$ 32,624,000	8	0.39%	\$ -	-	-
Nation Tax Search LLC Turstee	Office Building	\$ 23,000,000	9	0.27%	\$ 20,272,100	5	0.36%
NSTAR Gas Co.	Gas Utility Company	\$ 22,719,440	10	0.27%	\$ -	-	-
Trust Atlantis	Property Management	\$ -	-	-	\$ 35,246,300	1	0.62%
AHE of Somerville Inc.	Medical Equipment	\$ -	-	-	\$ 25,147,000	3	0.44%
IKEA Property Inc.	Developable Land Comm	\$ -	-	-	\$ 21,408,900	6	0.38%
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%
	Totals	<u>\$341,725,780</u>		<u>4.07%</u>	<u>\$213,021,500</u>		<u>3.75%</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	(3) Percent of Total Tax Collections to Net Tax Levy
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%	\$ 696,871	\$ 103,672,210	100.24%
2013	\$ 109,923,036	\$ 1,499,886	\$ 108,423,150	\$ 108,407,664	99.99%	\$ 711,174	\$ 109,118,838	100.64%



(1) Revaluation year.

(2) Includes tax liens.

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

Source: Assessor's Department, City of Somerville

Ratios of Outstanding Debt and General Bonded Debt

Last Ten 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
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%
2013	76,589	\$ 2,642,879,641	\$ 8,595,335,050	\$ 83,356,523	\$ -	\$ 1,088	3.15%	0.97%

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
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%
2013	\$ 13,258,968	\$ -	\$ 96,615,491	\$ 1,261	3.66%	1.12%

(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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Equalized Valuation.....	\$ 7,316,371,300	\$ 8,760,328,000	\$ 8,760,328,000	\$ 9,612,275,100	\$ 9,612,275,100	\$ 9,139,060,000	\$ 9,139,060,000	\$ 9,226,665,200	\$ 9,226,665,200	\$ 9,237,328,000
Debt Limit -5% of Equalized Valuation.....	\$ 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	\$ 461,866,400
Less:										
Outstanding debt applicable to limit.....	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	96,615,491
Authorized and unissued debt.....	35,462,750	32,627,528	30,371,174	30,867,117	30,514,133	30,868,133	24,070,363	79,179,716	62,907,004	50,103,233
Legal debt margin.....	\$ 260,992,435	\$ 339,250,885	\$ 343,474,368	\$ 378,364,713	\$ 375,464,627	\$ 352,196,252	\$ 348,982,558	\$ 300,481,843	\$ 308,003,494	\$ 315,147,676
Total debt applicable to the limit as a percentage of debt limit.....	28.66%	22.55%	21.58%	21.27%	21.88%	22.93%	23.63%	34.87%	33.24%	31.77%

Source: Official Statement for Sale of Bonds

Direct and Overlapping Governmental Activities Debt

As of June 30, 2013

<u>City of Somerville, Massachusetts</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
MWRA Water	\$ 2,116,827,000	3.17%	\$ 67,103,416
MWRA Sewer	4,023,856,000	3.47%	139,627,803
Massachusetts Bay Transportation Authority	5,561,383,476	3.09%	<u>171,846,749</u>
Subtotal, overlapping debt.....			<u>378,577,969</u>
City direct debt.....			<u>83,356,523</u>
Total direct and overlapping debt.....			<u>\$ 461,934,492</u>

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

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

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	Unemployment Rate
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%
2013	76,589	\$ 2,642,879,641	\$ 34,507	31.4	5.2%

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

Principal Employers (Excluding City)

Current Year and Nine Years Ago

Employer	Nature of Business	2013			2004		
		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%
Cambridge Health Alliance	Health Care	1,014	3	3%	774	3	2%
Somerville School Department	Municipal	854	4	3%	867	2	3%
City of Somerville	Municipal	695	5	2%	772	4	2%
Agelica Textiles	Laundry	546	6	2%	-	-	0%
Federal Realty Investment 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%
Totals		<u>8,787</u>		<u>29.11%</u>	<u>6,809</u>		<u>21.44%</u>

Source: Massachusetts Department of Workforce Development

Full-Time Equivalent City Employees

Last Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>Full-Time Equivalents</u>										
City.....	772	765	750	736	721	712	708	670	675	695
School.....	867	858	863	851	847	853	823	843	834	854
Total	<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>	<u>1,549</u>

