

CITY OF SOMERVILLE, MASSACHUSETTS



ANNUAL COMPREHENSIVE
FINANCIAL REPORT
JULY 1, 2024 - JUNE 30, 2025

On the cover and below: October 18, 2025, marked the official opening of the Assembly Square Fire Station. Events include the official hose uncoupling and sharing the space with the Somerville residents it will service.



CITY OF SOMERVILLE, MASSACHUSETTS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2025

Katjana Ballantyne, Mayor



Prepared by the City Finance Department

Edward Bean, Finance Director



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**CITY OF SOMERVILLE, MASSACHUSETTS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2025**

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INTRODUCTORY SECTION



In the midst of a historic snowfall season, the City's DPW state of the art equipment and dedicated operators have been working tirelessly around the clock to keep the City safe for its residents.



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City of Somerville, Massachusetts

Jake Wilson
MAYOR

Letter of Transmittal

February 26, 2026

To Members of the City Council and Citizens of the City of Somerville:

We are pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Somerville (City) for the year ended June 30, 2025. The ACFR is prepared by the City's Finance Department and is intended to provide information regarding the financial position of the City. This report is prepared in accordance with U.S. generally accepted accounting principles (GAAP) and meets all requirements of state finance laws 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 Roselli, Clark & Associates, to perform the June 30, 2025, audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Somerville for the year ended June 30, 2025, are free of material misstatements.

The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Somerville's financial statements for the year ended June 30, 2025, 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.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of an MD&A. This letter of transmittal is designed to complement the financial analysis in the MD&A. The City’s MD&A can be found immediately following the independent auditor’s report.

GENERAL PROFILE

Somerville is a city located in Middlesex County, Massachusetts, just two miles north of Boston. Occupying slightly more than four square miles with a population of 80,407, the City boasts a very diverse population of 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. It

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 hubs 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 the British invasion, Somerville (then Charlestown) was part of the route ridden by Paul Revere on his famous "Midnight Ride." Finally, and most notably, Prospect Hill was the site of the raising of the first Grand Union Flag, under the orders of General George Washington, on January 1, 1776.

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

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

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

QUALITY OF LIFE

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

through its SomArt Space initiative which provides rehearsal and performance space to the community.

Somerville Public Schools (SPS) is a richly diverse district serving approximately 5,000 students across eleven public schools. The district is committed to ensuring that every student - regardless of background - has access to high-quality instruction, meaningful support, and opportunities that prepare them for success beyond high school. Somerville High School (SHS) is a comprehensive high school offering a rigorous core academic curriculum alongside one of the strongest Career and Technical Education (CTE) programs in Massachusetts, which provides more than fourteen career pathways. These programs provide students with industry-aligned skills, hands-on learning, and clear connections to post-secondary education and workforce opportunities. District outcomes demonstrate steady progress alongside areas for continued focus. The four-year graduation rate dipped slightly to 83.6 percent in 2024. Despite this, the overall dropout rate since the pandemic has actually decreased 1.5%. Nevertheless, the District has still refocused its investments in supporting students in grades 9-12. These mixed results underscore the need to focus on targeted, data-driven interventions and student support systems.

SPS emphasizes a whole-child approach through a collaborative, data-informed system of support designed to address the students' academic, social, emotional, and developmental needs. A strong core curriculum is enhanced by robust offerings in the visual and performing arts, world languages, health and physical education, technology, and a wide range of extracurricular activities. These are intended to promote engagement and belonging.

Recent investments in prekindergarten, special education, and afterschool programming strengthen early learning experiences and provide critical enrichment and academic support beyond the school day. Extending our learning opportunities to the community has resulted in a highly successful adult learning program, which graduated its largest class of students in 2024-2025 – including twelve adult diplomas, 43 early childhood and paraeducators, and fifteen certified nursing assistants. An additional 20 graduates emerged from the summer pre-apprentice PACMAN program.

Through these coordinated efforts, Somerville Public Schools continue to advance equitable outcomes and ensure that all students are supported, challenged, and prepared for post-secondary success.

Somerville offers tremendous diversity of mobility options for our residents, workers and visitors. The City is served by fourteen (14) MBTA bus routes and three (3) MBTA subway routes. This mass transit ecosystem contributes to one of America's highest rates of transit utilization. Roughly 85% of Somerville households are located within walking distance of a rapid transit station.



The City emphasizes safety and accessibility in all transportation policy and planning; safety investments are guided by Somerville's Vision Zero Action Plan, while accessibility investments are guided by Somerville's ADA Transition Plan. The City has been awarded "Gold" status by the League of American Bicyclists and completed its first-ever citywide Bicycle Network Plan in late 2022.

Somerville's growth has been guided by its unique brand of inclusive, community-driven comprehensive planning. In 2009, the Somerville community came together to hammer out a guiding document for the city. The resulting comprehensive plan, SomerVision 2030, included more than 584 value-driven goals, policies, and actions. Since then, SomerVision 2030 and its metrics, goals, and priorities have served as the cornerstone of City policy and planning and City efforts to make Somerville an exceptional place to live, work, play, and raise a family. In the fall of 2018, the Mayor's Office of Strategic Planning & Community Development announced SomerVision 2040, a process to revisit SomerVision 2030 and build in goals to move forward. The comprehensive plan was updated in 2021 as SomerVision 2040, following a robust community process by the citizen led SomerVision Task Force. The revised plan is divided into topic areas including Climate and Sustainability; Commercial Development, Business and Arts; Community and Governance; Housing; Infrastructure; Mobility; Public Space and the Natural Environment; and Youth and Education, with a major emphasis on equity and displacement throughout. This new plan will guide Somerville's growth through 2040.

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 Boston Globe magazine. The National Civic League has recognized Somerville as an All-America City three times, twice under the current Administration's leadership, for outstanding civic accomplishments in innovation, inclusiveness, civic engagement, and cross sector collaboration to address pressing local challenges. In September 2022, Money Magazine ranked Somerville #7 on its annual list of Best Places to Live in America.

ECONOMIC DEVELOPMENT

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

Assembly Square

Assembly Square is Somerville's largest commercial district and one of the premier economic development sites in New England. The 145-acre district is located at the northeast corner of Somerville between the Mystic River and I-93.

Its location, less than two- and one-half miles from Downtown Boston and two miles from Kendall Square in Cambridge is linked to the region by robust transportation infrastructure. Assembly Square is directly accessible from I-93 and State Route 28. In September of 2014, the Assembly Square Orange Line transit stop became the first new stop in the Massachusetts Bay

Transit Authority system in over a generation. For the past two decades, the City has undertaken an ambitious effort to maximize Assembly Square's locational advantages and transform this former industrial district into Greater Boston's newest neighborhood. Thoughtful planning and strategic investments have created a model for successful mix-used, transit-oriented developments.

In May 2011, Federal Realty Investment Trust (FRIT), the State, and the City entered into a Tri-Party Agreement that outlines roles and responsibilities to fund major infrastructure, sequence public investments, and facilitate private development of what has been marketed as Assembly Row. Critical elements of the Agreement included implementing a District Improvement Financing (DIF) strategy and a commitment from the Commonwealth to fund the Orange Line T Station.



Photo courtesy of Federal Realty Investment Trust

The development of Assembly Row has been an astonishing success. Eight development blocks have been built, generating 860,000 square feet of new office space, 500,000 square feet of retail, restaurant and entertainment space and over 1,000 new residential units. The development is highlighted by the 750,000 square foot headquarters for Mass General Brigham, the largest employer in the Commonwealth. In 2013, the company announced its intention to consolidate a dozen facilities around Boston under one roof in a state-of-the-art, signature building at Assembly Row. Today, 4,500 employees work at the headquarters. Mass General Brigham holds an entitlement to build an additional 400,000 square foot building to accommodate future expansion. From a municipal finance perspective, the project has been just as successful. To date, the DIF-captured incremental tax revenue has significantly exceeded the cost to service the debt required to build the area's infrastructure.

The development pipeline continues to be strong throughout the Assembly Square neighborhood. Federal Realty has recently completed two buildings as part of the Assembly Row development, 455 Grand Union Blvd and 485 Foley Street. Opened in 2021, 455 Grant Union Blvd is a 275,000 sq. ft. commercial building that hosts the North American headquarters of Puma, local climatetech startup Sparkcharge, and Bluebird Bio, now one of the largest employers in Somerville. Completed a year later adjacent to the MBTA transit station, 495 Foley Street—

known as Miscela, is a 525,300 sq. ft. residential building featuring 500 apartments and 26,500 sq. ft. of ground floor retail. A few blocks away, Assembly Innovation Park, a 1.4M sq. ft. master-planned project is taking shape. Alta Revolution, a 329-unit residential building with ground floor retail space opened in 2022. In 2024, Biomed Realty completed 188 Assembly Park Drive, a 497,000 square foot biotech lab building at the corner of Foley Street and Middlesex Avenue. The project will include a new Assembly Square branch fire station on the ground floor of the adjacent parking garage. Greystar opened 74M, a 465,000 square foot Class-A lab, office, and R&D space. All this development supports the accolade that the Assembly Square neighborhood has blossomed into a thriving mixed-use destination.

Meanwhile, the City is completing the Assembly Square Neighborhood Plan to guide development in the remainder of the Assembly Square neighborhood. The plan anticipates additional residential and commercial development along with new parks and public amenities that will support the neighborhood.

Union Square

Union Square is Somerville's second largest business district and located in the southern end of the city near the Cambridge border. Known throughout the region as a multi-ethnic arts and dining destination, Union Square is undergoing an exciting transformation. In 2024, Time Out Magazine named Union Square one of coolest neighborhoods in the world.

For the past 20 years, the City has collaborated with neighborhood residents, businesses, and property owners to launch plans to strengthen the district. In 2004, the collaboration created "Union Square Main Streets," a non-profit community organization based on the National Main Street Center's successful downtown revitalization model. Union Square Main Streets regularly draws more than 20,000 people to Union Square for the What the Fluff! festival in the fall. In 2012, the City initiated a multi-year comprehensive planning process with the goal of transforming Union Square back to its historic prominence as a major employment center. The centerpiece of this effort entails concentrating new mixed-used development around the new Union Square Station, the terminus of the MBTA Green Line. In 2012, the City and the Somerville Redevelopment Authority (SRA) approved the Union Square Urban Revitalization Plan, which identified seven major redevelopment parcels. In 2014, the SRA selected Union Square Station Associates (US2) as the master developer in Union Square. Next, a robust community planning process resulted in the Union Square Neighborhood Plan, adopted by the City's Planning Board in May of 2016 and was followed by a major rezoning effort. This enabled US2 to entitle a 2.3M square foot, multi-parcel development program that includes housing, retail, office and lab space. Prospect Union opened in 2023 as the first phase of the project and included 450 residential units. In 2024, US2 opened a 175,000 sq. ft. commercial/lab building at 10 Prospect Street. Projects from other development teams have added over 200 units to core of Union Square over the past two years. The transformation of Union Square is fully underway.

The City is implementing a comprehensive infrastructure plan for Union Square to support this growth. Conceptual plans were developed in 2012 and seek to balance traffic flow in the context of quality of life, future development, greater design goals, and the introduction of the MBTA

Green Line. The City completed a \$63 million public infrastructure project to alleviate existing flooding issues, replace critical sub-surface infrastructure and provide capacity to unlock the development potential in the district. The City continues to design a significant expansion of the public plaza at the heart of the square and advance related streetscape improvements.

Union Square has also emerged as a global center for the climatetech industry—companies that work to create solutions to climate change. The anchor institution for Somerville’s cluster is Greentown Labs, the largest climate tech incubator in the United States and is known around the world, including being a feature stop on the Prince of Wales tour to the United States in 2022. The facility is home to more than 125 active startups and helps to attract hundreds of millions in new investment each year for its resident firms. Greentown Labs allows Somerville to stake its claim as a global hub for the climatetech industry. Companies growing beyond the incubator include Form Energy, which develops utility scale energy storage from their Somerville Headquarters and production facility in West Virginia, and Sublime Systems, who produce low-carbon concrete from their research headquarters in Somerville and their production facility in Holyoke, Massachusetts. The property owners of the Somernova campus, where Greentown Labs and Sublime Systems are situated in legacy industrial properties, have been working in collaboration with neighborhood stakeholders and the City to plan for the future of this industry and develop the legacy single-story industrial spaces into multistory research and development buildings tailor made for climate companies. That planning effort is expected to wrap up during calendar 2026.

Boynton Yards

Union Square is also anchored by Boynton Yards, a 35-acre former industrial and warehouse district that has blossomed into a biotech and arts cluster. The district is located south of Union Square Station and north of the Cambridge border. The building to lead the transformation is 101 South Street, a 289,000 sq. ft. home to lively, early-stage life science companies under the Flagship Pioneering umbrella, some of which will be poised for expansion as the district grows. In 2024, the team of DLJ Capital Partners and Leggat McCall Partners opened the second building at 808 Windsor Street, which added 360,000 sq. ft. of laboratory space to the emerging life sciences cluster. In addition, CV Properties opened 495 Columbia Street, adding another 300,000 of laboratory space for research and development. The district is also home to The Hive, a 100,000 square foot repurposed industrial warehouse that is home to a buzzing scene of artists and makers, most notably Taza Chocolate and soon to be home to BOSLab, a community biology makerspace fostering community connections to the biotech industry. When completed this district will support over 3.4 million square feet of new mixed-use development.

Inner Belt—Brickbottom

The Inner Belt is a 160-acre manufacturing and warehouse district that is home to many of the city’s largest employers, including ABM Industries, the Angelica Corporation, and Triumvirate Environmental. In 2023, Form Energy, the grid-scale battery company growing from Greentown Labs, expanded their headquarters to 200 Inner Belt Road. As part of this move, the City worked in a partnership with the MBTA and the property owners to facilitate a connection between 200 Inner Belt Rd and the newly opened East Somerville Station, which is situated just behind the

property. This connection opened in 2025 and will further facilitate development in Inner Belt by providing substantially improved transit access to the neighborhood.

Located on the southwestern side of the East Somerville Station (MBTA Green Line), the 33-acre Brickbottom district is undergoing transformation. The City completed the Brickbottom Neighborhood Plan in 2024 to guide the transformation of this neighborhood from its legacy, industrial base to one that features new development commercial and residential development with a heavy emphasis on nurturing the existing arts and culture cluster. North River Company opened 100 Chestnut in 2023 and quickly filled up the building with innovative life sciences firms. The firm is poised to redevelop their land into a combination of lab space, housing, and space for the district's artists.

Cambridge Crossing

DivcoWest is implementing a master plan on 43 acres of land split between Somerville, Cambridge and Boston. The project is approved for over 4.5M sq. ft. of development, including 2.1 million square feet of science and technology space. The project sits adjacent to the Community College Station (MBTA Orange Line) and Lechmere Station (MBTA Green Line). The project is positioned to attract growing companies seeking space close to the dynamic concentration of life sciences companies in Kendall Square. Two commercial sites fall within Somerville; 250 North Street is a 350,000 sq. ft. building on the Cambridge/Somerville line and is home to Philips' North American research base, and in early 2023, Bristol Meyers Squibb moved their research headquarters into the second building, 250 Water St, a 483,000 sq. ft. life sciences building located entirely within Somerville.

Davis Square

Davis Square is Somerville's most vibrant central business district. Anchored by Davis Square Station (MBTA Red Line) Davis Square is located steps away from Tufts University and within the dense residential neighborhoods of west Somerville. Davis Square has become well-known throughout Greater Boston as a food, entertainment and cultural mecca. Two redevelopment projects were approved in 2022 that are expected to bring additional daytime traffic to the square with lab space filling upper stories with rebuilt or refreshed ground floor spaces at each project site. The slowdown in lab demand in 2023 has slowed the implementation of those two projects. Future plans in Davis Square will focus on strategic infill development, streetscape updates or rehabilitation projects to enhance the already vibrant community. The Davis Square Neighborhood Plan is expected to be adopted in 2026.

Transportation Improvements

Transportation investments are poised to remake Somerville. The Green Line Extension was completed in 2022, placing 85% of Somerville's residents within walking distance of transit and promises to significantly improve the city's air quality, connectivity, and economic opportunity. The opening is the critical element that will focus transit-oriented development along the seven new and reconstructed stations along the two branches. This transit-led development strategy is a familiar one as the Assembly Square Orange Line station keyed dramatic development since it

opened in 2014. Fiscal year 2024 saw a dramatic improvement in transit operations for the entire greater Boston MBTA subway system and the start of a system-wide bus network redesign. The improvements in speed, frequency, and routing for the buses, are putting renewed confidence in Somerville’s transit-oriented development approach.

The City is currently implementing several strategic plans to modernize street and sidewalk infrastructure to improve safety, accessibility and mobility for all users. Under Somerville’s 5-Year Street & Sidewalk Reconstruction Program, the City rebuilds public sidewalks, repaves streets and installs pedestrian safety treatments. Recently completed projects include College Avenue, Holland Street and Pearl Street. Larger capital projects financed through the City’s Capital Investment Plan modernize subsurface utility infrastructure and include full street reconstruction. Recent and current projects include Somerville Avenue, Spring Hill and Poplar Street. Somerville completed its first-ever Citywide Bicycle Network Plan, which will support continued investments in safe, connected streets.

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 following table sets forth the ten-year history of Free Cash for the City.

Free Cash (July 1)	
2025	\$ 23,864,951
2024	26,820,999
2023	32,813,163
2022	38,970,525
2021	24,949,530
2020	16,711,066
2019	19,654,550
2018	14,524,715
2017	11,621,352
2016	10,833,988

Stabilization Funds

The City maintains several stabilization funds. Funded by an appropriation, the Stabilization Funds plus interest income may be appropriated at any City Council meeting for any municipal purpose.

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

Stabilization Fund Balance	
2025	\$140,951,755
2024	126,823,555
2023	99,142,795
2022	70,747,999
2021	64,902,780
2020	44,141,215
2019	43,185,319
2018	41,919,377
2017	34,162,355
2016	28,852,284

Capital Financing and Debt Management

Annually, the City prepares a one-year capital budget and a five-year Capital Investment Plan (CIP) to guide capital expenditures. The current CIP is estimated at approximately \$250 million, using a variety of funding plans and using a combination of City funds, state and federal grants, and debt. Appropriations for capital investments are made on a project-by-project basis. The City is currently updating the CIP to incorporate updated project timelines, costs, and changes to the economic landscape.

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 which includes premium as of June 30, 2025, totaled \$357.4 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 and premium of the City only and does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or part, by non-tax revenues.

Fiscal Year	General Obligation Bonds Outstanding	Local Assessed Valuation	Per Capita Debt	Bonds as a % of Assessed Valuation
2025	\$ 357,356,656	\$ 24,506,811,636	\$ 4,445	1.46
2024	341,969,111	23,544,660,195	4,413	1.50
2023	332,628,825	22,302,696,173	4,170	1.49
2022	310,503,800	20,853,025,605	3,825	1.33
2021	284,639,760	19,297,891,798	3,512	1.47
2020	256,616,676	17,996,460,586	3,154	1.43
2019	136,854,040	15,656,512,018	1,678	0.87
2018	108,719,425	13,790,756,930	1,336	0.79
2017	111,374,056	12,660,529,500	1,370	0.88
2016	104,244,459	11,198,774,270	1,298	0.93

Property Valuations

Based on valuations of all real and personal property as of January 1, 2023, the total value of all property in the City is \$24.5 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 2020. The next reevaluation will be completed in fiscal year 2026. 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		
2025	\$23,955,202,366	\$551,609,270	\$24,506,811,636	\$10.91	\$18.92	\$264,969,748	3,269
2024	22,994,778,065	549,882,130	23,544,660,195	10.52	18.20	244,828,530	3,021
2023	21,851,873,473	450,822,700	22,302,696,173	10.34	17.35	221,093,410	2,728
2022	20,406,408,345	446,617,260	20,853,025,605	10.18	16.85	200,839,916	2,474
2021	18,890,341,808	407,549,990	19,297,891,798	10.19	16.69	184,014,988	2,274
2020	17,669,473,496	326,987,090	17,996,460,586	10.09	16.32	167,812,263	2,103
2019	15,363,243,508	293,268,510	15,656,512,018	10.76	17.33	155,031,240	1,905
2018	13,524,586,100	266,170,830	13,790,756,930	11.31	18.21	143,491,095	1,763
2017	12,409,326,300	251,203,200	12,660,529,500	11.67	18.81	136,071,683	1,675
2016	10,974,792,900	223,981,370	11,198,774,270	12.53	20.18	129,147,863	1,608

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, 2025.

The total unfunded pension benefit obligation applicable to the System was \$108,272,705 at December 31, 2024.

Total pension benefit obligation	\$563,687,236
Net Position available for benefits, at market value	<u>(455,414,531)</u>
Unfunded pension benefit obligation	<u>\$108,272,705</u>

The City's portion was \$101,657,243. The remainder is the responsibility of the other members.

The City is currently on a funding schedule that will amortize its unfunded pension liability by June 30, 2033. Current law allows funding as far as 2040.

In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937, and their dependents.

The annual required contributions of the City to the retirement system for the 2016 through 2025 fiscal years are as follows:

Year	Contributory	Non-Contributory
2025	\$ 16,990,644	\$ 94,133
2024	16,635,921	94,133
2023	15,936,990	94,133
2022	15,500,453	94,133
2021	14,854,185	122,643
2020	14,273,369	85,603
2019	14,364,292	108,112
2018	13,808,937	134,096
2017	13,711,675	121,197
2016	13,304,274	119,000

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
2025	8,777,934
2024	8,330,997
2023	8,501,457
2022	8,655,912
2021	8,143,969
2020	7,793,272
2019	8,485,245
2018	8,485,245
2017	9,258,566
2016	8,533,496

The City implemented GASB Statement #75 in fiscal year 2018 and in fiscal year 2025 recognized an unfunded OPEB liability of \$156,731,578.

INDEPENDENT AUDIT

The City's financial records, underlying books, 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 Roselli, Clark & Associates. The independent auditors' report on the basic financial statements for the year ended June 30, 2025, 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 annual comprehensive financial report from fiscal year 2012 through fiscal year 2023. The fiscal year 2024 annual comprehensive financial report has been submitted and is pending final review at this time. Additionally, the City received the Distinguished Budget Presentation Award from fiscal year 2014 through fiscal year 2018 and for fiscal years 2020 and 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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 Annual Comprehensive Financial Report continues to meet Certificate of Achievement Program's requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

MOVING FORWARD

The City will continue the necessary work of growing our commercial tax base. The long-term outlook for Somerville remains very strong as long as we continue to manage our resources wisely. Both our bond rating and our development prospects have been buttressed by the City's efforts to develop comprehensive and coordinated plans to make the most of coming transit improvements and new investments in retail, commercial and residential growth.

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

Sincerely,



Mayor Jake Wilson



PRINCIPAL CITY OFFICIALS - AS OF JUNE 30, 2025



City Government – Term Expires

Katjana Ballantyne, Mayor - January 2026

Edward Bean, Finance Director - January 2029

Colleen Tam, Deputy City Auditor - Indefinite

Linda Dubuque, City Treasurer/Collector - At Will

Michael Mastrobuoni, Budget Director - Indefinite

City Council - as of June 30, 2025

Judy Pineda Neufeld, Ward 7, President

Lance L. Davis, Ward 6, Vice President

Willie Burnley, Jr, At-large

Wilfred N. Mbah, At-large

Kristen E. Strezo, At-large

Jake Wilson, At-Large

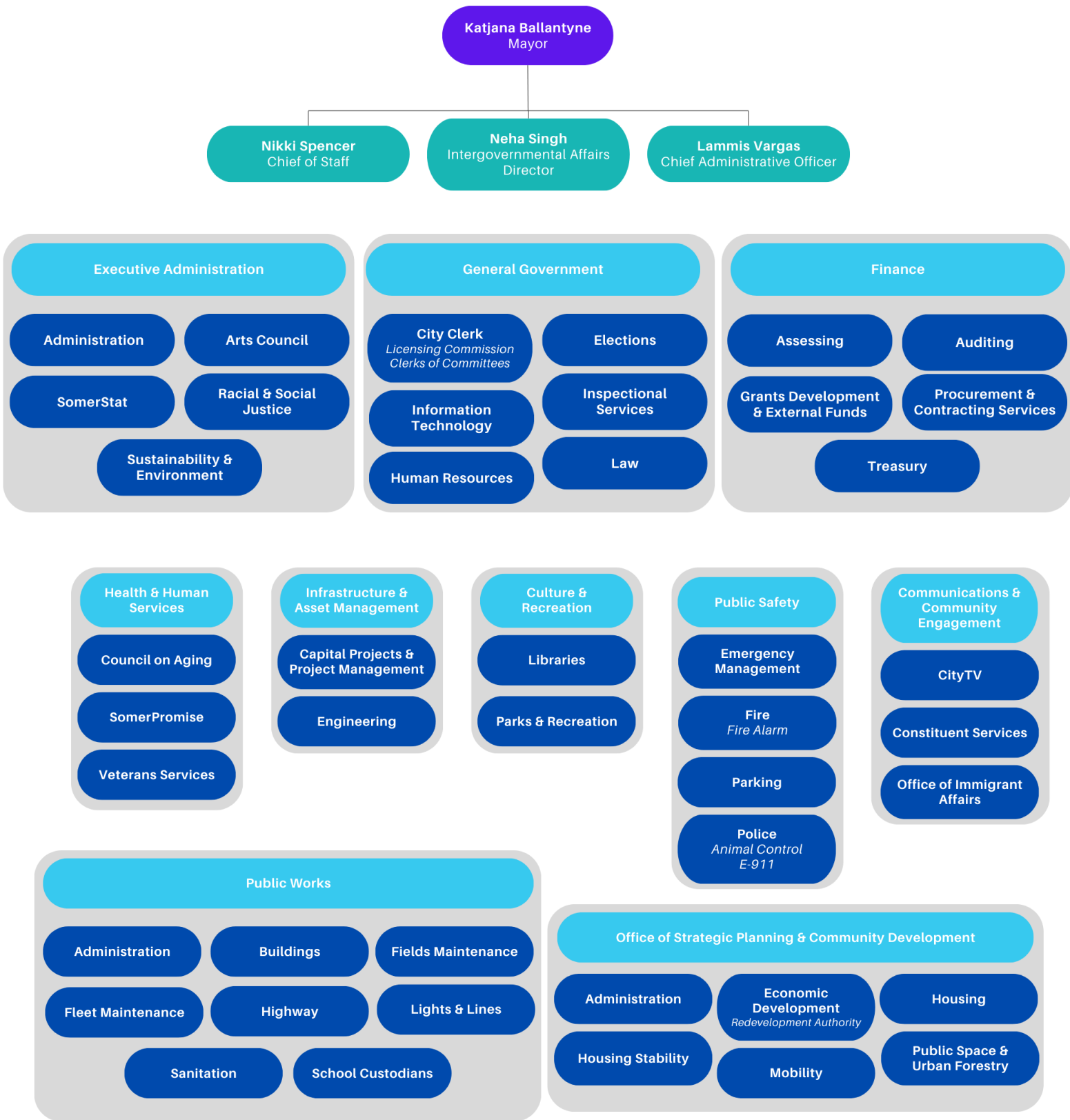
Matthew McLaughlin, Ward 1

Jefferson Thomas (J.T.) Scott, Ward 2

Ben Ewan-Campen, Ward 3

Jesse Clinigan, Ward 4

Naima Sait, Ward 5





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FINANCIAL SECTION



Above: A vibrant Pollinator Garden outside Somerville City Hall.



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Somerville, Massachusetts

Opinions

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, (the "City") as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents, (except for the Somerville Contributory Retirement System, (the "System" or "Retirement System") which is as of December 31, 2024).

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City as of June 30, 2025, (except for the System which is as of December 31, 2024) and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter - Restatements

The City's basic financial statements for the year ended June 30, 2024 were audited by other auditors, who issued an unmodified opinion dated June 30, 2025. As described in Note IV to the financial statements, the City restated its previously reported net positions and fund balances. We audited the adjustments described in Note IV that were applied to restate the June 30, 2024 basic financial statements. In our opinion, such adjustments were appropriate and properly applied. We were not engaged to audit, review or apply any procedures to the June 30, 2024 basic financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2024 basic financial statements taken as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion of any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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's internal control over financial reporting and compliance.

Roselli, Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts 01801
February 26, 2026

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the City, we offer readers of the accompanying financial statements this narrative overview and analysis of the financial activities of the City and its component unit for the fiscal year ended June 30, 2025.

Financial Highlights

- The assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by over \$519.1 million.
- The government's total net position increased by over \$100.5 million. This was made up of an increase in governmental activities of nearly \$84.0 million combined with an increase in business-type activities of nearly \$16.6 million.
- The City reported nearly \$138.5 million in its general fund; approximately \$61.2 million in its other special revenue funds; nearly \$5.7 million in its American Rescue Plan Act, (ARPA Grant Fund), a deficit of nearly \$15.8 million in its capital projects funds and over \$62.8 million in its Combined Nonmajor funds. Total fund balances increased by over \$40.2 million.
- The City's total debt including premiums increased by approximately \$17.6 million. Detail of this increase may be reviewed in the debt administration section of this Management Discussion and Analysis.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) 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's finances, in a manner similar to a private-sector business. The *statement of position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

The government-wide financial statements consist of three classifications; (1) those whose activities are principally supported by taxes and intergovernmental revenue (*governmental activities*); (2) those whose activities are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*), and (3) a *component unit*.

The governmental activities of the City include:

1. General government,
2. Public safety,
3. Public works,
4. Education,
5. Community development,
6. Community preservation, and
7. Interest expense.

The business-type activities of the City include:

1. Water
2. Sewer
3. Kennedy School pool
4. 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, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Restricted — amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed — amounts constrained by a government using its highest level of decision-making authority
- Assigned — amounts a government intends to use for a particular purpose
- Unassigned — amounts that are not constrained at all will be reported in the general fund or in other major funds if negative

Governmental funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements.

However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing

so, readers may better understand the long-term impact of the government's near-term financing decisions.

The City maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Other Special Revenue Funds, ARPA Grant Fund and Capital Projects Funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these Nonmajor governmental funds is provided in the form of combining statements.

The City adopts an annual appropriated budget for its general fund and its enterprise fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget and is included in this report as required supplementary information.

Proprietary funds – The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer, Dilboy Stadium and Kennedy School Pool enterprise funds.

Internal service funds are used to report activities that service all other City Departments. The City uses internal service funds to account for workmen's compensation claims.

