

CITY OF EVERETT

MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Year Ended June 30, 2016

Carlo DeMaria, Jr., Mayor
Eric J. Demas, Chief Financial Officer/City Auditor

Prepared by the City of Everett Finance Department

On the Cover – Downtown Everett



CITY OF EVERETT, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016



Prepared by the Finance Department

CITY OF EVERETT, MASSACHUSETTS
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JUNE 30, 2016

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Introductory Section

Frederick E. Parlin Memorial Library



Introductory Section

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City of Everett, Massachusetts

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Letter of Transmittal

December 23, 2016

To the Honorable Mayor, Members of the City Council and Citizens of the City of Everett, Massachusetts:

At the close of each year, state law requires the City of Everett to publish a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Everett, Massachusetts, for the year ending June 30, 2016 for your review.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the year ended June 30, 2016, are fairly presented in conformity with GAAP.

The City of Everett's financial statements have been audited by Powers & Sullivan, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the year ended June 30, 2016, are free of material misstatement. 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's financial statements for the year ended June 30, 2016 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City 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 Everett's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement that analysis and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City

The City of Everett is located in Middlesex County. It is bordered on the north by the City of Malden, on the east by the Cities of Revere and Chelsea, on the west by the Cities of Medford and Somerville, and on the south by the Mystic River and the City of Boston. Everett has a population of 41,667 (according to the 2010 Federal Census) and occupies a land area of 3.36 square miles. Modern transportation facilities are available to residents and commercial enterprises in the City of Everett. The City maintains a total of 56 miles of roads. Bus transportation within the City and throughout the local region is provided by the Massachusetts Bay Transportation Authority (MBTA). The MBTA maintains a major repair facility in the City.

Incorporated as a town in 1870, and as a city in 1892, Everett had been governed by a Mayor-Council-Alderman form of government, with a two year Mayor, seven aldermen (elected at large), and eighteen councilors (3 elected from each ward). However, on January 1, 2014, the City's Council/Aldermen form of government converted to an elected 11 member City Council, and the Mayor's term converted to 4 years.

The Mayor is elected for four years in November of odd-numbered years. The Mayor is the administrative head of the City. The Mayor acts with the City Council to carry out City business. The Mayor appoints his office staff, the City Solicitor, and the Assistant City Solicitor without City Council confirmation. The appointments of most City department heads, and members of the various boards and commissions, however, require City Council confirmation. The Mayor has the right to veto any order, resolution, or ordinance passed by the Council. However, a veto may be overturned by a two-thirds vote of all councilors. After reviewing and revising estimates prepared by department heads, the Mayor submits the budget to the City Council for final action. The Mayor approves all municipal payrolls, vouchers, contracts and instruments; and recommends bond issues, legislations and orders to the City Council; and represents the City with other levels of government. As the general administrator of all City departments, the Mayor is consulted by department heads pertaining to the City's welfare.

The City Council is primarily the legislative branch of the City government. As the legislative body, the Council confirms appointments made by the Mayor and appropriates all monies necessary for City operation. It can approve, disapprove, or reduce the amount of appropriations, but not add to the appropriation. The Council receives orders of recommendation by the Mayor and petitions from the public, and acts on them after committee study. The City Council also has the power to enact the ordinances and other regulations. A majority of the City Council constitutes a quorum, and the affirmative vote of a majority of all the members of the Council is necessary for the adoption of any motion resolution, or ordinance. In some instances, adoption by a two-thirds vote of the members is required by statute.

The City provides general governmental services for the territory within its boundaries, including police and fire protection, disposal of garbage and rubbish, public education in grades K-12, street maintenance, and parks and recreational facilities. Water and sewer services are provided via connections to the Massachusetts Water Resources Authority. Vocational technical education is provided at the high school level by the City. The entire area of the City is served by the municipal water and sewer system.

The Everett Housing Authority is responsible for managing 671 units of State aided elderly and family housing units for the City. Of the 671 units, 279 are for elderly and 392 are designated for families. These units are owned and operated by the Authority. The Everett Housing Authority does not meet the criteria to be considered a component unit of the City.

In the City of Everett, within 170 days after the annual organization of the city government (which is ordinarily in early January), the Mayor is required to submit a budget of proposed expenditures for the year beginning on the next July 1. The City Council may make appropriations for the recommended purposes and may reduce or reject any item. Without a recommendation of the Mayor, the council may not make any appropriation for a purpose not included in the proposed budget, except by a 2/3 vote in the case of a failure of the Mayor to recommend an appropriation for such purpose within seven days after request from the City Council. If the council fails to act on any item of the proposed budget within 45 days, that item takes effect.

The amount raised on the tax recapitulation sheet approved by the Department of Revenue for 2016 totaled approximately \$196.9 million, which includes real and personal property tax revenue, State revenues, Massachusetts School Building Authority (MSBA) revenue, local revenues, an \$800,000 transfer in from general stabilization account for appropriation to reduce the tax rate, and approximately \$589,000 of indirect costs from the water & sewer enterprise fund. These revenues cover general fund and enterprise fund budgeted expenses and a prior year snow and ice deficit. The 2016 tax recapitulation also included the use of free cash of which \$1 million was used to reduce the tax rate and \$2.4 million funded 2015 appropriations.

The City includes the Everett Retirement System (the System) in its financial reporting since the City represents approximately 96% of the members of the System. The System was established to provide retirement benefits to its members, including employees and beneficiaries of the City of Everett and the Everett Housing Authority.

Factors Affecting Economic Condition

According to the Massachusetts Executive Office of Labor and Workforce, as of June 30, 2016, the City had a total labor force of 24,933 of which 23,908 were employed and 1,025 or 4.1% were unemployed as compared with 4.3% for the Commonwealth. Everett is a diverse City, a blue collar community with many of its residents working in the trade, transportation, and utility fields. Closely behind are residents working in the education and health services industry.

Power Plant

The City of Everett is home to a power plant containing a multi-unit gas-fueled 1,968 megawatt (MW) steam turbine, electric power generating station. The site was originally developed by Boston Edison Company in the early 1940's with three coal-fired steam generators. The power plant increased development in the 1950's and 1960's; which lead to the construction of three additional units that were eventually converted to oil. A 578 MW unit was added in 1975 and an 8.6 WM jet-turbine generator was added in 1969 and upgraded in 1990 that was used as a "peaking" unit.

As a result of the Massachusetts Electric Utility Restructuring Act of 1997, Boston Edison sold Mystic Station along with its other generating assets for a reported \$536 million to Sithe Energies. Exelon Generation Company, LLC acquired Sithe New England in 2002. In 2003, Exelon completed the addition of two new Raytheon built combined-cycle generators to the site, with a generating capacity of 1,400 MG.

Currently, the plant's primary fuel source is a liquefied natural gas (LNG) terminal adjacent to the facility along the Mystic River, currently owned by Distrigas of Massachusetts, who relies on off-shore supplies of LNG. The site also contains a substation, switchyards and transformers for supplying power to the electricity grid.

The City of Everett entered into a tax increment financing (TIF) agreement allowed under G.L. Chapter 40 Section 59. The TIF is for a twenty (20) year period from 2001 through 2020. The total TIF payment for this period is \$329 million dollars, paid in annual installments of \$17.9 million per year during years 2001 - 2010 and \$15 million per year during years 2011 - 2020.

For 2016, the power plant's payment of \$15 million represented 16% of the total tax levy of \$93.7 million.

Wynn Everett

On September 15, 2014, the Massachusetts state gaming commission formally voted to award the eastern Massachusetts casino license to Wynn Resorts for its plan in Everett. Prior to the license being awarded to Wynn, the City and Wynn entered into a host agreement, which memorialized the economic and social commitments to the City of Everett. In summary, the City will receive a \$30 million advance payment for a Community Enhancement Fund that will be paid during the construction period. Also, once the resort opens for business, the City will receive an additional \$25 million per year that will increase 2.5% per year for the life of the agreement. Furthermore, Wynn will fund \$250,000 annually, and shall increase by 2.5% annually, to the Everett Citizens Foundation, which will support local groups, associations, and programs with important City initiatives.

The City issued a building permit to Wynn in May 2016, and construction commenced in early July 2016. Under the terms of the host agreement, Wynn made the first advanced payment to the City in the amount of \$5 million in June 2016, which was deposited into the community enhancement fund. The City will receive \$12.5 million in June 2017 and June 2018 under the terms of the community host agreement.

These sum specific payments, as well as the conservatively estimated \$2.5 million per year in hotel and restaurant taxes paid by Wynn customers, will benefit the City and its residents for decades.

Financial Planning and Forecasting

As part of the City's budget process, the City has included a Five Year Financial Forecast in its budget document. This is the third year that such a forecast has been completed. This forecast acts as a useful tool to the Mayor and Council to better identify "budget busters" on the expenditure side and to also determine whether forecasted revenue growth is adequate for future expenses. Also included in the budget was the City's Five Year Capital Improvement Plan (CIP) for the purpose of planning and maintaining the City's capital and infrastructure. The CIP includes policies on debt service and capital improvement budgeting.

As part of the 2016 CIP, the City Council approved \$18,825,177 in capital expenditures, of which \$15,181,700 will be funded through the issuance of general obligation bonds. The remainder will be funded by federal and state grants totaling \$2,777,477, capital stabilization accounts of \$175,000, and \$691,000 was appropriated within the operating budget.

Financial Policy

The City has set a goal to fund the stabilization account in the amount of 10% of the City's current operating budget, or \$17.4 million. As of June 30, 2016, the balance in the City's stabilization account is \$13.9 million. The target date to have the stabilization account fully funded is projected to occur by 2019. The stabilization account shall be funded by appropriations from free cash (available funds), operating budget appropriations when available, and other one-time non-recurring revenues that become available for appropriation per Massachusetts General Law.

In 2014, the City established a second stabilization account (capital improvement stabilization account) for the funding of capital items proposed as part of the comprehensive five-year Capital Improvement Program. The City has set a goal to fund the capital improvement stabilization account in the amount of 20% of any free cash available after funding a prior year drawdown of the stabilization account. As of June 30, 2016, the balance in the City's capital improvement stabilization account is \$1.5 million.

Also, in 2014, the City established a third stabilization account (employee leave buyback stabilization account) for the funding of retirement buyouts as well as other buybacks of accrued sick and vacation time as allowed by collective bargaining agreements. During FY16, the City experienced a number of unanticipated retirements and used the majority of this fund to meet the retirement obligations. The goal of the employee leave buyback stabilization account is to pay for any unanticipated retirements and buyouts from this fund instead of using general fund appropriations. This will allow the departments to backfill vacancies and pay attendance bonuses in a timely manner without having to request a supplemental appropriation by the Council.

In 2013, the City adopted Massachusetts General Law Chapter 32B, Section 20, establishing the "Other Postemployment Benefits (OPEB) Liability Trust Fund" as a local option. This fund gives communities a mechanism to reduce the unfunded actuarial liability of health care and other postemployment benefits. The City currently has \$2.5 million in the fund. Future appropriations will be made to this fund in accordance with financial policies of the Finance Department of the City.

As defined by the Massachusetts budgetary basis of accounting, free cash is the remaining unrestricted funds from operations of the previous year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax rate recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30th, which is submitted by the community's auditor, accountant, or comptroller. Free cash is not available for appropriation until certified by the Massachusetts Director of Accounts. Free cash is the term used for a community's funds that are available for appropriation. Once free cash is certified, it is available for appropriation by City Council. The June 30, 2016 balance for free cash was certified in mid-October in the amount of \$6.7 million which is available for use in 2017.

Free cash may be used for any lawful municipal purpose and provides communities with flexibility to fund additional appropriations after the tax rate has been set. Free cash balances do not carry forward to the next year (July 1st). The certification expires on June 30th at the end of the year.

The City's policy is to use free cash for reserves, capital, and special uses in accordance with the policies set forth by the Mayor and Chief Financial Officer. Once free cash is certified by the Director of Accounts, any drawdown of the stabilization account from the prior year shall be replenished from the certified free cash if the free cash exceeds such drawdown. Once any drawdown of stabilization accounts are replenished, allocation of the remaining free cash shall be as follows:

- 15% of any free cash available after funding a prior year drawdown will also be allocated from free cash to the stabilization account up to the goal of the stabilization account equaling 10% of the current operating budget of the City.
- 20% of any free cash available after funding a prior year drawdown of the stabilization account will also be allocated to the capital improvement fund for funding capital.
- 15% of any free cash available after funding any drawdown will be allocated to the OPEB Liability Trust Fund.

Any free cash available after funding the above may be used to augment trust funds related to fringe benefits and unfunded liabilities related to employee benefits, including Workers' Compensation Fund, Unemployment Fund, and any health benefits payable through Police and Fire operating budgets (111f settlements). Free cash available may also be used to augment general fund appropriations for expenses that increased due to extraordinary and/or unforeseen events as detailed by the department head of the affected budget.

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 Everett, Massachusetts for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. This was the second year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2016. To qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

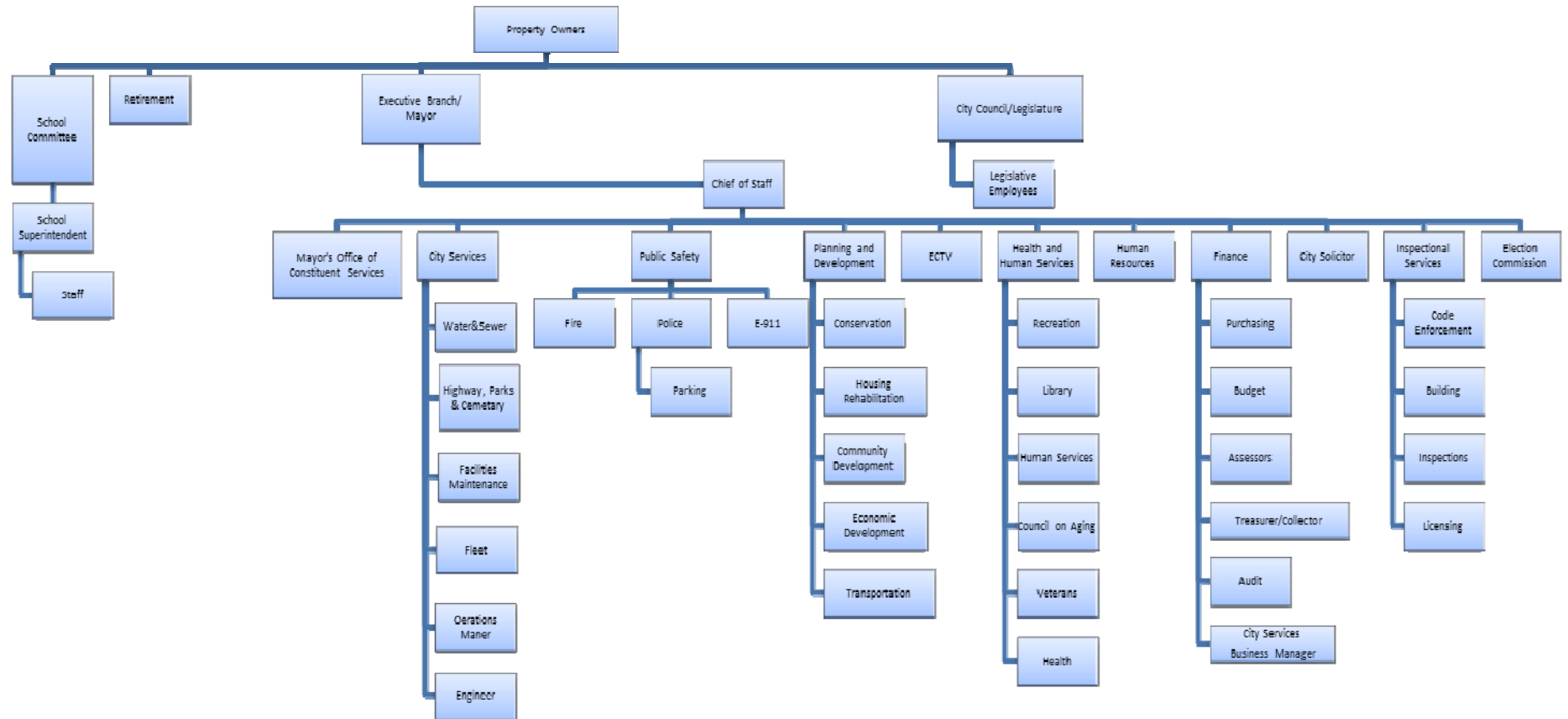
The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Everett, Massachusetts' finances.

Respectfully submitted,



Eric J. Demas, CFE
Chief Financial Officer / City Auditor

Organizational Chart





Principal Executive Officers

TITLE	NAME	MANNER OF SELECTION	TERM EXPIRES
Mayor	Carlo DeMaria, Jr.	Elected	2018
Ward One, City Councilor	Fred Capone	Elected	2018
Ward Two, City Councilor	Stephen Simonelli	Elected	2018
Ward Three, City Councilor	Anthony DiPierro	Elected	2018
Ward Four, City Councilor	John Leo McKinnon	Elected	2018
Ward Five, City Councilor	Rosa DiFlorio	Elected	2018
Ward Six, City Councilor	Michael J. McLaughlin	Elected	2018
President, Councilor At Large	John F. Hanlon	Elected	2018
Councilor At Large	Richard J. Dell Isola, Jr.	Elected	2018
Councilor At Large	Michael J. Mangan	Elected	2018
Councilor At Large	Wayne A. Matewsky	Elected	2018
Councilor At Large	Peter A. Napolitano	Elected	2018
Chief Financial Officer/City Auditor	Eric J. Demas	Appointed	2019
Treasurer/Collector	Domenico D'Angelo	Appointed	2019
City Solicitor	Colleen Mejia	Appointed	2019
City Clerk	Michael Matarazzo	Appointed	n/a



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
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**City of Everett
Massachusetts**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Everett
Massachusetts**

For the Fiscal Year Beginning

July 1, 2015

A handwritten signature in black ink, reading "Jeffrey R. Egan".

Executive Director

Financial Section

Welcome to Everett
Everett City Hall



City Council Chambers



Financial Section

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Independent Auditor's Report

To the Honorable City Council
City of Everett, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everett, Massachusetts, as of and for the year ended June 30, 2016 (except for the Everett Contributory Retirement System which is as of and for the year ended December 31, 2015), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everett, Massachusetts, as of June 30, 2016 (except for the Everett Contributory Retirement System which is as of December 31, 2015), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016, on our consideration of the City of Everett, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Everett, Massachusetts' internal control over financial reporting and compliance.



December 23, 2016

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Everett, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2016. The City complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB).

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

Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities at the close of the most recent year by \$30.6 million (net position).
- At the close of the current year, the City's general fund reported an ending fund balance of \$34.2 million, an increase of \$8.7 million in comparison with the prior year. Total fund balance represents 16.8% of total general fund expenditures.
- In 2016, the City transferred \$779,000 to the general stabilization account and appropriated \$3.6 million to fund general fund appropriations. At year-end, the general stabilization account balance totaled \$8.9 million.
- The City transferred \$1.0 million to the capital improvement stabilization account in 2016 and appropriated \$181,000 to fund the capital improvement plan. The City also appropriated \$192,000 from the employee leave buy back stabilization account. At year-end, the capital improvement stabilization account and the employee leave buy back stabilization account totaled \$1.5 million and \$8,000, respectively.
- As more fully described in Note 10, the City established a community enhancement fee stabilization account in 2016. The City received the first community enhancement fee payment in 2016, totaling \$5.0 million, in accordance with the Host Community Agreement for the casino project, which was recorded in the new stabilization account. At year-end, the community enhancement fee stabilization account totaled \$5.0 million.
- The City transferred \$779,000 to the other postemployment benefits (OPEB) trust fund in 2016. At year-end, the net position of the OPEB trust fund totaled \$2.5 million.
- The OPEB liability increased by \$17.6 million during the current year and the year-end balance totaled \$83.9 million.
- The net pension liability increased by \$5.1 million during the current year and the year-end balance totaled \$112 million.
- In order to take advantage of favorable interest rates, the City issued \$13,805,000 million of General Obligation Refunding Bonds on August 20, 2015. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$14,400,000 million and became callable on August 20, 2015. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$1,256,000 and a reduction of \$1,294,000 in future debt service payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Everett's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets, deferred outflows or resources 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 is improving or deteriorating.

