



City of Chelsea, Massachusetts

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2017

Cover Photo Credit: Rich Cuthie

Description: Spring blooms along the Mystic River

City of Chelsea, Massachusetts

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

Thomas G. Ambrosino
City Manager



Prepared by the Finance Division

CITY OF CHELSEA, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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Introductory Section



Photo credit: Matt Frank

Description: The sun sets over Chelsea City Hall



Thomas G. Ambrosino
City Manager

CITY OF CHELSEA

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December 21, 2017

I am pleased to submit the City of Chelsea's *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended June 30, 2017. This letter of transmittal, and management's discussion and analysis as located in the financial section of the CAFR, provides a comprehensive financial overview of the City.

The CAFR consists of management's representations concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for the representations about the City's finances contained in the CAFR, the City has established a comprehensive internal control framework that is designed to ensure the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the City of Chelsea's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

Pursuant to the City Charter, as particularly found in Section 5-6, and the instituted management practices of City government that the City Council has helped to implement over the years, a primary focus of the City continues to be an adherence to all Charter mandates and applicable ordinances, laws and practices. This CAFR meets and exceeds its legal requirements and presents itself as an informative resource for all those interested in the financial workings of the municipality.

Generally accepted accounting principles ("GAAP") require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the City's independent auditor. The remainder of this transmittal letter highlights concepts important to the administration of the City's financial processes.

REPORTING ENTITY AND SERVICES PROVIDED

The basic financial statements present all of the financial information of the City (the primary government) and its component units as required by accounting principles generally accepted in the United States of America. Component units are included in the City's basic financial statements because of the nature and/or significance of their relationship with the City. The inclusion of such component units within the reporting entity does not affect their legal standing.

The City has included the Chelsea Contributory Retirement System (System) as a component unit (blended) in the basic financial statements. The financial statements of the System are presented for the year ended December 31, 2016, which represents the fiscal reporting period for the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission.

PROFILE OF THE CITY

The City of Chelsea, Massachusetts is located in Suffolk County directly across the Mystic River from the City of Boston. The City was first settled in 1624, established itself as a Town in 1739 and was incorporated as a City in 1857. The City has an estimated population of 35,177 and occupies a land area of 1.8 square miles.

The City provides a full range of traditional municipal services for the territory within its boundaries, including police and fire protection, trash collection and disposal, public education (pre-kindergarten through grade twelve), water and sewer services, parks and recreation, health and social services, libraries/culture and maintenance of streets and highways. The Massachusetts Bay Transportation Authority provides commuter rail service and bus coverage throughout the City with connections to the metropolitan Boston area. The Massachusetts Department of Conservation & Recreation maintains certain parks and highways. The Massachusetts Water Resource Authority provides water and sewerage disposal services to the City.

In August of 1995, the City implemented a new City Charter. The Charter mandated the Council-Manager form of government, which replaced the Mayor-Alderman form of government. The Charter establishes an eleven member City Council, eight members of which are elected by district and three of which are elected at-large. The School Committee consists of nine members; 8 are elected by district and one is elected at-large. The terms of councilors and school committee members are for two years. There are no other elected bodies. The City Manager is selected by the City Council. The City Manager is the chief executive of the City and is responsible for the day-to-day administration of City affairs. The Charter grants the City Manager strong executive and administrative powers.

The Charter requires the implementation of a coordinated budget process. The Council and School Committee share responsibility and coordinate their activities. In addition, the Charter requires the City to implement and undertake annual processes for capital planning, long-term financial forecasting and an open operating budget development process. The City has successfully implemented all the financial mandates required by the Charter.

ECONOMIC CONDITIONS

Because a large portion of Chelsea's annual budget is supported by state government, its financial condition is greatly impacted by the overall economic conditions of the Commonwealth of Massachusetts. Yet, even in these relatively good economic times, non-school state support in the form of General Government Assistance has not grown significantly. This puts enormous pressure on all municipalities because certain ever increasing local costs, such as employee group health insurance and retirement costs, place great strain on municipal budgets.

Chelsea has taken positive steps to minimize the impact of stagnant state aid. Due to conservative fiscal management over the past decade, Chelsea has created healthy reserves. Therefore, even though Chelsea will utilize a small amount of free cash reserves to balance its budget in FY18, and likely in the next few fiscal years as well, it has built up sufficient reserves to enable it to meet its budgetary needs for at least the next five years without any significant shortfall. However, long-term, it is essential that Chelsea generate additional revenue, and it can only do that with continued economic development. It is for that reason that Chelsea continues to aggressively seek growth, albeit in a manner that is properly planned and respectful of potential negative impacts such as traffic and gentrification.

Chelsea's economic development potential remains extremely positive due to three major assets: proximity to the Airport; proximity to downtown Boston; and a robust public transportation network. Public transportation options will only improve with the expected completion of Phase I of the Silver Line Project into Chelsea, scheduled for Spring of 2018. These attributes have contributed to make Chelsea an incredibly attractive community for both residential and commercial development. The evidence is obvious from the projects recently completed, as well as those in the pipeline. Both phases of the residential apartment complex known as One North of Boston on Sixth Street are now completed and occupancy has been robust. Nearby, in the Everett Avenue Urban Renewal District, ("EAURD"), the City permitted another major residential development of 692 units, geared to meet the demand expected from completion of the Silver Line. Site work for that project has already commenced. A new Hilton Homewood Suites Hotel opened in March 2017, bringing to four the number of major hotels in the City. A fifth hotel, a Hilton Hampton Inn, is fully permitted and scheduled to commence construction in 2018. All of this is proof that Chelsea is thriving.

RISK MANAGEMENT

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 all of which the City carries commercial insurance.

The City participates in a self-insured, group health care plan for its active and retired employees. The City is also self-insured for its workers' compensation activities. These activities are accounted for in the internal service fund, where revenues are recorded when earned and expenses are recorded when the liability is incurred.

CAPITAL FINANCING AND DEBT MANAGEMENT

The City's debt burden is relatively low in relation to other communities. Outstanding long-term debt (related to governmental funds) as of June 30, 2017, totaled approximately \$22,807,000, of which \$10,381,000 relates to school remodeling projects and \$5,600,000 relates to urban renewal, leaving a balance of approximately \$6,826,000 in CIP projects.

Since fiscal year 1997, the City had funded a portion of its CIP on a "pay-as-you-go" basis out of current revenues (\$640,865 in FY17). In order to maintain this type of funding, even in difficult economic conditions, various Stabilization Funds have been established and, as of June 30, 2017, these funds totaled approximately \$7,249,253.

CASH MANAGEMENT

The municipal finance laws of the Commonwealth 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. In addition, there are various restrictions limiting the amount and length of deposits and investments.

In Chelsea, idle cash is invested. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City does not require collateral for its certificates of deposit, money market accounts, checking or savings accounts when dealing with major banking institutions in the Boston area. However, City officials reserve the right to require collateral when it is in the best interest of the City to do so. At June 30, 2017, general fund cash and cash equivalents totaled \$47,705,758.

INDEPENDENT AUDIT

The City's financial records, books of accounts and financial transactions are audited each fiscal year by an independent firm of certified public accountants. The independent public accounting firm of CliftonLarsonAllen LLP performed the City's annual audit for the fiscal year ended June 30, 2017. The independent auditors' report on the basic financial statements, for the fiscal year ended June 30, 2017, is included herein and contains an unmodified opinion.

CERTIFICATES, AFFILIATIONS AND AWARDS

For the nineteenth straight year, the City has been recognized by the Government Finance Officers Association (GFOA) of the United States and Canada with a "Certificate of Achievement for Excellence in Financial Reporting" for its June 30, 2016 CAFR. The Certificate of Achievement is the most prestigious award of its kind. The award reflects the effort and emphasis that the City places in meeting and exceeding the highest standards for financial and operational reporting. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and well-organized document that conforms to accounting principles generally accepted in the United States of America and the Certificate Program requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this fiscal year 2017 CAFR continues to meet the Certificate Program's requirements and, accordingly, we have submitted it to the GFOA to determine its eligibility for another Certificate of Achievement.

ACKNOWLEDGMENTS

Chelsea works because the City and the community are committed to advancing causes and promoting even greater revitalization. Stakeholders are collectively addressing shortcomings and building on achievements. Every successful effort reflects the combined hard work of elected officials, City Hall employees, and hardworking, engaged residents.

While we all share in the achievement of another positive CAFR, I especially wish to recognize our financial officials for their continuing work. The City has assembled an extraordinary financial team that has earned distinction, including receipt of a long string of municipal awards. This CAFR stands as a further testament to their work.

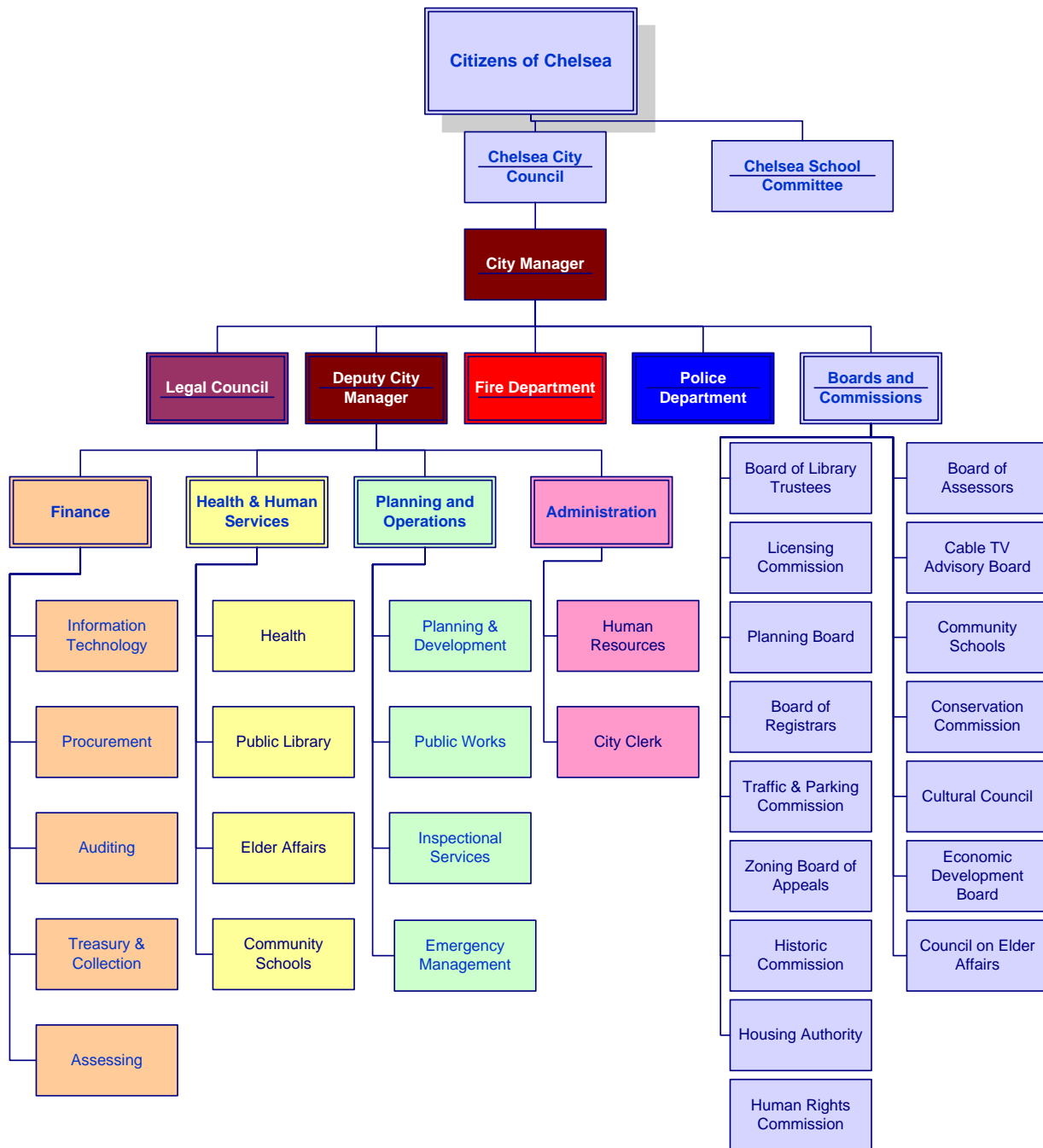
On behalf of the entire City, I am pleased to share with the City Council and the entire Chelsea community the City's fiscal year 2017 CAFR. Once again, our municipal government is not only accurately and openly reporting its operations, but it is doing so in a transparent manner consistent with Chelsea's revitalized City government.

Yours truly,



Thomas G. Ambrosino
City Manager

City of Chelsea Organization



Elected Officials - City Council

At Large	Leo Robinson, <i>President</i>
At Large	Damali Vidot, <i>Vice President</i>
At Large	Roy Avellaneda
District One	Paul R. Murphy
District Two	Luis Tejada
District Three	Matthew R. Frank
District Four	Enio A. Lopez
District Five	Judith Garcia
District Six	Giovanni A. Recupero
District Seven	Yamir Rodriguez
District Eight	Daniel Cortell

Elected Officials - School Committee

At Large	Shawn O'Regan, <i>Delegate to City Council</i>
District One	Rosemarie Carlisle, <i>Vice-Chairman</i>
District Two	Jeanette Velez, <i>Chairman</i>
District Three	Richard Maronski
District Four	Diana Maldonado
District Five	Vacant
District Six	Ana Hernandez
District Seven	Kelly Garcia
District Eight	Yessenia Alfaro-Alvarez

Principal Officials

Department	Official(s)	Additional Areas of Authority
Assessors	Ken Stein, Chairman Mary-Lou Ireland, Director	
Auditing	Edward Dunn, Auditor	
City Clerk	Jeannette Cintron White, City Clerk	Traffic & Parking
City Council	Leo Robinson, President Paul Casino, Administrator	
Executive	Thomas Ambrosino, City Manager Ned Keefe, Deputy City Manager	
Emergency Management	Allan I. Alpert, Director	E911
Fire	Leonard Albanese, Chief	
Health & Human Services	Luis Prado, Director	Elder Affairs, Health, Library, Veterans Services, Community Schools
Human Resources	Diane Carey, Director	
Inspectional Services	Michael McAteer, Director	
Legal	Cheryl Watson Fisher, City Solicitor	
M.I.S.	Ramon Garcia, Director	
Planning & Development	John DePriest, Executive Director	Planning, Economic Development, Housing
Police	Brian Kyes, Chief	Animal Control, Harbor Master
Public Works	Bertram Taverna, Director	
Retirement Board	Joseph Siewko, Chairman	
School	Michael Mason, Business Manager Noel Velez, Assistant Business Manager	
Treasurer/Collector	Robert Boulrice, Treasurer/Collector	Central Billing and Research
Veteran Services	Francisco Toro, Director	



Government Finance Officers Association

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

Presented to

**City of Chelsea
Massachusetts**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Evers". The signature is fluid and cursive.

Executive Director/CEO

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Financial Section



Photo Credit: Matt Frank

Description: 4th of July weekend, 2017

Independent Auditors' Report

To the Honorable City Council and City Manager
City of Chelsea, 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 Chelsea, Massachusetts, as of and for the year ended June 30, 2017 (except for the Chelsea Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2016), and the related notes to the financial statements, which collectively comprise the City of Chelsea, Massachusetts' 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 from 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 Chelsea, Massachusetts, as of June 30, 2017 (except for the Chelsea Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2016), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 15 through 24) and general fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 75 through 89) 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

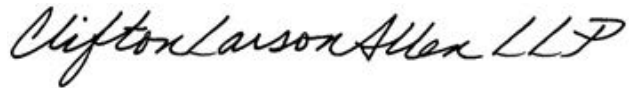
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chelsea, Massachusetts' basic financial statements. The introductory section, combining and individual fund statements and schedules and statistical section are presented for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

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate 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 and schedules 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 21, 2017 on our consideration of the City of Chelsea, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Chelsea, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

December 21, 2017
Boston, Massachusetts

Management's Discussion and Analysis

As management of the City of Chelsea, Massachusetts (City), we offer readers of these financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$64,268,300 (net position).
- The City's total net position increased \$17,608,207.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$45,518,645, or 27.8 percent of total general fund revenues and transfers in from other funds.
- The City's total outstanding long-term debt increased by \$4,486,997 during the fiscal year. The City issued \$8,530,000 of general obligation bonds and \$845,000 in MWRA notes during the fiscal year.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains required supplementary and other information in addition to the basic financial statements.

Government-wide financial statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City 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*). Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, community development and debt service (interest). Business-type activities include the water and sewer operations.

The government-wide financial statements can be found on pages 26-28 of this report.

Fund financial statements

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

1. Governmental funds
2. Proprietary funds
3. Fiduciary funds

Governmental Funds

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

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

The City maintains 18 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other 16 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 91-99 of this report.