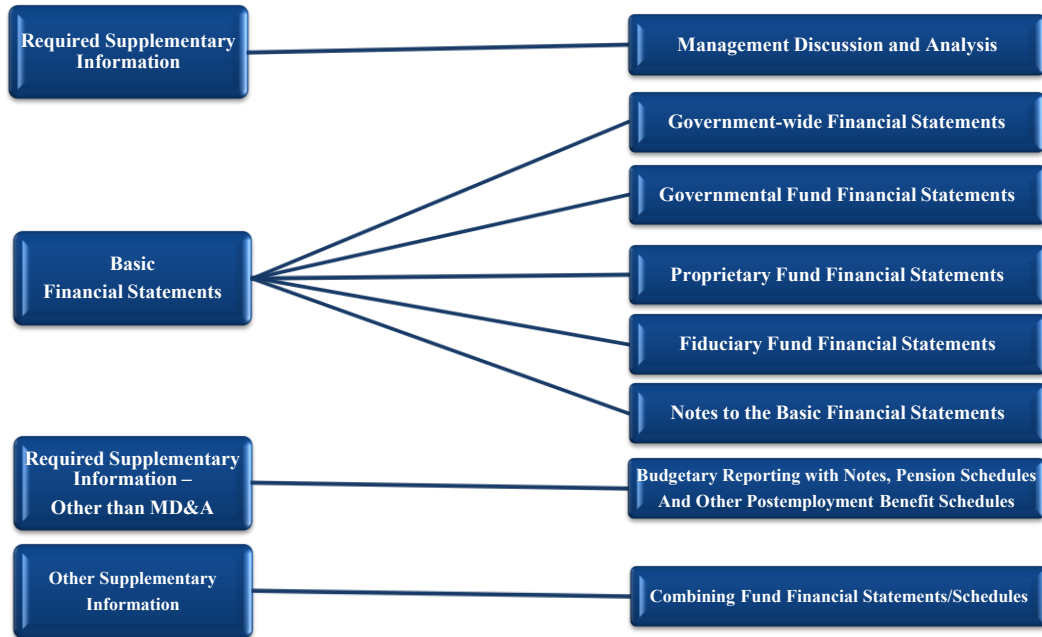
Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary funds include a combined fund to account for the Town's Pension and OPEB trusts in addition to Private Purpose trust funds.

The Pension System is a legally separate entity reported as a fiduciary fund. Because the Pension System services almost entirely the City, it is presented as a blended component unit as if it were part of the primary government as a fiduciary fund due to the significance of 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's proportionate share of net pension liability, contributions to pension plan, the Commonwealth's collective share of net pension liability to the Massachusetts Teachers' Retirement System, other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and notes to this schedule.

The layout and relationship of the financial statements described and supplementary information above is visually displayed in the illustration below.



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, the assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by over \$519.1 million. Data related to the condensed net position is presented as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	June 30,		June 30,		June 30,	
	2025	2024	2025	2024	2025	2024
<u>Assets</u>						
Current and other assets	\$ 349,983,829	\$ 344,942,432	\$ 93,303,546	\$ 80,998,576	\$ 443,287,375	\$ 425,941,008
Capital assets, net	666,246,706	626,527,056	247,033,279	206,542,137	913,279,985	833,069,193
Total assets	1,016,230,535	971,469,488	340,336,825	287,540,713	1,356,567,360	1,259,010,201
Deferred outflows of resources	13,807,140	30,960,420	248,390	560,399	14,055,530	31,520,819
<u>Liabilities</u>						
Long-term liabilities	557,609,100	579,560,481	77,960,673	68,177,860	635,569,773	647,738,341
Other liabilities	98,758,632	136,968,778	95,083,935	73,024,985	193,842,567	209,993,763
Total liabilities	656,367,732	716,529,259	173,044,608	141,202,845	829,412,340	857,732,104
Deferred inflows of resources	19,955,058	21,622,715	2,114,638	2,031,745	22,069,696	23,654,460
<u>Net Position</u>						
Net investment in capital assets	329,141,563	316,693,828	96,505,994	118,724,756	425,647,557	435,418,584
Restricted	97,097,504	89,382,199	-	-	97,097,504	89,382,199
Unrestricted	(72,524,182)	(141,798,093)	68,919,975	26,141,766	(3,604,207)	(115,656,327)
Total Net Position	\$ 353,714,885	\$ 264,277,934	\$ 165,425,969	\$ 144,866,522	\$ 519,140,854	\$ 409,144,456

Condensed changes in net position data is presented as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	June 30,		June 30,		June 30,	
	2025	2024	2025	2024	2025	2024
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 49,231,352	\$ 34,265,548	\$ 57,350,743	\$ 48,850,729	\$ 106,582,095	\$ 83,116,277
Operating grants and contributions	79,871,017	102,449,553	-	-	79,871,017	102,449,553
Capital grants and contributions	16,295,427	2,849,829	-	16,086,535	16,295,427	18,936,364
General revenues:						
Property taxes and tax liens	263,321,433	250,507,619	-	-	263,321,433	250,507,619
Unrestricted grants and contributions	31,164,756	30,487,250	-	-	31,164,756	30,487,250
Other	32,518,864	32,425,020	2,922,244	2,536,108	35,441,108	34,961,128
Total Revenues	472,402,849	452,984,819	60,272,987	67,473,372	532,675,836	520,458,191
<u>Expenses</u>						
General government	76,220,392	86,734,032	-	-	76,220,392	86,734,032
Public safety	70,474,314	59,074,548	-	-	70,474,314	59,074,548
Education	171,007,452	167,008,401	-	-	171,007,452	167,008,401
Public works	44,289,512	46,731,763	-	-	44,289,512	46,731,763
Health and human services	4,730,232	1,199,459	-	-	4,730,232	1,199,459
Culture and recreation	9,204,326	7,433,198	-	-	9,204,326	7,433,198
Community development	2,352,674	7,334,218	-	-	2,352,674	7,334,218
Community preservation	1,045,705	2,074,854	-	-	1,045,705	2,074,854
Debt service	6,177,376	9,100,232	-	-	6,177,376	9,100,232
Water	-	-	17,148,555	14,455,784	17,148,555	14,455,784
Sewer	-	-	28,799,514	29,835,194	28,799,514	29,835,194
Dilboy Stadium	-	-	199,961	107,108	199,961	107,108
Kennedy School Pool	-	-	512,729	472,881	512,729	472,881
Total Expenses	385,501,983	386,690,705	46,660,759	44,870,967	432,162,742	431,561,672
Change in net position before transfers	86,900,866	66,294,114	13,612,228	22,602,405	100,513,094	88,896,519
Transfers	(2,943,079)	(447,937)	2,943,079	447,937	-	-
Change in net position	83,957,787	65,846,177	16,555,307	23,050,342	100,513,094	88,896,519
Net position, beginning of year	264,277,934	198,431,757	144,866,522	121,816,180	409,144,456	320,247,937
Implementation of GASB 101	(2,775,994)	-	-	-	(2,775,994)	-
Error corrections	8,255,158	-	4,004,140	-	12,259,298	-
Net position, beginning of year, as restated	269,757,098	198,431,757	148,870,662	121,816,180	418,627,760	320,247,937
Net position, end of year	<u>\$ 353,714,885</u>	<u>\$ 264,277,934</u>	<u>\$ 165,425,969</u>	<u>\$ 144,866,522</u>	<u>\$ 519,140,854</u>	<u>\$ 409,144,456</u>

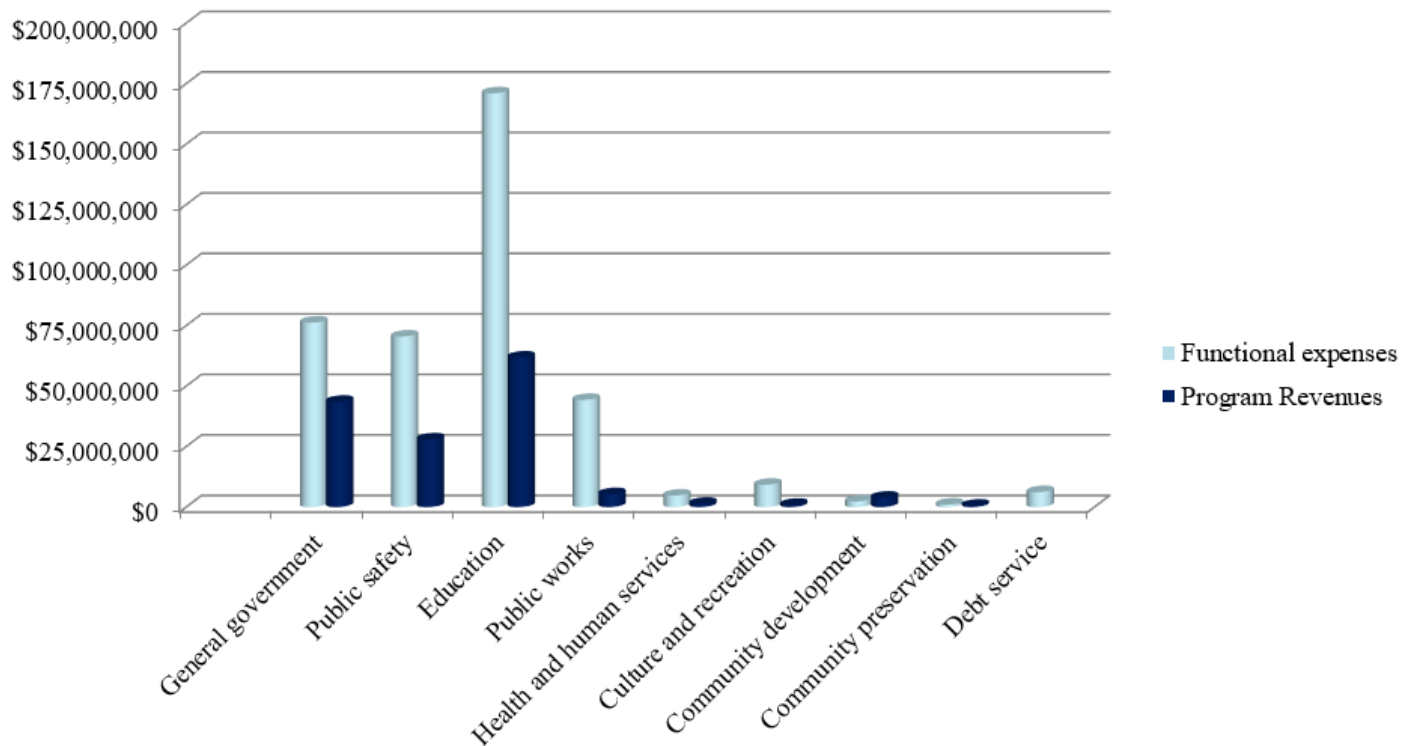
Governmental Activities –

By far, the largest portion (over \$425.6 million) of the City’s net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, 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 citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion, (nearly \$97.1 million), of the City’s net position represents resources that are subject to external restrictions on how they may be used. *Unrestricted net position* is reported as a deficit of \$3.6 million. This is due to the implementation of GASB 68 and GASB 75 which resulted in the requirement to record significant liabilities associated with pension and other postemployment benefits in the financial statements. The impact of these non-cash obligations was felt more heavily on the governmental activities which carried a deficit of over \$72.5 million as opposed to a positive balance of over \$68.9 million in the business-type activities unrestricted net position.

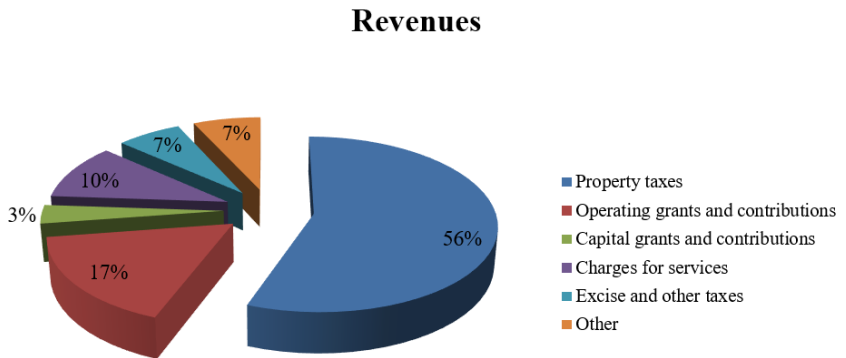
Governmental activities increased net position by nearly \$84.0 million. Details of this increase are discussed below in the revenue and expense analysis.

Fiscal Year 2025 Expenses and Program Revenues – governmental activities are graphically presented as follows:



Major revenue sources of governmental activities consist of revenue from:

(1) Operating grants and capital grants are discussed in aggregate as conforming classification adjustments were made between years that could be misleading individually. In aggregate, operating and capital grants made up 20.3% of total revenues in fiscal 2025 and were in total \$9.1 million less than the prior year. This was primarily a result of a special funding relative to teacher retirement charges being about \$4 million less than the prior year and less expenses associated with the ARPA fund.



(2) Property taxes which represented 56% of total revenues experienced an increase of \$12.8 million over the prior year; under Massachusetts General Laws, communities are allowed to assess taxes at 2 ½% of the prior year plus any new growth. It was the latter that made up this significant increase as the City was able to bill property taxes associated with new growth due to the robust economic development that currently dominates the Greater Boston area. In addition, this robust economic activity continued to support free flow of cash from property taxes as delinquencies were near historic lows.

(3) Charges for services, which represented about 10% of total revenue, was about \$15 million greater than the prior year due primarily to nearly \$13 million in revenues from the Affordable Housing Trust.

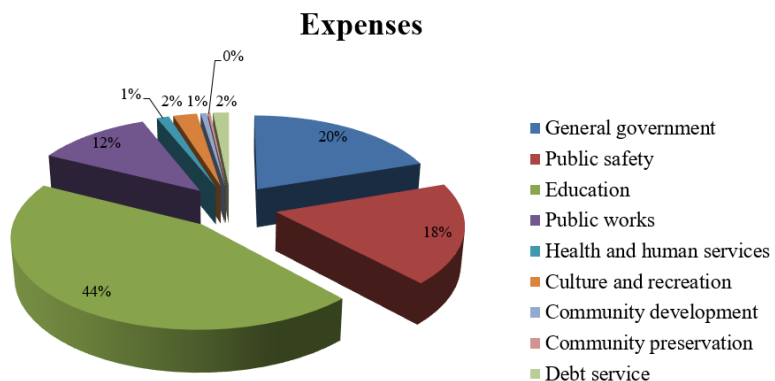
It was the revenue increases whose net amount made up the majority of the increase in governmental activities net position.

All other revenue categories were consistent with the prior year, their fluctuation was not material, or the overall amount was not significant.

Major expense outlays are summarized as follows:

The City’s total expenses were consistent with the prior year as increases in Public Safety offset decreases in General Government. All other functional expense categories were within a tolerable amount of the prior year. There were four major expense categories that made up nearly 95% of all expenses:

- 1) General Government (20% of total expenses) decreased \$10 million due to the prior year including an expense associated with a significant court judgment.
- 2) Public Safety (18% of total expenses) increased



\$10.6 million, due to the current year including an increase in salaries and greater OPEB and Pension allocations.

- 3) Education (56% of total expenses) continues to be an area the City devotes substantial resources to. There was slight increase in expenses due to cost-of-living adjustments.
- 4) Public Works (12% of total expenses) was consistent with the prior year.

Other functional expenses that were all under 10% of total expenses were either consistent with the prior year or their fluctuation was related to general cost of living increases in addition to expenses associated with benefits as discussed above.

Business-type Activities – Net position of the business-type activities decreased by about \$9.0 million over the prior year balances. This was primarily due to the City being the beneficiary of a \$16 million capital grant in the prior year offset by an increase in user rates in the current year.

The City's water and sewer systems provides these services to the majority of the City's residents and businesses.

Expenses incurred by the City general fund on behalf of the water and sewer enterprise fund such as administrative and other indirect costs are charged directly to the General Fund as an expense.

Fund-wide Financial Analysis of the Government's Funds

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

Governmental funds – The focus of the City'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's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City maintains five governmental funds; (1) its general fund, (2) other special revenue funds (3) ARPA Grant Fund (4) capital projects fund and (5) the aggregate remaining funds combined into a nonmajor category.

General Fund – The general fund closed the year with a total fund balance of nearly \$138.5 million. Unassigned fund balance was nearly \$33.5 million. These were 38% and 9% of total general fund expenditures and represented a increase of nearly \$25.8 million in overall general fund balance as compared to the prior year.

The City continued to see positive revenues bolstered by a very strong economy. Property taxes were up \$18.7 million as new growth exceeded \$14 million. In addition, a transfer from capital projects of \$14.1 million was received as a reimbursement for a court judgment in the prior year.

Other Special Revenue Funds – these funds closed the year with a restricted fund balance over \$61.2 million; an increase of \$11.8 million over the prior year, which represented revenues from the Affordable Housing Fund.

ARPA Grant Funds – Activities for the ARPA Grant Fund were mostly related to the receipt of funds offset by grant projects, the residual of which have been recorded as unearned revenue. The restricted fund balance of nearly \$5.1 million is directly related to accumulated investment income.

Capital Projects Fund – The City’s Capital Projects Fund decreased over \$3.4 million. This was due to the reimbursement to the General Fund discussed above exceeding revenues and other financing sources. This fund fluctuates typically as a result of the timing of sources and expenditures.

Nonmajor Funds – Except for permanent funds, which typically increase based on contributions and investment earnings, the nature of Nonmajor Funds is to record revenue, (user charges, grants or donations) that will be used specifically against expenditures they were raised or intended for. Therefore, any fluctuations in these funds are mainly due to the timing of receipts and expenditures. During fiscal 2025, the City’s nonmajor funds increased by \$2.0 million as revenues exceeded expenditures and net transfers out.

Nonmajor funds include a restricted balance of over \$62.4 million and a nonspendable fund balance due to the corpus of endowment of over \$0.4 million.

Proprietary funds – The City’s proprietary funds are made up of (1) the Water, Sewer, Dilboy Stadium and Kennedy School Pool Enterprise Funds which provides the same type of information found in the government-wide financial statements under business-type activities, but in more detail; and (2) the City’s Internal Service Fund which accounts for the City’s Workmen’s Compensation claims.

Fiduciary Fund – The City’s fiduciary fund is comprised primarily of the City’s Retirement System whose net position is over \$455.4 million, and the City’s other postemployment fund whose net position is nearly \$31.9 million. These assets are used strictly to pay retiree pensions, annuities and medical insurance and may not be used for City operating purposes.

For the year ended December 31, 2025 the combined net position increased by over \$56.3 million due primarily to robust market conditions related to investments held.

General Fund Budgetary Highlights

The original budget and the final amended budget changes were minor and well below 1% except for one transfer from free cash to pay a portion of a court judgment in the amount of \$16 million.

Major budget to actual differences on the revenue side were about \$5 million positive spread ratably across many categories. The economy in the Greater Boston area continues to be very strong and the City is a beneficiary.

Many minor budget to actual differences on the expenditure side were experienced across the board, along with some significant positive variances in Public Safety \$2.5 million, Public Works, \$2.8 million, General Government, \$4 million and Education \$1.4 million. The total favorable variance was over \$15.8 million as the City continues to manage its budget strictly.

Further details of budget to actual comparisons may be reviewed as part of the Required Supplementary Information following the footnotes to this report.

Capital Asset and Debt Administration

Capital Assets – The City’s investment in capital assets for its governmental and business type activities amounts to about \$913.3 million (net of accumulated depreciation) an increase of about \$80.7 million over the prior year as additions exceeded depreciation.

In the current year, the City’s capital additions relate mostly to its Water and Sewer infrastructure improvements in addition to a new fire station. Additional information on the City’s capital assets can be found in Note II subsection D.

Long-term Debt –The City’s most recent credit evaluation resulted in City maintaining a “AAA” rating – for the fourth consecutive year from Standard and Poor’s Investment Services for general obligation debt.

At the end of the current fiscal year, the City had total debt outstanding of approximately \$372.4 million including unamortized bond premium of about \$17.8 million. The entire amount comprises debt backed by the full faith and credit of the government. The City also holds a proportionate share of debt of other governmental units that provide services within the City’s boundaries. The debt service from such arrangements is assessed annually to the City.

The City’s total debt increased by over \$17.6 million, which can be detailed as follows:

Additions:	
Governmental Activities	\$ 19,633,347
Business-Type Activities	15,177,519
Regular Scheduled Maturities:	
Governmental Activities	(12,961,001)
Business-Type Activities	(3,948,888)
Bond Premiums Received:	
Governmental Activities	3,368,997
Business-Type Activities	305,263
Amortization of Bond Premium	
Governmental Activities	(3,812,565)
Business-Type Activities	(149,527)
	\$ 17,613,145

Additional information on the City’s short-term and long-term debt can be found in Note II under subsections E and F.

Economic Factors and Next Year’s Budget and Rates

- Unemployment rates across the Commonwealth are near historic lows after the significant spikes due to the pandemic in 2020.
- The City’s real estate tax base is made up predominantly of residential taxes, which comprise over 67.4% of the City’s real estate tax base. The City also relies heavily on its commercial and industrial real estate tax base, which in aggregate comprises 28.6% of the City’s real estate tax base. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the City’s ability to increase taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy.

- The City's housing market has been very strong for the past several years. This has been bolstered by mortgage rates at historic lows. Actions by the Federal Open Market Committee to soften the economy due to inflation have caused mortgage rates to spike, which are now stabilizing. Such trends may have an adverse effect on the housing market, and the City is monitoring this.
- While inflation is beginning to stabilize, there are still challenges with respect to rising costs in wages, energy, construction, goods and services. The City has been able to balance its annual budget, but the City continues to monitor this situation.
- Investment yields have spiked considerably near 25-year highs. The City's significant cash position has allowed the City to utilize this as a revenue-producing asset which has had a positive impact on operations and is expected to continue to have the same effect.

All the above items were considered when the City developed its budget for fiscal year 2026. The budget was adopted in June of 2025 and the City's tax rate was certified in December 2025.

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 Avenue, Somerville, Massachusetts 02143.

Basic Financial Statements

CITY OF SOMERVILLE, MASSACHUSETTS

STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 271,364,032	\$ 71,161,028	\$ 342,525,060
Receivables, net:			
Property taxes	4,987,023	-	4,987,023
Tax liens	2,614,419	474,994	3,089,413
Motor vehicle and other excise taxes	1,045,583	-	1,045,583
User fees	-	21,667,524	21,667,524
Departmental and other	2,515,104	-	2,515,104
Intergovernmental	14,638,165	-	14,638,165
Loans	52,819,503	-	52,819,503
Capital assets not being depreciated	146,165,887	69,372,072	215,537,959
Capital assets, net of accumulated depreciation	520,080,819	177,661,207	697,742,026
Total Assets	1,016,230,535	340,336,825	1,356,567,360
Deferred Outflows of Resources			
Related to refunding debt	163,145	-	163,145
Related to net pension liability	11,854,012	231,410	12,085,422
Related to net other postemployment benefits liability	1,789,983	16,980	1,806,963
Total Deferred Outflows of Resources	13,807,140	248,390	14,055,530
Liabilities			
Warrants and accounts payable	12,918,542	608,641	13,527,183
Accrued payroll and withholdings	11,490,942	78,338	11,569,280
Retainage payable	1,578,259	-	1,578,259
Tax refunds payable	353,000	-	353,000
Accrued interest	1,709,753	691,551	2,401,304
Unearned revenue	7,376,673	-	7,376,673
Other liabilities	1,783,205	-	1,783,205
Claims and judgments	5,908,061	-	5,908,061
Bond anticipation notes payable	35,275,377	88,866,514	124,141,891
Noncurrent liabilities:			
Due within one year	20,364,820	4,838,891	25,203,711
Due in more than one year	557,609,100	77,960,673	635,569,773
Total Liabilities	656,367,732	173,044,608	829,412,340
Deferred Inflows of Resources			
Related to net pension liability	14,392,201	280,960	14,673,161
Related to net other postemployment benefits liability	5,562,857	1,833,678	7,396,535
Total Deferred Inflows of Resources	19,955,058	2,114,638	22,069,696
Net Position			
Net investment in capital assets	329,141,563	96,505,994	425,647,557
Restricted for:			
Nonexpendable permanent funds	433,126	-	433,126
Expendable permanent funds	245,039	-	245,039
Loans	52,819,503	-	52,819,503
Community development	9,486,154	-	9,486,154
Community preservation	19,925,180	-	19,925,180
Gifts and grants	14,188,502	-	14,188,502
Unrestricted	(72,524,182)	68,919,975	(3,604,207)
Total Net Position	\$ 353,714,885	\$ 165,425,969	\$ 519,140,854

See accompanying notes to basic financial statements.

CITY OF SOMERVILLE, MASSACHUSETTS

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 76,220,392	\$ 17,270,868	\$ 15,146,403	\$ 11,097,216	\$ (32,705,905)		\$ (32,705,905)
Public safety	70,474,314	24,072,485	2,458,039	1,420,560	(42,523,230)		(42,523,230)
Education	171,007,452	5,042,679	56,633,306	130,951	(109,200,516)		(109,200,516)
Public works	44,289,512	2,037,041	253,135	3,057,097	(38,942,239)		(38,942,239)
Health and human services	4,730,232	151,632	1,223,649	-	(3,354,951)		(3,354,951)
Culture and recreation	9,204,326	639,626	285,236	-	(8,279,464)		(8,279,464)
Community development	2,352,674	17,021	3,871,249	-	1,535,596		1,535,596
Community preservation	1,045,705	-	-	589,603	(456,102)		(456,102)
Interest expense	6,177,376	-	-	-	(6,177,376)		(6,177,376)
Total governmental activities	385,501,983	49,231,352	79,871,017	16,295,427	(240,104,187)		(240,104,187)
Business-type activities:							
Water	17,148,555	19,681,847	-	-	\$ 2,533,292		2,533,292
Sewer	28,799,514	37,438,644	-	-	8,639,130		8,639,130
Dilboy Stadium	199,961	144,258	-	-	(55,703)		(55,703)
Kennedy School Pool	512,729	85,994	-	-	(426,735)		(426,735)
Total business-type activities	46,660,759	57,350,743	-	-	10,689,984		10,689,984
Total Primary Government	\$ 432,162,742	\$ 106,582,095	\$ 79,871,017	\$ 16,295,427	(240,104,187)	10,689,984	(229,414,203)
General Revenues:							
Property taxes					263,321,433	-	263,321,433
Tax liens					949,235	-	949,235
Motor vehicle and other excise					13,832,729	-	13,832,729
Community preservation tax					3,511,309	-	3,511,309
Payments in lieu of taxes					1,687,870	-	1,687,870
Grants and contributions not restricted to specific programs					31,164,756	-	31,164,756
Penalties and interest on taxes					1,272,996	-	1,272,996
Unrestricted investment income					11,264,725	2,922,244	14,186,969
Transfers (net)					(2,943,079)	2,943,079	-
Total general revenues and transfers					324,061,974	5,865,323	329,927,297
Change in Net Position					83,957,787	16,555,307	100,513,094
Net Position:							
Beginning of year, as previously reported					264,277,934	144,866,522	409,144,456
Change in accounting principle					(2,775,994)	-	(2,775,994)
Error corrections					8,255,158	4,004,140	12,259,298
Beginning of year, as restated (See Note IV)					269,757,098	148,870,662	418,627,760
End of year					\$ 353,714,885	\$ 165,425,969	\$ 519,140,854

See accompanying notes to basic financial statements.

CITY OF SOMERVILLE, MASSACHUSETTS

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Other Special Revenue	ARPA Grant	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 162,466,486	\$ 42,925,079	\$ 14,081,067	\$ 13,236,781	\$ 38,053,557	\$ 270,762,970
Receivables, net of allowance for uncollectibles:						
Property taxes	4,941,526	-	-	-	45,497	4,987,023
Tax liens	2,589,890	-	-	-	24,529	2,614,419
Motor vehicle and other excise taxes	1,045,583	-	-	-	-	1,045,583
Departmental and other	2,515,104	-	-	-	-	2,515,104
Intergovernmental	-	100,264	-	-	14,537,901	14,638,165
Loans	-	19,380,525	-	9,600,000	23,838,978	52,819,503
Due from other funds	1,469,782	-	-	-	-	1,469,782
Total Assets	175,028,371	62,405,868	14,081,067	22,836,781	76,500,462	350,852,549
Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 175,028,371	\$ 62,405,868	\$ 14,081,067	\$ 22,836,781	\$ 76,500,462	\$ 350,852,549
Liabilities						
Warrants and accounts payable	\$ 7,650,774	\$ 1,072,629	\$ 533,115	\$ 2,220,642	\$ 1,356,675	\$ 12,833,835
Accrued payroll and withholdings	10,778,935	128,040	53,999	-	521,030	11,482,004
Retainage payable	-	-	487,167	1,091,092	-	1,578,259
Tax refunds payable	353,000	-	-	-	-	353,000
Unearned revenue	-	-	7,347,864	-	28,809	7,376,673
Other liabilities	1,643,935	-	-	-	139,270	1,783,205
Claims and judgments	5,908,061	-	-	-	-	5,908,061
Due to other funds	-	-	-	-	1,469,782	1,469,782
Bond anticipation notes payable	-	-	-	35,275,377	-	35,275,377
Total Liabilities	26,334,705	1,200,669	8,422,145	38,587,111	3,515,566	78,060,196
Deferred Inflows of Resources						
Unavailable revenues - property taxes	6,677,195	-	-	-	70,026	6,747,221
Unavailable revenues - excise taxes	1,045,583	-	-	-	-	1,045,583
Unavailable revenues - intergovernmental	-	-	-	-	10,076,154	10,076,154
Unavailable revenues - other	2,515,104	-	-	-	-	2,515,104
Total Deferred Inflows of Resources	10,237,882	-	-	-	10,146,180	20,384,062
Fund Balances						
Nonspendable	-	-	-	-	433,126	433,126
Restricted	-	61,205,199	-	17,309,173	62,405,590	140,919,962
Committed	98,854,138	-	-	-	-	98,854,138
Assigned	6,138,713	-	5,658,922	-	-	11,797,635
Unassigned	33,462,933	-	-	(33,059,503)	-	403,430
Total Fund Balances	138,455,784	61,205,199	5,658,922	(15,750,330)	62,838,716	252,408,291
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 175,028,371	\$ 62,405,868	\$ 14,081,067	\$ 22,836,781	\$ 76,500,462	\$ 350,852,549

See accompanying notes to basic financial statements.

CITY OF SOMERVILLE, MASSACHUSETTS

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

JUNE 30, 2025

Total Governmental Fund Balances	\$ 252,408,291
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	666,246,706
Other long-term assets that are unavailable to pay current-period expenditures	20,384,062
Deferred outflows and inflows of resources to be recognized in future fiscal years are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to refunding of debt	163,145
Deferred outflows related to net pension liability	11,854,012
Deferred outflows related to net other postemployment benefits liability	1,789,983
Deferred inflows related to net pension liability	(14,392,201)
Deferred inflows related to other net postemployment benefits liability	<u>(5,562,857)</u>
Net effect of reporting deferred outflows and inflows of resources	(6,147,918)
Assets, deferred outflows of resources and liabilities and deferred inflows of resources of the City's internal service fund are included in the Statement of Net Position, but are not reported in the governmental funds.	(1,211,583)
In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in the governmental funds interest is not reported until due.	(1,709,753)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:	
Bonds and notes payable	(276,261,545)
Unamortized premiums on bonds	(16,481,410)
Capital leases payable	(16,807,798)
Compensated absences	(11,281,025)
Net pension liability	(99,710,721)
Net other postemployment benefits liability	<u>(155,712,421)</u>
Net effect of reporting long-term liabilities	<u>(576,254,920)</u>
Net Position of Governmental Activities	<u>\$ 353,714,885</u>

See accompanying notes to basic financial statements.