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

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

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of Everett adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains two types of propriety funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer activities.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to employees' health insurance, workers compensation insurance and other insurance.

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. A legally separate public employee retirement system for which the City of Everett is financially accountable is a *component unit* and reported separately within the fiduciary fund statements. The City established an Other Postemployment Trust fund that is reported as a fiduciary fund.

Notes to the basic 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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City of Everett's net position exceeded liabilities by \$30.6 million at the close of 2016.

Net position of \$137.3 million reflects its net investment in capital assets (e.g., land, land improvements, buildings and building improvements, machinery and equipment, vehicles and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the governmental net position, \$8.7 million, represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* has a year-end deficit of \$115.4 million. The primary reason for this deficit balance is the recognition of the other postemployment benefits liability and the net pension liability totaling \$83.9 million and \$112 million, respectively.

The governmental and business-type activities of the City are presented on the following pages.

Governmental Activities

The City of Everett's liabilities exceeded assets and deferred outflows or resources for governmental activities by \$19 million at the close of 2016.

	2016	2015
Assets:		
Current assets.....	\$ 103,395,270	\$ 68,940,858
Noncurrent assets (excluding capital).....	17,735,618	6,812,491
Capital assets not being depreciated.....	9,077,274	9,077,274
Capital assets, net of accumulated depreciation.....	137,265,061	132,430,559
Total assets.....	267,473,223	217,261,182
Deferred Outflows of Resources:		
Deferred charges on refunding.....	570,420	711,786
Deferred outflows of resources related to pensions.....	6,180,000	343,000
	6,750,420	1,054,786
Liabilities:		
Current liabilities (excluding debt).....	21,458,052	20,969,501
Noncurrent liabilities (excluding debt).....	198,616,879	176,333,637
Current debt.....	9,307,958	7,262,111
Noncurrent debt.....	63,882,901	53,638,565
Total liabilities.....	293,265,790	258,203,814
Net Position:		
Net investment in capital assets.....	93,319,037	93,957,633
Restricted.....	8,705,756	7,318,742
Unrestricted.....	(121,066,940)	(141,164,221)
Total net position.....	\$ (19,042,147)	\$ (39,887,846)
Program revenues:		
Charges for services.....	\$ 7,167,993	\$ 4,934,101
Operating grants and contributions.....	94,628,835	85,931,728
Capital grants and contributions.....	1,347,982	677,897
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	92,942,432	90,166,428
Tax liens.....	779,186	-
Motor vehicle and other excise taxes.....	4,205,358	3,724,538
Local option meals tax.....	550,625	501,327
Penalties & interest on taxes.....	513,731	582,610
Payments in lieu of taxes.....	14,112	28,224
Nonrestricted grants.....	6,752,028	5,882,015
Unrestricted investment income.....	223,517	109,028
Other revenues.....	33,727	59,308
Total revenues.....	209,159,526	192,597,204
Expenses:		
General government.....	13,394,332	12,158,409
Public safety.....	46,521,204	42,822,289
Education.....	136,723,183	126,324,128
City services and facilities.....	12,784,569	15,779,438
Community development.....	57,625	945,813
Human services.....	4,354,088	3,972,247
Libraries and recreation.....	3,080,763	3,143,406
Interest.....	1,916,451	2,129,397
Total expenses.....	218,832,215	207,275,127
Change in net position before transfers and special item.....	(9,672,689)	(14,677,923)
Transfers, net.....	518,388	561,191
Special item.....	30,000,000	-
Change in net position.....	20,845,699	(14,116,732)
Net position at beginning of the year.....	(39,887,846)	(25,771,114)
Net position at end of the year.....	\$ (19,042,147)	\$ (39,887,846)

The governmental expenses totaled \$218.8 million of which \$103.1 million (47%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$106 million, primarily coming from property taxes, motor vehicle excise taxes and non-restricted state aid. The City also recognized \$30 million of community enhancement fee revenue from the Host Community Agreement that is recorded as a special item (see Note 10 – Host Community Agreement).

Education expenses increased by \$10.4 million which was primarily due to a \$4.6 million increase in non-employer contributions to the Massachusetts Teachers' Retirement System and a \$4.8 million increase in the other postemployment benefits liability. Public safety expenses increased by \$3.7 million, which was primarily due collective bargaining agreements for both the police and fire departments. City services and facilities decreased by \$3 million due to snow and ice removal costs.

The governmental net position increased by \$20.8 million during the current year. This was primarily due to the recognition of the \$30 million community enhancement fee associated with the Host Community Agreement, a general fund surplus of \$8.7 million, \$1.3 million in capital grants and contributions, and a \$5.8 million increase in deferred outflows of resources related to pensions. These increases were offset by a \$17.5 million increase in the OPEB liability and a \$5 million increase in the net pension liability.

Business-type Activities

For the City's business-type activities, assets and deferred outflows of resources exceeded liabilities by \$49.6 million at the close of 2016.

	2016	2015
Assets:		
Current assets.....	\$ 10,640,945	\$ 8,562,541
Capital assets, net of accumulated depreciation.....	53,980,266	52,363,707
Total assets.....	64,621,211	60,926,248
Deferred outflows of resources:		
Deferred outflows of resources related to pensions.....	95,000	5,000
Liabilities:		
Current liabilities (excluding debt).....	219,815	531,879
Noncurrent liabilities (excluding debt).....	2,332,031	2,103,699
Current debt.....	1,967,212	1,213,333
Noncurrent debt.....	10,564,331	10,517,293
Total liabilities.....	15,083,389	14,366,204
Net Position:		
Net investment in capital assets.....	43,996,186	42,966,905
Unrestricted.....	5,636,636	3,598,139
Total net position.....	\$ 49,632,822	\$ 46,565,044
Program revenues:		
Charges for services.....	\$ 18,005,313	\$ 16,767,337
Operating grants and contributions.....	43,646	29,849
Capital grants and contributions.....	939,600	-
Total revenues.....	18,988,559	16,797,186
Expenses:		
Water and sewer.....	15,402,393	15,095,682
Change in net position before transfers.....	3,586,166	1,701,504
Transfers, net.....	(518,388)	(561,191)
Change in net position.....	3,067,778	1,140,313
Net position at beginning of the year.....	46,565,044	45,424,731
Net position at end of the year.....	\$ 49,632,822	\$ 46,565,044

Business-type net position of \$44 million (88.6%) represents the net investment in capital assets while \$5.6 million (11.4%) is unrestricted. The City's business-type activities net position increased by \$3.1 million in the current year.

The increase in net position is attributable to a \$1.8 million operating surplus and a \$940,000 capital grant from the MWRA.

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$55.9 million of which \$34.2 million is for the general fund; \$11.3 million is for the City capital projects fund and \$10.5 million is for nonmajor governmental funds. Cumulatively there was an increase of \$18.8 million in fund balances from the prior year which was primarily used to fund capital related expenditures.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$29.1 million, while total fund balance was \$34.2 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 14.3% of the total general fund expenditures, while total fund balance represents 16.8% of that same amount. \$2.8 million of fund balance is committed for continuing appropriations and \$2.3 million of fund balance is assigned for encumbrances to be carried forward to the next year.

In 2016, the City's general fund increased by \$8.7 million. This increase is primarily due to a \$5.7 million budgetary revenue surplus, a \$1.3 million appropriation surplus and a \$1.7 million premium from the issuance of debt. The most significant revenue surpluses include \$1.2 million of real estate and personal property tax collections, \$670,000 of tax lien collections, \$1 million of motor vehicle excise tax collections, \$513,000 of licenses and permits, \$666,000 of fines and forfeitures, \$492,000 for intergovernmental revenues and \$1.1 million of departmental and other receipts.

The City capital projects fund is used to account for the City's capital projects as identified in the City's capital plan, which includes yearly expenditures for infrastructure and other project activities. At the end of the current year, the fund had a positive balance totaling \$11.3 million. The balance is due to timing differences between the receipt and expenditure of proceeds from capital grants and long-term term borrowings that are permanently funding projects.

The internal service fund experienced an increase of \$1.3 million that is primarily due to better than anticipated claims experience.

General Fund Budgetary Highlights

During 2016, the City Council approved supplemental appropriations totaling \$7.4 million, which primarily consisted of increases in public safety, education and stabilization account transfers.

Capital Asset and Debt Administration

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

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$200.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, machinery and equipment, and infrastructure.

The total additions to the governmental activities investment in capital assets for the current year were \$12.9 million. Major capital asset events during the current year included roadway improvements, the purchase of new public works equipment and various departmental vehicles, renovations to Day Park, and the construction of additional classrooms.

The \$2.8 million in additions to the business-type activities are attributable to water main improvements and other infrastructure improvements.

Debt Administration. The City maintains an AA Bond Rating with Standard & Poor's Investors Service and continues to maintain strong market access for both note and bond sales.

Outstanding long-term debt for governmental activities, as of June 30, 2016, totaled \$73.2 million, of which \$37.1 million relates to school buildings, \$1.9 million relates to municipal buildings and \$34.2 million relates to other municipal purposes. The City issued \$31.7 million of additional long-term debt in 2016.

The Commonwealth has approved school construction assistance to the City. The assistance program which is administered by the MSBA provides resources for future debt service of general obligation school bonds outstanding. During 2016, \$1,882,459 of such assistance was received and \$7,529,836 will be received in future years. Of this amount, \$728,809 represents reimbursement of long-term interest costs and \$6,801,027 represents reimbursement of approved construction costs. Accordingly, a \$6,801,027 intergovernmental receivable and corresponding deferred inflow of resources – unavailable revenue has been reported in the governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

In order to take advantage of favorable interest rates, the City issued \$13,805,000 of General Obligation Refunding Bonds on August 20, 2015. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$14,400,000 and became callable on August 20, 2015. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$1,256,435 and a reduction of \$1,294,294 in future debt service payments.

In prior years, the government defeased general obligation education bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At June 30, 2016, \$6,345,000 of defeased bonds remain outstanding.

At year end, the water and sewer enterprise fund has \$12 million of outstanding long-term debt, which funded various water and sewer infrastructure projects and is fully supported by rates and does not rely on a general fund subsidy. The City issued \$1.5 million of additional long-term debt in 2016. The water and sewer enterprise fund also has \$541,000 of outstanding short-term debt that was issued to temporarily fund a sewer infrastructure project.

Please refer to notes 4, 7, and 8 to the basic financial statements for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the City of Everett'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 City Auditor, City Hall, 484 Broadway, Everett, Massachusetts, 02149.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 75,811,092	\$ 4,652,432	\$ 80,463,524
Investments.....	3,699,998	-	3,699,998
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	2,738,419	-	2,738,419
Tax liens.....	2,358,950	-	2,358,950
Motor vehicle and other excise taxes.....	902,045	-	902,045
User fees.....	-	5,988,513	5,988,513
Departmental and other.....	332,319	-	332,319
Intergovernmental.....	3,517,507	-	3,517,507
Loans.....	4,751	-	4,751
Host agreement - Community enhancement fee.....	12,500,000	-	12,500,000
Internal balances.....	20,089	-	20,089
Working capital deposit.....	1,510,100	-	1,510,100
Total current assets.....	103,395,270	10,640,945	114,036,215
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	5,231,717	-	5,231,717
Loans.....	3,901	-	3,901
Host agreement - Community enhancement fee.....	12,500,000	-	12,500,000
Capital assets, net of accumulated depreciation:			
Nondepreciable.....	9,077,274	-	9,077,274
Depreciable.....	137,265,061	53,980,266	191,245,327
Total noncurrent assets.....	164,077,953	53,980,266	218,058,219
TOTAL ASSETS.....	267,473,223	64,621,211	332,094,434
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding.....	570,420	-	570,420
Deferred outflows of resources related to pensions.....	6,180,000	95,000	6,275,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	6,750,420	95,000	6,845,420
LIABILITIES			
CURRENT:			
Warrants payable.....	5,459,641	85,444	5,545,085
Accrued payroll.....	8,130,682	9,152	8,139,834
Health claims payable.....	2,100,000	-	2,100,000
Tax refunds payable.....	854,728	-	854,728
Accrued interest.....	752,721	73,393	826,114
Other liabilities.....	611,303	-	611,303
Compensated absences.....	3,459,763	51,826	3,511,589
Workers' compensation.....	89,214	-	89,214
Notes payable.....	-	540,850	540,850
Bonds payable.....	9,307,958	1,426,362	10,734,320
Total current liabilities.....	30,766,010	2,187,027	32,953,037
NONCURRENT:			
Compensated absences.....	4,329,215	44,031	4,373,246
Workers' compensation.....	604,664	-	604,664
Other postemployment benefits.....	83,343,000	599,000	83,942,000
Net pension liability.....	110,340,000	1,689,000	112,029,000
Bonds payable.....	63,882,901	10,564,331	74,447,232
Total noncurrent liabilities.....	262,499,780	12,896,362	275,396,142
TOTAL LIABILITIES.....	293,265,790	15,083,389	308,349,179
NET POSITION			
Net investment in capital assets.....	93,319,037	43,996,186	137,315,223
Restricted for:			
Loans.....	8,652	-	8,652
Permanent funds:			
Expendable.....	85,486	-	85,486
Nonexpendable.....	1,228,569	-	1,228,569
Gifts and grants.....	7,383,049	-	7,383,049
Unrestricted.....	(121,066,940)	5,636,636	(115,430,304)
TOTAL NET POSITION.....	\$ (19,042,147)	\$ 49,632,822	\$ 30,590,675

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
<i>Governmental Activities:</i>						
General government.....	\$ 13,394,332	\$ 1,530,370	\$ 487,567	\$ -	\$ (11,376,395)	
Public safety.....	46,521,204	4,111,774	987,308	-	(41,422,122)	
Education.....	136,723,183	820,905	90,903,891	-	(44,998,387)	
City services and facilities.....	12,784,569	131,757	-	1,014,442	(11,638,370)	
Community development.....	57,625	-	1,053,280	-	995,655	
Human services.....	4,354,088	286,236	415,932	27,096	(3,624,824)	
Libraries and recreation.....	3,080,763	286,951	387,899	306,444	(2,099,469)	
Interest.....	1,916,451	-	392,958	-	(1,523,493)	
Total Governmental Activities.....	218,832,215	7,167,993	94,628,835	1,347,982	(115,687,405)	
<i>Business-Type Activities:</i>						
Water & Sewer.....	15,402,393	18,005,313	43,646	939,600	3,586,166	
Total Primary Government.....	\$ 234,234,608	\$ 25,173,306	\$ 94,672,481	\$ 2,287,582	\$ (112,101,239)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (115,687,405)	\$ 3,586,166	\$ (112,101,239)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	92,942,432	-	92,942,432
Tax liens.....	779,186	-	779,186
Motor vehicle excise taxes.....	4,205,358	-	4,205,358
Local options meals tax.....	550,625	-	550,625
Penalties and interest on taxes.....	513,731	-	513,731
Payments in lieu of taxes.....	14,112	-	14,112
Grants and contributions not restricted to specific programs.....	6,752,028	-	6,752,028
Unrestricted investment income.....	223,517	-	223,517
Miscellaneous.....	33,727	-	33,727
<i>Transfers, net</i>	518,388	(518,388)	-
<i>Special item - Host agreement revenue</i>	30,000,000	-	30,000,000
Total general revenues and transfers.....	136,533,104	(518,388)	136,014,716
Change in net position.....	20,845,699	3,067,778	23,913,477
<i>Net Position:</i>			
Beginning of year.....	(39,887,846)	46,565,044	6,677,198
End of year.....	\$ (19,042,147)	\$ 49,632,822	\$ 30,590,675

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2016

	General	City Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 43,981,880	\$ 13,011,946	\$ 11,561,753	\$ 68,555,579
Investments.....	1,162,250	-	394,576	1,556,826
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	2,738,419	-	-	2,738,419
Tax liens.....	2,358,950	-	-	2,358,950
Motor vehicle and other excise taxes.....	902,045	-	-	902,045
Departmental and other.....	332,319	-	-	332,319
Intergovernmental.....	6,793,137	-	1,956,087	8,749,224
Loans.....	-	-	8,652	8,652
Host agreement - Community enhancement fee.....	25,000,000	-	-	25,000,000
Due from other funds.....	20,089	-	-	20,089
TOTAL ASSETS.....	\$ 83,289,089	\$ 13,011,946	\$ 13,921,068	\$ 110,222,103
LIABILITIES				
Warrants payable.....	\$ 1,906,754	\$ 1,755,042	\$ 1,797,845	\$ 5,459,641
Accrued payroll.....	8,124,686	-	5,996	8,130,682
Tax refunds payable.....	854,728	-	-	854,728
Other liabilities.....	611,303	-	-	611,303
TOTAL LIABILITIES.....	11,497,471	1,755,042	1,803,841	15,056,354
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	37,621,654	-	1,617,113	39,238,767
FUND BALANCES				
Nonspendable.....	-	-	1,228,569	1,228,569
Restricted.....	-	11,256,904	9,271,545	20,528,449
Committed.....	2,792,988	-	-	2,792,988
Assigned.....	2,307,963	-	-	2,307,963
Unassigned.....	29,069,013	-	-	29,069,013
TOTAL FUND BALANCES.....	34,169,964	11,256,904	10,500,114	55,926,982
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 83,289,089	\$ 13,011,946	\$ 13,921,068	\$ 110,222,103

See notes to basic financial statements.