The basic governmental funds financial statements can be found on pages 29-32 of this report.

Proprietary funds

The City maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations and is considered to be a major fund.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for a portion of its retirees' health insurance and all of its workers' compensation risk-financing activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements, but are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements on pages 100-103 of this report.

The basic proprietary fund financial statements can be found on pages 33-35 of this report.

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 statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary funds provide separate information for the City's pension trust fund. Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds," respectively.

The basic fiduciary fund financial statements can be found on pages 36-37 of this report.

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. The notes to the financial statements can be found on pages 38-73 of this report.

Required Supplementary and Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the budget comparison for the general fund and certain pension and other postemployment benefits information. Such information can be located on pages 75-89 of this report.

The combining statements previously referred to are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities and deferred inflows of resources by \$64,268,300 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2017	2016	2017	2016	2017	2016
Assets						
Current assets.....	\$ 102,236,600	\$ 88,145,245	\$ 26,056,825	\$ 22,418,304	\$ 128,293,425	\$ 110,563,549
Noncurrent assets (excluding capital assets).....	1,398,271	1,436,385	-	-	1,398,271	1,436,385
Capital assets (net).....	176,886,860	158,301,387	29,952,915	29,136,283	206,839,775	187,437,670
Total assets.....	280,521,731	247,883,017	56,009,740	51,554,587	336,531,471	299,437,604
Deferred outflows of resources.....	11,429,694	14,341,126	172,878	99,587	11,602,572	14,440,713
Liabilities						
Current liabilities (excluding debt).....	11,530,472	13,800,255	1,527,444	193,924	13,057,916	13,994,179
Noncurrent liabilities (excluding debt).....	229,483,144	214,989,908	2,814,093	1,962,848	232,297,237	216,952,756
Current debt.....	2,808,314	2,480,222	2,344,875	2,407,781	5,153,189	4,888,003
Noncurrent debt.....	19,998,688	17,267,002	11,475,897	9,985,772	31,474,585	27,252,774
Total liabilities.....	263,820,618	248,537,387	18,162,309	14,550,325	281,982,927	263,087,712
Deferred inflows of resources.....	1,854,762	4,102,011	28,054	28,501	1,882,816	4,130,512
Net Position						
Net investment in capital assets.....	162,050,337	146,694,947	29,291,684	18,000,489	191,342,021	164,695,436
Restricted.....	31,768,286	26,936,571	-	-	31,768,286	26,936,571
Unrestricted.....	(167,542,578)	(164,046,773)	8,700,571	19,074,859	(158,842,007)	(144,971,914)
Total net position.....	\$ 26,276,045	\$ 9,584,745	\$ 37,992,255	\$ 37,075,348	\$ 64,268,300	\$ 46,660,093

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and infrastructure). These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the net investment in its capital assets is reported net of 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 City's net position represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position of \$8,700,571 may be used to meet the City's ongoing obligations to citizens and creditors for the City's water and sewer activities.

The City has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of pension and other postemployment benefits liabilities.

Changes in Net Position

For the fiscal year ended June 30, 2017, the City's total net position increased by \$17,608,207, compared to an increase of \$13,989,724 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2017	2016	2017	2016	2017	2016
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 10,384,494	\$ 10,768,979	\$ 19,481,212	\$ 18,658,888	\$ 29,865,706	\$ 29,427,867
Operating grants and contributions.....	109,842,971	101,301,162	-	0	109,842,971	101,301,162
Capital grants and contributions.....	12,086,531	11,739,950	132,000	1,130,530	12,218,531	12,870,480
<i>General Revenues:</i>						
Real estate and personal property taxes.....	51,670,468	48,999,853	-	-	51,670,468	48,999,853
Motor vehicle and other excise taxes.....	17,474,882	13,037,097	-	-	17,474,882	13,037,097
Meals and room taxes.....	1,624,438	1,668,783	-	-	1,624,438	1,668,783
Penalties and interest on taxes.....	342,704	444,350	-	-	342,704	444,350
Payments in lieu of taxes.....	1,827,288	2,084,999	-	-	1,827,288	2,084,999
Grants and contributions not restricted to specific programs.....	8,758,461	8,071,764	-	-	8,758,461	8,071,764
Unrestricted investment income.....	721,227	1,090,810	-	-	721,227	1,090,810
Total revenues.....	215,291,960	199,207,747	19,613,212	19,789,418	234,905,172	218,997,165
Expenses						
General government.....	8,252,547	6,504,975	-	-	8,252,547	6,504,975
Public safety.....	41,233,536	42,312,639	-	-	41,233,536	42,312,639
Education.....	133,951,256	124,549,859	-	-	133,951,256	124,549,859
Public works.....	6,141,699	6,649,021	-	-	6,141,699	6,649,021
Health and human services.....	5,084,876	4,736,315	-	-	5,084,876	4,736,315
Culture and recreation.....	1,140,358	924,397	-	-	1,140,358	924,397
Community development.....	3,898,699	3,557,852	-	-	3,898,699	3,557,852
Debt service - interest.....	785,323	743,493	-	-	785,323	743,493
Water and sewer.....	-	-	16,808,671	15,028,890	16,808,671	15,028,890
Total expenses.....	200,488,294	189,978,551	16,808,671	15,028,890	217,296,965	205,007,441
Change in net position before transfers.....	14,803,666	9,229,196	2,804,541	4,760,528	17,608,207	13,989,724
Transfers, net.....	1,887,634	1,521,594	(1,887,634)	(1,521,594)	-	-
Change in net position.....	16,691,300	10,750,790	916,907	3,238,934	17,608,207	13,989,724
Net position - beginning of year.....	9,584,745	(1,166,045)	37,075,348	33,836,414	46,660,093	32,670,369
Net position - end of year.....	\$ 26,276,045	\$ 9,584,745	\$ 37,992,255	\$ 37,075,348	\$ 64,268,300	\$ 46,660,093

Governmental activities increased the City's net position by \$16,691,300. In the prior year, governmental activities increased the City's net position by \$10,750,790. The key elements of this change is the decrease in the net change of the City's net pension liability and transfers from the general fund to capital projects funds that were unspent as of the end of the fiscal year.

Business-type activities increased the City's net position by \$916,907. In the prior year, business-type activities increased the City's net position by \$3,238,934. The increase in the overall net position of business-type activities is primarily the result of planned operating revenues exceeding expenditures, consistent with the prior year.

Fund Financial Statement Analysis

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

Governmental funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$83,901,029, an increase of \$10,190,872 in comparison with the prior year. \$44,448,606 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$22,392)
- Restricted (\$32,801,999)
- Committed (\$3,745,271)
- Assigned (\$2,882,761)

The general fund is the primary operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$45,518,645, while total fund balance was \$53,431,366. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund revenues and transfers in from other funds. Unassigned fund balance represents 27.8% of total general fund revenues and transfers in from other funds, while total fund balance represents 32.6% of that same amount.

The balance of the City's general fund increased \$5,193,402 during the fiscal year. The City recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$10,208,000; and used approximately \$13,409,000 of reserves to fund the budget.

The fund balance of the Clark Avenue school construction fund (capital projects) decreased \$394,236 during the current fiscal year. The fund recognized \$11,266,584 of intergovernmental revenues, \$3,000,000 of bond and note proceeds and transfers in of \$2,000,000. Expenditures totaled \$16,660,820.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and sewer enterprise fund at the end of the year amounted to \$8,700,571. The water and sewer enterprise fund had an increase in net position for the year of \$916,907. Other factors concerning the finances of the fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The original general fund budget of \$157,454,262 was increased by \$10,323,091 (6.6%) during the fiscal year. The following table summarizes the increase:

<u>Purpose of Increase/Decrease</u>	<u>Amount</u>
Transfers to other funds.....	\$ 7,248,101
Employee benefits.....	1,133,660
Education.....	949,767
Public works.....	739,556
Public safety.....	285,480
Health and human services.....	30,286
Claims and judgments.....	13,155
Culture and recreation.....	9,294
General government.....	<u>(86,208)</u>
Total net increase.....	\$ <u>10,323,091</u>

During the year, general fund revenues and other financing sources exceeded budgetary estimates and expenditures, encumbrances and continuing appropriations were less than appropriations, resulting in an actual increase in fund balance that exceeded the final amended budget amount by approximately \$13,091,000. Actual revenues for motor vehicle and other excise taxes were approximately \$4,094,000 higher than budgeted due to conservative revenue estimates and increased taxes from rental car companies. Actual expenditures for education, general government and public safety were lower than budgeted amounts by approximately \$1,695,000, \$1,095,000 and \$887,000, respectively. This is primarily the result of conservative spending.

Capital Asset and Debt AdministrationCapital assets

The City's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$206,839,775 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure. The total increase in the investment in capital assets for the current fiscal year totaled 10.4%.

Major capital asset events that occurred during the current fiscal year include the following:

- Clark Avenue Middle School construction in progress (\$16,315,000)
- Land acquisition (\$1,340,000)
- Continued reconstruction of roadways, sidewalks and drains (\$3,139,000)
- Continued improvements to water and sewer infrastructure (\$1,643,000)

The following table summarizes the City's capital assets (net of accumulated depreciation):

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2017	2016	2017	2016	2017	2016
Land.....	\$ 19,218,663	\$ 17,878,663	\$ -	\$ -	\$ 19,218,663	\$ 17,878,663
Construction in progress.....	41,970,639	25,578,073	149,721	-	42,120,360	25,578,073
Buildings and improvements..	83,221,281	85,600,864	-	-	83,221,281	85,600,864
Machinery and equipment.....	4,043,660	2,745,593	-	-	4,043,660	2,745,593
Infrastructure.....	28,432,617	26,498,194	29,803,194	29,136,283	58,235,811	55,634,477
Total capital assets.....	<u>\$ 176,886,860</u>	<u>\$ 158,301,387</u>	<u>\$ 29,952,915</u>	<u>\$ 29,136,283</u>	<u>\$ 206,839,775</u>	<u>\$ 187,437,670</u>

Additional information on the City's capital assets can be found in Note 5 of this report.

Long-Term Debt

At the end of the current fiscal year, total debt outstanding was \$36,627,774, which is backed by the full faith and credit of the City, and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2017	2016	2017	2016	2017	2016
General obligation bonds.....	\$ 22,807,002	\$ 19,747,224	\$ 8,852,999	\$ 7,487,814	\$ 31,660,001	\$ 27,235,038
State House notes.....	-	-	-	-	-	-
Private loans.....	-	-	-	-	-	-
MCWT notes.....	-	-	181,487	192,609	181,487	192,609
MWRA notes.....	-	-	4,786,286	4,713,130	4,786,286	4,713,130
Total bonds, notes and loans...	<u>\$ 22,807,002</u>	<u>\$ 19,747,224</u>	<u>\$ 13,820,772</u>	<u>\$ 12,393,553</u>	<u>\$ 36,627,774</u>	<u>\$ 32,140,777</u>

The City's total debt increased \$4,486,997 (or 14.0%) during the fiscal year. The City issued \$8,530,000 of general obligation bonds and \$845,000 in MWRA notes during the fiscal year.

The City received an AA bond rating from Standard & Poor's for the general obligation bonds issued during the fiscal year.

Additional information on the City's long-term debt can be found in Note 9 and Note 10 of this report.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Office, City Hall, 500 Broadway, Chelsea, Massachusetts 02150.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents.....	\$ 47,705,758	\$ 6,588,204	\$ 54,293,962
Restricted Cash and Cash Equivalents.....	37,369,696	15,200,687	52,570,383
Investments.....	6,978,305	-	6,978,305
Restricted Investments.....	4,225,759	-	4,225,759
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes.....	783,155	-	783,155
Tax, Trash and Utility Liens.....	661,585	282,031	943,616
Motor Vehicle and Other Excise Taxes.....	2,226,269	-	2,226,269
Community Preservation Surcharges.....	13,934	-	13,934
User Charges.....	-	3,985,903	3,985,903
Trash.....	245,438	-	245,438
Department and Other.....	1,878,075	-	1,878,075
Intergovernmental.....	148,626	-	148,626
Total Current Assets.....	102,236,600	26,056,825	128,293,425
Noncurrent Assets:			
Restricted Investments.....	1,284,688	-	1,284,688
Tax Foreclosures.....	113,583	-	113,583
Capital Assets not being Depreciated.....	61,189,302	149,721	61,339,023
Capital Assets, Net of Accumulated Depreciation.....	115,697,558	29,803,194	145,500,752
Total Noncurrent Assets.....	178,285,131	29,952,915	208,238,046
Total Assets.....	280,521,731	56,009,740	336,531,471
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pension.....	11,429,694	172,878	11,602,572
LIABILITIES			
Current Liabilities:			
Warrants Payable.....	7,019,413	1,425,343	8,444,756
Accrued Payroll.....	897,918	4,842	902,760
Tax Refunds Payable.....	615,199	-	615,199
Other Liabilities.....	69,813	-	69,813
Abandoned Property.....	153,579	-	153,579
Customer Deposits.....	-	8,146	8,146
Accrued Interest.....	311,191	89,113	400,304
Accrued Health Claims Payable.....	1,097,780	-	1,097,780
Workers' Compensation Claims.....	100,579	-	100,579
Compensated Absences.....	1,265,000	-	1,265,000
Long-Term Bonds and Notes Payable.....	2,808,314	2,344,875	5,153,189
Total Current Liabilities.....	14,338,786	3,872,319	18,211,105
Noncurrent Liabilities:			
Workers' Compensation Claims.....	80,700	-	80,700
Compensated Absences.....	6,395,000	-	6,395,000
Net Pension Liability.....	75,209,345	1,137,569	76,346,914
Net OPEB Obligation.....	147,798,099	1,676,524	149,474,623
Long-Term Bonds and Notes Payable.....	19,998,688	11,475,897	31,474,585
Total Noncurrent Liabilities.....	249,481,832	14,289,990	263,771,822
Total Liabilities.....	263,820,618	18,162,309	281,982,927
DEFERRED INFLOWS OF RESOURCES			
Related to Pension.....	1,854,762	28,054	1,882,816
NET POSITION			
Net Investment in Capital Assets.....	162,050,337	29,291,684	191,342,021
Restricted for:			
OPEB.....	1,284,689	-	1,284,689
Community Preservation.....	559,027	-	559,027
Permanent Funds:			
Expendable.....	103,379	-	103,379
Nonexpendable.....	22,392	-	22,392
Community Development and Redevelopment.....	8,258,019	-	8,258,019
Receipts Reserved.....	4,589,677	-	4,589,677
Gifts and Grants.....	3,191,553	-	3,191,553
School Lunch and Other School Revolving.....	3,585,204	-	3,585,204
Capital.....	7,922,337	-	7,922,337
Other Specific Purposes.....	2,252,009	-	2,252,009
Unrestricted.....	(167,542,578)	8,700,571	(158,842,007)
Total Net Position.....	\$ 26,276,045	\$ 37,992,255	\$ 64,268,300

See accompanying Notes to Basic Financial Statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/ Revenue	
Primary Government:						
Governmental Activities:						
General Government.....	\$ 8,252,547	\$ 1,565,897	\$ 1,579,128	\$ -	\$ (5,107,522)	
Public Safety.....	41,233,536	6,355,040	1,864,626	85,572	(32,928,298)	
Education.....	133,951,256	727,190	99,020,033	11,266,584	(22,937,449)	
Public Works.....	6,141,699	1,572,575	180,972	734,375	(3,653,777)	
Health and Human Services.....	5,084,876	65,255	838,393	-	(4,181,228)	
Culture and Recreation.....	1,140,358	27,589	78,969	-	(1,033,800)	
Community Development.....	3,898,699	70,948	5,598,938	-	1,771,187	
Debt Service-Interest.....	785,323	-	681,912	-	(103,411)	
Total Governmental Activities.....	200,488,294	10,384,494	109,842,971	12,086,531	(68,174,298)	
Business-Type Activities:						
Water and Sewer.....	16,808,671	19,481,212	-	132,000	2,804,541	
Total Primary Government.....	\$ 217,296,965	\$ 29,865,706	\$ 109,842,971	\$ 12,218,531	\$ (65,369,757)	

See accompanying Notes to Basic Financial Statements.