CITY OF SOMERVILLE, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2025

	General Fund	Other Special Revenue	ARPA Grant	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 261,883,442	\$ -	\$ -	\$ -	\$ -	\$ 261,883,442
Tax liens	550,355	-	-	-	-	550,355
Intergovernmental	54,390,924	1,656,828	24,919,133	-	28,243,294	109,210,179
Intergovernmental - Teachers retirement	15,543,947	-	-	-	-	15,543,947
Motor vehicle and other excises	14,164,363	-	-	-	-	14,164,363
Community preservation surcharges	-	-	-	-	3,486,473	3,486,473
Licenses and permits	11,531,900	-	-	-	-	11,531,900
Penalties and interest on taxes	1,272,996	-	-	-	-	1,272,996
Payments in lieu of taxes	1,687,870	-	-	-	-	1,687,870
Fines and forfeitures	7,743,618	-	-	-	-	7,743,618
Departmental and other revenue	4,617,342	15,836,722	-	-	9,731,455	30,185,519
Investment income	8,069,554	1,560,247	591,292	-	1,043,632	11,264,725
Contributions and donations	1,932,933	37,437	-	-	304,894	2,275,264
Total Revenues	383,389,244	19,091,234	25,510,425	-	42,809,748	470,800,651
Expenditures:						
Current:						
General government	47,447,442	3,590,053	23,536,402	2,355,369	2,927,398	79,856,664
Public safety	55,794,489	4,062,363	1,366,300	6,440,102	1,549,643	69,212,897
Education	109,099,120	444,168	16,431	10,584,981	21,103,528	141,248,228
Public works	40,032,454	174,358	-	11,176,590	2,629,808	54,013,210
Health and human services	3,414,981	403,056	-	-	388,217	4,206,254
Culture and recreation	6,272,339	336,041	-	-	368,811	6,977,191
Community development	-	-	-	-	2,352,674	2,352,674
Community preservation	-	-	-	-	1,045,705	1,045,705
Pension benefits	17,084,777	-	-	-	-	17,084,777
Pension benefits - Teachers retirement	15,543,947	-	-	-	-	15,543,947
Employee benefits	36,248,714	-	-	-	-	36,248,714
State and county assessments	14,178,376	-	-	-	-	14,178,376
Debt service:						
Principal	12,626,851	-	-	-	334,150	12,961,001
Interest	9,244,651	253,729	-	-	393,646	9,892,026
Total Expenditures	366,988,141	9,263,768	24,919,133	30,557,042	33,093,580	464,821,664
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,401,103	9,827,466	591,292	(30,557,042)	9,716,168	5,978,987
Other Financing Sources (Uses):						
Issuance of bonds and notes	-	-	-	19,633,347	-	19,633,347
Premiums from bonds and notes	-	2,385,165	-	983,832	-	3,368,997
Capital purchase financing	-	-	-	10,711,166	-	10,711,166
Transfers in	16,622,326	223,621	-	9,898,892	303,491	27,048,330
Transfers out	(7,264,995)	(618,839)	-	(14,114,745)	(7,992,830)	(29,991,409)
Total Other Financing Sources (Uses)	9,357,331	1,989,947	-	27,112,492	(7,689,339)	30,770,431
Net Change in Fund Balances	25,758,434	11,817,413	591,292	(3,444,550)	2,026,829	36,749,418
FUND BALANCES - Beginning of year, as previously reported	112,697,350	46,834,850	-	(13,287,158)	61,158,673	207,403,715
Error corrections	-	2,552,936	5,067,630	981,378	(346,786)	8,255,158
FUND BALANCES - Beginning of the Year, as restated	112,697,350	49,387,786	5,067,630	(12,305,780)	60,811,887	215,658,873
FUND BALANCES - End of year	\$ 138,455,784	\$ 61,205,199	\$ 5,658,922	\$ (15,750,330)	\$ 62,838,716	\$ 252,408,291

See accompanying notes to basic financial statements.

CITY OF SOMERVILLE, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2025

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 36,749,418**

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. The net amounts are reflected here as reconciling items:

Capital outlays	56,808,235
Disposal of capital assets	(8,870)
Depreciation expense	<u>(17,079,715)</u>

Net effect of reporting capital assets 39,719,650

In the Statement of Activities, Internal Service Funds established to administer the City's worker's compensation activities are included within the Statement of Activities whereas these activities are not presented in the Statement of Revenues, Expenditures and Changes in Fund Balances. 666,985

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amounts are reflected here as reconciling items:

Issuance of general obligation bonds and notes	(19,633,347)
Capital lease obligations	(10,711,166)
Premiums from bonds and notes	(3,368,997)
Amortization of deferred charge on refunding	(185,305)
Amortization of premiums on bonds and notes payable	3,812,565
Payments on capital leases	684,361
Repayments of debt	<u>12,961,001</u>

Net effect of reporting long-term debt (16,440,888)

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the difference in unavailable revenue. 1,602,198

In the Statement of Activities, interest is accrued on outstanding long-term debt; whereas in governmental funds interest is not reported until due. The net amount presented here as a reconciling item represents the difference in accruals between this year and the prior year. 87,390

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:

Compensated absences	(338,431)
Pension benefits	10,690,099
Other postemployment benefits	<u>11,221,366</u>

Net effect of reporting long-term liabilities 21,573,034

Change in Net Position of Governmental Activities **\$ 83,957,787**

See accompanying notes to basic financial statements.

CITY OF SOMERVILLE, MASSACHUSETTS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2025

	Business-Type Activities				Governmental	
	Water	Sewer	Dilboy Stadium	Kennedy School Pool	Total Enterprise Funds	Internal Service Fund
Assets						
Current assets:						
Cash and cash equivalents	\$ 15,326,321	\$ 54,757,545	\$ 395,295	\$ 681,867	\$ 71,161,028	\$ 601,062
Receivables (net):						
User charges	7,473,661	14,193,863	-	-	21,667,524	-
Utility liens	170,006	304,988	-	-	474,994	-
Total current assets	<u>22,969,988</u>	<u>69,256,396</u>	<u>395,295</u>	<u>681,867</u>	<u>93,303,546</u>	<u>601,062</u>
Noncurrent assets:						
Capital assets not being depreciated	13,742,261	55,629,811	-	-	69,372,072	-
Capital assets, net of accumulated depreciation	<u>72,703,058</u>	<u>104,958,149</u>	<u>-</u>	<u>-</u>	<u>177,661,207</u>	<u>-</u>
Total noncurrent assets	<u>86,445,319</u>	<u>160,587,960</u>	<u>-</u>	<u>-</u>	<u>247,033,279</u>	<u>-</u>
Total Assets	<u>109,415,307</u>	<u>229,844,356</u>	<u>395,295</u>	<u>681,867</u>	<u>340,336,825</u>	<u>601,062</u>
Deferred Outflows of Resources						
Related to net pension liability	77,741	153,669	-	-	231,410	-
Related to net other postemployment benefit liability	23	16,957	-	-	16,980	-
Total Deferred Outflows of Resources	<u>77,764</u>	<u>170,626</u>	<u>-</u>	<u>-</u>	<u>248,390</u>	<u>-</u>
Liabilities						
Current liabilities:						
Warrants and accounts payable	301,812	225,792	68,976	12,061	608,641	84,707
Accrued payroll and withholdings	31,692	35,286	3,236	8,124	78,338	8,938
Accrued interest	155,296	536,255	-	-	691,551	-
Workers' compensation claims	-	-	-	-	-	371,000
Bond anticipation notes payable	8,902,289	79,964,225	-	-	88,866,514	-
Compensated absences	14,308	14,432	-	-	28,740	-
Bonds and notes payable	<u>2,864,649</u>	<u>1,945,502</u>	<u>-</u>	<u>-</u>	<u>4,810,151</u>	<u>-</u>
Total current liabilities	<u>12,270,046</u>	<u>82,721,492</u>	<u>72,212</u>	<u>20,185</u>	<u>95,083,935</u>	<u>464,645</u>
Noncurrent liabilities:						
Workers' compensation claims	-	-	-	-	-	1,348,000
Compensated absences	42,922	43,295	-	-	86,217	-
Net other postemployment benefit liability	745,632	273,525	-	-	1,019,157	-
Net pension liability	653,931	1,292,591	-	-	1,946,522	-
Bonds and notes payable	<u>35,574,129</u>	<u>39,334,648</u>	<u>-</u>	<u>-</u>	<u>74,908,777</u>	<u>-</u>
Total noncurrent liabilities	<u>37,016,614</u>	<u>40,944,059</u>	<u>-</u>	<u>-</u>	<u>77,960,673</u>	<u>1,348,000</u>
Total Liabilities	<u>49,286,660</u>	<u>123,665,551</u>	<u>72,212</u>	<u>20,185</u>	<u>173,044,608</u>	<u>1,812,645</u>
Deferred Inflows of Resources						
Related to net pension liability	94,387	186,573	-	-	280,960	-
Related to net other postemployment benefit liability	1,824,391	9,287	-	-	1,833,678	-
Total Deferred Inflows of Resources	<u>1,918,778</u>	<u>195,860</u>	<u>-</u>	<u>-</u>	<u>2,114,638</u>	<u>-</u>
Net Position						
Net investment in capital assets	46,296,552	50,209,442	-	-	96,505,994	-
Unrestricted	<u>11,991,081</u>	<u>55,944,129</u>	<u>323,083</u>	<u>661,682</u>	<u>68,919,975</u>	<u>(1,211,583)</u>
Total Net Position	<u>\$ 58,287,633</u>	<u>\$ 106,153,571</u>	<u>\$ 323,083</u>	<u>\$ 661,682</u>	<u>\$ 165,425,969</u>	<u>\$ (1,211,583)</u>

See accompanying notes to basic financial statements.

CITY OF SOMERVILLE, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FISCAL YEAR ENDED JUNE 30, 2025

	Business-Type Activities					Governmental
	Water	Sewer	Dilboy Stadium	Kennedy School Pool	Total Enterprise Funds	Internal Service Fund
Operating Revenues:						
Charges for services	\$ 19,681,847	\$ 37,438,644	\$ 144,258	\$ 85,994	\$ 57,350,743	\$ -
Employer contributions	-	-	-	-	-	785,000
Total Operating Revenues	19,681,847	37,438,644	144,258	85,994	57,350,743	785,000
Operating Expenses:						
Operating costs	13,612,839	21,799,162	199,961	512,729	36,124,691	-
Depreciation	2,289,161	2,783,858	-	-	5,073,019	-
Employee benefits	-	-	-	-	-	118,015
Total Operating Expenses	15,902,000	24,583,020	199,961	512,729	41,197,710	118,015
Operating Income (Loss)	3,779,847	12,855,624	(55,703)	(426,735)	16,153,033	666,985
Nonoperating Revenues (Expenses):						
Investment income	772,025	2,141,619	2,828	5,772	2,922,244	-
Interest expense	(1,246,555)	(4,216,494)	-	-	(5,463,049)	-
Total Nonoperating Revenues (Expenses)	(474,530)	(2,074,875)	2,828	5,772	(2,540,805)	-
Income Before Capital Contributions and Transfers	3,305,317	10,780,749	(52,875)	(420,963)	13,612,228	666,985
Transfers in	1,669,440	527,384	87,000	659,255	2,943,079	-
Total Capital Contributions and Transfers	1,669,440	527,384	87,000	659,255	2,943,079	-
Change in Net Position	4,974,757	11,308,133	34,125	238,292	16,555,307	666,985
Total Net Position - Beginning of the Year, as previously reported	52,466,020	91,688,154	288,958	423,390	144,866,522	(1,878,568)
Error corrections	846,856	3,157,284	-	-	4,004,140	-
Total Net Position - Beginning of the Year, as restated	53,312,876	94,845,438	288,958	423,390	148,870,662	(1,878,568)
Total Net Position - End of the Year	\$ 58,287,633	\$ 106,153,571	\$ 323,083	\$ 661,682	\$ 165,425,969	\$ (1,211,583)

See accompanying notes to basic financial statements.

CITY OF SOMERVILLE, MASSACHUSETTS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FISCAL YEAR ENDED JUNE 30, 2025

	Business-Type Activities					Governmental
	Water	Sewer	Dilboy Stadium	Kennedy School Pool	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:						
Receipts from users	\$ 18,756,705	\$ 36,736,363	\$ 144,258	\$ 85,994	\$ 55,723,320	\$ -
Receipts from interfund services provided	-	-	-	-	-	785,000
Payments to employees	(1,164,172)	(1,598,772)	(84,864)	(396,435)	(3,244,243)	-
Payments to vendors	(12,762,874)	(20,565,394)	(49,615)	(112,733)	(33,490,616)	-
Payments for interfund services used	-	-	-	-	-	(457,329)
Net Cash Provided by (Used in) Operating Activities	4,829,659	14,572,197	9,779	(423,174)	18,988,461	327,671
Cash Flows from Noncapital Financing Activities:						
Transfers in	1,669,440	527,384	87,000	659,255	2,943,079	-
Net Cash Provided by Noncapital Financing Activities	1,669,440	527,384	87,000	659,255	2,943,079	-
Cash Flows from Capital and Related Financing Activities:						
Proceeds from the issuance of bonds	10,075,709	5,101,810	-	-	15,177,519	-
Premiums from the issuance of bonds	112,419	192,844	-	-	305,263	-
Proceeds from the issuance of bond anticipation notes	9,357,707	79,964,225	-	-	89,321,932	-
Payments on bond anticipation notes	(9,737,902)	(56,620,328)	-	-	(66,358,230)	-
Acquisition and construction of capital assets	(15,096,850)	(33,251,169)	-	-	(48,348,019)	-
Principal payments on bonds	(2,381,815)	(1,567,073)	-	-	(3,948,888)	-
Interest payments on bonds and notes	(1,194,885)	(3,990,748)	-	-	(5,185,633)	-
Net Cash Used in Capital and Related Financing Activities	(8,865,617)	(10,170,439)	-	-	(19,036,056)	-
Cash Flows from Investing Activities:						
Investment income	772,025	2,141,619	2,828	5,772	2,922,244	-
Net Cash Provided by (Used in) Investing Activities	772,025	2,141,619	2,828	5,772	2,922,244	-
Net Change in Cash and Cash Equivalents	(1,594,493)	7,070,761	99,607	241,853	5,817,728	327,671
Cash and Cash Equivalents:						
Beginning of the year	16,920,814	47,686,784	295,688	440,014	65,343,300	273,391
End of the year	\$ 15,326,321	\$ 54,757,545	\$ 395,295	\$ 681,867	\$ 71,161,028	\$ 601,062
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Operating Income (Loss)	\$ 3,779,847	\$ 12,855,624	\$ (55,703)	\$ (426,735)	\$ 16,153,033	\$ 666,985
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	2,289,161	2,783,858	-	-	5,073,019	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:						
Receivables	(925,142)	(702,281)	-	-	(1,627,423)	-
Deferred outflows of resources	110,525	201,484	-	-	312,009	-
Accounts payable and accrued expenses	(197,616)	(207,691)	65,482	3,561	(336,264)	81,686
Workers' compensation claims	-	-	-	-	-	(421,000)
Net other postemployment liability	117,721	20,466	-	-	138,187	-
Net pension liability	(271,108)	(535,885)	-	-	(806,993)	-
Deferred inflows of resources	(73,729)	156,622	-	-	82,893	-
Net Cash Provided by (Used in) Operating Activities	4,829,659	14,572,197	9,779	(423,174)	18,988,461	327,671
Noncash capital and related financing activities:						
Acquisition of capital assets on account	\$ 254,112	\$ -	\$ -	\$ -	\$ 254,112	\$ -
Amortization of bond premium	-	149,527	-	-	149,527	-

See accompanying notes to basic financial statements.

CITY OF SOMERVILLE, MASSACHUSETTS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2025

	Total Pension and Other Employee Benefits Trust Fund (1)	Private Purpose Trust Funds
Assets		
Cash and cash equivalents	\$ 18,402,799	\$ 90,166
Investments:		
Government securities	6,343,073	-
Equity securities	324,703,733	-
Real estate limited partnership	17,924,367	-
Domestic equity mutual funds	16,692,534	-
International equity mutual funds	14,326,530	-
Fixed income mutual funds	68,395,128	-
Corporate bonds	4,189,603	-
State Treasurer investment pool - PRIT	16,572,636	-
Receivables, net of allowance for uncollectibles:		
Other	36,125	-
Total Assets	487,586,528	90,166
Liabilities		
Warrants and accounts payable	287,058	-
Total Liabilities	287,058	-
Net Position		
Restricted for pensions	455,414,531	-
Restricted for other postemployment benefits	31,884,939	-
Restricted for private purposes	-	90,166
Total Net Position	\$ 487,299,470	\$ 90,166

(1) Pension Trust Fund is as of December 31, 2024.

See accompanying notes to basic financial statements.

CITY OF SOMERVILLE, MASSACHUSETTS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FISCAL YEAR ENDED JUNE 30, 2025**

	Total Pension and Other Employee Benefits Trust Fund (1)	Private Purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 30,237,078	\$ -
Employee	10,960,414	-
Other	2,744,202	13,110
Total contributions	43,941,694	13,110
Investment income:		
Interest and dividends	9,660,843	2,767
Net change in fair value of investments	54,295,575	-
Less - investment management fees	(1,765,396)	-
Net investment earnings	62,191,022	2,767
Other income	11,076	-
Total Additions	106,143,792	15,877
Deductions		
Benefit payments to retirees and beneficiaries	34,985,350	-
Member refunds	824,897	-
Transfers and reimbursements to other pension systems	3,462,661	-
Administration	680,838	-
Other postemployment benefits	9,840,748	-
Education - scholarships	-	36,000
Total Deductions	49,794,494	36,000
CHANGE IN NET POSITION	56,349,298	(20,123)
NET POSITION AT BEGINNING OF YEAR	430,950,172	110,289
NET POSITION AT END OF YEAR	\$ 487,299,470	\$ 90,166

(1) Pension Trust Fund is as of December 31, 2024.

See accompanying notes to basic financial statements.

CITY OF SOMERVILLE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2025

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the City:

A. Reporting Entity

The City is located in Middlesex County, directly to the northwest of the City of Boston. It was settled in 1639, first incorporated as a Town in 1842 and subsequently as a City in 1872. The City is governed by a Mayor and an eleven-member elected City Council. The City provides governmental services for the territory within its boundaries, including police and fire protection, disposal of garbage and rubbish, public education in grades K-12, water and sewer services, street maintenance, parks and recreational facilities. The water and sewer services are provided via connections to the Massachusetts Water Resources Authority. These services are funded almost entirely with user charges.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the City meet certain criteria.

The entity discussed below is included in the City's reporting entity because of the significance of its operations or financial relationships with the City.

Somerville Contributory Retirement System – The System was established to provide retirement benefits to City employees, the Somerville Housing Authority employees and their beneficiaries. While legally separate, the System provides services almost entirely to the City and is reported as a pension trust fund in the fiduciary fund financial statements.

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited annual financial report that may be obtained by contacting the System at 323 Broadway, Somerville, Massachusetts.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges for support. Likewise, the primary government is reported

separately from the legally separate component unit for which the primary government is financially accountable.

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

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element (assets and deferred outflows, liabilities and deferred inflows, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding element for all governmental and enterprise funds combined.

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

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

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 a liability is incurred. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The City considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major Governmental Funds:

General Fund – is the government’s primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Other Special Revenue Fund – is used to account for activities of the gifts received and other specific purpose required special revenue receipts.

ARPA Grant Fund – is used to account for activities of the City’s ARPA federal grant program.

Capital Projects Fund – is used to account for the accumulation of resources for various capital projects throughout the City.

Nonmajor Governmental Funds – consist of other special revenue, 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 Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The Permanent Funds are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary fund:

Water Enterprise Fund – is used to account for the City’s water department activities.

Sewer Enterprise Fund – is used to account for the City’s sewer department activities.

Dilboy Stadium Enterprise Fund – is used to account for the City’s Dilboy Stadium activities.

Kennedy School Pool Enterprise Fund – is used to account for the City’s Kennedy School Pool activities.

Additionally, the following proprietary fund type is reported:

Internal Service Fund – is used to account for the financing of services provided to one department to other departments or governmental units. This fund is used to account for risk financing activities related to workers’ compensation.

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

The government reports the following fiduciary funds:

Pension and Other Employee Benefit Trust Funds – is used to account for the activities of the System, which accumulates resources for pension benefits to retired City employees and to accumulate funds for future payments of other postemployment benefits for retirees, such as health and life insurance.

Private-Purpose Trust Fund – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is primarily used for educational scholarships.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments – The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments of the City and System are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy. Real estate taxes and water and sewer user fees are secured through a lien process within six months after the close of the valuation year and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old.

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. Loans receivable are secured via a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these loan receivables is not reported.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, land improvements, books and periodicals, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g. roads, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported as acquisition value rather than fair value. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$50,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-process) are depreciated/amortized by the City on a straight-line basis.

The estimated useful lives of capital assets being depreciated/amortized are as follows:

Land improvements	20-40 years
Books and periodicals	10 years
Buildings and improvements	20-40 years
Machinery and equipment	5-10 years
Vehicles	5-15 years
Infrastructure	10-50 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances

outstanding between the governmental activities and the business-type activities are reported in the statement of activities as *transfers, net*.

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 state law. Investment income of the proprietary funds is retained in the respective funds.

Compensated Absences – It is the City’s policy to permit employees to accumulate earned but unused vacation, sick and compensatory time. Unused vacation and compensatory time is accrued when it is more likely than not to be used for time off or otherwise paid in cash or settled through non-cash means. Sick leave is accumulated in various rates based on individual collective bargaining agreements and is accrued only to the extent that leave is more likely than not to be used for time off or otherwise paid in cash or settled through non-cash means. It is assumed that when sick leave is taken the leave hours earned last are the first ones utilized or paid. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Amounts related to these benefits are estimated and recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line and effective interest methods.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – 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 assets that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that are reported on the government-wide statement of net position which relate to outflows from deferred charges on refunding, changes in the net pension liability and other postemployment benefits liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A and the deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

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 assets that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that are reported as deferred inflows of resources. The first arises only under a modified accrual basis of accounting and, accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, excise taxes, intergovernmental and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are reported on the government-wide statement of net position and

relate to inflows from changes in the net pension liability and the net other postemployment benefit liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

Net Position – In the government-wide financial statements, 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 related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted for* the following:

Nonexpendable permanent funds represent the endowment portion of donor restricted trusts that support governmental programs.

Expendable permanent funds represent the portion of donor restricted trusts that may be spent to support governmental programs.

Loans represent community development outstanding loan receivable balances.

Community development represents amounts restricted for all federal, state and locally funded community development activities.

Community preservation represents financial resources restricted by state law for community preservation related projects.

Gifts and grants represent amounts restricted for gifts used to provide a specific benefit to governmental programs and state and federal grants for specific programs.

Fund Balance – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily to the extent in which the City is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to formal action of the City Council through City Council Orders, which represent the most binding constraint that give rise to committed fund balance. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (through City Council Orders) it employed previously to commit those amounts.

Assigned represents 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. The policy established by the City Council pursuant to which this authorization is given is based on applicable Massachusetts General Law (MGL) related to encumbrances.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a *negative* unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

Stabilization Fund – The City maintains a general stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for any municipal purpose upon a two-thirds vote of the City Council. Additions to the fund require a majority vote of the City Council. The balance of the fund totals \$15,076,122 at June 30, 2025 and is reported as unassigned fund balance in the General Fund.

The City maintains fifty-one individual special purpose stabilization funds, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for various municipal purposes upon a two-thirds vote of the City Council. Additions to these funds require a majority vote of the City Council. The balance of these funds total \$98,854,138 at June 30, 2025 and is reported as committed fund balance in the General Fund. These funds are detailed on the next page.

Encumbrances – The City's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the City Auditor as assigned, and (2) classify encumbrances that result from an action of the City Council as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The City reports \$6,138,713 of encumbrances from normal purchasing activity in the general fund as assigned. There are no encumbrances reported in any other fund.

The table on the following page reflects the City's fund balance categorizations:

	General	Other Special Revenue	ARPA Grant	Capital Projects	Nonmajor Governmental	Total
Nonspendable:						
Permanent fund principal	\$ -	\$ -	\$ -	\$ -	\$ 433,126	\$ 433,126
Restricted:						
Strategic planning & community development	-	-	-	-	18,910,373	18,910,373
Other special revenue	-	61,205,199	-	-	-	61,205,199
Capital outlay	-	-	-	17,309,173	453,593	17,762,766
School special revenue funds	-	-	-	-	1,834,287	1,834,287
School state and private grants	-	-	-	-	5,765,668	5,765,668
City and school federal grant funds	-	-	-	-	627	627
City state grant funds	-	-	-	-	1,947,399	1,947,399
City revolving funds	-	-	-	-	1,338,580	1,338,580
City receipts reserved	-	-	-	-	7,151,852	7,151,852
City private grants	-	-	-	-	1,364,701	1,364,701
School lunch	-	-	-	-	3,468,291	3,468,291
Community preservation	-	-	-	-	19,925,180	19,925,180
Other permanent funds	-	-	-	-	245,039	245,039
Committed:						
City and school federal grant funds						
Max-Pak stabilization fund	23,166	-	-	-	-	23,166
East Somerville stabilization fund	119,612	-	-	-	-	119,612
Street tree stabilization fund	507,418	-	-	-	-	507,418
Alpine restaurant stabilization fund	2,926	-	-	-	-	2,926
Rockwell restaurant stabilization fund	10,549	-	-	-	-	10,549
270 Cedar Street LLC stabilization fund	1,169	-	-	-	-	1,169
Workforce training stabilization fund	479	-	-	-	-	479
Bicycle stabilization fund	2,544	-	-	-	-	2,544
Linwood Street sidewalk improvement stabilization fund	13,698	-	-	-	-	13,698
Davis Square traffic & sign stabilization fund	330	-	-	-	-	330
Salary and wage stabilization fund	11,711,143	-	-	-	-	11,711,143
Open space acquisition & improvement stabilization fund	172,241	-	-	-	-	172,241
Open space improvement stabilization fund	2,125,417	-	-	-	-	2,125,417
Union Square revitaliation stabilization fund	14,124	-	-	-	-	14,124
Elmwood stabilization fund	14,556	-	-	-	-	14,556
337 Broadway stabilization fund	5,000	-	-	-	-	5,000
197 Washington stabilization fund	9,365	-	-	-	-	9,365
Green Line extension stabilization fund	4,193,993	-	-	-	-	4,193,993
0 Elmwood stabilization fund	28,413	-	-	-	-	28,413
290 Highland Ave stabilization fund	11,365	-	-	-	-	11,365
Medical marijuana stabilization fund	3,633,314	-	-	-	-	3,633,314
259 McGrath stabilization fund	3,929	-	-	-	-	3,929
378 Highland Ave stabilization fund	3,368	-	-	-	-	3,368
Small business assistance stabilization fund	896,015	-	-	-	-	896,015
Water transportation public safety stabilization fund	484,482	-	-	-	-	484,482
Union Square community benefit stabilization fund	3,951,400	-	-	-	-	3,951,400
Alpine Street stabilization fund	11,224	-	-	-	-	11,224
Racial and social justice stabilization fund	1,119,436	-	-	-	-	1,119,436
COVID-19 stabilization fund	440,597	-	-	-	-	440,597
COVID-19 small business emergency relief stabilization fund	128,173	-	-	-	-	128,173
Energy stabilization fund	1,488,710	-	-	-	-	1,488,710
Encore artist and cultural stabilization fund	93,503	-	-	-	-	93,503
Xnbly Square transit area improvement stabilization fund	210,803	-	-	-	-	210,803
Xnbly Square public realm improvement stabilization fund	613,520	-	-	-	-	613,520
Xnbly Square off-site infrastructure stabilization fund	1,525,459	-	-	-	-	1,525,459
Participatory budgeting stabilization fund	1,883,955	-	-	-	-	1,883,955
Immigrant legal services stabilization fund	356,845	-	-	-	-	356,845
Bike share stabilization fund	102,128	-	-	-	-	102,128
Emergency response stabilization fund	871,682	-	-	-	-	871,682
Community composting stabilization fund	366,164	-	-	-	-	366,164
Prospect Street traffic conditions stabilization fund	262,000	-	-	-	-	262,000
Chestnut Street multi safety stabilization fund	99,127	-	-	-	-	99,127
Capital projects stabilization fund	17,147,673	-	-	-	-	17,147,673
Park construction stabilization fund	3,475,444	-	-	-	-	3,475,444
Traffic safety stabilization fund	2,233,031	-	-	-	-	2,233,031
Wellington mitigation stabilization fund	107,664	-	-	-	-	107,664
Algonquin mitigation stabilization fund	22	-	-	-	-	22
Trash transfer station stabilization fund	697	-	-	-	-	697
Facility construction & renovation stabilization fund	25,087,993	-	-	-	-	25,087,993
Street reconstruction & resurfacing stabilization fund	10,915,718	-	-	-	-	10,915,718
Boynton Yards stabilization fund	376,660	-	-	-	-	376,660
Compensated absences liability fund	1,995,894	-	-	-	-	1,995,894
Assigned:						
General government	1,981,743	-	-	-	-	1,981,743
Public safety	448,119	-	-	-	-	448,119
Education	595,643	-	-	-	-	595,643
Public works	2,014,217	-	-	-	-	2,014,217
Capital outlay	976,191	-	-	-	-	976,191
Federal grants	-	-	5,658,922	-	-	5,658,922
Other purposes	122,800	-	-	-	-	122,800
Unassigned	33,462,933	-	-	(33,059,503)	-	403,430
	\$ 138,455,784	\$ 61,205,199	\$ 5,658,922	\$ (15,750,330)	\$ 62,838,716	\$ 252,408,291

E. Excess of Expenditures Over Appropriations and Deficits

The City incurred a fund deficit in its City Capital Projects Major Fund totaling \$33,059,503. This deficit will be funded in future fiscal years with bond proceeds, grants, contributions or available funds.

F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

II. Detailed Notes to All Funds

A. Deposits 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 trust funds are held separately from those of other funds. State laws and regulations require the City to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool (the Pool). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the City did not enter into any repurchase agreements.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (the 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.

Primary Government (City)

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's investment policy states that safety, liquidity and yield are the most important attributes when deciding on which financial institutions to deposit funds with. These guidelines are intended to further the objective of securing the highest return that is consistent with the safety principal while meeting the daily cash requirements of the City. The Treasurer also subscribes to a bank rating service to assist in the determination of which banks to place deposits with. At year-end, the carrying amount of the City's deposits totaled \$254,162,269 and the City's entire bank balance of \$262,492,049 was insured by depository insurance or collateralized. Included in the bank balances are \$14,049,341 of bank certificates of deposit with maturities less than one year.

Custodial Credit Risk: Investments - In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the City may not be able to recover the full amount of its principal investment and/or investment earnings. The City has not adopted a formal investment policy to

manage custodial credit risk. The City's investments in U.S. Treasury notes, government agencies, corporate bonds and equity securities totaling \$24,376,322 are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty.