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

JUNE 30, 2016

Total governmental fund balances.....	\$ 55,926,982
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	146,342,335
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	39,238,767
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....	6,180,000
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities:	
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....	8,808,785
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(752,721)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable.....	(73,190,859)
Workers' compensation claims.....	(693,878)
Compensated absences.....	(7,788,978)
Other postemployment benefits.....	(83,343,000)
Net pension liability.....	<u>(110,340,000)</u>
Net effect of reporting long-term liabilities.....	<u>(275,356,715)</u>
In the statement of activities, deferred losses are reported for refundings of debt, which are amortized over the shorter of the remaining life of the refunding bonds or refunded bonds. In governmental funds, defeasances of debt are expensed when the refunding bonds are issued.....	<u>570,420</u>
Net position of governmental activities.....	<u>\$ (19,042,147)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	General	City Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 92,604,668	\$ -	\$ -	\$ 92,604,668
Tax liens.....	670,234	-	-	670,234
Motor vehicle excise taxes.....	4,013,283	-	-	4,013,283
Local options meals tax.....	550,625	-	-	550,625
Charges for services.....	-	-	1,106,605	1,106,605
Penalties and interest on taxes.....	513,731	-	-	513,731
Payments in lieu of taxes.....	14,112	-	-	14,112
Licenses and permits.....	1,212,658	-	-	1,212,658
Fines and forfeitures.....	1,666,292	-	-	1,666,292
Intergovernmental.....	87,137,262	299,650	15,731,731	103,168,643
Departmental and other.....	1,904,473	-	1,015,055	2,919,528
Contributions.....	-	-	856,519	856,519
Investment income.....	195,677	6,690	28,637	231,004
Miscellaneous.....	-	-	33,727	33,727
TOTAL REVENUES.....	190,483,015	306,340	18,772,274	209,561,629
EXPENDITURES:				
Current:				
General government.....	5,864,460	-	923,260	6,787,720
Public safety.....	26,174,860	30,892	1,229,632	27,435,384
Education.....	74,774,720	-	15,679,066	90,453,786
City services and facilities.....	9,416,437	5,550,518	129,313	15,096,268
Community development.....	-	-	888,658	888,658
Human services.....	2,943,399	-	296,659	3,240,058
Libraries and recreation.....	1,350,831	1,383,648	412,763	3,147,242
Pension benefits.....	25,272,172	-	-	25,272,172
Property and liability insurance.....	1,924,506	-	-	1,924,506
Employee benefits.....	21,218,548	-	-	21,218,548
State and county charges.....	11,599,413	-	-	11,599,413
Debt service:				
Principal.....	7,159,415	-	-	7,159,415
Principal - current refunding.....	14,623,490	-	-	14,623,490
Interest.....	1,736,113	-	-	1,736,113
TOTAL EXPENDITURES.....	204,058,364	6,965,058	19,559,351	230,582,773
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(13,575,349)	(6,658,718)	(787,077)	(21,021,144)
OTHER FINANCING SOURCES (USES):				
Issuance of debt.....	-	13,607,000	4,250,000	17,857,000
Issuance of refunding bonds.....	13,805,000	-	-	13,805,000
Premium from issuance of debt.....	1,719,490	-	-	1,719,490
Premium from issuance of refunding bonds.....	938,681	-	-	938,681
Transfers in.....	1,065,246	193,242	-	1,258,488
Transfers out.....	(251,566)	-	(488,534)	(740,100)
TOTAL OTHER FINANCING SOURCES (USES).....	17,276,851	13,800,242	3,761,466	34,838,559
NET CHANGE IN FUND BALANCES BEFORE SPECIAL ITEM.....	3,701,502	7,141,524	2,974,389	13,817,415
SPECIAL ITEM:				
Host agreement revenue.....	5,000,000	-	-	5,000,000
NET CHANGE IN FUND BALANCES.....	8,701,502	7,141,524	2,974,389	18,817,415
FUND BALANCES AT BEGINNING OF YEAR.....	25,468,462	4,115,380	7,525,725	37,109,567
FUND BALANCES AT END OF YEAR.....	\$ 34,169,964	\$ 11,256,904	\$ 10,500,114	\$ 55,926,982

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds.....		\$ 18,817,415
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	12,862,827	
Depreciation expense.....	<u>(8,028,325)</u>	
Net effect of reporting capital assets.....		4,834,502
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		24,597,897
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of debt.....	(17,857,000)	
Issuance of refunding bonds.....	(13,805,000)	
Premium from issuance of debt.....	(1,719,490)	
Premium from issuance of refunding bonds.....	(938,681)	
Debt service principal payments.....	7,159,415	
Debt service principal payments - current refunding.....	<u>14,623,490</u>	
Net effect of reporting long-term debt.....		(12,537,266)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	583,653	
Net change in workers' compensation accrual.....	31,858	
Net change in other postemployment benefits accrual.....	(17,469,000)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	5,837,000	
Net change in net pension liability.....	(5,013,000)	
Net change in accrued interest on long-term debt.....	(286,055)	
Amortization of bond issuance costs.....	(223,490)	
Amortization of premium from issuance of bonds.....	470,573	
Amortization of deferred charges on refunding.....	<u>(141,366)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		(16,209,827)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with governmental activities.....		<u>1,342,978</u>
Change in net position of governmental activities.....		<u>\$ 20,845,699</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water & Sewer Fund	
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 4,652,432	\$ 7,255,513
Investments.....	-	2,143,172
Receivables, net of allowance for uncollectibles:		
User fees.....	5,988,513	-
Working capital deposit.....	-	1,510,100
Total current assets.....	10,640,945	10,908,785
NONCURRENT:		
Capital assets, net of accumulated depreciation:		
Depreciable.....	53,980,266	-
TOTAL ASSETS.....	64,621,211	10,908,785
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions.....	95,000	-
LIABILITIES		
CURRENT:		
Warrants payable.....	85,444	-
Accrued payroll.....	9,152	-
Health claims payable.....	-	2,100,000
Accrued interest.....	73,393	-
Compensated absences.....	51,826	-
Notes payable.....	540,850	-
Bonds payable.....	1,426,362	-
Total current liabilities.....	2,187,027	2,100,000
NONCURRENT:		
Compensated absences.....	44,031	-
Other postemployment benefits.....	599,000	-
Net pension liability.....	1,689,000	-
Bonds payable.....	10,564,331	-
Total noncurrent liabilities.....	12,896,362	-
TOTAL LIABILITIES.....	15,083,389	2,100,000
NET POSITION		
Net investment in capital assets.....	43,996,186	-
Unrestricted.....	5,636,636	8,808,785
TOTAL NET POSITION.....	\$ 49,632,822	\$ 8,808,785

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water & Sewer Fund	
<u>OPERATING REVENUES:</u>		
Employee contributions.....	\$ -	\$ 4,091,812
Employer contributions.....	-	18,764,877
Other contributions.....	-	2,708
Charges for services - water.....	5,881,060	-
Charges for services - sewer.....	12,158,619	-
TOTAL OPERATING REVENUES	18,039,679	22,859,397
<u>OPERATING EXPENSES:</u>		
Cost of services and administration.....	1,363,601	21,626,703
MWRA assessments - water.....	4,636,654	-
MWRA assessments - sewer.....	8,056,404	-
Depreciation.....	1,170,678	-
TOTAL OPERATING EXPENSES	15,227,337	21,626,703
OPERATING INCOME.....	2,812,342	1,232,694
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Investment income.....	9,280	110,284
Interest expense.....	(175,056)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(165,776)	110,284
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	2,646,566	1,342,978
CAPITAL CONTRIBUTIONS.....	939,600	-
<u>TRANSFERS:</u>		
Transfers in.....	70,863	-
Transfers out.....	(589,251)	-
TOTAL TRANSFERS.....	(518,388)	-
CHANGE IN NET POSITION.....	3,067,778	1,342,978
NET POSITION AT BEGINNING OF YEAR.....	46,565,044	7,465,807
NET POSITION AT END OF YEAR.....	\$ 49,632,822	\$ 8,808,785

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water & Sewer Fund	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users.....	\$ 17,665,899	\$ -
Receipts from interfund services provided.....	-	22,859,397
Payments to vendors.....	(13,235,868)	-
Payments to employees.....	(769,930)	-
Payments for interfund services used.....	-	(21,879,003)
NET CASH FROM OPERATING ACTIVITIES.....	3,660,101	980,394
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Transfers in.....	70,863	-
Transfers out.....	(589,251)	-
Capital contributions.....	939,600	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	421,212	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Proceeds from the issuance of bonds and notes.....	2,014,250	-
Acquisition and construction of capital assets.....	(3,011,768)	-
Principal payments on bonds and notes.....	(1,213,333)	-
Interest expense.....	(175,118)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,385,969)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Sales and purchases of investments, net.....	-	12,744
Investment income.....	9,280	110,284
NET CASH FROM INVESTING ACTIVITIES.....	9,280	123,028
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,704,624	1,103,422
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	2,947,808	6,152,091
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 4,652,432	\$ 7,255,513
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>		
Operating income.....	\$ 2,812,342	\$ 1,232,694
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation.....	1,170,678	-
Deferred outflows of resources related pensions.....	(90,000)	-
Changes in assets and liabilities:		
User fees.....	(373,780)	-
Working capital deposit.....	-	(182,300)
Warrants payable.....	(83,103)	-
Accrued payroll.....	(15,301)	-
Health claims payable.....	-	(70,000)
Other postemployment benefits.....	133,000	-
Net pension liability.....	76,000	-
Accrued compensated absences.....	30,265	-
Total adjustments.....	847,759	(252,300)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 3,660,101	\$ 980,394

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Pension Trust Fund (as of December 31, 2015)	Other Postemployment Benefits Fund	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 529,995	\$ 21,509	\$ -
Investments:			
PRIT.....	109,548,270	-	-
Bond mutual funds.....	-	1,091,671	-
Equity mutual funds.....	-	1,347,771	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	176,820	-	610,604
TOTAL ASSETS.....	110,255,085	2,460,951	610,604
LIABILITIES			
Warrants payable.....	1,835	-	15,364
Liabilities due depositors.....	-	-	575,151
Due to other funds.....	-	-	20,089
TOTAL LIABILITIES.....	1,835	-	610,604
NET POSITION			
Restricted for pension benefits.....	110,253,250	-	-
Held in trust for OPEB benefits.....	-	2,460,951	-
	\$ 110,253,250	\$ 2,460,951	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2016

	Pension Trust Fund (as of December 31, 2015)	Other Postemployment Benefits Fund
ADDITIONS:		
Contributions:		
Employer.....	\$ 13,596,226	\$ 779,241
Employee.....	3,812,437	-
Total contributions.....	17,408,663	779,241
Net investment income (loss):		
Net change in fair value of investments.....	(1,721,809)	54,287
Interest and dividends.....	2,829,818	31,071
Total investment income (loss).....	1,108,009	85,358
Less: investment expense.....	(555,796)	(6,198)
Net investment income (loss).....	552,213	79,160
Intergovernmental.....	338,219	-
Transfers from other systems.....	510,172	-
Other.....	12,000	-
TOTAL ADDITIONS.....	18,821,267	858,401
DEDUCTIONS:		
Administration.....	208,360	-
Transfers to other systems.....	1,138,657	-
Retirement benefits and refunds.....	13,034,368	-
TOTAL DEDUCTIONS.....	14,381,385	-
CHANGE IN NET ASSETS.....	4,439,882	858,401
NET POSITION AT BEGINNING OF YEAR.....	105,813,368	1,602,550
NET POSITION AT END OF YEAR.....	\$ 110,253,250	\$ 2,460,951

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City is a municipal corporation that is governed by an elected Mayor and an elected City Council.

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

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

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

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 484 Broadway, Everett, MA 02149.

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

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

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

The *City capital projects fund* is used to account for financial activities associated with City capital acquisitions and improvements that have been authorized and approved by City Council. These projects will be funded through the issuance of long-term bonds and notes, state grants and other available funds.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements.

The following describes the general use of these fund types:

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

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

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

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

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

The City reports one major proprietary fund. The *water and sewer enterprise fund* is used to account for water and sewer activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to employees' health insurance, workers' compensation claims, and property and liability insurance.

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

The following fiduciary fund types are reported:

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

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future OPEB liabilities.

The *agency fund* is used to account for assets held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus. The City's agency fund is used to account for off-duty work details, student activity accounts, and contractor bid deposits.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

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

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

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

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

Real estate tax liens are processed during the fourth quarter of every year on delinquent properties and are recorded as receivables in the year they are processed.

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

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

Motor Vehicle and Other Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Water and Sewer User Fees

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

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

Departmental and Other

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

Intergovernmental

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

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

Loans

The Department of 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.

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

G. Inventories***Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets***Government-Wide and Proprietary Fund Financial Statements***

Capital assets, which include land, land improvements, buildings, machinery and equipment, vehicles, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date

of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

Capital Asset Type	Estimated Useful Life (in years)
Buildings and building improvements.....	5-40
Machinery and equipment.....	5-10
Infrastructure.....	10-40

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

Governmental Fund Financial Statements

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

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. Unavailable Revenue

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting, i.e. receivables that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

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

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

Net position has been "restricted for" the following:

"Loans" represents community development outstanding loan receivable balances.

"Permanent funds - expendable" represents the amount of realized and unrealized investment earnings on donor restricted trusts. The restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings.

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

“Gifts and grants” represents assets that have restrictions placed on them from outside parties.

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

Fund Financial Statements (Fund Balances)

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

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

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. The passage of a City Council Order is the highest level of decision making authority that can commit funds for a specific purpose. Once passed, the limitation imposed by the order remains in place until the funds are used for their intended purpose or a Council Order is passed to rescind the commitment.

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

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

Sometimes the City will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the City’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Everett Contributory Retirement System and the Massachusetts Teachers Retirement System and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are

reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

P. Investment Income

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

Q. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities only if they have matured.

R. Use of Estimates

Government-Wide and Fund Financial Statements

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

S. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

The City Treasurer is the custodian of funds held in the OPEB trust fund. As of June 30, 2016, \$2,460,951 from the OPEB trust fund is included within the City's cash and investments balances in the following disclosures.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board (PRIM), which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares.

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 does not have a deposit policy for custodial risk. At year-end, the carrying amount of deposits totaled \$77,920,337 and the bank balance totaled \$82,307,925. Of the bank balance, \$2,789,107 was covered by Federal Depository Insurance, \$4,877,191 was covered by the Depository Insurance Fund, \$17,102,542 was covered by the Share Insurance Fund, \$26,633,242 was collateralized, and \$30,905,843 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2015, the carrying amount of deposits for the System totaled \$529,995 and the bank balance totaled \$689,150. The entire bank balance was covered by Federal Depository Insurance. The System does not have a deposit policy for custodial risk.

Interest Rate Risk

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

The City participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

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

		<u>Maturity</u>
<u>Investment Type</u>	<u>Fair Value</u>	<u>1-5 Years</u>
<u>Debt Securities</u>		
Government Sponsored Enterprises....	\$ 1,425,824	\$ 1,425,824
U.S. Treasury Notes.....	478,883	478,883
Corporate Bonds.....	719,811	719,811
Bond Mutual Funds.....	<u>1,091,671</u>	<u>1,091,671</u>
Total Debt Securities.....	3,716,189	<u><u>\$ 3,716,189</u></u>
<u>Other Investments</u>		
Equity Securities.....	833,571	
Equity Mutual Funds.....	1,589,680	
MMDT.....	<u>2,564,696</u>	
Total Investments.....	\$ 8,704,136	

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .14 to 24.23 years. As of December 31, 2015, the Retirement System had investments in PRIT totaling \$109,548,270.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The City does not have an investment policy for custodial risk. Of the City's investments, \$1,425,824 of government sponsored enterprises, \$478,883 of U.S. Treasury notes, \$719,811 of corporate bonds, and \$833,571 of equity securities are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty.

At December 31, 2015, the System did not have investments that were subject to custodial credit risk. The System follows PRIM policies for custodial credit risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. The City and the System do not have formal investment policies for credit risk; however investments subject to credit risk are limited by Massachusetts general laws. Standard & Poor's Investors Service rated \$91,257 of corporate bonds A+, \$155,868 of corporate bonds A, \$110,546 of corporate bonds A-, and \$362,140 of corporate bonds were rated BBB. \$1,425,824 of government sponsored enterprise securities and \$478,883 of U.S Treasury Notes were rated AA+. \$72,692 of bond mutual funds were rated AAA, \$241,531 of bond mutual

funds were rated A, \$195,182 of bond mutual funds were rated B, and \$582,266 of bond mutual funds were rated BBB. \$2,564,696 of investments in MMDT were unrated. The System's investments in PRIT shares were also unrated.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. The City did not have any investments that were subject to concentration of credit risk.

The System follows PRIM policies for concentration of credit risk. The System did not have any investments that were subject to concentration of credit risk.

Fair Market Value of Investments

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

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

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

Investment Type	6/30/16	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt Securities:</u>				
Government Sponsored Enterprises.....	\$ 1,425,824	\$ 1,425,824	\$ -	\$ -
U.S. Treasury Notes.....	478,883	478,883	-	-
Corporate Bonds.....	719,811	-	719,811	-
Bond Mutual Funds.....	1,091,671	1,091,671	-	-
Total debt securities.....	3,716,189	2,996,378	719,811	-
<u>Other investments:</u>				
Equity Securities.....	833,571	833,571	-	-
Equity Mutual Funds.....	1,589,680	1,589,680	-	-
Total other investments.....	2,423,251	2,423,251	-	-
Total investments measured at fair value.....	6,139,440	\$ 5,419,629	\$ 719,811	\$ -
Investments measured at amortized cost:				
MMDT Cash Portfolio.....	2,564,696			
Total investments.....	\$ 8,704,136			

U.S. treasury notes and government sponsored enterprises, equity securities, equity mutual funds, bond mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

Retirement System

At December 31, 2015, the System's investments in PRIT totaled \$109,548,270.

PRIT investments are valued using the net asset value (NAV) 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 each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 - RECEIVABLES

At June 30, 2016, receivables for the 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.....	\$ 3,242,976	\$ (504,557)	\$ 2,738,419
Tax liens.....	2,358,950	-	2,358,950
Motor vehicle and other excise taxes.....	2,152,817	(1,250,772)	902,045
Departmental and other.....	332,319	-	332,319
Intergovernmental.....	8,749,224	-	8,749,224
Loans.....	8,652	-	8,652
Host agreement - Community enhancement fee.....	25,000,000	-	25,000,000
Total.....	<u>\$ 41,844,938</u>	<u>\$ (1,755,329)</u>	<u>\$ 40,089,609</u>

At June 30, 2016, receivables for the water and sewer enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
User fees - water & sewer.....	<u>\$ 5,988,513</u>	<u>\$ -</u>	<u>\$ 5,988,513</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 2,471,518	\$ -	\$ 2,471,518
Tax liens.....	2,358,950	-	2,358,950
Motor vehicle and other excise taxes.....	902,045	-	902,045
Departmental and other.....	88,114	-	88,114
Intergovernmental.....	6,801,027	1,617,113	8,418,140
Host agreement - Community enhancement fee.....	25,000,000		25,000,000
Total.....	<u>\$ 37,621,654</u>	<u>\$ 1,617,113</u>	<u>\$ 39,238,767</u>

NOTE 4 - CAPITAL ASSETS

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

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 9,077,274	\$ -	\$ -	\$ 9,077,274
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	125,634,732	2,861,124	-	128,495,856
Machinery and equipment.....	33,331,579	2,634,610	(468,692)	35,497,497
Infrastructure.....	79,669,307	7,367,093	-	87,036,400
Total capital assets being depreciated.....	<u>238,635,618</u>	<u>12,862,827</u>	<u>(468,692)</u>	<u>251,029,753</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(51,541,120)	(3,979,430)	-	(55,520,550)
Machinery and equipment.....	(29,645,629)	(1,851,575)	468,692	(31,028,512)
Infrastructure.....	(25,018,310)	(2,197,320)	-	(27,215,630)
Total accumulated depreciation.....	<u>(106,205,059)</u>	<u>(8,028,325)</u>	<u>468,692</u>	<u>(113,764,692)</u>
Total capital assets being depreciated, net.....	<u>132,430,559</u>	<u>4,834,502</u>	<u>-</u>	<u>137,265,061</u>
Total governmental activities capital assets, net.....	<u>\$ 141,507,833</u>	<u>\$ 4,834,502</u>	<u>\$ -</u>	<u>\$ 146,342,335</u>

Water and Sewer Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	\$ 123,434	\$ -	\$ -	\$ 123,434
Machinery and equipment.....	170,766	318,273	-	489,039
Infrastructure.....	<u>71,511,657</u>	<u>2,468,964</u>	<u>-</u>	<u>73,980,621</u>
Total capital assets being depreciated.....	<u>71,805,857</u>	<u>2,787,237</u>	<u>-</u>	<u>74,593,094</u>
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(87,493)	(98,410)	-	(185,903)
Machinery and equipment.....	(81,749)	(62,678)	-	(144,427)
Infrastructure.....	<u>(19,272,908)</u>	<u>(1,009,590)</u>	<u>-</u>	<u>(20,282,498)</u>
Total accumulated depreciation.....	<u>(19,442,150)</u>	<u>(1,170,678)</u>	<u>-</u>	<u>(20,612,828)</u>
Total water and sewer activities capital assets, net....	\$ <u>52,363,707</u>	\$ <u>1,616,559</u>	\$ <u>-</u>	\$ <u>53,980,266</u>

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

Governmental Activities:

General government.....	\$ 393,039
Public safety.....	764,615
Education.....	3,896,158
City services and facilities.....	2,405,445
Libraries and recreation.....	<u>569,068</u>
Total depreciation expense - governmental activities.....	\$ <u>8,028,325</u>

Business-Type Activities:

Water and sewer.....	\$ <u>1,170,678</u>
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NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables, for the year ended June 30, 2016, total \$20,089 and represent temporary funding by the general fund for a cash deficit in the agency funds.