(continued)

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION			
Net (Expense) Revenue (From Previous Page).....	\$ (68,174,298)	\$ 2,804,541	\$ (65,369,757)
General Revenues:			
Real Estate and Personal Property Taxes.....	51,670,468	-	51,670,468
Motor Vehicle and Other Excise Taxes.....	17,474,882	-	17,474,882
Meals and Room Taxes.....	1,624,438	-	1,624,438
Penalties and Interest on Taxes.....	342,704	-	342,704
Payments in Lieu of Taxes.....	1,827,288	-	1,827,288
Community Preservation Surcharges	558,496	-	558,496
Grants and Contributions not Restricted to.....			
Specific Programs.....	8,758,461	-	8,758,461
Unrestricted Investment Income.....	721,227	-	721,227
Sale of Land.....	-	-	-
Transfers, Net.....	1,887,634	(1,887,634)	-
Total General Revenues and Transfers.....	84,865,598	(1,887,634)	82,977,964
CHANGE IN NET POSITION.....	16,691,300	916,907	17,608,207
Net Position - Beginning of Year.....	9,584,745	37,075,348	46,660,093
NET POSITION - END OF YEAR.....	<u>\$ 26,276,045</u>	<u>\$ 37,992,255</u>	<u>\$ 64,268,300</u>

(concluded)

See accompanying Notes to Basic Financial Statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2017

ASSETS	General	Clark Avenue School Construction	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents.....	\$ 47,705,758	\$ -	\$ -	\$ 47,705,758
Investments.....	6,978,305	-	-	6,978,305
Restricted cash and cash equivalents.....	-	6,176,206	25,324,064	31,500,270
Restricted investments.....	1,284,689	-	4,225,759	5,510,448
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes.....	783,155	-	-	783,155
Tax and Trash Liens.....	661,585	-	-	661,585
Motor Vehicle and Other Excise taxes.....	2,226,269	-	-	2,226,269
Community Preservation Surcharges.....	-	-	13,934	13,934
Trash	245,438	-	-	245,438
Departmental and Other.....	1,397,143	-	480,932	1,878,075
Intergovernmental.....	-	-	148,626	148,626
Due from Other Funds.....	1,234,469	-	-	1,234,469
Tax Foreclosures.....	113,583	-	-	113,583
Total Assets.....	\$ 62,630,394	\$ 6,176,206	\$ 30,193,315	\$ 98,999,915
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Warrants Payable.....	\$ 2,428,591	\$ 3,379,103	\$ 1,145,081	\$ 6,952,775
Accrued Payroll.....	751,366	-	127,271	878,637
Tax Refunds Payable.....	615,199	-	-	615,199
Other Liabilities.....	69,813	-	-	69,813
Abandoned Property.....	150,604	-	-	150,604
Due to Other Funds.....	-	-	1,234,469	1,234,469
Total Liabilities.....	4,015,573	3,379,103	2,506,821	9,901,497
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue.....	5,183,455	-	13,934	5,197,389
FUND BALANCES				
Nonspendable.....	-	-	22,392	22,392
Restricted.....	1,284,689	2,797,103	28,720,207	32,801,999
Committed.....	3,745,271	-	-	3,745,271
Assigned.....	2,882,761	-	-	2,882,761
Unassigned.....	45,518,645	-	(1,070,039)	44,448,606
Total Fund Balances.....	53,431,366	2,797,103	27,672,560	83,901,029
Total Liabilities, Deferred Inflows of Resources and Fund Balances.....	\$ 62,630,394	\$ 6,176,206	\$ 30,193,315	\$ 98,999,915

See accompanying Notes to Basic Financial Statements.

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

JUNE 30, 2017

Total Governmental Fund Balances.....	\$ 83,901,029
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....	176,886,860
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.....	5,197,388
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....	(311,191)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds and Notes Payable.....	(22,807,002)
Compensated Absences.....	(7,660,000)
Net OPEB Obligation.....	(147,798,099)
Net Pension Liability.....	(75,209,345)
In the statement of net position, deferred outflows of resources are reported for amounts related to pension.....	11,429,694
In the statement of net position, deferred inflows of resources are reported for amounts related to pension.....	(1,854,762)
Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are reported as governmental activities in the statement of net position.....	4,501,473
Net Position of Governmental Activities.....	\$ <u>26,276,045</u>

See accompanying Notes to Basic Financial Statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General	Clark Avenue School Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Real Estate and Personal Property Taxes.....	\$ 50,307,484	\$ -	\$ -	\$ 50,307,484
Motor Vehicle and Other Excise Taxes.....	15,673,336	-	-	15,673,336
Meals and room taxes.....	1,624,438	-	-	1,624,438
Tax and Trash Liens.....	1,142,958	-	-	1,142,958
Payments in Lieu of Taxes.....	1,827,288	-	-	1,827,288
Community Preservation Surcharges.....	-	-	544,562	544,562
Charges for Services.....	-	-	3,319,396	3,319,396
Trash Disposal.....	1,549,819	-	-	1,549,819
Intergovernmental.....	83,833,873	11,266,584	19,050,389	114,150,846
Penalties and Interest on Taxes.....	342,173	-	531	342,704
Licenses and Permits.....	1,341,405	-	-	1,341,405
Fines and Forfeitures.....	2,561,169	-	-	2,561,169
Departmental and Other.....	781,144	-	710,888	1,492,032
Contributions.....	-	-	2,606,735	2,606,735
Investment Income.....	643,105	-	221,177	864,282
Total Revenues.....	<u>161,628,192</u>	<u>11,266,584</u>	<u>26,453,678</u>	<u>199,348,454</u>
EXPENDITURES				
Current:				
General Government.....	4,411,980	-	2,218,956	6,630,936
Public Safety.....	23,118,799	-	5,011,143	28,129,942
Education.....	84,830,508	16,660,820	13,553,193	115,044,521
Public Works.....	5,479,301	-	1,778,233	7,257,534
Health and Human Services.....	1,488,063	-	459,341	1,947,404
Culture and Recreation.....	525,879	-	155,229	681,108
Community Development.....	-	-	4,080,978	4,080,978
Pension Benefits.....	7,076,377	-	-	7,076,377
Employee Benefits.....	8,709,185	-	-	8,709,185
Property and Liability Insurance.....	750,000	-	-	750,000
Claims and Judgments.....	63,155	-	-	63,155
State and County Charges.....	13,635,401	-	-	13,635,401
Debt Service:				
Principal.....	2,480,222	-	-	2,480,222
Interest.....	780,365	-	-	780,365
Total Expenditures.....	<u>153,349,235</u>	<u>16,660,820</u>	<u>27,257,073</u>	<u>197,267,128</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	<u>8,278,957</u>	<u>(5,394,236)</u>	<u>(803,395)</u>	<u>2,081,326</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Bonds and Notes.....	-	3,000,000	2,540,000	5,540,000
Premium from Issuance of Bonds and Notes.....	681,912	-	-	681,912
Transfers In.....	2,182,634	2,000,000	5,065,240	9,247,874
Transfer Out.....	(5,950,101)	-	(1,410,139)	(7,360,240)
Total Other Financing Sources (Uses).....	<u>(3,085,555)</u>	<u>5,000,000</u>	<u>6,195,101</u>	<u>8,109,546</u>
NET CHANGE IN FUND BALANCES.....	<u>5,193,402</u>	<u>(394,236)</u>	<u>5,391,706</u>	<u>10,190,872</u>
Fund Balances - Beginning of Year.....	<u>48,237,964</u>	<u>3,191,339</u>	<u>22,280,854</u>	<u>73,710,157</u>
FUND BALANCES - END OF YEAR.....	<u>\$ 53,431,366</u>	<u>\$ 2,797,103</u>	<u>\$ 27,672,560</u>	<u>\$ 83,901,029</u>

See accompanying 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**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances - Total Governmental Funds.....	\$ 10,190,872
<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. These amounts represent the related activity of the current period.</p>	
Capital Outlays.....	24,643,465
Depreciation.....	(6,057,992)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.....</p>	
	2,156,179
<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 impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Proceeds of Bonds.....	(5,540,000)
Bond Maturities.....	2,480,222
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>	
	(4,958)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Compensated Absences.....	(849,000)
Net OPEB Obligation.....	(14,624,850)
Net Pension Liability.....	730,679
<p>In the statement of activities, deferred outflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows related to pensions.....</p>	
	(2,911,432)
<p>In the statement of activities, deferred inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred inflows related to pensions.....</p>	
	2,247,249
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of the internal service funds is reported with governmental activities.....</p>	
	4,230,866
Changes in Net Position of Governmental Activities.....	\$ 16,691,300

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION

JUNE 30, 2017

	Business-Type Activities - Water & Sewer Enterprise	Governmental Activities - Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents.....	\$ 8,621,204	\$ -
Restricted Cash and Cash Equivalents.....	13,167,687	5,869,425
Receivables, Net of Allowance for Uncollectible Amounts:		
User Charges.....	3,985,903	-
Utility Liens.....	282,031	-
Total Current Assets.....	<u>26,056,825</u>	<u>5,869,425</u>
Long-term Assets:		
Capital Assets not being Depreciated.....	149,721	-
Capital Assets, Net of Accumulated Depreciation.....	<u>29,803,194</u>	<u>-</u>
Total Noncurrent Assets.....	<u>29,952,915</u>	<u>-</u>
Total Assets.....	<u>56,009,740</u>	<u>5,869,425</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pension.....	<u>172,878</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Warrants Payable.....	1,425,343	66,637
Accrued Payroll.....	4,842	19,281
Other Liabilities.....	-	2,975
Customer Deposits.....	8,146	-
Accrued Interest.....	89,113	-
Accrued Health Claims Payable.....	-	1,097,780
Workers' Compensation Claims.....	-	100,579
Long-Term Bonds and Notes Payable.....	<u>2,344,875</u>	<u>-</u>
Total Current Liabilities.....	<u>3,872,319</u>	<u>1,287,252</u>
Long-term Liabilities:		
Workers' Compensation Claims.....	-	80,700
Net Pension Liability.....	1,137,569	-
Net OPEB Obligation.....	1,676,524	-
Long-Term Bonds and Notes Payable.....	<u>11,475,897</u>	<u>-</u>
Total Noncurrent Liabilities.....	<u>14,289,990</u>	<u>80,700</u>
Total Liabilities.....	<u>18,162,309</u>	<u>1,367,952</u>
DEFERRED INFLOWS OF RESOURCES		
Related to Pension.....	<u>28,054</u>	<u>-</u>
FUND NET POSITION		
Net Investment in Capital Assets.....	29,291,684	-
Unrestricted.....	<u>8,700,571</u>	<u>4,501,473</u>
Total Net Position.....	<u>\$ 37,992,255</u>	<u>\$ 4,501,473</u>

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Water & Sewer Enterprise	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Charges for Services.....	\$ 19,481,212	\$ -
Employer Contributions.....	-	21,713,611
Employee Contributions.....	-	4,475,168
	<u>19,481,212</u>	<u>26,188,779</u>
OPERATING EXPENSES		
Cost of Service and Administration.....	3,733,008	-
MWRA Assessment.....	11,878,395	-
Depreciation.....	975,772	-
Employee Benefits.....	-	21,957,990
	<u>16,587,175</u>	<u>21,957,990</u>
OPERATING INCOME (LOSS).....	<u>2,894,037</u>	<u>4,230,789</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income.....	-	77
Interest Expense.....	(221,496)	-
	<u>(221,496)</u>	<u>77</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	<u>2,672,541</u>	<u>4,230,866</u>
Capital Contributions.....	132,000	-
Transfers Out.....	(1,887,634)	-
	<u>(1,755,634)</u>	<u>-</u>
CHANGE IN FUND NET POSITION.....	916,907	4,230,866
Fund Net Position - Beginning of Year.....	<u>37,075,348</u>	<u>270,607</u>
FUND NET POSITION - END OF YEAR.....	<u><u>\$ 37,992,255</u></u>	<u><u>\$ 4,501,473</u></u>

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Water & Sewer Enterprise	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users.....	\$ 19,307,922	\$ -
Receipts from Interfund Services Provided.....	-	26,188,779
Payments to Vendors.....	(12,738,917)	-
Payments to Employees.....	(771,987)	(20,825,806)
Net Cash Provided by Operating Activities.....	5,797,018	5,362,973
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers Out.....	(1,887,634)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the Issuance of Bonds and Notes.....	3,835,000	-
Capital Contributions.....	132,000	-
Acquisition and Construction of Capital Assets.....	(1,792,404)	-
Principal Payments on Bonds and Notes.....	(2,407,781)	-
Interest Expense.....	(197,968)	-
Net Cash Used by Capital and Related Financing Activities.....	(431,153)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income.....	-	77
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	3,478,231	5,363,050
Cash and Cash Equivalents - Beginning of Year (Includes \$6,528,155 and \$506,375 Reported as Restricted in the Water/Sewer Enterprise and Internal Service Fund, Respectively).....	18,310,660	506,375
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$13,167,687 and \$5,869,425 Reported as Restricted in the Water/Sewer Enterprise and Internal Service Fund, Respectively).....	\$ 21,788,891	\$ 5,869,425
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income (Loss).....	\$ 2,894,037	\$ 4,230,789
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities not Requiring Current Cash Flows:		
Depreciation.....	975,772	-
Effect of Changes in Operating Assets and Liabilities:		
Utility Liens.....	(37,831)	-
User Charges.....	(122,459)	-
Warrants Payable.....	1,320,932	66,637
Accrued Payroll.....	2,060	16,085
Customer Deposits.....	(13,000)	-
Accrued Health Claims Payable.....	-	1,097,780
Workers' Compensation Claims.....	-	(48,318)
Deferred Outflows of Resources Related to Pension.....	(73,291)	-
Deferred Inflows of Resources Related to Pension.....	(447)	-
Net Pension Liability.....	630,039	-
Net OPEB Obligation.....	221,206	-
Total Adjustments.....	2,902,981	1,132,184
Net Cash Provided by Operating Activities.....	\$ 5,797,018	\$ 5,362,973

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

ASSETS	Pension Trust Fund (As of 12/31/16)	Private Purpose Trust Funds	Agency Funds
Cash and Cash Equivalents.....	\$ 422,454	\$ 516,607	\$ 859,595
Investments:			
External Investment Pool.....	138,533,851	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Intergovernmental.....	69,032	-	-
Total Assets.....	<u>139,025,337</u>	<u>516,607</u>	<u>\$ 859,595</u>
LIABILITIES			
Warrants Payable.....	381	-	-
Liabilities Due Depositors.....	-	-	859,595
Total Liabilities.....	<u>381</u>	<u>-</u>	<u>\$ 859,595</u>
NET POSITION			
Net Position Restricted for Pensions and Other Purposes.....	<u>\$ 139,024,956</u>	<u>\$ 516,607</u>	

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Pension Trust Fund (As of 12/31/16)	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer.....	\$ 10,955,000	\$ -
Plan Members.....	3,265,000	-
Private Donations.....	-	42,294
	<u>14,220,000</u>	<u>42,294</u>
Total Contributions.....		
Net Investment Income:		
Net Appreciation in Fair Value of Investments.....	6,295,777	-
Dividends and Interest.....	3,778,438	1,543
	<u>10,074,215</u>	<u>1,543</u>
Total Investment Income.....		
Less: Investment Expense.....	(706,215)	-
	<u>9,368,000</u>	<u>1,543</u>
NET INVESTMENT INCOME.....		
Other.....	641,339	-
	<u>24,229,339</u>	<u>43,837</u>
Total Additions.....		
DEDUCTIONS		
Administration.....	215,195	-
Retirement Benefits and Refunds.....	10,657,000	-
Transfers to Other Systems.....	630,654	-
Scholarships Awarded.....	-	48,405
	<u>11,502,849</u>	<u>48,405</u>
Total Deductions.....		
CHANGE IN NET POSITION.....	12,726,490	(4,568)
Net Position - Beginning of Year.....	126,298,466	521,175
NET POSITION - END OF YEAR.....	<u>\$ 139,024,956</u>	<u>\$ 516,607</u>

See accompanying Notes to Basic Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. General**

The basic financial statements 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 standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

B. Reporting Entity

The City of Chelsea, Massachusetts (City) is a municipal corporation that is governed by a City Manager and an 11-member elected City Council (Council).

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the City.

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/or significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the City (primary government) and its component units.

The City has included one entity as a component unit (fiduciary fund) in the reporting entity because of the significance of its operational and financial relationship with the City. Component units are entities that are legally separate from the City, but are so related that they are, in substance, the same as the City or entities providing services entirely or almost entirely for the benefit of the City.

Fiduciary Fund Component Unit

The Chelsea Contributory Retirement System (System) was established to provide retirement benefits to City employees, the Chelsea 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 City Manager and one member appointed by the Retirement Board's members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary funds 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 500 Broadway, Chelsea, Massachusetts 02150.

Joint Venture

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The City participates in one joint venture with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients. The following table identifies the City's joint venture and related information:

Name	Purpose	Address	Fiscal Year 2017 Assessment
Northeast Metropolitan Regional Vocational School District	To provide vocational education services	100 Hemlock Road Wakefield, MA 01880	\$ 1,039,931

The City is indirectly liable for the Northeast Metropolitan Regional Vocational School District's (District) debt and other expenditures and is assessed annually for its share of operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the address identified above.

C. Implementation of New Accounting Principles

For the year ending June 30, 2017, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans*
- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*
- GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

The implementation of these GASB Statements had no reporting impact for the City.

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement activities) report information on all 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 primarily supported by user fees.

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.