Fair Value of Investments – The City reports its investments at fair value. When actively quoted observable prices are not available, the City generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the City's best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the City's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2025:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. government obligations	\$ 6,343,073	\$ 4,955,490	\$ 1,387,583	\$ -
Corporate fixed income securities	4,189,603	-	4,189,603	-
Bond mutual funds	3,499,873	-	3,499,873	-
Total debt securities	14,032,549	4,955,490	9,077,059	-
Equity securities:				
Common stock	13,843,656	13,843,656	-	-
Equity mutual funds	3,530,462	-	3,530,462	-
Total equity securities	17,374,118	13,843,656	3,530,462	-
Total investments by fair value level	31,406,667	\$ 18,799,146	\$ 12,607,521	\$ -
Investments measured at amortized cost				
Money market mutual funds	478,272			
State investment pool	88,452,957			
Total investments measured at fair value	\$ 120,337,896			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Corporate bonds, government agencies and bond and equity mutual funds classified in Level 2 are valued using matrix pricing based on the securities' relationship to benchmark quoted prices.

The State Treasurer’s investment pool (MMDT) is valued at amortized cost. The MMDT’s investment advisor may value the pool using an alternative valuation method that more accurately reflects the fair value in accordance with the pools fair value pricing policies should amortized cost not approximate the fair value of the pool. There are no restrictions or limits on withdrawals from the pool and no direct fees are charged to participants.

Interest Rate Risk – The City’s investment policy manages interest rate risk by managing the durations in the accounts.

At June 30, 2025, the City’s investments had the following maturities:

Investments	Fair Value	Maturities in Years		
		Less than 1	1 - 5	6 - 10
U.S. government obligations	\$ 6,343,073	\$ 691,670	\$ 4,608,650	\$ 1,042,753
Corporate fixed income securities	4,189,603	272,210	3,015,797	901,596
Bond mutual funds	3,499,873	3,499,873	-	-
Total investments with maturities	<u>\$ 14,032,549</u>	<u>\$ 4,463,753</u>	<u>\$ 7,624,447</u>	<u>\$ 1,944,349</u>

Concentration of Credit Risk – The City manages credit risk several ways. There is no limit to the amount of U.S. Treasury and agency obligations which both of these types of investments carry an AA+ rating. The City will only purchase investment grade securities with a high concentration in securities rated A and above. The City may invest in the MMDT with no more than 50% of the City’s cash invested in the fund. At June 30, 2025, the City had 5% of its investments in U.S. Government Treasuries and Agencies and 74% of its investments in MMDT.

At June 30, 2025, the credit quality ratings of investments were as follows:

Quality Ratings (Moody's)	Corporate Fixed Income	U.S. Government & Agency Obligations	Totals
AAA	\$ 469,109	\$ -	\$ 469,109
Aa1	-	6,343,073	6,343,073
Aa2	602,597	-	602,597
Aa3	1,110,546	-	1,110,546
A1	688,393	-	688,393
A2	1,126,157	-	1,126,157
Baa2	192,801	-	192,801
Totals - All	<u>\$ 4,189,603</u>	<u>\$ 6,343,073</u>	<u>\$ 10,532,676</u>

The City’s investments in negotiable certificates of deposit, fixed income and money market mutual funds and MMDT are unrated.

The System

Massachusetts General Laws Chapter 32 and PERAC regulations require the System to invest funds only in pre-approved investment instruments, which include but are not necessarily limited

to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, certain corporate bonds and equities and investment pools.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee and provides regulatory insight. The reported value of the pool is the same as the fair value of the System’s position in pool shares.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System’s policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation (“FDIC”) insurance coverage for the first \$250,000 of deposits held at each financial institution. At December 31, 2024, the entire balance of the System’s bank deposits was covered by FDIC or other depository insurance and is collateralized.

Fair Value of Investments – The System reports its investments at fair value. The following table presents the fair value of the System’s investments by type as of December 31, 2024:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
Fixed income mutual funds	\$ 64,895,255	\$ -	\$ 64,895,255	\$ -
Total debt securities	64,895,255	-	64,895,255	-
Equity securities:				
Common stock	310,860,077	310,860,077	-	-
Real estate limited partnership	17,924,367	-	-	17,924,367
Domestic equity mutual funds	13,162,072	-	13,162,072	-
International equity mutual funds	14,326,530	-	14,326,530	-
Total equity securities	356,273,046	310,860,077	27,488,602	17,924,367
Total investments by fair value level	421,168,301	\$ 310,860,077	\$ 92,383,857	\$ 17,924,367
Investments measured at net asset value				
Pension Reserve Investment Trust (PRIT)	16,572,636			
Total investments measured at fair value	\$ 437,740,937			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Fixed income and equity mutual funds classified in Level 2 are valued using matrix pricing based on the securities’ relationship to benchmark quoted prices. Real estate investment limited partnerships classified in Level 3 are valued using either a discounted cash flow or market comparable companies’ technique.

Investments in PRIT are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of the Pool’s shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The System does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The Systems' investments in equity securities of \$310,860,077 are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty.

Credit Risk of Debt Securities: Investments – Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System does not have a policy for credit risk of debt securities. The System's investment in fixed income mutual funds are not rated.

B. Receivables

Receivables as of year-end for the Town's individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 4,983,311	\$ (41,785)	\$ 4,941,526
Tax liens and deferrals	2,614,419	-	2,614,419
Community preservation surcharges	45,497	-	45,497
Motor vehicle and other excise taxes	2,406,629	(1,361,046)	1,045,583
Parking	6,693,930	(4,225,588)	2,468,342
Other departmental	46,762	-	46,762
Loans	52,819,503	-	52,819,503
Intergovernmental	14,638,165	-	14,638,165
Total	<u>\$ 84,248,216</u>	<u>\$ (5,628,419)</u>	<u>\$ 78,619,797</u>

Receivables as of year-end for Town's proprietary funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user charges	\$ 7,473,661	\$ -	\$ 7,473,661
Water liens	170,006	-	170,006
Sewer user charges	14,193,863	-	14,193,863
Sewer liens	304,988	-	304,988
Total	<u>\$ 22,142,518</u>	<u>\$ -</u>	<u>\$ 22,142,518</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

	General Fund	Other Governmental Funds	Total
Receivable type:			
Real estate and personal property taxes	\$ 4,087,305	\$ -	\$ 4,087,305
Tax liens and deferrals	2,589,890	24,529	2,614,419
Motor vehicle and other excise taxes	1,045,583	-	1,045,583
Community preservation surcharges	-	45,497	45,497
Parking	2,468,342	-	2,468,342
Other departmental	46,762	-	46,762
Intergovernmental	-	10,076,154	10,076,154
Total	<u>\$ 10,237,882</u>	<u>\$ 10,146,180</u>	<u>\$ 20,384,062</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2025 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds - School Federal Grants	\$ 953,793
General Fund	Nonmajor Governmental Funds - City Federal Grant Funds	515,989
		<u>\$ 1,469,782</u>

The outstanding balances between funds result mainly from the timing difference between the dates that (1) reimburseable expenditures occur, (2) the intergovernmental reimbursements are received and (3) the payments to the general fund are made.

The composition of interfund transfers for the fiscal year ended June 30, 2025 is as follows:

Transfers In	Transfers Out				Total
	General Fund	Other Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 14,114,745	\$ 2,507,581	\$ 16,622,326
Other Special Revenue Fund	-	-	-	223,621	223,621
Capital Projects Fund	4,880,270	-	-	5,018,622	9,898,892
Nonmajor Governmental Funds	47,521	12,964	-	243,006	303,491
Water Enterprise Fund	1,590,949	78,491	-	-	1,669,440
Sewer Enterprise Fund	-	527,384	-	-	527,384
Dilboy Stadium Enterprise Fund	87,000	-	-	-	87,000
Kennedy School Pool Enterprise Fund	659,255	-	-	-	659,255
Total	<u>\$ 7,264,995</u>	<u>\$ 618,839</u>	<u>\$ 14,114,745</u>	<u>\$ 7,992,830</u>	<u>\$ 29,991,409</u>

- (1) Transfers from capital projects fund for claims and judgements and to close surplus funds and transfers from nonmajor governmental funds to supplement operating budgets.
- (2) Transfers from nonmajor funds for loans and road improvements.
- (3) Transfers from general fund for capital outlays and transfers from nonmajor governmental funds for loans.
- (4) Transfers from general fund for cultural purposes, transfer from other special revenue funds and nonmajor governmental funds to reclassify balances.
- (5) Transfers from general fund to supplement operating budget and transfer from other special revenue fund for debt service.
- (6) Transfers from other special revenue fund for debt service.
- (7) Transfers from general fund to supplement operating budget.

D. Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 86,398,652	\$ 4,250,000	\$ -	\$ 90,648,652
Construction in process	62,241,895	8,736,547	(15,461,207)	55,517,235
Total capital assets not being depreciated	<u>148,640,547</u>	<u>12,986,547</u>	<u>(15,461,207)</u>	<u>146,165,887</u>
Capital assets being depreciated:				
Land improvements	82,397,102	15,380,921	-	97,778,023
Books and periodicals	1,937,023	-	-	1,937,023
Buildings and improvements	491,833,976	29,656,745	-	521,490,721
Machinery and equipment	8,709,518	1,605,226	-	10,314,744
Vehicles	15,416,485	1,043,881	(121,871)	16,338,495
Infrastructure	63,056,533	11,596,122	-	74,652,655
Total capital assets being depreciated	<u>663,350,637</u>	<u>59,282,895</u>	<u>(121,871)</u>	<u>722,511,661</u>
Less accumulated depreciation for:				
Land improvements	(26,706,686)	(4,813,854)	-	(31,520,540)
Books and periodicals	(1,937,023)	-	-	(1,937,023)
Buildings and improvements	(109,189,995)	(7,732,029)	-	(116,922,024)
Machinery and equipment	(7,158,320)	(579,548)	-	(7,737,868)
Vehicles	(12,515,309)	(1,135,401)	113,001	(13,537,709)
Infrastructure	(27,956,795)	(2,818,883)	-	(30,775,678)
Total accumulated depreciation	<u>(185,464,128)</u>	<u>(17,079,715)</u>	<u>113,001</u>	<u>(202,430,842)</u>
Total capital assets being depreciated, net	<u>477,886,509</u>	<u>42,203,180</u>	<u>(8,870)</u>	<u>520,080,819</u>
Total governmental activities capital assets, net	<u>\$ 626,527,056</u>	<u>\$ 55,189,727</u>	<u>\$ (15,470,077)</u>	<u>\$ 666,246,706</u>
<i>Business-Type Activities:</i>				
Capital assets not being depreciated:				
Construction in process	\$ 72,410,041	\$ -	\$ (3,037,969)	\$ 69,372,072
Capital assets being depreciated:				
Buildings	16,087	-	-	16,087
Machinery and equipment	5,227,721	-	-	5,227,721
Vehicles	1,114,767	-	-	1,114,767
Infrastructure	171,369,974	48,602,130	-	219,972,104
Total capital assets being depreciated	<u>177,728,549</u>	<u>48,602,130</u>	<u>-</u>	<u>226,330,679</u>
Less accumulated depreciation for:				
Buildings	(15,683)	(403)	-	(16,086)
Machinery and equipment	(5,055,026)	(166,467)	-	(5,221,493)
Vehicles	(1,020,014)	(51,281)	-	(1,071,295)
Infrastructure	(37,505,730)	(4,854,868)	-	(42,360,598)
Total accumulated depreciation	<u>(43,596,453)</u>	<u>(5,073,019)</u>	<u>-</u>	<u>(48,669,472)</u>
Total capital assets being depreciated, net	<u>134,132,096</u>	<u>43,529,111</u>	<u>-</u>	<u>177,661,207</u>
Total business-type activities capital assets, net	<u>\$ 206,542,137</u>	<u>\$ 43,529,111</u>	<u>\$ (3,037,969)</u>	<u>\$ 247,033,279</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-type Activities: Water</u></i>				
Capital assets not being depreciated:				
Construction in process	\$ 13,742,261	\$ -	\$ -	\$ 13,742,261
Capital assets being depreciated:				
Buildings	16,087	-	-	16,087
Machinery and equipment	5,227,721	-	-	5,227,721
Vehicles	611,141	-	-	611,141
Infrastructure	76,880,690	15,350,962	-	92,231,652
Total capital assets being depreciated	82,735,639	15,350,962	-	98,086,601
Less accumulated depreciation for:				
Buildings	(15,683)	(403)	-	(16,086)
Machinery and equipment	(5,055,026)	(166,467)	-	(5,221,493)
Vehicles	(516,388)	(51,281)	-	(567,669)
Infrastructure	(17,507,285)	(2,071,010)	-	(19,578,295)
Total accumulated depreciation	(23,094,382)	(2,289,161)	-	(25,383,543)
Total capital assets being depreciated, net	59,641,257	13,061,801	-	72,703,058
Total Water capital assets, net	\$ 73,383,518	\$ 13,061,801	\$ -	\$ 86,445,319
<i><u>Business-type Activities: Sewer</u></i>				
Capital assets not being depreciated:				
Construction in process	\$ 58,667,780	\$ -	\$ (3,037,969)	\$ 55,629,811
Capital assets being depreciated:				
Vehicles	503,626	-	-	503,626
Infrastructure	94,489,284	33,251,168	-	127,740,452
Total capital assets being depreciated	94,992,910	33,251,168	-	128,244,078
Less accumulated depreciation for:				
Vehicles	(503,626)	-	-	(503,626)
Infrastructure	(19,998,445)	(2,783,858)	-	(22,782,303)
Total accumulated depreciation	(20,502,071)	(2,783,858)	-	(23,285,929)
Total capital assets being depreciated, net	74,490,839	30,467,310	-	104,958,149
Total Sewer capital assets, net	\$ 133,158,619	\$ 30,467,310	\$ (3,037,969)	\$ 160,587,960

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 4,680,427	Water	\$ 2,289,161
Public safety	1,456,483	Sewer	2,783,858
Education	6,186,632		<u>\$ 5,073,019</u>
Public works	3,481,793		
Culture and recreation	1,274,380		
	<u>\$ 17,079,715</u>		

E. Temporary Debt

The City is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes (RANS or TANS).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the City and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary borrowings are accounted for in the general fund and enterprise funds, respectively.

Temporary debt outstanding at June 30, 2025, are payable as follows:

Type	Interest Rate	Maturity Date	July 1, 2024	Additions	Retirements	June 30, 2025
BAN	4.50%	05/30/25	\$27,241,926	\$ -	\$(27,241,926)	\$ -
BAN	4.00%	02/20/26	-	14,200,000	-	14,200,000
BAN	4.20%	06/18/26	-	21,075,377	-	21,075,377
Total Governmental Notes			27,241,926	35,275,377	(27,241,926)	35,275,377
BAN	4.50%	05/30/25	65,047,133	-	(65,047,133)	-
BAN	5.43%	07/01/26	-	87,555,417	-	87,555,417
MCWT	0.00%	12/31/25	* 855,679	455,418	(1,311,097)	-
MCWT	0.00%	03/19/28	-	1,311,097	-	1,311,097
Total Business-Type Notes			65,902,812	89,321,932	(66,358,230)	88,866,514
Total Notes Payable			<u>\$93,144,738</u>	<u>\$124,597,309</u>	<u>\$(93,600,156)</u>	<u>\$124,141,891</u>

* As restated. See Note IV.

The BAN's maturing on February 20, 2026 were retired as more fully described in Note V.

F. Leases

The City has entered into lease agreements for two properties utilized as a fire station and a school administration building along with an agreement to lease solar powered trash barrels. These agreements qualify as leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. Corresponding right-to-use assets have been added to the City’s capital assets at the present value of the future lease payments and are amortized over the life of the leases.

Right-to-use assets acquired through lease obligations are as follows:

	<u>Amount</u>
<i>Right-to-use Asset:</i>	
Fire station	\$ 7,101,354
School administration building	9,670,579
Solar barrels	791,075
Less: accumulated depreciation	<u>(1,055,837)</u>
Total	<u><u>\$ 16,507,171</u></u>

Payments on lease liabilities due in future years consists of the following at June 30, 2025:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,801,507	\$ 758,886	\$ 2,560,393
2027	1,958,312	670,305	2,628,617
2028	2,122,834	574,152	2,696,986
2029	2,295,447	470,054	2,765,501
2030	1,686,960	362,253	2,049,213
2031-2035	672,929	1,564,986	2,237,915
2036-2040	887,326	1,397,250	2,284,576
2041-2045	1,389,628	1,132,729	2,522,357
2046-2050	2,053,345	731,540	2,784,885
2051-2054	1,939,510	179,082	2,118,592
Total	<u><u>\$ 16,807,798</u></u>	<u><u>\$ 7,841,237</u></u>	<u><u>\$24,649,035</u></u>

G. Long-Term Debt

The City issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the City incurs various other long-term obligations relative to associated personnel costs.

State law permits a City, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a City may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

The following is a summary of outstanding long-term debt obligations as of June 30, 2025:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities:</i>					
General Obligation Bonds	2.00 - 5.00%	\$ 258,932,362	\$ 19,633,347	\$ (11,402,362)	\$ 267,163,347
General Obligation Refunding Bonds	4.00%	3,126,050	-	(820,000)	2,306,050
General Obligation Bonds - MSBA	2.00 - 8.00%	7,371,771	-	(579,623)	6,792,148
Total General Obligation Bonds		269,430,183	19,633,347	(12,801,985)	276,261,545
Add: Unamortized bond premium		16,924,978	3,368,997	(3,812,565)	16,481,410
Total General Obligation Bonds, net		286,355,161	23,002,344	(16,614,550)	292,742,955
Direct Capital Financing	4.00%	159,016	-	(159,016)	-
Total notes from direct borrowings and placements		159,016	-	(159,016)	-
Total Governmental Activities debt		\$ 286,514,177	\$ 23,002,344	\$ (16,773,566)	\$ 292,742,955
<i>Business-Type Activities - Water:</i>					
General Obligation Bonds	2.00 - 5.00%	\$ 19,367,515	\$ 6,004,843	\$ (837,515)	\$ 24,534,843
General Obligation Refunding Bonds	4.00%	513,950	-	(80,000)	433,950
Total General Obligation Bonds		19,881,465	6,004,843	(917,515)	24,968,793
Add: Unamortized bond premium		-	112,419	-	112,419
Total General Obligation Bonds, net		19,881,465	6,117,262	(917,515)	25,081,212
Massachusetts Water Resource Authority	0.00%	10,751,000	4,070,866	(1,464,300)	13,357,566
Total notes from direct borrowings and placements		10,751,000	4,070,866	(1,464,300)	13,357,566
Total Water debt		\$ 30,632,465	\$ 10,188,128	\$ (2,381,815)	\$ 38,438,778
<i>Business-Type Activities - Sewer:</i>					
General Obligation Bonds	2.00 - 5.00%	\$ 34,320,123	\$ 5,101,810	\$ (1,250,123)	\$ 38,171,810
General Obligation Refunding Bonds	4.00%	220,000	-	(95,000)	125,000
Total General Obligation Bonds		34,540,123	5,101,810	(1,345,123)	38,296,810
Add: Unamortized bond premium		1,192,362	192,844	(149,527)	1,235,679
Total General Obligation Bonds, net		35,732,485	5,294,654	(1,494,650)	39,532,489
Massachusetts Water Resource Authority	0.00%	1,969,611	-	(221,950)	1,747,661
Total notes from direct borrowings and placements		1,969,611	-	(221,950)	1,747,661
Total Sewer debt		\$ 37,702,096	\$ 5,294,654	\$ (1,716,600)	\$ 41,280,150
Total Business-Type Activities, net		\$ 68,334,561	\$ 15,482,782	\$ (4,098,415)	\$ 79,718,928

The Massachusetts Water Resource Authority (MWRA) operates financial assistance programs for community owned collection systems. For each community approved for the program, financial assistance received from the MWRA consists of non-interest-bearing loans. At June 30, 2025, the outstanding principal amount of these loans totaled \$15.1 million.

The Commonwealth of Massachusetts' School Building Authority (MSBA) provides assistance to support school building construction costs and reduce the total debt service of the City. Through the end of 2025, the City has received MSBA capital grant proceeds of approximately \$112.9 million related to the Somerville High School project, which is equal to 75.29% of approved construction costs submitted for reimbursement. The City anticipates receiving additional funding once the final close-out audit has been completed by the MSBA. The City cannot reasonably determine the amount that will be reimbursed and therefore has not recorded a receivable. The City will recognize these additional reimbursements in the year they are received.

Payments on outstanding bond balances due in future years consist of the following:

Year Ending June 30	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
<i>Governmental Activities</i>				
2026	\$ 13,677,969	\$ 8,969,846	\$ -	\$ -
2027	13,884,622	8,384,626	-	-
2028	13,655,672	7,772,578	-	-
2029	13,389,623	7,187,070	-	-
2030	13,799,622	6,604,929	-	-
2031-2035	65,389,901	25,279,451	-	-
2036-2040	56,967,585	15,606,582	-	-
2041-2045	45,901,551	8,324,072	-	-
2046-2050	37,335,000	2,844,992	-	-
2051-2054	2,260,000	72,767	-	-
Total	<u>\$ 276,261,545</u>	<u>\$ 91,046,913</u>	<u>\$ -</u>	<u>\$ -</u>

<i>Business-Type Activities - Water</i>				
2026	\$ 1,074,843	\$ 1,783,887	\$ 1,039,417	\$ -
2027	1,120,000	1,783,886	997,126	-
2028	1,168,950	1,617,887	942,888	-
2029	1,225,000	1,617,886	886,684	-
2030	1,280,000	1,363,587	829,403	-
2031-2035	5,180,000	5,190,433	3,301,321	-
2036-2040	3,445,000	-	2,435,904	-
2041-2045	4,125,000	-	1,774,987	-
2046-2050	3,495,000	-	1,031,513	-
2051-2054	2,855,000	-	325,856	-
Total	<u>\$ 24,968,793</u>	<u>\$ 13,357,566</u>	<u>\$ 13,565,099</u>	<u>\$ -</u>

<i>Business-Type Activities - Sewer</i>				
2026	\$ 1,631,810	\$ 221,949	\$ 1,610,500	\$ -
2027	1,690,000	221,950	1,538,905	-
2028	1,635,000	221,949	1,456,353	-
2029	1,630,000	221,951	1,374,754	-
2030	1,480,000	171,972	1,294,621	-
2031-2035	6,330,000	687,890	5,513,817	-
2036-2040	7,130,000	-	4,118,754	-
2041-2045	8,600,000	-	2,626,393	-
2046-2050	6,790,000	-	986,593	-
2051-2054	1,380,000	-	120,600	-
Total	<u>\$ 38,296,810</u>	<u>\$ 1,747,661</u>	<u>\$ 20,641,290</u>	<u>\$ -</u>

The following represents authorized and unissued debt as of June 30, 2025:

Project	Amount
<i>Governmental:</i>	
High School Construction	\$ 4,490,395
Other school buildings	1,869,150
Somerville Ave Streetscape	12,751,982
Somerville Ave Pocket Park	1,250,000
Clarendon Hill Redevelopment	20,743,132
90 Washington Street Parcel	14,400,000
Other Building Improvements	5,497,000
Union Square Streetscape	1,000,000
Street Resurfacing	9,580,737
Central Hill Camp Op Space	2,713,765
Fire Pumper	1,817,770
<i>Business-type:</i>	
MWRA Water Main Rehab	2,106,400
Somerville Ave Infrastructure - water	1,083,620
Water Distribution System Rehab	6,410,000
Water Lead Line	35,000
SRF Lead Line Replacement	4,309,540
LWSAP Water Main Replacement	8,732,734
Spring Hill Drainage	11,318,094
Clarendon Hill Sewer Infrastructure	662,088
Somerville Ave Infrastructure - sewer	18,885,306
Spring Hill Sewer Separation	6,058,280
Poplar Street Sewer Pump Station	94,703,636
Sewer System Evaluation Study	2,380,000
Sewer Improvements	8,386,990
Marginal Interceptor Sewer Rehabilitation	988,780
Sewer Shed	3,500,000
Total Authorized and Unissued	<u>\$ 245,674,399</u>

In fiscal year 2021, the government defeased general obligation bonds related to the Union Square Revitalization Project by placing the proceeds from the sale of land which was financed with bonds in an irrevocable trust account to provide for all future debt service payments related to the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2025, \$6.5 million of defeased bonds remain outstanding. These bonds are not callable until October 15, 2025, October 1, 2026 and June 1, 2027, respectively.

The following reflects the activity in the long-term liability accounts for the year ended June 30, 2025:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 269,430,183	\$ 19,633,347	\$ (12,801,985)	\$ 276,261,545	\$ 13,677,969
Unamortized bond premium	16,924,978	3,368,997	(3,812,565)	16,481,410	1,694,088
Notes from direct borrowings and placements	159,016	-	(159,016)	-	-
Lease obligations	6,780,993	10,711,166	(684,361)	16,807,798	1,801,507
Compensated absences, net (a)	10,942,594	338,431	-	11,281,025	2,820,256
Workers' compensation	2,140,000	118,015	(539,015)	1,719,000	371,000
Net pension liability	141,048,957	1,163,912	(42,502,148)	99,710,721	-
Net other postemployment benefits liability	151,585,968	9,689,309	(5,562,856)	155,712,421	-
Total Governmental Activities	\$ 599,012,689	\$ 45,023,177	\$ (66,061,946)	\$ 577,973,920	\$ 20,364,820
<i>Business-Type Activities - Water:</i>					
General obligation bonds	\$ 19,881,465	\$ 6,004,843	\$ (917,515)	\$ 24,968,793	\$ 1,074,843
Unamortized bond premium	-	112,419	-	112,419	5,919
Notes from direct borrowings and placements	10,751,000	4,070,866	(1,464,300)	13,357,566	1,783,887
Compensated absences, net	55,800	1,430	-	57,230	14,308
Net pension liability	925,039	7,633	(278,741)	653,931	-
Net other postemployment benefits liability	627,911	1,942,112	(1,824,391)	745,632	-
Total Water	\$ 32,241,215	\$ 12,139,303	\$ (4,484,947)	\$ 39,895,571	\$ 2,878,957
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds	34,540,123	5,101,810	(1,345,123)	38,296,810	1,631,810
Unamortized bond premium	1,192,362	192,844	(149,527)	1,235,679	91,743
Notes from direct borrowings and placements	1,969,611	-	(221,950)	1,747,661	221,949
Compensated absences, net	134,400	-	(76,673)	57,727	14,432
Net pension liability	1,828,476	15,089	(550,974)	1,292,591	-
Net other postemployment benefits liability	253,059	29,753	(9,287)	273,525	-
Total Sewer	\$ 39,918,031	\$ 5,339,496	\$ (2,353,534)	\$ 42,903,993	\$ 1,959,934
Total Business-Type Activities	\$ 72,159,246	\$ 17,478,799	\$ (6,838,481)	\$ 82,799,564	\$ 4,838,891

(a) As restated. See Note IV.

III. Other Information

A. Retirement System

Retirement System Description – The City contributes to the Somerville Contributory Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan for the City and Somerville Housing Authority. The System was established under Chapter 32 of the General Laws of the Commonwealth of Massachusetts. The System is administered by the Somerville Contributory Retirement Board and is part of the reporting entity. Standalone audited financial statements for the year ended December 31, 2024 were not issued. Disclosures applicable to the Somerville Housing Authority are not material.

Membership – Membership in the System as of December 31, 2024, was as follows:

Active participants	1,442
Inactive participants	596
Disabled participants	120
Retirees and beneficiaries receiving benefits	798
Total	2,956

Benefit Terms – Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the City's school department

participate in a separate pension plan administered by the Massachusetts Teachers' Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year or five-year average annual rate of regular compensation, depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the System include normal retirement, disability retirement and survivor benefits.

Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55 or 60, as applicable. Participants become vested after ten years of service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.

Participants who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 may request a refund of their accumulated total contributions. In addition, depending on the number of years of creditable service, these employees may be entitled to interest that has accrued on their contributions. A vested employee under the age of 55 who elects to leave his accumulated contributions on deposit may apply for pension benefits upon reaching his eligible retirement age.

The System provides for both an ordinary disability retirement, where a participant is permanently incapacitated from a cause unrelated to employment, and an accidental disability retirement, where the disability is the result of an injury or illness received or aggravated in the performance of one's duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the System.

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws.

Contributions Requirements – The City has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating

employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

Employer contributions to the System totaled \$18,096,330 for the year ended December 31, 2024. The City contributed \$16,990,644 to the System in fiscal year 2025, which equaled the actuarially-determined contribution requirement for the fiscal year. The City’s contributions as a percentage of covered payroll was approximately 16.0% in fiscal year 2024.

Net Pension Liability – The components of the net pension liability of the System at December 31, 2024 were as follows:

Total pension liability	\$ 563,687,236
Plan fiduciary net position	<u>(455,414,531)</u>
Net pension liability	<u>\$ 108,272,705</u>
 Plan fiduciary net position as a percentage of the total pension liability	 80.79%

At June 30, 2025, the City reported a liability of \$101,657,243 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2025 and rolled back to December 31, 2024. There were not any material changes to the System’s benefit terms since the actuarial valuation.

The City’s proportion of the net pension liability is based on a projection of the City’s long-term share of contributions to the System relative to the projected contributions of all employers. The City’s proportion was approximately 93.9% at December 31, 2024.

Fiduciary Net Position – The elements of the System’s basic financial statements (that is, all information about the System’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the fiduciary fund financial statements.

The System’s fiduciary net position was determined using the accrual basis of accounting. The System’s accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The City recognized \$6,091,855 in pension expense in the statement of activities in fiscal year 2025. The total employer pension expense for the system was \$6,482,129.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,213,377	\$ 8,458,882
Net differences between projected and actual earnings on pension plan investments	-	5,848,852
Changes of assumptions	6,932,861	-
Changes in proportion and differences between employers' contributions and proportionate share of contributions	939,184	365,427
Total	<u>\$ 12,085,422</u>	<u>\$ 14,673,161</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the City's pension expense as follows:

Year Ended June 30,	Amount
2025	\$ 6,778,061
2026	11,606,533
2027	(14,032,994)
2028	(6,060,990)
2029	(878,349)
Total	<u>\$ (2,587,739)</u>

Actuarial Valuation – The measurement of the Retirement System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2025. The significant actuarial assumptions used in the actuarial valuation included:

Actuarial cost method	Individual entry age normal
Amortization method	Payments increasing at 8% per year
Remaining amortization period	8 years - anticipated to be fully funded at June 30, 2033
Asset valuation method	Actuarial value of assets is determined using a five-year smoothing of asset returns greater than or less than the assumed rate of return, with a 10% corridor
Investment rate of return / discount rate	7.5%, net of pension plan investment expense
Projected salary increases	3.00%
Cost of living adjustments	3.0% of the first \$16,000 of retirement income
Mortality rates	It is assumed that mortality is represented by the various SOA Pub-2010 Public Retirement Plans Mortality Tables specific to the Group, Pre-Retirement versus Post, Disabled Beneficiaries, with Scale MP-2018 improvements until 2025

Changes in Assumptions – The projected salary increases were decreased from 3.25% to 3.00% and the cost of living adjustments were increased from 2.75% to 3.00%.