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

Transfers Out:	Transfers In:				Total
	General Fund	City Capital Projects Fund	Water & Sewer Enterprise Fund		
General Fund.....	\$ -	\$ 180,703	\$ 70,863	\$	251,566 (1)
Nonmajor Governmental Funds.....	475,995	12,539	-		488,534 (2)
Water & Sewer Enterprise Fund.....	589,251	-	-		589,251 (3)
Total.....	\$ 1,065,246	\$ 193,242	\$ 70,863	\$	1,329,351

- (1) Budgeted transfers from the general fund to fund city capital projects and a prior year water and sewer enterprise fund deficit.
- (2) Budgeted transfers from other available funds to the general fund and transfers from nonmajor special revenue funds to nonmajor capital project funds.
- (3) Budgeted transfer from the water and sewer enterprise fund for indirect costs.

NOTE 6 – OPERATING LEASE

The City entered into a ten year commercial lease, on June 17, 2013, for a building to be used by the school department for the Devan's Elementary School. The lease agreement includes level annual payments totaling \$429,742 beginning on July 1, 2013 with the final lease payment due on July 1, 2022.

NOTE 7 – SHORT-TERM FINANCING

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and each applicable enterprise fund.

As of June 30, 2016, the City had the following outstanding short-term debt:

Type	Purpose	Rate (%)	Due Date	Beginning Balance	Renewed/ Issued	Retired/ Redeemed	Ending Balance
Enterprise Notes Payable							
BAN	MCWT Interim Loans.....	0.9	12/31/2016	\$ -	\$ 540,850	\$ -	\$ 540,850

NOTE 8 - LONG-TERM DEBT

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

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

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
General Obligation Refunding Bonds of 2005...	2020	\$ 22,270,000	4.11	\$ 14,400,000	\$ -	\$ 14,400,000	\$ -
General Obligation Bonds of 2007.....	2026	18,187,000	4.13	2,360,000	-	1,180,000	1,180,000
General Obligation Bonds of 2008.....	2033	11,235,383	1.99	8,089,476	-	449,415	7,640,061
Section 108 HUD Loan.....	2028	1,000,000	0.00	1,000,000	-	-	1,000,000
General Obligation Bonds of 2010.....	2030	11,268,000	3.91	7,125,000	-	1,115,000	6,010,000
General Obligation Refunding Bonds of 2013...	2022	2,445,000	1.43	2,030,000	-	370,000	1,660,000
General Obligation Bonds of 2014.....	2034	7,636,000	2.81	7,295,000	-	330,000	6,965,000
General Obligation Bonds of 2014.....	2029	5,325,000	3.08	4,785,000	-	540,000	4,245,000
General Obligation Refunding Bonds of 2015...	2026	6,190,000	2 - 4	6,190,000	-	35,000	6,155,000
General Obligation Bonds of 2014.....	2035	6,025,000	2 - 4	6,025,000	-	450,000	5,575,000
General Obligation Bonds of 2016.....	2036	17,857,000	2 - 4	-	17,857,000	-	17,857,000
General Obligation Refunding Bonds of 2016...	2036	4,250,000	2 - 4	-	13,805,000	2,690,000	11,115,000
Total governmental bonds payable.....				59,299,476	31,662,000	21,559,415	69,402,061
Add: unamortized premium.....				1,601,200	2,658,171	470,573	3,788,798
Total governmental bonds payable, net.....				\$ 60,900,676	\$ 34,320,171	\$ 22,029,988	\$ 73,190,859

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

Year	Principal	Interest	Total
2017.....	\$ 8,544,415	\$ 2,285,760	\$ 10,830,175
2018.....	9,155,415	1,971,146	11,126,561
2019.....	9,198,415	1,629,458	10,827,873
2020.....	8,987,415	1,285,318	10,272,733
2021.....	4,455,415	1,037,442	5,492,857
2022.....	3,684,422	886,493	4,570,915
2023.....	3,563,415	763,104	4,326,519
2024.....	3,512,415	643,066	4,155,481
2025.....	3,162,415	528,835	3,691,250
2026.....	3,071,415	419,790	3,491,205
2027.....	2,271,415	328,927	2,600,342
2028.....	2,278,415	258,169	2,536,584
2029.....	2,034,415	205,046	2,239,461
2030.....	1,749,415	145,669	1,895,084
2031.....	1,394,415	98,226	1,492,641
2032.....	804,415	60,558	864,973
2033.....	804,414	40,589	845,003
2034.....	355,000	20,541	375,541
2035.....	215,000	11,294	226,294
2036.....	160,000	4,800	164,800
Total.....	\$ 69,402,061	\$ 12,624,231	\$ 82,026,292

Bonds Payable Schedule – Water and Sewer Enterprise Fund

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
MWRA Bonds.....	2023	\$ 5,843,221	0.00	\$ 3,548,070	\$ 1,148,400	\$ 578,392	\$ 4,118,078
MCWT Bonds.....	2033	4,054,425	2.00	3,652,556	-	174,941	3,477,615
General Obligation Bonds of 2014.....	2034	1,930,000	2.81	1,720,000	-	215,000	1,505,000
General Obligation Bonds of 2014.....	2034	3,050,000	3.08	2,810,000	-	245,000	2,565,000
General Obligation Bonds of 2016.....	2026	325,000	4.00	-	325,000	-	325,000
Total enterprise bonds payable.....				\$ 11,730,626	\$ 1,473,400	\$ 1,213,333	\$ 11,990,693

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

Year	Principal	Interest	Total
2017.....	\$ 1,426,362	\$ 199,340	\$ 1,625,702
2018.....	1,439,787	181,737	1,621,524
2019.....	1,392,883	164,145	1,557,028
2020.....	1,246,649	146,940	1,393,589
2021.....	1,255,300	128,823	1,384,123
2022.....	989,348	109,478	1,098,826
2023.....	975,315	89,288	1,064,603
2024.....	703,863	70,529	774,392
2025.....	417,839	56,199	474,038
2026.....	321,901	48,241	370,142
2027.....	296,051	40,201	336,252
2028.....	300,290	33,153	333,443
2029.....	304,622	25,895	330,517
2030.....	209,046	18,300	227,346
2031.....	213,569	14,117	227,686
2032.....	206,826	9,958	216,784
2033.....	211,321	5,823	217,144
2034.....	39,432	1,594	41,026
2035.....	40,289	806	41,095
Total.....	\$ 11,990,693	\$ 1,344,567	\$ 13,335,260

The Commonwealth has approved school construction assistance to the City. The assistance program which is administered by the MSBA provides resources for future debt service of general obligation school bonds outstanding. During 2016, \$1,882,459 of such assistance was received and \$7,529,836 will be received in future years. Of this amount, \$728,809 represents reimbursement of long-term interest costs and \$6,801,027 represents reimbursement of approved construction costs. Accordingly, a \$6,801,027 intergovernmental receivable and corresponding deferred inflow of resources – unavailable revenue has been reported in the governmental fund financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

In prior years, the government defeased general obligation education bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At June 30, 2016, \$6,345,000 of defeased bonds remain outstanding.

In order to take advantage of favorable interest rates, the City issued \$13,805,000 of General Obligation Refunding Bonds on August 20, 2015. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$14,400,000 and became callable on August 20, 2015.

As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$1,256,435 and a reduction of \$1,294,294 in future debt service payments.

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2016, the City had the following authorized and unissued debt:

Purpose	Amount
Schute Library construction.....	\$ 223,650
Water system improvements.....	2,172,000
Hancock Street fire station improvements.....	3,500,000
Meadow Playground design.....	500
Sewer system infiltration and inflow.....	939,600
Elementary School feasibility study.....	1,150,000
Total.....	\$ <u>7,985,750</u>

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities:					
Long-term bonds payable.....	\$ 59,299,476	\$ 31,662,000	\$ (21,559,415)	\$ 69,402,061	\$ 8,544,415
Add: unamortized premium.....	1,601,200	2,658,171	(470,573)	3,788,798	763,543
Total bonds payable.....	60,900,676	34,320,171	(22,029,988)	73,190,859	9,307,958
Compensated absences.....	8,372,631	1,212,922	(1,796,575)	7,788,978	3,459,763
Workers' compensation.....	725,736	495,845	(527,703)	693,878	89,214
Other postemployment benefits.....	65,874,000	24,717,000	(7,248,000)	83,343,000	-
Net pension liability.....	105,327,000	22,373,000	(17,360,000)	110,340,000	-
Total governmental activity long-term liabilities.....	\$ <u>241,200,043</u>	\$ <u>83,118,938</u>	\$ <u>(48,962,266)</u>	\$ <u>275,356,715</u>	\$ <u>12,856,935</u>
Business-Type Activities:					
Long-term bonds payable.....	\$ 11,730,626	\$ 1,473,400	\$ (1,213,333)	\$ 11,990,693	\$ 1,426,362
Other postemployment benefits.....	466,000	215,000	(82,000)	599,000	-
Compensated absences.....	65,592	41,970	(11,705)	95,857	51,826
Net pension liability.....	1,613,000	343,000	(267,000)	1,689,000	-
Total business type activity long-term liabilities.....	\$ <u>13,875,218</u>	\$ <u>2,073,370</u>	\$ <u>(1,574,038)</u>	\$ <u>14,374,550</u>	\$ <u>1,478,188</u>

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

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

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

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

At year end, the balances of the general, capital improvement, employee leave buyback, and community enhancement stabilization accounts totaled \$8,854,047, \$1,516,081, \$7,874 and \$5,000,000, respectively and are reported as unassigned fund balance within the general fund.

The City has classified its fund balances with the following hierarchy:

	GOVERNMENTAL FUNDS			
	General	City Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 1,228,569	\$ 1,228,569
Restricted for:				
City capital projects fund.....	-	11,256,904	-	11,256,904
City federal and state grant funds.....	-	-	551,053	551,053
City gifts and other grants.....	-	-	1,477,777	1,477,777
School federal and state grant funds.....	-	-	119,120	119,120
School gifts and other grants.....	-	-	59,634	59,634
City/School revolving funds.....	-	-	1,327,019	1,327,019
School lunch fund.....	-	-	2,174,147	2,174,147
Receipts reserved for appropriations.....	-	-	945,582	945,582
Community development.....	-	-	728,717	728,717
School capital projects.....	-	-	1,539,210	1,539,210
Highway improvements.....	-	-	263,800	263,800
Permanent trust funds.....	-	-	85,486	85,486
Committed to:				
General government.....	294,615	-	-	294,615
Public safety.....	821,854	-	-	821,854
City services and facilities.....	939,670	-	-	939,670
Human services.....	645,914	-	-	645,914
Library and recreation.....	90,935	-	-	90,935
Assigned to:				
General government.....	378,552	-	-	378,552
Public safety.....	165,275	-	-	165,275
Education.....	1,006,811	-	-	1,006,811
City services and facilities.....	503,558	-	-	503,558
Human services.....	52,334	-	-	52,334
Library and recreation.....	28,165	-	-	28,165
Property and liability insurance.....	40,731	-	-	40,731
Employee benefits.....	132,537	-	-	132,537
Unassigned.....	29,069,013	-	-	29,069,013
TOTAL FUND BALANCES.....	\$ 34,169,964	\$ 11,256,904	\$ 10,500,114	\$ 55,926,982

The details for the Committed and Assigned amounts in the table above are provided on the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual in the *Required Supplementary Information* section of this report. The amounts are listed under the column titled Amounts Carried Forward to Next Year. The restricted amounts presented above are for funds that are subject to externally imposed constraints relating to grants, contributions, or laws and regulations by other governments.

NOTE 10 – HOST COMMUNITY AGREEMENT

The City entered into a Host Community Agreement (Agreement) with Wynn MA, LLC (Wynn) a subsidiary of Wynn Resorts, Limited on April 19, 2013 for the development of a luxury hotel and a destination resort casino (the Project). Under the agreement, the City is entitled to impact payments to be made in lieu of all taxes and other assessments otherwise due from Wynn. The impact payments include Project planning payments, community enhancement fee, an annual community impact fee and an annual payment in lieu of taxes (PILOT).

Project Planning Payments

The Project planning payments represent reasonable and direct costs of determining the impacts of the Project and negotiating this and related agreements. To receive payment, the City must prepare and submit to Wynn a budget for all costs for which the City will be seeking payment or reimbursement. The City must also provide reasonable substantiation and documentation for any costs paid for or reimbursed by Wynn. For the year ended June 30, 2016, the City received \$1,047,256 of project planning payments from Wynn, which have been recorded as charges for services in the general fund.

Community Enhancement Fee

The community enhancement fee totals \$30,000,000 and is payable in three annual installments of \$5,000,000, \$12,500,000 and \$12,500,000 with the first payment due upon the awarding of an unconditional category 1 license to Wynn and to Wynn commencing construction of the Project. The City received the first \$5,000,000 installment in 2016 which was recorded in the community enhancement fee stabilization which was established in accordance with Chapter 82 of the Acts of 2016. Under this law, the funds can be appropriated by a 2/3 vote of the City Council for City capital improvement projects identified by the City including, but not limited to, the acquisition of interests in land, the acquisition of tangible assets, or the undertaking of assets or projects that have a useful life of not less than 5 years and a cost of not less than \$50,000 and which are not categorized as annual operating expenses; provided however, that the term "capital project" shall include the payment of debt service on such projects, whether those projects were approved before or after the effective date of this act, and major departmental capital equipment, that meets the useful life requirement as previously noted. In addition, monies in the fund up to 2.5% of the amount raised by taxation in the most recent fiscal year for which the rate has been certified, may be appropriated for non-capital purposes by a 2/3 vote of the City Council. For the year ended June 30, 2016, the balance in the community enhancement stabilization account totaled \$5,000,000. The City has recorded a receivable for the remaining community enhancement fee at its face value of \$25,000,000 because the difference between the face value and the present value was not considered material.

Annual Community Impact Fee Payment

Beginning 30 days after Wynn's commencement of operation of a destination resort casino at the Project site, Wynn shall pay an annual community impact fee to Everett in the sum of \$5,000,000. The annual community impact fee shall continue for as long as Wynn (or any parent, subsidiary or related entities) owns, controls or operates a commercial gaming facility at the Project site and shall increase by 2.5% per annum. The impact fee is based on the Project substantially as proposed, containing approximately 1.32 million square feet of building area. If total square footage of the Project building area exceeds 1.75 million square feet, then the parties shall renegotiate the impact fee in good faith based on the actual impacts resulting from such additional square footage. However, if, after Wynn commences operations, Wynn undertakes any substantial new construction on property which is not a part of the Project site as of the date Wynn commences operations then the parties shall renegotiate the impact fee or negotiate a separate impact fee in good faith based on the actual impacts resulting from such substantial new construction on such New Property.

Annual Payment in Lieu of Taxes

Beginning 30 days after Wynn's commencement of operation of a destination resort casino at the Project site, Wynn shall make an annual payment in lieu of taxes of \$20,000,000 to Everett. The annual PILOT payment shall continue for as long as Wynn (or any parent, subsidiary or related entity) owns, controls or operates a commercial gaming facility at the Project site and shall increase by 2.5% per annum. The PILOT is based on the Project substantially as proposed, containing approximately 1.32 million square feet of building area. If total square footage of the Project building area exceeds 1.75 million square feet, then the parties shall renegotiate the PILOT in good faith based on the full amount of additional space above the currently proposed 1.32 million square feet. However, if, after Wynn commences operations, Wynn undertakes any substantial new construction on property which is not a part of the Project site as of the date Wynn commences operations, then the parties shall renegotiate the PILOT or negotiate a separate real estate tax arrangement in good faith based on such substantial new construction on such New Property.

NOTE 11 - 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. In addition, the City is self-insured for damages not covered by commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The City is self-insured for its workers' compensation and its health insurance activities. The health insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred and the workers' compensation activities are accounted for in the general fund and the internal service fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors. The estimate of the claims liability also includes amounts for non-incremental claim adjustment expenses related to specific claims and other claim adjustment expense regardless of whether allocated to specific claims.

Health Insurance

The estimate of IBNR claims is based on a historical trend analysis and recent trends. The City purchases individual stop loss insurance for claims in excess of \$110,000. Settled claims have not exceeded this third party insurance coverage in any of the previous past two years. Changes in the reported liability since July 1, 2014, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End
2015.....	\$ 2,100,000	\$ 21,758,000	\$ (21,688,000)	\$ 2,170,000
2016.....	2,170,000	21,627,000	(21,697,000)	2,100,000

Workers' Compensation

Workers' compensation claims are administered by the City's Personnel Department and is funded on a pay-as-you-go basis from annual appropriations. The estimated future workers' compensation liability is based on history and injury type. Changes in the reported liability since July 1, 2014, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2015.....	\$ 427,165	\$ 978,260	\$ (679,689)	\$ 725,736	\$ 125,281
2016.....	725,736	495,845	(527,703)	693,878	89,214

NOTE 12 - PENSION PLAN

The City is a member of the Everett Contributory Retirement System (ECRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 2 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System is a component unit and is reported as a pension trust fund in the fiduciary fund financial statements.

The City is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2016. The City's portion of the collective pension expense, contributed by the Commonwealth, of \$12,153,075 is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the City is \$149,836,518 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

At December 31, 2015, the System's membership consists of the following:

Active members.....	730
Inactive members.....	121
Disabled members.....	77
Retirees and beneficiaries currently receiving benefits.....	<u>464</u>
Total.....	<u><u>1,392</u></u>

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the ECRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2015 was \$13,596,000, 37.59% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City's proportionate share of the required contribution was \$13,109,000 which equaled its actual contribution.

Pension Liabilities

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

Total pension liability.....	\$ 226,490,000
The pension plan's fiduciary net position.....	<u>(110,253,000)</u>
The net pension liability.....	<u><u>\$ 116,237,000</u></u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....	48.68%

At June 30, 2016, the City reported a liability of \$112,029,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2015, the City's proportion was 96.38%, which did not change from its proportion measured at December 31, 2014.

Pension Expense

For the year ended June 30, 2016, the City recognized pension expense of \$12,270,000. At June 30, 2016, the City reported deferred outflows of resources related to pensions of \$6,275,000, from the net difference between projected and actual investment earnings on pension plan investments. Since the System performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience or changes of assumptions as of December 31, 2015.

The balance of deferred outflows relates to the difference between projected and actual earnings on investments and totals \$6,275,000 at June 30, 2016.

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

Year ended June 30:

2017.....	\$ 1,590,000
2018.....	1,590,000
2019.....	1,591,000
2020.....	<u>1,504,000</u>
Total.....	<u>\$ 6,275,000</u>

Actuarial Assumptions

The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2015:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Individual Entry Age Normal Cost Method
Amortization method.....	4.5% increasing total appropriation
Remaining amortization period.....	15 years
Asset valuation method.....	Actuarial value, 5-year smoothing
Inflation rate.....	Not explicitly assumed
Investment rate of return/Discount rate.....	7.75%
Projected salary increases.....	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2 and 4.75% for Group 4.
Cost of living adjustments.....	3.0% of the first \$14,000 of retirement income.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	Based on an analysis of past experience. It is also assumed that the percentage of job-related disabilities is 55% for Groups 1 & 2 and 90% for Group 4.
Mortality Rates:	
Pre-Retirement.....	The RP-2000 Employee Mortality Table projected 22 years with Scale AA (gender distinct).
Healthy Retiree.....	The RP-2000 Healthy Annuitant Mortality Table projected 17 years with Scale AA (gender distinct).
Disabled Retiree.....	The RP-2000 Healthy Annuitant Mortality Table set forward three years for males. It is assumed that 55% of pre-retirement deaths are job-related for Group 1 and 2 members and 90% are job-related for Group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

Investment policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equities.....	14.50%	7.50%
Small/Mid Cap Equities.....	3.50%	7.75%
International Equities (Unhedged).....	16.00%	8.00%
Emerging International Equities.....	6.00%	9.25%
High-Yield Bonds.....	1.50%	5.75%
Bank Loans.....	1.50%	6.00%
EMD (external).....	1.00%	6.00%
EMD (local currency).....	2.00%	6.75%
TIPS.....	3.00%	4.00%
Core bonds.....	3.00%	3.98%
20 + Year Treasury STRIPS.....	7.00%	4.00%
15 - Year Duration Treasuries.....	0.00%	5.00%
Private Equity.....	10.00%	9.50%
Private Debt.....	4.00%	8.00%
Real Estate (Core).....	10.00%	6.50%
Hedge Funds.....	9.00%	6.75%
Timber/Natural Resources.....	4.00%	6.75%
Portfolio Completion.....	4.00%	N/A
	<u>100.00%</u>	

Rate of return

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.51%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
The City's proportionate share of the net pension liability.....	\$ 136,009,000	\$ 112,029,000	\$ 91,331,000
ECRS total net pension liability.....	\$ 141,117,000	\$ 116,237,000	\$ 94,761,000

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The City of Everett administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the City’s group health insurance plan, which covers both 1705 active and 1069 retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the City and the unions representing City employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the City and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The City contributes 85 percent of the cost of current-year medical premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 15 percent of their premium costs. For life insurance, the City contributes 85 percent of the cost of current year premiums and plan members contribute the remaining 15 percent. Retirees contribute 100% of the premium cost for dental coverage. For 2016, the City contributed \$7.3 million to the plan.