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a 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 specific function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

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

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

Fund Financial Statements

Governmental funds 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, 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 the end of the fiscal year. 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 used to account for and report all financial resources not accounted for and reported in another fund.

The *Clark Avenue school construction project fund* is a capital projects fund (defined below) used to account for the accumulation of resources to construct the new Clark Avenue school.

The nonmajor governmental funds consist of 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:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital projects funds are 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. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

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

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

The following major proprietary fund is reported:

The *water/sewer enterprise fund* is used to account for the City's 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 health insurance and workers' compensation.

Fiduciary funds 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 government's 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 *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist of performance bonds and bid deposits. Agency funds do not have a measurement focus or present the results of operations.

F. Deposits 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. Fair value is based on quotations from a national securities exchange except for pooled funds, for which fair value is based on unit value reported by the funds.

G. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate Taxes, 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 Assessor's 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 tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Motor Vehicle Excise Taxes

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

Trash and Trash Liens

Trash fees are levied monthly for each type of property that utilizes the collection service and are based upon a third party waste collection contract. Single-family residences are not charged a fee for the services provided. The contract is funded from multi-family residence billings, available funds and the tax levy. Trash fees are recorded as receivables in the fiscal year of the levy.

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

Water and Sewer User Charges and Utility Liens

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

Departmental and Other

Departmental and other receivables primarily consist of parking ticket fines and police and fire details and are recorded as receivables in the fiscal year accrued.

Employer Contributions

Employer contribution receivables consist of City and Chelsea Housing Authority contributions to the System and are recorded as receivables in the fiscal year accrued.

Intergovernmental

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

Loans

The Department of Planning and Development administers loan programs that provide housing assistance to residents and capital needs for small businesses. Loans are recorded as receivables upon issuance.

H. Allowance for Uncollectible Amounts

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other

The following types of accounts receivable are secured via the lien process (or other means) and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax and trash liens
- Water and sewer user charges and utility liens
- Loans

Employer contribution and intergovernmental receivables are considered 100% collectible.

I. 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.

J. Restricted AssetsGovernment-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

K. Capital AssetsGovernment-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, construction in progress, buildings and improvements, machinery and equipment and infrastructure (e.g., roads, water mains, sewer mains, and similar items) are reported in the applicable governmental or business-type activities column of the government-wide and the enterprise 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, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value or recorded at the estimated fair market value. Construction period interest is not capitalized on constructed capital assets.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	8 - 40
Machinery and equipment.....	5 - 15
Infrastructure.....	10 - 50

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

Governmental Fund Financial Statements

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

L. Interfund Receivables and Payables

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

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental 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.

M. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Transfers 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.

N. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 that time.

The City has one item that qualifies for reporting in this category as follows:

- Deferred outflows of resources related to pensions are reported in the government-wide and proprietary funds financial statements in accordance with GASB Statement No. 68.

O. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has two items that qualify for reporting in this category. They are as follows:

- Unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

- Deferred inflows of resources related to pensions are reported in the government-wide and proprietary funds financial statements in accordance with GASB Statement No. 68.

P. Net Position and Fund Balances

Government-Wide Financial Statements and Proprietary Fund Financial Statements (Net Position)

Net position is reported as restricted when amounts are restricted by outside parties for a specific future use.

Net position has been “restricted” for the following:

“OPEB” represents amounts restricted for other postemployment benefits.

“Community preservation” represents amounts restricted for the Community Preservation Act, MGL c.44B.

“Permanent funds – expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds – nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

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

“Receipts reserved” represents amounts restricted for receipts that are designated to fund and supplement specific operating budgets of various departments.

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

“School lunch and other school revolving” represents amounts restricted for the activity of the school lunch program (which includes charges for services and state and federal reimbursements for meals served) and activity of the school department’s other revolving funds.

“Capital” represents amounts restricted for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable — represents amounts that cannot be spent either because they are in nonspendable form (i.e., loans receivable) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — represents amounts that can be used only for specific purposes imposed by a formal action of City Council, which is the highest level of decision-making authority for the City. The formal action required to establish, modify, or rescind committed amounts is majority Council approval through a Council Order.

Assigned – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the City’s structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads. The policy established by the governing body (i.e., City Council) pursuant to which this authorization is given is based on applicable Massachusetts General Laws (MGL) related to encumbrances.

Unassigned – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

Q. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line 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 when the debt is issued. 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.

R. 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 MGL. Investment income derived from proprietary funds are retained in the funds.

S. 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 upon employee retirements and resignations.

T. Pensions**Government-Wide and Proprietary Fund Financial Statements**

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 System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by 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.

U. Post Retirement Benefits**Government-Wide and Fund Financial Statements**

In addition to providing pension benefits, and as more fully described in Note 11, the City provides health and life insurance coverage for current and future retirees and their spouses.

V. Use of Estimates**Government-Wide and Fund Financial Statements**

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

W. 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 presented 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 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***A. Budgetary Information***

Municipal Law requires the adoption of a balanced budget that is approved by the Council. The City Manager presents an annual budget to the Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. 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 to the annual budget subsequent to the approval of the annual budget require majority Council approval through a Council Order.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2017 approved budget for the general fund authorized \$157,454,262 in appropriations and other amounts to be raised. During fiscal year 2017, supplemental appropriations totaling \$10,323,091 were authorized.

The Auditor's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system. Generally, expenditures may not exceed the level of spending (salaries, expenses and capital) authorized for an appropriation account authorized by the Council. However, the City is statutorily required to pay debt service and certain other obligations, regardless of whether such amounts are appropriated.

The budgetary comparison schedule presented in the accompanying required supplementary information presents a comparison of the legally adopted budget, as amended, with actual results. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2017, expenditures exceeded appropriations by for state and county charges. This amount will be funded by taxes in fiscal year 2018.

C. Fund Deficits

At June 30, 2017, fund deficits existed in the city state grants and school federal grants funds in the amount of \$28,487 and \$1,041,552, respectively. This amount will be funded in future fiscal years with state and federal grants.

NOTE 3 - DEPOSITS AND INVESTMENTS

City (with the exception of the Pension Trust Fund)

The municipal finance laws of the Commonwealth authorize the City to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT).

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee and provides regulatory oversight. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of private purpose trust funds and the pension trust fund are held separately from other City funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's policy for mitigating custodial credit risk is to limit deposit amounts in any institution to no more than 5% of assets. In addition, no more than 25% of deposits may be comprised on unsecured bank deposits. This percentage may be increased no more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the City in the future.

As of June 30, 2017, \$8,852,582 of the City's bank balance of \$48,819,949 was uninsured and uncollateralized and exposed to custodial credit risk.

Investments Summary

The City's investments at June 30, 2017 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 - 5
<u>Debt Securities:</u>			
U.S. Agencies.....	\$ 4,348,452	\$ -	\$ 4,348,452
U.S. Treasuries.....	2,040,876	-	2,040,876
Corporate bonds.....	2,230,834	886,011	1,344,823
Money market mutual funds.....	1,182,063	1,182,063	-
Certificates of deposit.....	12,671,370	980,140	11,691,230
Mutual bond funds.....	843,811	843,811	-
External investment pools.....	50,165,147	50,165,147	-
Total debt securities.....	<u>73,482,553</u>	<u>\$ 54,057,172</u>	<u>\$ 19,425,381</u>
<u>Other Investments:</u>			
Equity securities.....	2,154,225		
Equity mutual funds.....	<u>869,512</u>		
Total other investments.....	<u>3,023,737</u>		
Total investments.....	\$ 76,506,290		

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The City does not have a specific policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy is to maintain investments held directly by the City or held in the City's name and tax identification number by a third-party custodian approved by the Treasurer. As of June 30, 2017, the City's investments were not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. As of June 30, 2017, the credit quality ratings of the City's debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *					
		AA+	A	A-	BBB+	BBB	Unrated
U.S. Agencies.....	\$ 4,348,452	4,348,452	\$ -	-	\$ -	-	\$ -
Corporate bonds.....	2,230,834	\$ -	403,704	424,771	1,191,620	210,739	-
Money market mutual funds.....	1,182,063	-	-	-	-	-	1,182,063
Certificates of deposit.....	12,671,370	-	-	-	-	-	12,671,370
Mutual bond funds.....	843,811	-	-	-	-	-	843,811
External investment pools.....	50,165,147	-	-	-	-	-	50,165,147
Total.....	\$ 71,441,677	\$ 4,348,452	\$ 403,704	424,771	\$ 1,191,620	210,739	\$ 64,862,391

* Per the rating scale of Standard and Poor's (a national credit rating organization)

Investments - Concentration of Credit Risk

The City's policy is to place no limit on the amount of investments in United States Government Agencies and MMDT External investment pool, and to purchase other debt securities with a high concentration of A credit ratings or better. As of June 30, 2017, the City's investments were not exposed to concentration of risk.

Investments - Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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.

Investments by Fair Value Level	Fair Value	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)
<u>Debt Securities:</u>				
U.S. Treasuries.....	\$ 2,040,876	\$ 2,040,876	\$ -	\$ -
U.S. Agencies.....	4,348,452	4,348,452	-	-
Corporate bonds.....	2,230,834	2,230,834	-	-
Mutual bond funds.....	843,811	843,811	-	-
Total Debt Securities.....	9,463,973	9,463,973	-	-
<u>Equity Securities:</u>				
Equity securities.....	2,154,225	2,154,225	-	-
Equity mutual funds.....	869,512	869,512	-	-
Total Equity Securities	3,023,737	3,023,737	-	-
Total Investments by Fair Value Level	\$ 12,487,710	\$ 12,487,710	\$ -	\$ -
Total Investments measured at Fair Value	\$ 12,487,710			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Pension Trust Fund (The System)

The System has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments.

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

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System's policy is to rely on FDIC and DIF insurance coverage, when applicable. As of December 31, 2016, the System's bank balance of \$546,963 was not exposed to custodial credit risk.

Investments Summary

The System's investments of \$138,533,851 at December 31, 2016 consisted entirely of PRIT.

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System does not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's policy is to insure all of their investments. As of December 31, 2016, the System's investments were not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System does not have a policy for credit risk of debt securities. As of December 31, 2016, the System's investment in PRIT was unrated by a national credit rating organization.

NOTE 4 - ACCOUNTS RECEIVABLE

At June 30, 2017, receivables for the individual major governmental funds and nonmajor governmental, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes..... \$	986,823	\$ (203,668)	\$ 783,155
Tax and trash liens.....	661,585	-	661,585
Motor vehicle and other excise taxes.....	3,258,633	(1,032,364)	2,226,269
Community preservation surcharges.....	13,934	-	13,934
Trash.....	245,438	-	245,438
Departmental and other.....	2,910,078	(1,032,003)	1,878,075
Intergovernmental.....	217,658	-	217,658
	<u>\$ 8,294,149</u>	<u>\$ (2,268,035)</u>	<u>\$ 6,026,114</u>

At June 30, 2017, receivables for the water and sewer enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges..... \$	3,985,903	\$ -	\$ 3,985,903
Utility liens.....	282,031	-	282,031
	<u>\$ 4,267,934</u>	<u>\$ -</u>	<u>\$ 4,267,934</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 17,878,663	\$ 1,340,000	\$ -	\$ 19,218,663
Construction in progress.....	25,578,073	16,392,566	-	41,970,639
Total capital assets not being depreciated..	43,456,736	17,732,566	-	61,189,302
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	158,175,513	1,762,046	-	159,937,559
Machinery and equipment.....	15,652,351	2,010,272	(44,901)	17,617,722
Infrastructure.....	35,221,034	3,138,581	-	38,359,615
Total capital assets being depreciated.....	209,048,898	6,910,899	(44,901)	215,914,896
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(72,574,649)	(4,141,629)	-	(76,716,278)
Machinery and equipment.....	(12,906,758)	(712,205)	44,901	(13,574,062)
Infrastructure.....	(8,722,840)	(1,204,158)	-	(9,926,998)
Total accumulated depreciation.....	(94,204,247)	(6,057,992)	44,901	(100,217,338)
Total capital assets being depreciated, net.....	114,844,651	852,907	-	115,697,558
Total governmental activities capital assets, net...	\$ 158,301,387	\$ 18,585,473	\$ -	\$ 176,886,860
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ -	\$ 149,721	\$ -	\$ 149,721
<u>Capital assets being depreciated:</u>				
Infrastructure.....	41,810,493	1,642,683	-	43,453,176
<u>Less accumulated depreciation for:</u>				
Infrastructure.....	(12,674,210)	(975,772)	-	(13,649,982)
Total capital assets being depreciated, net.....	29,136,283	666,911	-	29,803,194
Total business-type activities capital assets, net....	\$ 29,136,283	\$ 816,632	\$ -	\$ 29,952,915

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

Governmental Activities:

General government.....	\$ 70,635
Public safety.....	650,607
Education.....	3,573,215
Public works.....	979,519
Health and human services.....	6,168
Culture and recreation.....	138,383
Community development.....	<u>639,465</u>

Total depreciation expense - governmental activities..... \$ 6,057,992

Business-Type Activities:

Water and sewer.....	\$ <u><u>975,772</u></u>
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NOTE 6 - NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets at June 30, 2017 is summarized as follows:

Governmental Activities

Capital assets.....	\$ 271,091,107
Less accumulated depreciation.....	(94,204,247)
Less outstanding bonds, notes and loans payable.....	(22,807,002)
Add unspent proceeds of capital related debt.....	<u>7,970,479</u>
Net investment in capital assets.....	\$ <u><u>162,050,337</u></u>

Business-Type Activities

Capital assets.....	\$ 42,627,125
Less accumulated depreciation.....	(12,674,210)
Less outstanding bonds and notes payable.....	(13,820,772)
Add unspent proceeds of capital related debt.....	<u>13,159,541</u>
Net investment in capital assets.....	\$ <u><u>29,291,684</u></u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Receivables and payables between funds represent advance funding of various programs and grants at June 30, 2017, and are summarized as follows:

Receivable Fund	Payable Fund	Amount
General Fund....	Nonmajor governmental funds (School federal grants).....	\$ 895,970
General Fund....	Nonmajor governmental funds (City revolving).....	251,008
General Fund.....	Nonmajor governmental funds (City State Grants).....	87,491
		<u>\$ 1,234,469</u>

Interfund transfers for the fiscal year ended June 30, 2017, are summarized as follows:

Transfers Out:	Transfers In:			
	General Fund	Clarke Avenue School Construction	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 2,000,000	\$ 3,950,101	\$ 5,950,101 (1)
Nonmajor Governmental Funds....	295,000	-	1,115,139	1,410,139 (2)
Water/Sewer Enterprise Fund.....	<u>1,887,634</u>		<u>-</u>	<u>1,887,634 (3)</u>
	<u>\$ 2,182,634</u>	<u>\$ 2,000,000</u>	<u>\$ 5,065,240</u>	<u>\$ 9,247,874</u>

(1) Represents budgeted transfers to the Clark Avenue school construction capital project fund and other funds

(2) Represents transfers to fund the general fund budget and various other transfers between funds

(3) Represents transfer of indirect costs

NOTE 8 - 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 anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

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 enterprise fund, respectively.

The City has no short-term debt outstanding at June 30, 2017, and did not issue or retire any short-term debt during the fiscal year.

NOTE 9 - LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2017:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
Governmental Activities:					
Bonds, notes and loans payable.....	\$ 19,747,224	\$ 5,540,000	\$ (2,480,222)	\$ 22,807,002	\$ 2,808,314
Workers' compensation claims.....	229,597	18,547	(66,865)	181,279	100,579
Net pension liability.....	75,940,024	-	(730,679)	75,209,345	-
Net OPEB obligation.....	133,173,249	19,722,030	(5,097,180)	147,798,099	-
Compensated absences.....	6,811,000	1,062,000	(213,000)	7,660,000	1,265,000
Total.....	<u>\$ 235,901,094</u>	<u>\$ 26,342,577</u>	<u>\$ (8,587,946)</u>	<u>\$ 253,655,725</u>	<u>\$ 4,173,893</u>
Business-type Activities:					
Bonds and notes payable.....	\$ 12,393,553	\$ 3,835,000	\$ (2,407,781)	\$ 13,820,772	\$ 2,344,875
Net pension liability.....	507,530	630,039	-	1,137,569	-
Net OPEB obligation.....	1,455,318	298,303	(77,097)	1,676,524	-
Total.....	<u>\$ 14,356,401</u>	<u>\$ 4,763,342</u>	<u>\$ (2,484,878)</u>	<u>\$ 16,634,865</u>	<u>\$ 2,344,875</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term obligations are included as part of the governmental activities totals above. At fiscal year-end, \$181,279 of internal service funds accrued liabilities (workers' compensation claims) is included above. Except for the amounts related to the internal service funds, the governmental activities long-term obligations are generally liquidated by the general fund.

NOTE 10 - LONG-TERM DEBT

During prior fiscal years, certain general obligation bonds were defeased by placing the proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2017, \$1,305,000 of bonds outstanding from the advance refundings are considered defeased.