Investment Policy and Rates of Return – For the year ended December 31, 2024, the annual money-weighted rate of return on System investments net of investment expense, was 14.98%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The investment rate of return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns and professional judgment. The market expectations analysis used a building-block approach, which included expected returns by asset class and the target asset allocation. The target allocation and best estimates of arithmetic real returns for each major asset class are summarized in the following table:

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

Discount Rate – The discount rate used to measure the total pension liability in the December 31, 2024 actuarial valuation report was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the net pension liability (asset) of the System calculated using the discount rate of 7.50% as well as the net pension liability (asset) of the System using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

Current Rate	System Net Pension Liability at		
	1% Decrease	Current	1% Increase
7.50%	\$ 168,009,257	\$ 108,272,705	\$ 57,599,516

The following presents the City’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50% as well as the City’s proportionate share of the net pension liability (asset) using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

Current Rate	City's Proportionate Net Pension Liability at		
	1% Decrease	Current	1% Increase
7.50%	\$ 157,743,891	\$ 101,657,243	\$ 54,080,186

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 2025 totaled \$94,133 for these noncontributory benefits.

B. Massachusetts Teachers’ Retirement System

Teachers and certain administrative employees of the City’s school department participate in the Massachusetts Teachers’ Retirement System (“MTRS”), a cost-sharing multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under Chapter 32 of Massachusetts General Laws. The Commonwealth’s legislature has the authority to amend or modify the MTRS’s funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

For the year ended June 30, 2025, the Commonwealth contributed \$17,954,450 to the MTRS on behalf of the City. The City’s proportionate share of the collective MTRS net pension liability at this reporting date was 0.742677%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the City as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The table below presents the City’s proportionate share of the following:

	Commonwealth Portion	Paid (or assumed) On Behalf of the City	City Portion
Net pension liability	\$ 188,316,485	\$ (188,316,485)	\$ -
Pension expense	15,543,947	(15,543,947)	-

The City has recognized intergovernmental revenue and pension expense of \$15,543,947 associated with this arrangement.

C. Other Postemployment Benefits

The City administers a single employer defined benefit healthcare plan (the “OPEB Plan”) that provides health, dental and life insurance benefits (other postemployment benefits) to retirees and their dependents/beneficiaries through the Group Insurance Commission (GIC). Chapter 32B,

Section 19 of Massachusetts General Law and an agreement between the City and the Public Employee Committee (PEC), which is subject to renegotiation at the end of each contract period, provides the authority to establish and amend benefit provisions of the plan. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the City’s financial statements.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and City ordinance and are negotiated between the City and the PEC. All benefits are provided through the City’s premium-based medical, dental and life insurance programs.

With respect to OPEB plan reporting, GASB issued GASB Statement No.’s 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, and Statement No, 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Reporting requirements for governments who administer an OPEB plan as defined under the accounting standard are required to present disclosures under both GASB 74 and GASB 75.

GASB 74 requires specific disclosures and required supplementary information that relate directly to the fiduciary fund in which the OPEB Plan is recorded. GASB 75 address disclosures related to the net OPEB liability required to be recorded by the government in its applicable financial statements. A number of these disclosures are identical, especially if the measurement date under GASB 75 is the same as the plan year-end date. When a different measurement date is used different assumptions and calculations will result.

OPEB Plan disclosures that impact the City’s net OPEB liability using a measurement date of June 30, 2025 are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2025:

Retired members and beneficiaries	1,706
Active employee members	<u>1,932</u>
Total	<u><u>3,638</u></u>

Contributions – The City contributes 80% of the premium for all HMO and PPO plans and 75% of the premium for all indemnity plans and the retirees will contribute the remaining 20% for all HMO and PPO plans and 25% for all indemnity plans.

The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the OPEB Plan are paid by the City. For the year ended June 30, 2025, the City’s average contribution rate was 7.6% of covered-employee payroll.

Net OPEB Liability – The City’s net OPEB liability was measured as of June 30, 2024 using an actuarial valuation as of June 30, 2024. The components of the net OPEB liability of the City were as follows:

Total OPEB Liability	\$ 188,616,517
Plan fiduciary net position	<u>(31,884,939)</u>
Net OPEB liability	<u>\$ 156,731,578</u>
Plan fiduciary net position as a percentage of the total OPEB liability	16.90%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Individual Entry Age Normal Cost Method
Asset valuation method	Fair value
Investment rate of return	7.50%
Discount rate	Full prefunding: 7.5% per year, net of investment expenses.
Health care cost trend rate	4.50%
Pre-retirement mortality	RP-2014 Blue Collar Mortality Table with Scale MP-2015, fully generational
Post-retirement mortality	Group 1 and 2 are represented by the RP-2014 Blue Collar Mortality Table set forward 5 years for males and 3 years for females, fully generational. Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward 3 years for males and 6 years for females, fully generational
Disabled mortality	Group 1 and 2 are represented by the RP-2000 Mortality Table set forward 6 years. Group 4 is represented by the RP-2000 Mortality Table set forward 2 years. Generational adjusting is based on Scale MP-2015.

Key Assumption Changes – None.

Discount Rate – The discount rate used to measure the total OPEB liability was 7.5%, which was the same as the prior year. The discount rate was selected based on a projection of employer and employee contributions, benefit payments, expenses and the long term expected rate of return on trust assets.

Sensitivity Analyses – The following presents the City’s net OPEB liability as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate as well as if the healthcare cost trend rates are 1% lower or higher than the current healthcare cost trend rates:

	Discount Rate			
	Current Rate	1% Decrease	Current Discount	1% Increase
Net OPEB Liability	7.50%	\$ 171,082,938	\$ 156,731,578	\$ 136,485,618

	Healthcare Trend Rate			
	Current Rate	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	4.50%	\$ 126,665,870	\$ 156,731,578	\$ 186,236,451

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2025:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2024	\$ 179,583,836	\$ 27,116,898	\$ 152,466,938
Changes for the year:			
Service cost	5,364,650	-	5,364,650
Interest	13,508,779	-	13,508,779
Employer contributions	-	12,140,748	(12,140,748)
Net investment income	-	2,468,041	(2,468,041)
Benefit payments withdrawn from trust	-	(9,840,748)	9,840,748
Benefit payments	(9,840,748)	-	(9,840,748)
Net changes	9,032,681	4,768,041	4,264,640
Balances at June 30, 2025	\$ 188,616,517	\$ 31,884,939	\$ 156,731,578

Long Term Expected Rate of Return – The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. During the current year the Plan invested available funds. The City is expected to develop a long-term investment policy in the future.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2025, the City recognized OPEB expense of \$854,169. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2025 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,615	\$ 5,055,602
Net difference between projected and actual earnings	-	539,585
Changes in proportion	1,801,348	1,801,348
Totals	<u>\$ 1,806,963</u>	<u>\$ 7,396,535</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

Year Ended June 30,	Amounts
2026	\$ (1,381,853)
2027	(1,574,890)
2028	(1,548,547)
2029	(1,084,282)
Total	<u>\$ (5,589,572)</u>

GASB Statement No. 74

OPEB Plan disclosures that impact the City’s net OPEB liability using a reporting date of June 30, 2025 are summarized in this section except disclosures under GASB 74 that are identical to GASB 75 are not repeated.

Investment Custody – In accordance with Massachusetts General Laws, the City Treasurer is the custodian of the OPEB Plan and since the City has not designated a Board of Trustees, the City Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the City.

Investment Policy – The City’s policy in regard to the allocation of invested assets is established and amended by the City Council by a majority vote of its members. The long-term real rate of return on OPEB investments was determined using the City’s investment policy.

Investment Rate of Return – For the year ended June 30, 2025 the annual money-weighted rate of return on investments, net of investment expense, was 9.8%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Pension and Other Employee Benefit Trust Funds

The City reports a pension and other postemployment benefit trust funds in a single column in the Statement of Net Position and Statement of Changes in Net Position in the Fiduciary Funds. The City's Other Postemployment Benefits Trust Fund does not issue stand-alone financial statements and must be reported separately.

The Statement of Net Position of the City's pension and other postemployment benefit trust funds are as follows:

	Pension Trust Fund (December 31, 2024)	Other Postemployment Benefits Trust Fund	Total
Assets:			
Cash and cash equivalents	\$ 17,924,527	\$ 478,272	\$ 18,402,799
Investments (at fair value):			
Government securities	-	6,343,073	6,343,073
Equity securities	310,860,077	13,843,656	324,703,733
Real estate limited partnership	17,924,367	-	17,924,367
Domestic equity mutual funds	13,162,072	3,530,462	16,692,534
International equity mutual funds	14,326,530	-	14,326,530
Fixed income mutual funds	64,895,255	3,499,873	68,395,128
Corporate bonds	-	4,189,603	4,189,603
State Treasurer investment pool - PRIT	16,572,636	-	16,572,636
Total Investments	437,740,937	31,406,667	469,147,604
Receivables:			
Other	36,125	-	36,125
Total Receivables	36,125	-	36,125
Total Assets	455,701,589	31,884,939	487,586,528
Liabilities:			
Warrants and accounts payable	287,058	-	287,058
Total Liabilities	287,058	-	287,058
Net Position:			
Restricted for pensions	455,414,531	-	455,414,531
Restricted for other postemployment benefits	-	31,884,939	31,884,939
Total Net Position	\$ 455,414,531	\$ 31,884,939	\$ 487,299,470

The Statement of Changes in Net Position of the City's pension and other postemployment benefit trust funds are as follows:

	Pension Trust Fund (December 31, 2024)	Other Postemployment Benefits Trust Fund	Total
Additions			
Contributions:			
Employer	\$ 18,096,330	\$ 12,140,748	\$ 30,237,078
Employee	10,960,414	-	10,960,414
Other	2,744,202	-	2,744,202
Total Contributions	<u>31,800,946</u>	<u>12,140,748</u>	<u>43,941,694</u>
Investment income:			
Interest and dividends	7,192,802	2,468,041	9,660,843
Net change in fair value of investments	54,295,575	-	54,295,575
Less - investment management fees	(1,765,396)	-	(1,765,396)
Net investment earnings	<u>59,722,981</u>	<u>2,468,041</u>	<u>62,191,022</u>
Other income	<u>11,076</u>	<u>-</u>	<u>11,076</u>
Total Additions (net)	<u>91,535,003</u>	<u>14,608,789</u>	<u>106,143,792</u>
Deductions			
Benefit payments to retirees and beneficiaries	34,985,350	-	34,985,350
Member refunds	824,897	-	824,897
Transfers and reimbursements to other systems	3,462,661	-	3,462,661
Administration	680,838	-	680,838
Other postemployment benefits	-	9,840,748	9,840,748
Total Deductions	<u>39,953,746</u>	<u>9,840,748</u>	<u>49,794,494</u>
CHANGE IN NET POSITION	51,581,257	4,768,041	56,349,298
NET POSITION AT BEGINNING OF YEAR	<u>403,833,274</u>	<u>27,116,898</u>	<u>430,950,172</u>
NET POSITION AT END OF YEAR	<u>\$ 455,414,531</u>	<u>\$ 31,884,939</u>	<u>\$ 487,299,470</u>

E. 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 amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

Workers' Compensation – The City is self-insured for its workers' compensation activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when incurred. Claims are administered by the City 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, 2025, the amount of the liability for workers' compensation claims totaled \$1,719,000.

Changes in the reported liability since July 1, 2023, are as follows:

	Balance at Beginning of Year	Claims and Changes in Estimates	Claims Payments	Balance at End of Year	Current Portion
Fiscal Year 2025	\$ 2,140,000	\$ 118,015	\$(539,015)	\$ 1,719,000	\$ 371,000
Fiscal Year 2024	1,211,000	1,323,911	(394,911)	2,140,000	535,000

F. Commitments

The City has entered into or is planning to enter into contracts to expend approximately \$183 million. The Poplar Street pump station construction project and various street, sidewalk and infrastructure projects are some of the major projects that the City will be completing. In October 2024, after an unsuccessful appeal of a court judgment, the City, through the Somerville Redevelopment Authority was ordered to pay a developer \$30.1 million due to the determination that the pro tanto payment to the developer in the amount of approximately \$8.8 million was grossly understated.

The City chose to fund this payment with \$12 million Free Cash, \$4 million, Overlay Surplus, and a borrowing of \$14.1 million. The full payment was made in March 2025 and the City did not initiate this borrowing until subsequent to year-end (see Note V below), therefore this remaining amount was reflected as a deficit in the capital projects fund at year-end.

Currently, under a memorandum of understanding, the Somerville Redevelopment Authority will make best efforts to sell the parcel in question, with the proceeds being remitted back to the City as reimbursement.

G. Contingencies

The City is party to other certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters in these situations cannot be reasonably estimated. Notwithstanding the effect of the \$3,500,000 item discussed in subsequent events, the amount of liability, if any, in these situations at June 30, 2025, cannot be ascertained, and management believes that the remaining resulting liability, if any, should not materially affect the basic financial statements of the City at June 30, 2025. Other amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may

constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The City does not believe it has failed to comply with any of these agreements.

H. Implementation of GASB pronouncements

Current Year Implementations –

In June 2022, the GASB issued GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this Statement became effective in fiscal year 2025. See Note IV for the impact the implementation of this pronouncement had on the City's financial statements.

In December 2023, the GASB issued GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The provisions of this Statement became effective in fiscal year 2025. The adoption of this accounting standard did not have a material effect on the City's financial statements.

Future Implementations –

In April 2024, the GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2025 (fiscal year 2026). The City is currently evaluating whether adoption will have a material impact on its financial statements.

In September 2024, the GASB issued GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2025 (fiscal year 2026). The City is currently evaluating whether adoption will have a material impact on its financial statements.

IV. Restatement of Prior Year Balances

During fiscal year 2025, the implemented GASB Statement No. 101, *Compensated Absences*. As a result of this implementation, the balances at June 30, 2024 of noncurrent liabilities due within one year and noncurrent liabilities due in more than one year in the statement of net position were increased by \$693,998 and \$2,081,996, respectively.

During fiscal year 2025, the City determined that prior year unbilled water and sewer usage receivables and revenue were understated; water short-term debt was incorrectly recognized as revenue in the water net position; loans receivable were understated in the other special revenue and capital projects major funds and overstated in the nonmajor governmental funds and that ARPA interest income was not recognized as revenue in the ARPA grant major. The effect of these error corrections is shown in the table below.

During fiscal year 2025, changes to or within the financial reporting entity and the error corrections resulted in adjustments to and restatements of beginning net position and fund net position as follows:

	Governmental Activities	Business-type Activities	Water	Sewer
Prior year, as previously reported	\$ 264,277,934	\$ 144,866,522	\$ 52,466,020	\$ 91,688,154
Implementation of GASB 101	(2,775,994)	-	-	-
Error corrections:				
Unbilled usage receivable	-	4,859,819	1,702,535	3,157,284
Short-term debt in net position	-	(855,679)	(855,679)	-
Loans receivable	3,187,528	-	-	-
ARPA revenue earned	5,067,630	-	-	-
Prior year, as restated	<u>\$ 269,757,098</u>	<u>\$ 148,870,662</u>	<u>\$ 53,312,876</u>	<u>\$ 94,845,438</u>
	Other Special Revenue	ARPA Grant	Capital Projects	Nonmajor Governmental
Prior year, as previously reported	\$ 46,834,850	\$ -	\$ (13,287,158)	\$ 61,158,673
Error corrections:				
Loans receivable	2,552,936	-	981,378	(346,786)
ARPA revenue earned	-	5,067,630	-	-
Prior year, as restated	<u>\$ 49,387,786</u>	<u>\$ 5,067,630</u>	<u>\$ (12,305,780)</u>	<u>\$ 60,811,887</u>

V. Subsequent Events

On February 20, 2026, the City issued general obligation bond anticipation notes totaling \$14,112,029. The notes mature on February 19, 2027 and pay interest at 4.0% per annum. The proceeds of these BAN's, along with \$87,971 of unspent note proceeds, were used to retire \$14,200,000 of BAN's maturing on February 20, 2026. The BAN's were issued for land acquisition.

The City is a defendant in a civil action styled Sater v. Somerville, Middlesex CA No, 2181cv3261. The claim stems from a 2021 eminent domain taking of property located at 191 Highland Ave., Somerville, MA. The matter settled subsequent to year-end, with the City Council having voted on February 12, 2026 to approve the settlement in the amount of \$3,500,000, above and beyond what was paid in the form of a pro tanto at the time of the taking. This amount is reflected as a liability in the accompanying financial statements as of June 30, 2025.

Required Supplementary Information

CITY OF SOMERVILLE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2025

SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS
(SYSTEM)

	Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:										
Service cost	\$ 11,929,622	\$ 11,326,575	\$ 9,072,180	\$ 8,274,064	\$ 9,595,934	\$ 8,721,918	\$ 8,961,771	\$ 8,025,850	\$ 8,007,754	\$ 8,007,754
Interest	41,286,455	39,729,528	38,803,469	37,663,576	36,582,634	35,348,968	31,673,364	30,905,512	30,159,556	31,265,848
Changes in benefit terms	-	1,781,393	-	1,796,398	-	-	1,387,482	-	-	-
Differences between expected and actual experience	(10,918,114)	3,516,152	1,078,566	7,086,968	3,190,411	17,499,297	(1,066,376)	-	(2,943,803)	-
Changes in assumptions	2,816,505	3,386,928	-	12,510,076	-	-	36,759,494	-	2,806,740	-
Benefit payments, including refunds	(39,257,584)	(39,900,164)	(37,858,953)	(35,623,255)	(32,631,498)	(31,908,147)	(31,197,589)	(29,318,266)	(28,179,587)	(26,374,021)
Interest on benefit payments	-	-	-	-	-	-	-	-	-	(1,066,370)
Net change in total pension liability	5,856,884	19,840,412	11,095,262	31,707,827	16,737,481	29,662,036	46,518,146	9,613,096	9,850,660	11,833,211
Total pension liability - beginning of year	557,830,352	537,989,940	526,894,678	495,186,851	478,449,370	448,787,334	402,269,188	392,656,092	382,805,432	370,972,221
Total pension liability - end of year (a)	<u>\$ 563,687,236</u>	<u>\$ 557,830,352</u>	<u>\$ 537,989,940</u>	<u>\$ 526,894,678</u>	<u>\$ 495,186,851</u>	<u>\$ 478,449,370</u>	<u>\$ 448,787,334</u>	<u>\$ 402,269,188</u>	<u>\$ 392,656,092</u>	<u>\$ 382,805,432</u>
Plan fiduciary net position:										
Contributions - employer	\$ 18,096,330	\$ 17,814,222	\$ 17,162,384	\$ 16,627,819	\$ 15,836,018	\$ 15,226,941	\$ 15,226,941	\$ 14,805,336	\$ 14,659,434	\$ 14,199,527
Contributions - employee	10,960,414	10,209,420	10,543,115	9,790,391	9,140,078	8,938,882	8,238,138	7,910,511	7,560,253	7,044,521
Contributions - other	2,744,202	1,742,641	-	-	-	-	-	-	-	-
Net investment income	59,722,981	71,000,959	(99,203,510)	70,585,162	81,599,319	61,477,538	(9,074,396)	42,779,686	8,831,845	454,830
Administrative expense	(680,838)	(638,408)	(698,297)	(651,854)	(602,212)	(596,023)	(647,449)	(500,849)	(468,722)	(397,417)
Benefit payments, including refunds	(39,272,908)	(39,900,164)	(37,858,953)	(35,623,255)	(32,631,498)	(31,908,147)	(31,197,589)	(29,318,266)	(27,275,655)	(24,855,194)
Other	11,078	91,411	917,220	870,335	1,061,793	884,782	862,254	739,557	-	-
Net change in plan fiduciary net position	51,581,259	60,320,081	(109,138,041)	61,598,598	74,403,498	54,023,973	(16,592,101)	36,415,975	3,307,155	(3,553,733)
Plan fiduciary net position - beginning of year	403,833,272	343,513,191	452,651,232	391,052,634	316,649,136	262,625,163	279,217,264	242,801,289	239,494,134	243,047,867
Plan fiduciary net position - end of year (b)	<u>\$ 455,414,531</u>	<u>\$ 403,833,272</u>	<u>\$ 343,513,191</u>	<u>\$ 452,651,232</u>	<u>\$ 391,052,634</u>	<u>\$ 316,649,136</u>	<u>\$ 262,625,163</u>	<u>\$ 279,217,264</u>	<u>\$ 242,801,289</u>	<u>\$ 239,494,134</u>
Net pension liability - end of year (a) - (b)	<u>\$ 108,272,705</u>	<u>\$ 153,997,080</u>	<u>\$ 194,476,749</u>	<u>\$ 74,243,446</u>	<u>\$ 104,134,217</u>	<u>\$ 161,800,234</u>	<u>\$ 186,162,171</u>	<u>\$ 123,051,924</u>	<u>\$ 149,854,803</u>	<u>\$ 143,311,298</u>
Plan fiduciary net position as a percentage of the total pension liability	80.79%	72.39%	63.85%	85.91%	78.97%	66.18%	58.52%	69.41%	61.84%	62.56%
Covered payroll	\$ 111,713,253	\$ 106,977,543	\$ 100,793,505	\$ 93,793,673	\$ 88,312,485	\$ 84,595,873	\$ 75,529,665	\$ 72,883,565	\$ 71,454,475	\$ 69,167,008
Net pension liability as a percentage of covered payroll	96.92%	143.95%	192.95%	79.16%	117.92%	191.26%	246.48%	168.83%	209.72%	207.20%

See accompanying independent auditor's report.

CITY OF SOMERVILLE, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2025**

**SCHEDULE OF CONTRIBUTIONS TO PENSION PLAN
SOMERVILLE CONTRIBUTORY RETIREMENT SYSTEM**

Year Ended December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered-Employee Payroll
2024	\$ 18,096,330	\$ 18,096,330	\$ -	\$ 111,713,253	16.20%
2023	17,814,222	17,814,222	-	106,977,543	16.65%
2022	17,162,384	17,162,384	-	100,793,505	17.03%
2021	16,627,819	16,627,819	-	93,793,673	17.73%
2020	15,836,018	15,836,018	-	88,312,485	17.93%
2019	15,226,941	15,226,941	-	84,595,873	18.00%
2018	15,226,941	15,226,941	-	75,529,665	20.16%
2017	14,805,336	14,805,336	-	72,883,565	20.31%
2016	14,659,434	14,659,434	-	71,454,475	20.52%
2015	14,199,527	14,199,527	-	69,167,008	20.53%

**SCHEDULE OF INVESTMENT RETURNS
SOMERVILLE CONTRIBUTORY RETIREMENT SYSTEM**

Year Ended December 31,	Annual Money-Weighted Rate of Return, Net of Investment Expense
2024	14.98%
2023	21.11%
2022	-22.24%
2021	20.47%
2020	26.41%
2019	23.83%
2018	-3.94%
2017	17.92%
2016	3.73%
2015	1.04%

See accompanying independent auditor's report.

CITY OF SOMERVILLE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2025

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended December 31,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	93.89%	\$ 101,657,243	\$ 104,887,575	96.9%	80.80%
2023	93.38%	143,802,472	99,895,633	144.0%	72.39%
2022	92.86%	180,591,109	93,596,850	192.9%	63.85%
2021	93.22%	69,209,740	87,434,463	79.2%	85.91%
2020	93.80%	97,677,896	82,837,112	117.9%	78.97%
2019	93.74%	151,667,656	79,298,141	191.3%	66.18%
2018	94.33%	175,615,561	71,250,697	246.5%	58.52%
2017	93.61%	115,186,814	66,887,331	172.2%	64.91%
2016	93.53%	140,166,391	66,834,814	209.7%	61.84%
2015	93.70%	134,275,794	62,344,746	215.4%	62.56%

SCHEDULE OF THE CITY'S CONTRIBUTIONS TO PENSION PLAN

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 16,990,644	\$ 16,990,644	\$ -	\$ 106,460,889	15.96%
2024	16,634,921	16,634,921	-	101,893,546	16.33%
2023	15,936,990	15,936,990	-	95,468,787	16.69%
2022	15,500,453	15,500,453	-	89,183,152	17.38%
2021	14,854,185	14,854,185	-	84,493,854	17.58%
2020	14,273,369	14,273,369	-	80,884,104	17.65%
2019	14,364,992	14,364,992	-	72,675,711	19.77%
2018	13,808,937	13,808,937	-	68,225,078	20.24%
2017	13,711,675	13,711,675	-	68,171,510	20.11%
2016	13,304,274	13,304,274	-	63,591,641	20.92%

See accompanying independent auditors' report.

CITY OF SOMERVILLE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
 YEAR ENDED JUNE 30, 2025

SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY
 MASSACHUSETTS TEACHER'S RETIREMENT SYSTEM

Year Ended June 30, *	Commonwealth's Proportionate Share of the Collective Net Pension Liability	City's Proportion Share of the Collective Net Pension Liability	Commonwealth's Proportionate Share of the Net Pension Liability Associated with the City	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2025	100.0%	0.0%	\$ 188,316,485	\$ 15,543,947	61.45%
2024	100.0%	0.0%	202,176,517	18,877,249	58.48%
2023	100.0%	0.0%	186,874,431	15,372,245	57.75%
2022	100.0%	0.0%	157,690,742	12,654,025	62.03%
2021	100.0%	0.0%	195,918,508	24,198,743	50.67%
2020	100.0%	0.0%	169,881,193	20,601,043	53.95%
2019	100.0%	0.0%	158,358,537	16,047,345	54.84%
2018	100.0%	0.0%	151,372,752	15,799,215	54.25%
2017	100.0%	0.0%	143,094,195	14,596,546	52.73%
2016	100.0%	0.0%	129,500,617	10,503,653	55.38%

* Amounts determined for the previous year ended June 30.

Contributions to the MTRS are the responsibility of the Commonwealth of Massachusetts. Accordingly, the City has not recognized any portion of the net pension liability relative to City employees covered under the MTRS pension plan.

CITY OF SOMERVILLE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2025

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	Year Ended June 30,								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:									
Service cost	\$ 5,364,650	\$ 4,300,251	\$ 4,115,074	\$ 3,940,156	\$ 3,770,484	\$ 10,481,135	\$ 10,029,794	\$ 9,597,889	\$ 11,768,411
Interest	13,508,779	12,605,826	12,079,032	11,863,002	11,373,126	10,593,394	9,899,647	11,592,912	11,159,516
Differences between expected and actual experience	-	(7,759,134)	-	26,607	-	(34,868,389)	-	(40,800,875)	-
Changes in assumptions	-	-	-	-	-	(107,822,190)	-	-	-
Benefit payments	(9,840,748)	(8,617,931)	(9,327,272)	(8,655,912)	(8,143,969)	(7,793,272)	(8,485,245)	(8,485,245)	(9,258,566)
Net change in total OPEB liability	9,032,681	529,012	6,866,834	7,173,853	6,999,641	(129,409,322)	11,444,196	(28,095,319)	13,669,361
Total OPEB liability - beginning of year	179,583,836	179,054,824	172,187,990	165,014,137	158,014,496	287,423,818	275,979,622	304,074,941	290,405,580
Total OPEB liability - end of year (a)	<u>\$ 188,616,517</u>	<u>\$ 179,583,836</u>	<u>\$ 179,054,824</u>	<u>\$ 172,187,990</u>	<u>\$ 165,014,137</u>	<u>\$ 158,014,496</u>	<u>\$ 287,423,818</u>	<u>\$ 275,979,622</u>	<u>\$ 304,074,941</u>
Plan fiduciary net position:									
Contributions - employer	\$ 12,140,748	\$ 11,817,931	\$ 12,951,634	\$ 13,184,065	\$ 9,143,969	\$ 8,793,272	\$ 9,485,245	\$ 13,985,245	\$ 10,258,566
Net investment income (loss)	2,468,041	2,211,874	1,406,749	(1,124,689)	1,873,762	492,428	556,183	26,801	7,508
Benefit payments	(9,840,748)	(8,617,931)	(9,327,272)	(8,655,912)	(8,143,969)	(7,793,272)	(8,485,245)	(8,485,245)	(9,258,566)
Net change in Plan fiduciary net position	4,768,041	5,411,874	5,031,111	3,403,464	2,873,762	1,492,428	1,556,183	5,526,801	1,007,508
Plan fiduciary net position - beginning of year	27,116,898	21,705,024	16,673,913	13,270,449	10,396,687	8,904,259	7,348,076	1,821,275	813,767
Plan fiduciary net position - end of year (b)	<u>\$ 31,884,939</u>	<u>\$ 27,116,898</u>	<u>\$ 21,705,024</u>	<u>\$ 16,673,913</u>	<u>\$ 13,270,449</u>	<u>\$ 10,396,687</u>	<u>\$ 8,904,259</u>	<u>\$ 7,348,076</u>	<u>\$ 1,821,275</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 156,731,578</u>	<u>\$ 152,466,938</u>	<u>\$ 157,349,800</u>	<u>\$ 155,514,077</u>	<u>\$ 151,743,688</u>	<u>\$ 147,617,809</u>	<u>\$ 278,519,559</u>	<u>\$ 268,631,546</u>	<u>\$ 302,253,666</u>
Plan fiduciary net position as a percentage of the total OPEB liability	16.90%	15.10%	12.12%	9.68%	8.04%	6.58%	3.10%	2.66%	0.60%
Covered-employee payroll	\$ 159,650,375	\$ 154,251,570	\$ 136,843,673	\$ 132,216,109	\$ 120,133,922	\$ 116,071,422	\$ 111,205,562	\$ 107,444,987	\$ 104,221,637
Net OPEB liability as a percentage of covered-employee payroll	98.17%	98.84%	114.99%	117.62%	126.31%	127.18%	250.45%	250.02%	290.01%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

CITY OF SOMERVILLE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2025

SCHEDULE OF CONTRIBUTIONS

	Year Ended June 30,								
	2025	2024 (1)	2023 (1)	2022 (1)	2021 (1)	2020 (1)	2019	2018	2017
Actuarially-determined contribution	\$ 15,550,803	\$ 8,617,931	\$ 9,327,272	\$ 8,655,912	\$ 8,143,969	\$ 7,793,272	\$ 23,011,857	\$ 22,034,131	\$ 21,086,425
Contributions in relation to the actuarially-determined contribution	<u>(12,140,748)</u>	<u>(11,817,931)</u>	<u>(12,951,634)</u>	<u>(13,184,065)</u>	<u>(9,143,969)</u>	<u>(8,793,272)</u>	<u>(9,485,245)</u>	<u>(13,985,245)</u>	<u>(10,258,566)</u>
Contribution deficiency (excess)	<u>\$ 3,410,055</u>	<u>\$ (3,200,000)</u>	<u>\$ (3,624,362)</u>	<u>\$ (4,528,153)</u>	<u>\$ (1,000,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ 13,526,612</u>	<u>\$ 8,048,886</u>	<u>\$ 10,827,859</u>
Covered-employee payroll	\$ 159,650,375	\$ 154,251,570	\$ 136,843,673	\$ 132,216,109	\$ 120,133,922	\$ 116,071,422	\$ 111,205,562	\$ 107,444,987	\$ 104,221,637
Contribution as a percentage of covered-employee payroll	7.60%	7.66%	9.46%	9.97%	7.61%	7.58%	8.53%	13.02%	9.84%

Notes to Schedule:

Valuation Date	June 30, 2024
Amortization Period	27 years
Investment rate of return	7.50%
Single Equivalent Discount Rate	7.50%
Healthcare cost trend rates	4.50%
Actuarial Cost Method	Individual entry age normal - Payments increasing 3.5% annually
Asset Valuation Method	Fair value of assets as of reporting date

SCHEDULE OF INVESTMENT RETURNS

	Year Ended June 30,								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	8.75%	9.71%	7.97%	0.55%	17.76%	5.53%	7.49%	1.18%	0.92%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

(1) These contributions reported were not actuarially determined and are based on the statutorily required contribution.

