

# CITY OF SOMERVILLE

MASSACHUSETTS

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



**For the Year Ended June 30, 2014**

Joseph A. Curtatone, Mayor  
Edward Bean, Finance Director

Prepared by the City of Somerville Finance Department

## **On the Cover – Prospect Hill Monument**

The historic Prospect Hill Monument and Park overlook Union Square. Due to its location and height, Prospect Hill had great strategic importance during the Revolutionary War and was the site of the first raising of the “Grand Union Flag” on January 1, 1776.

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JUNE 30, 2014

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# ***Introductory Section***



Somerville Mayor Joseph A. Curtatone and regional leaders participating in the ribbon cutting for the new Assembly Square MBTA station on September 2<sup>nd</sup>, 2014. The station services the new Assembly Square development and is the first new station on the MBTA subway system since 1987.

# ***Introductory Section***



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

December 18, 2014

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Somerville (City) for the year ended June 30, 2014. The CAFR is prepared by the City's Finance Department, and is intended to provide information regarding the financial position of the City. This report is prepared in accordance with U.S. generally accepted accounting principles (GAAP). As established by the Governmental Accounting Standards Board (GASB), 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, 2014 audit. This audit is conducted in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Somerville for the year ended June 30, 2014 are free of material misstatements.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Somerville's financial statements for the year ended June 30, 2014 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Somerville was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Somerville's separately issued Single Audit Report.

The City's Single Audit report for the year ended June 30, 2014 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.

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.

## **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 78,804, including thriving immigrant communities from all over the world, Somerville is the most densely populated community in New England and one of the most ethnically diverse cities in the nation. Rich in both history and culture, the city boasts numerous intriguing historical sites, community spaces, businesses, and restaurants.



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

As a part of Charlestown, areas existing in modern-day Somerville were critical military positions in the American Revolution. The historic Powder House - now considered one of the most distinct pre-Revolutionary structures in Massachusetts - housed gunpowder for Revolutionary soldiers during the war. During British invasion, Somerville (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 2014 MCAS tests. The district's Student Growth Percentile (SGP) for Spring 2014 was in the top 15% statewide, the only urban school district with that level of student growth. 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.

Alternative transportation is also on the rise in Somerville. The city was acknowledged by the National Association of City Transportation Officials as one of only twelve affiliate members for its commitment to sustainable transportation initiatives. Additionally, the League of American Bicyclists ranked Somerville the number one city on the East coast in terms of bike commuting share. The same report showed an incredible 49.8% of all commuting trips made by bicycle, transit or walking.

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



Source: u/vanhoosear on Flickr

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

In May 2011, the developer Federal Realty Investment Trust (FRIT), the State, and the City entered into a Tri-Party Agreement that 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. To date, the DIF captured increment has exceeded debt service payment amounts by more than \$1 million with an anticipated fund balance of \$3.6 million by 2018 to be used for infrastructure improvements.

A new network of roadways, storm water conduit, Blocks 1, 3, and 4, the Orange Line Transit Station, and the 5+-acre waterfront park have been completed. The following projects are currently under construction: development Blocks 5 and 6, and a new 4,500-employee administrative building and garage for Partners Healthcare administrative support.

## Union Square

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

Brownfields funding for parcels in the area; the initiation of a Saturday farmers market partially funded by a Robert Wood Johnson Grant, and the construction of two small urban parks.

The City has completed both a \$24 million new elementary school at the edge of Union Square and a \$21 million reconstruction of Somerville Avenue between Union Square and Porter Square. The Commonwealth of Massachusetts has officially stated its commitment to construct a Green Line light-rail service to Union Square, which is expected to drive a new generation of economic development for this historic downtown. In April 2009, the Board of Aldermen approved rezoning of the Union Square and Boynton Yards areas. In Union Square, this included a new Corridor Commercial District (CCD) that increases the allowable FAR of future development, reduces the parking requirements, and increases flexibility in re-tenanting existing buildings. In addition, four Transit Oriented Districts ranging in height from 55 feet with a FAR of 3.0 to 135 feet and a FAR of 5.0 were mapped in the Union Square and Boynton Yard areas.

The City has been working with the community on the development of a new transportation plan for Union Square. Conceptual plans were developed in 2012 and seek to balance traffic flow in the context of quality of life, future development, greater design goals, and the introduction of MBTA light rail. The project will see the reconstruction of two major arterials through the square, extension of the newly separated Somerville Avenue storm and sanitary sewer lines, and significant expansion of the public plaza.

### **Boynton Yards & Inner Belt/Brickbottom**

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

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

The Inner Belt is a 160-acre manufacturing and warehouse district 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 along with proximity to nearby Kendall Square in Cambridge. This district will benefit dramatically from the planned McGrath Highway Boulevard Project. The city has completed a formal study and is looking to undertake design work and environmental review associated with the long-term conversion of the elevated McCarthy overpass into an at-grade boulevard with "complete streets" style bicycle and pedestrian accommodations.

Established employers, including ABM Industries, Partners Healthcare, the MBTA Boston Engine Terminal, and the Cambridge Health Alliance continue to provide employment opportunities in Somerville. In addition, the City has seen the installation of two sizeable internet data centers and associated investment in the physical facility and equipment at 50 and 70 Inner Belt Road. The City, working through OSPCD, has completed various studies, including a planning study that identified public actions

necessary to facilitate transformation of this district to office and biotechnology uses. Access studies were completed in 2005 to predict the impact of economic development on traffic patterns in the Inner Belt. The City has been taking preliminary steps, with the assistance of Greenberg/CBT consultants to develop a comprehensive plan for the area. The Greenberg/CBT scoping study identified a build out potential of 2.5 million square feet of Lab/R&D, 3 million square feet of office, 200,000 square feet of retail space, 200-450 hotel rooms, and 3,000 residential units.

### **Davis Square**

Davis Square is one of the City's most vibrant central business districts. This commercial center is located in close proximity to nearby Tufts University and has an MBTA Red Line subway station. The combination of this district's location and public transit access has resulted in strong demand for office, retail, restaurant and entertainment uses. Consequently, Davis Square has limited vacancy in the retail and office market segments. Davis Square has become a regional dining and entertainment destination with some of the Boston area's finest restaurants, nightclubs, and live entertainment venues. The residential neighborhood surrounding Davis Square has seen dramatic increases in property values and rents, which has resulted in considerable new investment and condominium conversion. Future plans in Davis Square will focus on strategic infill development, streetscape updates or rehabilitation projects to enhance the already vibrant community. In May of 2014, the Mayors of Somerville, Cambridge, Boston, Quincy & Braintree launched the Life Sciences Corridor Initiative to promote the robust life sciences sector which has developed along the Red Line, including Davis Square. Together, the five cities represent over 460 companies within the life sciences industry, all connected through the MBTA Red Line.

### **City-Wide Economic Evolution**

Somerville has seen strong developments in the local innovation economy including one of the first on-speculation office buildings in the region in many years in Assembly Square. Partners Healthcare has also begun construction on a \$280 million, 1.1 million square-foot administrative space which will house 4,500 employees and provide employment and career-development opportunities for Somerville residents.

Across town, cleantech incubator Greentown Labs relocated in 2012 to a 33,000 square-foot location near Union Square, growing from hosting 4 companies in 2007 to 49 in 2014. The location offers a prototyping lab, co-located office space, machine and electronics shops, and a developing community of startups looking to rapidly grow and progress new products in the clean energy industry. The City has even partnered with Greentown to announce a new Green Tech Program to match start-up innovators with the City's sustainability goals. This type of development has grabbed the attention of Massachusetts Governor Deval Patrick, who recently brokered a partnership between Greentown Labs and the French company Saint-Gobain.

## Transit Improvements



Source: u/Pi.1415926535 on Wikipedia

Line (Lechmere, Brickbottom, and Union Square Stations) have been awarded. The final bid is expected this spring. Opening of these three stations is scheduled for late 2017. The remaining four stations (Gilman, Lowell St, Ball Square, and College Ave) are at 60% of design or more. Opening of these four stations is scheduled for 2020.

## 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 2014 is \$10,651,386 which is the highest certification in the city's history. The following table sets forth the recent trend in Free Cash for the City.

<b>Free Cash (July 1)</b>	
<b>2014</b>	<b>\$10,651,386</b>
<b>2013</b>	<b>10,637,719</b>
<b>2012</b>	<b>7,846,054</b>
<b>2011</b>	<b>7,646,537</b>
<b>2010</b>	<b>7,364,518</b>
<b>2009</b>	<b>6,378,420</b>
<b>2008</b>	<b>10,210,232</b>
<b>2007</b>	<b>8,146,771</b>
<b>2006</b>	<b>6,945,371</b>
<b>2005</b>	<b>8,529,764</b>

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

While the Assembly Square station promises to 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. The first three of four bid packages for phase 2/2A of the Green

### Stabilization Funds

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

Stabilization Fund Balance	
2014	\$15,495,452
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 five-year Capital Investment Plan that is used as a guide for capital expenditures in future years. The Capital Investment Plan for FY 2014 through FY 2018 has an estimated cost of \$184 million. Financing for the 2014 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, 2014 totaled \$96.3 million. The following table sets forth debt as a percentage of assessed valuation and per capita debt at the end of the last five fiscal years. The table considers the principal amount of GO bonds of the City only and does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or part, by non-tax revenues.

Year End	General Obligation Bonds Outstanding	Local Assessed Valuation	Per Capita Debt	Bonds as a % of Assessed Valuation
2014	\$96,283,023	\$9,445,672,400	\$1,206	1.01
2013	96,615,491	8,595,335,050	1,236	1.13
2012	90,422,762	8,390,572,190	1,163	1.08
2011	81,971,701	8,297,876,320	1,069	0.99
2010	84,500,080	8,261,279,820	1,114	1.02
2009	79,188,615	8,409,194,220	1,035	0.94
2008	81,738,048	8,592,330,090	1,080	0.95
2007	74,431,100	7,408,178,051	983	0.85

## Property Valuations

Based on valuations of all real and personal property as of January 1, 2014, the total value of all property in the City is \$9.4 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 2010. The next reevaluation will be completed in 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 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		
2014	\$9,246,622,500	\$199,049,900	\$9,445,672,400	\$12.66	\$21.51	116,126,060	1,473
2013	8,409,496,900	185,838,150	8,595,335,050	13.42	22.38	109,923,036	1,446
2012	8,212,040,400	178,531,790	8,390,572,190	13.09	21.85	104,829,090	1,383
2011	8,132,444,500	165,431,820	8,297,876,320	12.71	21.21	100,548,992	1,327
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, 2013. A new valuation is underway, but has not been completed.

The total unfunded pension benefit obligation applicable to the City's employees was \$141,761,390 at January 1, 2013 as follows:

Total pension benefit obligation	\$335,458,757
Net Position available for benefits, at market value	<u>193,697,367</u>
Unfunded pension benefit obligation	<u>\$141,761,390</u>

The City is currently on a funding schedule that will amortize its unfunded pension liability by June 30, 2035. Current law allows funding out as far as 2040.

In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The annual required contributions of the City to each retirement system for the 2008 through 2014 fiscal years and budgeted for fiscal year 2014 are as follows:

Year	Contributory	Non-Contributory
2014	\$11,457,093	\$234,769
2013	11,084,135	231,999
2012	10,985,945	283,996
2011	10,830,988	333,431
2010	10,352,352	333,431
2009	11,792,112	399,950
2008	11,121,547	475,500

### Other Post-Employment Benefits (OPEB) Liability

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

Year	Amount
2014	\$ 9,044,970
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, 2014. 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 \$285,255,653 on a pay-as-you-go 4.0% basis and \$162,389,011 on a full prefunding 8% basis. The City's annual required contribution (ARC) totaled \$18,928,291 on a pay-as-you-go basis and \$12,238,721 on a full prefunding basis.

### INDEPENDENT AUDIT

The City's financial records, books of accounts, and financial transactions are audited each year by an independent firm of certified public accountants. The City's annual audit was performed by the independent public accounting firm of Powers & Sullivan, LLC. The independent auditors' report on the basic financial statements for the year ended June 30, 2014 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 year ended June 30, 2012 as well as for its fiscal year ended June 30, 2013. This is the second year in a row that the government has achieved this prestigious award. Additionally, the City's 2014 annual budget was awarded the Distinguished Budget Presentation Award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report or budget. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

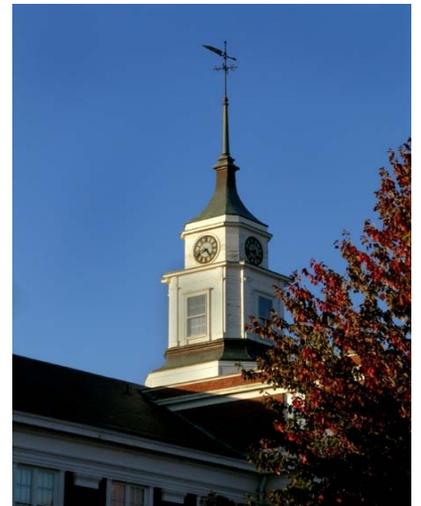
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet Certificate of Achievement Program's requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

## **MOVING FORWARD**

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

Sincerely,

*Joseph A. Cartatone*  
*Mayor*





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, 2013**

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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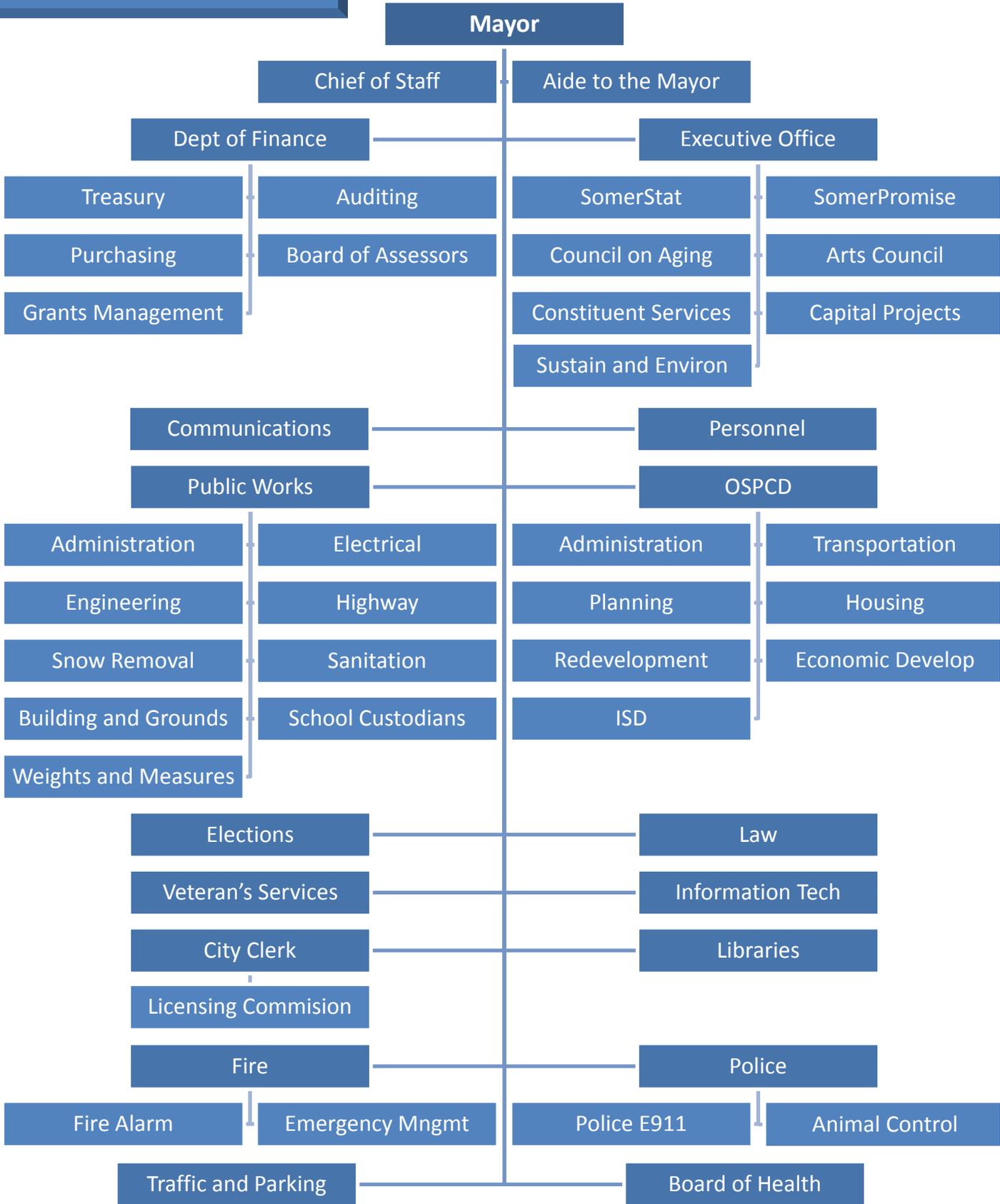
**City of Somerville  
Massachusetts**

For the Fiscal Year Beginning

**July 1, 2013**

Executive Director

# Organizational Chart





## **City Government**

---

**Joseph A. Curtatone, Mayor**

**Edward Bean, Finance Director**

Colleen Tam, Deputy City Auditor

Michael Mastrobuoni, Budget Manager

Chris Holak, Internal Auditor

Skye Stewart, SomerStat Director

## **Board of Aldermen**

---

William A White Jr, President, At-large

John M Connolly, Vice President, At-large

Mary Jo Rossetti, At-large

Dennis M Sullivan, At-large

Matthew McLaughlin, Ward 1

Maryann M Heuston, Ward 2

Robert J McWatters, Ward 3

Tony Lafuente, Ward 4

Mark Niedergang, Ward 5

Rebekah L Gewirtz, Ward 6

Katjana Ballantyne, Ward 7

# *Financial Section*



The South Street Farm is Somerville's first urban farm. Throughout 2013 and 2014, Groundwork Somerville's Green Team and community volunteers transformed two barren, paved parking lots on South Street into an abundant food forest. Harvested produce is sold at the Somerville Mobile Farmers' Market, donated to local food pantries, and used by the Green Team for special events and healthy eating workshops.

## ***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, 2014, (except for the Somerville Contributory Retirement System which is as of and for the year ended December 31, 2013), 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, 2014 (except for the Somerville Contributory Retirement System which is as of December 31, 2013), 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 18, 2014, on our consideration of the City of Somerville, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Somerville's internal control over financial reporting and compliance.

*Powers + Sullivan, LLC*

December 18, 2014

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the City of Somerville, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2014. We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

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

### ***Overview of the Financial Statements***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The City established an Other Postemployment Benefits Trust Fund (OPEB) to account for funds set aside to help offset future post-retirement benefits for retirees. The City contributed \$200,000 to the fund during 2014. 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 and deferred outflows of resources exceeded liabilities by \$128.1 million and the business-type assets exceeded liabilities by \$55.2 million at the close of the most recent year. Key components of the City's activities are presented on the following pages.