Details related to the outstanding indebtedness at June 30, 2017, and the debt service requirements are as follows:

Bonds, Notes and Loans Payable - Governmental Funds

Project	Original Issue	Maturity Date	Interest Rate	Outstanding at June 30, 2016	Additions	Reductions	Outstanding at June 30, 2017
Municipal purpose refunding.....	1,007,664	04/01/18	3.00 - 4.50%	\$ 121,527	\$ -	\$ (87,770)	\$ 33,757
Municipal purpose.....	653,000	09/15/16	3.50 - 4.00%	38,500	-	(38,500)	-
Municipal purpose.....	1,452,000	09/15/17	3.50 - 5.25%	82,600	-	(41,300)	41,300
Municipal purpose.....	3,940,352	01/15/19	3.50 - 5.00%	968,186	-	(330,086)	638,100
Municipal purpose refunding, series B.....	130,625	01/15/19	3.00 - 5.00%	37,500	-	(12,500)	25,000
Municipal purpose, series C.....	8,888,000	01/15/25	5.125 - 6.060%	5,315,000	-	(595,000)	4,720,000
Municipal purpose refunding, series C.....	4,280,000	03/01/19	3.00 - 5.00%	1,210,000	-	(405,000)	805,000
Municipal purpose, series A.....	1,625,950	01/15/20	3.00 - 4.00%	518,000	-	(129,500)	388,500
Urban renewal.....	1,580,000	09/01/24	3.00 - 4.00%	995,000	-	(115,000)	880,000
Municipal purpose.....	3,136,656	09/01/24	3.00 - 4.00%	1,411,875	-	(282,375)	1,129,500
Municipal purpose refunding.....	99,500	09/01/24	3.00 - 4.00%	48,000	-	(10,000)	38,000
Dump Trucks.....	136,000	03/01/17	2.00 - 2.25%	26,400	-	(26,400)	-
Rack Truck.....	68,000	03/01/17	2.00 - 2.25%	13,600	-	(13,600)	-
Senior Center Roof.....	15,000	03/01/23	2.00 - 3.00%	9,544	-	(1,364)	8,180
City Yard Roof.....	105,000	03/01/23	2.00 - 3.00%	66,816	-	(9,546)	57,270
Library Carpet.....	35,000	03/01/22	2.00 - 3.00%	21,000	-	(3,500)	17,500
City Hall Door.....	35,000	03/01/17	2.00-2.25%	7,000	-	(7,000)	-
Public Way/Outdoor Recreational Facility.....	590,300	05/15/23	2.00-2.25%	413,210	-	(59,030)	354,180
ESCO.....	761,328	05/15/28	2.00-2.75%	625,000	-	(45,000)	580,000
Building refunding - school refunding.....	802,857	04/01/24	2.00-2.50%	631,429	-	(85,714)	545,715
Clark Avenue Middle School.....	7,000,000	03/01/46	2.00-3.75%	7,000,000	-	(165,000)	6,835,000
Washington Avenue Park.....	187,037	03/01/31	2.00-2.50%	187,037	-	(17,037)	170,000
Clark Avenue Middle School.....	3,000,000	3/1/2047	2.00-5.00%	-	3,000,000	-	3,000,000
Snow Fighters.....	270,000	3/1/2022	2.00-5.00%	-	270,000	-	270,000
General Obligation Bonds.....	150,000	3/1/2027	2.00-5.00%	-	150,000	-	150,000
Ladder Truck.....	1,300,000	3/1/2027	2.00-5.00%	-	1,300,000	-	1,300,000
Everett Avenue Design.....	120,000	3/1/2017	2.00-5.00%	-	120,000	-	120,000
General Obligation Bonds.....	400,000	3/1/2022	2.00-5.00%	-	700,000	-	700,000
Total.....				\$ 19,747,224	\$ 5,540,000	\$ (2,480,222)	\$ 22,807,002

Debt service requirements for principal and interest in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018.....	\$ 2,808,314	\$ 856,598	\$ 3,664,912
2019.....	2,621,185	746,984	3,368,169
2020.....	1,902,813	653,292	2,556,105
2021.....	1,735,456	577,793	2,313,249
2022.....	1,413,581	503,588	1,917,169
2023.....	1,339,224	439,248	1,778,472
2024.....	1,266,429	304,146	1,570,575
2025.....	1,205,000	286,695	1,491,695
2026.....	515,000	270,595	785,595
2027.....	525,000	256,395	781,395
2028.....	390,000	240,194	630,194
2029.....	300,000	232,807	532,807
2030.....	310,000	224,882	534,882
2031.....	320,000	216,682	536,682
2032.....	320,000	208,232	528,232
2033.....	330,000	199,757	529,757
2034.....	335,000	190,432	525,432
2035.....	345,000	180,969	525,969
2036.....	360,000	170,093	530,093
2037.....	365,000	158,743	523,743
2038.....	380,000	146,606	526,606
2039.....	395,000	133,969	528,969
2040.....	410,000	120,144	530,144
2041.....	420,000	105,793	525,793
2042.....	435,000	90,931	525,931
2043.....	450,000	75,544	525,544
2044.....	465,000	59,625	524,625
2045.....	480,000	42,362	522,362
2046.....	505,000	24,543	529,543
2047.....	160,000	5,800	165,800
Total.....	\$ <u>22,807,002</u>	\$ <u>7,723,438</u>	\$ <u>30,530,440</u>

Bonds and Notes Payable – Enterprise Funds

Project	Original Issue	Maturity Date	Interest Rate	Outstanding at June 30, 2016	Additions	Reductions	Outstanding at June 30, 2017
Water notes (MWRA).....	190,000	05/15/18	0.00%	38,000	-	(19,000)	19,000
Water and sewer refunding.....	1,977,337	04/01/18	3.00 - 4.50%	238,473	-	(172,231)	66,242
Water and sewer bonds.....	2,497,000	09/15/16	3.50 - 4.00%	251,500	-	(251,500)	-
Water and sewer bonds.....	1,452,000	09/05/17	3.50 - 5.25%	122,400	-	(63,700)	58,700
Water and sewer bonds.....	707,139	01/15/19	3.50 - 5.00%	111,814	-	(29,914)	81,900
Water notes (MWRA).....	1,160,074	11/15/18	0.00%	348,025	-	(116,007)	232,018
Municipal purpose refunding, series B.....	914,375	07/15/18	3.00%	262,500	-	(87,500)	175,000
Water notes (MWRA).....	100,000	05/15/20	0.00%	40,000	-	(10,000)	30,000
Water notes (MWRA).....	225,000	02/15/20	0.00%	90,000	-	(22,500)	67,500
Municipal purpose refunding, series A.....	555,000	01/15/20	3.00 - 4.00%	222,000	-	(55,500)	166,500
Sewer.....	2,061,252	09/01/20	3.00 - 4.00%	1,038,125	-	(217,625)	820,500
Water notes (MWRA).....	1,205,365	05/15/21	0.00%	602,680	-	(120,537)	482,143
Refunded bonds.....	895,500	09/1/20	3.00 - 4.00%	432,000	-	(90,000)	342,000
Water (MWPAT).....	245,000	07/15/30	2.00%	192,609	-	(11,122)	181,487
Broadway sewer.....	150,000	03/01/23	2.00 - 3.00%	86,091	-	(9,583)	76,508
Broadway water line.....	125,000	03/01/23	2.00 - 3.00%	74,044	-	(9,364)	64,680
Storm water management plan.....	50,000	03/01/17	2.00 - 2.25%	10,000	-	(10,000)	-
Everett avenue redirect.....	250,000	03/01/23	2.00 - 3.00%	150,505	-	(19,643)	130,862
Water (MWRA).....	468,390	05/13/22	0.00%	281,034	-	(46,839)	234,195
Water and sewer refunding bonds.....	575,000	03/01/22	2.00 - 3.00%	315,000	-	(55,000)	260,000
Water (MWRA).....	1,183,959	08/15/22	0.00%	828,771	-	(118,396)	710,375
Sewer.....	948,372	05/15/28	2.00-2.75%	716,790	-	(75,970)	640,820
Water notes (MWRA).....	350,000	08/15/23	0.00%	280,000	-	(35,000)	245,000
Sewer notes (MWRA).....	344,850	02/15/19	0.00%	206,910	-	(68,970)	137,940
Water notes (MWRA).....	391,200	02/15/24	0.00%	312,960	-	(39,120)	273,840
Water/Sewer general obligation bonds.....	2,000,000	04/01/24	2.00-2.50%	1,550,000	-	(225,000)	1,325,000
Sewer refunding.....	451,607	04/01/24	2.00-2.50%	355,179	-	(48,214)	306,965
Water refunding.....	150,536	04/01/24	2.00-2.50%	118,393	-	(16,071)	102,322
Water bond (MWRA).....	700,000	05/15/25	0.00%	630,000	-	(70,000)	560,000
Water bond (MWRA).....	725,000	05/15/26	0.00%	725,000	-	(72,500)	652,500
Sewer (MWRA).....	329,750	05/15/26	0.00%	329,750	-	(32,975)	296,775
Water/Sewer general obligation bonds.....	1,433,000	03/01/26	2.00%	1,433,000	-	(188,000)	1,245,000
Water bond (MWRA).....	845,000	11/15/2026	0.00%	-	845,000	-	845,000
Water/Sewer general obligation bonds.....	3,290,000	3/1/2027	2.00-2.50%	-	2,990,000	-	2,990,000
Total.....				\$ 12,393,553	\$ 3,835,000	\$ (2,407,781)	\$ 13,820,772

The Massachusetts Water Resource Authority (MWRA) operates financial assistance programs for community owned collection systems. Financial assistance received from the MWRA consists of non-interest bearing loans (payable in five equal annual installments) and, in some instances, grants. During fiscal year 2017, \$845,000 was received from the program, all of which were loans. At June 30, 2017, the outstanding principal amount of MWRA loans totaled \$4,786,286.

Debt service requirements for principal and interest for enterprise fund bonds and notes payable (gross) in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2018.....	\$ 2,344,875	\$ 288,247	\$ 2,633,122
2019.....	2,222,738	248,096	2,470,834
2020.....	1,861,363	207,152	2,068,515
2021.....	1,771,454	168,967	1,940,421
2022.....	1,298,040	134,142	1,432,182
2023.....	1,255,807	106,114	1,361,921
2024.....	1,050,460	79,404	1,129,864
2025.....	738,026	53,469	791,495
2026.....	668,290	33,407	701,697
2027.....	502,584	16,638	519,222
2028.....	63,858	2,153	66,011
2029.....	14,138	724	14,862
2030.....	14,424	438	14,862
2031.....	14,715	147	14,862
Total.....	\$ <u>13,820,772</u>	\$ <u>1,339,098</u>	\$ <u>15,159,870</u>

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, 2017, the City had the following authorized and unissued debt:

Purpose	Amount
Clark Middle School.....	\$ 47,332,407
Pension obligation bonds.....	47,000,000
Corcoran Park construction.....	1,482,865
Capital Improvement Plans.....	1,472,984
Chelsea High School extension.....	1,150,000
Highland Park improvement.....	1,000,000
Washington Park renovation.....	500,000
Park renovation - Washington Avenue.....	400,050
Highland Greenway Project.....	400,000
Refunding.....	265,000
Quigley Park renovation.....	254,000
Energy conservation improvements.....	28,672
Total.....	\$ <u>101,285,978</u>

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS

Plan Description – The City provides health, dental and life insurance coverage for its retirees and their survivors (hereinafter referred to as the “Plan”) as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of July 1, 2015, the latest actuarial valuation, is as follows:

Active employees.....	1,191
Retired employees and spouses.....	<u>663</u>
Total.....	<u><u>1,854</u></u>

Funding Policy - The contribution requirements of Plan members and the City are established and may be amended by the City. The required health insurance (including Medicare Part B) contribution rates of Plan members and the City are 17.5 – 25.0% and 75.0 – 82.5%, respectively. The required dental insurance (including Medicare Part B) contribution rates of Plan members is 100%. The Plan members and the City each contribute 50% towards a \$5,000 term life insurance premium. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the City.

Annual OPEB Cost and Net OPEB Obligation - The City’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City’s annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the City’s net OPEB obligation:

	<u>Amount</u>
Annual required contribution.....	\$ 22,136,932
Interest on net OPEB obligation.....	4,704,125
Adjustment to annual required contribution.....	<u>(6,820,724)</u>
Annual OPEB cost.....	20,020,333
Contributions made.....	<u>(5,174,277)</u>
Increase in net OPEB obligation.....	14,846,056
Net OPEB obligation at beginning of year.....	<u>134,628,567</u>
Net OPEB obligation at end of year.....	<u><u>\$ 149,474,623</u></u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015.....	15,949,749	29.3%	120,870,565
June 30, 2016.....	18,665,471	26.3%	134,628,567
June 30, 2017.....	20,020,333	25.8%	149,474,623

Funded Status and Funding Progress - The funded status of the Plan at July 1, 2015, the most recent actuarial valuation, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
07/01/15	\$ -	\$ 192,772,240	\$ 192,772,240	0.00%	\$ 69,485,461	277%

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 schedules of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	July 1, 2015
Actuarial cost method:	Individual Entry Age Normal
Amortization method:	Level dollar
Remaining amortization period:	24 years
Interest discount rate:	3.5%
Inflation rate:	2.75%
Healthcare/Medical cost trend rate:	Medical -5.0% per year Dental -5.0% per year
Projected salary increases:	3.0%

Allocation of AOPEBC – AOPEBC costs were allocated to the City's functions as follows:

Governmental Activities:

General government.....	\$ 1,345,366
Public safety.....	5,615,703
Education.....	11,575,757
Public works.....	568,577
Health and human services.....	252,256
Culture and recreation.....	176,179
Community development.....	<u>188,191</u>
Total AOPEBC - governmental activities.....	<u>19,722,030</u>

Business-Type Activities:

Water/Sewer.....	<u>298,303</u>
Total AOPEBC.....	<u><u>\$ 20,020,333</u></u>

NOTE 12 – 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.

A. Health Insurance

The City is self-insured for health insurance activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when incurred. Claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future liability is based on actual and historical lag claims.

The liability at June 30, 2017, totaled \$1,097,780. Changes in the reported liability since July 1, 2015, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-end
Fiscal year 2016.....	\$ -	-	-	-
Fiscal year 2017.....	-	21,923,586	(20,825,806)	1,097,780

B. Workers' Compensation

The City is self-insured for its workers' compensation activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when incurred. Workers' compensation claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future liability is based on history and injury type.

The liability at June 30, 2017, totaled \$181,279. Changes in the reported liability since July 1, 2015, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-end
Fiscal year 2016.....	\$ 271,525	130,623	(172,551)	229,597
Fiscal year 2017.....	229,597	18,547	(66,865)	181,279

NOTE 13 - FUND BALANCES

The constraints on fund balances in the Governmental Funds Balance Sheet are detailed as follows:

	General	Clark Avenue School Construction	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 22,392	\$ 22,392
Restricted:				
Other postemployment benefits (OPEB).....	1,284,689	-	-	1,284,689
School construction.....	-	2,797,103	-	2,797,103
Redevelopment.....	-	-	3,075,266	3,075,266
Other community development.....	-	-	5,182,753	5,182,753
City revolving.....	-	-	186,753	186,753
Receipts reserved.....	-	-	4,589,677	4,589,677
City gifts.....	-	-	1,266,625	1,266,625
City federal grants.....	-	-	472,171	472,171
School lunch.....	-	-	2,211,871	2,211,871
School revolving.....	-	-	1,186,580	1,186,580
School gifts.....	-	-	858,495	858,495
State school grants.....	-	-	1,664,301	1,664,301
Urban I & II renewal.....	-	-	365,234	365,234
Other capital.....	-	-	7,437,002	7,437,002
School capital reserve.....	-	-	120,101	120,101
Permanent funds - health and human services.....	-	-	749	749
Permanent funds - culture and recreation.....	-	-	102,629	102,629
Sub-total - Restricted.....	1,284,689	2,797,103	28,720,207	32,801,999
Committed:				
Subsequent year's expenditures.....	3,505,341	-	-	3,505,341
Capital stabilization.....	62,283	-	-	62,283
Redevelopment stabilization.....	177,647	-	-	177,647
Sub-total - Committed.....	3,745,271	-	-	3,745,271
Assigned:				
Encumbrances - school.....	1,722,249	-	-	1,722,249
Encumbrances - other.....	1,160,512	-	-	1,160,512
Sub-total - Assigned.....	2,882,761	-	-	2,882,761
Unassigned.....	45,518,645	-	(1,070,039)	44,448,606
Total fund balances.....	\$ 53,431,366	\$ 2,797,103	\$ 27,672,560	\$ 83,901,029

NOTE 14 - STABILIZATION FUNDS

The City maintains the following stabilization funds that were established under MGL Chapter 40, Section 5B:

- General stabilization
- Operating stabilization
- Capital stabilization
- Redevelopment stabilization

Appropriations in and out of the stabilization funds require City Council majority approval. Investment income is retained by the funds.