See accompanying independent auditor's report.

CITY OF SOMERVILLE, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Revenues:						
Property taxes	\$ 262,135,959	\$ 263,101,411	\$ 262,160,121	\$ -	262,160,121	(941,290)
Tax liens	-	-	550,355	-	550,355	550,355
Intergovernmental	54,961,449	54,941,630	54,390,924	-	54,390,924	(550,706)
Motor vehicle and other excises	12,676,587	12,916,349	14,164,363	-	14,164,363	1,248,014
Licenses and permits	9,889,038	9,889,038	11,531,900	-	11,531,900	1,642,862
Penalties and interest on taxes	745,332	745,332	1,272,996	-	1,272,996	527,664
Payments in lieu of taxes	1,691,522	1,691,522	1,687,870	-	1,687,870	(3,652)
Fines and forfeitures	6,038,667	6,038,667	7,743,618	-	7,743,618	1,704,951
Departmental and other revenue	2,238,241	2,238,241	3,376,147	-	3,376,147	1,137,906
Investment income	1,857,221	3,750,794	3,885,568	-	3,885,568	134,774
			-			
Total Revenues	352,234,016	355,312,984	360,763,862	-	360,763,862	5,450,878
Expenditures:						
<i>General Government:</i>						
City Council:						
Salaries	505,000	505,000	466,868	-	466,868	38,132
Expenses	89,910	89,910	38,894	-	38,894	51,016
	594,910	594,910	505,762	-	505,762	89,148
Clerk of Committees:						
Salaries	44,526	44,526	37,205	-	37,205	7,321
	44,526	44,526	37,205	-	37,205	7,321
Executive Office:						
Salaries	1,111,171	1,128,052	1,044,123	-	1,044,123	83,929
Expenses	172,134	172,134	113,180	19,005	132,185	39,949
Special items	621,682	520,000	360,599	-	360,599	159,401
	1,904,987	1,820,186	1,517,902	19,005	1,536,907	283,279
Somerset:						
Salaries	511,422	516,337	507,847	-	507,847	8,490
Expenses	60,900	60,900	47,749	-	47,749	13,151
	572,322	577,237	555,596	-	555,596	21,641
IAM - Capital Project:						
Salaries	863,848	881,563	698,901	-	698,901	182,662
Capital	1,491,200	364,511	348,449	16,062	364,511	-
	2,355,048	1,246,074	1,047,350	16,062	1,063,412	182,662
Arts Council:						
Salaries	591,676	614,602	603,479	-	603,479	11,123
Expenses	274,125	274,125	274,125	-	274,125	-
	865,801	888,727	877,604	-	877,604	11,123
Communications - Constituent Services:						
Salaries	1,351,074	1,391,556	1,176,918	-	1,176,918	214,638
Expenses	147,550	147,583	102,277	11,161	113,438	34,145
	1,498,624	1,539,139	1,279,195	11,161	1,290,356	248,783
Communications - Office of Immigrant Affairs:						
Salaries	1,371,031	1,422,569	1,283,948	-	1,283,948	138,621
Expenses	340,508	334,579	229,619	34,550	264,169	70,410
	1,711,539	1,757,148	1,513,567	34,550	1,548,117	209,031
Communications - CityTV:						
Salaries	313,475	328,714	318,044	-	318,044	10,670
Expenses	94,930	94,930	53,445	4,353	57,798	37,132
	408,405	423,644	371,489	4,353	375,842	47,802
Communications and Community Engagement:						
Salaries	1,112,938	1,154,731	1,020,509	-	1,020,509	134,222
Expenses	283,543	283,543	241,577	600	242,177	41,366
	1,396,481	1,438,274	1,262,086	600	1,262,686	175,588

CITY OF SOMERVILLE, MASSACHUSETTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Office of Sustainability and Environment:						
Salaries	830,893	845,514	712,476	-	712,476	133,038
Expenses	363,325	377,041	205,932	6,125	212,057	164,984
	<u>1,194,218</u>	<u>1,222,555</u>	<u>918,408</u>	<u>6,125</u>	<u>924,533</u>	<u>298,022</u>
Council on Aging:						
Salaries	543,560	587,781	587,718	-	587,718	63
Expenses	250,268	285,268	266,494	17,297	283,791	1,477
	<u>793,828</u>	<u>873,049</u>	<u>854,212</u>	<u>17,297</u>	<u>871,509</u>	<u>1,540</u>
SomerPromise:						
Salaries	499,205	536,878	493,808	-	493,808	43,070
Expenses	315,500	343,769	293,172	35,980	329,152	14,617
	<u>814,705</u>	<u>880,647</u>	<u>786,980</u>	<u>35,980</u>	<u>822,960</u>	<u>57,687</u>
Infrastructure and Asset Management:						
Salaries	687,279	717,377	707,196	-	707,196	10,181
Expenses	481,100	534,063	121,013	20,315	141,328	392,735
	<u>1,168,379</u>	<u>1,251,440</u>	<u>828,209</u>	<u>20,315</u>	<u>848,524</u>	<u>402,916</u>
Racial and Social Justice:						
Salaries	910,854	924,952	706,657	-	706,657	218,295
Expenses	314,886	291,238	129,303	19,044	148,347	142,891
	<u>1,225,740</u>	<u>1,216,190</u>	<u>835,960</u>	<u>19,044</u>	<u>855,004</u>	<u>361,186</u>
Auditor's Office:						
Salaries	1,349,303	1,462,227	1,452,370	-	1,452,370	9,857
Expenses	181,415	179,788	140,133	36,885	177,018	2,770
	<u>1,530,718</u>	<u>1,642,015</u>	<u>1,592,503</u>	<u>36,885</u>	<u>1,629,388</u>	<u>12,627</u>
Grants Development:						
Salaries	301,054	309,297	294,592	-	294,592	14,705
Expenses	23,950	23,950	13,423	-	13,423	10,527
	<u>325,004</u>	<u>333,247</u>	<u>308,015</u>	<u>-</u>	<u>308,015</u>	<u>25,232</u>
Procurement and Contracting Services:						
Salaries	679,505	738,447	706,203	-	706,203	32,244
Expenses	28,800	28,800	18,762	483	19,245	9,555
	<u>708,305</u>	<u>767,247</u>	<u>724,965</u>	<u>483</u>	<u>725,448</u>	<u>41,799</u>
Assessing:						
Salaries	690,094	751,984	698,544	-	698,544	53,440
Expenses	276,954	276,714	265,845	2,330	268,175	8,539
	<u>967,048</u>	<u>1,028,698</u>	<u>964,389</u>	<u>2,330</u>	<u>966,719</u>	<u>61,979</u>
Treasury:						
Salaries	783,274	870,192	821,948	-	821,948	48,244
Expenses	368,330	338,499	185,400	72,223	257,623	80,876
	<u>1,151,604</u>	<u>1,208,691</u>	<u>1,007,348</u>	<u>72,223</u>	<u>1,079,571</u>	<u>129,120</u>
Law:						
Salaries	942,082	1,013,801	1,013,012	-	1,013,012	789
Expenses	839,827	908,897	655,626	115,359	770,985	137,912
	<u>1,781,909</u>	<u>1,922,698</u>	<u>1,668,638</u>	<u>115,359</u>	<u>1,783,997</u>	<u>138,701</u>
Human Resources:						
Salaries	1,678,440	1,747,211	1,617,641	-	1,617,641	129,570
Expenses	691,797	641,587	421,843	80,650	502,493	139,094
Special Items	663,500	650,844	367,676	49,105	416,781	234,063
	<u>3,033,737</u>	<u>3,039,642</u>	<u>2,407,160</u>	<u>129,755</u>	<u>2,536,915</u>	<u>502,727</u>
Information Technology:						
Salaries	1,385,858	1,408,856	1,229,566	-	1,229,566	179,290
Expenses	5,061,709	5,189,278	4,143,996	1,011,043	5,155,039	34,239
	<u>6,447,567</u>	<u>6,598,134</u>	<u>5,373,562</u>	<u>1,011,043</u>	<u>6,384,605</u>	<u>213,529</u>

(continued)

CITY OF SOMERVILLE, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
City Clerk:						
Salaries	1,098,752	1,243,813	1,204,830	-	1,204,830	38,983
Expenses	281,106	279,016	206,594	8,602	215,196	63,820
	<u>1,379,858</u>	<u>1,522,829</u>	<u>1,411,424</u>	<u>8,602</u>	<u>1,420,026</u>	<u>102,803</u>
Elections:						
Salaries	598,360	633,569	581,736	-	581,736	51,833
Expenses	177,623	177,623	141,485	-	141,485	36,138
	<u>775,983</u>	<u>811,192</u>	<u>723,221</u>	<u>-</u>	<u>723,221</u>	<u>87,971</u>
Licensing Commission:						
Salaries	13,059	13,059	11,628	-	11,628	1,431
	<u>13,059</u>	<u>13,059</u>	<u>11,628</u>	<u>-</u>	<u>11,628</u>	<u>1,431</u>
Office of Strategic Planning and Community Development (OSPCD) - Administration						
Salaries	687,279	698,547	675,695	-	675,695	22,852
Expenses	317,800	317,800	229,957	12,263	242,220	75,580
	<u>1,005,079</u>	<u>1,016,347</u>	<u>905,652</u>	<u>12,263</u>	<u>917,915</u>	<u>98,432</u>
OSPCD - Planning, Preservation and Zoning:						
Salaries	1,205,540	1,214,875	964,971	-	964,971	249,904
Expenses	275,080	275,080	138,847	41,676	180,523	94,557
	<u>1,480,620</u>	<u>1,489,955</u>	<u>1,103,818</u>	<u>41,676</u>	<u>1,145,494</u>	<u>344,461</u>
OSPCD - Housing:						
Salaries	1,241,015	1,275,326	1,142,760	-	1,142,760	132,566
Expenses	295,450	295,450	263,104	21,074	284,178	11,272
	<u>1,536,465</u>	<u>1,570,776</u>	<u>1,405,864</u>	<u>21,074</u>	<u>1,426,938</u>	<u>143,838</u>
OSPCD - Redevelopment Authority:						
Salaries	23,076	23,076	21,804	-	21,804	1,272
	<u>23,076</u>	<u>23,076</u>	<u>21,804</u>	<u>-</u>	<u>21,804</u>	<u>1,272</u>
OSPCD - Mobility:						
Salaries	763,057	775,574	760,897	-	760,897	14,677
Expenses	457,715	457,715	418,484	32,772	451,256	6,459
	<u>1,220,772</u>	<u>1,233,289</u>	<u>1,179,381</u>	<u>32,772</u>	<u>1,212,153</u>	<u>21,136</u>
OSPCD - Economic Development:						
Salaries	977,253	986,857	754,733	-	754,733	232,124
Expenses	364,540	364,540	305,962	50,953	356,915	7,625
	<u>1,341,793</u>	<u>1,351,397</u>	<u>1,060,695</u>	<u>50,953</u>	<u>1,111,648</u>	<u>239,749</u>
OSPCD - Housing Stability:						
Salaries	947,799	996,252	909,063	-	909,063	87,189
Expenses	787,848	688,043	584,543	78,174	662,717	25,326
	<u>1,735,647</u>	<u>1,684,295</u>	<u>1,493,606</u>	<u>78,174</u>	<u>1,571,780</u>	<u>112,515</u>
OSPCD - Public Space and Urban Forestry:						
Salaries	654,645	660,586	579,647	-	579,647	80,939
Expenses	665,655	665,655	581,778	75,132	656,910	8,745
Capital	735,368	434,223	311,331	108,525	419,856	14,367
	<u>2,055,668</u>	<u>1,760,464</u>	<u>1,472,756</u>	<u>183,657</u>	<u>1,656,413</u>	<u>104,051</u>
Building Insurance:						
Expenses	1,228,925	1,415,268	1,415,268	-	1,415,268	-
	<u>1,228,925</u>	<u>1,415,268</u>	<u>1,415,268</u>	<u>-</u>	<u>1,415,268</u>	<u>-</u>
Judgements and Settlements:						
Expenses	269,125	16,363,661	16,234,929	-	16,234,929	128,732
	<u>269,125</u>	<u>16,363,661</u>	<u>16,234,929</u>	<u>-</u>	<u>16,234,929</u>	<u>128,732</u>
Contingency Account:						
Salaries	7,135,045	153,698	126,681	-	126,681	27,017
	<u>7,135,045</u>	<u>153,698</u>	<u>126,681</u>	<u>-</u>	<u>126,681</u>	<u>27,017</u>
<i>Total General Government</i>	<u>53,696,520</u>	<u>62,723,424</u>	<u>55,804,832</u>	<u>1,981,741</u>	<u>57,786,573</u>	<u>4,936,851</u>

CITY OF SOMERVILLE, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<i>Public Safety:</i>						
Police:						
Salaries	17,425,674	17,656,329	17,452,909	-	17,452,909	203,420
Expenses	690,445	664,714	608,883	52,428	661,311	3,403
Special Items	96,233	96,233	86,442	-	86,442	9,791
	<u>18,212,352</u>	<u>18,417,276</u>	<u>18,148,234</u>	<u>52,428</u>	<u>18,200,662</u>	<u>216,614</u>
Police - E911:						
Salaries	1,376,530	1,877,738	1,606,211	-	1,606,211	271,527
	<u>1,376,530</u>	<u>1,877,738</u>	<u>1,606,211</u>	<u>-</u>	<u>1,606,211</u>	<u>271,527</u>
Police - Animal Control:						
Salaries	148,792	148,792	144,784	-	144,784	4,008
Expenses	19,151	18,828	13,798	4,136	17,934	894
	<u>167,943</u>	<u>167,620</u>	<u>158,582</u>	<u>4,136</u>	<u>162,718</u>	<u>4,902</u>
Fire:						
Salaries	20,990,335	23,614,609	22,267,642	-	22,267,642	1,346,967
Expenses	1,007,566	990,743	771,305	172,957	944,262	46,481
Special Items	378,861	378,861	357,895	-	357,895	20,966
	<u>22,376,762</u>	<u>24,984,213</u>	<u>23,396,842</u>	<u>172,957</u>	<u>23,569,799</u>	<u>1,414,414</u>
Fire - Alarm:						
Salaries	1,297,947	1,438,178	1,306,863	-	1,306,863	131,315
Expenses	2,000	2,000	1,061	-	1,061	939
	<u>1,299,947</u>	<u>1,440,178</u>	<u>1,307,924</u>	<u>-</u>	<u>1,307,924</u>	<u>132,254</u>
Emergency Management:						
Salaries	182,174	187,546	184,479	-	184,479	3,067
Expenses	114,100	107,650	78,831	15,233	94,064	13,586
	<u>296,274</u>	<u>295,196</u>	<u>263,310</u>	<u>15,233</u>	<u>278,543</u>	<u>16,653</u>
Traffic and Parking:						
Salaries	3,288,260	4,121,236	3,981,781	-	3,981,781	139,455
Expenses	1,440,377	1,388,266	1,060,488	201,756	1,262,244	126,022
	<u>4,728,637</u>	<u>5,509,502</u>	<u>5,042,269</u>	<u>201,756</u>	<u>5,244,025</u>	<u>265,477</u>
Inspectional Services:						
Salaries	3,572,473	4,062,891	3,988,576	-	3,988,576	74,315
Expenses	586,818	589,091	431,123	1,609	432,732	156,359
	<u>4,159,291</u>	<u>4,651,982</u>	<u>4,419,699</u>	<u>1,609</u>	<u>4,421,308</u>	<u>230,674</u>
<i>Total Public Safety</i>	<u>52,617,736</u>	<u>57,343,705</u>	<u>54,343,071</u>	<u>448,119</u>	<u>54,791,190</u>	<u>2,552,515</u>
<i>Education:</i>						
Operational	107,731,739	107,641,514	105,548,465	595,643	106,144,108	1,497,406
<i>Total Education</i>	<u>107,731,739</u>	<u>107,641,514</u>	<u>105,548,465</u>	<u>595,643</u>	<u>106,144,108</u>	<u>1,497,406</u>
<i>Public Works:</i>						
Administration:						
Salaries	1,034,253	1,078,080	1,032,814	-	1,032,814	45,266
Expenses	934,469	926,035	833,387	17,832	851,219	74,816
	<u>1,968,722</u>	<u>2,004,115</u>	<u>1,866,201</u>	<u>17,832</u>	<u>1,884,033</u>	<u>120,082</u>
Electrical:						
Salaries	404,416	523,266	502,643	-	502,643	20,623
Expenses	491,465	400,064	287,582	70,711	358,293	41,771
	<u>895,881</u>	<u>923,330</u>	<u>790,225</u>	<u>70,711</u>	<u>860,936</u>	<u>62,394</u>
Engineering:						
Salaries	871,825	926,334	799,162	-	799,162	127,172
Expenses	753,331	602,375	583,308	19,067	602,375	-
	<u>1,625,156</u>	<u>1,528,709</u>	<u>1,382,470</u>	<u>19,067</u>	<u>1,401,537</u>	<u>127,172</u>

(continued)

CITY OF SOMERVILLE, MASSACHUSETTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Snow Removal:						
Expenses	1,737,083	2,465,083	2,351,338	-	2,351,338	113,745
	1,737,083	2,465,083	2,351,338	-	2,351,338	113,745
Highway:						
Salaries	3,082,446	3,482,577	3,398,836	-	3,398,836	83,741
Expenses	1,603,732	1,500,752	776,070	344,109	1,120,179	380,573
	4,686,178	4,983,329	4,174,906	344,109	4,519,015	464,314
Sanitation:						
Expenses	9,299,176	9,265,866	8,331,335	19,152	8,350,487	915,379
	9,299,176	9,265,866	8,331,335	19,152	8,350,487	915,379
Buildings:						
Salaries	1,910,170	1,824,869	1,796,907	-	1,796,907	27,962
Expenses	12,414,101	12,207,054	10,631,315	1,116,272	11,747,587	459,467
	14,324,271	14,031,923	12,428,222	1,116,272	13,544,494	487,429
Fleet:						
Expenses	734,423	862,146	648,336	25,395	673,731	188,415
	734,423	862,146	648,336	25,395	673,731	188,415
DPW Grounds:						
Salaries	1,557,622	1,620,175	1,580,803	-	1,580,803	39,372
Expenses	1,858,577	1,797,171	1,235,337	401,680	1,637,017	160,154
	3,416,199	3,417,346	2,816,140	401,680	3,217,820	199,526
School Custodians:						
Salaries	2,939,701	2,723,701	2,682,312	-	2,682,312	41,389
Expenses	1,400,000	1,400,000	1,273,416	-	1,273,416	126,584
	4,339,701	4,123,701	3,955,728	-	3,955,728	167,973
Total Public Works	43,026,790	43,605,548	38,744,901	2,014,218	40,759,119	2,846,429
<i>Health and Human Services:</i>						
Board of Health:						
Salaries	2,520,927	2,601,060	2,194,272	-	2,194,272	406,788
Expenses	909,393	901,823	699,757	53,469	753,226	148,597
	3,430,320	3,502,883	2,894,029	53,469	2,947,498	555,385
Veterans Benefits:						
Salaries	287,168	319,871	315,397	-	315,397	4,474
Expenses	605,902	605,133	205,555	12,706	218,261	386,872
	893,070	925,004	520,952	12,706	533,658	391,346
Total Health and Human Services	4,323,390	4,427,887	3,414,981	66,175	3,481,156	946,731
<i>Culture and Recreation:</i>						
Libraries:						
Salaries	2,655,293	3,505,345	3,477,192	-	3,477,192	28,153
Expenses	851,884	850,826	810,186	5,499	815,685	35,141
	3,507,177	4,356,171	4,287,378	5,499	4,292,877	63,294
Parks and Recreation:						
Salaries	1,813,909	1,873,887	1,606,989	-	1,606,989	266,898
Expenses	598,201	572,482	377,972	48,360	426,332	146,150
	2,412,110	2,446,369	1,984,961	48,360	2,033,321	413,048
Total Culture and Recreation	5,919,287	6,802,540	6,272,339	53,859	6,326,198	476,342
<i>State and County Assessments:</i>						
Expenses	15,320,187	15,361,244	14,178,376	-	14,178,376	1,182,868
Total State and County Assessments	15,320,187	15,361,244	14,178,376	-	14,178,376	1,182,868

CITY OF SOMERVILLE, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<i>Pension and Employee Benefits:</i>						
<i>Pension Benefits:</i>						
Contributory pensions	16,990,644	16,990,644	16,990,644	-	16,990,644	-
Non-contributory pensions	94,133	94,133	94,133	-	94,133	-
	<u>17,084,777</u>	<u>17,084,777</u>	<u>17,084,777</u>	<u>-</u>	<u>17,084,777</u>	<u>-</u>
<i>Employee Benefits:</i>						
Health insurance	33,611,093	33,573,820	32,442,553	-	32,442,553	1,131,267
Life insurance	130,393	130,393	117,284	-	117,284	13,109
Medicare	2,868,811	2,902,207	2,902,177	-	2,902,177	30
Workers' compensation - salaries	109,857	109,857	101,226	-	101,226	8,631
Workers' compensation - expenses	109,850	109,850	91,436	2,767	94,203	15,647
Unemployment	225,887	225,887	161,427	-	161,427	64,460
	<u>37,055,891</u>	<u>37,052,014</u>	<u>35,816,103</u>	<u>2,767</u>	<u>35,818,870</u>	<u>1,233,144</u>
<i>Total Pension and Fringe Benefits</i>	<u>54,140,668</u>	<u>54,136,791</u>	<u>52,900,880</u>	<u>2,767</u>	<u>52,903,647</u>	<u>1,233,144</u>
<i>Debt Service:</i>						
Expenses - debt principal	12,467,844	12,467,844	12,467,834	-	12,467,834	10
Expenses - debt interest	9,238,291	9,238,291	9,238,280	-	9,238,280	11
	<u>21,706,135</u>	<u>21,706,135</u>	<u>21,706,114</u>	<u>-</u>	<u>21,706,114</u>	<u>21</u>
<i>Total Debt Service</i>	<u>21,706,135</u>	<u>21,706,135</u>	<u>21,706,114</u>	<u>-</u>	<u>21,706,114</u>	<u>21</u>
<i>Other:</i>						
<i>Pay-Go-Capital:</i>						
Capital	4,666,824	4,312,285	3,185,052	976,191	4,161,243	151,042
	<u>4,666,824</u>	<u>4,312,285</u>	<u>3,185,052</u>	<u>976,191</u>	<u>4,161,243</u>	<u>151,042</u>
<i>Total Other</i>	<u>4,666,824</u>	<u>4,312,285</u>	<u>3,185,052</u>	<u>976,191</u>	<u>4,161,243</u>	<u>151,042</u>
Total Expenditures	<u>363,149,276</u>	<u>378,061,073</u>	<u>356,099,011</u>	<u>6,138,713</u>	<u>362,237,724</u>	<u>15,823,349</u>
Other Financing Sources (Uses)						
Transfers in	5,945,962	8,288,873	8,304,634		8,304,634	15,761
Transfers out	(2,993,866)	(22,043,616)	(22,043,616)		(22,043,616)	-
	<u>2,952,096</u>	<u>(13,754,743)</u>	<u>(13,738,982)</u>		<u>\$ (13,738,982)</u>	<u>15,761</u>
Total Other Financing Sources (Uses)	<u>2,952,096</u>	<u>(13,754,743)</u>	<u>(13,738,982)</u>		<u>\$ (13,738,982)</u>	<u>15,761</u>
<i>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Uses Of Prior Year Budgetary Fund Balance</i>	<u>(7,963,164)</u>	<u>(36,502,832)</u>	<u>\$ (369,330,146)</u>			<u>\$ 15,847,600</u>
Other Budgetary Items						
Use of unassigned fund balance (free cash)	\$ 1,590,949	\$ 28,251,948				
Prior year encumbrances	6,372,215	6,372,215				
Encumbrance reversions	-	(2,121,331)				
Overlay surplus	-	4,000,000				
	<u>7,963,164</u>	<u>36,502,832</u>				
Total Other Budgetary Items	<u>7,963,164</u>	<u>36,502,832</u>				
Net budget and actual	<u>\$ -</u>	<u>\$ -</u>				

(Concluded)

The notes to the financial statements are an integral part of this statement.

The notes to the required supplementary information are and integral part of this statement.

CITY OF SOMERVILLE, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

I. Pension Plan

Pension Contributions – The City has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method. The pension appropriations are established by the Public Employee Retirement Administration Commission (PERAC) based on a funding schedule approved by the System.

Changes in Assumptions – The projected salary increases were decreased from 3.25% to 3.00% and the cost of living adjustments were increased from 2.75% to 3.00%.

II. Other Postemployment Benefit Plan

The City administers a single employer defined benefit healthcare plan that provides health, dental and life insurance benefits (other postemployment benefits) to retirees and their dependents/beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B. The City is not required to fully fund the actuarially determined contribution.

Methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method	Individual Entry Age Normal Cost Method
Asset valuation method	Fair value
Investment rate of return	7.50%
Discount rate	Full prefunding: 7.5% per year, net of investment expenses.
Health care cost trend rate	4.50%
Pre-retirement mortality	RP-2014 Blue Collar Mortality Table with Scale MP-2015, fully generational
Post-retirement mortality	Group 1 and 2 are represented by the RP-2014 Blue Collar Mortality Table set forward 5 years for males and 3 years for females, fully generational. Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward 3 years for males and 6 years for females, fully generational
Disabled mortality	Group 1 and 2 are represented by the RP-2000 Mortality Table set forward 6 years. Group 4 is represented by the RP-2000 Mortality Table set forward 2 years. Generational adjusting is based on Scale MP-2015.

Changes in Assumptions – None.

III. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund and the Enterprise Fund. The Mayor presents an annual budget to the City Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The City Council, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases to the annual budget subsequent to the approval of the annual budget require majority City Council approval through a Council Order. Expenditures may not legally exceed appropriations at the department level, or in the categories of salaries, expenses and capital. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance.

The City adopts an annual budget for the general fund in conformity with the guidelines described above, with appropriations totaling approximately \$366.1 million. During fiscal year 2025, City Council approved various supplemental budgetary appropriations which resulted in a net increase of approximately \$34.0 million from the original voted budget, which was primarily utilized for general government (\$9.0 million), public safety (\$4.7 million) public works (\$0.6 million), culture and recreation (\$0.9 million) and transfers to other funds (\$19.0 million).

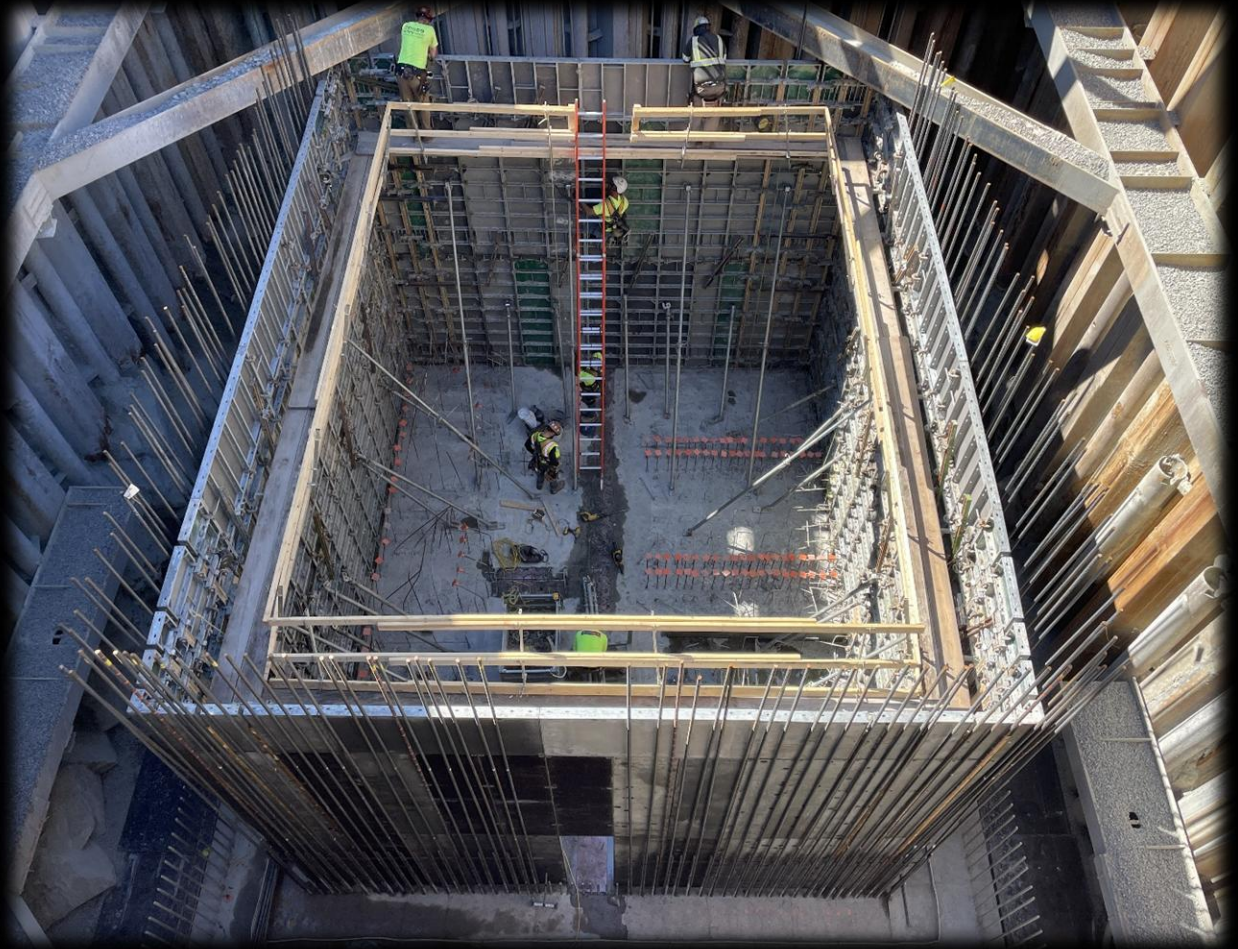
The City Auditor has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted by City Council. Budgetary control is exercised through the City’s accounting system.