**Governmental Activities**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current assets.....	\$ 114,862,076	\$ 98,353,227
Noncurrent assets (excluding capital).....	11,259,702	14,908,702
Capital assets.....	<u>215,012,525</u>	<u>210,443,825</u>
<b>Total assets.....</b>	<b><u>341,134,303</u></b>	<b><u>323,705,754</u></b>
<b>Deferred Outflows of Resources</b>		
Deferred charges on refunding.....	<u>794,968</u>	<u>1,003,903</u>
<b>Liabilities</b>		
Current liabilities (excluding debt).....	8,536,957	9,087,219
Noncurrent liabilities (excluding debt).....	95,300,957	85,050,321
Current debt.....	33,801,099	15,869,156
Noncurrent debt.....	<u>76,180,356</u>	<u>77,518,123</u>
<b>Total liabilities.....</b>	<b><u>213,819,369</u></b>	<b><u>187,524,819</u></b>
<b>Net Position</b>		
Net investment in capital assets.....	135,597,852	136,813,615
Restricted.....	23,001,973	24,157,523
Unrestricted.....	<u>(30,489,923)</u>	<u>(23,786,300)</u>
<b>Total net position.....</b>	<b><u>\$ 128,109,902</u></b>	<b><u>\$ 137,184,838</u></b>

The largest portion of the City of Somerville's net position, \$135.6 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, \$23.0 million, represents resources that are subject to external restrictions on how they may be used. These include funds for street improvement (Chapter 90), community development projects to be funded by future federal reimbursements, outstanding loan balance authorized under various housing and urban development federal grants, expendable and nonexpendable funds and school grants.

The City has \$60.7 million of unrestricted net position excluding the recorded liability for the other postemployment benefits obligation. That liability (\$91.2 million) is long-term in nature, and will not be funded from the \$60.7 million of unrestricted net position at June 30, 2014. The City began the process of pre-funding a portion of the liability in 2013 by establishing an irrevocable trust which, as of June 30, 2014, has a balance of \$602 thousand and is reported within the Fiduciary Funds in the City's financial statements.

At the end of the current 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 \$11.3 million in future school construction reimbursement grants.

Long-term liabilities include \$76.1 million in general obligation bonds; \$3.6 million in compensated absence liabilities for unused vacation, special leave, and enhanced longevity benefits payable; \$479 thousand in future year workers' compensation benefits payable; and \$91.2 million in other postemployment benefits.

Governmental activities net position decreased by \$9.1 million in 2014.

	<u>2014</u>	<u>2013</u>
<b>Program Revenues</b>		
Charges for services.....	\$ 19,562,215	\$ 20,089,633
Operating grants and contributions.....	60,034,323	58,800,434
Capital grants and contributions.....	2,052,140	13,605,196
<b>General Revenues</b>		
Real estate and personal property taxes.....	113,520,645	109,373,661
Tax liens.....	968,105	465,853
Motor vehicle and other excise taxes.....	7,639,442	7,299,012
Penalties and interest on taxes.....	1,121,504	1,070,330
Payments in lieu of taxes.....	285,596	182,347
Community preservation taxes.....	1,323,320	-
Nonrestricted grants and contributions.....	23,374,357	23,120,989
Unrestricted investment income.....	238,031	258,370
Miscellaneous revenues.....	278,074	115,049
<b>Total revenues.....</b>	<b><u>230,397,752</u></b>	<b><u>234,380,874</u></b>
<b>Expenses</b>		
General government.....	27,028,141	25,892,120
Public safety.....	52,091,080	51,377,022
Education.....	121,176,505	113,753,374
Public works.....	26,974,196	25,203,877
Community development.....	5,399,251	5,092,521
Human services.....	227,030	288,766
Community Preservation.....	56,770	-
Culture and recreation.....	3,868,022	4,695,015
Interest.....	3,178,533	2,858,173
<b>Total expenses.....</b>	<b><u>239,999,528</u></b>	<b><u>229,160,868</u></b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(9,601,776)</b>	<b>5,220,006</b>
<b>Transfers.....</b>	<b><u>526,840</u></b>	<b><u>1,075,842</u></b>
<b>Change in net position.....</b>	<b>(9,074,936)</b>	<b>6,295,848</b>
<b>Net position at beginning of year.....</b>	<b><u>137,184,838</u></b>	<b><u>130,888,990</u></b>
<b>Net position at end of year.....</b>	<b><u>\$ 128,109,902</u></b>	<b><u>\$ 137,184,838</u></b>

The primary reasons for the \$9.1 million decrease relate to the \$10.4 million increase in the City's OPEB liability; as well as an increase of \$83 thousand in the accrual for compensated absences and depreciation exceeding principal payments on long-term debt by \$625 thousand.

These decreases were offset by the receipt of a \$1.7 million capital grant from the Massachusetts School Business Authority and the receipt of a Chapter 90 capital grant in the amount of \$365 thousand.

Real estate tax revenue increased \$4.1 million due to new tax base growth and the proposition 2 ½ budgetary increase.

Education and public works expenses increased by \$7.4 million and \$1.8 million, respectively. Both increases are primarily related to budgetary needs, as a result of the contract settlements, as well as increases in pension and employee benefit costs.

The biggest change from 2013 – 2014 was the fact that in 2013, the City received a \$12.7 million capital grant from the Massachusetts School Business Authority. In 2014, only \$1.7 of capital grant revenue was recognized.

### Business-type Activities

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

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current assets.....	\$ 27,188,867	\$ 26,842,349
Capital assets.....	42,134,386	38,380,718
<b>Total assets.....</b>	<b><u>69,323,253</u></b>	<b><u>65,223,067</u></b>
<b>Liabilities</b>		
Current liabilities (excluding debt).....	1,396,007	107,433
Noncurrent liabilities (excluding debt).....	916,816	841,627
Current debt.....	2,308,379	2,257,656
Noncurrent debt.....	9,493,189	11,001,312
<b>Total liabilities.....</b>	<b><u>14,114,391</u></b>	<b><u>14,208,028</u></b>
<b>Net Position</b>		
Net investment in capital assets.....	35,084,760	29,794,495
Unrestricted.....	20,124,102	21,220,544
<b>Total net position.....</b>	<b><u>\$ 55,208,862</u></b>	<b><u>\$ 51,015,039</u></b>

Business-type net position of \$35.1 million represents investments in capital assets net of related debt. The remaining \$20.1 million is available to be used for the ongoing operation of the City's water, Veteran's Memorial Ice Rink, Dilboy Stadium, and sewer activities. There was an overall increase of \$4.2 million in net position reported in connection with the enterprise funds.

	<u>2014</u>	<u>2013</u>
<b>Program Revenues</b>		
Charges for services.....	\$ 29,648,608	\$ 29,414,773
Capital grants and contributions.....	654,755	-
<b>General Revenues</b>		
Unrestricted investment income.....	152,652	146,840
<b>Total revenues.....</b>	<b><u>30,456,015</u></b>	<b><u>29,561,613</u></b>
<b>Expenses</b>		
Water.....	9,120,695	9,222,940
Sewer.....	15,811,901	15,303,668
Veteran's Memorial Ice Rink.....	584,995	522,392
Dilboy Stadium.....	217,761	147,794
<b>Total expenses.....</b>	<b><u>25,735,352</u></b>	<b><u>25,196,794</u></b>
<b>Excess (Deficiency) before transfers.....</b>	<b>4,720,663</b>	<b>4,364,819</b>
<b>Transfers.....</b>	<b><u>(526,840)</u></b>	<b><u>(1,075,842)</u></b>
<b>Change in net position.....</b>	<b>4,193,823</b>	<b>3,288,977</b>
<b>Net position at beginning of year.....</b>	<b><u>51,015,039</u></b>	<b><u>47,726,062</u></b>
<b>Net position at end of year.....</b>	<b><u>\$ 55,208,862</u></b>	<b><u>\$ 51,015,039</u></b>

The water enterprise fund net position increased \$2.2 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 exceeding depreciation on capital assets and the funds ability to keep operating costs flat.

The sewer enterprise fund net position increased by \$2.0 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 \$1.3 million, and the receipt of \$655 thousand MWRA capital grant.

The Veterans Memorial Ice Rink enterprise fund net position increased by \$96 thousand. This is primarily the result of an operating subsidy from the general fund.

The Dilboy Stadium enterprise fund net position decreased by \$103 thousand. This is primarily the result of an unexpected \$100 thousand increase in utility costs paid.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City of Somerville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Somerville's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Somerville's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the current year, the City of Somerville's governmental funds combined ending balances totaled \$64.9 million, of which positive balances of \$46.5 million was reported in the general fund, \$14.7 million in the Strategic Planning and Community Development fund, and \$14.8 million in the nonmajor governmental funds.

The capital projects fund reported a deficit of \$11.1 million. Cumulatively, there was an increase of \$2.2 million in fund balance from prior year.

The general fund is the chief operating fund of the City of Somerville. At the end of the current year unassigned fund balance of the general fund totaled \$15.5 million and was comprised of two components: an unreserved fund balance of \$11.9 million and a rainy day stabilization fund of \$3.6 million. Assigned fund balance, which represents amounts, designated for the 2015 budget, and amounts that have been reserved for the use of liquidating prior purchase orders, contracts, and ongoing capital articles, totaled \$6.0 million. Committed fund balance, which represents the City's various use-specific stabilization funds and the unemployment trust, totaled \$25.0 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. At year-end unassigned fund balance equaled 7.4% of total general fund expenditures, while total fund balance equaled 22.2% of the same amount. Please see Note 9 for further details.

The City's general fund decreased \$532 thousand in the current year. The primary reasons for the decrease resulted from an increase in the liability related to Appellate Tax Board cases of \$209 thousand and a budgetary deficit of \$727 thousand.

The City's Strategic Planning and Community Development fund balance increased by \$1.6 million. The fund operates on a grant drawdown basis and expenditures are driven based on grant allotments.

The City's capital projects funds decreased by \$2.3 million. The decrease is due to the net effect of \$9.9 million of capital expenditures on current and prior year's projects offset by \$1.2 million in MSBA grant revenue and the issuance of \$6.3 million in bonds.

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

There was a \$6.0 million increase between the original budget and the final amended budget. The increase was attributable to public safety, 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, 2014, amounts to \$215.0 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 \$4.6 million.

Major capital asset events during the year included the following:

- Improvements related to the City's Union Square Revitalization Plan;
- 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 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>2014</u>	<u>2013</u>
Land and land improvements.....	\$ 51,978,607	\$ 51,519,603
Construction in progress.....	2,603,613	32,650,351
Books and periodicals.....	229,083	310,490
Buildings and improvements.....	137,770,354	106,307,304
Machinery and equipment.....	2,786,019	2,507,847
Vehicles.....	3,670,786	2,666,733
Infrastructure.....	<u>15,974,063</u>	<u>14,481,497</u>
Total.....	<u>\$ 215,012,525</u>	<u>\$ 210,443,825</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 year, the City of Somerville had total governmental bonded debt outstanding of \$83.2 million. Additionally, the City reported governmental short-term borrowing of \$25.5 million related to District Improvement Financing, the Union Square Revitalization Plan, the East Somerville Community School remodeling, road reconstruction, various school projects, the purchase of a departmental vehicle, and various office renovations. The chart below summarizes outstanding governmental long term debt at year-end.

#### General Obligation Bonds Outstanding

	<u>2014</u>	<u>2013</u>
Municipal Purpose - August 16, 2006 (Refunding)...	\$ 8,855,000	\$ 11,230,000
Municipal Purpose - March 15, 2004.....	632,517	1,492,011
Municipal Purpose - August 15, 2006.....	3,425,000	3,795,000
MSBA - February 12, 2008.....	6,917,997	7,282,102
Municipal Purpose - February 1, 2009.....	2,690,000	3,030,000
Municipal Purpose - February 15, 2010.....	2,111,000	2,272,000
Municipal Purpose - April 1, 2010 (Refunding).....	11,980,000	13,407,000
Municipal Purpose - June 15, 2010.....	6,305,000	6,705,000
Municipal Purpose - February 23, 2011.....	4,345,000	5,020,000
Municipal Purpose - May 17, 2013.....	15,750,000	15,750,000
Municipal Purpose - October 9, 2013.....	13,940,000	13,940,000
MSBA - September 25, 2013.....	<u>6,250,000</u>	<u>-</u>
Total.....	<u>\$ 83,201,514</u>	<u>\$ 83,923,113</u>

During 2014, the City's governmental long-term debt decreased \$722,000. This change is due to the net effect of current year principal payments combined with the issuance MSBA related bonds for school 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 2009 – 2013 was \$67,118 compared with \$66,866 for the Commonwealth and \$53,046 for the nation. The per capita income was \$34,781, compared with \$35,763 for the Commonwealth and \$28,155 for the nation.
- The unemployment rate for the City of Somerville is approximately 3.7%, which is a 1.4% decrease from a rate of 5.1% a year ago. This compares favorably to the state's average unemployment rate of 6.0% and the national average of 5.8%.
- According to the City's Board of Assessors, the average 2014 single family home in the city is valued at \$467,300; the average two-family home is valued at \$529,400; the average 2014 commercial and industrial property is valued at \$1,753,300. 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, 2014

	<b>Primary Government</b>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 82,239,948	\$ 16,856,266	\$ 99,096,214
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,187,427	-	1,187,427
Tax liens.....	1,607,603	-	1,607,603
Motor vehicle excise tax.....	201,561	-	201,561
User fees.....	-	10,332,601	10,332,601
Departmental and other.....	5,073,227	-	5,073,227
Intergovernmental.....	10,031,224	-	10,031,224
Loans.....	14,521,086	-	14,521,086
<b>Total current assets.....</b>	<b>114,862,076</b>	<b>27,188,867</b>	<b>142,050,943</b>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	11,259,702	-	11,259,702
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	38,488,658	1,318,423	39,807,081
Depreciable.....	176,523,867	40,815,963	217,339,830
<b>Total noncurrent assets.....</b>	<b>226,272,227</b>	<b>42,134,386</b>	<b>268,406,613</b>
<b>TOTAL ASSETS.....</b>	<b>341,134,303</b>	<b>69,323,253</b>	<b>410,457,556</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding.....	794,968	-	794,968
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	4,813,544	1,318,423	6,131,967
Accrued payroll.....	755,541	7,417	762,958
Tax refunds payable.....	932,000	-	932,000
Accrued interest.....	913,636	67,467	981,103
Payroll withholdings.....	654,925	-	654,925
Abandoned property.....	114,953	-	114,953
Compensated absences.....	192,858	2,700	195,558
Workers' compensation.....	159,500	-	159,500
Notes payable.....	25,500,000	-	25,500,000
Bonds payable.....	8,301,099	2,308,379	10,609,478
<b>Total current liabilities.....</b>	<b>42,338,056</b>	<b>3,704,386</b>	<b>46,042,442</b>
<b>NONCURRENT:</b>			
Compensated absences.....	3,584,942	70,900	3,655,842
Workers' compensation.....	478,500	-	478,500
Other postemployment benefits.....	91,237,515	845,916	92,083,431
Bonds payable.....	76,180,356	9,493,189	85,673,545
<b>Total noncurrent liabilities.....</b>	<b>171,481,313</b>	<b>10,410,005</b>	<b>181,891,318</b>
<b>TOTAL LIABILITIES.....</b>	<b>213,819,369</b>	<b>14,114,391</b>	<b>227,933,760</b>
<b>NET POSITION</b>			
Net investment in capital assets.....	135,597,852	35,084,760	170,682,612
Restricted for:			
Streets.....	2,089,552	-	2,089,552
Community Development.....	3,148,930	-	3,148,930
Loans.....	14,521,086	-	14,521,086
Permanent funds:			
Expendable.....	159,274	-	159,274
Nonexpendable.....	433,126	-	433,126
Other specific purposes.....	2,650,005	-	2,650,005
Unrestricted.....	(30,489,923)	20,124,102	(10,365,821)
<b>TOTAL NET POSITION.....</b>	<b>\$ 128,109,902</b>	<b>\$ 55,208,862</b>	<b>\$ 183,318,764</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 27,028,141	\$ 6,078,676	\$ 2,275,935	\$ -	\$ (18,673,530)
Public safety.....	52,091,080	9,504,549	1,035,751	-	(41,550,780)
Education.....	121,176,505	2,744,125	49,332,811	1,686,711	(67,412,858)
Public works.....	26,974,196	581,002	1,030,318	365,429	(24,997,447)
Community development.....	5,399,251	440	5,331,152	-	(67,659)
Human services.....	227,030	337,678	328,033	-	438,681
Community Preservation.....	56,770	-	-	-	(56,770)
Culture and recreation.....	3,868,022	315,745	117,666	-	(3,434,611)
Interest.....	3,178,533	-	582,657	-	(2,595,876)
<b>Total Governmental Activities.....</b>	<b>239,999,528</b>	<b>19,562,215</b>	<b>60,034,323</b>	<b>2,052,140</b>	<b>(158,350,850)</b>
<i>Business-Type Activities:</i>					
Water .....	9,120,695	11,952,312	-	-	2,831,617
Sewer.....	15,811,901	17,055,541	-	654,755	1,898,395
Veteran's Memorial Ice Rink.....	584,995	530,583	-	-	(54,412)
Dilboy Stadium.....	217,761	110,200	-	-	(107,561)
<b>Total Business-Type Activities.....</b>	<b>25,735,352</b>	<b>29,648,636</b>	<b>-</b>	<b>654,755</b>	<b>4,568,039</b>
<b>Total Primary Government.....</b>	<b>\$ 265,734,880</b>	<b>\$ 49,210,851</b>	<b>\$ 60,034,323</b>	<b>\$ 2,706,895</b>	<b>\$ (153,782,811)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

YEAR ENDED JUNE 30, 2014

	<b>Primary Government</b>		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page.....	\$ <b>(158,350,850)</b>	\$ <b>4,568,039</b>	\$ <b>(153,782,811)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	113,520,645	-	113,520,645
Tax and utility liens.....	968,105	-	968,105
Motor vehicle and other excise taxes.....	7,639,442	-	7,639,442
Penalties and interest on taxes.....	1,121,504	-	1,121,504
Payments in lieu of taxes.....	285,596	-	285,596
Community preservation taxes.....	1,323,320	-	1,323,320
Grants and contributions not restricted to specific programs.....	23,374,357	-	23,374,357
Unrestricted investment income.....	238,031	152,624	390,655
Miscellaneous.....	278,074	-	278,074
<i>Transfers, net</i> .....	526,840	(526,840)	-
<b>Total general revenues and transfers.....</b>	<b>149,275,914</b>	<b>(374,216)</b>	<b>148,901,698</b>
Change in net position.....	(9,074,936)	4,193,823	(4,881,113)
<i>Net Position</i>			
Beginning of year.....	137,184,838	51,015,039	188,199,877
End of year.....	\$ <b>128,109,902</b>	\$ <b>55,208,862</b>	\$ <b>183,318,764</b>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2014