Annual OPEB Cost and Net OPEB Obligation – The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in the July 1, 2015, actuarial valuation in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation are summarized in the table shown below:

Annual required contribution.....	\$ 19,790,000
Interest on net OPEB obligation.....	2,322,000
Amortization of actuarial lossess.....	6,305,000
Adjustments to annual required contribution.....	<u>(3,485,000)</u>
Annual OPEB cost (expense).....	24,932,000
Contributions made.....	<u>(7,330,000)</u>
Increase in net OPEB obligation.....	17,602,000
Net OPEB obligation--beginning of year.....	<u>66,340,000</u>
Net OPEB obligation--end of year.....	<u>\$ 83,942,000</u>

The City adopted Massachusetts General Law Chapter 32B, Section 20 that allowed the City to establish the Other Postemployment Benefits Trust fund which allows the City to set aside amounts to begin pre-funding its OPEB liabilities. During 2016, the City's OPEB contributions totaled \$6,551,000 which included \$5,772,000 of pay-as-you go payments, as well as \$779,000 to pre-fund future liabilities. The balance in the OPEB Trust Fund at June 30, 2016 was \$2,460,951.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 24,932,000	29%	\$ 83,942,000
6/30/2015	17,547,000	38%	66,340,000
6/30/2014	16,616,000	44%	55,452,000

Funded Status and Funding Progress – As of July 1, 2015, the most recent valuation date, the plan was 0.68% funded. The actuarial accrued liability for benefits was \$236.2 million and the actuarial value of assets was \$1.6 million, resulting in an unfunded actuarial accrued liability of \$234.6. The covered payroll (annual payroll of active employees covered by the plan) was \$64.2 million, and the ratio of the UAAL to the covered payroll was 365.3 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the most recent actuarial valuation, the actuarial liabilities were determined using the individual entry age normal actuarial cost method. The actuarial assumptions included a 3.5% investment return assumption, which is based on the expected yield on the assets of the City, calculated based on the funded level of the plan at the valuation date, salary increases at 3% per year, a general inflation rate of 2.75%, an annual medical care inflation rate of 5%, and an annual dental care inflation rate of 5%. The actuarial value of assets are reported at fair market value. The UAAL is being amortized over a 30 year period, using a level dollar amortization method on a closed basis. The remaining amortization period at June 30, 2016, is 21 years.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to

financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial. Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

The City has entered into, or is planning to enter into, contracts totaling approximately \$3.1 million for water and sewer infrastructure improvements.

The City has entered into, or is planning to enter into, contracts totaling approximately \$3.5 million for Hancock Street fire station improvements.

The City has entered into, or is planning to enter into, contracts totaling approximately \$1.2 million for an elementary school feasibility study.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 23, 2016, which is the date the financial statements were available to be issued.

NOTE 16 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2016, the following GASB pronouncements were implemented:

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

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.

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

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

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the City. It is used to account for the entire City's financial resources, except those required to be accounted for in another fund.

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
REVENUES:					
Real estate and Personnel property taxes, net of tax refunds.....	\$ 91,668,358	\$ 91,668,358	\$ 92,833,611	\$ -	\$ 1,165,253
Tax liens.....	-	-	670,234	-	670,234
Motor vehicle excise taxes.....	3,000,000	3,000,000	4,013,283	-	1,013,283
Local options meals tax.....	450,000	450,000	550,625	-	100,625
Penalties and interest on taxes.....	600,000	600,000	513,731	-	(86,269)
Payments in lieu of taxes.....	15,000	15,000	14,112	-	(888)
Licenses and permits.....	700,000	700,000	1,212,658	-	512,658
Fines and forfeitures.....	1,000,000	1,000,000	1,666,292	-	666,292
Intergovernmental.....	74,492,554	74,492,554	74,984,187	-	491,633
Departmental and other.....	765,000	765,000	1,904,473	-	1,139,473
Investment income.....	35,000	35,000	38,801	-	3,801
TOTAL REVENUES.....	172,725,912	172,725,912	178,402,007	-	5,676,095
EXPENDITURES:					
Current:					
General government:					
City council:					
Personnel services.....	254,283	254,358	266,865	-	(12,507)
General expenditures.....	72,814	72,739	32,021	37,355	3,363
TOTAL.....	327,097	327,097	298,886	37,355	(9,144)
Mayor:					
Personnel services.....	680,802	665,802	630,703	-	35,099
General expenditures.....	269,221	384,221	337,365	43,450	3,406
Capital improvement plan.....	296,872	296,871	227,186	69,685	-
TOTAL.....	1,246,895	1,346,894	1,195,254	113,135	38,505
City auditor:					
Personnel services.....	276,909	256,909	248,496	-	8,413
General expenditures.....	228,432	228,432	176,690	51,108	634
Capital Articles.....	7,244	7,244	260	6,984	-
TOTAL.....	512,585	492,585	425,446	58,092	9,047
Budget:					
Personnel services.....	115,597	69,597	68,255	-	1,342
General expenditures.....	6,000	6,000	3,446	248	2,306
TOTAL.....	121,597	75,597	71,701	248	3,648
Purchasing:					
Personnel services.....	160,076	160,076	158,819	-	1,257
General expenditures.....	20,751	20,751	5,628	10,803	4,320
TOTAL.....	180,827	180,827	164,447	10,803	5,577
Assessors:					
Personnel services.....	298,886	299,886	296,260	-	3,626
General expenditures.....	108,179	8,179	3,935	1,115	3,129
Professional services.....	91,597	390,597	221,013	169,584	-
TOTAL.....	498,662	698,662	521,208	170,699	6,755

(Continued)

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
Treasurer/ collector:					
Personnel services.....	673,522	673,522	661,226	-	12,296
General expenditures.....	238,899	256,399	215,015	41,250	134
Postage.....	-	2,500	2,300	-	200
TOTAL.....	912,421	932,421	878,541	41,250	12,630
City solicitor:					
Personnel services.....	228,844	228,844	194,918	-	33,926
General expenditures.....	59,250	84,498	84,085	248	165
TOTAL.....	288,094	313,342	279,003	248	34,091
Human resources:					
Personnel services.....	289,937	538,387	532,368	-	6,019
General expenditures.....	39,000	31,176	28,574	991	1,611
Employee leave buyback.....	2,738	292,085	289,426	2,659	-
TOTAL.....	331,675	861,648	850,368	3,650	7,630
Information technologies:					
Personnel services.....	181,879	179,479	161,577	-	17,902
General expenditures.....	382,040	432,040	385,892	44,984	1,164
Capital Articles.....	226,989	176,989	-	176,989	-
TOTAL.....	790,908	788,508	547,469	221,973	19,066
City clerk:					
Personnel services.....	308,658	286,943	283,308	-	3,635
General expenditures.....	54,194	52,283	32,143	15,580	4,560
Election expenditures.....	-	23,626	23,580	-	46
TOTAL.....	362,852	362,852	339,031	15,580	8,241
Voter registrations:					
Personnel services.....	107,527	109,927	109,360	-	567
General expenditures.....	18,020	18,020	16,982	-	1,038
TOTAL.....	125,547	127,947	126,342	-	1,605
Licensing:					
Personnel services.....	4,200	4,200	4,200	-	-
General expenditures.....	550	550	497	50	3
TOTAL.....	4,750	4,750	4,697	50	3
Conservation commission:					
Personnel services.....	28,900	28,900	28,900	-	-
General expenditures.....	844	844	384	80	380
TOTAL.....	29,744	29,744	29,284	80	380
Planning board:					
Personnel services.....	5,200	5,200	5,046	-	154
General expenditures.....	371	371	30	4	337
TOTAL.....	5,571	5,571	5,076	4	491

(Continued)

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
Appeals board:					
Personnel services.....	7,600	7,600	6,950	-	650
General expenditures.....	596	596	566	-	30
TOTAL.....	8,196	8,196	7,516	-	680
Total general government.....	5,747,421	6,556,641	5,744,269	673,167	139,205
Public safety:					
Police:					
Personnel services.....	11,565,882	12,233,082	12,312,032	-	(78,950)
General expenditures.....	331,736	636,616	516,448	64,901	55,267
Capital Articles.....	365,000	345,000	249,183	95,817	-
TOTAL.....	12,262,618	13,214,698	13,077,663	160,718	(23,683)
Fire:					
Personnel services.....	9,648,418	9,648,418	9,524,290	-	124,128
General expenditures.....	226,270	226,270	190,697	29,523	6,050
Capital Articles.....	140,000	140,000	138,684	1,120	196
TOTAL.....	10,014,688	10,014,688	9,853,671	30,643	130,374
Inspectional services:					
Personnel services.....	1,294,059	1,244,059	1,206,054	-	38,005
General expenditures.....	943,417	993,417	951,785	41,425	207
Capital Articles.....	88,725	915,920	191,002	724,918	-
TOTAL.....	2,326,201	3,153,396	2,348,841	766,343	38,212
Parking clerk:					
General expenditures.....	6,346	6,346	-	6,346	-
Emergency communications center:					
Personnel services.....	797,142	913,789	876,862	-	36,927
General expenditures.....	48,000	51,000	17,823	23,079	10,098
TOTAL.....	845,142	964,789	894,685	23,079	47,025
Total public safety.....	25,454,995	27,353,917	26,174,860	987,129	191,928
Education.....	80,673,341	82,177,377	74,358,622	7,818,755	-
City services facility:					
Executive division.....	1,765,170	2,639,661	2,186,463	342,433	110,765
Facilities/maintenance.....	2,281,148	1,494,244	1,258,597	206,499	29,148
Engineering.....	449,694	832,694	216,959	605,511	10,224
Parks and cemeteries.....	1,160,205	1,185,205	1,029,927	120,008	35,270
Stadium.....	28,500	28,500	23,837	3,950	713
Highway.....	1,925,336	1,925,663	1,690,365	85,624	149,674
Snow & Ice.....	375,000	375,000	337,353	14,328	23,319
Solid Waste.....	2,740,784	2,740,784	2,672,936	64,875	2,973
Total city services and facilities.....	10,725,837	11,221,751	9,416,437	1,443,228	362,086

(Continued)

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
Human services:					
Health inspection services:					
Personnel services.....	1,145,042	1,091,962	1,042,579	-	49,383
General expenditures.....	32,479	32,479	21,989	5,170	5,320
Capital Outlay.....	30,000	28,020	28,020	-	-
TOTAL.....	1,207,521	1,152,461	1,092,588	5,170	54,703
Planning & development:					
Personnel services.....	355,344	365,044	363,621	-	1,423
General expenditures.....	141,816	122,000	112,938	6,226	2,836
Capital Outlay.....	783,887	983,703	401,943	581,760	-
TOTAL.....	1,281,047	1,470,747	878,502	587,986	4,259
Council on aging:					
General expenditures.....	45,745	45,745	44,622	785	338
Veterans services:					
Personnel services.....	87,590	102,590	87,211	-	15,379
General expenditures.....	480,324	465,324	317,593	27,634	120,097
TOTAL.....	567,914	567,914	404,804	27,634	135,476
Commission on disability:					
Personnel services.....	3,700	3,700	1,825	-	1,875
General expenditures.....	250	250	-	-	250
TOTAL.....	3,950	3,950	1,825	-	2,125
Mayor's office of human services:					
Personnel services.....	373,928	377,528	367,600	-	9,928
General expenditures.....	80,565	80,565	78,427	1,704	434
Capital Outlay.....	150,000	150,000	75,031	74,969	-
TOTAL.....	604,493	608,093	521,058	76,673	10,362
Total human services.....	3,710,670	3,848,910	2,943,399	698,248	207,263
Libraries and recreation:					
Library - parlin and shute:					
Personnel services.....	767,466	748,819	711,996	-	36,823
General expenditures.....	237,269	223,010	208,324	12,616	2,070
Capital Outlay.....	80,000	94,259	1,743	92,516	-
TOTAL.....	1,084,735	1,066,088	922,063	105,132	38,893
Recreation:					
Personnel services.....	512,981	476,981	379,576	-	97,405
General expenditures.....	18,000	18,000	13,422	3,033	1,545
Capital Outlay.....	10,935	10,935	-	10,935	-
TOTAL.....	541,916	505,916	392,998	13,968	98,950

(Continued)

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
Gaming accountability and development:					
Personnel services.....	135,000	30,122	30,122	-	-
General expenditures.....	35,000	9,145	5,648	-	3,497
TOTAL.....	170,000	39,267	35,770	-	3,497
Total libraries and recreation.....	1,796,651	1,611,271	1,350,831	119,100	141,340
Pension benefits:					
Retirement board:					
Pension fund contribution.....	13,070,000	13,070,000	13,075,900	-	(5,900)
Non-contributory pensions.....	69,700	69,700	43,197	-	26,503
Total pension benefits.....	13,139,700	13,139,700	13,119,097	-	20,603
Property and liability insurance:					
Employee injuries.....	625,259	611,959	527,703	25,879	58,377
Property/ liability insurance.....	1,250,000	1,411,655	1,396,803	14,852	-
Total property and liability insurance.....	1,875,259	2,023,614	1,924,506	40,731	58,377
Employee benefits:					
Unemployment compensation.....	400,000	310,000	214,883	37,152	57,965
Employee insurance:					
Life insurance.....	81,885	80,613	80,493	-	120
Health insurance.....	18,900,000	19,679,241	19,583,856	95,385	-
AD&D Insurance.....	18,000	19,272	19,272	-	-
FICA.....	1,157,625	1,404,008	1,320,044	-	83,964
Total employee benefits.....	20,557,510	21,493,134	21,218,548	132,537	142,049
State and county charges.....	11,595,310	11,595,310	11,599,413	-	(4,103)
Debt service:					
Principal.....	7,069,416	7,069,416	7,069,416	-	-
Interest.....	2,081,112	1,870,942	1,826,112	-	44,830
TOTAL EXPENDITURES.....	184,427,222	189,961,983	176,745,510	11,912,895	1,303,578
EXCESS (DEFICIENCY) OF REVENUES.....					
OVER (UNDER) EXPENDITURES.....	(11,701,310)	(17,236,071)	1,656,497	(11,912,895)	6,979,673
OTHER FINANCING SOURCES (USES):					
Premium from issuance of debt.....	-	-	1,719,490	-	1,719,490
Transfers in.....	1,389,251	4,703,643	4,703,643	-	-
Transfers out.....	(70,863)	(1,889,092)	(1,889,092)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	1,318,388	2,814,551	4,534,041	-	1,719,490
NET CHANGE IN FUND BALANCE.....	(10,382,922)	(14,421,520)	6,190,538	(11,912,895)	8,699,163
BUDGETARY FUND BALANCE, Beginning of year.....	20,032,441	20,032,441	20,032,441	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 9,649,519	\$ 5,610,921	\$ 26,222,979	\$ (11,912,895)	\$ 8,699,163

See notes to required supplementary information.

(Concluded)

Pension Plan Schedules – Retirement System

The Pension Plan's Schedule of Changes in the Net Pension Liability presents multi-year trend information on the net pension liability and related ratios.

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

The Pension Plan's Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on retirement assets, net of investment expense.

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

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
EVERETT CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015
Total pension liability:		
Service cost.....	\$ 5,511,000	\$ 5,759,000
Interest.....	16,044,000	16,750,000
Changes in benefit terms.....	-	-
Differences between expected and actual experience.....	-	-
Changes in assumptions.....	-	-
Benefit payments, including refunds of employee contributions.....	<u>(12,592,000)</u>	<u>(12,789,000)</u>
Net change in total pension liability.....	8,963,000	9,720,000
Total pension liability, beginning.....	<u>207,807,000</u>	<u>216,770,000</u>
Total pension liability, ending (a)	<u><u>\$ 216,770,000</u></u>	<u><u>\$ 226,490,000</u></u>
Plan fiduciary net position:		
Member contributions.....	\$ 3,642,000	\$ 3,277,000
Employer contributions.....	13,011,000	13,596,000
Other additions.....	19,000	13,000
Net investment income (loss).....	7,053,000	551,000
Retirement benefits and refunds.....	(12,592,000)	(12,789,000)
Administrative expenses.....	<u>(219,000)</u>	<u>(208,000)</u>
Net increase (decrease) in fiduciary net position.....	10,914,000	4,440,000
Fiduciary net position at beginning of year.....	<u>94,899,000</u>	<u>105,813,000</u>
Fiduciary net position at end of year (b)	<u><u>\$ 105,813,000</u></u>	<u><u>\$ 110,253,000</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 110,957,000</u></u>	<u><u>\$ 116,237,000</u></u>
Plan fiduciary net position as a percentage of the total pension liability.....	48.81%	48.68%
Covered-employee payroll.....	\$ 36,167,000	\$ 36,167,000
Net pension liability as a percentage of covered-employee payroll.....	306.79%	321.39%

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

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
EVERETT CONTRIBUTORY RETIREMENT SYSTEM

	December 31, 2014	December 31, 2015
Actuarially determined contribution.....	\$ 13,011,000	\$ 13,596,000
Contributions in relation to the actuarially determined contribution.....	<u>13,011,000</u>	<u>13,596,000</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 36,167,000	\$ 36,167,000
Contributions as a percentage of covered- employee payroll.....	35.97%	37.59%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURN
EVERETT CONTRIBUTORY RETIREMENT SYSTEM

	December 31, 2014	December 31, 2015
Annual money-weighted rate of return, net of investment expense.....	7.31%	0.51%

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

The annual money-weighted rate of return has been calculated by
the Pension Reserves Investment Management Board (PRIM).

See notes to required supplementary information.

Pension Plan Schedules – City

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

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

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

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

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

	December 31, 2014	December 31, 2015
City's proportion of the net pension liability (asset).....	96.38%	96.38%
City's proportionate share of the net pension liability (asset)..... \$	106,940,000	\$ 112,029,000
City's covered employee payroll..... \$	34,858,000	\$ 34,858,000
Net pension liability as a percentage of covered-employee payroll.....	306.79%	321.39%
Plan fiduciary net position as a percentage of the total pension liability.....	48.81%	48.68%

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

See notes to required supplementary information.

SCHEDULE OF THE CITY'S CONTRIBUTIONS
EVERETT CONTRIBUTORY RETIREMENT SYSTEM

	June 30, 2015	June 30, 2016
Actuarially determined contribution.....	\$ 12,526,000	\$ 13,109,000
Contributions in relation to the actuarially determined contribution.....	<u>12,526,000</u>	<u>13,109,000</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 34,858,000	\$ 34,858,000
Contributions as a percentage of covered- employee payroll.....	35.93%	37.61%

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

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the City; the portion of the collective pension expense as both a revenue and pension expense recognized by the City; and the Plan's fiduciary net position as a percentage of the total liability.