Source: Finance Committee Report

Operating Indicators by Function/Program

Last Ten Fiscal Years

	Calendar Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government:										
Registered Voters.....	41,631	42,019	42,407	42,795	44,483	42,759	42,937	43,633	45,987	47,484
Births.....	862	853	868	873	837	903	887	912	926	985
Marriages.....	505	514	464	520	501	485	510	498	503	462
Deaths.....	384	384	390	394	389	395	393	357	385	477
Dogs licensed.....	2,099	2,047	2,075	2,258	2,183	2,043	2,393	2,401	2,150	2,012
Business Certificates.....	468	516	498	509	455	508	452	510	526	501
Fire:										
Total Fires.....	74	69	66	52	60	49	43	51	52	46
Structure Fires.....	46	30	36	34	34	32	29	31	30	38
Vehicle Fires.....	26	39	29	18	25	16	13	19	22	8
Other Fires.....	2	0	1	0	1	1	1	1	0	0
Civilian										
Deaths.....	2	0	0	2	0	0	0	0	0	0
Injuries.....	3	2	6	1	1	2	5	1	1	2
Fire Service										
Deaths.....	0	0	0	0	0	0	0	0	0	0
Injuries.....	15	38	29	25	28	5	21	26	19	25
Dollar Loss.....	\$ 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	\$ 2,583,550
Police:										
Violent crime total.....	258	262	322	289	304	312	246	255	242	174
Murder and nonnegligent manslaughter.....	3	1	2	1	2	3	0	0	0	0
Forcible rape.....	13	7	19	17	20	7	13	9	6	13
Robbery.....	114	139	129	119	112	104	77	73	61	49
Aggravated assault.....	128	115	172	152	170	198	156	174	175	112
Property crime total.....	1,829	1,673	1,954	2,252	2,313	1,955	2,007	2,056	2,044	1,516
Burglary.....	468	521	434	436	450	494	510	528	549	442
Larceny-theft.....	1,002	833	1,204	1,533	1,614	1,301	1,322	1,396	1,396	972
Motor vehicle theft.....	359	319	316	283	249	160	175	132	99	101
Traffic and Parking:										
Tickets Issued.....	N/A	N/A	N/A	223,154	220,754	207,915	189,878	158,995	152,381	149,844
Inspectional:										
Building Permit Count.....	1,945	2,052	1,876	1,793	1,718	1,507	1,736	1,627	1,682	1,775
Education:										
Total enrollment.....	5,882	5,562	5,338	5,233	5,283	5,300	5,274	5,397	5,421	5,448
Library:										
Total Circulation.....	417,976	436,454	397,302	399,470	425,743	499,205	501,095	466,304	503,980	505,995
Total Holdings.....	187,167	182,769	178,038	180,499	185,847	185,611	183,791	185,930	184,902	184,717
Registered users.....	28,931	28,812	28,000	25,629	27,447	27,939	27,663	27,826	27,934	28,017

NA - Information not available
Source: Various City Departments

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function	Calendar Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fire:										
Fire stations.....	5	5	5	5	5	5	5	5	5	5
Emergency vehicles.....	7	7	7	8	8	8	8	8	8	8
Police:										
Stations.....	3	3	3	3	3	3	3	2	2	3
Public works:										
Streets (miles).....	N/A	N/A	N/A	N/A	105.64	106.15	106.17	106.17	106.17	108.97
Electric:										
Streetlights.....	3,957	3,957	3,986	3,986	3,986	4,006	4,006	4,006	4,032	4,032
Sewer:										
Sanitary sewers (miles).....	68	68	68	68	68	68	68	68	68	68
Storm sewers (miles).....	35	35	35	35	35	35	35	35	35	35
Library:										
Main library.....	1	1	1	1	1	1	1	1	1	1
Number of branches.....	2	2	2	2	2	2	2	2	2	2
Parks and recreation:										
City Parks										
Number of Parks.....	40	40	40	40	40	41	41	41	43	43
Acreage.....	48.18	48.18	48.18	48.18	48.18	49.27	49.27	49.27	51.35	51.35
DCR Parks in Somerville										
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
Other Open and Public Space										
Number of Spaces.....	24	24	25	25	28	28	28	28	28	28
Acreage.....	45.96	45.96	48.36	48.36	50.34	50.34	50.34	50.34	50.34	50.34
Water:										
Water mains (miles).....	125	125	125	125	125	125	125	125	125	125
Fire hydrants.....	1,497	1,497	1,497	1,508	1,508	1,508	1,523	1,523	1,523	1,523
Education:										
Elementary schools.....	11	10	10	10	10	9	9	9	9	10
High school.....	1	1	1	1	1	1	1	1	1	1

NA - Information not available
 Source: Various City Departments