	General	Strategic Planning & Community Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 52,472,140	\$ 1,983,164	\$ 15,057,029	\$ 12,727,615	\$ 82,239,948
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	1,187,427	-	-	-	1,187,427
Tax liens.....	1,607,603	-	-	-	1,607,603
Motor vehicle excise taxes.....	201,561	-	-	-	201,561
Departmental and other.....	5,060,095	-	-	13,132	5,073,227
Intergovernmental.....	15,410,006	3,148,930	-	2,731,990	21,290,926
Loans.....	-	12,816,611	-	1,704,475	14,521,086
Due from other funds.....	-	-	-	433,404	433,404
<b>TOTAL ASSETS.....</b>	<b>\$ 75,938,832</b>	<b>\$ 17,948,705</b>	<b>\$ 15,057,029</b>	<b>\$ 17,610,616</b>	<b>\$ 126,555,182</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 3,927,930	\$ 50,483	\$ 695,221	\$ 139,910	\$ 4,813,544
Accrued payroll.....	609,788	3,374	-	142,379	755,541
Tax refunds payable.....	932,000	-	-	-	932,000
Payroll withholdings.....	654,925	-	-	-	654,925
Abandoned property.....	114,953	-	-	-	114,953
Due to other funds.....	-	-	-	433,404	433,404
Notes payable.....	-	-	25,500,000	-	25,500,000
<b>TOTAL LIABILITIES.....</b>	<b>6,239,596</b>	<b>53,857</b>	<b>26,195,221</b>	<b>715,693</b>	<b>33,204,367</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue.....	23,163,989	3,148,930	-	2,102,684	28,415,603
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	433,126	433,126
Restricted.....	-	14,745,918	-	14,359,113	29,105,031
Committed.....	25,038,098	-	-	-	25,038,098
Assigned.....	5,976,724	-	-	-	5,976,724
Unassigned.....	15,520,425	-	(11,138,192)	-	4,382,233
<b>TOTAL FUND BALANCES.....</b>	<b>46,535,247</b>	<b>14,745,918</b>	<b>(11,138,192)</b>	<b>14,792,239</b>	<b>64,935,212</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 75,938,832</b>	<b>\$ 17,948,705</b>	<b>\$ 15,057,029</b>	<b>\$ 17,610,616</b>	<b>\$ 126,555,182</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

Total governmental fund balances.....	\$	64,935,212
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		215,012,525
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		28,415,603
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(913,636)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(84,481,455)	
Workers compensation.....	(638,000)	
Compensated absences.....	(3,777,800)	
Other postemployment benefits.....	<u>(91,237,515)</u>	
Net effect of reporting long-term liabilities.....		(180,134,770)
In the statement of activities, deferred charges on refunding are reported as a deferred outflow of resources and are amortized over the shorter of the remaining life of the refunding bonds or refunded bonds. In governmental funds, these changes are expensed when the refunding bonds are issued.....		<u>794,968</u>
Net position of governmental activities.....	\$	<u><u>128,109,902</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	General	Strategic Planning & Community Development	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 113,427,599	\$ -	\$ -	\$ -	\$ 113,427,599
Tax liens.....	847,582	-	-	-	847,582
Motor vehicle and other excise taxes.....	7,759,040	-	-	-	7,759,040
Payments in lieu of taxes.....	285,596	-	-	-	285,596
Intergovernmental.....	66,427,241	7,031,545	1,185,407	14,113,291	88,757,484
Departmental and other.....	15,889,255	-	-	6,479,525	22,368,780
Community preservation taxes.....	-	-	-	1,323,320	1,323,320
Contributions.....	5,500	-	-	250,594	256,094
Investment income.....	229,366	2,228	-	6,437	238,031
Miscellaneous.....	268,687	-	-	-	268,687
<b>TOTAL REVENUES.....</b>	<b>205,139,866</b>	<b>7,033,773</b>	<b>1,185,407</b>	<b>22,173,167</b>	<b>235,532,213</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	15,510,585	-	1,760,915	2,050,594	19,322,094
Public safety.....	35,938,999	-	619,018	927,684	37,485,701
Education.....	56,248,655	-	5,433,249	12,730,587	74,412,491
Public works.....	22,926,097	-	1,801,768	1,271,953	25,999,818
Community development.....	-	5,446,619	-	-	5,446,619
Human services.....	-	-	-	224,330	224,330
Culture and recreation.....	2,890,491	-	267,366	359,220	3,517,077
Pension benefits.....	29,482,862	-	-	-	29,482,862
Employee benefits.....	23,240,442	-	-	-	23,240,442
Claims and judgments.....	149,138	-	-	-	149,138
Community preservation.....	-	-	-	56,770	56,770
State and county charges.....	11,854,949	-	-	-	11,854,949
Debt service:					
Principal.....	6,971,599	-	-	-	6,971,599
Interest.....	2,890,706	-	-	-	2,890,706
<b>TOTAL EXPENDITURES.....</b>	<b>208,104,523</b>	<b>5,446,619</b>	<b>9,882,316</b>	<b>17,621,138</b>	<b>241,054,596</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(2,964,657)</b>	<b>1,587,154</b>	<b>(8,696,909)</b>	<b>4,552,029</b>	<b>(5,522,383)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of debt.....	-	-	6,250,000	-	6,250,000
Premium from issuance of bonds.....	-	-	-	962,253	962,253
Sale of assets.....	9,387	-	-	-	9,387
Transfers in.....	4,072,816	-	139,404	1,366,682	5,578,902
Transfers out.....	(1,649,213)	-	-	(3,402,849)	(5,052,062)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,432,990</b>	<b>-</b>	<b>6,389,404</b>	<b>(1,073,914)</b>	<b>7,748,480</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(531,667)</b>	<b>1,587,154</b>	<b>(2,307,505)</b>	<b>3,478,115</b>	<b>2,226,097</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>47,066,914</b>	<b>13,158,764</b>	<b>(8,830,687)</b>	<b>11,314,124</b>	<b>62,709,115</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 46,535,247</b>	<b>\$ 14,745,918</b>	<b>\$ (11,138,192)</b>	<b>\$ 14,792,239</b>	<b>\$ 64,935,212</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds.....		\$ 2,226,097
<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.....	12,164,916	
Depreciation expense.....	<u>(7,596,216)</u>	
Net effect of reporting capital assets.....		4,568,700
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(5,143,848)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of debt.....	(6,250,000)	
Debt service principal payments.....	6,971,599	
Amortization of bond premiums.....	119,625	
Amortization of deferred charge on refunding.....	<u>(208,935)</u>	
Net effect of reporting long-term debt.....		632,289
<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.....	(83,000)	
Net change in accrued interest on long-term debt.....	(198,517)	
Net change in workers' compensation accrual.....	239,000	
Un-amortized bond premiums.....	(962,253)	
Net change in postemployment benefits liability.....	<u>(10,353,404)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(11,358,174)</u>
Change in net position of governmental activities.....		<u>\$ (9,074,936)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Veterans Memorial Ice Rink	Dilboy Stadium	Total
<b>ASSETS</b>					
<b>CURRENT:</b>					
Cash and cash equivalents.....	\$ 5,601,871	\$ 11,108,567	\$ 145,828	\$ -	\$ 16,856,266
Receivables, net of allowance for uncollectibles:					
User fees.....	3,933,205	6,399,396	-	-	10,332,601
Due from other funds.....	-	-	41,459	-	41,459
Total current assets.....	<u>9,535,076</u>	<u>17,507,963</u>	<u>187,287</u>	<u>-</u>	<u>27,230,326</u>
<b>NONCURRENT:</b>					
Capital assets, non depreciable.....	910,000	408,423	-	-	1,318,423
Capital assets, net of accumulated depreciation.....	<u>27,472,005</u>	<u>13,343,958</u>	<u>-</u>	<u>-</u>	<u>40,815,963</u>
Total noncurrent assets.....	<u>28,382,005</u>	<u>13,752,381</u>	<u>-</u>	<u>-</u>	<u>42,134,386</u>
<b>TOTAL ASSETS.....</b>	<u>37,917,081</u>	<u>31,260,344</u>	<u>187,287</u>	<u>-</u>	<u>69,364,712</u>
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Warrants payable.....	910,000	408,423	-	-	1,318,423
Accrued payroll.....	3,897	2,563	640	317	7,417
Accrued interest.....	42,933	24,534	-	-	67,467
Compensated absences.....	1,600	1,100	-	-	2,700
Due to other funds.....	-	-	-	41,459	41,459
Bonds payable.....	<u>1,572,269</u>	<u>736,110</u>	<u>-</u>	<u>-</u>	<u>2,308,379</u>
Total current liabilities.....	<u>2,530,699</u>	<u>1,172,730</u>	<u>640</u>	<u>41,776</u>	<u>3,745,845</u>
<b>NONCURRENT:</b>					
Compensated absences.....	46,900	24,000	-	-	70,900
Other postemployment benefits.....	689,113	156,803	-	-	845,916
Bonds payable.....	<u>6,643,848</u>	<u>2,849,341</u>	<u>-</u>	<u>-</u>	<u>9,493,189</u>
Total noncurrent liabilities.....	<u>7,379,861</u>	<u>3,030,144</u>	<u>-</u>	<u>-</u>	<u>10,410,005</u>
<b>TOTAL LIABILITIES.....</b>	<u>9,910,560</u>	<u>4,202,874</u>	<u>640</u>	<u>41,776</u>	<u>14,155,850</u>
<b>NET POSITION</b>					
Net investment in capital assets.....	20,899,399	14,185,361	-	-	35,084,760
Unrestricted.....	<u>7,107,122</u>	<u>12,872,109</u>	<u>186,647</u>	<u>(41,776)</u>	<u>20,124,102</u>
<b>TOTAL NET POSITION.....</b>	<u>\$ 28,006,521</u>	<u>\$ 27,057,470</u>	<u>\$ 186,647</u>	<u>\$ (41,776)</u>	<u>\$ 55,208,862</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Veterans Memorial Ice Rink	Dilboy Stadium	Total
<b>OPERATING REVENUES:</b>					
Charges for services .....	\$ 11,952,312	\$ 17,055,541	\$ 530,555	\$ 110,200	\$ 29,648,608
<b>OPERATING EXPENSES:</b>					
Cost of services and administration .....	7,899,210	15,417,787	584,995	217,761	24,119,753
Depreciation.....	1,050,120	318,630	-	-	1,368,750
<b>TOTAL OPERATING EXPENSES .....</b>	<b>8,949,330</b>	<b>15,736,417</b>	<b>584,995</b>	<b>217,761</b>	<b>25,488,503</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>3,002,982</b>	<b>1,319,124</b>	<b>(54,440)</b>	<b>(107,561)</b>	<b>4,160,105</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Investment income.....	4,000	148,578	28	46	152,652
Interest expense.....	(171,365)	(75,484)	-	-	(246,849)
Intergovernmental.....	-	654,755	-	-	654,755
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(167,365)</b>	<b>727,849</b>	<b>28</b>	<b>46</b>	<b>560,558</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>2,835,617</b>	<b>2,046,973</b>	<b>(54,412)</b>	<b>(107,515)</b>	<b>4,720,663</b>
<b>TRANSFERS:</b>					
Transfers in.....	-	424,404	150,000	4,138	578,542
Transfers out.....	(607,059)	(498,323)	-	-	(1,105,382)
<b>TOTAL OPERATING TRANSFERS.....</b>	<b>(607,059)</b>	<b>(73,919)</b>	<b>150,000</b>	<b>4,138</b>	<b>(526,840)</b>
<b>CHANGE IN NET POSITION.....</b>	<b>2,228,558</b>	<b>1,973,054</b>	<b>95,588</b>	<b>(103,377)</b>	<b>4,193,823</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>25,777,963</b>	<b>25,084,416</b>	<b>91,059</b>	<b>61,601</b>	<b>51,015,039</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 28,006,521</b>	<b>\$ 27,057,470</b>	<b>\$ 186,647</b>	<b>\$ (41,776)</b>	<b>\$ 55,208,862</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Veterans Memorial Ice Rink	Dilboy Stadium	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users.....	\$ 12,043,323	\$ 16,809,938	\$ 530,555	\$ 110,200	\$ 29,494,016
Payments to vendors.....	(7,020,853)	(15,112,810)	(587,978)	(221,187)	(22,942,828)
Payments to employees.....	(827,799)	(296,295)	-	-	(1,124,094)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>4,194,671</b>	<b>1,400,833</b>	<b>(57,423)</b>	<b>(110,987)</b>	<b>5,427,094</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers in.....	-	424,404	150,000	4,138	578,542
Transfers out.....	(607,059)	(498,323)	-	-	(1,105,382)
Advances from other funds.....	-	-	(41,459)	-	(41,459)
Advances to other funds.....	-	-	-	41,459	41,459
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(607,059)</b>	<b>(73,919)</b>	<b>108,541</b>	<b>45,597</b>	<b>(526,840)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Issuance of debt.....	-	800,256	-	-	800,256
Acquisition and construction of capital assets.....	(2,038,237)	(1,765,758)	-	-	(3,803,995)
Principal payments on bonds and notes.....	(1,671,675)	(585,981)	-	-	(2,257,656)
Interest expense.....	(176,338)	(78,002)	-	-	(254,340)
Intergovernmental.....	-	654,755	-	-	654,755
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(3,886,250)</b>	<b>(974,730)</b>	<b>-</b>	<b>-</b>	<b>(4,860,980)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income.....	4,000	148,578	28	46	152,652
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(294,638)</b>	<b>500,762</b>	<b>51,146</b>	<b>(65,344)</b>	<b>191,926</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	5,896,509	10,607,805	94,682	65,344	16,664,340
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 5,601,871</b>	<b>\$ 11,108,567</b>	<b>\$ 145,828</b>	<b>\$ -</b>	<b>\$ 16,856,266</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>					
Operating income (loss).....	\$ 3,002,982	\$ 1,319,124	\$ (54,440)	\$ (107,561)	\$ 4,160,105
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	1,050,120	318,630	-	-	1,368,750
Changes in assets and liabilities:					
User fees.....	91,011	(245,603)	-	-	(154,592)
Accrued payroll.....	(11,969)	(3,980)	(2,983)	(3,426)	(22,358)
Accrued compensated absences.....	700	200	-	-	900
Other postemployment benefits.....	61,827	12,462	-	-	74,289
Total adjustments.....	1,191,689	81,709	(2,983)	(3,426)	1,266,989
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 4,194,671</b>	<b>\$ 1,400,833</b>	<b>\$ (57,423)</b>	<b>\$ (110,987)</b>	<b>\$ 5,427,094</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Pension Trust Funds (1)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and cash equivalents.....	\$ 5,025,144	\$ 601,903	\$ 78,555	\$ 345,414
Investments:				
Bond mutual funds.....	69,673,631	-	-	-
Real estate and alternative investment mutual funds.....	16,939,817	-	-	-
Equity mutual funds.....	21,973,388	-	-	-
Equity securities.....	121,143,282	-	-	-
Interest and dividends.....	2,529	-	-	-
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	441,895	-	-	-
<b>TOTAL ASSETS.....</b>	<b>235,199,686</b>	<b>601,903</b>	<b>78,555</b>	<b>345,414</b>
<b>LIABILITIES</b>				
Warrants payable.....	119,841	-	-	-
Accrued liabilities.....	-	-	-	500
Liabilities due depositors.....	-	-	-	344,914
<b>TOTAL LIABILITIES.....</b>	<b>119,841</b>	<b>-</b>	<b>-</b>	<b>345,414</b>
<b>NET POSITION</b>				
Restricted for pensions.....	235,079,845	-	-	-
Held in trust for OPEB and other purposes.....	-	601,903	78,555	-
<b>TOTAL NET POSITION.....</b>	<b>\$ 235,079,845</b>	<b>\$ 601,903</b>	<b>\$ 78,555</b>	<b>\$ -</b>

(1) As of December 31, 2013

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2014

	Pension Trust Funds (1)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
<b>ADDITIONS:</b>			
Contributions:			
Employer.....	\$ 12,173,806	\$ 200,000	\$ -
Employee.....	6,265,843	-	-
Private donations.....	-	-	2,952
Total contributions.....	<u>18,439,649</u>	<u>200,000</u>	<u>2,952</u>
Net investment income (loss):			
Net change in fair value of investments.....	33,079,377	-	-
Interest.....	6,480,675	1,189	228
Total investment income (loss).....	39,560,052	1,189	228
Less: investment expense.....	<u>(1,086,528)</u>	<u>-</u>	<u>-</u>
Net investment income (loss).....	<u>38,473,524</u>	<u>1,189</u>	<u>228</u>
Intergovernmental.....	603,254	-	-
Transfers from other systems.....	696,680	-	-
TOTAL ADDITIONS.....	<u>58,213,107</u>	<u>201,189</u>	<u>3,180</u>
<b>DEDUCTIONS:</b>			
Administration.....	353,536	-	-
Transfers to other systems.....	939,677	-	-
Retirement benefits and refunds.....	23,081,168	-	-
Educational scholarships.....	-	-	1,056
TOTAL DEDUCTIONS.....	<u>24,374,381</u>	<u>-</u>	<u>1,056</u>
CHANGE IN NET POSITION.....	33,838,726	201,189	2,124
NET POSITION AT BEGINNING OF YEAR.....	<u>201,241,119</u>	<u>400,714</u>	<u>76,431</u>
NET POSITION AT END OF YEAR.....	<u>\$ 235,079,845</u>	<u>\$ 601,903</u>	<u>\$ 78,555</u>

(1) For the year ended December 31, 2013

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

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

**Availability of Financial Information for Component Units**

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

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

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

### *Fund Financial Statements*

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

#### *Major Fund Criteria*

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

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

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

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

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

#### *Government-Wide Financial Statements*

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

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

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

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

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

#### *Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

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

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

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

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

### ***Motor Vehicle Excise***

Motor vehicle excise taxes are assessed annually for each vehicle registered in the City and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

### ***Water and Sewer***

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and Sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

### ***Departmental and Other***

Departmental and other receivables consist primarily of parking fines and are recorded as receivables in the year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

**Intergovernmental**

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**Loans**

The Office of Strategic Planning and Community Development administers loan programs that provide housing assistance to residents and capital needs assistance for small businesses. Upon issuance, a receivable is recorded for the principal amount of the loan.

Loan receivables are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

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 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 reported deferred charges on refunding 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.

#### *Governmental Fund Financial Statements*

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

#### I. Unavailable Revenue

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

#### J. 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.

### K. 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.

### 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 Board of Alderman is the highest level of decision-making authority for the government that can, by approval of a council order prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the order remains in place until a similar action is taken to remove or revise the limitation.

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

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

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

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

#### Q. Individual Fund Deficits

At June 30, 2014, the Capital Projects Fund reports a fund deficit of \$11.1 million. This deficit will be funded with available funds and future bond proceeds.

The Dilboy Stadium fund had an accumulated deficit of \$41,776. This deficit will be funded with charges for services and tax levy.

#### 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, 2014, \$601,903 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 year-end, the carrying amount of deposits totaled \$91,672,688 and the bank balance totaled \$96,786,576. Of the bank balance, \$1,815,232 was covered by Federal Depository Insurance, \$242,629 was covered by the Depositors Insurance Fund, \$5,464,199 was covered by Share Insurance fund, \$88,022,848 was collateralized, and \$1,241,668 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2013, carrying amount of deposits for the System totaled \$4,500,850 and the bank balance totaled \$4,790,213. The entire bank balance of the System was covered by Federal Depository Insurance and is collateralized.