The balance of the general stabilization, operating stabilization, capital stabilization and redevelopment stabilization funds at June 30, 2017 total \$5,216,954, \$1,293,499, \$62,283 and \$177,647, respectively. The capital stabilization and redevelopment stabilization funds are reported in the general fund as committed fund balance. The general and operating stabilization funds are reported in the general fund as unassigned fund balance.

NOTE 15 - PENSION PLAN

Plan Description - The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Chelsea Contributory Retirement Board. Substantially all employees of the City are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

As of the most recent actuarial valuation, the System's membership consisted of the following:

Active members.....	671
Inactive members.....	226
Retirees and beneficiaries currently receiving benefits.....	<u>371</u>
Total members.....	<u><u>1,268</u></u>
Number of participating employers.....	<u><u>2</u></u>

Benefits Provided - The System provides retirement, disability and death benefits to plan members and beneficiaries, pursuant to Massachusetts General Law Chapter 32, up to a maximum of 80% of the average of a member's three or five highest consecutive years' regular compensation. In addition to regular compensation, benefits are based upon a member's age, length of creditable service and group classification. Members become vested after ten years of creditable service. A normal retirement allowance may be received after the completion of 20 years of service or upon reaching age 55 or 60, with 10 years of service. Normal retirement for most employees occurs at age 65 or 67, except for certain hazardous duty and public safety employees who attain normal retirement at age 55 or 57.

Contributions – Chapter 32 of MGL governs the contributions of plan members and the City. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

For the year ended December 31, 2016, active member contributions totaled \$3,265,000 and employer contributions totaled \$10,955,000. Contributions to the System from the City were \$10,272,036 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The components of the net pension liability of the System at December 31, 2016, were as follows:

Total pension liability.....	\$	220,448,000
Plan fiduciary net position.....		(139,024,956)
Net pension liability.....	\$	<u>81,423,044</u>
Plan fiduciary net position as a percentage of the total pension liability.....		63.06%

At June 30, 2017, the City reported a liability of \$76,346,914 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, 2015 that was updated to December 31, 2015. The City's proportion of the net pension liability is the proportionate share of employer contributions to the System as of December 31, 2015, actuarially determined. At December 31, 2015, the City's proportion was 93.77 percent.

For the year ended June 30, 2017, the City recognized pension expense of \$10,958,401. At June 30, 2017, the City reported deferred outflows of resources related to pensions of \$11,602,572, which consisted of assumption changes of \$6,450,145 and net differences between projected and actual investment earnings of \$5,152,427. At June 30, 2017, the City reported deferred inflows of resources related to pensions of \$1,882,816, all of which related to net differences between expected and actual experience.

The amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2018.....	\$ 2,919,998
2019.....	2,919,998
2020.....	2,875,926
2021.....	<u>1,003,874</u>
Total	\$ <u>9,719,796</u>

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

Actuarial cost method:	Entry Age Normal Cost Method
Amortization method:	Increasing payments 5.7% per year
Remaining amortization period:	14 years
Investment rate of return:	7.5% net of pension plan investment expense, including inflation
Inflation rate:	Not explicitly assumed
Salary increases:	4.25% per year for Group 1, and 4.75% per year for Group 4
Cost of living adjustment:	3.0% on the first \$12,000 of benefits
Mortality rates:	Pre-Retirement – RP-2000 Employee Mortality Table projected generationally with Scale BB and a base year of 2009 (gender distinct); Healthy Retiree – RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year of 2009 (gender distinct); Disabled Retiree – RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year of 2012 (gender distinct)

Investment Policies and Rates of Return – Deposits and investments made by the System are governed by Chapter 32 of the MGL.

Deposits and investments made by the System are governed by Chapter 32 of the MGL.

For the year ended December 31, 2016, the annual money-weighted rate of return on System investments, net of investment expense, was 7.06%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Global Equity.....	40.00	4.97
Fixed Income.....	22.00	2.29
Private Equity.....	11.00	6.50
Real Estate.....	10.00	3.50
Timber/Natural Resources.....	4.00	3.00
Hedge Funds.....	13.00	3.48

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates and the member rates. 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 of the System calculated using the discount rate of 7.5 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
System's net pension liability..... \$	107,525,000	\$ 81,423,044	\$ 59,405,000

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's net pension liability..... \$	100,826,193	\$ 76,346,914	\$ 55,704,069

Legally Required Reserve Accounts - The balance in the System's legally required reserves as of December 31, 2016 are as follows:

Description	Amount	Purpose
Annuity Savings Fund..... \$	37,960,099	Active members' contribution balance
Annuity Reserve Fund.....	7,002,515	Retired members' contribution account
Military Service Fund.....	2,414	Military leave of absence contribution balance
Pension Reserve Fund.....	71,798,148	Amounts appropriated to fund future retirement
Pension Fund.....	22,261,780	Remaining net position
Total..... \$	<u>139,024,956</u>	

NOTE 16 - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Plan description - Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth of Massachusetts' (Commonwealth) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be found at <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

Benefits provided - MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit requirements. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

Contributions - The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. 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 contributing entity in MTRS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Since the City does not contribute directly to MTRS, the City does not report a proportionate share of the net pension liability of the MTRS at June 30, 2017. The Commonwealth's net pension liability associated with the City was \$128,476,204.

The MTRS' net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016.

For the year ended June 30, 2017, the City recognized pension expense of \$13,105,415 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

Actuarial assumptions - The MTRS' total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. This valuation used the following assumptions:

Investment rate of return - 7.5%

Salary increases - Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service

Mortality Rates - Pre-retirement reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct). Post-retirement reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct). Disability is assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2014 set forward 4 years.

Other - 3.5% interest rate credited to the annuity savings fund; 3.0% cost of living increase per year

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. 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 rates of return 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 rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Global Equity.....	40.00	4.97
Fixed Income.....	22.00	2.29
Private Equity.....	11.00	6.50
Real Estate.....	10.00	3.50
Timber/Natural Resources.....	4.00	3.00
Hedge Funds.....	13.00	3.48

Discount rate - The discount rate used to measure the MTRS' total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the 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.

Pension plan fiduciary net position - Detailed information about the MTRS' fiduciary net position is available in the Commonwealth's audited financial statements.

NOTE 17 - COMMITMENTS

The City has entered into, or is planning to enter into, contracts totaling approximately \$19,000,000 in accordance with its five-year capital improvement plan.

Other significant commitments include the encumbrances outstanding for the general fund, which totaled approximately \$2,883,000 at June 30, 2017. There were no other significant encumbrances in funds other than the general fund at June 30, 2017.

NOTE 18 - CONTINGENCIES

Various legal actions and claims are pending against the City. 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, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2017.

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2017, 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 the City expects such amounts, if any, to be immaterial.

Required Supplementary Information

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 49,702,093	\$ -	\$ 49,702,093
Motor vehicle and other excise taxes.....	-	10,500,000	-	10,500,000
Meals and room taxes.....	-	1,600,000	-	1,600,000
Tax and trash liens.....	-	250,000	-	250,000
Payments in lieu of taxes.....	-	1,813,757	-	1,813,757
Trash disposal.....	-	1,704,200	-	1,704,200
Intergovernmental	-	81,802,578	566,447	82,369,025
Penalties and interest on taxes.....	-	430,000	-	430,000
Licenses and permits.....	-	1,782,250	-	1,782,250
Fines and forfeitures.....	-	2,111,250	-	2,111,250
Departmental and other.....	-	583,300	-	583,300
Investment income.....	-	325,000	-	325,000
TOTAL REVENUES.....	-	152,604,428	566,447	153,170,875
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative				
Personal services.....	-	223,368	1,713	225,081
Expenditures.....	-	79,057	4,494	83,551
Total.....	-	302,425	6,207	308,632
Executive Office				
Personal services.....	-	374,931	8,570	383,501
Expenditures.....	-	43,500	(4,494)	39,006
Total.....	-	418,431	4,076	422,507
Auditor's Office				
Personal services.....	-	319,266	-	319,266
Expenditures.....	46,700	72,159	-	118,859
Total.....	46,700	391,425	-	438,125
Treasurer's/Collector's Office				
Personal services.....	-	439,227	14,557	453,784
Expenditures.....	26,470	206,600	(1)	233,069
Total.....	26,470	645,827	14,556	686,853
Assessing				
Personal services.....	-	284,548	-	284,548
Expenditures.....	15,950	89,258	40,000	145,208
Total.....	15,950	373,806	40,000	429,756
Procurement				
Personal services.....	-	117,416	2,930	120,346
Expenditures.....	1,887	65,775	14,999	82,661
Total.....	1,887	183,191	17,929	203,007
Central Billing				
Personal services.....	-	139,556	3,091	142,647
Expenditures.....	1,298	90,000	-	91,298
Total.....	1,298	229,556	3,091	233,945

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 50,294,587	\$ -	\$ 50,294,587	\$ 592,494
14,594,226	-	14,594,226	4,094,226
1,624,439	-	1,624,439	24,439
1,142,958	-	1,142,958	892,958
1,827,288	-	1,827,288	13,531
1,549,819	-	1,549,819	(154,381)
83,833,873	-	83,833,873	1,464,848
342,173	-	342,173	(87,827)
1,341,405	-	1,341,405	(440,845)
2,561,169	-	2,561,169	449,919
781,144	-	781,144	197,844
824,777	-	824,777	499,777
160,717,858	-	160,717,858	7,546,983
225,079	-	225,079	2
83,551	-	83,551	-
308,630	-	308,630	2
371,126	-	371,126	12,375
28,912	-	28,912	10,094
400,038	-	400,038	22,469
301,830	-	301,830	17,436
59,396	43,046	102,442	16,417
361,226	43,046	404,272	33,853
453,593	-	453,593	191
211,814	4,854	216,668	16,401
665,407	4,854	670,261	16,592
264,082	-	264,082	20,466
96,036	33,794	129,830	15,378
360,118	33,794	393,912	35,844
120,344	-	120,344	2
74,413	518	74,931	7,730
194,757	518	195,275	7,732
117,937	-	117,937	24,710
67,854	16,934	84,788	6,510
185,791	16,934	202,725	31,220
(continued)			

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
Law Department				
Personal services.....	-	232,195	7,335	239,530
Expenditures.....	-	93,644	16,000	109,644
Total.....	-	325,839	23,335	349,174
Personnel Department				
Personal services.....	-	234,134	5,721	239,855
Expenditures.....	13,082	47,072	33,000	93,154
Total.....	13,082	281,206	38,721	333,009
Information System				
Personal services.....	-	275,551	22,769	298,320
Expenditures.....	21,350	597,625	(368)	618,607
Capital outlay.....	-	230,000	367	230,367
Total.....	21,350	1,103,176	22,768	1,147,294
City Clerk				
Personal services.....	-	242,049	62,455	304,504
Expenditures.....	-	54,200	-	54,200
Total.....	-	296,249	62,455	358,704
Office of Planning and Development				
Personal services.....	-	119,204	-	119,204
Expenditures.....	424	76,780	15,000	92,204
Total.....	424	195,984	15,000	211,408
Salary reserve.....	-	900,000	(334,346)	565,654
TOTAL GENERAL GOVERNMENT.....	127,161	5,647,115	(86,208)	5,688,068
PUBLIC SAFETY				
Police Department				
Personal services.....	-	9,881,601	11,360	9,892,961
Expenditures.....	27,454	1,060,166	-	1,087,620
Capital outlay.....	-	164,000	-	164,000
Total.....	27,454	11,105,767	11,360	11,144,581
Fire Department				
Personal services.....	-	9,338,445	98,367	9,436,812
Expenditures.....	2,219	458,731	-	460,950
Capital outlay.....	-	-	95,221	95,221
Total.....	2,219	9,797,176	193,588	9,992,983
Inspectional Services				
Personal services.....	-	777,869	-	777,869
Expenditures.....	54,149	63,350	1	117,500
Total.....	54,149	841,219	1	895,369
Traffic and Parking				
Personal services.....	-	101,901	-	101,901
Expenditures.....	57,341	790,900	-	848,241
Total.....	57,341	914,366	-	971,707

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
235,269	-	235,269	4,261
99,253	106	99,359	10,285
334,522	106	334,628	14,546
238,467	-	238,467	1,388
64,178	7,084	71,262	21,892
302,645	7,084	309,729	23,280
286,924	-	286,924	11,396
481,285	23,932	505,217	113,390
147,386	52,664	200,050	30,317
915,595	76,596	992,191	155,103
274,489	-	274,489	30,015
37,350	516	37,866	16,334
311,839	516	312,355	46,349
37,678	-	37,678	81,526
25,734	16,423	42,157	50,047
63,412	16,423	79,835	131,573
(11,000)	-	(11,000)	576,654
4,392,980	199,871	4,592,851	1,095,217
9,551,599	-	9,551,599	341,362
701,296	62,293	763,589	324,031
164,000	-	164,000	-
10,416,895	62,293	10,479,188	665,393
9,389,253	-	9,389,253	47,559
426,698	8,779	435,477	25,473
95,208	-	95,208	13
9,911,159	8,779	9,919,938	73,045
725,096	-	725,096	52,773
78,433	253	78,686	38,814
803,529	253	803,782	91,587
73,252	-	73,252	28,649
769,974	67,062	837,036	11,205
864,170	67,062	931,232	40,475

(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
Emergency Management				
Personal services.....	-	965,121	65,530	1,030,651
Expenditures.....	2,531	43,248	15,001	60,780
Total.....	2,531	1,008,369	80,531	1,091,431
TOTAL PUBLIC SAFETY.....	143,694	23,666,897	285,480	24,096,071
EDUCATION				
Operational.....	1,886,282	84,318,621	949,767	87,154,670
Northeast Regional Vocational High School Assessment.....	-	1,054,003	-	1,054,003
TOTAL EDUCATION.....	1,886,282	85,372,624	949,767	88,208,673
PUBLIC WORKS				
Administration				
Personal services.....	-	219,815	-	219,815
Expenditures.....	90	13,500	-	13,590
Total.....	90	233,315	-	233,405
Streets and Sidewalks				
Personal services.....	-	827,968	120,906	948,874
Expenditures.....	141,042	1,181,914	100,581	1,423,537
Capital outlay.....	-	180,000	323,678	503,678
Total.....	141,042	2,189,882	545,165	2,876,089
Solid Waste/Recycling				
Personal services.....	-	51,112	1,242	52,354
Expenditures.....	74,709	1,892,672	-	1,967,381
Total.....	74,709	1,943,784	1,242	2,019,735
Structure and Grounds				
Personal services.....	-	286,015	6,410	292,425
Expenditures.....	58,123	1,010,410	83,201	1,151,734
Capital outlay.....	-	150,300	40,000	190,300
Total.....	58,123	1,446,725	129,611	1,634,459
Snow and Ice Removal				
Personal services.....	-	25,000	17,258	42,258
Expenditures.....	-	76,260	46,280	122,540
Total.....	-	101,260	63,538	164,798
TOTAL PUBLIC WORKS.....	273,964	5,914,966	739,556	6,928,486
HEALTH AND HUMAN SERVICES				
Administration				
Personal services.....	-	67,690	1,553	69,243
Health Division				
Personal services.....	-	194,651	13,977	208,628
Expenditures.....	44,272	456,331	-	500,603
Total.....	44,272	650,982	13,977	709,231

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
1,022,633	-	1,022,633	8,018
40,199	12,127	52,326	8,454
1,062,832	12,127	1,074,959	16,472
23,058,585	150,514	23,209,099	886,972
83,751,982	1,722,249	85,474,231	1,680,439
1,039,931	-	1,039,931	14,072
84,791,913	1,722,249	86,514,162	1,694,511
170,968	-	170,968	48,847
5,735	828	6,563	7,027
176,703	828	177,531	55,874
764,284	-	764,284	184,590
1,033,747	189,790	1,223,537	200,000
262,336	234,151	496,487	7,191
2,060,367	423,941	2,484,308	391,781
51,713	-	51,713	641
1,886,490	1,957	1,888,447	78,934
1,938,203	1,957	1,940,160	79,575
207,234	-	207,234	85,191
885,374	184,118	1,069,492	82,242
47,239	135,507	182,746	7,554
1,139,847	319,625	1,459,472	174,987
42,258	-	42,258	-
117,325	5,215	122,540	-
159,583	5,215	164,798	-
5,474,703	751,566	6,226,269	702,217
61,739	-	61,739	7,504
208,025	-	208,025	603
439,270	33,513	472,783	27,820
647,295	33,513	680,808	28,423
(continued)			