Fiscal Year	Commonwealth's 100% Share of the Net Pension Liability Associated with the City	City's Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2016.....	\$ 149,836,518	\$ 12,153,075	55.38%
2015.....	108,435,522	7,533,536	61.64%

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

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

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

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2015	\$ 1,602,550	\$ 236,210,859	\$ 234,608,309	0.7%	\$ 64,230,000	365.3%
7/1/2013	-	161,490,260	161,490,260	0.0%	60,542,904	266.7%
7/1/2011	-	150,920,638	150,920,638	0.0%	56,964,818	264.9%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2016	\$ 19,790,000	\$ 7,330,000	37%
2015	15,594,000	6,659,000	43%
2014	15,230,000	7,371,000	48%
2013	15,552,000	6,350,000	41%
2012	13,602,000	5,969,000	44%
2011	12,902,000	6,341,000	49%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	July 1, 2015
Actuarial cost method.....	Individual Entry Age
Amortization method.....	Level dollar amortization, closed basis
Remaining amortization period.....	22 years at July 1, 2015

Actuarial Assumptions:

Investment rate of return.....	3.50%
Medical care inflation rate.....	5.00%
Dental care inflation rate.....	5.00%
General inflation rate.....	2.75%
Annual salary increases.....	3.00%

Plan Membership:

Current retirees, beneficiaries, and dependents.....	1,069
Current active members.....	<u>1,705</u>
Total.....	<u><u>2,774</u></u>

See notes to required supplementary information.

NOTE A - BUDGETARY BASIS OF ACCOUNTING**1. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by the Mayor and the City Council (the Council). The Mayor presents an annual budget to the Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Expenditures are budgeted by categories that are broken down by personal services, expenses, debt service and capital outlay, which are mandated by Municipal Law. The Council, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

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

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

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

The City adopts an annual budget for the General Fund in conformity with the guidelines described above. The original 2016 budget authorized \$184.5 million in appropriations and other amounts to be raised; which includes \$10.3 million of amounts carried forward from the prior year. During 2016, the Council also approved supplemental appropriations totaling \$7.4 million. The most significant increases relate to public safety and educational operations as well as stabilization account transfers. The Office of the City Auditor has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation basis. Budgetary control is exercised through the City's accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2016, is presented below:

Net change in fund balance - budgetary basis.....	\$ 6,190,538
<u>Perspective differences:</u>	
Activity of the stabilization funds recorded in the general fund for GAAP.....	3,156,005
<u>Basis of accounting differences:</u>	
Net change in recording accrued payroll.....	(416,098)
Net change in recording tax refunds payable.....	(221,581)
Net change in recording 60 day receipts.....	(7,362)
Recognition of revenue for on-behalf payments.....	12,153,075
Recognition of expenditures for on-behalf payments.....	<u>(12,153,075)</u>
Net change in fund balance - GAAP basis.....	\$ <u>8,701,502</u>

3. Appropriation Deficits

During 2016, actual expenditures and encumbrances exceeded budgeted appropriations for city council and police - personnel services accounts as well as the pension fund contribution, and state and county charges. State and county charges are assessments from the Commonwealth which are directly deducted from local receipts provided by the state. The over-expenditure in state county charges relates to special education charges, school choice tuition and charter school tuition. These over-expenditures will be funded by the subsequent years' tax levy.

NOTE B – PENSION PLAN

Pension Plan Schedules – Retirement System

A. Schedule of Changes in the Net Pension Liability and Related Ratios

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

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

B. Schedule of Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation." The pension fund appropriations are allocated amongst employers based on covered payroll.

C. Schedule of Investment Return

The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

Pension Plan Schedules - City

A. Schedule of the City's Proportionate Share of the Net Pension Liability

The Schedule of the City's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of City's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The City may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the City based on covered payroll.

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the City; the portion of the collective pension expense as both revenue and pension expense recognized by the City; and the Plan's fiduciary net position as a percentage of the total liability.

D. Changes in Assumptions - None**E. Changes in Plan Provisions** - None**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

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

The City currently finances its other postemployment benefits (OPEB) on a combined pre-funded and pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0.7%. In accordance with Governmental Accounting Standards, the City has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

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

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

Combining and Individual Fund Statements

Nonmajor Governmental Funds

Special Revenue Funds

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

City Federal & State Grants Fund – This fund is used to account for non-school related activity specifically financed by federal and state grants which are designated for specific programs.

Other City Grants & Gifts Fund – This fund is used to account for non-school related activity specifically financed by other grants and gifts which are designated for specific programs.

School Federal & State Grants Fund – This fund is used to account for the educational programs specifically financed by federal and state grants which are designated for specific programs.

Other School Grants & Gifts Fund – This fund is used to account for the educational programs specifically financed by other grants and gifts which are designated for specific programs.

City/School Revolving Fund – This fund is used to account for revolving funds specifically allowed by the laws of the Commonwealth of Massachusetts. These funds are expended for purposes specified by the enabling statutes.

School Lunch Fund – This fund is used to account for all cafeteria activities and is funded by user charges, federal and state grants and commodities received.

Receipts Reserved Fund – This fund is used to account for receipts reserved for appropriation.

Community Development Grants Fund – This fund is used to account for community development activity specifically financed by federal, state, and other grants which are designated for specific programs.

Capital Project Funds

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

School Capital Projects Fund – The school capital projects fund is used to account for school capital projects as identified in the City's capital plan, which includes yearly expenditures for infrastructure and other project activities.

Highway Improvements Fund – This fund is used to account for construction, reconstruction and improvements to roadways, streets and sidewalks. Funding is provided primarily by grants.

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.

City/School Trust Fund – This fund is used to account for various contributions associated with educational, cemetery and library operations.

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NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2016

	Special Revenue Funds			
	City Federal & State Grants	Other City Grants & Gifts	School Federal & State Grants	Other School Grants & Gifts
ASSETS				
Cash and cash equivalents.....	\$ 613,127	\$ 1,490,118	\$ 116,158	\$ 65,801
Investments.....	-	-	-	-
Receivables, net of uncollectibles:				
Intergovernmental.....	-	-	338,974	-
Loans.....	-	-	-	-
TOTAL ASSETS.....	\$ 613,127	\$ 1,490,118	\$ 455,132	\$ 65,801
LIABILITIES				
Warrants payable.....	\$ 62,074	\$ 6,882	\$ 336,012	\$ 6,167
Accrued payroll.....	-	5,459	-	-
TOTAL LIABILITIES.....	62,074	12,341	336,012	6,167
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	-	-	-	-
FUND BALANCES				
Nonspendable.....	-	-	-	-
Restricted.....	551,053	1,477,777	119,120	59,634
TOTAL FUND BALANCES.....	551,053	1,477,777	119,120	59,634
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 613,127	\$ 1,490,118	\$ 455,132	\$ 65,801

Special Revenue Funds

City/School Revolving Fund	School Lunch	Receipts Reserved	Community Development	Subtotal
\$ 1,386,513	\$ 2,884,610	\$ 945,582	\$ 976,697	\$ 8,478,606
-	-	-	-	-
-	-	-	-	338,974
-	-	-	8,652	8,652
<u>\$ 1,386,513</u>	<u>\$ 2,884,610</u>	<u>\$ 945,582</u>	<u>\$ 985,349</u>	<u>\$ 8,826,232</u>
\$ 58,957	\$ 710,463	\$ -	\$ 256,632	\$ 1,437,187
537	-	-	-	5,996
<u>59,494</u>	<u>710,463</u>	<u>-</u>	<u>256,632</u>	<u>1,443,183</u>
-	-	-	-	-
-	-	-	-	-
<u>1,327,019</u>	<u>2,174,147</u>	<u>945,582</u>	<u>728,717</u>	<u>7,383,049</u>
<u>1,327,019</u>	<u>2,174,147</u>	<u>945,582</u>	<u>728,717</u>	<u>7,383,049</u>
<u>\$ 1,386,513</u>	<u>\$ 2,884,610</u>	<u>\$ 945,582</u>	<u>\$ 985,349</u>	<u>\$ 8,826,232</u>

(Continued)

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2016

	Capital Project Funds			Permanent Funds	
	School Capital Projects Fund	Highway Improvements	Subtotal	City/School Trust Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 1,899,868	\$ 263,800	\$ 2,163,668	\$ 919,479	\$ 11,561,753
Investments.....	-	-	-	394,576	394,576
Receivables, net of uncollectibles:					
Intergovernmental.....	-	1,617,113	1,617,113	-	1,956,087
Loans.....	-	-	-	-	8,652
TOTAL ASSETS.....	\$ 1,899,868	\$ 1,880,913	\$ 3,780,781	\$ 1,314,055	\$ 13,921,068
LIABILITIES					
Warrants payable.....	\$ 360,658	\$ -	\$ 360,658	\$ -	\$ 1,797,845
Accrued payroll.....	-	-	-	-	5,996
TOTAL LIABILITIES.....	360,658	-	360,658	-	1,803,841
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues.....	-	1,617,113	1,617,113	-	1,617,113
FUND BALANCES					
Nonspendable.....	-	-	-	1,228,569	1,228,569
Restricted.....	1,539,210	263,800	1,803,010	85,486	9,271,545
TOTAL FUND BALANCES.....	1,539,210	263,800	1,803,010	1,314,055	10,500,114
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES...	\$ 1,899,868	\$ 1,880,913	\$ 3,780,781	\$ 1,314,055	\$ 13,921,068

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

YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			
	City Federal & State Grants	Other City Grants & Gifts	School Federal & State Grants	Other School Grants & Gifts
REVENUES:				
Charges for services.....	\$ -	\$ -	\$ -	\$ -
Intergovernmental.....	1,236,255	-	9,138,249	-
Departmental and other.....	-	165,302	-	13,605
Contributions.....	-	818,698	-	37,741
Investment income.....	-	-	-	-
Miscellaneous.....	-	-	-	-
TOTAL REVENUES.....	1,236,255	984,000	9,138,249	51,346
EXPENDITURES:				
Current:				
General government.....	122,699	616,197	-	-
Public safety.....	1,063,581	4,262	-	-
Education.....	-	-	9,224,655	20,715
Public works.....	-	-	-	-
Community development.....	-	-	-	-
Health and human services.....	127,483	70,333	-	-
Library and recreation.....	29,457	146,019	-	-
TOTAL EXPENDITURES.....	1,343,220	836,811	9,224,655	20,715
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(106,965)	147,189	(86,406)	30,631
OTHER FINANCING SOURCES (USES):				
Issuance of debt.....	-	-	-	-
Transfers out.....	(3,557)	(58,982)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	(3,557)	(58,982)	-	-
NET CHANGE IN FUND BALANCES.....	(110,522)	88,207	(86,406)	30,631
FUND BALANCES AT BEGINNING OF YEAR.....	661,575	1,389,570	205,526	29,003
FUND BALANCES AT END OF YEAR.....	\$ 551,053	\$ 1,477,777	\$ 119,120	\$ 59,634

Special Revenue Funds

City/School Revolving Fund	School Lunch	Receipts Reserved	Community Development	Subtotal
\$ 186,013	\$ 640,493	\$ 280,099	\$ -	\$ 1,106,605
112,400	3,825,197	-	1,052,479	15,364,580
771,480	-	64,668	-	1,015,055
-	-	-	-	856,439
-	-	-	797	797
33,727	-	-	-	33,727
<u>1,103,620</u>	<u>4,465,690</u>	<u>344,767</u>	<u>1,053,276</u>	<u>18,377,203</u>
184,364	-	-	-	923,260
161,789	-	-	-	1,229,632
109,834	3,380,291	-	-	12,735,495
25,962	-	-	-	25,962
-	-	-	888,658	888,658
98,843	-	-	-	296,659
236,837	-	-	-	412,313
<u>817,629</u>	<u>3,380,291</u>	<u>-</u>	<u>888,658</u>	<u>16,511,979</u>
285,991	1,085,399	344,767	164,618	1,865,224
-	-	-	-	-
-	-	(245,995)	-	(308,534)
-	-	(245,995)	-	(308,534)
<u>285,991</u>	<u>1,085,399</u>	<u>98,772</u>	<u>164,618</u>	<u>1,556,690</u>
<u>1,041,028</u>	<u>1,088,748</u>	<u>846,810</u>	<u>564,099</u>	<u>5,826,359</u>
<u>\$ 1,327,019</u>	<u>\$ 2,174,147</u>	<u>\$ 945,582</u>	<u>\$ 728,717</u>	<u>\$ 7,383,049</u>

(Continued)

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

YEAR ENDED JUNE 30, 2016

	Capital Project Funds			Permanent Funds	
	School Capital Projects Fund	Highway Improvements	Subtotal	City/School Trust Fund	Total Nonmajor Governmental Funds
REVENUES:					
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ 1,106,605
Intergovernmental.....	-	367,151	367,151	-	15,731,731
Departmental and other.....	-	-	-	-	1,015,055
Contributions.....	-	-	-	80	856,519
Investment income.....	-	-	-	27,840	28,637
Miscellaneous.....	-	-	-	-	33,727
TOTAL REVENUES.....	-	367,151	367,151	27,920	18,772,274
EXPENDITURES:					
Current:					
General government.....	-	-	-	-	923,260
Public safety.....	-	-	-	-	1,229,632
Education.....	2,943,571	-	2,943,571	-	15,679,066
Public works.....	-	103,351	103,351	-	129,313
Community development.....	-	-	-	-	888,658
Health and human services.....	-	-	-	-	296,659
Library and recreation.....	-	-	-	450	412,763
TOTAL EXPENDITURES.....	2,943,571	103,351	3,046,922	450	19,559,351
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,943,571)	263,800	(2,679,771)	27,470	(787,077)
OTHER FINANCING SOURCES (USES):					
Issuance of debt.....	4,250,000	-	4,250,000	-	4,250,000
Transfers out.....	-	-	(180,000)	-	(488,534)
TOTAL OTHER FINANCING SOURCES (USES).....	4,250,000	-	4,070,000	-	3,761,466
NET CHANGE IN FUND BALANCES.....	1,306,429	263,800	1,570,229	27,470	2,974,389
FUND BALANCES AT BEGINNING OF YEAR...	232,781	-	232,781	1,466,585	7,525,725
FUND BALANCES AT END OF YEAR.....	\$ 1,539,210	\$ 263,800	\$ 1,803,010	\$ 1,494,055	\$ 10,500,114

(Concluded)

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Health Insurance Fund – This fund is used to account for the accumulation of costs, and employer and employee contributions associated with health insurance.

Workers' Compensation and Other Insurance Fund – This fund is used to account for the accumulation of costs, and employer contributions associated with worker's compensation and property and liability insurance.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION

JUNE 30, 2016

	Health Insurance	Workers' Compensation & Other Insurance	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 7,053,719	\$ 201,794	\$ 7,255,513
Investments.....	2,143,172	-	2,143,172
Working capital deposit.....	1,510,100	-	1,510,100
 TOTAL ASSETS.....	 10,706,991	 201,794	 10,908,785
 LIABILITIES			
CURRENT:			
Health claims payable.....	2,100,000	-	2,100,000
 NET POSITION			
Unrestricted.....	\$ 8,606,991	\$ 201,794	\$ 8,808,785

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2016

	Health Insurance	Workers' Compensation & Other Insurance	Total
<u>OPERATING REVENUES:</u>			
Employee contributions	\$ 4,091,812	\$ -	\$ 4,091,812
Employer contributions	18,764,877	-	18,764,877
Other contributions.....	-	2,708	2,708
	<u>22,856,689</u>	<u>2,708</u>	<u>22,859,397</u>
<u>OPERATING EXPENSES:</u>			
Cost of interfund services provided.....	<u>21,626,703</u>	-	<u>21,626,703</u>
	<u>1,229,986</u>	<u>2,708</u>	<u>1,232,694</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Investment income.....	<u>110,252</u>	<u>32</u>	<u>110,284</u>
	<u>1,340,238</u>	<u>2,740</u>	<u>1,342,978</u>
NET POSITION AT BEGINNING OF YEAR.....	<u>7,266,753</u>	<u>199,054</u>	<u>7,465,807</u>
NET POSITION AT END OF YEAR.....	<u>\$ 8,606,991</u>	<u>\$ 201,794</u>	<u>\$ 8,808,785</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

	Health Insurance	Workers' Compensation & Other Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided.....	\$ 22,856,689	\$ 2,708	\$ 22,859,397
Payments for interfund services used.....	(21,879,003)	-	(21,879,003)
NET CASH FROM OPERATING ACTIVITIES.....	977,686	2,708	980,394
CASH FLOWS FROM INVESTING ACTIVITIES:			
Sales and purchases of investments, net.....	12,744	-	12,744
Investment income.....	110,252	32	110,284
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,100,682	2,740	1,103,422
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	5,953,037	199,054	6,152,091
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 7,053,719	\$ 201,794	\$ 7,255,513
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH FROM OPERATING ACTIVITIES:			
Operating income (loss).....	\$ 1,229,986	\$ 2,708	\$ 1,232,694
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Changes in assets and liabilities:			
Working capital deposit.....	(182,300)	-	(182,300)
Health claims payable.....	(70,000)	-	(70,000)
Total adjustments.....	(252,300)	-	(252,300)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 977,686	\$ 2,708	\$ 980,394

Agency Fund

The Agency fund is used to account for off-duty work details, student activity accounts, and contractor bid deposits.

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2016

	Beginning of Year	Additions	Deletions	End of Year
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 221,212	\$ 4,185,256	\$ (4,406,468)	\$ -
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	411,842	4,469,510	(4,270,748)	610,604
TOTAL ASSETS.....	\$ <u>633,054</u>	\$ <u>8,654,766</u>	\$ <u>(8,677,216)</u>	\$ <u>610,604</u>
LIABILITIES				
Warrants payable.....	\$ 364,589	\$ 15,364	\$ (364,589)	\$ 15,364
Accrued payroll.....	105,629	-	(105,629)	-
Liabilities due depositors.....	162,836	8,619,313	(8,206,998)	575,151
Due to other funds.....	-	20,089	-	20,089
TOTAL LIABILITIES.....	\$ <u>633,054</u>	\$ <u>8,654,766</u>	\$ <u>(8,677,216)</u>	\$ <u>610,604</u>

Statistical Section

Aerial View of Everett



Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

Net Position By Component

Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets.....	\$ 104,811,292	\$ 114,658,086	\$ 117,273,796	\$ 118,277,758	\$ 124,490,889	\$ 82,438,762	\$ 98,104,115	\$ 94,083,135	\$ 93,957,633	\$ 93,319,037
Restricted.....	5,176,712	5,673,871	5,990,073	6,898,579	7,940,594	11,308,017	5,999,017	9,824,106	7,318,742	8,705,756
Unrestricted.....	26,514,171	18,719,343	14,221,046	5,870,743	(5,361,232)	(2,010,411)	(13,084,410)	(129,678,355)	(141,164,221)	(121,066,940)
Total governmental activities net position.....	\$ 136,502,175	\$ 139,051,300	\$ 137,484,915	\$ 131,047,080	\$ 127,070,251	\$ 91,736,368	\$ 91,018,722	\$ (25,771,114)	\$ (39,887,846)	\$ (19,042,147)
Business-type activities										
Net investment in capital assets (A).....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,501,105	\$ 42,401,805	\$ 42,882,536	\$ 42,966,905	\$ 43,996,186
Unrestricted (A).....	-	-	-	-	-	2,790,282	3,847,469	2,542,195	3,598,139	5,636,636
Total business-type activities net position.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,291,387	\$ 46,249,274	\$ 45,424,731	\$ 46,565,044	\$ 49,632,822
Primary government										
Net investment in capital assets.....	\$ 104,811,292	\$ 114,658,086	\$ 117,273,796	\$ 118,277,758	\$ 124,490,889	\$ 125,939,867	\$ 140,505,920	\$ 136,965,671	\$ 136,924,538	\$ 137,315,223
Restricted.....	5,176,712	5,673,871	5,990,073	6,898,579	7,940,594	11,308,017	5,999,017	9,824,106	7,318,742	8,705,756
Unrestricted.....	26,514,171	18,719,343	14,221,046	5,870,743	(5,361,232)	779,871	(9,236,941)	(127,136,160)	(137,566,082)	(115,430,304)
Total primary government net position.....	\$ 136,502,175	\$ 139,051,300	\$ 137,484,915	\$ 131,047,080	\$ 127,070,251	\$ 138,027,755	\$ 137,267,996	\$ 19,653,617	\$ 6,677,198	\$ 30,590,675

(B)

(A) Prior to 2012, water and sewer activities were accounted for in governmental funds.