Investments

As of June 30, 2014, the City of Somerville had the following investments:

<u>Other Investments</u>	
MMDT .....	\$ <u>8,449,398</u>

As of December 31, 2013, the System had the following investments:

Investment Type	Maturity					Rating
	Fair Value	Under 1 Year	1-5 Years	6-10 Years	Over 10 Years	
<u>Debt Securities</u>						
(1) Loomis Sayles Fixed Income Fund .....	\$ 69,673,631	\$ 9,684,635	\$ 29,820,314	\$ 14,283,094	\$ 15,885,588	Baa / NR
<u>Other Investments</u>						
Equity Mutual Funds (Domestic).....	7,545,457					
Equity Mutual Funds (International).....	14,427,931					
Equities.....	121,143,282					
Alternative Real Estate.....	16,939,817					
Money Market Mutual Funds.....	524,294					
Total Investments.....	\$ 230,254,412					

(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 \$8,449,398 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 \$121,143,282 in equity securities, the System has custodial credit risk exposure of \$121,143,282 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, 2014. 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, 2014, 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.....	\$ 1,303,253	\$ (115,826)	\$ 1,187,427
Tax liens.....	1,607,603	-	1,607,603
Motor vehicle excise taxes.....	1,455,240	(1,253,679)	201,561
Departmental and other.....	11,763,912	(6,690,685)	5,073,227
Intergovernmental.....	21,290,926	-	21,290,926
Loans.....	14,521,086	-	14,521,086
Total.....	<u>\$ 51,942,020</u>	<u>\$ (8,060,190)</u>	<u>\$ 43,881,830</u>

At June 30, 2014, receivables for the enterprise funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Sewer.....	\$ 6,399,396	\$ -	\$ 6,399,396
Water.....	3,933,205	-	3,933,205
Total.....	<u>\$ 10,332,601</u>	<u>\$ -</u>	<u>\$ 10,332,601</u>

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

	General Fund	Community Development	Non-Major Governmental Funds	Total
<u>Receivable type:</u>				
Real estate and personal property taxes.....	\$ 884,724	\$ -	\$ -	\$ 884,724
Tax liens.....	1,607,603	-	-	1,607,603
Motor vehicle excise.....	201,561	-	-	201,561
Departmental and other.....	5,060,095	-	13,132	5,073,227
Intergovernmental.....	15,410,006	3,148,930	2,089,552	20,648,488
Total.....	<u>\$ 23,163,989</u>	<u>\$ 3,148,930</u>	<u>\$ 2,102,684</u>	<u>\$ 28,415,603</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 34,651,723	\$ 1,233,322	\$ -	\$ 35,885,045
Construction in progress.....	36,059,951	1,312,434	(34,768,772)	2,603,613
Total capital assets not being depreciated.....	70,711,674	2,545,756	(34,768,772)	38,488,658
<u>Capital assets being depreciated:</u>				
Land improvements.....	27,450,596	376,480	-	27,827,076
Books and periodicals.....	2,626,489	-	-	2,626,489
Buildings and improvements.....	164,948,617	39,357,298	-	204,305,915
Machinery and equipment.....	8,814,936	804,968	-	9,619,904
Vehicles.....	10,630,338	1,753,551	(66,665)	12,317,224
Infrastructure.....	40,207,457	2,095,635	-	42,303,092
Total capital assets being depreciated.....	254,678,433	44,387,932	(66,665)	298,999,700
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(10,582,716)	(1,150,798)	-	(11,733,514)
Books and periodicals.....	(2,315,999)	(81,407)	-	(2,397,406)
Buildings and improvements.....	(62,050,913)	(4,484,648)	-	(66,535,561)
Machinery and equipment.....	(6,307,089)	(526,796)	-	(6,833,885)
Vehicles.....	(7,963,605)	(749,498)	66,665	(8,646,438)
Infrastructure.....	(25,725,960)	(603,069)	-	(26,329,029)
Total accumulated depreciation.....	(114,946,282)	(7,596,216)	66,665	(122,475,833)
Total capital assets being depreciated, net.....	139,732,151	36,791,716	-	176,523,867
Total governmental activities capital assets, net.....	\$ 210,443,825	\$ 39,337,472	\$ (34,768,772)	\$ 215,012,525

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities: Water</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ -	\$ 910,000	\$ -	\$ 910,000
<u>Capital assets being depreciated:</u>				
Buildings.....	16,087	-	-	16,087
Machinery and equipment.....	5,267,964	-	-	5,267,964
Vehicles.....	462,918	-	-	462,918
Infrastructure.....	29,278,767	2,038,237	-	31,317,004
Total capital assets being depreciated.....	35,025,736	2,038,237	-	37,063,973
<u>Less accumulated depreciation for:</u>				
Buildings.....	(6,836)	(804)	-	(7,640)
Machinery and equipment.....	(1,302,409)	(365,307)	-	(1,667,716)
Vehicles.....	(271,135)	(55,522)	-	(326,657)
Infrastructure.....	(6,961,468)	(628,487)	-	(7,589,955)
Total accumulated depreciation.....	(8,541,848)	(1,050,120)	-	(9,591,968)
Total water capital assets being depreciated, net.....	26,483,888	988,117	-	27,472,005
Total water activities capital assets, net.....	\$ 26,483,888	\$ 1,898,117	\$ -	\$ 28,382,005
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities: Sewer</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ -	\$ 408,423	\$ -	\$ 408,423
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	12,467	-	(12,467)	-
Vehicles.....	434,092	-	-	434,092
Infrastructure.....	24,297,302	1,765,758	-	26,063,060
Total capital assets being depreciated.....	24,743,861	1,765,758	(12,467)	26,497,152
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(12,467)	-	12,467	-
Vehicles.....	(95,988)	(46,594)	-	(142,582)
Infrastructure.....	(12,738,576)	(272,036)	-	(13,010,612)
Total accumulated depreciation.....	(12,847,031)	(318,630)	12,467	(13,153,194)
Total sewer capital assets being depreciated, net.....	11,896,830	1,447,128	-	13,343,958
Total sewer activities capital assets, net.....	\$ 11,896,830	\$ 1,855,551	\$ -	\$ 13,752,381

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

**Governmental Activities:**

General government.....	\$ 392,473
Public safety.....	684,700
Education.....	4,100,465
Public works.....	1,227,385
Culture and recreation.....	<u>1,191,193</u>

Total depreciation expense - governmental activities..... \$ 7,596,216

**Business-Type Activities:**

Water.....	\$ 1,050,120
Sewer.....	<u>318,630</u>

Total depreciation expense - business-type activities..... \$ 1,368,750

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

The City’s interfund balances at June 30, 2014 consisted of \$433,404 in balances within the nonmajor governmental funds and \$41,459 within the business-type activities all of which represent interfund borrowings for cash flow purposes.

Interfund transfers for the year ended June 30, 2014, are summarized as follows:

Operating Transfers Out:	Transfers In:							Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Sewer	Veteran's Memorial Ice Rink	Dilboy Stadium		
General Fund.....	\$ -	\$ 139,404	\$ 1,355,671	\$ -	\$ 150,000	\$ 4,138	\$ 1,649,213	(1)
Nonmajor Governmental Funds..	2,967,434	-	11,011	424,404	-	-	3,402,849	(2)
Sewer Enterprise Fund.....	498,323	-	-	-	-	-	498,323	(3)
Water Enterprise Fund.....	<u>607,059</u>	-	-	-	-	-	<u>607,059</u>	(3)
Total.....	<u>\$ 4,072,816</u>	<u>\$ 139,404</u>	<u>\$ 1,366,682</u>	<u>\$ 424,404</u>	<u>\$ 150,000</u>	<u>\$ 4,138</u>	<u>\$ 6,157,444</u>	

- (1) Represents budgeted transfers out of the general fund to the Community Preservation fund, a subsidy transfer to the Veteran’s Memorial Ice Rink and Dilboy Stadium enterprise funds, and to various capital project funds.
- (2) Represents a transfer from the parking receipts reserve fund and the bond issuance expense fund to the general fund, a transfer to the sewer fund, and various other non-major projects.
- (3) 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 year ended June 30, 2014 was approximately \$36,000 and is reported as public safety expenditures in the basic financial statements.

The future minimum lease payments are as follows:

<u>Year</u> <u>Ending June 30</u>	<u>Governmental</u> <u>Activities</u>
2015.....	\$ <u><u>36,000</u></u>

**NOTE 7 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and capital projects fund, respectively.

Details related to the short-term debt activity for the year ended June 30, 2014, is as follows:

***Governmental Activities***

<u>Type</u>	<u>Purpose</u>	<u>Rate</u> <u>(%)</u>	<u>Due Date</u>	<u>Balance at</u> <u>June 30,</u> <u>2013</u>	<u>Renewed/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	<u>Balance at</u> <u>June 30,</u> <u>2014</u>
BAN	Municipal Purpose.....	0.70	10/25/14	\$ 14,079,404	\$ -	\$ 14,079,404	\$ -
BAN	Municipal Purpose.....	1.00	06/27/14	8,887,449	-	8,887,449	-
BAN	Municipal Purpose.....	0.75	06/12/15	-	<u>25,500,000</u>	-	<u>25,500,000</u>
Total Short-Term Debt.....				<u>\$ 22,966,853</u>	<u>\$ 25,500,000</u>	<u>\$ 22,966,853</u>	<u>\$ 25,500,000</u>

**NOTE 8 - LONG-TERM DEBT**

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

On September 25, 2013, the City issued \$6,250,000 of long-term bonds financed through the Massachusetts School Business Authority to facilitate the re-construction of the East Somerville Community School.

Details related to the general obligation bonds outstanding at June 30, 2014, and the debt service requirements are as follows:

**Bonds Payable Schedule – Governmental Funds**

Project	Original Borrowing	Maturities Through	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Municipal Purpose - August 16, 2006 (Refunding)..	\$ 11,230,000	2018	3.5% - 5.0%	\$ 11,230,000	\$ -	\$ 2,375,000	\$ 8,855,000
Municipal Purpose - March 15, 2004.....	1,492,011	2015	2.0% - 4.0%	1,492,011	-	859,494	632,517
Municipal Purpose - August 15, 2006.....	3,795,000	2027	4.0% - 4.1%	3,795,000	-	370,000	3,425,000
MSBA - February 12, 2008.....	7,282,102	2033	7.1% - 8.0%	7,282,102	-	364,105	6,917,997
Municipal Purpose - February 1, 2009.....	3,030,000	2028	3.6% - 4.0%	3,030,000	-	340,000	2,690,000
Municipal Purpose - February 15, 2010.....	2,272,000	2028	2.0% - 5.0%	2,272,000	-	161,000	2,111,000
Municipal Purpose - April 1, 2010 (Refunding).....	13,407,000	2022	2.0% - 5.0%	13,407,000	-	1,427,000	11,980,000
Municipal Purpose - June 15, 2010.....	6,705,000	2029	2.0% - 5.0%	6,705,000	-	400,000	6,305,000
Municipal Purpose - February 23, 2011.....	5,020,000	2025	2.0% - 5.0%	5,020,000	-	675,000	4,345,000
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
MSBA - September 25, 2013.....	6,250,000	2043	2.00%	-	6,250,000	-	6,250,000
Total bonds payable.....				83,923,113	6,250,000	6,971,599	83,201,514
Add: unamortized premium.....				437,313	962,253	119,625	1,279,941
Total.....				\$ 84,360,426	\$ 7,212,253	\$ 7,091,224	\$ 84,481,455

**Bonds Payable Schedule – Enterprise Funds**

Project	Original Borrowing	Maturities Through	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
MWRA Notes.....	\$ 7,584,424	2018	0.0%	\$ 1,422,081	\$ -	\$ 474,028	\$ 948,053
Municipal Purpose - March 15, 2004.....	1,285,440	2016	4.0%	343,971	-	117,813	226,158
Municipal Purpose August 15, 2006.....	1,500,000	2017	4.0%	600,000	-	150,000	450,000
Municipal Purpose - December 15, 2009.....	4,400,000	2019	2.0%	2,930,000	-	490,000	2,440,000
Municipal Purpose - February 15, 2010.....	1,910,000	2030	2.0% - 5.0%	1,568,000	-	109,000	1,459,000
Municipal Purpose - April 1, 2010 (Refunding).....	262,000	2022	2.0% - 5.0%	234,000	-	28,000	206,000
Municipal Purpose - February 23, 2013.....	424,000	2020	2.0% - 5.0%	345,000	-	45,000	300,000
MWRA Notes.....	1,336,000	2022	0.0%	1,202,400	-	133,600	1,068,800
MWRA Notes.....	1,242,340	2014	0.0%	1,242,340	-	124,234	1,118,106
<b>Total Water Enterprise.....</b>				<b>9,887,792</b>	<b>-</b>	<b>1,671,675</b>	<b>8,216,117</b>
Municipal Purpose - March 15, 2004.....	1,229,551	2016	4.0%	329,016	-	112,691	216,325
Municipal Purpose - August 15, 2006.....	2,070,000	2027	4.0%	1,375,000	-	105,000	1,270,000
Municipal Purpose - April 1, 2010 (Refunding).....	419,000	2022	2.0% - 5.0%	374,000	-	45,000	329,000
MWRA Notes.....	1,616,450	2017	0.0%	1,293,160	-	323,290	969,870
MWRA Notes.....	800,256	2019	0.0%	-	800,256	-	800,256
<b>Total Sewer Enterprise.....</b>				<b>3,371,176</b>	<b>800,256</b>	<b>585,981</b>	<b>3,585,451</b>
<b>Total.....</b>				<b>\$ 13,258,968</b>	<b>\$ 800,256</b>	<b>\$ 2,257,656</b>	<b>\$ 11,801,568</b>

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

**Governmental Funds**

Year	Principal	Interest	Total
2015.....	\$ 8,136,640	\$ 2,940,967	\$ 11,077,607
2016.....	7,290,623	2,653,835	9,944,458
2017.....	7,437,123	2,381,569	9,818,692
2018.....	5,825,623	2,118,958	7,944,581
2019.....	4,675,623	1,904,088	6,579,711
2020.....	4,615,623	1,724,818	6,340,441
2021.....	4,715,622	1,563,129	6,278,751
2022.....	4,806,622	1,375,437	6,182,059
2023.....	3,211,622	1,172,947	4,384,569
2024.....	3,089,622	1,051,157	4,140,779
2025.....	3,019,622	932,671	3,952,293
2026.....	2,729,622	823,198	3,552,820
2027.....	2,764,622	732,018	3,496,640
2028.....	2,364,622	650,647	3,015,269
2029.....	1,734,622	574,693	2,309,315
2030.....	1,729,622	523,100	2,252,722
2031.....	1,769,622	470,807	2,240,429
2032.....	1,809,622	411,215	2,220,837
2033.....	1,864,624	349,823	2,214,447
2034.....	1,545,517	290,988	1,836,505
2035.....	895,517	251,468	1,146,985
2036.....	915,517	225,058	1,140,575
2037.....	940,517	196,247	1,136,764
2038.....	965,517	166,562	1,132,079
2039.....	990,517	136,002	1,126,519
2040.....	1,020,517	104,566	1,125,083
2041.....	1,045,517	72,081	1,117,598
2042.....	1,075,517	38,721	1,114,238
2043.....	215,518	4,310	219,828
<b>Total.....</b>	<b>\$ 83,201,514</b>	<b>\$ 25,841,070</b>	<b>\$ 109,042,584</b>

**Water Enterprise Fund**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015.....	\$ 1,572,269	\$ 85,654	\$ 1,657,923
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>8,216,117</u>	\$ <u>541,725</u>	\$ <u>8,757,842</u>

**Sewer Enterprise Fund**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015.....	\$ 736,110	\$ 68,382	\$ 804,492
2016.....	738,897	59,290	798,187
2017.....	630,341	50,036	680,377
2018.....	305,051	44,576	349,627
2019.....	305,052	38,976	344,028
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>3,585,451</u>	\$ <u>386,664</u>	\$ <u>3,972,115</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, 2014, the outstanding principal amount of these loans totaled \$4,905,085. 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 2014, \$5,699,961 of such assistance was received. Approximately \$18,397,000 will be received in future years. Of this amount, approximately \$2,987,000 represents reimbursement of long-term interest costs, and approximately \$15,410,000 represents reimbursement of approved construction costs. Accordingly, a \$15,410,000 intergovernmental receivable and corresponding unavailable revenue have been reported in governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2014, the City had the following authorized and unissued debt:

Purpose	Amount
Ladder Truck.....	\$ 1,000
Central Hill Memorial Park.....	450,000
Ice Skating Rink.....	950
Resurfacing of Streets.....	15,979
Public Safety Building.....	56,200
East Somerville Community School.....	10,422,563
Morse-Kelley Park Renovations.....	4,220
Radio Equipment.....	23,000
ISD Office Renovations.....	15,000
Park Construction.....	500,000
Refunding.....	5,485,000
Road Construction.....	575,000
School & City Building Improvements.....	1,000,000
2013 Union Square Revitalization Plan.....	1,000,000
Recreation Department Vehicles.....	15,000
Network Infrastructure Replacement.....	1,000
Wall Repairs.....	341,499
Firefighter Protective Bunker Gear.....	186,400
MWRA Infiltration & Inflow.....	654,845
North Street Veterans Playground.....	189,000
Street Sweeper.....	876
Fire Station Renovation.....	88,200
Fire Department Apparatus.....	2,307,650
Central Broadway Corridor Design & Engineering.....	245,000
Kennedy Park Improvements.....	475,000
Sidewalk Improvements.....	500,000
DPW Salt Shed.....	300,000
Fire Radio Boxes.....	300,000
Tree Planting.....	500,000
Street/Sidewalk Improvements.....	338,333
High School Repairs.....	1,817,800
Davis Square Streetscape Improvements.....	37,000
Fire Department Temporary Trailer Living Quarters.....	29,000
Total.....	<u>\$ 27,875,515</u>

Calculation of Net Investment in Capital Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital assets, net of accumulated depreciation.....	\$ 215,012,525	\$ 42,134,386
Outstanding principal of related debt:		
Long-term debt.....	(84,481,455)	(11,801,568)
Short-term debt.....	(25,500,000)	-
Add:		
Deferred charges on refunding.....	794,968	-
Unspent proceeds of capital debt.....	14,361,808	4,751,942
Noncapital-related debt (1).....	<u>15,410,006</u>	<u>-</u>
 Net investment in capital assets.....	 <u>\$ 135,597,852</u>	 <u>\$ 35,084,760</u>

(1) School construction grant financing.