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
Veteran's Services				
Personal services.....	-	63,590	1,553	65,143
Expenditures.....	-	704,510	4,000	708,510
Total.....	-	768,100	5,553	773,653
Elder Affairs				
Personal services.....	-	179,855	4,293	184,148
Expenditures.....	-	33,795	4,910	38,705
Total.....	-	213,650	9,203	222,853
TOTAL HEALTH AND HUMAN SERVICES.....	44,272	1,700,422	30,286	1,774,980
CULTURE AND RECREATION				
Recreation and Cultural Affairs				
Personal services.....	-	195,738	-	195,738
Expenditures.....	-	170,000	-	170,000
Total.....	-	365,738	-	365,738
Public Library				
Personal services.....	-	246,355	9,294	255,649
Expenditures.....	-	25,413	-	25,413
Capital outlay.....	-	7,400	-	7,400
Total.....	-	279,168	9,294	288,462
TOTAL CULTURE AND RECREATION.....	-	644,906	9,294	654,200
PENSION BENEFITS				
Contributory Retirement System				
Expenditures.....	-	7,066,524	-	7,066,524
Non-Contributory Pension Benefits				
Expenditures.....	-	10,000	-	10,000
TOTAL PENSION BENEFITS.....	-	7,076,524	-	7,076,524
EMPLOYEE BENEFITS				
Unemployment Compensation				
Expenditures.....	-	30,000	-	30,000
Health Insurance				
Expenditures.....	1,750	7,620,391	1,133,660	8,755,801
Worker's Compensation				
Expenditures.....	-	340,000	-	340,000
Payroll Taxes				
Expenditures.....	-	375,000	-	375,000

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
65,142	-	65,142	1
504,315	4,000	508,315	200,195
569,457	4,000	573,457	200,196
182,644	-	182,644	1,504
25,996	4,995	30,991	7,714
208,640	4,995	213,635	9,218
1,487,131	42,508	1,529,639	245,341
103,673	-	103,673	92,065
140,693	4,992	145,685	24,315
244,366	4,992	249,358	116,380
248,883	-	248,883	6,766
22,573	1,777	24,350	1,063
7,244	-	7,244	156
278,700	1,777	280,477	7,985
523,066	6,769	529,835	124,365
7,066,524	-	7,066,524	-
9,853	-	9,853	147
7,076,377	-	7,076,377	147
2,440	-	2,440	27,560
8,050,209	7,663	8,057,872	697,929
336,889	-	336,889	3,111
354,703	-	354,703	20,297
			(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
Life Insurance				
Expenditures.....	-	21,300	-	21,300
TOTAL EMPLOYEE BENEFITS.....	1,750	8,386,691	1,133,660	9,522,101
PROPERTY AND LIABILITY INSURANCE				
Expenditures.....	-	755,000	-	755,000
CLAIMS AND JUDGMENTS				
Expenditures.....	-	50,000	13,155	63,155
STATE AND COUNTY CHARGES				
Expenditures.....	-	13,019,815	-	13,019,815
DEBT SERVICE PRINCIPAL				
Expenditures.....	-	2,485,222	-	2,485,222
DEBT SERVICE INTEREST				
Expenditures.....	-	782,080	-	782,080
TOTAL EXPENDITURES.....	2,477,123	155,502,262	3,074,990	161,054,375
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(2,477,123)	(2,897,834)	(2,508,543)	(7,883,500)
OTHER FINANCING SOURCES (USES):				
Premium from issuance of bonds.....	-	-	-	-
Transfers in.....	-	2,216,354	1,458,518	3,674,872
Transfers out.....	-	(1,952,000)	(7,248,101)	(9,200,101)
Total other financing sources (uses).....	-	264,354	(5,789,583)	(5,525,229)
NET CHANGE IN FUND BALANCE.....	(2,477,123)	(2,633,480)	(8,298,126)	(13,408,729)
FUND BALANCE AT BEGINNING OF YEAR.....	43,802,546	43,802,546	43,802,546	43,802,546
FUND BALANCE AT END OF YEAR.....	\$ 41,325,423	\$ 41,169,066	\$ 35,504,420	\$ 30,393,817

See notes to required supplementary information.

<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
17,960	1,621	19,581	1,719
8,762,201	9,284	8,771,485	750,616
750,000	-	750,000	5,000
63,155	-	63,155	-
13,635,401	-	13,635,401	(615,586)
2,480,222	-	2,480,222	5,000
780,365	-	780,365	1,715
153,276,099	2,882,761	156,158,860	4,895,515
7,441,759	(2,882,761)	4,558,998	12,442,498
681,912	-	681,912	681,912
3,641,152	-	3,641,152	(33,720)
(9,200,101)	-	(9,200,101)	-
(4,877,037)	-	(4,877,037)	648,192
2,564,722	(2,882,761)	(318,039)	13,090,690
43,802,546	43,802,546	43,802,546	-
<u>\$ 46,367,268</u>	<u>\$ 40,919,785</u>	<u>\$ 43,484,507</u>	<u>\$ 13,090,690</u> (concluded)

PENSION PLAN SCHEDULES*

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

	2016	2015	2014
<u>Total pension liability</u>			
Service cost.....	\$ 5,478,000	\$ 5,242,000	\$ 4,822,000
Interest.....	15,752,000	14,481,000	14,245,000
Differences between expected and actual experience.....	-	(3,065,000)	-
Changes of assumptions.....	-	10,500,000	-
Benefit payments, including refunds of member contributions.....	(10,657,000)	(10,229,000)	(10,211,000)
Net change in total pension liability.....	10,573,000	16,929,000	8,856,000
Total pension liability - beginning.....	209,875,000	192,946,000	184,090,000
Total pension liability - ending (a).....	\$ 220,448,000	\$ 209,875,000	\$ 192,946,000
<u>Plan fiduciary net position</u>			
Contributions - employer.....	\$ 10,956,000	\$ 10,664,321	\$ 9,626,072
Contributions - member.....	3,265,000	2,871,000	3,028,000
Net investment income.....	9,368,000	617,000	8,519,000
Benefit payments, including refunds of member contributions.....	(10,657,000)	(10,229,000)	(10,211,000)
Administrative expense.....	(215,195)	(249,330)	(260,643)
Other.....	9,685	15,322	27,688
Net change in plan fiduciary net position.....	12,726,490	3,689,313	10,729,117
Plan fiduciary net position - beginning.....	126,298,466	122,609,153	111,880,036
Plan fiduciary net position - ending (b).....	\$ 139,024,956	\$ 126,298,466	\$ 122,609,153
Net pension liability - ending (a) - (b).....	\$ 81,423,044	\$ 83,576,534	\$ 70,336,847
Plan fiduciary net position as a percentage of the total pension liability....	63.06%	60.18%	63.55%
Covered-employee payroll.....	\$ 33,006,583	\$ 33,006,583	\$ 31,121,488
Net pension liability as a percentage of covered-employee payroll.....	246.69%	253.21%	226.01%

* These schedules are intended to report information for 10 years. Additional years information will be displayed as it becomes available. Also, for schedules identified as being related to the "System" parenthetically, fiscal year-end dates are December 31 unless noted otherwise.

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

	2016	2015	2014	2013	2012
Actuarially determined contribution.....	\$ 10,955,000	\$ 10,664,321	\$ 9,626,072	\$ 9,655,593	\$ 9,380,817
Contributions in relation to the actuarially determined contribution.....	<u>10,955,000</u>	<u>10,664,321</u>	<u>9,626,072</u>	<u>9,655,593</u>	<u>9,380,817</u>
Contribution deficiency (excess).....	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered-employee payroll.....	\$ 33,006,583	\$ 33,006,583	\$ 31,121,488	\$ 31,121,488	\$ 29,750,417
Contributions as a percentage of covered-employee payroll.....	33.19%	32.31%	30.93%	31.03%	31.53%

(continued)

	2011	2010	2009	2008	2007
Actuarially determined contribution.....	\$ 9,339,362	\$ 8,168,182	\$ 8,260,223	\$ 7,329,618	\$ 7,650,765
Contributions in relation to the actuarially determined contribution.....	<u>9,339,362</u>	<u>8,168,182</u>	<u>8,260,223</u>	<u>7,329,618</u>	<u>7,650,765</u>
Contribution deficiency (excess).....	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered-employee payroll.....	\$ 29,750,417	\$ 29,412,382	\$ 29,412,382	\$ 26,951,807	\$ 26,951,807
Contributions as a percentage of covered-employee payroll.....	31.39%	27.77%	28.08%	27.20%	28.39%

(concluded)

SCHEDULE OF INVESTMENT RETURNS (SYSTEM)

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense.....	7.06%	1.02%	7.59%

SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (SYSTEM)

	2017*	2016*	2015*
City's proportion of the net pension liability.....	93.77%	91.47%	94.58%
City's proportionate share of the net pension liability.....	76,346,914	76,447,554	66,524,734
City's covered-employee payroll.....	30,191,161	30,191,161	29,434,703
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll.....	252.88%	253.21%	226.01%
Plan fiduciary net position as a percentage of the total pension liability.....	63.06%	60.18%	63.55%

SCHEDULE OF CITY CONTRIBUTIONS (SYSTEM)

	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
Actuarially Required Contribution.....	\$ 10,272,036	\$ 9,754,667	\$ 9,325,751
Contributions in Relation to the Actuarially Required Contribution.....	<u>10,272,036</u>	<u>9,754,667</u>	<u>9,325,751</u>
Contribution Deficiency (Excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll.....	\$ 30,191,161	\$ 30,191,161	\$ 29,434,703
Contributions as a Percentage of Covered Employee Payroll.....	34.02%	32.31%	31.68%

SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (MTRS)

	2017	2016	2015
City's proportion of the net pension liability.....	0.00%	0.00%	0.00%
City's proportionate share of the net pension liability.....	\$ -	\$ -	\$ -
Commonwealth's proportionate share of the net pension liability associated with the City.....	<u>128,476,204</u>	<u>116,388,215</u>	<u>90,427,207</u>
Total.....	<u>\$ 128,476,204</u>	<u>\$ 116,388,215</u>	<u>\$ 90,427,207</u>
City's covered-employee payroll.....	\$ 37,797,442	\$ 36,007,039	\$ 34,879,310
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll.....	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability.....	52.73%	55.38%	61.64%

SCHEDULE OF CITY CONTRIBUTIONS (MTRS)

	2017	2016	2015
Contractually required contribution.....	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution.....	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll.....	\$ 37,797,442	36,007,039	\$ 34,879,310
Contributions as a percentage of covered-employee payroll.....	N/A	N/A	N/A

OTHER POSTEMPLOYMENT BENEFITS SCHEDULES

The following schedules provide information related to the City's other postemployment benefits plan:

SCHEDULES 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)
07/01/15	\$ -	\$ 192,772,240	\$ 192,772,240	-	\$ 69,485,461	277%
07/01/13	-	164,767,775	164,767,775	-	66,431,592	248%
07/01/11	-	169,212,224	169,212,224	-	60,733,942	279%

The significant changes to the methods and assumptions used in the actuarial valuations identified above that impacted trends in the schedules of funding progress are as follows:

- For the period 07/01/11 to 07/01/13, plan experience was more favorable than expected. This was mainly due to post 65 premiums increasing by 8% vs. an expected 11% increase and changes in cost sharing. This was somewhat offset by the introduction of a more conservative mortality table and the inclusion of the ACA excise tax. The actuarial experience gain is amortized into the annual OPEB costs over a 30-year period. The net impact of plan experience is a decrease in the annual OPEB cost.
- The 07/01/13 valuation recognized medical premiums as of the 2015 fiscal year. For years beyond the 2015 fiscal year, medical care costs are assumed to increase by 5.0% per year. If costs increase at rates higher than assumed, plan liabilities will escalate while costs less than those assumed will yield lower liabilities in the future.
- The 07/01/15 valuation reflects several changes, including the following:
 - The introduction of a new actuarial cost method
 - The discount rate was decreased from 4.0% to 3.5%
 - Mortality rates were adjusted based on a more conservative mortality table

NOTE A - BUDGETARY - GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2017, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 160,717,858	\$ 156,158,860	\$ (4,877,037)
<u>Adjustments</u>			
Activity of general stabilization fund recorded in the general fund for GAAP purposes.....	(289,052)	-	3,000,000
Activity of operating stabilization fund recorded in the general fund for GAAP purposes.....	112,271	-	(1,458,518)
Activity of capital stabilization fund recorded in the general fund for GAAP purposes.....	(16,303)	-	-
Activity of redevelopment stabilization fund recorded in the general fund for GAAP purposes.....	6,797	-	-
Activity of other postemployment benefits fund recorded in the general fund for GAAP purposes.....	64,281	-	250,000
Net change in recording 60-day receipts.....	12,898	-	-
Net change in recording tax refunds payable.....	1,079,108	-	-
Net change in investment market value.....	(59,666)	-	-
To record additional accrued payroll.....	-	73,136	-
To record encumbrances and continuing appropriations.....	-	(2,882,761)	-
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ <u>161,628,192</u>	\$ <u>153,349,235</u>	\$ <u>(3,085,555)</u>

Combining and Individual Fund Statements and Schedules



Photo credit: Mike Sandoval, Chelsea Department of Public Works

Description: Chelsea's Community Enhancement Team, made up of residents, city representatives, and community organizations, plant sunflowers along Marlborough Street.

Nonmajor Governmental Funds

Narrative

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The special revenue funds are grouped into the following categories:

Redevelopment – accounts for all federal, state and locally funded redevelopment activities.

Other Community Development – accounts for all federal, state and locally funded community development activities other than redevelopment activities.

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

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

City Gifts – accounts for revenues received from various residents and organizations that are to be used to provide a specific benefit to governmental programs.

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

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

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

School Revolving – accounts for the activity of the school department's revolving funds

School Gifts - accounts for revenues received from various residents and organizations that are to be used to provide a specific benefit to the Chelsea schools.

School State Grants – accounts for grant funds received from the Commonwealth that are designated for specific education programs.

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

Capital Projects Funds

Capital projects funds are 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. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The capital projects funds are grouped into the following categories:

Urban I & II Renewal – accounts for the proceeds of bonds sold, intergovernmental grants and transfers in used to finance the cost of the Everett Avenue Urban Revitalization Project.

Other Capital – accounts for the proceeds of bonds sold, intergovernmental grants and operating transfers in used to finance the City’s capital projects (other than the Everett Avenue Urban Revitalization Project).

School Capital Reserve – accounts for funds restricted for long-term capital needs of school buildings.

Permanent Funds

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government’s programs and benefit the government or its citizenry. The permanent funds are grouped into the following categories:

Health and Human Services – accounts for various gifts, bequests and contributions held for which only earnings may be expended for purposes specified by the donor in relation to health and human service activities.

Culture and Recreation - accounts for various gifts, bequests and contributions held for which only earnings may be expended for purposes specified by the donor in relation to culture and recreational activities.