(B) 2014 and subsequent years reflect the implementation of GASB 68

Changes in Net Position

	Last Ten Years									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government (B).....	\$ 5,937,418	\$ 7,740,656	\$ 7,231,594	\$ 6,560,589	\$ 6,609,901	\$ 9,445,386	\$ 10,218,563	\$ 11,400,759	\$ 12,158,409	\$ 13,394,332
Public safety.....	18,222,831	19,338,874	20,322,856	18,719,453	18,943,531	26,249,785	37,783,905	41,498,564	42,822,289	46,521,204
Education.....	58,967,084	67,613,849	71,312,196	75,765,242	79,171,561	111,173,712	113,182,318	119,353,198	126,324,128	136,723,183
City services and facilities.....	8,841,289	8,996,815	8,817,415	8,850,504	10,194,913	12,256,790	13,467,451	12,761,961	15,779,438	12,784,569
Water & Sewer (A).....	9,505,056	10,270,891	10,700,171	11,498,967	11,327,039	-	-	-	-	-
Community development (B).....	-	-	-	-	-	-	492,590	1,006,713	945,813	57,625
Human services.....	2,098,774	1,975,423	1,947,477	1,909,596	1,926,020	2,093,982	2,986,073	3,096,636	3,972,247	4,354,088
Libraries and recreation.....	1,215,480	1,252,932	1,488,016	1,350,901	1,346,732	2,066,192	2,389,294	2,634,069	3,143,406	3,080,763
Employee Benefits.....	20,622,351	32,694,849	34,454,036	34,400,055	36,235,857	-	-	-	-	-
Interest.....	3,006,127	3,409,078	3,255,936	2,321,225	2,778,837	2,639,622	2,601,124	2,306,058	2,129,397	1,916,451
Intergovernmental (C).....	7,162,529	7,468,292	8,426,222	9,058,965	8,851,801	9,180,689	-	-	-	-
Total government activities expenses.....	<u>135,578,939</u>	<u>160,761,659</u>	<u>167,955,919</u>	<u>170,435,497</u>	<u>177,386,192</u>	<u>175,106,158</u>	<u>183,121,318</u>	<u>194,057,958</u>	<u>207,275,127</u>	<u>218,832,215</u>
Business-type activities:										
Water & Sewer (A).....	-	-	-	-	-	12,885,454	13,475,796	14,322,052	15,095,682	15,402,393
Total primary government expenses.....	<u>\$ 135,578,939</u>	<u>\$ 160,761,659</u>	<u>\$ 167,955,919</u>	<u>\$ 170,435,497</u>	<u>\$ 177,386,192</u>	<u>\$ 187,991,612</u>	<u>\$ 196,597,114</u>	<u>\$ 208,380,010</u>	<u>\$ 222,370,809</u>	<u>\$ 234,234,608</u>
Program Revenues										
Governmental activities:										
General government charges for services.....	\$ 1,036,809	\$ 1,002,266	\$ 919,967	\$ 893,294	\$ 1,124,204	\$ 1,300,567	\$ 934,003	\$ 1,131,393	\$ 1,163,599	\$ 1,530,370
Public Safety charges for services.....	2,045,821	2,641,714	2,077,219	2,150,594	1,982,510	1,652,923	2,850,724	2,353,477	2,548,196	4,111,774
Education charges for services.....	1,011,315	1,069,192	1,134,942	952,887	892,832	994,766	829,899	1,207,084	777,691	820,905
Other charges for services.....	11,749,365	15,598,685	11,281,732	10,601,840	9,065,255	433,779	373,782	404,817	444,615	704,944
Education operating grants and contributions.....	38,937,917	45,112,147	52,015,568	55,811,485	60,542,836	63,266,603	72,050,490	82,317,733	81,510,620	90,903,891
Public safety operating grants and contributions.....	1,555,986	1,228,876	1,420,846	1,458,037	2,122,973	922,474	881,640	1,372,560	2,249,481	987,308
Other operating grants and contributions.....	265,394	2,013,118	2,687,906	1,245,364	1,605,839	1,599,040	2,153,721	3,004,878	2,171,627	2,737,636
City services and facilities capital grants and contributions.....	508,637	567,371	356,301	653,207	1,270,635	1,461,575	1,307,829	832,729	420,987	1,014,442
Education capital grants and contributions.....	32,473,692	3,911,268	-	-	-	-	-	-	-	-
Other capital grants and contributions.....	3,037,721	38,351	-	9,918	471,750	677,021	670,947	1,346,296	256,910	333,540
Total government activities program revenues.....	<u>92,622,657</u>	<u>73,182,988</u>	<u>71,894,481</u>	<u>73,776,626</u>	<u>79,078,834</u>	<u>72,308,748</u>	<u>82,053,035</u>	<u>93,970,967</u>	<u>91,543,726</u>	<u>103,144,810</u>
Business-type activities:										
Charges for services - Water & Sewer.....	-	-	-	-	-	11,133,398	13,891,640	13,946,348	16,767,337	18,005,313
Operating grants and contributions - Water & Sewer.....	-	-	-	-	-	-	8,636	21,018	29,849	43,646
Capital grants and contributions - Water & Sewer.....	-	-	-	-	-	-	-	-	-	939,600
Total business-type activities program revenues.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,133,398</u>	<u>13,900,276</u>	<u>13,967,366</u>	<u>16,797,186</u>	<u>18,988,559</u>
Total primary government program revenues.....	<u>\$ 92,622,657</u>	<u>\$ 73,182,988</u>	<u>\$ 71,894,481</u>	<u>\$ 73,776,626</u>	<u>\$ 79,078,834</u>	<u>\$ 83,442,146</u>	<u>\$ 95,953,311</u>	<u>\$ 107,938,333</u>	<u>\$ 108,340,912</u>	<u>\$ 122,133,369</u>
Net (Expense)/Revenue										
Governmental activities.....	\$ (42,956,282)	\$ (87,578,671)	\$ (96,061,438)	\$ (96,658,871)	\$ (98,307,358)	\$ (102,797,410)	\$ (101,068,283)	\$ (100,086,991)	\$ (115,731,401)	\$ (115,687,405)
Business-type activities.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,752,056)</u>	<u>424,480</u>	<u>(354,686)</u>	<u>1,701,504</u>	<u>3,586,166</u>
Total primary government net expense.....	<u>\$ (42,956,282)</u>	<u>\$ (87,578,671)</u>	<u>\$ (96,061,438)</u>	<u>\$ (96,658,871)</u>	<u>\$ (98,307,358)</u>	<u>\$ (104,549,466)</u>	<u>\$ (100,643,803)</u>	<u>\$ (100,441,677)</u>	<u>\$ (114,029,897)</u>	<u>\$ (112,101,239)</u>

(Continued)

Changes in Net Position

Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 63,225,476	\$ 66,462,361	\$ 71,751,780	\$ 77,682,298	\$ 78,396,428	\$ 81,146,891	\$ 88,633,872	\$ 82,487,277	\$ 90,166,428	\$ 92,942,432
Tax liens (D).....	-	-	-	-	-	-	1,387,186	1,217,971	-	779,186
Motor vehicle excise taxes.....	2,815,180	3,364,667	2,642,652	2,607,898	2,741,051	2,810,116	2,940,909	3,180,085	3,724,538	4,205,358
Local options meals tax.....	-	-	-	-	-	-	457,561	488,112	501,327	550,625
Penalties, interest on taxes, and other taxes.....	2,826,429	2,417,251	3,204,544	3,455,534	3,473,012	6,783,311	932,498	878,084	582,610	513,731
Grants and contributions not restricted to specific programs.....	8,724,177	11,807,447	10,922,399	8,955,937	8,709,312	6,066,395	5,958,553	6,505,939	5,882,015	6,752,028
Unrestricted investment income.....	1,388,757	1,056,395	577,393	342,719	315,099	82,234	87,761	118,278	109,028	223,517
Miscellaneous.....	1,532,064	1,548,670	5,396,285	1,144,086	695,627	1,893,325	23,521	22,449	87,532	47,839
Transfers, net.....	-	-	-	-	-	(108,482)	466,593	(1,171,143)	561,191	518,388
Special item.....	-	-	-	-	-	-	-	-	-	30,000,000
Total governmental activities.....	<u>80,512,083</u>	<u>86,656,791</u>	<u>94,495,053</u>	<u>94,188,472</u>	<u>94,330,529</u>	<u>98,673,790</u>	<u>100,888,454</u>	<u>93,727,052</u>	<u>101,614,669</u>	<u>136,533,104</u>
Business-type activities:										
Transfers, net.....	-	-	-	-	-	108,482	(466,593)	1,171,143	(561,191)	(518,388)
Total primary government.....	<u>\$ 80,512,083</u>	<u>\$ 86,656,791</u>	<u>\$ 94,495,053</u>	<u>\$ 94,188,472</u>	<u>\$ 94,330,529</u>	<u>\$ 98,782,272</u>	<u>\$ 100,421,861</u>	<u>\$ 94,898,195</u>	<u>\$ 101,053,478</u>	<u>\$ 136,014,716</u>
Changes in Net Position										
Governmental activities.....	\$ 37,555,801	\$ (921,880)	\$ (1,566,385)	\$ (2,470,399)	\$ (3,976,829)	\$ (4,123,620)	\$ (179,829)	\$ (6,359,939)	\$ (14,116,732)	\$ 20,845,699
Business-type activities.....	-	-	-	-	-	(1,643,574)	(42,113)	816,457	1,140,313	3,067,778
Total primary government.....	<u>\$ 37,555,801</u>	<u>\$ (921,880)</u>	<u>\$ (1,566,385)</u>	<u>\$ (2,470,399)</u>	<u>\$ (3,976,829)</u>	<u>\$ (5,767,194)</u>	<u>\$ (221,942)</u>	<u>\$ (5,543,482)</u>	<u>\$ (12,976,419)</u>	<u>\$ 23,913,477</u>

(A) Prior to 2012, water and sewer activities were accounted for in governmental funds.

(B) Prior to 2013, community development expenditures were reported as general government expenditures.

(C) Prior to 2013, employee benefits and state and county charges (intergovernmental) were not charged to functional line-items.

(D) Prior to 2013, tax liens were reported as penalties and interest on taxes.

(Concluded)

Fund Balances, Governmental Funds

Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved.....	\$ 938,495	\$ 2,563,356	\$ 2,587,913	\$ 3,057,027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved.....	13,743,780	7,494,555	6,475,706	4,163,863	-	-	-	-	-	-
Committed.....	-	-	-	-	-	838,622	2,000,446	2,397,168	2,750,852	2,792,988
Assigned.....	-	-	-	-	723,121	980,880	7,532,724	7,577,487	1,121,815	2,307,963
Unassigned.....	-	-	-	-	15,528,899	16,464,364	14,141,312	17,324,226	21,595,795	29,069,013
Total general fund.....	<u>\$ 14,682,275</u>	<u>\$ 10,057,911</u>	<u>\$ 9,063,619</u>	<u>\$ 7,220,890</u>	<u>\$ 16,252,020</u>	<u>\$ 18,283,866</u>	<u>\$ 23,674,482</u>	<u>\$ 27,298,881</u>	<u>\$ 25,468,462</u>	<u>\$ 34,169,964</u>
All Other Governmental Funds										
Unreserved, reported in:										
Special revenue funds.....	\$ 10,570,745	\$ 12,818,986	\$ 13,499,740	\$ 14,580,651	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects funds.....	(5,420,227)	2,985,866	5,335,790	3,812,981	-	-	-	-	-	-
Permanent funds.....	309,305	331,256	207,010	212,089	-	-	-	-	-	-
Nonspendable.....	1,232,239	1,237,051	1,239,784	1,227,921	1,228,670	1,227,488	1,180,193	1,232,351	1,228,489	1,228,569
Restricted.....	-	-	-	-	9,105,484	8,781,762	10,790,455	14,321,721	10,412,616	20,528,449
Unassigned.....	-	-	-	-	(91,118)	(235,241)	(311,932)	-	-	-
Total all other governmental funds....	<u>\$ 6,692,062</u>	<u>\$ 17,373,159</u>	<u>\$ 20,282,324</u>	<u>\$ 19,833,642</u>	<u>\$ 10,243,036</u>	<u>\$ 9,774,009</u>	<u>\$ 11,658,716</u>	<u>\$ 15,554,072</u>	<u>\$ 11,641,105</u>	<u>\$ 21,757,018</u>

(A) Prior to 2012, water and sewer activities were accounted for in governmental funds.

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

Changes in Fund Balances, Governmental Funds

Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 63,183,960	\$ 66,486,677	\$ 70,861,889	\$ 76,516,681	\$ 80,110,135	\$ 82,642,350	\$ 85,418,506	\$ 86,690,275	\$ 88,644,890	\$ 92,604,668
Tax liens (C).....	-	-	-	-	-	-	1,387,186	1,217,971	676,286	670,234
Motor vehicle excise taxes.....	3,030,908	3,273,301	2,896,358	2,561,308	2,805,452	2,780,238	2,751,895	3,397,069	3,556,578	4,013,283
Local options meals tax (B).....	-	-	-	-	-	-	457,561	488,112	501,327	550,625
Penalties and interest on taxes (C).....	2,426,692	2,323,439	3,195,309	3,276,698	3,110,150	2,195,506	918,384	878,084	582,610	513,731
Charges for services.....	3,013,383	3,190,137	3,292,530	3,003,980	2,930,244	3,154,253	2,562,994	2,519,813	1,156,783	1,106,605
Charges for service-water & sewer (A).....	11,815,721	10,754,599	10,619,705	10,509,979	10,306,220	-	-	-	-	-
Licenses and permits.....	502,486	654,005	339,958	463,831	450,644	276,832	1,128,765	1,030,195	1,112,065	1,212,658
Fines and forfeitures.....	1,002,611	1,367,717	1,130,956	1,099,831	1,033,634	950,950	1,062,118	880,428	1,232,782	1,666,292
Intergovernmental.....	85,425,034	63,523,303	65,758,923	67,971,020	74,474,637	75,950,473	83,012,265	94,679,962	94,055,129	103,168,643
Departmental & other (B).....	-	-	-	-	-	-	414,673	1,204,203	1,359,930	2,919,528
Contributions (B).....	-	-	-	-	-	-	407,191	692,386	592,185	856,519
Investment income.....	1,420,316	998,581	604,505	387,816	345,758	121,509	90,054	119,077	110,716	231,004
Other (B).....	8,144,039	1,652,642	5,634,009	1,557,224	1,011,751	2,172,710	-	22,449	87,532	47,839
Total Revenue.....	179,965,150	154,224,401	164,334,142	167,348,368	176,578,625	170,244,821	179,611,592	193,820,024	193,668,813	209,561,629
Expenditures:										
General government.....	5,630,789	6,378,800	5,987,552	6,160,773	6,049,347	5,918,735	5,023,161	5,996,564	6,174,501	6,787,720
Public safety.....	18,089,425	18,957,985	20,221,569	18,761,928	19,154,247	19,518,680	21,315,481	23,762,446	23,872,516	26,789,543
Education.....	57,030,700	64,602,482	71,232,999	73,987,685	77,929,114	80,278,029	72,222,186	78,728,794	86,100,924	86,721,263
City services and facilities.....	8,161,326	8,507,750	9,867,089	8,235,036	10,382,560	9,740,880	9,214,646	10,365,574	12,199,957	9,234,697
Water & Sewer (A).....	9,546,269	10,272,030	10,409,070	11,104,702	10,781,046	-	-	-	-	-
Community development (D).....	-	-	-	-	-	-	492,590	1,006,713	840,934	50,171
Human services.....	1,638,853	1,954,593	1,951,303	1,905,598	1,906,595	1,661,168	2,027,407	2,157,424	2,767,966	2,932,500
Libraries and recreation.....	1,120,397	1,166,324	1,130,516	1,037,818	1,033,459	1,057,040	1,165,247	1,336,851	1,653,802	1,670,395
Pension benefits.....	-	-	-	-	-	-	22,257,469	22,973,735	20,093,090	25,272,172
Property and liability insurance.....	-	-	-	-	-	-	1,729,712	1,996,230	2,043,298	1,924,506
Employee benefits.....	21,145,043	24,802,889	24,708,998	28,473,455	29,256,093	30,746,642	18,334,278	19,452,261	20,544,717	21,218,548
State and county charges.....	7,162,529	7,468,292	8,426,222	9,058,965	8,851,801	9,180,689	10,211,682	10,418,587	11,194,008	11,599,413
Capital outlay.....	43,996,163	8,103,776	1,226,876	4,487,033	3,790,538	2,103,799	5,560,342	8,565,559	10,328,505	12,862,827
Debt service										
Principal.....	6,956,174	8,492,130	8,805,131	8,426,786	8,753,301	8,263,363	5,279,415	5,414,415	6,445,416	7,159,415
Principal - current refunding.....	-	-	-	-	-	-	-	-	-	14,623,490
Interest.....	-	-	-	-	-	-	2,423,492	2,186,221	2,176,841	1,736,113
Total Expenditures.....	180,477,668	160,707,051	163,967,325	171,639,779	177,888,101	168,469,025	177,257,108	194,361,374	206,436,475	230,582,773
Excess of revenues over (under) expenditures.....	(512,518)	(6,482,650)	366,817	(4,291,411)	(1,309,476)	1,775,796	2,354,484	(541,350)	(12,767,662)	(21,021,144)
Other Financing Sources (Uses):										
Issuance of bonds.....	20,353,000	12,539,383	1,548,056	2,000,000	750,000	-	4,370,000	8,591,000	6,025,000	17,857,000
Issuance of refunding bonds.....	-	-	-	-	-	-	2,445,000	-	6,190,000	13,805,000
Premium from issuance of bonds.....	-	-	-	-	-	-	104,024	641,248	342,114	1,719,490
Premium from issuance of refunding bonds.....	-	-	-	-	-	-	-	-	716,132	938,681
Payments to refunded bond escrow agent.....	-	-	-	-	-	-	(2,464,779)	-	(6,810,161)	-
Transfers in.....	1,495,136	1,845,642	4,137,593	908,000	671,472	202,033	827,086	1,178,544	1,211,191	1,258,488
Transfers out.....	(1,495,136)	(1,845,642)	(4,137,593)	(908,000)	(671,472)	(310,515)	(360,493)	(2,349,687)	(650,000)	(740,100)
Total other financing sources (uses).....	20,353,000	12,539,383	1,548,056	2,000,000	750,000	(108,482)	4,920,838	8,061,105	7,024,276	34,838,559
Net change in fund balance before special item.....	19,840,482	6,056,733	1,914,873	(2,291,411)	(559,476)	1,667,314	7,275,322	7,519,755	(5,743,386)	13,817,415
Special Item.....	-	-	-	-	-	-	-	-	-	5,000,000
Net change in fund balance.....	\$ 19,840,482	\$ 6,056,733	\$ 1,914,873	\$ (2,291,411)	\$ (559,476)	\$ 1,667,314	\$ 7,275,322	\$ 7,519,755	\$ (5,743,386)	\$ 18,817,415
Debt service as a percentage of noncapital expenditures.....	3.85%	5.56%	5.41%	5.04%	5.03%	4.97%	4.59%	4.09%	4.40%	4.09%

(A) Prior to 2012, water and sewer activities were accounted for in governmental funds.