Changes in Long-term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
Long-Term Bonds.....	\$ 83,923,113	\$ 6,250,000	\$ (6,971,599)	\$ 83,201,514	\$ 8,136,640
Add: Unamortized Premium.....	437,313	962,253	(119,625)	1,279,941	164,459
Total Bonds Payable.....	<u>84,360,426</u>	<u>7,212,253</u>	<u>(7,091,224)</u>	<u>84,481,455</u>	<u>8,301,099</u>
Workers' Compensation.....	877,000	89,214	(328,214)	638,000	159,500
Other Postemployment Benefits.....	80,884,111	19,330,387	(8,976,983)	91,237,515	-
Compensated Absences.....	<u>3,694,800</u>	<u>269,340</u>	<u>(186,340)</u>	<u>3,777,800</u>	<u>192,858</u>
Total.....	<u>\$ 169,816,337</u>	<u>\$ 26,901,194</u>	<u>\$ (16,582,761)</u>	<u>\$ 180,134,770</u>	<u>\$ 8,653,457</u>
	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
<b>Business-Type Activities:</b>					
Long-Term Bonds.....	\$ 13,258,968	\$ 800,256	\$ (2,257,656)	\$ 11,801,568	\$ 2,308,379
Other Postemployment Benefits.....	771,627	142,276	(67,987)	845,916	-
Compensated Absences.....	<u>72,700</u>	<u>3,600</u>	<u>(2,700)</u>	<u>73,600</u>	<u>2,700</u>
Total.....	<u>\$ 14,103,295</u>	<u>\$ 946,132</u>	<u>\$ (2,328,343)</u>	<u>\$ 12,721,084</u>	<u>\$ 2,311,079</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, 2014, the fund balances consisted of the following:

FUND BALANCES	GOVERNMENTAL FUNDS				Total Governmental Funds
	General	Strategic Planning & Community Development	Capital Projects Funds	Nonmajor Governmental Funds	
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 433,126	\$ 433,126
Restricted for:					
Strategic planning & community development.....	-	14,745,918	-	-	14,745,918
School special revenue funds.....	-	-	-	1,321,059	1,321,059
School federal grants.....	-	-	-	369,922	369,922
School state & private grants.....	-	-	-	1,898,458	1,898,458
City federal grant funds.....	-	-	-	135,514	135,514
City state grant funds.....	-	-	-	148,022	148,022
City revolving funds.....	-	-	-	310,514	310,514
City receipts reserved.....	-	-	-	1,117,223	1,117,223
City Private grants.....	-	-	-	323,900	323,900
School lunch.....	-	-	-	1,165,178	1,165,178
Community preservation.....	-	-	-	2,624,411	2,624,411
Other special revenue funds.....	-	-	-	4,785,638	4,785,638
Other permanent funds.....	-	-	-	159,274	159,274
Committed to:					
Health claims.....	16,100,579	-	-	-	16,100,579
Max-Pak stabilization fund.....	20,097	-	-	-	20,097
East Somerville stabilization fund.....	102,602	-	-	-	102,602
Street Tree stabilization fund.....	7,411	-	-	-	7,411
Alpine Restaurant stabilization fund.....	2,510	-	-	-	2,510
Rockwell Restaurant stabilization fund.....	9,049	-	-	-	9,049
Capital Projects stabilization fund.....	3,182,480	-	-	-	3,182,480
Construction stabilization fund.....	2,444,333	-	-	-	2,444,333
Traffic Safety stabilization fund.....	180,481	-	-	-	180,481
Mitigation stabilization fund.....	353,110	-	-	-	353,110
270 Cedar Street LLC stabilization fund.....	1,003	-	-	-	1,003
Workforce Training stabilization fund.....	100,273	-	-	-	100,273
Bicycle stabilization fund.....	2,183	-	-	-	2,183
Linwood Street sidewalk improvement stabilization fund.....	11,756	-	-	-	11,756
Davis Square traffic and Sign stabilization fund.....	285	-	-	-	285
Trash transfer station stabilization fund.....	204,179	-	-	-	204,179
Salary and wage stabilization fund.....	2,315,767	-	-	-	2,315,767
Assigned to:					
General government.....	801,060	-	-	-	801,060
Public safety.....	130,366	-	-	-	130,366
Education.....	373,933	-	-	-	373,933
Public works.....	1,072,025	-	-	-	1,072,025
Culture and recreation.....	98,057	-	-	-	98,057
Employee benefits.....	1,283	-	-	-	1,283
Free cash used for the 2015 budget.....	3,500,000	-	-	-	3,500,000
Unassigned.....	15,520,425	-	(11,138,192)	-	4,382,233
<b>TOTAL FUND BALANCES (DEFICIT).....</b>	<b>\$ 46,535,247</b>	<b>\$ 14,745,918</b>	<b>\$ (11,138,192)</b>	<b>\$ 14,792,239</b>	<b>\$ 64,935,212</b>

**NOTE 10 – RISK FINANCING**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City participates in premium-based health care plans for its active employees and retirees through the Group Insurance Commission. Claims have not exceeded insurance coverage for the last three years.

The City is self-insured for its workers' compensation activities. These activities are accounted for in the General Fund. Workers' compensation claims are administered in house and are funded on a pay-as-you-go basis from annual appropriations. The estimated future workers' compensation liability is based on history and injury type. At June 30, 2014, the amount of the liability for workers' compensation claims totaled \$638,000.

Changes in the reported liability since July 1, 2012, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at End of Year
2013.....	\$ 822,000	\$ 326,119	\$ (271,119)	\$ 877,000
2014.....	877,000	89,214	(328,214)	638,000

**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 \$17,791,000 for the year ended June 30, 2014, 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, 2013, the System's membership consists of the following:

Active members.....	1,182
Inactive members.....	297
Retirees and beneficiaries currently receiving benefits.....	<u>891</u>
Total.....	<u><u>2,370</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 year's apportionment of the annual pension cost between the two employers required the City to contribute approximately 94% 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 years ended June 30, 2014, 2013, and 2012 were \$11,457,093, \$11,084,131, and \$10,985,945, respectively, which equaled its required contribution for each year. At June 30, 2014, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2013, actuarial valuation using the individual entry age normal actuarial cost method. The actuarial assumptions included an 8.25% investment rate of return, inflation rate projected at 7%, cost of living increases projected at 2.50% of the lesser of the pension amount and \$12,000 per year 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, 2013, was 21 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)
01/01/13	\$ 193,697,367	\$ 335,458,757	\$ 141,761,390	57.7%	\$ 60,590,006	234.0%
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 2014 totaled \$235,000.

#### 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 is administered through the Group Insurance Commission (GIC) as of January 1, 2012. The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the City’s group health, life and GIC health plans which covers both active and retired members. The Chapter 32b, Section 19, of the MGL, PEC agreement between the City and the Public Employee Committee (PEC) is subject to renegotiation at the end of each contract period. Chapter 32b of the MGL assigns authority to establish and amend benefit provisions of the plan. The Retiree Health Plan does not issue a publicly available financial report. The employers share is based on the type of plan the employee/retiree is enrolled in. All HMO and PPO plans the employer contributes 82.5% of the premium and all indemnity plans the employer contributes 75% of the premium. The City’s assessment of the employer’s share by the GIC, for retired teachers, for 2014 totaled \$2,790,000.

*Funding Policy* – Contribution requirements are also negotiated between the City and the Public Employee Committee (PEC). The required contribution is based on a pay-as-you-go financing requirement. The City contributes 82.5% of the premium for all HMO and PPO plans and 75% of the premium for all indemnity plans per the Chapter 32b, Section 19 PEC Agreement and the retiree’s will contribute the remaining 17.5% for all HMO and PPO plans and 25% for all indemnity plans. For 2014, the City’s estimated benefit payments total is \$9,044,970.

*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.....	\$ 18,928,291
Interest on existing net OPEB obligation.....	3,266,230
Adjustments to annual required contribution.....	<u>(2,721,858)</u>
Annual OPEB cost (expense).....	19,472,663
Contributions made.....	<u>(9,044,970)</u>
Increase in net OPEB obligation.....	10,427,693
Net OPEB obligation-beginning of year.....	<u>81,655,738</u>
Net OPEB obligation-end of year.....	<u>\$ 92,083,431</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 19,472,663	46%	\$ 92,083,431
6/30/2013	20,282,291	51%	81,655,738
6/30/2012	19,407,471	52%	71,775,639

*Funded Status and Funding Progress*

As of June 30, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$285.3 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$112.3 million, and the ratio of the UAAL to the covered payroll was 254.1 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, 2014 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 7% initially, graded to 4.5% over 8 years, and an inflation rate of 7% initially, graded to 4.5% over 5 years. The UAAL is being amortized over a 30 year open period, with amortization payments increasing at 4% per year. The remaining amortization period at June 30, 2014 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 \$87,931,000 for the Union Square streetscape and utility improvements, Central Broadway streetscape improvements, Davis Square streetscape 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, 2014, 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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

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

During 2014, the following GASB pronouncements were implemented:

- GASB Statement #65, *Items Previously Reported as Assets and Liabilities*. Financial statement changes include the presentation of deferred outflows and inflows in the Statement of Net Position and Balance Sheet. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future years:

- The GASB issued Statement #67, *Financial Reporting for Pension Plans*, which is required to be implemented in 2015.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in 2015.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with GASB Statement #68 in 2015.

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

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***Required Supplementary Information***

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Original Budget	Final Budget			
<b>REVENUES:</b>						
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 114,526,060	\$ 114,526,060	\$ 113,841,399	\$ -	\$ (684,661)
Tax liens.....	-	-	-	847,582	-	847,582
Motor vehicle and other excise taxes.....	-	7,387,286	7,387,286	7,759,040	-	371,754
Payments in lieu of taxes.....	-	280,000	280,000	285,596	-	5,596
Intergovernmental.....	-	47,480,448	47,480,448	48,636,241	-	1,155,793
Departmental and other.....	-	16,115,946	16,115,946	15,889,255	-	(226,691)
Investment income.....	-	200,000	200,000	195,726	-	(4,274)
Miscellaneous.....	-	-	-	268,687	-	268,687
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>185,989,740</b>	<b>185,989,740</b>	<b>187,723,526</b>	<b>-</b>	<b>1,733,786</b>
<b>EXPENDITURES:</b>						
<b>GENERAL GOVERNMENT</b>						
<b>Board of Alderman</b>						
Salaries.....	-	284,922	284,922	284,922	-	-
Expenses.....	-	40,660	40,660	38,720	600	1,340
<b>TOTAL.....</b>	<b>-</b>	<b>325,582</b>	<b>325,582</b>	<b>323,642</b>	<b>600</b>	<b>1,340</b>
<b>Clerk of Committees</b>						
Salaries.....	-	56,244	56,244	51,856	-	4,388
Expenses.....	250	1,250	1,000	849	-	151
<b>TOTAL.....</b>	<b>250</b>	<b>57,494</b>	<b>57,244</b>	<b>52,705</b>	<b>-</b>	<b>4,539</b>
<b>Executive Office</b>						
Salaries.....	-	2,593,168	2,544,388	2,343,986	-	200,402
Expenses.....	134,049	757,811	765,636	623,436	118,055	24,145
Special Items.....	35,625	210,625	210,625	187,458	-	23,167
<b>TOTAL.....</b>	<b>169,674</b>	<b>3,561,604</b>	<b>3,520,649</b>	<b>3,154,880</b>	<b>118,055</b>	<b>247,714</b>
<b>Auditor's Office</b>						
Salaries.....	-	656,268	656,268	586,069	-	70,199
Expenses.....	211,628	317,618	317,606	113,384	202,370	1,852
<b>TOTAL.....</b>	<b>211,628</b>	<b>973,886</b>	<b>973,874</b>	<b>699,453</b>	<b>202,370</b>	<b>72,051</b>
<b>Grants Management</b>						
Salaries.....	-	112,431	112,431	108,933	-	3,498
Expenses.....	21,025	25,481	25,481	4,634	17,822	3,025
<b>TOTAL.....</b>	<b>21,025</b>	<b>137,912</b>	<b>137,912</b>	<b>113,567</b>	<b>17,822</b>	<b>6,523</b>
<b>Purchasing</b>						
Salaries.....	-	363,459	363,459	327,264	-	36,195
Expenses.....	-	33,760	33,760	29,075	-	4,685
<b>TOTAL.....</b>	<b>-</b>	<b>397,219</b>	<b>397,219</b>	<b>356,339</b>	<b>-</b>	<b>40,880</b>
<b>Assessing</b>						
Salaries.....	-	498,604	498,604	497,586	-	1,018
Expenses.....	-	88,300	88,300	80,991	-	7,309
<b>TOTAL.....</b>	<b>-</b>	<b>586,904</b>	<b>586,904</b>	<b>578,577</b>	<b>-</b>	<b>8,327</b>
<b>Treasurer's/Collector's Office</b>						
Salaries.....	-	649,452	649,452	576,097	-	73,355
Expenses.....	32,443	308,943	287,438	245,092	8,796	33,550
<b>TOTAL.....</b>	<b>32,443</b>	<b>958,395</b>	<b>936,890</b>	<b>821,189</b>	<b>8,796</b>	<b>106,905</b>
<b>Law Department</b>						
Salaries.....	-	603,993	605,064	605,063	-	1
Expenses.....	720	126,620	225,201	158,554	31,790	34,857
<b>TOTAL.....</b>	<b>720</b>	<b>730,613</b>	<b>830,265</b>	<b>763,617</b>	<b>31,790</b>	<b>34,858</b>
<b>Personnel Department</b>						
Salaries.....	-	687,739	687,739	663,302	-	24,437
Expenses.....	44,988	302,183	315,822	145,347	74,712	95,763
Special Items.....	-	44,000	61,010	43,979	-	17,031
<b>TOTAL.....</b>	<b>44,988</b>	<b>1,033,922</b>	<b>1,064,571</b>	<b>852,628</b>	<b>74,712</b>	<b>137,231</b>

(Continued)

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Original Budget	Final Budget			
<b>Information Technology</b>						
Salaries.....	-	601,506	601,506	601,506	-	-
Expenses.....	12,488	1,265,628	1,278,807	1,117,195	151,491	10,121
<b>TOTAL.....</b>	<b>12,488</b>	<b>1,867,134</b>	<b>1,880,313</b>	<b>1,718,701</b>	<b>151,491</b>	<b>10,121</b>
<b>Communications</b>						
Salaries.....	-	237,787	237,787	224,516	-	13,271
Expenses.....	168	32,043	31,875	22,916	502	8,457
<b>TOTAL.....</b>	<b>168</b>	<b>269,830</b>	<b>269,662</b>	<b>247,432</b>	<b>502</b>	<b>21,728</b>
<b>City Clerk</b>						
Salaries.....	-	405,292	408,792	408,791	-	1
Expenditures.....	2,307	156,813	151,712	112,268	18,895	20,549
<b>TOTAL.....</b>	<b>2,307</b>	<b>562,105</b>	<b>560,504</b>	<b>521,059</b>	<b>18,895</b>	<b>20,550</b>
<b>Elections</b>						
Salaries.....	-	341,486	341,486	294,467	-	47,019
Expenditures.....	1,588	95,958	94,570	91,731	-	2,839
<b>TOTAL.....</b>	<b>1,588</b>	<b>437,444</b>	<b>436,056</b>	<b>386,198</b>	<b>-</b>	<b>49,858</b>
<b>Licensing Committee</b>						
Salaries.....	-	10,800	10,800	10,800	-	-
<b>Community Development</b>						
Salaries.....	-	2,364,986	2,814,915	2,732,677	-	82,238
Expenses.....	7,168	675,386	1,019,861	750,876	176,027	92,958
Capital.....	4,670	4,670	2,300	2,300	-	-
<b>TOTAL.....</b>	<b>11,838</b>	<b>3,045,042</b>	<b>3,837,076</b>	<b>3,485,853</b>	<b>176,027</b>	<b>175,196</b>
<b>Veterans Benefits</b>						
Salaries.....	-	112,346	112,346	112,345	-	1
Expenses.....	-	489,819	489,819	478,310	-	11,509
<b>TOTAL.....</b>	<b>-</b>	<b>602,165</b>	<b>602,165</b>	<b>590,655</b>	<b>-</b>	<b>11,510</b>
<b>Building Insurance</b>						
Expenses.....	-	500,000	490,464	475,794	-	14,670
<b>Person and Property Insurance</b>						
Expenditures.....	-	175,000	175,000	149,138	-	25,862
<b>Contingency Account</b>						
Expenses.....	-	720,789	51,935	49,918	-	2,017
<b>Total General Government.....</b>	<b>509,117</b>	<b>16,953,840</b>	<b>17,145,085</b>	<b>15,352,145</b>	<b>801,060</b>	<b>991,880</b>
<b>PUBLIC SAFETY</b>						
<b>Police Department</b>						
Salaries.....	-	14,776,684	14,791,684	14,606,322	-	185,362
Expenses.....	35,726	535,558	528,969	507,552	7,538	13,879
Special Items.....	-	51,314	51,314	36,000	-	15,314
<b>TOTAL.....</b>	<b>35,726</b>	<b>15,363,556</b>	<b>15,371,967</b>	<b>15,149,874</b>	<b>7,538</b>	<b>214,555</b>
<b>Fire Department</b>						
Salaries.....	-	15,716,980	15,716,980	15,323,596	-	393,384
Expenses.....	10,591	411,691	411,091	353,853	46,379	10,859
Special Items.....	-	50,400	57,810	6,010	989	50,811
<b>TOTAL.....</b>	<b>10,591</b>	<b>16,179,071</b>	<b>16,185,881</b>	<b>15,683,459</b>	<b>47,368</b>	<b>455,054</b>
<b>Emergency Management</b>						
Salaries.....	-	20,747	20,747	20,737	-	10
Expenses.....	-	5,700	5,700	3,576	2,124	-
<b>TOTAL.....</b>	<b>-</b>	<b>26,447</b>	<b>26,447</b>	<b>24,313</b>	<b>2,124</b>	<b>10</b>
<b>Animal Control</b>						
Salaries.....	-	98,883	98,883	89,773	-	9,110
Expenses.....	1,256	16,406	16,395	11,488	1,400	3,507
<b>TOTAL.....</b>	<b>1,256</b>	<b>115,289</b>	<b>115,278</b>	<b>101,261</b>	<b>1,400</b>	<b>12,617</b>
<b>Traffic and Parking</b>						
Salaries.....	-	2,424,944	2,424,944	2,293,841	-	131,103
Expenses.....	159,538	1,211,638	1,242,666	1,019,497	70,785	152,384
<b>TOTAL.....</b>	<b>159,538</b>	<b>3,636,582</b>	<b>3,667,610</b>	<b>3,313,338</b>	<b>70,785</b>	<b>283,487</b>

(Continued)