Budgetary-to-GAAP Reconciliation – The City’s general fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2025, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 360,763,862
Stabilization revenue	\$ -	\$ 7,358,114	7,358,114
Change in accruing tax revenues	(445,679)	-	(445,679)
Change in recording tax refunds payable	169,000	-	169,000
On behalf payments	15,543,947	-	15,543,947
Revenues on a GAAP basis	<u>\$ 15,267,268</u>	<u>\$ 7,358,114</u>	<u>\$ 383,389,244</u>
Expenditures on a budgetary basis			\$ 356,099,011
Stabilization expenditures	\$ -	\$ 5,099,104	5,099,104
Reclass of enterprise indirects cost to expenditures	(1,652,389)	-	(1,652,389)
Transfer from capital projects for judgement	14,112,029	-	14,112,029
Transfer out for OPEB	1,300,000	-	1,300,000
Transfer out for workers' compensation	785,000	-	785,000
Change in accruing expenditures	(24,298,561)	-	(24,298,561)
On behalf payments	15,543,947	-	15,543,947
Expenditures on a GAAP basis	<u>\$ 5,790,026</u>	<u>\$ 5,099,104</u>	<u>\$ 366,988,141</u>

	Basis of Accounting Differences	Fund Perspective Differences	Total
Other financing sources (uses) on a budgetary basis			\$ (13,738,982)
Reclass of enterprise indirects cost to expenditures	\$ (1,652,389)	\$ -	(1,652,389)
Transfer from capital projects for judgement	14,112,029	-	14,112,029
Transfer out for OPEB	1,300,000	-	1,300,000
Transfer out for workers' compensation	785,000	-	785,000
Stabilization transfers	-	8,551,673	8,551,673
Other financing sources (uses) on a GAAP basis	<u>\$ 14,544,640</u>	<u>\$ 8,551,673</u>	<u>\$ 9,357,331</u>

COMBINING STATEMENTS



Above: Pump House Construction Continues

The Poplar Street Pump Station will fundamentally transform the way stormwater is managed for the city. When completed the pump station and associated 4-million-gallon stormwater storage tank will deliver a range of benefits including:

- Flood reduction across Wards Two and Three
- Healthier water ways by reducing discharge of sewage (CSOs) to nearby waterways during heavy storms
- Expanding capacity for development throughout the city

The concrete structure of the vault that will house the pumps has been installed. Soon, work will begin on the above ground structure for the pump house building.



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Nonmajor Governmental Funds

Special Revenue Funds –

Special revenue funds are used to account for certain revenue generating activities that are legally and/or programmatically restricted to expenditures for a specific purpose. From the City's financial ledgers, these activities can be distinctly categorized into the following groupings:

School Special Revenue Fund – This fund accounts for the activity of the school department's revolving funds established in accordance with various Massachusetts General Laws (MGL).

School Federal Grants – This fund accounts for federally funded educational-based grant programs received either directly from federal agencies or indirectly through pass-through entities.

School State and Private Grants – This fund accounts for Commonwealth of Massachusetts funded educational-based grant programs received directly from state agencies and also those programs funded by private grantors.

City Federal Grants – This fund accounts for federally funded non-school grant programs received either directly from federal agencies or indirectly through pass-through entities.

City State Grants – This fund accounts for Commonwealth of Massachusetts funded non-school grant programs received directly from state agencies.

Highway Improvement Funds – This fund accounts for construction, reconstruction and improvements to roadways, streets and sidewalks that are primarily funded by grants.

City Revolving – This fund accounts for the non-school related activity within revolving funds established in accordance with MGL Chapter 44, Section 53E ½ and other applicable statutes.

Receipts Reserved – This fund accounts for receipts collected which are designated to fund and supplement specific operating budgets of various departments.

City Private Grants – This fund accounts for donated monies from residents and organizations that are to be used to provide a specific benefit to non-school activities.

School Lunch – This fund accounts for the activities of the school lunch program, which includes charges for services and state and federal reimbursements to meals served.

Strategic Planning & Community Development – This fund accounts for all federal and state funded activities of the Office of Strategic Planning and Community Development.

Community Preservation Fund – This fund accounts for assets that are restricted by state law for the purposes of acquiring or developing open space and recreational facilities, historic resources and affordable housing. These funds are attributable to the City's acceptance of the Community Preservation Act, which allows the City to impose up to 3% surcharge on property taxes and to receive state matching funds.

COVID-19 Fund – This fund accounts for funding received from federal and state governments to assist in meeting obligations associated with the COVID-19 pandemic.

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 accounts for the non-expendable portion of gifts, bequests and contributions held for which only earnings may be expended to benefit the City.

Expendable Permanent Funds – This fund accounts for the spendable portion of various 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, 2025

	Special Revenue Funds					
	School Special Revenue Fund	School Federal Grants	School State & Private Grants	City Federal Grants	City State Grants	Highway Improvement Funds
Assets:						
Cash and cash equivalents	\$ 2,133,329	\$ -	\$ 4,798,726	\$ -	\$ 1,794,334	\$ 453,593
Receivables, net of allowance for uncollectibles:						
Property taxes	-	-	-	-	-	-
Tax liens	-	-	-	-	-	-
Intergovernmental	-	1,169,854	1,482,180	599,509	326,750	-
Loans	-	-	-	-	-	-
Total Assets	\$ 2,133,329	\$ 1,169,854	\$ 6,280,906	\$ 599,509	\$ 2,121,084	\$ 453,593
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities:						
Warrants and accounts payable	\$ 119,878	\$ 68,152	\$ 366,041	\$ 80,587	\$ 158,908	\$ -
Accrued payroll and withholdings	179,164	147,698	149,197	2,517	14,777	-
Unearned revenue	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Due to other funds	-	953,793	-	515,989	-	-
Total Liabilities	299,042	1,169,643	515,238	599,093	173,685	-
Deferred Inflows of Resources:						
Unavailable revenues - property taxes	-	-	-	-	-	-
Unavailable revenues - intergovernmental	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	1,834,287	211	5,765,668	416	1,947,399	453,593
Total Fund Balances	1,834,287	211	5,765,668	416	1,947,399	453,593
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 2,133,329	\$ 1,169,854	\$ 6,280,906	\$ 599,509	\$ 2,121,084	\$ 453,593

City Revolving	Receipts Reserved	City Private Grants	School Lunch	Strategic Planning & Community Development	Community Preservation Fund	COVID-19 Fund	Sub-total Special Revenue Funds
\$ 1,357,645	\$ 7,152,908	\$ 1,393,901	\$ 3,364,569	\$ 1,624,109	\$ 13,133,565	\$ 168,713	\$ 37,375,392
-	-	-	-	-	45,497	-	45,497
-	-	-	-	-	24,529	-	24,529
-	-	-	216,541	10,153,067	590,000	-	14,537,901
-	-	-	-	16,921,227	6,917,751	-	23,838,978
<u>\$ 1,357,645</u>	<u>\$ 7,152,908</u>	<u>\$ 1,393,901</u>	<u>\$ 3,581,110</u>	<u>\$ 28,698,403</u>	<u>\$ 20,711,342</u>	<u>\$ 168,713</u>	<u>\$ 75,822,297</u>
\$ 5,884	\$ -	\$ 29,200	\$ 112,819	\$ 290,473	\$ 124,099	\$ 634	\$ 1,356,675
13,181	1,056	-	-	11,403	2,037	-	521,030
-	-	-	-	-	-	28,809	28,809
-	-	-	-	-	-	139,270	139,270
-	-	-	-	-	-	-	1,469,782
<u>19,065</u>	<u>1,056</u>	<u>29,200</u>	<u>112,819</u>	<u>301,876</u>	<u>126,136</u>	<u>168,713</u>	<u>3,515,566</u>
-	-	-	-	-	70,026	-	70,026
-	-	-	-	9,486,154	590,000	-	10,076,154
-	-	-	-	9,486,154	660,026	-	10,146,180
-	-	-	-	-	-	-	-
<u>1,338,580</u>	<u>7,151,852</u>	<u>1,364,701</u>	<u>3,468,291</u>	<u>18,910,373</u>	<u>19,925,180</u>	<u>-</u>	<u>62,160,551</u>
<u>1,338,580</u>	<u>7,151,852</u>	<u>1,364,701</u>	<u>3,468,291</u>	<u>18,910,373</u>	<u>19,925,180</u>	<u>-</u>	<u>62,160,551</u>
<u>\$ 1,357,645</u>	<u>\$ 7,152,908</u>	<u>\$ 1,393,901</u>	<u>\$ 3,581,110</u>	<u>\$ 28,698,403</u>	<u>\$ 20,711,342</u>	<u>\$ 168,713</u>	<u>\$ 75,822,297</u>

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2025

	Permanent Funds			Total
	Permanent Funds Principal	Expendable Permanent Funds	Sub-total Permanent Funds	Nonmajor Governmental Funds
Assets:				
Cash and cash equivalents	\$ 433,126	\$ 245,039	\$ 678,165	\$ 38,053,557
Receivables, net of allowance for uncollectibles:				
Property taxes	-	-	-	45,497
Tax liens	-	-	-	24,529
Intergovernmental	-	-	-	14,537,901
Loans	-	-	-	23,838,978
Total Assets	<u>\$ 433,126</u>	<u>\$ 245,039</u>	<u>\$ 678,165</u>	<u>\$ 76,500,462</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Warrants and accounts payable	\$ -	\$ -	\$ -	\$ 1,356,675
Accrued payroll and withholdings	-	-	-	521,030
Unearned revenue	-	-	-	28,809
Other liabilities	-	-	-	139,270
Due to other funds	-	-	-	1,469,782
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,515,566</u>
Deferred Inflows of Resources:				
Unavailable revenues - property taxes	-	-	-	70,026
Unavailable revenues - intergovernmental	-	-	-	10,076,154
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,146,180</u>
Fund Balances:				
Nonspendable	433,126	-	433,126	433,126
Restricted	-	245,039	245,039	62,405,590
Total Fund Balances	<u>433,126</u>	<u>245,039</u>	<u>678,165</u>	<u>62,838,716</u>
Total Liabilities and Fund Balances	<u>\$ 433,126</u>	<u>\$ 245,039</u>	<u>\$ 678,165</u>	<u>\$ 76,500,462</u>

(Concluded)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2025

	Special Revenue Funds					
	School Special Revenue Fund	School Federal Grants	School State & Private Grants	City Federal Grants	City State Grants	Highway Improvement Funds
Revenues:						
Intergovernmental	\$ -	\$ 5,526,189	\$ 8,180,609	\$ 719,172	\$ 2,142,339	\$ 2,713,072
Community preservation surcharges	-	-	-	-	-	-
Departmental and other	4,581,235	-	-	-	-	-
Investment income	-	-	-	-	4,207	-
Contributions and donations	14,537	-	231,398	-	-	-
Total Revenues	<u>4,595,772</u>	<u>5,526,189</u>	<u>8,412,007</u>	<u>719,172</u>	<u>2,146,546</u>	<u>2,713,072</u>
Expenditures:						
Current:						
General government	-	-	-	102,974	221,634	-
Public safety	-	-	-	445,420	1,100,629	-
Education	5,047,579	5,326,811	6,502,983	-	-	-
Public works	-	-	-	33,000	329,911	2,259,479
Health and human services	-	-	-	103,238	221,758	-
Culture and recreation	-	-	-	-	122,807	-
Community development	-	-	-	-	-	-
Community preservation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Expenditures	<u>5,047,579</u>	<u>5,326,811</u>	<u>6,502,983</u>	<u>684,632</u>	<u>1,996,739</u>	<u>2,259,479</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>(451,807)</u>	<u>199,378</u>	<u>1,909,024</u>	<u>34,540</u>	<u>149,807</u>	<u>453,593</u>
Other Financing Sources (Uses):						
Transfers in	-	-	257,895	-	-	-
Transfers out	-	(73)	-	(1)	(3)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(73)</u>	<u>257,895</u>	<u>(1)</u>	<u>(3)</u>	<u>-</u>
Net Change in Fund Balances	<u>(451,807)</u>	<u>199,305</u>	<u>2,166,919</u>	<u>34,539</u>	<u>149,804</u>	<u>453,593</u>
Fund Balances - Beginning of Year, as previously reported	2,286,094	(71,520)	3,246,421	(138,718)	1,248,211	-
Error corrections	-	(127,574)	352,328	104,595	549,384	-
Fund Balances - Beginning of Year, as restated	<u>2,286,094</u>	<u>(199,094)</u>	<u>3,598,749</u>	<u>(34,123)</u>	<u>1,797,595</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 1,834,287</u>	<u>\$ 211</u>	<u>\$ 5,765,668</u>	<u>\$ 416</u>	<u>\$ 1,947,399</u>	<u>\$ 453,593</u>

City Revolving	Receipts Reserved	City Private Grants	School Lunch	Strategic Planning & Community Development	Community Preservation Fund	COVID-19 Fund	Sub-total Special Revenue Funds
\$ 32,574	\$ -	\$ 301,346	\$ 4,436,534	\$ 3,578,439	\$ 580,603	\$ 32,417	\$ 28,243,294
-	-	-	-	-	3,486,473	-	3,486,473
504,519	4,392,647	186,975	20,579	17,021	-	28,479	9,731,455
-	185,162	-	148,476	301,057	373,979	-	1,012,881
365	-	58,594	-	-	-	-	304,894
<u>537,458</u>	<u>4,577,809</u>	<u>546,915</u>	<u>4,605,589</u>	<u>3,896,517</u>	<u>4,441,055</u>	<u>60,896</u>	<u>42,778,997</u>
85,933	401,075	6,038	-	1,813,398	238,574	57,772	2,927,398
-	-	3,594	-	-	-	-	1,549,643
-	-	-	4,224,641	-	1,514	-	21,103,528
7,418	-	-	-	-	-	-	2,629,808
53,530	-	9,691	-	-	-	-	388,217
237,114	-	8,890	-	-	-	-	368,811
-	-	-	-	2,349,554	-	3,120	2,352,674
-	-	-	-	-	1,045,705	-	1,045,705
-	-	-	-	-	334,150	-	334,150
-	-	-	-	-	393,646	-	393,646
<u>383,995</u>	<u>401,075</u>	<u>28,213</u>	<u>4,224,641</u>	<u>4,162,952</u>	<u>2,013,589</u>	<u>60,892</u>	<u>33,093,580</u>
153,463	4,176,734	518,702	380,948	(266,435)	2,427,466	4	9,685,417
45,596	-	-	-	-	-	-	303,491
-	(2,970,627)	-	-	(3,500)	(5,018,622)	(4)	(7,992,830)
<u>45,596</u>	<u>(2,970,627)</u>	<u>-</u>	<u>-</u>	<u>(3,500)</u>	<u>(5,018,622)</u>	<u>(4)</u>	<u>(7,689,339)</u>
199,059	1,206,107	518,702	380,948	(269,935)	(2,591,156)	-	1,996,078
716,726	5,987,260	2,106,012	3,087,343	19,644,508	22,398,922	-	60,511,259
422,795	(41,515)	(1,260,013)	-	(464,200)	117,414	-	(346,786)
<u>1,139,521</u>	<u>5,945,745</u>	<u>845,999</u>	<u>3,087,343</u>	<u>19,180,308</u>	<u>22,516,336</u>	<u>-</u>	<u>60,164,473</u>
<u>\$ 1,338,580</u>	<u>\$ 7,151,852</u>	<u>\$ 1,364,701</u>	<u>\$ 3,468,291</u>	<u>\$ 18,910,373</u>	<u>\$ 19,925,180</u>	<u>\$ -</u>	<u>\$ 62,160,551</u>

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2025

	Permanent Funds			Total
	Permanent Funds Principal	Expendable Permanent Funds	Sub-total Permanent Funds	Nonmajor Governmental Funds
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 28,243,294
Community preservation surcharges	-	-	-	3,486,473
Departmental and other	-	-	-	9,731,455
Investment income	-	30,751	30,751	1,043,632
Contributions and donations	-	-	-	304,894
Total Revenues	<u>-</u>	<u>30,751</u>	<u>30,751</u>	<u>42,809,748</u>
Expenditures:				
Current:				
General government	-	-	-	2,927,398
Public safety	-	-	-	1,549,643
Education	-	-	-	21,103,528
Public works	-	-	-	2,629,808
Health and human services	-	-	-	388,217
Culture and recreation	-	-	-	368,811
Community development	-	-	-	2,352,674
Community preservation	-	-	-	1,045,705
Debt service:				
Principal	-	-	-	334,150
Interest	-	-	-	393,646
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,093,580</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>-</u>	<u>30,751</u>	<u>30,751</u>	<u>9,716,168</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	303,491
Transfers out	-	-	-	(7,992,830)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,689,339)</u>
Net Change in Fund Balances	<u>-</u>	<u>30,751</u>	<u>30,751</u>	<u>2,026,829</u>
Fund Balances - Beginning of Year, as previously reported	433,126	214,288	647,414	61,158,673
Error corrections	-	-	-	(346,786)
Fund Balances - Beginning of Year, as restated	<u>433,126</u>	<u>214,288</u>	<u>647,414</u>	<u>60,811,887</u>
Fund Balances - End of Year	<u>\$ 433,126</u>	<u>\$ 245,039</u>	<u>\$ 678,165</u>	<u>\$ 62,838,716</u>

(Concluded)

STATISTICAL SECTION



On the left: A new public health kiosk which distributes free health and wellness items to whoever needs them 24/7.

To the right: Community tree planting in Lincoln Park.





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Statistical Section

This part of the comprehensive annual financial report presents 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; as well as 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 services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the financial statements for the relevant year.

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2017 (1)</u>	<u>2018</u>	<u>2019</u>	<u>2020 (2)</u>	<u>2021</u>	<u>2022</u>	<u>2023 (3)</u>	<u>2024</u>	<u>2025 (4)</u>
Governmental activities:										
Net investment in capital assets.....	\$ 130,183,221	\$ 128,346,108	\$ 138,950,212	\$ 157,254,898	\$ 235,101,623	\$ 224,503,253	\$ 257,843,923	\$ 299,253,290	\$ 316,693,828	\$ 329,141,563
Restricted.....	26,765,034	26,765,236	43,189,284	56,924,125	55,762,206	66,536,393	74,949,473	79,055,716	89,382,199	97,097,504
Unrestricted.....	<u>(156,698,433)</u>	<u>(339,726,313)</u>	<u>(343,484,682)</u>	<u>(346,604,182)</u>	<u>(352,912,928)</u>	<u>(267,727,953)</u>	<u>(205,871,917)</u>	<u>(179,877,249)</u>	<u>(141,798,093)</u>	<u>(72,524,182)</u>
Total governmental activities net position.....	\$ 249,822	\$ (184,614,969)	\$ (161,345,186)	\$ (132,425,159)	\$ (62,049,099)	\$ 23,311,693	\$ 126,921,479	\$ 198,431,757	\$ 264,277,934	\$ 353,714,885
Business-type activities:										
Net investment in capital assets.....	\$ 43,810,782	\$ 46,081,442	\$ 45,635,475	\$ 64,130,762	\$ 73,641,808	\$ 70,703,535	\$ 89,341,086	\$ 94,890,138	\$ 118,724,756	\$ 96,505,994
Restricted.....	-	-	-	-	-	-	-	-	-	-
Unrestricted.....	<u>17,715,352</u>	<u>20,250,359</u>	<u>26,284,738</u>	<u>21,859,239</u>	<u>17,580,512</u>	<u>26,868,129</u>	<u>18,103,872</u>	<u>26,926,042</u>	<u>26,141,766</u>	<u>68,919,975</u>
Total business-type activities net position.....	\$ 61,526,134	\$ 66,331,801	\$ 71,920,213	\$ 85,990,001	\$ 91,222,320	\$ 97,571,664	\$ 107,444,958	\$ 121,816,180	\$ 144,866,522	\$ 165,425,969
Primary government:										
Net investment in capital assets.....	\$ 173,994,003	\$ 174,427,550	\$ 184,585,687	\$ 221,385,660	\$ 308,743,431	\$ 295,206,788	\$ 347,185,009	\$ 394,143,428	\$ 435,418,584	\$ 425,647,557
Restricted.....	26,765,034	26,765,236	43,189,284	56,924,125	55,762,206	66,536,393	74,949,473	79,055,716	89,382,199	97,097,504
Unrestricted.....	<u>(138,983,081)</u>	<u>(319,475,954)</u>	<u>(317,199,944)</u>	<u>(324,744,943)</u>	<u>(335,332,416)</u>	<u>(240,859,824)</u>	<u>(187,768,045)</u>	<u>(152,951,207)</u>	<u>(115,656,327)</u>	<u>(3,604,207)</u>
Total primary government net position.....	\$ 61,775,956	\$ (118,283,168)	\$ (89,424,973)	\$ (46,435,158)	\$ 29,173,221	\$ 120,883,357	\$ 234,366,437	\$ 320,247,937	\$ 409,144,456	\$ 519,140,854

- (1) Unrestricted net position has been revised to reflect the implementation of GASB Statement #75.
- (2) Unrestricted net position has been revised to reflect the implementation of GASB Statement #84.
- (3) Balances restated as part of a correction of error.
- (4) Unrestricted net position has been revised to reflect the implementation of GASB Statement #101 and balances were restated as part of corrections of errors.

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses -										
Governmental activities:										
General government.....	\$ 32,270,976	\$ 34,076,945	\$ 39,372,354	\$ 45,798,151	\$ 41,941,228	\$ 45,787,511	\$ 42,785,665	\$ 57,025,437	\$ 86,734,032	\$ 76,220,392
Public safety.....	54,345,466	58,162,944	54,307,824	65,598,846	61,568,749	58,365,215	48,123,032	58,566,755	59,074,548	70,474,314
Education.....	124,740,381	132,958,254	128,921,395	136,314,822	132,572,764	128,235,260	136,469,075	162,981,860	167,008,401	171,007,452
Public works.....	28,957,827	31,017,581	30,766,736	35,201,167	31,358,498	29,042,535	34,709,306	42,238,801	46,731,763	44,289,512
Community development.....	5,177,605	9,696,020	4,556,946	5,623,403	4,243,725	5,387,639	4,264,877	4,655,456	7,334,218	2,352,674
Human services.....	178,570	244,417	279,442	468,398	882,548	1,753,478	1,512,279	1,142,152	1,199,459	4,730,232
Community preservation.....	347,016	1,522,282	4,207,687	1,848,792	2,338,365	3,278,789	1,517,068	2,028,670	2,074,854	1,045,705
Culture and recreation.....	4,787,187	5,245,975	5,843,577	5,780,260	4,515,562	5,644,695	5,663,962	7,496,971	7,433,198	9,204,326
Interest.....	2,956,192	3,563,654	3,727,244	8,746,700	4,439,863	6,596,003	7,060,306	9,245,538	9,100,232	6,177,376
Total government activities expenses.....	253,761,220	276,488,072	271,983,205	305,380,539	283,861,302	284,091,125	282,105,570	345,381,640	386,690,705	385,501,983
Business-type activities:										
Water.....	10,211,295	11,166,299	11,417,358	12,091,409	16,730,705	12,286,441	13,532,597	13,197,093	14,455,784	17,148,555
Sewer.....	17,099,159	18,106,483	18,610,157	19,328,306	21,718,692	23,373,281	23,624,820	24,410,066	29,835,194	28,799,514
Veterans Memorial ice rink.....	721,990	679,098	713,303	693,015	624,804	586,778	347,226	130,979	-	-
Dilboy stadium.....	136,199	154,881	143,967	144,238	171,128	181,541	106,671	104,136	107,108	199,961
Kennedy school pool.....	-	-	-	-	616,457	275,240	329,749	358,572	472,881	512,729
Total business-type activities expenses.....	28,168,643	30,106,761	30,884,785	32,256,968	39,861,786	36,703,281	37,941,063	38,200,846	44,870,967	46,660,759
Total primary government expenses.....	\$ 281,929,863	\$ 306,594,833	\$ 302,867,990	\$ 337,637,507	\$ 323,723,088	\$ 320,794,406	\$ 320,046,633	\$ 383,582,486	\$ 431,561,672	\$ 432,162,742
Program Revenues -										
Governmental activities:										
Charges for services:										
General government.....	\$ 9,341,536	\$ 10,828,065	17,374,072	\$ 16,052,363	\$ 12,995,489	\$ 14,388,171	\$ 35,184,888	\$ 33,078,731	\$ 18,869,204	\$ 17,270,868
Public safety.....	9,726,266	11,648,005	10,933,048	12,128,811	12,306,646	14,491,168	14,836,270	16,422,568	8,771,108	24,072,485
Education.....	3,025,441	3,251,770	3,689,821	4,258,895	3,120,517	1,497,752	3,852,627	4,747,632	4,409,636	5,042,679
Other.....	1,280,431	1,231,044	1,417,770	1,591,500	2,476,008	1,328,266	4,125,896	5,155,509	2,215,600	2,845,320
Operating grants and contributions:										
General government.....	2,318,143	3,611,794	6,351,895	4,483,922	2,218,332	8,570,741	5,969,984	14,139,233	34,668,158	15,146,403
Public safety.....	734,344	567,768	780,100	1,504,557	1,977,424	1,737,346	2,452,912	1,769,265	1,493,029	2,458,039
Education.....	41,967,740	46,466,462	46,045,575	47,632,509	53,530,987	60,485,179	52,994,776	54,703,342	58,477,724	56,633,306
Public works.....	932,462	2,059,979	389,071	1,799,897	268,617	1,093,406	1,478,201	1,264,669	31,633	253,135
Community development.....	5,244,967	6,297,670	7,619,395	7,252,605	6,074,706	7,554,493	6,901,410	7,074,721	6,310,880	3,871,249
Other.....	861,352	888,955	900,158	1,834,924	3,097,493	4,972,600	3,938,763	2,210,763	1,468,129	1,508,885
Capital grants and contributions:										
Education.....	2,212,282	1,598,709	12,072,086	30,995,107	40,330,199	13,219,350	9,463,690	2,146,530	200,312	130,951
Other.....	2,090,371	440,747	2,152,819	5,592,603	3,345,161	4,623,260	2,106,227	2,146,778	2,649,517	16,164,476
Total government activities program revenues.....	79,735,335	88,890,968	109,725,810	135,127,693	141,741,579	133,961,732	143,305,644	144,859,741	139,564,930	145,397,796
Business-type activities:										
Water charges for services.....	13,249,816	13,945,725	14,027,720	13,771,306	13,748,243	14,761,070	15,525,407	17,184,671	16,849,433	19,681,847
Sewer charges for services.....	19,298,052	21,673,233	22,396,044	23,414,555	23,846,465	24,361,609	26,744,034	30,150,055	31,735,096	37,438,644
Veterans memorial ice rink charges for services.....	638,822	587,035	634,804	570,342	464,286	467,827	100,052	-	-	-
Dilboy stadium charges for services.....	227,234	200,074	232,101	160,379	66,338	51,031	78,334	104,559	177,972	144,258
Kennedy school pool charges for services.....	-	-	-	-	87,136	20,475	70,011	53,021	88,228	85,994
Other capital grants and contributions.....	-	-	-	7,891,015	5,456,391	-	1,400,000	-	16,086,535	-
Total business-type activities program revenues.....	33,413,924	36,406,067	37,290,669	45,807,597	43,668,859	39,662,012	43,917,838	47,492,306	64,937,264	57,350,743
Total primary government program revenues.....	\$ 113,149,259	\$ 125,297,035	\$ 147,016,479	\$ 180,935,290	\$ 185,410,438	\$ 173,623,744	\$ 187,223,482	\$ 192,352,047	\$ 204,502,194	\$ 202,748,539
Net (Expense)/Program Revenue										
Governmental activities.....	\$ (174,025,885)	\$ (187,597,104)	\$ (162,257,395)	\$ (170,252,846)	\$ (142,119,723)	\$ (150,129,393)	\$ (138,799,926)	\$ (200,521,899)	\$ (247,125,775)	\$ (240,104,187)
Business-type activities.....	5,245,281	6,299,306	6,405,884	13,550,629	3,807,073	2,958,731	5,976,775	9,291,460	20,066,297	10,689,984
Total primary government net (expense)/program revenue.....	\$ (168,780,604)	\$ (181,297,798)	\$ (155,851,511)	\$ (156,702,217)	\$ (138,312,650)	\$ (147,170,662)	\$ (132,823,151)	\$ (191,230,439)	\$ (227,059,478)	\$ (229,414,203)

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Revenues, Transfers and Other Changes in Net Position -										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 127,658,573	\$ 135,251,425	\$ 141,935,979	\$ 153,006,112	\$ 166,234,093	\$ 182,102,385	\$ 198,666,774	\$ 219,023,348	\$ 250,507,619	\$ 263,321,433
Tax and utility liens.....	297,772	201,283	159,603	771,316	121,868	847,056	818,802	528,751	660,386	949,235
Motor vehicle and other excise taxes.....	9,288,744	9,316,095	10,032,977	10,470,518	10,381,203	8,775,394	10,628,882	11,720,377	13,078,629	13,832,729
Penalties and interest on taxes.....	801,173	729,944	869,868	1,955,547	2,164,439	2,374,574	2,597,943	2,881,228	985,273	1,272,996
Payments in lieu of taxes.....	829,780	1,248,682	1,327,790	673,359	511,666	1,134,120	980,761	937,966	1,678,621	1,687,870
Community preservation surtax.....	1,545,198	1,664,815	1,794,508	1,507,020	1,611,453	1,506,512	1,622,603	1,654,422	3,215,877	3,511,309
Grants and contributions not restricted.....	24,429,136	25,455,469	26,368,477	27,049,919	28,548,164	28,447,539	28,743,447	31,304,193	30,487,250	31,164,756
Unrestricted investment income.....	303,517	496,273	1,407,965	3,545,866	3,176,974	901,578	716,412	7,789,590	12,448,285	11,264,725
Gain on sale of assets.....	2,031,564	2,031,564	3,911	68,470	7,140	12,007,693	118,412	110,326	959	-
Miscellaneous.....	308,206	184,008	537,703	282,746	649,557	544,795	1,226,545	377,687	356,990	-
Transfers.....	949,090	(345,056)	1,088,397	(158,000)	(1,053,571)	(3,151,461)	(3,710,869)	(4,295,700)	(447,937)	(2,943,079)
Total governmental activities.....	168,442,753	176,234,502	185,527,178	199,172,873	212,352,986	235,490,185	242,409,712	272,032,188	312,971,952	324,061,974
Business-type activities:										
Unrestricted investment income.....	142,354	160,353	270,925	361,159	371,675	239,152	185,650	784,062	2,536,108	2,922,244
Transfers.....	(948,090)	345,056	(1,088,397)	158,000	1,053,571	3,151,461	3,710,869	4,295,700	447,937	2,943,079
Total business-type activities.....	(805,736)	505,409	(817,472)	519,159	1,425,246	3,390,613	3,896,519	5,079,762	2,984,045	5,865,323
Total primary government general revenues, transfers and other changes in net position.....	\$ 167,637,017	\$ 176,739,911	\$ 184,709,706	\$ 199,692,032	\$ 213,778,232	\$ 238,880,798	\$ 246,306,231	\$ 277,111,950	\$ 315,955,997	\$ 329,927,297
Changes in Net Position										
Governmental activities.....	\$ (5,583,132)	\$ (11,362,602)	\$ 23,269,783	\$ 28,920,027	\$ 70,233,263	\$ 85,360,792	\$ 103,609,786	\$ 71,510,289	\$ 65,846,177	\$ 83,957,787
Business-type activities.....	4,439,545	6,804,715	5,588,412	14,069,788	5,232,319	6,349,344	9,873,294	14,371,222	23,050,342	16,555,307
Total primary government changes in net position.....	\$ (1,143,587)	\$ (4,557,887)	\$ 28,858,195	\$ 42,989,815	\$ 75,465,582	\$ 91,710,136	\$ 113,483,080	\$ 85,881,511	\$ 88,896,519	\$ 100,513,094

Note: Prior to 2019, the Business-Type activities reported transfers out for their indirect charges, in 2019 these costs are accounted for in the fund the costs relate to.
 In 2020, the City established the Kennedy School Pool enterprise fund.
 During 2023, the City closed the Veteran's Memorial Rink enterprise fund and transferred all associated items to the governmental activities.

FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020 (1)</u>	<u>2021</u>	<u>2022</u>	<u>2023 (2)</u>	<u>2024 (3)</u>	<u>2025</u>
General Fund:										
Committed.....	\$ 33,354,136	\$ 34,533,997	\$ 38,756,437	\$ 38,314,287	\$ 34,737,771	\$ 51,823,557	\$ 53,082,671	\$ 70,812,388	\$ 93,497,979	\$ 98,854,138
Assigned.....	5,823,265	5,907,817	5,831,550	4,572,556	3,446,300	5,550,794	5,584,905	4,660,626	6,372,215	6,138,713
Unassigned.....	<u>15,507,488</u>	<u>20,194,053</u>	<u>19,666,376</u>	<u>26,014,633</u>	<u>36,978,228</u>	<u>31,955,542</u>	<u>46,202,853</u>	<u>14,741,102</u>	<u>12,827,156</u>	<u>33,462,933</u>
Total general fund.....	<u>\$ 54,684,889</u>	<u>\$ 60,635,867</u>	<u>\$ 64,254,363</u>	<u>\$ 68,901,476</u>	<u>\$ 75,162,299</u>	<u>\$ 89,329,893</u>	<u>\$ 104,870,429</u>	<u>\$ 90,214,116</u>	<u>\$ 112,697,350</u>	<u>\$ 138,455,784</u>
All Other Governmental Funds:										
Nonspendable.....	433,126	433,126	433,126	433,126	433,126	433,126	433,126	433,126	433,126	433,126
Restricted.....	36,444,641	40,328,168	46,918,568	60,684,336	59,004,169	75,508,471	93,868,324	100,537,961	119,625,793	140,919,962
Assigned.....	-	-	-	-	-	-	-	-	-	5,658,922
Unassigned.....	<u>(14,895,671)</u>	<u>(11,385,014)</u>	<u>(31,035,675)</u>	<u>(38,927,012)</u>	<u>(8,317,055)</u>	<u>(9,210,126)</u>	<u>(17,246,479)</u>	<u>(7,516,818)</u>	<u>(17,097,396)</u>	<u>(33,059,503)</u>
Total all other governmental funds.....	<u>\$ 21,982,096</u>	<u>\$ 29,376,280</u>	<u>\$ 16,316,019</u>	<u>\$ 22,190,450</u>	<u>\$ 51,120,240</u>	<u>\$ 66,731,471</u>	<u>\$ 77,054,971</u>	<u>\$ 93,454,269</u>	<u>\$ 102,961,523</u>	<u>\$ 113,952,507</u>

- (1) Previously reported fund balance has been revised to reflect the implementation of GASB Statement #84 - Fiduciary Activities.
- (2) The general fund was restated for correction of an error.
- (3) Other governmental funds were restated for corrections of errors.

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

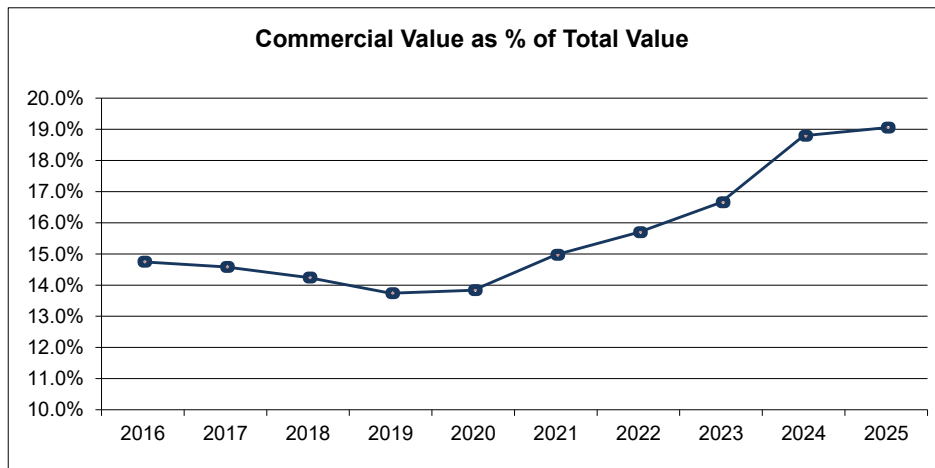
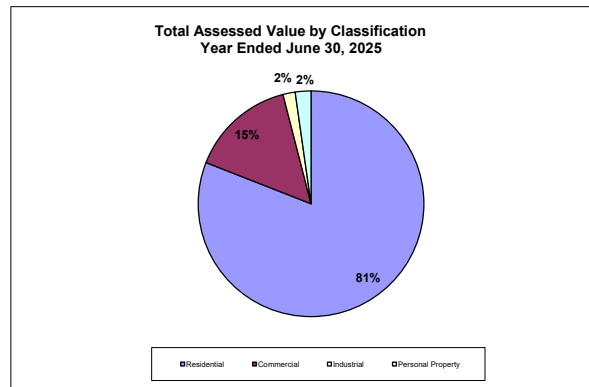
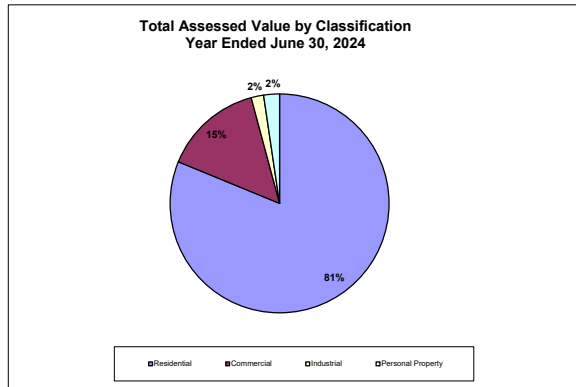
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 127,359,478	\$ 134,759,721	\$ 142,059,305	\$ 153,512,695	\$ 163,664,577	\$ 183,154,974	\$ 198,544,652	\$ 218,807,935	\$ 243,171,943	\$ 261,883,442
Tax liens.....	606,130	392,962	192,533	291,986	278,585	356,770	512,067	541,965	392,524	550,355
Motor vehicle and other excise taxes.....	9,345,084	9,297,090	9,484,191	10,490,716	9,792,924	9,044,955	10,565,990	11,717,125	12,791,764	14,164,363
Payments in lieu of taxes.....	829,780	1,248,682	1,327,790	1,507,020	1,611,453	1,506,512	1,622,603	1,654,422	1,678,621	1,687,870
Intergovernmental.....	77,436,920	91,261,649	103,603,155	130,978,149	133,302,258	119,902,291	104,342,383	107,665,744	137,643,691	124,754,126
Departmental and other.....	10,207,798	10,559,205	11,430,051	13,552,706	15,103,725	14,099,003	23,624,106	30,615,305	20,028,996	30,185,519
Community Preservation taxes.....	2,375,654	2,085,496	2,164,973	2,387,889	2,645,305	5,665,648	3,636,599	3,883,599	3,824,271	3,486,473
Licenses and permits.....	9,091,531	11,072,434	16,419,322	14,995,516	11,773,849	13,518,081	30,391,877	23,634,224	16,090,643	11,531,900
Penalties and interest on taxes.....	801,172	729,945	870,328	674,081	512,931	1,135,186	980,762	949,705	985,704	1,272,996
Fines and forfeitures.....	6,901,209	7,011,660	6,579,284	6,607,180	5,550,917	5,278,593	5,886,700	6,749,329	7,384,774	7,743,618
Contributions.....	757,874	621,388	644,117	855,434	3,014,993	4,151,637	3,337,621	4,814,103	3,173,105	2,275,264
Investment income.....	308,289	500,910	1,415,231	3,535,215	3,176,974	901,578	716,412	7,789,590	12,448,285	11,264,725
Total Revenue.....	246,020,919	269,541,142	296,190,280	339,388,587	350,428,491	358,715,228	384,161,772	418,823,046	459,614,321	470,800,651
Expenditures:										
General government.....	21,121,725	22,099,097	26,581,937	31,844,419	30,322,989	37,364,735	37,620,473	44,508,566	71,986,035	60,080,610
Public safety.....	38,861,329	41,113,649	40,521,432	48,610,806	50,706,399	54,955,284	50,878,132	50,930,074	51,170,379	59,672,924
Education.....	76,278,689	78,217,082	82,088,771	83,620,583	93,628,445	89,604,887	102,564,117	117,127,180	121,364,592	128,433,783
Public works.....	24,285,794	26,189,372	26,404,859	29,827,378	26,750,696	25,700,629	33,378,680	38,107,858	41,087,267	39,335,447
Community development.....	4,752,888	8,904,122	4,556,946	5,584,239	4,243,725	5,387,639	4,272,125	31,183,456	7,334,218	2,352,674
Health and human services.....	178,570	244,417	276,304	430,234	882,548	1,753,478	1,512,279	1,142,152	1,021,159	4,206,254
Culture and recreation.....	2,624,181	3,004,178	3,499,569	3,165,517	2,362,682	4,161,972	4,795,922	5,481,516	5,348,819	6,977,191
Pension benefits.....	23,927,384	28,429,418	29,742,248	30,383,725	34,823,991	39,030,617	28,103,657	31,258,414	35,555,409	32,628,724
Employee benefits.....	23,240,346	24,274,992	30,438,102	25,610,600	29,938,317	27,891,360	32,285,964	32,992,089	34,711,728	36,248,714
Claims and judgements.....	99,590	53,800	-	-	-	-	-	-	-	-
Community preservation.....	771,733	2,314,179	4,207,687	1,848,792	2,293,185	3,278,789	1,517,068	2,028,670	2,074,854	1,045,705
State and county charges.....	12,740,178	13,532,201	13,634,548	12,993,749	13,531,432	13,340,937	14,228,726	14,108,419	14,212,662	14,178,376
Capital outlay.....	18,695,120	13,805,058	45,762,086	61,385,051	135,842,611	85,149,657	56,044,029	35,646,848	48,199,432	56,808,235
Debt service:										
Principal.....	7,110,623	7,455,123	7,101,623	6,812,925	7,525,623	8,140,553	9,558,511	10,869,779	12,130,304	12,961,001
Interest.....	2,866,743	3,639,566	4,112,187	6,505,047	5,287,667	7,313,526	10,127,610	11,762,816	12,587,385	9,892,026
Total Expenditures.....	257,554,893	273,276,254	318,928,299	348,623,065	438,140,310	403,074,063	386,887,293	427,147,837	458,784,243	464,821,664
Excess of revenues over (under) expenditures.....	(11,533,974)	(3,735,112)	(22,738,019)	(9,234,478)	(87,711,819)	(44,358,835)	(2,725,521)	(8,324,791)	830,078	5,978,987
Other Financing Sources (Uses):										
Issuance of bonds and notes.....	17,771,000	12,335,000	10,143,102	16,895,000	121,835,930	36,992,000	28,668,138	13,031,734	14,222,362	19,633,347
Issuance of refunding bonds.....	-	-	7,810,975	-	-	-	-	-	-	-
Premiums from issuance of bonds.....	930,391	2,970,178	2,119,409	2,950,552	1,970,136	10,440,333	2,913,578	2,846,298	2,278,026	3,368,997
Premiums from issuance of refunding bonds.....	-	-	578,540	-	-	-	-	-	-	-
Capital purchasing financing.....	-	-	-	-	-	-	600,298	-	6,851,842	10,711,166
Payments to refunding escrow agent.....	-	-	(8,448,080)	-	-	(9,013,030)	-	-	-	-
Sale of capital assets.....	-	2,120,152	3,911	68,470	7,140	18,869,818	118,412	110,326	959	-
Transfers in.....	3,753,592	5,536,920	5,556,671	6,561,257	2,724,839	8,194,458	31,639,637	19,018,093	8,415,818	27,048,330
Transfers out.....	(2,805,502)	(5,881,976)	(4,468,274)	(6,719,257)	(3,778,410)	(11,345,919)	(35,350,506)	(24,938,675)	(8,863,755)	(29,991,409)
Total other financing sources (uses).....	19,649,481	17,080,274	13,296,254	19,756,022	122,759,635	54,137,660	28,589,557	10,067,776	22,905,252	30,770,431
Special Items:										
MBTA reimbursement.....	-	-	-	-	-	20,000,000	-	-	-	-
Net change in fund balance.....	\$ 8,115,507	\$ 13,345,162	\$ (9,441,765)	\$ 10,521,544	\$ 35,047,816	\$ 29,778,825	\$ 25,864,036	\$ 1,742,985	\$ 23,735,330	\$ 36,749,418
Debt service as a percentage of noncapital expenditures..	4.18%	4.28%	4.11%	4.64%	4.24%	4.86%	5.95%	5.78%	6.02%	5.60%

Note: 2016 to 2024 revenues were reclassified to conform with the 2025 presentation.

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	
2016	\$ 9,546,993,086	\$ 12.53	\$ 1,108,832,814	\$ 318,967,000	\$ 223,981,370	\$ 1,651,781,184	\$ 20.18	\$ 13.66	\$ 11,198,774,270	
2017	10,814,213,402	11.67	1,255,256,698	339,856,200	251,203,200	1,846,316,098	18.81	12.71	12,660,529,500	
2018	11,826,529,847	11.31	1,349,824,853	348,231,400	266,170,830	1,964,227,083	18.21	12.29	13,790,756,930	
2019 (1)	13,505,275,940	10.76	1,503,833,168	354,134,400	293,268,510	2,151,236,078	17.33	11.66	15,656,512,018	
2020	15,506,235,043	10.09	1,788,763,853	374,474,600	326,987,090	2,490,225,543	16.32	10.95	17,996,460,586	
2021	16,408,557,580	10.19	2,070,545,428	411,238,800	407,549,990	2,889,334,218	16.69	11.16	19,297,891,798	
2022	17,580,229,409	10.18	2,373,619,636	452,559,300	446,617,260	3,272,796,196	16.85	11.23	20,853,025,605	
2023	18,588,162,698	10.34	2,830,367,975	433,342,800	450,822,700	3,714,533,475	17.35	11.51	22,302,696,173	
2024	19,119,895,029	10.52	3,441,020,536	433,862,500	549,882,130	4,424,765,166	18.20	11.96	23,544,660,195	
2025	19,837,451,029	10.91	3,688,084,737	429,666,600	551,609,270	4,669,360,607	18.92	12.44	24,506,811,636	



(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

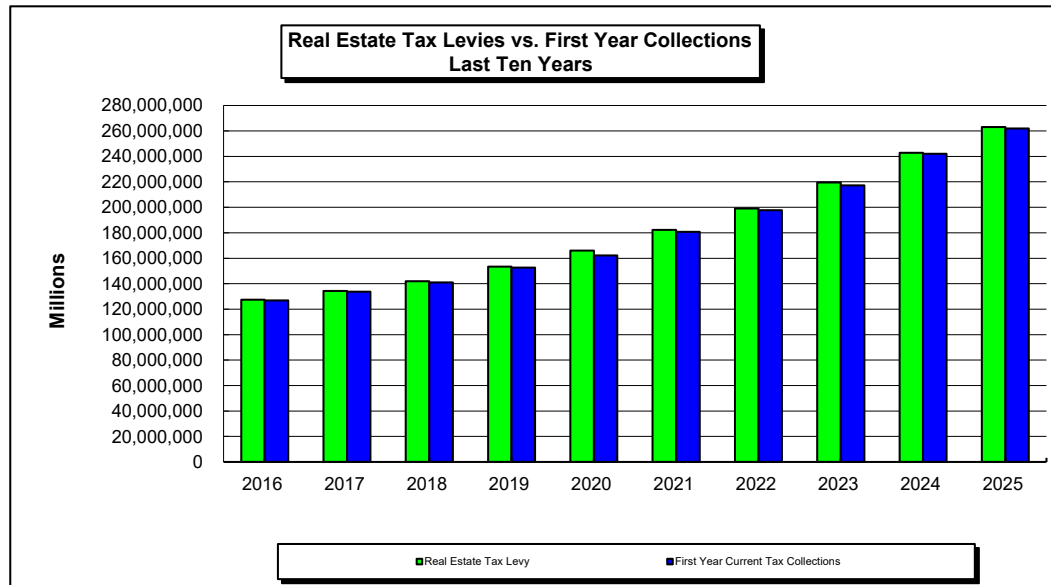
Name	Nature of Business	2025			2016		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Street Retail Inc.	Commercial - Residential	\$ 638,525,100	1	2.61%	\$ 165,591,200	1	1.48%
DW PROPCO EF LLC	Office Building	548,091,700	2	2.24%	-	-	-
SILICON PROPCO 2021 LLC	Office Building	239,999,900	3	0.98%	-	-	-
BRE-BMR ASSEMBLY INNOVATION	Shopping Mall	223,664,700	4	0.91%	-	-	-
74M PROPERTY OWNER LLC	Office Building	212,732,300	5	0.87%	-	-	-
Building 2 Owner LLC	Office Building	174,218,500	6	0.71%	-	-	-
NSTAR Electric Co	Electric Company	157,774,130	7	0.64%	72,028,940	2	0.64%
BRICKBOTTOM QOZB LP	Office Lab Building	152,007,300	8	0.62%	-	-	-
Street Retail LLC	Office Building	139,030,000	9	0.57%	-	-	-
NSTAR Gas Co	Gas Company	124,791,000	10	0.51%	-	-	-
FR Assembly Square LLC	Shopping Mall	-	-	-	71,669,900	3	0.64%
Twin City Plaza LLC	Retail Mall	-	-	-	50,129,000	4	0.45%
I-93 Somerville LLC	Retail	-	-	-	36,411,900	5	0.33%
CRP 70 Inner Belt LLC	Telecom	-	-	-	34,761,300	6	0.31%
Kadima Medical Properties LLC	Professional Building	-	-	-	33,828,600	7	0.30%
North River II LLC	Industrial Office	-	-	-	30,617,500	8	0.27%
National Tax Search LLC Trustee	Office Building	-	-	-	28,981,700	9	0.26%
CRP 30 Inner Belt LLC	Industrial	-	-	-	25,083,900	10	0.22%
	Totals	<u>\$ 2,610,834,630</u>		<u>10.65%</u>	<u>\$ 549,103,940</u>		<u>4.90%</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
2016	\$ 129,147,863	\$ 1,680,095	\$ 127,467,768	\$ 126,959,692	99.60%	\$ 874,118	\$ 127,833,810	100.29%
2017	136,071,683	1,709,004	134,362,679	133,730,789	99.53%	907,852	134,638,641	100.21%
2018	143,491,095	1,528,746	141,962,349	141,091,495	99.39%	790,340	141,881,835	99.94%
2019	(1) 155,031,240	1,647,702	153,383,538	152,583,237	99.48%	1,035,403	153,618,640	100.15%
2020	167,812,263	1,706,610	166,105,653	162,135,904	97.61%	3,143,085	165,278,989	99.50%
2021	184,014,988	1,721,279	182,293,709	180,761,820	99.16%	1,204,146	181,965,966	99.82%
2022	200,839,916	1,712,226	199,127,690	197,821,262	99.34%	1,299,745	199,121,007	100.00%
2023	221,093,410	1,616,982	219,476,428	217,271,243	99.00%	992,941	218,264,184	99.45%
2024	244,828,530	1,952,576	242,875,954	242,133,911	99.69%	597,937	242,731,848	99.94%
2025	264,969,749	1,868,338	263,101,411	261,999,555	99.58%	-	261,999,555	99.58%



(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 Financing	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2016	80,318	\$ 2,941,198,848	\$ 11,198,774,270	\$ 93,750,365	\$ -	\$ 1,167	3.19%	0.84%
2017	81,322	3,037,524,044	12,660,529,500	101,423,345	-	1,247	3.34%	0.80%
2018	81,360	3,283,364,160	13,790,756,930	99,450,581	-	1,222	3.03%	0.72%
2019	81,562	3,621,271,238	15,656,512,018	118,878,104	-	1,458	3.28%	0.76%
2020	81,360	3,846,375,360	17,996,460,586	233,993,882	-	2,876	6.08%	1.30%
2021	81,045	4,002,164,190	19,297,891,798	263,051,247	-	3,246	6.57%	1.36%
2022	81,175	4,324,922,825	20,853,025,605	282,083,188	458,934	3,481	6.53%	1.35%
2023	79,761	5,192,441,100	22,302,696,173	285,424,674	311,915	3,582	5.50%	1.28%
2024	80,407	5,849,287,622	23,544,660,195	286,355,161	159,016	3,563	4.90%	1.22%
2025	82,461	5,998,707,906	24,506,811,636	292,742,955	-	3,550	4.88%	1.19%

Year	Business-type Activities (1)		Total Primary Government			
	General Obligation Bonds	Direct Borrowings	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2016	\$ 10,494,094	\$ -	\$ 104,244,459	\$ 1,298	3.54%	0.93%
2017	9,950,711	-	111,374,056	1,370	3.67%	0.88%
2018	9,268,844	-	108,719,425	1,336	3.31%	0.79%
2019	17,975,936	-	136,854,040	1,678	3.78%	0.87%
2020	22,622,794	-	256,616,676	3,154	6.67%	1.43%
2021	21,588,513	-	284,639,760	3,512	7.11%	1.47%
2022	28,420,612	5,621,676	316,584,410	3,900	7.32%	1.52%
2023	47,204,151	4,694,164	337,634,904	4,233	6.50%	1.51%
2024	55,613,950	12,720,611	354,848,738	4,413	6.07%	1.51%
2025	64,613,701	15,105,227	372,461,883	4,517	6.21%	1.52%

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

Computation of Legal Debt Margin

Last Ten Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Equalized Valuation.....	\$ 10,446,575,400	\$ 12,444,120,102	\$ 12,444,120,102	\$ 15,170,069,800	\$ 15,170,069,800	\$ 19,987,384,600	\$ 19,987,384,600	\$ 22,812,899,800	\$ 22,812,899,800	\$ 26,765,865,600
Debt Limit -5% of Equalized Valuation.....	\$ 522,328,770	\$ 622,206,005	\$ 622,206,005	\$ 758,503,490	\$ 758,503,490	\$ 999,369,230	\$ 999,369,230	\$ 1,140,644,990	\$ 1,140,644,990	\$ 1,338,293,280
Less:										
Outstanding debt applicable to limit.....	45,884,806	53,465,081	59,559,553	72,113,521	58,358,989	94,353,156	113,621,219	117,646,866	130,007,093	140,064,700
Authorized and unissued debt.....	53,584,828	94,436,450	158,894,669	155,911,994	188,357,575	227,173,211	172,810,717	254,622,037	104,972,056	245,674,399
Legal debt margin.....	\$ 422,859,136	\$ 474,304,474	\$ 403,751,783	\$ 530,477,975	\$ 511,786,926	\$ 677,842,863	\$ 712,937,294	\$ 768,376,087	\$ 905,665,841	\$ 952,554,181
Total debt applicable to the limit as a percentage of debt limit.....	19.04%	23.77%	35.11%	30.06%	32.53%	32.17%	28.66%	32.64%	20.60%	28.82%

Source: Official Statement for Sale of Bonds

Direct and Overlapping Governmental Activities Debt

As of June 30, 2025

<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.....	\$ 1,867,871,000 (a)	3.43%	\$ 64,067,975
MWRA Sewer.....	2,640,386,000 (a)	3.31%	87,396,777
Massachusetts Bay Transportation Authority.....	5,546,685,000 (a)	3.08%	<u>170,837,898</u>
Subtotal, overlapping debt.....			<u>322,302,650</u>
City direct debt.....			<u>292,742,955</u>
Total direct and overlapping debt.....			<u>\$ 615,045,605</u>

(a) Debt outstanding is as of June 30, 2024.

Source: Financial Advisor

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

Demographic and Economic Statistics

Last Ten Years

Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	Unemployment Rate
2016	80,318	\$ 2,941,198,848	\$ 36,619	31.3	2.4%
2017	81,322	3,037,524,044	37,352	31.3	3.3%
2018	81,360	3,283,364,160	40,356	31.6	3.5%
2019	81,562	3,621,271,238	44,399	31.5	2.0%
2020	81,360	3,846,375,360	47,276	32.6	7.3%
2021	81,045	4,002,164,190	49,382	32.6	4.4%
2022	81,175	4,324,922,825	53,279	31.5	2.2%
2023	79,761	5,192,441,100	65,100	31.4	2.3%
2024	80,407	5,849,287,622	72,746	32.0	4.0%
2025	82,461	5,998,707,906	72,746	32.0	3.7%

Source: U. S. Census, Division of Local Services, Executive Office of Labor and Workforce Development

Full-Time Equivalent City Employees

Last Ten Years

	<u>2016</u>	<u>2017</u>	<u>2018*</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>Full-Time Equivalents</u>										
General government.....	226	233	235	240	238	281	263	285	292	295
Public safety.....	260	267	269	275	273	322	347	348	363	363
School.....	929	937	1,107	1,139	1,074	1,096	1,089	1,103	1,264	1,275
Public works.....	119	122	123	126	125	147	136	140	136	136
Health and human services.....	24	25	25	26	25	30	29	35	35	37
Culture and recreation.....	11	12	12	12	12	14	53	57	53	53
Community development.....	<u>55</u>	<u>56</u>	<u>57</u>	<u>58</u>	<u>58</u>	<u>68</u>	<u>91</u>	<u>98</u>	<u>103</u>	<u>103</u>
Total	<u>1,624</u>	<u>1,652</u>	<u>1,828</u>	<u>1,876</u>	<u>1,805</u>	<u>1,958</u>	<u>2,008</u>	<u>2,066</u>	<u>2,246</u>	<u>2,262</u>

Source: City of Somerville Budget

*Please note that in FY18 the school department changed how employees are counted, resulting in a change in reporting.

Operating Indicators by Function/Program

Last Ten Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government:										
Registered Voters.....	51,319	51,362	54,672	54,351	58,173	59,627	55,358	55,358	57,393	52,988
Births.....	838	854	798	772	723	655	686	701	681	761
Marriages.....	590	606	557	511	294	361	486	539	462	541
Domestic Partnerships.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	16	5	58
Deaths.....	561	427	415	405	492	405	395	387	396	383
Dogs Licensed.....	2,053	1,831	1,759	1,870	1,899	2,054	1,978	1,663	1,898	1,829
Business Certificates.....	307	274	290	229	192	211	219	238	223	286
Fire:										
Total Fires.....	429	462	442	389	452	407	505	328	413	399
Structure Fires.....	321	354	360	321	365	50	55	51	52	56
Vehicle Fires.....	14	21	17	14	13	24	15	19	19	16
Other Fires.....	94	87	65	54	71	333	435	258	342	327
Civilian										
Injuries.....	8	5	3	2	5	2	3	4	3	9
Fire Service										
Injuries.....	29	23	75	102	56	45	46	34	42	44
Dollar Loss.....	\$ 3,601,500	\$3,666,101	\$ 1,703,650	\$2,715,100	\$2,694,950	\$6,008,900	\$2,618,550	\$3,362,000	\$ 3,996,483	\$ 3,017,678
Police:										
Violent crime total.....	198	172	184	167	136	152	191	180	174	213
Murder and nonnegligent manslaughter.....	0	2	0	0	1	2	1	1	1	1
Forcible rape.....	15	19	26	17	17	17	17	11	15	19
Robbery.....	48	39	44	38	17	30	44	22	32	51
Aggravated assault.....	135	112	114	112	101	103	129	146	126	143
Property crime total.....	1,239	1,104	1,062	1,053	997	938	1,140	1,185	1,088	1,426
Burglary.....	207	171	161	140	120	30	115	165	103	202
Larceny-theft.....	931	834	789	825	784	816	920	855	864	1,109
Motor vehicle theft.....	101	99	112	88	93	92	105	165	121	115
Traffic and Parking:										
Tickets Issued.....	137,973	125,472	124,855	127,424	97,843	124,704	131,618	143,933	133,418	143,699
Inspectional:										
Building Permit Count.....	2,034	2,186	2,194	2,033	1,589	1,869	2,009	1,916	1,931	1,894
Education:										
Total enrollment.....	4,931	4,950	4,956	4,909	4,755	4,673	4,815	4,748	4,745	4,881
Library:+										
Total Circulation.....	396,812	378,929	381,074	394,531	358,169	400,163	565,116	622,049	529,109	563,816
Total Holdings.....	211,941	215,289	217,865	221,390	223,095	240,896	240,699	248,874	243,490	232,043
Registered users.....	33,500	34,395	28,626	36,746	37,011	34,127	34,584	34,992	34,568	32,505

N/A - Information not available

Source: City Departments: Elections, City Clerk, Fire, Police, Parking, ISD and Mass DoE, MBoLC

Capital Asset Statistics by Function/Program

Last Ten Years

Function	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fire:										
Fire stations.....	5	5	5	5	5	5	5	5	5	5
Emergency vehicles.....	8	8	8	8	8	8	38	38	38	38
Police:										
Stations.....	3	3	3	3	3	3	3	3	3	3
Public works:										
Streets (miles).....	119.7	119.7	119.7	119.7	119.7	119.7	119.8	119.8	124.8	124.8
Electric:										
Streetlights.....	4,056	4,056	4,056	4,056	4,056	4,056	5,700	5,700	5,700	5,800
Sewer:										
Sanitary sewers (miles).....	68	68	68	68	68	68	135	135	136.1	135.1
Storm sewers (miles).....	35	35	35	35	35	35	47	47	51.7	51.7
Library:										
Main library.....	1	1	1	1	1	1	1	1	1	1
Number of branches.....	2	2	2	2	2	2	2	2	2	2
Parks and recreation:										
City Parks										
Number of Parks.....	69	69	69	69	69	69	69	69	71	71
Acreage.....	58.3	58.3	58.3	57.6	57.6	57.6	57.6	57.6	64.1	64.1
DCR Parks in Somerville										
Number of Parks.....	8	8	8	8	8	8	8	8	8	8
Acreage.....	81.3	81.3	81.3	81.3	81.3	81.3	81.3	81.3	81.3	81.3
Other Open and Public Space										
Number of Spaces.....	10	11	11	13	13	13	13	13	13	13
Acreage.....	19.3	25	25.0	32.1	32.1	32.1	32.1	32.1	33.1	33.1
Water:										
Water mains (miles).....	125	125	125	125	125	125	120	120	120	120
Fire hydrants.....	1,555	1,555	1,555	1,555	1,555	1,555	1,357	1,357	1,357	1,357
Education:										
Elementary schools.....	9	9	9	9	9	9	9	9	9	9
High school.....	1	1	1	1	1	1	1	1	1	1

NA - Information not available
Source: Various City Departments



Above: Performers at the Somerville Art Council's Annual Ignite Festival



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