(B) Prior to 2013, local options meals tax, departmental and other revenues, and contributions were reported as other income.

(C) Prior to 2013, tax liens were reported as penalties and interest on taxes.

(D) Prior to 2013, community development expenditures were reported as general government expenditures.

(E) Prior to 2013, pension benefits were reported as employee benefits.

(F) Prior to 2013, property and liability insurance was reported as general government expenditures.

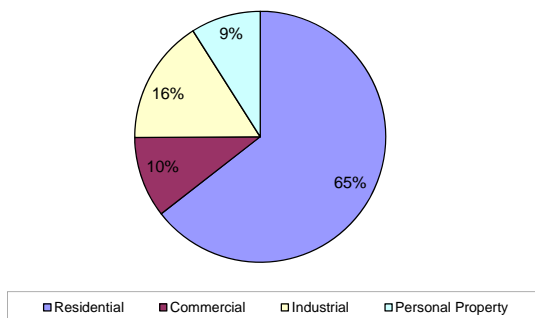
(G) Prior to 2013, debt principal and interest were reported as one line-item.

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

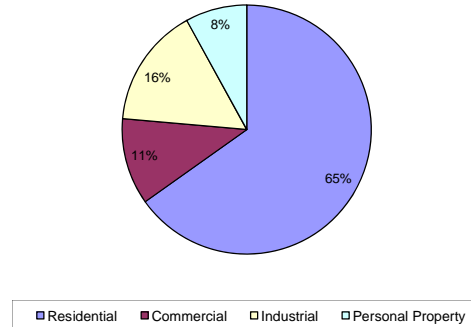
Last Ten Years

Year		Assessed and Actual Values and Tax Rates								
		Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate (2)	Total City Value
2007	(1)	3,256,839,000	8.34	353,528,995	965,056,994	191,549,000	1,510,134,989	24.80	13.55	4,766,973,989
2008		3,280,413,000	10.35	391,596,195	959,875,707	203,966,200	1,555,438,102	24.61	14.94	4,835,851,102
2009		2,866,802,631	11.18	479,870,815	833,114,957	208,591,600	1,521,577,372	28.98	17.35	4,388,380,003
2010	(1)	2,331,177,875	13.51	417,812,915	736,864,600	221,547,200	1,376,224,715	37.02	22.24	3,707,402,590
2011		2,083,037,260	15.89	391,577,840	565,481,528	236,601,200	1,193,660,568	43.74	26.04	3,276,697,828
2012		2,279,045,425	15.52	389,212,235	620,877,328	246,297,300	1,256,386,863	41.66	24.81	3,535,432,288
2013	(1)	2,260,825,559	15.64	407,665,811	616,972,410	262,526,300	1,287,164,521	43.04	25.58	3,547,990,080
2014		2,309,644,676	15.04	409,935,794	616,975,000	278,875,000	1,305,785,794	40.95	24.40	3,615,430,470
2015		2,584,829,341	14.61	418,981,469	644,761,387	360,687,000	1,424,429,856	39.45	23.44	4,009,259,197
2016		2,811,506,692	14.45	485,609,578	672,925,060	344,726,450	1,503,261,088	37.98	22.65	4,314,767,780

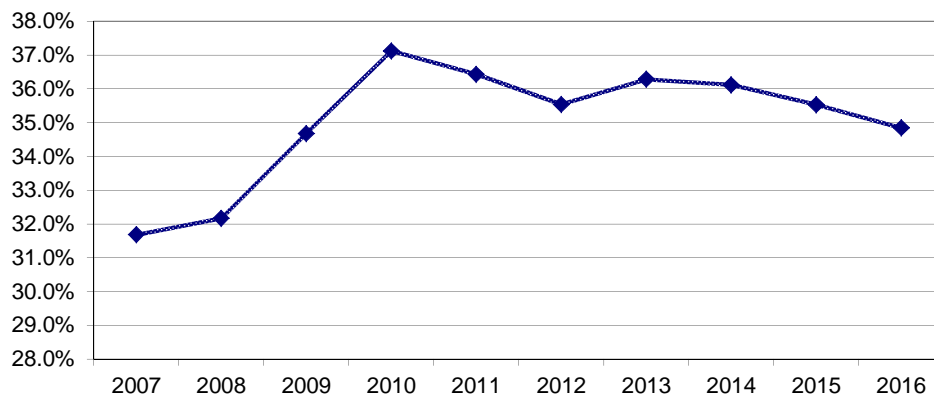
Total Assessed Value by Classification Year Ended June 30, 2015



Total Assessed Value by Classification Year Ended June 30, 2016



Commercial Value as % of Total Value



(1) Revaluation year.

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

Source: Assessor's Department

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

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

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

Principal Taxpayers
Current Year and Nine Years Ago

Name	Nature of Business	2016			2007		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Constellation Mystic Power LLC	Power Plant	\$ 394,737,103	1	9.1%	-	-	-
Suez Energy North America	Energy Resources	\$ 130,584,300	2	3.0%	-	-	-
DDRC Gateway LLC/COSTCO	Gateway Mall	\$ 71,664,300	3	1.7%	\$ 86,580,095	3	1.8%
NSTAR Electric Co.	Utility	\$ 71,370,700	4	1.7%	\$ 30,521,600	4	0.6%
Massachusetts Electric Co.	Utility	\$ 58,319,400	5	1.4%	\$ 16,937,900	6	0.4%
Boston Gas Co.	Utility	\$ 48,498,000	6	1.1%	\$ -	-	0.0%
Distrigas of Mass Corp.	Utility	\$ 36,811,900	7	0.9%	\$ 144,637,700	2	3.0%
Wynn MA LLC	Resort & Casino	\$ 36,648,200	8	0.8%	\$ -	-	0.0%
Exxon Corp. (1)	Oil Distribution	\$ 29,401,700	9	0.7%	\$ 20,796,800	5	0.4%
GP Portland Investment	Investment	\$ 27,858,500	10	0.6%	\$ 9,990,600	10	0.2%
SITHE	Utility	\$ -	-	0.0%	\$ 721,774,194	1	15.1%
7-41 Charlton LLC	Residential	\$ -	-	0.0%	\$ 12,076,700	7	0.3%
Keyspan	Utility	\$ -	-	0.0%	\$ 10,727,700	8	0.2%
General Electric	Utility	\$ -	-	0.0%	\$ 10,227,200	9	0.2%
Totals		<u>\$905,894,103</u>		<u>21.0%</u>	<u>\$1,064,270,489</u>		<u>22.3%</u>

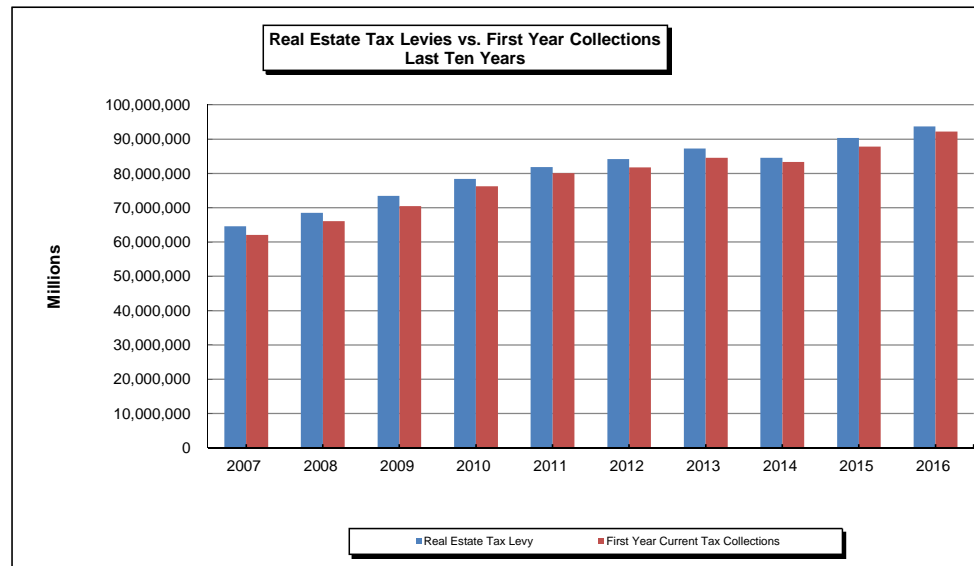
Source: Board of Assessors

(1) Currently in negotiation with the City in connection with \$750,000 in tax liens relating to unpaid water charges from multiple past years; Exxon Corp. is current with all property tax payments to date.

Property Tax Levies and Collections

Last Ten Years

Year		(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	(3) Percent of Total Tax Collections to Net Tax Levy
2007	(1)	64,613,385	1,251,997	63,361,388	62,080,302	98.0%	668,155	62,748,457	99.0%
2008		68,496,349	1,042,735	67,453,614	66,056,103	97.9%	212,923	66,269,026	98.2%
2009		73,489,234	1,238,829	72,250,405	70,483,420	97.6%	603,538	71,086,958	98.4%
2010	(1)	78,427,724	1,360,857	77,066,867	76,257,993	99.0%	158,151	76,416,144	99.2%
2011		81,890,151	868,686	81,021,465	80,032,183	98.8%	989,282	81,021,465	100.0%
2012		84,165,711	907,437	83,258,274	81,751,173	98.2%	1,507,101	83,258,274	100.0%
2013	(1)	87,262,044	688,812	86,573,232	84,532,449	97.6%	2,040,783	86,573,232	100.0%
2014		84,594,327	518,237	84,076,090	83,311,626	99.1%	764,464	84,076,090	100.0%
2015		90,369,956	2,374,622	87,995,334	87,778,714	99.8%	216,620	87,995,334	100.0%
2016	(1)	93,653,216	1,407,189	92,246,027	92,246,027	100.0%	-	92,246,027	100.0%



(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: Massachusetts Department of Revenue; Board of Assessors

Ratios of Outstanding Debt and General Bonded Debt

Last Ten Years

Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities Debt				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2007	38,037	785,339,973	4,766,973,989	72,148,112	-	1,897	9.19%	1.51%
2008	38,037	801,046,773	4,835,851,102	78,553,071	-	2,065	9.81%	1.62%
2009	38,037	817,067,708	4,388,380,003	75,596,165	-	1,987	9.25%	1.72%
2010	38,037	833,409,062	3,707,402,590	71,462,003	-	1,879	8.57%	1.93%
2011	41,667	931,203,000	3,276,697,828	66,245,379	-	1,590	7.11%	2.02%
2012	41,667	970,343,160	3,535,432,288	57,497,721	-	1,380	5.93%	1.63%
2013	41,667	1,005,108,350	3,547,990,080	56,698,306	-	1,361	5.64%	1.60%
2014	41,667	1,025,210,517	3,615,430,470	60,503,144	-	1,452	5.90%	1.67%
2015	41,667	1,045,714,727	4,009,259,197	60,900,676	-	1,462	5.82%	1.52%
2016	46,050	1,144,014,591	4,314,767,780	73,190,859	-	1,589	6.40%	1.70%

Year	Business-type Activities (1)		Total Primary Government			
	General Obligation Bonds	Capital Leases	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2007	-	-	72,148,112	1,897	9.19%	1.51%
2008	-	-	78,553,071	2,065	9.81%	1.62%
2009	-	-	75,596,165	1,987	9.25%	1.72%
2010	-	-	71,462,003	1,879	8.57%	1.93%
2011	-	-	66,245,379	1,590	7.11%	2.02%
2012	2,871,636	-	60,369,357	1,449	6.22%	1.71%
2013	8,047,251	-	64,745,557	1,554	6.44%	1.82%
2014	11,865,834	-	72,368,978	1,737	7.06%	2.00%
2015	11,730,626	-	72,631,302	1,743	6.95%	1.81%
2016	11,990,693	-	85,181,552	1,850	7.45%	1.97%

(1) Prior to 2012, water and sewer enterprise long-term debt activity was accounted for in the general fund.
Source: Audited Financial Statements, U. S. Census

Direct and Overlapping Governmental Activities Debt

As of June 30, 2016

<u>City of Everett, Massachusetts</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Massachusetts Bay Transportation Authority.....	\$ 5,634,750,025	1.48%	\$ <u>83,225,258</u>
City direct debt.....			<u>73,190,859</u>
Total direct and overlapping debt.....			<u>\$ 156,416,117</u>

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of the overlapping governments that is borne by the taxpayers of the 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.

(1) The percentage applicable for the Massachusetts Bay Transportation Authority is based on total assessments issued on services.

Source: Official Statement for Sale of Bonds

Computation of Legal Debt Margin

Last Ten Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Equalized Valuation.....	\$ 4,750,510,800	\$ 5,037,814,900	\$ 5,037,814,900	\$ 4,013,223,400	\$ 4,013,223,400	\$ 3,653,316,400	\$ 3,653,316,400	\$ 3,794,616,400	\$ 3,794,616,400	\$ 4,584,699,100
Debt Limit -5% of Equalized Valuation.....	\$ 237,525,540	\$ 251,890,745	\$ 251,890,745	\$ 200,661,170	\$ 200,661,170	\$ 182,665,820	\$ 182,665,820	\$ 189,730,820	\$ 189,730,820	\$ 229,234,955
Less:										
Outstanding debt applicable to limit.....	21,606,216	19,705,302	18,009,665	18,321,634	16,867,141	15,172,538	16,923,690	28,562,042	32,887,556	49,163,015
Authorized and unissued debt.....	-	45,870,299	-	-	-	59,481,367	17,765,907	4,066,597	23,941,150	7,985,750
Legal debt margin.....	\$ 215,919,324	\$ 186,315,144	\$ 233,881,080	\$ 182,339,536	\$ 183,794,029	\$ 108,011,915	\$ 147,976,223	\$ 157,102,181	\$ 132,902,114	\$ 172,086,190
Total debt applicable to the limit as a percentage of debt limit.....	9.10%	26.03%	7.15%	9.13%	8.41%	40.87%	18.99%	17.20%	29.95%	24.93%

Source: Audited Financial Statements; Statement of Indebtedness; and the Massachusetts Department of Revenue, Bureau of Local Assessment.

Demographic and Economic Statistics

Last Ten Years

Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2007	38,037	785,339,973	20,647	35.3	5,526	4.4%
2008	38,037	801,046,773	21,060	35.3	5,690	5.7%
2009	38,037	817,067,708	21,481	35.3	5,710	8.8%
2010	38,037	833,409,062	21,910	35.6	5,992	9.1%
2011	41,667	931,203,000	22,349	35.6	6,262	7.8%
2012	42,567	970,343,160	22,796	35.6	6,498	6.9%
2013	42,935	1,005,108,350	23,410	35.6	6,796	6.5%
2014	42,935	1,025,210,517	23,878	35.6	7,008	5.2%
2015	42,935	1,045,714,727	24,356	35.6	7,071	4.4%
2016	46,050	1,144,014,591	24,843	35.6	7,125	4.1%

Source: Massachusetts Department of Revenue, Division of Local Services; U.S. Census Bureau

Principal Employers (excluding City)

Current Year and Nine Years Ago

Employer	Nature of Business	2016			2007		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mellon Bank	Banking/Financial Institution	1,286	1	5.6%	1,200	1	6.7%
Cambridge Health Alliance	Hospital	825	2	3.6%	1,200	2	6.7%
MBTA	Transportation	600	3	2.6%	-	-	-
Boston Coach	Transportation	299	4	1.3%	600	3	-
Target	Retail	235	5	1.0%	250	4	1.4%
Distrigas GDF/SUEZ	LNG Terminal	170	6	0.7%	-	-	-
Everett Nursing and Rehab Center	Health Care/Long Term & Rehab	165	7	0.7%	-	-	-
Home Depot	Retail	150	8	0.7%	209	5	1.2%
Alliance Detection	Security	150	9	0.7%	175	7	1.0%
Schnitzer Northeaster	Metal Recycling	139	10	0.6%	-	-	-
Bond Brothers	Construction	-	-	-	200	6	1.1%
COSTCO	Wholesale	-	-	-	160	8	0.9%
Stop & Shop	Retail/Food	-	-	-	160	9	0.9%
TGIF Fridays	Restaurant	-	-	-	120	10	0.7%
		<u>4,019</u>		<u>17.5%</u>	<u>4,274</u>		<u>20.5%</u>

Source: Official Statement

Full-time Equivalent City Employees by Function

	Last Ten Years									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function										
General government.....	63	62	54	49	45	43	43	46	49	58
Public safety.....	246	262	249	226	241	235	245	253	256	282
Education.....	744	778	758	776	815	823	635	700	730	813
Public works.....	71	70	69	51	66	43	45	47	52	59
Health and human services.....	42	50	38	38	40	30	32	28	32	33
Culture and recreation.....	25	27	24	24	23	15	16	16	19	20
Total	<u>1,191</u>	<u>1,249</u>	<u>1,192</u>	<u>1,164</u>	<u>1,230</u>	<u>1,188</u>	<u>1,015</u>	<u>1,090</u>	<u>1,138</u>	<u>1,265</u>

Source: Various City Departments

Operating Indicators by Function/Program

	Last Ten Years									
<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government										
Marriage recordings.....	320	356	340	359	329	385	384	332	303	395
Birth recordings.....	531	560	557	561	598	613	637	592	478	473
Death recordings.....	504	484	469	455	470	441	423	398	386	438
Police										
Physical arrests.....	1,481	1,375	956	875	822	833	752	810	922	801
Motor vehicle violations.....	9,189	7,450	1,026	5,762	3,575	4,135	3,262	3,889	3,307	2,881
Police personnel and officers.....	98	100	100	95	98	89	94	100	106	119
Fire										
Inspections.....	2,773	2,784	2,832	2,785	2,477	4,413	2,988	2,650	3,198	1,625
Emergency responses.....	5,391	5,268	5,010	4,898	4,575	4,781	5,167	5,259	5,752	5,728
Fire personnel and officers.....	106	107	107	93	99	95	95	95	103	105
Education										
Number of students.....	5,690	5,710	5,995	6,262	6,498	6,796	7,008	7,168	7,231	7,125
Number of graduates.....	352	340	367	411	324	348	408	404	490	430
Number of teachers.....	402	402	423	416	434	464	463	485	522	690
Health and human services										
Number of persons using COA transportation....	-	164	142	132	142	185	212	218	217	200

Source: Various City Departments; Massachusetts Department of Education

Note: Council On Aging transportation data prior to 2008 was not available.

Capital Asset Statistics by Function/Program

<u>Function/Program</u>	<u>Last Ten Years</u>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government										
Number of buildings.....	3	3	3	3	3	3	3	3	3	3
Police										
Number of stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of stations.....	3	3	3	3	3	3	3	3	3	3
Education										
Number of elementary schools.....	6	6	6	6	6	6	6	6	6	6
Number of middle schools.....	5	5	5	5	5	5	5	5	5	5
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Cemeteries.....	3	3	3	3	3	3	3	3	3	3

Source: Various City Departments, Manual of the City Government

Free Cash and Stabilization Account Balances

Last Ten Years

<u>Year</u>	<u>Free Cash</u>	<u>Stabilization Accounts</u>
2016.....	\$ 6,705,227	\$ 15,378,002
2015.....	\$ 5,194,938	\$ 12,221,997
2014.....	\$ 5,435,464	\$ 11,354,748
2013.....	\$ 5,156,668	\$ 10,941,602
2012.....	\$ 5,305,529	\$ 9,001,217
2011.....	\$ 3,578,286	\$ 9,224,016
2010.....	\$ 830,286	\$ 9,122,082
2009.....	\$ 3,631,421	\$ 8,974,432
2008.....	\$ 5,683,502	\$ 8,713,422
2007.....	\$ 11,625,470	\$ 6,935,577

Source: City Records & Annual Report from FirstSouthwest