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Original Budget	Final Budget			
<b>Board of Health</b>						
Salaries.....	-	1,687,482	1,683,482	1,450,722	-	232,760
Expenses.....	353	128,012	131,858	85,074	1,151	45,633
<b>TOTAL.....</b>	<b>353</b>	<b>1,815,494</b>	<b>1,815,340</b>	<b>1,535,796</b>	<b>1,151</b>	<b>278,393</b>
<b>Total Public Safety.....</b>	<b>207,464</b>	<b>37,136,439</b>	<b>37,182,523</b>	<b>35,808,041</b>	<b>130,366</b>	<b>1,244,116</b>
<b>EDUCATION</b>						
Operational.....	358,265	56,948,769	56,857,757	56,167,926	373,933	315,898
<b>PUBLIC WORKS</b>						
<b>Administration</b>						
Salaries.....	-	555,654	555,654	555,647	-	7
Expenses.....	53,083	866,533	862,132	773,253	65,862	23,017
<b>TOTAL.....</b>	<b>53,083</b>	<b>1,422,187</b>	<b>1,417,786</b>	<b>1,328,900</b>	<b>65,862</b>	<b>23,024</b>
<b>Electrical</b>						
Salaries.....	-	312,858	312,858	246,364	-	66,494
Expenses.....	58,735	287,735	265,979	196,147	56,677	13,155
<b>TOTAL.....</b>	<b>58,735</b>	<b>600,593</b>	<b>578,837</b>	<b>442,511</b>	<b>56,677</b>	<b>79,649</b>
<b>Engineering</b>						
Salaries.....	-	150,706	150,706	118,482	-	32,224
Expenses.....	86,994	343,094	373,094	128,602	93,199	151,293
<b>TOTAL.....</b>	<b>86,994</b>	<b>493,800</b>	<b>523,800</b>	<b>247,084</b>	<b>93,199</b>	<b>183,517</b>
<b>Snow Removal</b>						
Expenses.....	27,189	677,189	2,177,207	2,082,702	41,658	52,847
<b>Highway</b>						
Salaries.....	-	2,139,675	2,139,675	1,998,621	-	141,054
Expenses.....	105,149	1,364,994	1,312,277	1,095,005	118,732	98,540
<b>TOTAL.....</b>	<b>105,149</b>	<b>3,504,669</b>	<b>3,451,952</b>	<b>3,093,626</b>	<b>118,732</b>	<b>239,594</b>
<b>Sanitation</b>						
Expenditures.....	21,126	4,968,126	4,501,323	4,133,737	49,076	318,510
<b>Building and Grounds</b>						
Salaries.....	-	2,096,848	2,096,848	1,891,123	-	205,725
Expenditures.....	850,306	7,615,309	7,571,762	6,660,069	646,821	264,872
<b>TOTAL.....</b>	<b>850,306</b>	<b>9,712,157</b>	<b>9,668,610</b>	<b>8,551,192</b>	<b>646,821</b>	<b>470,597</b>
<b>School Custodians</b>						
Salaries.....	-	1,684,472	1,675,298	1,551,820	-	123,478
Expenses.....	-	827,502	836,676	836,676	-	-
<b>TOTAL.....</b>	<b>-</b>	<b>2,511,974</b>	<b>2,511,974</b>	<b>2,388,496</b>	<b>-</b>	<b>123,478</b>
<b>Weights and Measures</b>						
Salaries.....	-	91,373	91,373	77,043	-	14,330
Expenses.....	-	2,790	2,790	675	-	2,115
<b>TOTAL.....</b>	<b>-</b>	<b>94,163</b>	<b>94,163</b>	<b>77,718</b>	<b>-</b>	<b>16,445</b>
<b>Total Public Works.....</b>	<b>1,202,582</b>	<b>23,984,858</b>	<b>24,925,652</b>	<b>22,345,966</b>	<b>1,072,025</b>	<b>1,507,661</b>
<b>CULTURE AND RECREATION</b>						
<b>Library</b>						
Salaries.....	-	1,632,941	1,632,941	1,570,286	-	62,655
Expenses.....	11,396	325,545	323,365	276,850	41,766	4,749
Capital.....	93,000	93,000	93,000	47,248	45,752	-
<b>TOTAL.....</b>	<b>104,396</b>	<b>2,051,486</b>	<b>2,049,306</b>	<b>1,894,384</b>	<b>87,518</b>	<b>67,404</b>
<b>Recreation and Youth Programs</b>						
Salaries.....	-	650,808	890,808	875,885	-	14,923
Expenses.....	8,225	113,750	108,233	91,927	10,539	5,767
<b>TOTAL.....</b>	<b>8,225</b>	<b>764,558</b>	<b>999,041</b>	<b>967,812</b>	<b>10,539</b>	<b>20,690</b>
<b>Total Culture and Recreation.....</b>	<b>112,621</b>	<b>2,816,044</b>	<b>3,048,347</b>	<b>2,862,196</b>	<b>98,057</b>	<b>88,094</b>

(Continued)

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

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Original Budget	Final Budget			
<b>OTHER</b>						
Pension Benefits						
Pension Accumulation.....	-	11,457,093	11,457,093	11,457,093	-	-
Non-Contributory Pension.....	-	228,625	238,161	234,769	-	3,392
<b>Total Pension Benefits.....</b>	<b>-</b>	<b>11,685,718</b>	<b>11,695,254</b>	<b>11,691,862</b>	<b>-</b>	<b>3,392</b>
Employee Benefits						
Health and Life Insurance.....	500	23,336,557	23,536,057	22,417,134	1,283	1,117,640
Worker's Compensation.....	-	691,777	698,777	686,548	-	12,229
Unemployment Compensation.....	-	200,000	200,000	99,687	-	100,313
<b>Total Employee Benefits.....</b>	<b>500</b>	<b>24,228,334</b>	<b>24,434,834</b>	<b>23,203,369</b>	<b>1,283</b>	<b>1,230,182</b>
Debt and Interest						
Debt Principal.....	-	6,914,320	6,971,599	6,971,599	-	-
Debt Interest.....	-	2,758,404	2,881,054	2,890,706	-	(9,652)
<b>TOTAL.....</b>	<b>-</b>	<b>9,672,724</b>	<b>9,852,653</b>	<b>9,862,305</b>	<b>-</b>	<b>(9,652)</b>
State and County Charges						
State & County.....	-	12,375,653	12,406,821	11,854,949	-	551,872
<b>Total Other.....</b>	<b>500</b>	<b>57,962,429</b>	<b>58,389,562</b>	<b>56,612,485</b>	<b>1,283</b>	<b>1,775,794</b>
<b>TOTAL EXPENDITURES.....</b>	<b>2,390,549</b>	<b>195,802,379</b>	<b>197,548,926</b>	<b>189,148,759</b>	<b>2,476,724</b>	<b>5,923,443</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,390,549)	(9,812,639)	(11,559,186)	(1,425,233)	(2,476,724)	7,657,229
<b>OTHER FINANCING SOURCES (USES):</b>						
Sale of capital assets.....	-	-	-	9,387	-	9,387
Transfers in.....	-	3,398,258	4,047,591	4,909,043	-	861,452
Transfers out.....	-	-	(4,219,772)	(4,219,772)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>3,398,258</b>	<b>(172,181)</b>	<b>698,658</b>	<b>-</b>	<b>870,839</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(2,390,549)</b>	<b>(6,414,381)</b>	<b>(11,731,367)</b>	<b>(726,575)</b>	<b>(2,476,724)</b>	<b>8,528,068</b>
BUDGETARY FUND BALANCE, Beginning of year.....	-	19,295,092	19,295,092	19,295,092	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (2,390,549)	\$ 12,880,711	\$ 7,563,725	\$ 18,568,517	\$ (2,476,724)	\$ 8,528,068

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)
01/01/13	\$ 193,697,367	\$ 335,458,757	\$ 141,761,390	57.7%	\$ 60,590,006	234.0%
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**

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
2014	\$ 12,173,806	\$ 12,173,806	100%	\$ 11,457,093	94.1%
2013	11,820,973	11,820,973	100%	11,084,131	93.8%
2012	11,755,395	11,755,395	100%	10,985,945	93.5%
2011	11,394,783	11,394,783	100%	10,830,988	95.1%
2010	11,046,043	11,046,043	100%	10,399,034	94.1%
2009	12,485,661	12,485,661	100%	11,789,638	94.4%
2008	11,775,000	11,775,000	100%	11,115,655	94.4%
2007	11,399,000	11,399,000	100%	10,727,743	94.1%
2006	11,036,000	11,036,000	100%	10,347,418	93.8%

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)
6/30/2014	\$ -	\$ 285,255,653	\$ 285,255,653	0%	\$ 112,256,322	254.1%
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

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2014	\$ 18,928,291	\$ 9,044,970	48%
6/30/2013	19,803,786	10,402,192	53%
6/30/2012	19,026,496	10,036,871	53%
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, 2014
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4%, open
Remaining amortization period.....	30 years as of June 30, 2014

Actuarial Assumptions:

Investment rate of return.....	4%, pay-as-you-go scenario
Medical/drug cost trend rate.....	7% graded to 4.5% over 8 years
Inflation rate.....	7% graded to 4.5% over 5 years
Projected salary increases .....	4%

Plan Membership:

Current retirees and beneficiaries.....	1,643
Current active members.....	<u>1,631</u>
Total.....	<u><u>3,274</u></u>

See notes to required supplementary information.

**NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

A. Budgetary Information

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

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2014 approved budget authorized \$195.8 million in appropriations and other amounts to be raised. During 2014, the Board also increased appropriations by approximately \$6.0 million. The City Auditor's Office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2014, is depicted below:

Excess (deficiency) of revenues and other financing sources (uses) over expenditures - budgetary basis.....	\$ (726,575)
<u>Perspective difference:</u>	
Unemployment insurance trust recorded in the general fund for GAAP.....	35,524
Stabilization funds recorded in the general fund for GAAP.....	573,184
<u>Basis of accounting differences:</u>	
Net change in recording 60-day receipts accrual.....	(204,800)
Net change in recording tax refunds payable.....	(209,000)
Recognition of revenue for on-behalf payments.....	(17,791,000)
Recognition of expenditures for on-behalf payments.....	<u>17,791,000</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures - GAAP basis.....	<u>\$ (531,667)</u>

**C. Appropriation Deficits**

During 2014, expenditures exceeded budgeted appropriations for debt interest payments. This deficit will be funded in future years through tax levy and other available funds.

**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, 2013
Actuarial Cost Method.....	Individual Entry Age Normal Cost Method
Amortization Method.....	Level percentage of payrolls, open
Remaining Amortization Period.....	21 years as of January 1, 2013
Asset Valuation Method.....	Fair Value, with a five year smoothing
Investment rate of return.....	8.25%
Projected salary increases.....	3.00%
Cost of living adjustments.....	2.5% of the lesser of the pension amount and \$12,000 per year

**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.

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

***Permanent Funds***

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

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

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

**NONMAJOR GOVERNMENTAL FUNDS**  
COMBINING BALANCE SHEET

JUNE 30, 2014

	<b>Special Revenue Funds</b>				
	School Special Revenue Funds	School Federal Grants	School State & Private Grant	City Federal Grant Funds	City State Grant Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 941,511	\$ 215,681	\$ 1,951,720	\$ 175,552	\$ 167,613
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	-	-	-
Intergovernmental.....	-	209,034	-	-	-
Loans.....	-	-	-	-	-
Due from other funds.....	433,404	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 1,374,915</b>	<b>\$ 424,715</b>	<b>\$ 1,951,720</b>	<b>\$ 175,552</b>	<b>\$ 167,613</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 10,596	\$ 23,012	\$ 14,218	\$ 39,845	\$ 1,431
Accrued payroll.....	43,260	31,781	39,044	193	18,160
Due to other funds.....	-	-	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>53,856</b>	<b>54,793</b>	<b>53,262</b>	<b>40,038</b>	<b>19,591</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue.....	-	-	-	-	-
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	-	-
Restricted.....	1,321,059	369,922	1,898,458	135,514	148,022
<b>TOTAL FUND BALANCES.....</b>	<b>1,321,059</b>	<b>369,922</b>	<b>1,898,458</b>	<b>135,514</b>	<b>148,022</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 1,374,915</b>	<b>\$ 424,715</b>	<b>\$ 1,951,720</b>	<b>\$ 175,552</b>	<b>\$ 167,613</b>

**Special Revenue Funds**

Highway Improvement Funds	City Revolving Funds	Receipts Reserved	City Private Grants	School Lunch Funds	Other Special Revenue Funds	Community Preservation	Subtotal
\$ -	\$ 320,796	\$ 1,117,223	\$ 367,006	\$ 1,165,178	\$ 3,088,293	\$ 2,624,642	\$ 12,135,215
-	-	-	-	-	-	13,132	13,132
2,522,956	-	-	-	-	-	-	2,731,990
-	-	-	-	-	1,704,475	-	1,704,475
-	-	-	-	-	-	-	433,404
<u>\$ 2,522,956</u>	<u>\$ 320,796</u>	<u>\$ 1,117,223</u>	<u>\$ 367,006</u>	<u>\$ 1,165,178</u>	<u>\$ 4,792,768</u>	<u>\$ 2,637,774</u>	<u>\$ 17,018,216</u>
\$ -	\$ 8,157	\$ -	\$ 42,200	\$ -	\$ 451	\$ -	\$ 139,910
-	2,125	-	906	-	6,679	231	142,379
<u>433,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>433,404</u>
<u>433,404</u>	<u>10,282</u>	<u>-</u>	<u>43,106</u>	<u>-</u>	<u>7,130</u>	<u>231</u>	<u>715,693</u>
<u>2,089,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,132</u>	<u>2,102,684</u>
-	-	-	-	-	-	-	-
<u>-</u>	<u>310,514</u>	<u>1,117,223</u>	<u>323,900</u>	<u>1,165,178</u>	<u>4,785,638</u>	<u>2,624,411</u>	<u>14,199,839</u>
<u>-</u>	<u>310,514</u>	<u>1,117,223</u>	<u>323,900</u>	<u>1,165,178</u>	<u>4,785,638</u>	<u>2,624,411</u>	<u>14,199,839</u>
<u>\$ 2,522,956</u>	<u>\$ 320,796</u>	<u>\$ 1,117,223</u>	<u>\$ 367,006</u>	<u>\$ 1,165,178</u>	<u>\$ 4,792,768</u>	<u>\$ 2,637,774</u>	<u>\$ 17,018,216</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**

JUNE 30, 2014

	<u>Permanent Funds</u>			Total Nonmajor Governmental Funds
	Permanent Funds Principal	Expendable Permanent Funds	Subtotal	
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 433,126	\$ 159,274	\$ 592,400	\$ 12,727,615
Receivables, net of uncollectibles:				
Departmental and other.....	-	-	-	13,132
Intergovernmental.....	-	-	-	2,731,990
Loans.....	-	-	-	1,704,475
Due from other funds.....	-	-	-	433,404
<b>TOTAL ASSETS.....</b>	<u>\$ 433,126</u>	<u>\$ 159,274</u>	<u>\$ 592,400</u>	<u>\$ 17,610,616</u>
<b>LIABILITIES</b>				
Warrants payable.....	\$ -	\$ -	\$ -	\$ 139,910
Accrued payroll.....	-	-	-	142,379
Due to other funds.....	-	-	-	433,404
<b>TOTAL LIABILITIES.....</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>715,693</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue.....	-	-	-	2,102,684
<b>FUND BALANCES</b>				
Nonspendable.....	433,126	-	433,126	433,126
Restricted.....	-	159,274	159,274	14,359,113
<b>TOTAL FUND BALANCES.....</b>	<u>433,126</u>	<u>159,274</u>	<u>592,400</u>	<u>14,792,239</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<u>\$ 433,126</u>	<u>\$ 159,274</u>	<u>\$ 592,400</u>	<u>\$ 17,610,616</u>

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

YEAR ENDED JUNE 30, 2014

	<b>Special Revenue Funds</b>				
	School Special Revenue Funds	School Federal Grants	School State & Private Grant	City Federal Grant Funds	City State Grant Funds
<b>REVENUES:</b>					
Intergovernmental.....	-	\$ 4,905,242	\$ 3,373,962	\$ 949,731	\$ 874,172
Departmental and other.....	2,175,944	-	-	-	-
Community Preservation.....	-	-	-	-	-
Contributions.....	7,094	-	-	-	-
Investment income.....	-	-	-	-	-
<b>TOTAL REVENUES.....</b>	<b>2,183,038</b>	<b>4,905,242</b>	<b>3,373,962</b>	<b>949,731</b>	<b>874,172</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	-	-	-	70,303	224,769
Public safety.....	-	-	-	403,878	317,807
Education.....	2,167,494	4,834,081	3,216,823	-	(500)
Public works.....	-	-	-	-	13,154
Human services.....	-	-	-	217,228	4,631
Culture and recreation.....	-	-	-	87,714	-
Community Preservation.....	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>2,167,494</b>	<b>4,834,081</b>	<b>3,216,823</b>	<b>779,123</b>	<b>559,861</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>15,544</b>	<b>71,161</b>	<b>157,139</b>	<b>170,608</b>	<b>314,311</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Premium from issuance of bonds.....	-	-	-	-	-
Transfers in.....	-	-	-	2,000	9,011
Transfers out.....	-	-	-	(2,000)	(433,414)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(424,403)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>15,544</b>	<b>71,161</b>	<b>157,139</b>	<b>170,608</b>	<b>(110,092)</b>
<b>FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR.....</b>	<b>1,305,515</b>	<b>298,761</b>	<b>1,741,319</b>	<b>(35,094)</b>	<b>258,114</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 1,321,059</b>	<b>\$ 369,922</b>	<b>\$ 1,898,458</b>	<b>\$ 135,514</b>	<b>\$ 148,022</b>

**Special Revenue Funds**

Highway Improvement Funds	City Revolving Funds	Receipts Reserved	City Private Grants	School Lunch Funds	Other Special Revenue Funds	Community Preservation	Sub-total
\$ 1,195,756	\$ -	\$ -	\$ 463,900	\$ 2,221,230	\$ 129,298	\$ -	\$ 14,113,291
-	1,079,791	1,596,965	-	568,181	1,058,644	-	6,479,525
-	-	-	-	-	-	1,323,320	1,323,320
-	-	-	(1,950)	-	245,450	-	250,594
-	-	-	-	-	2,562	2,190	4,752
<u>1,195,756</u>	<u>1,079,791</u>	<u>1,596,965</u>	<u>461,950</u>	<u>2,789,411</u>	<u>1,435,954</u>	<u>1,325,510</u>	<u>22,171,482</u>
-	754,580	-	208,939	-	792,003	-	2,050,594
-	3,201	-	-	-	197,252	-	922,138
-	-	-	-	2,512,498	-	-	12,730,396
1,195,756	14,540	-	-	-	48,503	-	1,271,953
-	-	-	2,471	-	-	-	224,330
-	177,833	-	22,990	-	70,683	-	359,220
-	-	-	-	-	-	56,770	56,770
<u>1,195,756</u>	<u>950,154</u>	<u>-</u>	<u>234,400</u>	<u>2,512,498</u>	<u>1,108,441</u>	<u>56,770</u>	<u>17,615,401</u>
-	129,637	1,596,965	227,550	276,913	327,513	1,268,740	4,556,081
-	-	-	-	-	962,253	-	962,253
-	-	-	-	-	-	1,355,671	1,366,682
-	(110,354)	(2,105,982)	-	-	(751,099)	-	(3,402,849)
-	(110,354)	(2,105,982)	-	-	211,154	1,355,671	(1,073,914)
-	19,283	(509,017)	227,550	276,913	538,667	2,624,411	3,482,167
-	291,231	1,626,240	96,350	888,265	4,246,971	-	10,717,672
<u>\$ -</u>	<u>\$ 310,514</u>	<u>\$ 1,117,223</u>	<u>\$ 323,900</u>	<u>\$ 1,165,178</u>	<u>\$ 4,785,638</u>	<u>\$ 2,624,411</u>	<u>\$ 14,199,839</u>

(Continued)

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

YEAR ENDED JUNE 30, 2014

	<u>Permanent Funds</u>			Total Nonmajor Governmental Funds
	Permanent Funds Principal	Expendable Permanent Funds	Sub-total	
<b>REVENUES:</b>				
Intergovernmental.....	\$ -	\$ -	\$ -	\$ 14,113,291
Departmental and other.....	-	-	-	6,479,525
Community Preservation.....	-	-	-	1,323,320
Contributions.....	-	-	-	250,594
Investment income.....	-	1,685	1,685	6,437
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>1,685</b>	<b>1,685</b>	<b>22,173,167</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	-	-	-	2,050,594
Public safety.....	-	5,546	5,546	927,684
Education.....	-	191	191	12,730,587
Public works.....	-	-	-	1,271,953
Human services.....	-	-	-	224,330
Culture and recreation.....	-	-	-	359,220
Community Preservation.....	-	-	-	56,770
<b>TOTAL EXPENDITURES.....</b>	<b>-</b>	<b>5,737</b>	<b>5,737</b>	<b>17,621,138</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>-</b>	<b>(4,052)</b>	<b>(4,052)</b>	<b>4,552,029</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Premium from issuance of bonds.....	-	-	-	962,253
Transfers in.....	-	-	-	1,366,682
Transfers out.....	-	-	-	(3,402,849)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,073,914)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>-</b>	<b>(4,052)</b>	<b>(4,052)</b>	<b>3,478,115</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>433,126</b>	<b>163,326</b>	<b>596,452</b>	<b>11,314,124</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 433,126</b>	<b>\$ 159,274</b>	<b>\$ 592,400</b>	<b>\$ 14,792,239</b>

(Concluded)

# ***Agency Fund***

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

**AGENCY FUND**  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2014

	Beginning of Year	Additions	Deletions	End of Year
<b>ASSETS</b>				
CURRENT:				
Cash and cash equivalents.....	\$ 1,578,250	\$ 3,664,567	\$ (4,897,403)	\$ 345,414
<b>LIABILITIES</b>				
Accrued liabilities.....	\$ 25,459	\$ 500	\$ (25,459)	\$ 500
Liabilities due depositors.....	1,552,791	3,664,067	(4,871,944)	344,914
TOTAL LIABILITIES.....	\$ 1,578,250	\$ 3,664,567	\$ (4,897,403)	\$ 345,414

# ***Statistical Section***



The Somerville District Court located near the Ten Hills neighborhood and the new Assembly Square development.

# ***Statistical Section***

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

## ***Financial Trends***

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

## ***Revenue Capacity***

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

## ***Debt Capacity***

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

## ***Demographic and Economic Information***

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

## ***Operating Information***

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

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

**Net Position By Component**

**Last Ten Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities</b>										
Net investment in capital assets.....	\$ 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	\$ 135,597,852
Restricted.....	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	23,001,973
Unrestricted.....	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)	(30,489,923)
<b>Total governmental activities net assets.....</b>	<b>\$ 143,978,746</b>	<b>\$ 148,457,264</b>	<b>\$ 180,125,702</b>	<b>\$ 169,548,064</b>	<b>\$ 155,587,914</b>	<b>\$ 141,629,468</b>	<b>\$ 141,697,548</b>	<b>\$ 130,888,990</b>	<b>\$ 137,184,838</b>	<b>\$ 128,109,902</b>
<b>Business-type activities</b>										
Net investment in capital assets.....	\$ -	\$ -	\$ -	\$ 4,762,242	\$ 7,539,882	\$ 16,039,555	\$ 20,025,113	\$ 24,078,204	\$ 29,794,495	\$ 35,084,760
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	20,124,102
<b>Total business-type activities net assets.....</b>	<b>\$ -</b>	<b>\$ 10,237,648</b>	<b>\$ 11,128,502</b>	<b>\$ 22,654,724</b>	<b>\$ 28,360,940</b>	<b>\$ 35,448,723</b>	<b>\$ 41,085,070</b>	<b>\$ 47,726,062</b>	<b>\$ 51,015,039</b>	<b>\$ 55,208,862</b>
<b>Primary government</b>										
Net investment in capital assets.....	\$ 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	\$ 170,682,612
Restricted.....	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	23,001,973
Unrestricted.....	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)	(10,365,821)
<b>Total primary government net position.....</b>	<b>\$ 143,978,746</b>	<b>\$ 158,694,912</b>	<b>\$ 191,254,204</b>	<b>\$ 192,202,788</b>	<b>\$ 183,948,854</b>	<b>\$ 177,078,191</b>	<b>\$ 182,782,618</b>	<b>\$ 178,615,052</b>	<b>\$ 188,199,877</b>	<b>\$ 183,318,764</b>

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 Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government.....	\$ 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	\$ 27,028,141
Public safety.....	36,223,863	39,481,859	39,923,227	54,178,926	53,444,548	52,328,325	45,903,858	52,391,661	51,377,022	52,091,080
Education.....	89,232,607	93,324,939	93,333,097	102,347,605	110,053,080	108,803,922	108,813,913	113,396,259	113,753,374	121,176,505
Public works.....	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	26,974,196
Water & sewer.....	17,129,773	-	-	-	-	-	-	-	-	-
Intergovernment subsidy.....	220,000	220,000	-	-	-	-	-	-	-	-
Community development.....	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	5,399,251
Human services.....	86,314	26,210	2,974	22,475	122,641	18,802	9,560	316,137	288,786	227,030
Community preservation.....	-	-	-	-	-	-	-	-	-	56,770
Culture and recreation.....	2,928,143	4,513,673	4,208,127	969,173	4,159,278	4,566,066	3,880,284	4,160,530	4,695,015	3,868,022
Interest.....	3,495,985	2,885,144	3,511,789	3,003,452	2,865,682	2,713,563	2,282,434	2,306,520	2,858,173	3,178,533
<b>Total government activities expenses.....</b>	<b>189,728,408</b>	<b>184,065,219</b>	<b>190,279,055</b>	<b>220,790,858</b>	<b>230,470,834</b>	<b>221,197,928</b>	<b>213,383,619</b>	<b>223,552,468</b>	<b>229,160,868</b>	<b>239,999,628</b>
<b>Business-type activities:</b>										
Water.....	-	6,524,762	6,915,717	7,111,413	7,920,756	6,863,013	9,034,024	8,366,003	9,222,940	9,120,695
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	15,811,901
Veteran's memorial ice rink.....	-	-	-	-	-	-	337,456	522,392	584,995	584,995
Dilboy stadium.....	-	-	-	-	-	-	-	132,312	147,794	217,781
<b>Total business-type activities expenses.....</b>	<b>-</b>	<b>18,027,628</b>	<b>18,480,836</b>	<b>18,665,716</b>	<b>20,900,670</b>	<b>20,108,295</b>	<b>23,220,023</b>	<b>23,639,435</b>	<b>25,196,794</b>	<b>25,735,352</b>
<b>Total primary government expenses.....</b>	<b>\$ 189,728,408</b>	<b>\$ 202,092,847</b>	<b>\$ 208,759,891</b>	<b>\$ 239,456,574</b>	<b>\$ 251,371,504</b>	<b>\$ 241,306,223</b>	<b>\$ 236,603,642</b>	<b>\$ 247,191,903</b>	<b>\$ 254,357,662</b>	<b>\$ 265,734,880</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Public safety charges for services.....	\$ 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	\$ 9,504,549
Education charges for services.....	2,424,782	2,130,300	1,566,641	1,287,818	1,289,836	1,523,386	2,773,301	2,888,195	2,620,430	2,744,125
Water & sewer charges for services.....	19,870,735	-	-	-	-	-	-	-	-	-
Other charges for services.....	2,800,271	3,673,824	3,779,691	3,847,424	4,251,818	5,441,674	7,576,529	7,963,541	6,725,934	7,313,541
Public safety operating grants and contributions.....	2,233,643	2,141,506	1,914,580	1,979,862	2,073,664	1,582,812	984,665	583,597	733,021	1,035,751
Education operating grants and contributions.....	32,845,893	42,363,167	45,527,173	46,931,033	48,503,731	47,963,393	46,514,454	46,478,286	47,121,192	49,332,811
Public works operating grants and contributions.....	1,789,910	1,764,836	2,772,390	867,986	865,255	816,657	20,000	149,243	1,201,182	1,030,318
Community development operating grants and contributions.....	5,390,842	5,466,570	854,630	14,267,545	7,104,189	9,596,238	6,754,407	5,677,368	6,544,448	5,331,152
Other operating grants and contributions.....	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	3,304,291
Education capital grants and contributions.....	-	3,879,094	24,363,592	-	1,021,427	-	-	-	12,653,757	1,686,711
Other capital grants and contributions.....	-	-	-	-	-	-	1,300,151	1,014,340	951,439	365,429
<b>Total government activities program revenues.....</b>	<b>89,274,454</b>	<b>75,205,993</b>	<b>94,992,041</b>	<b>84,643,927</b>	<b>78,627,760</b>	<b>80,821,235</b>	<b>80,660,792</b>	<b>78,411,569</b>	<b>92,495,263</b>	<b>81,648,678</b>
<b>Business-type activities:</b>										
Water charges for services.....	-	7,760,415	5,674,055	9,198,012	9,826,242	9,968,139	11,499,958	11,972,625	11,878,296	11,952,312
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	17,012,655	17,055,541
Veteran's memorial ice rink charges for services.....	-	-	-	-	-	-	-	270,626	377,422	530,583
Dilboy stadium charges for services.....	-	-	-	-	-	-	-	90,527	147,000	110,200
Other capital grant and contributions.....	-	-	-	-	-	-	-	1,322,550	-	654,755
<b>Total business-type activities program revenues.....</b>	<b>-</b>	<b>23,311,329</b>	<b>21,174,770</b>	<b>24,389,948</b>	<b>24,675,427</b>	<b>25,622,382</b>	<b>27,131,220</b>	<b>30,795,749</b>	<b>29,414,773</b>	<b>30,303,391</b>
<b>Total primary government program revenues.....</b>	<b>\$ 89,274,454</b>	<b>\$ 98,517,322</b>	<b>\$ 116,166,811</b>	<b>\$ 109,033,875</b>	<b>\$ 103,303,187</b>	<b>\$ 106,443,617</b>	<b>\$ 107,792,012</b>	<b>\$ 109,207,318</b>	<b>\$ 121,910,036</b>	<b>\$ 111,952,069</b>
<b>Net (Expense)/Program Revenue</b>										
Governmental activities.....	\$ (100,453,954)	\$ (108,869,226)	\$ (95,287,014)	\$ (136,146,931)	\$ (151,843,074)	\$ (140,376,693)	\$ (132,722,827)	\$ (145,140,899)	\$ (136,665,605)	\$ (158,350,850)
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	4,568,039
<b>Total primary government net (expense)/program revenue.....</b>	<b>\$ (100,453,954)</b>	<b>\$ (103,575,525)</b>	<b>\$ (92,593,080)</b>	<b>\$ (130,422,699)</b>	<b>\$ (148,068,317)</b>	<b>\$ (134,862,606)</b>	<b>\$ (128,811,630)</b>	<b>\$ (137,984,585)</b>	<b>\$ (132,447,626)</b>	<b>\$ (153,782,811)</b>
<b>General Revenues and other Changes in Net Position</b>										
<b>Governmental activities:</b>										
Real estate and personal property taxes.....	\$ 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	\$ 113,520,645
Tax and utility liens.....	-	-	-	-	-	-	-	-	465,853	968,105
Motor vehicle and other excise taxes.....	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	7,639,442
Penalties and interest on taxes.....	599,400	619,375	475,391	821,535	695,914	962,668	1,266,600	860,457	1,070,330	1,121,504
Payments in lieu of taxes.....	341,819	354,342	131,329	314,262	158,827	163,644	398,281	192,334	182,347	285,596
Community Preservation surtax.....	-	-	-	-	-	-	-	-	-	1,323,320
Grants and contributions not restricted.....	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	23,374,357
Unrestricted investment income.....	929,090	1,476,584	2,261,853	1,605,434	1,096,779	584,028	419,721	320,878	258,370	238,031
Gain on disposal of assets.....	867,752	150,484	148,563	1,780	7,638	8,635	9,355	-	-	-
Donation of land.....	-	-	678,300	-	-	-	-	-	-	-
Miscellaneous.....	177,997	1,048,792	899,510	2,010,382	2,019,017	458,502	884,039	61,023	115,049	278,074
Transfers, net.....	-	829,217	2,607,821	-	-	-	-	670,598	1,075,842	526,840
<b>Total governmental activities.....</b>	<b>110,235,565</b>	<b>116,265,912</b>	<b>126,955,452</b>	<b>129,085,454</b>	<b>137,882,924</b>	<b>126,418,247</b>	<b>132,790,907</b>	<b>134,332,341</b>	<b>142,961,453</b>	<b>149,275,914</b>
<b>Business-type activities:</b>										
Tax and utility liens.....	-	904,658	655,236	1,589,910	1,609,372	1,413,910	1,562,666	-	-	-
Unrestricted investment income.....	-	201,498	149,505	695,919	322,087	159,786	162,484	155,276	146,840	152,624
Transfers.....	-	(829,217)	(2,607,821)	-	-	-	-	(670,598)	(1,075,842)	(526,840)
<b>Total business-type activities.....</b>	<b>-</b>	<b>276,939</b>	<b>(1,803,080)</b>	<b>2,285,829</b>	<b>1,931,459</b>	<b>1,573,696</b>	<b>1,725,150</b>	<b>(515,322)</b>	<b>(929,002)</b>	<b>(374,216)</b>
<b>Total primary government general revenues and other changes in net position.....</b>	<b>\$ 110,235,565</b>	<b>\$ 116,542,851</b>	<b>\$ 125,152,372</b>	<b>\$ 131,371,283</b>	<b>\$ 139,814,383</b>	<b>\$ 127,991,943</b>	<b>\$ 134,516,057</b>	<b>\$ 133,817,019</b>	<b>\$ 142,032,451</b>	<b>\$ 148,901,698</b>
<b>Changes in Net Position</b>										
Governmental activities.....	\$ 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	\$ (9,074,936)
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	4,193,823
<b>Total primary government changes in net position.....</b>	<b>\$ 9,781,611</b>	<b>\$ 12,967,326</b>	<b>\$ 32,559,292</b>	<b>\$ 948,584</b>	<b>\$ (8,253,934)</b>	<b>\$ (6,870,663)</b>	<b>\$ 5,704,427</b>	<b>\$ (4,167,566)</b>	<b>\$ 9,584,825</b>	<b>\$ (4,881,113)</b>

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

**Fund Balances, Governmental Funds**

**Last Ten Years**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>General Fund</b>										
Reserved.....	\$ 8,058,346	\$ 9,007,502	\$ 11,389,250	\$ 12,484,743	\$ 14,740,399	\$ 15,210,735	\$ -	\$ -	\$ -	\$ -
Unreserved.....	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	25,038,098
Assigned.....	-	-	-	-	-	-	10,242,471	5,948,451	5,890,549	5,976,724
Unassigned.....	-	-	-	-	-	-	11,745,190	13,735,197	17,005,198	15,520,425
<b>Total general fund.....</b>	<b>\$ <u>23,100,171</u></b>	<b>\$ <u>25,871,295</u></b>	<b>\$ <u>29,236,238</u></b>	<b>\$ <u>30,186,523</u></b>	<b>\$ <u>26,693,306</u></b>	<b>\$ <u>27,898,438</u></b>	<b>\$ <u>40,700,160</u></b>	<b>\$ <u>41,612,751</u></b>	<b>\$ <u>47,066,914</u></b>	<b>\$ <u>46,535,247</u></b>
<b>All Other Governmental Funds</b>										
Reserved.....	\$ 11,361,753	\$ 11,865,594	\$ 12,312,520	\$ 13,552,469	\$ 12,276,896	\$ 13,423,104	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	4,329,384	7,306,605	8,112,563	9,163,103	17,964,768	20,226,857	-	-	-	-
Capital projects funds.....	(2,877,173)	498,479	3,260,677	119,927	(59,498)	6,678,591	-	-	-	-
Permanent funds.....	165,688	177,763	196,730	216,731	217,881	163,066	-	-	-	-
Nonspendable.....	-	-	-	-	-	-	433,126	433,126	433,126	433,126
Restricted.....	-	-	-	-	-	-	32,172,936	23,955,913	24,039,762	29,105,031
Unassigned.....	-	-	-	-	-	-	(42,349)	(7,897,251)	(8,830,687)	(11,138,192)
<b>Total all other governmental funds..</b>	<b>\$ <u>12,979,652</u></b>	<b>\$ <u>19,848,441</u></b>	<b>\$ <u>23,882,490</u></b>	<b>\$ <u>23,052,230</u></b>	<b>\$ <u>30,400,047</u></b>	<b>\$ <u>40,491,618</u></b>	<b>\$ <u>32,563,713</u></b>	<b>\$ <u>16,491,788</u></b>	<b>\$ <u>15,642,201</u></b>	<b>\$ <u>18,399,965</u></b>

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

**Changes in Fund Balances, Governmental Funds**

**Last Ten Years**

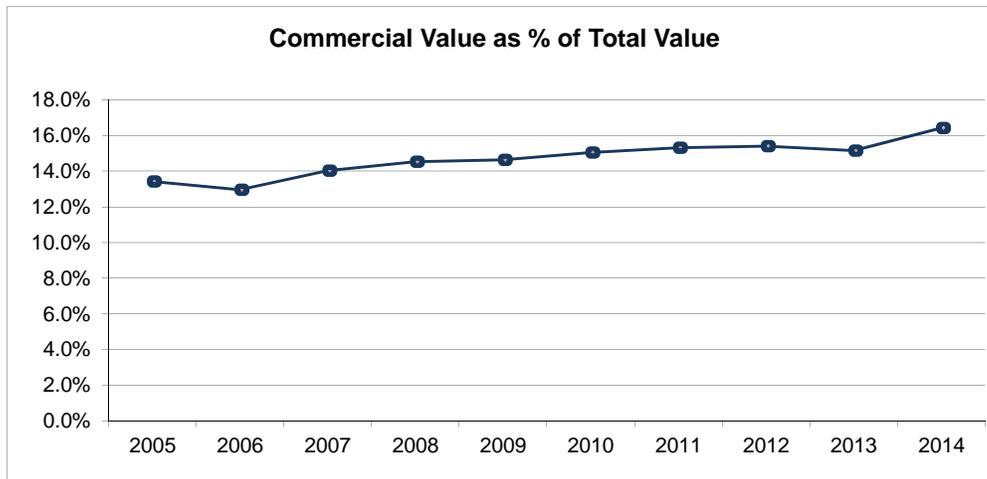
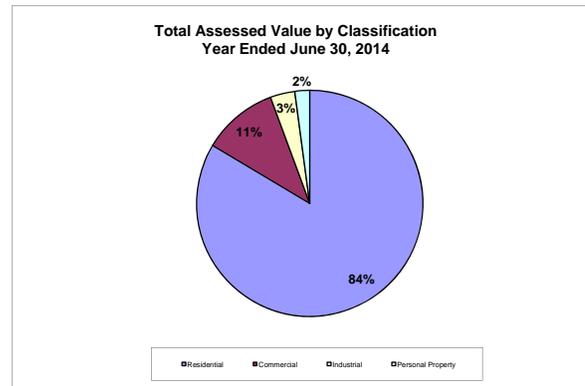
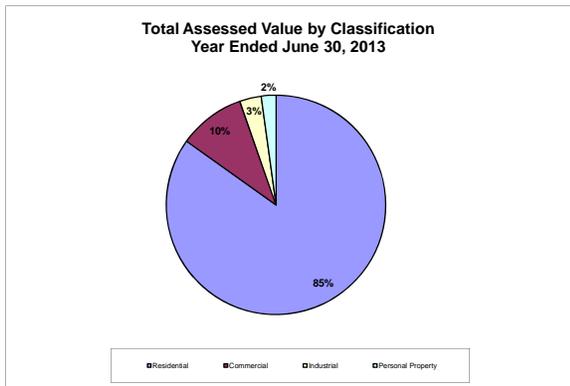
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues:</b>										
Real estate and personal property taxes.....	\$ 72,598,949	\$ 76,923,448	\$ 81,122,008	\$ 85,100,033	\$ 89,398,919	\$ 95,031,409	\$ 98,921,096	\$ 102,575,530	\$ 109,391,564	\$ 113,427,599
Tax liens.....	1,144,242	986,111	660,729	870,517	1,165,496	1,078,578	1,161,723	1,297,050	1,118,479	847,582
Motor vehicle and other excise taxes.....	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	7,759,040
Water and sewer charges.....	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	285,596
Intergovernmental.....	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	88,757,484
Departmental and other.....	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	22,368,780
Community preservation taxes.....	-	-	-	-	-	-	-	-	-	1,323,320
Contributions.....	-	1,958	2,046,099	1,273,574	160,049	1,162,345	1,354,249	1,361,020	1,126,151	256,094
Investment income.....	929,090	1,432,620	2,221,664	1,605,434	1,096,779	584,028	419,721	320,878	238,620	238,031
Miscellaneous.....	-	1,750	-	1,700,000	12,270,901	312,803	229,144	71,679	102,500	268,687
<b>Total Revenue.....</b>	<b>198,011,138</b>	<b>188,941,864</b>	<b>217,601,048</b>	<b>212,844,878</b>	<b>220,858,748</b>	<b>209,907,486</b>	<b>216,618,675</b>	<b>219,541,952</b>	<b>237,311,147</b>	<b>235,532,213</b>
<b>Expenditures:</b>										
General government.....	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	17,643,136
Public safety.....	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	37,020,112
Education.....	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	68,950,650
Public works.....	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	23,213,680
Water and sewer.....	17,129,773	-	-	-	-	-	-	-	-	-
Intergovernmental subsidy.....	220,000	220,000	-	-	-	-	-	-	-	-
Community development.....	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	5,399,251
Human services.....	3,849	6,339	3,458	3,682	108,906	2,681	7,095	312,548	288,766	224,330
Culture and recreation.....	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	1,792,055
Pension benefits.....	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	29,482,862
Employee benefits.....	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	23,240,442
Claims and judgments.....	-	-	-	-	-	-	-	124,666	87,190	149,138
Community preservation.....	-	-	-	-	-	-	-	-	-	56,770
State and county charges.....	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	11,854,949
Capital outlay.....	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	12,164,916
Debt service:										
Principal.....	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	6,971,599
Interest.....	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	2,890,706
<b>Total Expenditures.....</b>	<b>195,005,616</b>	<b>191,299,699</b>	<b>218,587,408</b>	<b>221,549,207</b>	<b>217,011,986</b>	<b>209,324,418</b>	<b>218,481,561</b>	<b>251,491,751</b>	<b>247,831,264</b>	<b>241,054,596</b>
Excess of revenues over (under) expenditures.....	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)	(5,522,383)
<b>Other Financing Sources (Uses)</b>										
Issuance of bonds and notes.....	1,178,828	10,073,053	5,617,227	13,713,522	-	10,695,000	6,305,000	15,750,000	13,940,000	6,250,000
Issuance of refunding bonds.....	-	-	23,705,000	-	-	15,129,000	-	-	-	-
Premium from issuance of bonds.....	-	-	420,654	62,957	-	10,000	422,348	353,483	96,302	962,253
Premium from issuance of refunding bonds.....	-	-	-	-	-	682,609	-	-	-	-
Payments to refunded bond escrow agent.....	-	-	(24,115,350)	-	-	(15,811,609)	-	-	-	-
Sale of capital assets.....	1,234,671	150,484	150,000	1,780	7,838	8,635	9,355	16,384	12,549	9,387
Transfers in.....	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	5,578,902
Transfers out.....	(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)	(5,052,062)
<b>Total other financing sources (uses).....</b>	<b>2,413,499</b>	<b>11,052,754</b>	<b>8,385,352</b>	<b>13,778,259</b>	<b>7,838</b>	<b>10,713,635</b>	<b>6,736,703</b>	<b>16,790,465</b>	<b>15,124,693</b>	<b>7,748,480</b>
<b>Net change in fund balance.....</b>	<b>\$ 5,419,021</b>	<b>\$ 8,694,919</b>	<b>\$ 7,398,992</b>	<b>\$ 5,073,930</b>	<b>\$ 3,854,600</b>	<b>\$ 11,296,703</b>	<b>\$ 4,873,817</b>	<b>\$ (15,159,334)</b>	<b>\$ 4,604,576</b>	<b>\$ 2,226,097</b>
Debt service as a percentage of noncapital expenditures....	4.34%	4.24%	4.54%	4.14%	3.63%	4.37%	4.41%	4.62%	4.47%	4.31%

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 Years

Year	Assessed and Actual Values and Tax Rates								
	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate (2)	Total City Value
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
2014 (1)	\$ 7,894,327,349	\$ 12.66	\$ 1,020,307,151	\$ 331,988,000	\$ 199,049,900	\$ 1,551,345,051	\$ 21.51	\$ 14.11	\$ 9,445,672,400



(1) Revaluation year.  
 (2) The direct rate is the weighted average of the residential and commercial tax rates.  
 Source: Assessor's Department, City of Somerville  
 All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the City. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

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

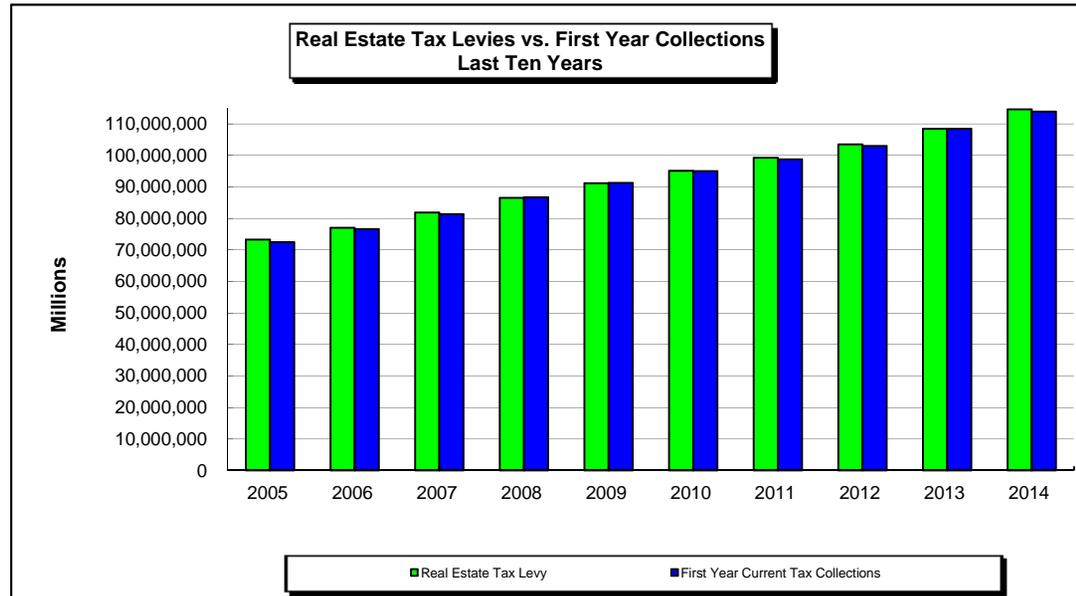
Name	Nature of Business	2014			2005		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
FRIT Assembly Square LLC	Shopping Mall	\$ 68,798,100	1	0.73%	\$ 28,125,700	4	0.39%
ST Retail Inc and FR Sturtevant ST LLC	Developable Land Comm	\$ 66,127,100	2	0.70%	\$ -	-	-
NSTAR Electric Co.	Electric Company	\$ 63,762,990	3	0.68%	\$ 64,794,300	1	0.89%
Twin City Plaza LLC	Retail Mall	\$ 50,462,300	4	0.53%	\$ 34,130,000	3	0.47%
1-93 Somerville LLC	Retail	\$ 36,999,900	5	0.39%	\$ 39,496,500	2	0.54%
CRP 70 Inner Blet LLC	Telecom	\$ 35,364,600	6	0.37%	\$ -	-	-
Kadima Medical Properties LLC	Professional Building	\$ 33,681,300	7	0.36%	\$ 26,783,000	5	-
National Tax Search LLC Trustee	Office Building	\$ 30,139,400	8	0.32%	\$ 21,767,000	7	-
Fine Arts Storage Partners	Industrial Office	\$ 29,122,100	9	0.31%	\$ -	-	-
Street Retail Inc (c/o Avalon Bay)	Mixed Use	\$ 44,020,800	10	0.47%	\$ -	-	-
IKEA Property Inc.	Commercial Land	\$ -	-	-	\$ 22,462,100	6	0.31%
OP/HerS Somerville Corp.	Industrial Office Parking	\$ -	-	-	\$ 16,403,100	8	0.23%
RCN	Utility	\$ -	-	-	\$ 16,278,700	9	0.22%
Grand Panjandrum Realty	Super Market/Retail	\$ -	-	-	\$ 15,131,300	10	0.21%
	<b>Totals</b>	<u>\$458,478,590</u>		<u>4.85%</u>	<u>\$285,371,700</u>		<u>3.26%</u>

Source: Official Statement for Sale of Bonds

**Property Tax Levies and Collections**

**Last Ten Years**

Year	(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	(3) Percent of Total Tax Collections to Net Tax Levy
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%
2014	(1) \$ 116,112,597	\$ 1,586,537	\$ 114,526,060	\$ 113,841,400	99.40%	\$ -	\$ 113,841,400	99.40%



(1) Revaluation year.

(2) Includes tax liens.

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

Source: Assessor's Department, City of Somerville

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

**Last Ten Years**

Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
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	\$ 84,360,426	\$ -	\$ 1,101	3.19%	0.98%
2014	78,804	\$ 2,773,699,578	\$ 9,445,672,400	\$ 84,481,455	\$ -	\$ 1,072	3.05%	0.89%

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
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	\$ -	\$ 97,619,394	\$ 1,275	3.69%	1.14%
2014	\$ 11,801,568	\$ -	\$ 96,283,023	\$ 1,222	3.47%	1.02%

(1) Prior to 2008, water and sewer enterprise long-term debt activity was accounted for in the general fund.

Source: Audited Financial Statements, U. S. Census, Division of Local Services

**Computation of Legal Debt Margin**

**Last Ten Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Equalized Valuation.....	\$ 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	\$ 9,237,328,000
Debt Limit -5% of Equalized Valuation.....	\$ 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	\$ 461,866,400
Less:										
Outstanding debt applicable to limit.....	66,137,987	64,170,858	71,381,925	74,634,995	73,888,615	83,900,079	81,671,701	90,422,762	97,619,394	96,283,023
Authorized and unissued debt.....	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	27,875,515
Legal debt margin.....	<u>\$ 339,250,885</u>	<u>\$ 343,474,368</u>	<u>\$ 378,364,713</u>	<u>\$ 375,464,627</u>	<u>\$ 352,196,252</u>	<u>\$ 348,982,558</u>	<u>\$ 300,481,843</u>	<u>\$ 308,003,494</u>	<u>\$ 314,143,773</u>	<u>\$ 337,707,862</u>
Total debt applicable to the limit as a percentage of debt limit.....	22.55%	21.58%	21.27%	21.88%	22.93%	23.63%	34.87%	33.24%	31.98%	26.88%

Source: Official Statement for Sale of Bonds

**Direct and Overlapping Governmental Activities Debt**

**As of June 30, 2014**

<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.....	\$ 2,111,387,000	3.28%	\$ 69,253,494
MWRA Sewer.....	3,898,585,000	3.41%	132,941,749
Massachusetts Bay Transportation Authority.....	5,499,988,000	3.07%	<u>168,849,632</u>
Subtotal, overlapping debt.....			<u>371,044,874</u>
City direct debt.....			<u>84,481,455</u>
Total direct and overlapping debt.....			<u>\$ 455,526,329</u>

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

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

**Demographic and Economic Statistics**

**Last Ten Years**

<b>Year</b>	<b>Population Estimates</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Unemployment Rate</b>
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%
2014*	78,804	\$ 2,773,699,578	\$ 35,197	33.9	3.7%

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

**Principal Employers (Excluding City)**

**Current Year and Nine Years Ago**

Employer	Nature of Business	2014			2005		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
ABM Industries	Janitorial Services	2,000	1	3.89%	-	-	-
Cambridge Health Alliance	Health Care	1,014	2	1.97%	771	1	1.73%
Agelica Corporation	Drycleaning & Laundry	546	3	1.06%	-	-	-
Federal Realty Investment Trust	Real Estate	510	4	0.99%	-	-	-
Gentle Giant	Local Trucking	375	5	0.73%	-	-	-
Rogers Foam Corporation	Foam Fabricator	300	6	0.58%	210	8	0.47%
Van der Weil	Engineering/Consulting	300	7	0.58%	-	-	-
Visiting Nurses Association	Nursing Care Facility	250	9	0.49%	-	-	-
Harvard Vanguard	Healthcare	225	8	0.44%	250	7	0.56%
FISERV	Data Processing	220	10	0.43%	-	-	-
Royal Institutional Service	Laundry	-	-	-	710	2	1.59%
Ames Safety Envelope	Envelopes and File Folders	-	-	-	525	3	1.18%
Assembly Square Mall	Retail	-	-	-	510	4	1.14%
Home Depot	Retail Store	-	-	-	351	5	0.79%
MBTA Boston Engine Terminal	Railroad Maintenance	-	-	-	350	6	0.79%
MS Walker	Beverages	-	-	-	200	9	0.45%
United Parcel Service	Package Delivery Service	-	-	-	190	10	0.43%
	<b>Totals</b>	<u>8,237</u>		<u>11.18%</u>	<u>6,067</u>		<u>9.13%</u>

Source: Massachusetts Department of Workforce Development

**Full-Time Equivalent City Employees**

**Last Ten Years**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Full-Time Equivalents</u>										
City.....	765	750	736	721	712	708	670	675	696	714
School.....	858	863	851	847	853	823	843	845	892	908
Total .....	<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>1,520</u>	<u>1,587</u>	<u>1,622</u>

Source: Finance Committee Report

**Operating Indicators by Function/Program**

**Last Ten Years**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Government:</b>										
Registered Voters.....	42,018	42,407	42,795	44,483	42,759	42,937	43,633	45,987	47,484	47,454
Births.....	753	706	798	827	885	873	922	962	957	957*
Marriages.....	611	617	593	595	602	586	553	503	591	591*
Deaths.....	470	479	482	410	393	459	441	420	410	410*
Dogs licensed.....	628	731	899	981	1,120	1,289	1,595	1,967	1,790	1790*
Business Certificates.....	552	610	491	451	471	466	445	451	425	425*
<b>Fire:</b>										
Total Fires.....	374	339	348	239	134	98	156	279	476	476*
Structure Fires.....	97	52	197	75	59	42	44	60	107	107*
Vehicle Fires.....	32	24	13	19	17	16	16	15	24	24*
Other Fires.....	263	263	138	145	58	40	96	204	345	345*
<b>Civilian</b>										
Deaths.....	0	0	0	0	0	0	3	1	0	0*
Injuries.....	6	6	14	2	1	24	41	22	5	5*
<b>Fire Service</b>										
Deaths.....	0	0	0	0	0	0	0	0	0	0*
Injuries.....	106	86	87	112	84	76	81	44	71	71*
Dollar Loss.....	\$ 4,452,775	\$ 3,062,425	\$ 5,279,160	\$ 2,981,170	\$ 2,211,115	\$ 2,258,000	\$ 3,019,600	\$ 2,438,000	\$ 5,850,000	\$ 5,850,000*
<b>Police:</b>										
Violent crime total.....	255	298	277	283	282	226	259	258	178	178*
Murder and nonnegligent manslaughter.....	1	2	1	2	3	0	1	0	0	0*
Forcible rape.....	9	19	17	20	7	14	17	22	17	17*
Robbery.....	140	130	120	112	104	77	90	84	51	51*
Aggravated assault.....	105	147	139	149	168	135	151	152	110	110*
Property crime total.....	1,704	1,978	2,278	2,336	1,970	2,028	1,760	1,752	1,552	1,552*
Burglary.....	523	440	437	453	493	514	416	349	430	430*
Larceny-theft.....	858	1,219	1,555	1,633	1,314	1,336	1,193	1,270	1,021	1,021*
Motor vehicle theft.....	323	319	286	250	163	178	151	133	101	101*
<b>Traffic and Parking:</b>										
Tickets Issued.....	N/A	223,154	220,754	207,915	189,878	158,995	152,381	149,844	144,919	127,687**
<b>Inspectional:</b>										
Building Permit Count.....	2,052	1,876	1,793	1,718	1,507	1,736	1,627	1,682	1,775	1,775*
<b>Education:</b>										
Total enrollment.....	5,383	5,136	4,894	4,890	4,877	4,842	4,855	4,877	4,922	4,940
<b>Library:+</b>										
Total Circulation.....	436,454	397,302	399,470	425,743	499,205	501,095	466,304	448,579	415,666	415,666*
Total Holdings.....	182,769	178,038	180,499	185,847	185,611	183,791	185,930	192,229	194,451	194,451*
Registered users.....	28,812	28,000	25,629	27,447	27,939	27,663	27,826	27,934	28,017	28,017*

NA - Information not available

+ Denotes fiscal year reporting schedule, \* Denotes estimates based on 2013 data, \*\* Denotes 2014 year-to-date

Source: Elections Dept, City Clerk, Fire Dept, Police Dept, T&P Dept, ISD, Mass DoE, MBoLC

**Capital Asset Statistics by Function/Program**

**Last Ten Years**

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Fire:</b>										
Fire stations.....	5	5	5	5	5	5	5	5	5	5
Emergency vehicles.....	7	7	8	8	8	8	8	8	8	8
<b>Police:</b>										
Stations.....	3	3	3	3	3	3	2	2	3	3
<b>Public works:</b>										
Streets (miles).....	N/A	N/A	N/A	105.64	106.15	106.17	106.17	106.17	108.97	115.11
<b>Electric:</b>										
Streetlights.....	3,957	3,986	3,986	3,986	4,006	4,006	4,006	4,032	4,032	4,032
<b>Sewer:</b>										
Sanitary sewers (miles).....	68	68	68	68	68	68	68	68	68	68
Storm sewers (miles).....	35	35	35	35	35	35	35	35	35	35
<b>Library:</b>										
Main library.....	1	1	1	1	1	1	1	1	1	1
Number of branches.....	2	2	2	2	2	2	2	2	2	2
<b>Parks and recreation:</b>										
<b>City Parks</b>										
Number of Parks.....	40	40	40	40	41	41	41	43	43	43
Acreage.....	48.18	48.18	48.18	48.18	49.27	49.27	49.27	51.35	51.35	51.35
<b>DCR Parks in Somerville</b>										
Number of Parks.....	6	6	6	6	6	6	6	6	6	6
Acreage.....	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5	77.5
<b>Other Open and Public Space</b>										
Number of Spaces.....	24	25	25	28	28	28	28	28	28	28
Acreage.....	45.96	48.36	48.36	50.34	50.34	50.34	50.34	50.34	50.34	50.34
<b>Water:</b>										
Water mains (miles).....	125	125	125	125	125	125	125	125	125	125
Fire hydrants.....	1,497	1,497	1,508	1,508	1,508	1,523	1,523	1,523	1,523	1,550
<b>Education:</b>										
Elementary schools.....	10	10	10	10	9	9	9	9	10	10
High school.....	1	1	1	1	1	1	1	1	1	1

NA - Information not available  
 Source: Various City Departments