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2017

	<i>Special Revenue Funds</i>					
ASSETS	Redevelopment	Other Community Development	City Revolving	Receipts Reserved	City Gifts	City State Grants
Restricted cash and cash equivalents..... \$	568,104	\$ 3,748,589	\$ -	\$ 4,619,054	\$ 1,341,165	\$ -
Restricted investments.....	2,515,039	1,622,384	-	-	-	-
Receivables, net of uncollectibles:						
Community preservation surcharges.....	-	13,934	-	-	-	-
Departmental and other.....	-	-	480,932	-	-	-
Intergovernmental.....	-	-	-	-	-	148,626
TOTAL ASSETS..... \$	3,083,143	\$ 5,384,907	\$ 480,932	\$ 4,619,054	\$ 1,341,165	\$ 148,626
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants payable..... \$	995	\$ 185,779	\$ 4,301	\$ 29,377	\$ 71,999	\$ 84,422
Accrued payroll.....	6,882	2,441	38,870	-	2,541	5,200
Due to other funds.....	-	-	251,008	-	-	87,491
TOTAL LIABILITIES.....	7,877	188,220	294,179	29,377	74,540	177,113
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue.....	-	13,934	-	-	-	-
FUND BALANCES:						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	3,075,266	5,182,753	186,753	4,589,677	1,266,625	-
Unassigned.....	-	-	-	-	-	(28,487)
TOTAL FUND BALANCES.....	3,075,266	5,182,753	186,753	4,589,677	1,266,625	(28,487)
TOTAL LIABILITIES AND FUND BALANCES... \$	3,083,143	\$ 5,384,907	\$ 480,932	\$ 4,619,054	\$ 1,341,165	\$ 148,626

<i>Special Revenue Funds</i>							<i>Capital Projects Funds</i>		
City Federal Grants	School Lunch	School Revolving	School Gifts	School State Grants	School Federal Grants	Sub-total	Urban I & II Renewal	Other Capital	
\$ 486,843	\$ 2,503,894	\$ 1,204,542	\$ 873,834	\$ 1,666,887	\$ -	\$ 17,012,912	\$ 386,314	\$ 7,767,303	
-	-	-	-	-	-	4,137,423	-	-	
-	-	-	-	-	-	13,934	-	-	
-	-	-	-	-	-	480,932	-	-	
-	-	-	-	-	-	148,626	-	-	
<u>\$ 486,843</u>	<u>\$ 2,503,894</u>	<u>\$ 1,204,542</u>	<u>\$ 873,834</u>	<u>\$ 1,666,887</u>	<u>\$ -</u>	<u>\$ 21,793,827</u>	<u>\$ 386,314</u>	<u>\$ 7,767,303</u>	
\$ 8,951	\$ 277,518	\$ 11,194	\$ 10,543	\$ -	\$ 108,621	\$ 793,700	\$ 21,080	\$ 330,301	
5,721	14,505	6,768	4,796	2,586	36,961	127,271	-	-	
-	-	-	-	-	895,970	1,234,469	-	-	
<u>14,672</u>	<u>292,023</u>	<u>17,962</u>	<u>15,339</u>	<u>2,586</u>	<u>1,041,552</u>	<u>2,155,440</u>	<u>21,080</u>	<u>330,301</u>	
-	-	-	-	-	-	13,934	-	-	
-	-	-	-	-	-	-	-	-	
472,171	2,211,871	1,186,580	858,495	1,664,301	-	20,694,492	365,234	7,437,002	
-	-	-	-	-	(1,041,552)	(1,070,039)	-	-	
<u>472,171</u>	<u>2,211,871</u>	<u>1,186,580</u>	<u>858,495</u>	<u>1,664,301</u>	<u>(1,041,552)</u>	<u>19,624,453</u>	<u>365,234</u>	<u>7,437,002</u>	
<u>\$ 486,843</u>	<u>\$ 2,503,894</u>	<u>\$ 1,204,542</u>	<u>\$ 873,834</u>	<u>\$ 1,666,887</u>	<u>\$ -</u>	<u>\$ 21,793,827</u>	<u>\$ 386,314</u>	<u>\$ 7,767,303</u>	

(continued)

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2017

	<i>Capital Projects Funds</i>		<i>Permanent Funds</i>			Total
	School Capital Reserve	Sub-total	Health and Human Services	Culture and Recreation	Sub-total	Nonmajor Governmental Funds
ASSETS						
Restricted cash and cash equivalents.....	\$ 120,101	\$ 8,273,718	\$ 12,745	\$ 24,689	\$ 37,434	\$ 25,324,064
Restricted investments.....	-	-	-	88,336	88,336	4,225,759
Receivables, net of uncollectibles:						
Community preservation surcharges.....	-	-	-	-	-	13,934
Departmental and other.....	-	-	-	-	-	480,932
Intergovernmental.....	-	-	-	-	-	148,626
TOTAL ASSETS.....	\$ 120,101	\$ 8,273,718	\$ 12,745	\$ 113,025	\$ 125,770	\$ 30,193,315
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants payable.....	\$ -	\$ 351,381	\$ -	\$ -	\$ -	\$ 1,145,081
Accrued payroll.....	-	-	-	-	-	127,271
Due to other funds.....	-	-	-	-	-	1,234,469
TOTAL LIABILITIES.....	-	351,381	-	-	-	2,506,821
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue.....	-	-	-	-	-	13,934
FUND BALANCES:						
Nonspendable.....	-	-	11,996	10,396	22,392	22,392
Restricted.....	120,101	7,922,337	749	102,629	103,378	28,720,207
Unassigned.....	-	-	-	-	-	(1,070,039)
TOTAL FUND BALANCES.....	120,101	7,922,337	12,745	113,025	125,770	27,672,560
TOTAL LIABILITIES AND FUND BALANCES... \$	120,101	\$ 8,273,718	\$ 12,745	\$ 113,025	\$ 125,770	\$ 30,193,315

(concluded)

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NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<i>Special Revenue Funds</i>					
	Redevelopment	Other Community Development	City Revolving	Receipts Reserved	City Gifts	City State Grants
REVENUES						
Charges for services.....	\$ -	\$ -	\$ 2,161,719	\$ 403,457	\$ -	\$ -
Community preservation surcharges.....	-	544,562	-	-	-	-
Intergovernmental	-	5,055,111	-	665,825	13,671	1,560,287
Penalties and interest on taxes.....	-	531	-	-	-	-
Departmental and other.....	9,955	60,993	79,170	552,370	8,400	-
Contributions.....	-	1,110,000	-	-	757,071	65,000
Investment income.....	39,454	97,477	-	-	-	-
TOTAL REVENUES.....	49,409	6,868,674	2,240,889	1,621,652	779,142	1,625,287
EXPENDITURES						
Current:						
General government.....	-	-	-	52,624	359,194	20,000
Public safety.....	-	-	1,989,364	53,861	16,048	797,377
Education.....	-	-	-	-	-	62,678
Public works.....	-	-	-	-	-	744,114
Health and human services.....	-	-	100,800	-	296,100	60,482
Culture and recreation.....	-	-	81,011	-	4,812	67,292
Community development.....	278,959	3,018,767	-	15,000	-	-
TOTAL EXPENDITURES.....	278,959	3,018,767	2,171,175	121,485	676,154	1,751,943
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(229,550)	3,849,907	69,714	1,500,167	102,988	(126,656)
OTHER FINANCING SOURCES (USES)						
Transfers in.....	10,101	159,139	-	-	-	10,000
Issuance of bonds, notes and loans.....	-	-	-	-	-	-
Transfers out.....	-	(159,139)	-	(295,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)....	10,101	-	-	(295,000)	-	10,000
NET CHANGE IN FUND BALANCES.....	(219,449)	3,849,907	69,714	1,205,167	102,988	(116,656)
FUND BALANCES AT BEGINNING OF YEAR.....	3,294,715	1,332,846	117,039	3,384,510	1,163,637	88,169
FUND BALANCES AT END OF YEAR.....	\$ 3,075,266	\$ 5,182,753	\$ 186,753	\$ 4,589,677	\$ 1,266,625	\$ (28,487)

<i>Special Revenue Funds</i>							<i>Capital Projects Funds</i>	
City Federal Grants	School Lunch	School Revolving	School Gifts	School State Grants	School Federal Grants	Sub-total	Urban I & II Renewal	Other Capital
\$ 27,030	\$ 398,678	\$ 328,512	\$ -	\$ -	\$ -	\$ 3,319,396	\$ -	\$ -
-	-	-	-	-	-	544,562	-	-
638,003	3,718,970	9,842	-	1,931,988	5,061,592	18,655,289	-	395,100
-	-	-	-	-	-	531	-	-
-	-	-	-	-	-	710,888	-	-
-	-	-	530,203	-	-	2,462,274	-	144,461
-	-	-	-	-	-	136,931	-	-
665,033	4,117,648	338,354	530,203	1,931,988	5,061,592	25,829,871	-	539,561
-	-	-	-	-	-	431,818	-	1,787,138
954,754	-	-	-	-	-	3,811,404	-	1,199,739
-	3,934,340	557,699	527,545	2,153,175	5,609,173	12,844,610	-	708,583
-	-	-	-	-	-	744,114	-	1,034,119
1,959	-	-	-	-	-	459,341	-	-
-	-	-	-	-	-	153,115	-	-
-	-	-	-	-	-	3,312,726	54,003	714,249
956,713	3,934,340	557,699	527,545	2,153,175	5,609,173	21,757,128	54,003	5,443,828
(291,680)	183,308	(219,345)	2,658	(221,187)	(547,581)	4,072,743	(54,003)	(4,904,267)
-	-	-	-	-	-	179,240	-	4,886,000
-	-	-	-	-	-	-	-	2,540,000
-	-	-	-	-	-	(454,139)	-	-
-	-	-	-	-	-	(274,899)	-	7,426,000
(291,680)	183,308	(219,345)	2,658	(221,187)	(547,581)	3,797,844	(54,003)	2,521,733
763,851	2,028,563	1,405,925	855,837	1,885,488	(493,971)	15,826,609	419,237	4,915,269
\$ 472,171	\$ 2,211,871	\$ 1,186,580	\$ 858,495	\$ 1,664,301	\$ (1,041,552)	\$ 19,624,453	\$ 365,234	\$ 7,437,002

(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<i>Capital Projects Funds</i>		<i>Permanent Funds</i>			Total
	School Capital Reserve	Sub-total	Health and Human Services	Culture and Recreation	Sub-total	Nonmajor Governmental Funds
REVENUES						
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,319,396
Community preservation surcharges.....	-	-	-	-	-	544,562
Intergovernmental	-	395,100	-	-	-	19,050,389
Penalties and interest on taxes.....	-	-	-	-	-	531
Departmental and other.....	-	-	-	-	-	710,888
Contributions.....	-	144,461	-	-	-	2,606,735
Investment income.....	84,919	84,919	-	(673)	(673)	221,177
TOTAL REVENUES.....	84,919	624,480	-	(673)	(673)	26,453,678
EXPENDITURES						
Current:						
General government.....	-	1,787,138	-	-	-	2,218,956
Public safety.....	-	1,199,739	-	-	-	5,011,143
Education.....	-	708,583	-	-	-	13,553,193
Public works.....	-	1,034,119	-	-	-	1,778,233
Health and human services.....	-	-	-	-	-	459,341
Culture and recreation.....	-	-	-	2,114	2,114	155,229
Community development.....	-	768,252	-	-	-	4,080,978
TOTAL EXPENDITURES.....	-	5,497,831	-	2,114	2,114	27,257,073
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	84,919	(4,873,351)	-	(2,787)	(2,787)	(803,395)
OTHER FINANCING SOURCES (USES)						
Transfers in.....	-	4,886,000	-	-	-	5,065,240
Issuance of bonds, notes and loans.....	-	2,540,000	-	-	-	2,540,000
Transfers out.....	(956,000)	(956,000)	-	-	-	(1,410,139)
TOTAL OTHER FINANCING SOURCES (USES)....	(956,000)	6,470,000	-	-	-	6,195,101
NET CHANGE IN FUND BALANCES.....	(871,081)	1,596,649	-	(2,787)	(2,787)	5,391,706
FUND BALANCES AT BEGINNING OF YEAR.....	991,182	6,325,688	12,745	115,812	128,557	22,280,854
FUND BALANCES AT END OF YEAR.....	\$ 120,101	\$ 7,922,337	\$ 12,745	\$ 113,025	\$ 125,770	\$ 27,672,560

(concluded)

Internal Service Funds

Narrative

Internal service funds are used to account for the financing of services provided by one department to other departments or governmental units. The risk financing activities related to a portion of retirees' health insurance (through April 30, 2012) and all of the City's workers' compensation are accounted for in the internal service fund and are categorized as follows:

Retirees' Health Insurance – accounts for the health insurance activities of retirees' who were eligible to participate in the Blue Cross Blue Shield MEDEX plan through April 30, 2012.

Workers' Compensation – accounts for the activities of employees who are eligible to receive workers' compensation benefits.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION

JUNE 30, 2017

				Total
	Retirees' Health Insurance	Workers' Compensation	Health Insurance	Internal Service Funds
ASSETS				
Current assets:				
Restricted cash and cash equivalents.....	\$ 235,643	\$ 208,745	\$ 5,425,037	\$ 5,869,425
LIABILITIES				
Current liabilities:				
Warrants payable.....	\$ -	\$ 4,800	\$ 61,837	\$ 66,637
Accrued payroll.....	-	19,281	-	19,281
Other liabilities.....	-	2,975	-	2,975
Accrued health claims payable.....	-	-	1,097,780	1,097,780
Workers' compensation claims.....	-	100,579	-	100,579
Total current liabilities.....	-	127,635	1,159,617	1,287,252
Noncurrent liabilities:				
Workers' compensation claims.....	-	80,700	-	80,700
Total liabilities.....	-	208,335	1,159,617	1,367,952
NET POSITION				
Nonspendable.....	-	-	-	-
Unrestricted.....	\$ 235,643	\$ 410	\$ 4,265,420	\$ 4,501,473

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

				Total
	Retirees' Health Insurance	Workers' Compensation	Health Insurance	Internal Service Funds
OPERATING REVENUES				
Employer contributions.....	\$ -	\$ -	\$ 21,713,611	\$ 21,713,611
Employee contributions.....	-	-	4,475,168	4,475,168
 TOTAL OPERATING REVENUES.....	 -	 -	 26,188,779	 26,188,779
OPERATING EXPENSES				
Employee benefits.....	-	34,631	21,923,359	21,957,990
 OPERATING INCOME (LOSS).....	 -	 (34,631)	 4,265,420	 4,230,789
NONOPERATING REVENUES (EXPENSES)				
Investment income.....	-	77	-	77
 CHANGE IN NET POSITION.....	 -	 (34,554)	 4,265,420	 4,230,866
 NET POSITION AT BEGINNING OF YEAR.....	 235,643	 34,964	 -	 270,607
 NET POSITION AT END OF YEAR.....	 \$ 235,643	 \$ 410	 \$ 4,265,420	 \$ 4,501,473

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

				Total
	Retirees' Health Insurance	Workers' Compensation	Health Insurance	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided.....	\$ -	\$ -	\$ 26,188,779	\$ 26,188,779
Payments for interfund services used.....	-	(62,064)	(20,763,742)	(20,825,806)
NET CASH FROM OPERATING ACTIVITIES.....	-	(62,064)	5,425,037	5,362,973
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income.....	-	77	-	77
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	-	(61,987)	5,425,037	5,363,050
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
(All cash is reported as restricted).....	235,643	270,732	-	506,375
CASH AND CASH EQUIVALENTS AT END OF YEAR				
(All cash is reported as restricted).....	\$ 235,643	\$ 208,745	\$ 5,425,037	\$ 5,869,425
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH FROM OPERATING ACTIVITIES				
Operating income (loss).....	\$ -	\$ (34,631)	\$ 4,265,420	\$ 4,230,789
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Adjustments requiring current cash flows:				
Changes in assets and liabilities:				
Warrants payable.....	-	4,800	61,837	66,637
Accrued payroll.....	-	16,085	-	16,085
Accrued health claims payable.....	-	-	1,097,780	1,097,780
Workers' compensation claims.....	-	(48,318)	-	(48,318)
Total adjustments.....	-	(27,433)	1,159,617	1,132,184
NET CASH FROM OPERATING ACTIVITIES.....	\$ -	\$ (62,064)	\$ 5,425,037	\$ 5,362,973

Agency Funds

Narrative

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

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
ASSETS				
Cash and cash equivalents.....	\$ 886,986	\$ 7,970,750	\$ (7,998,141)	\$ 859,595
LIABILITIES				
Warrants payable.....	3,598	7,998,141	(8,001,739)	-
Liabilities due depositors.....	883,388	9,741,803	(9,765,596)	859,595
TOTAL LIABILITIES.....	\$ 886,986	\$ 17,739,944	\$ (17,767,335)	\$ 859,595

Statistical Section



Photo credit: Copyright 2017 Tracie Van Auken. Courtesy of the Robert Wood Johnson Foundation.

Description: Port Park, which sits next to the salt piles along Marginal Street in Chelsea, came about because of community efforts to mitigate the effects of industry along the waterfront.

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Statistical Section

This part of the City of Chelsea's 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 (pages 109 – 120)

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 (pages 121 – 124)

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

Debt Capacity (pages 125 – 129)

These schedules contain 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 (pages 130 - 131)

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 (pages 132 – 136)

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 (1)
(ACCRUAL BASIS OF ACCOUNTING)

LAST TEN FISCAL YEARS

	2008	2009	2010	2011
Governmental Activities				
Net investment in capital assets (1).....	\$ 109,699,755	\$ 113,168,275	\$ 115,802,386	\$ 123,198,732
Restricted.....	14,156,898	15,843,439	16,877,352	5,330,361
Unrestricted.....	<u>3,182,167</u>	<u>(18,524,343)</u>	<u>(33,438,542)</u>	<u>(41,789,700)</u>
Total governmental activities net position (1).....	<u>\$ 127,038,820</u>	<u>\$ 110,487,371</u>	<u>\$ 99,241,196</u>	<u>\$ 86,739,393</u>
Business-Type Activities				
Net investment in capital assets (1).....	\$ 4,293,753	\$ 5,079,857	\$ 9,731,672	\$ 13,645,212
Unrestricted.....	<u>4,377,713</u>	<u>7,437,258</u>	<u>6,073,506</u>	<u>6,752,021</u>
Total business-type activities net position (1).....	<u>\$ 8,671,466</u>	<u>\$ 12,517,115</u>	<u>\$ 15,805,178</u>	<u>\$ 20,397,233</u>
Primary Government				
Net investment in capital assets (1).....	\$ 113,993,508	\$ 118,248,132	\$ 125,534,058	\$ 136,843,944
Restricted.....	14,156,898	15,843,439	16,877,352	5,330,361
Unrestricted.....	<u>7,559,880</u>	<u>(11,087,085)</u>	<u>(27,365,036)</u>	<u>(35,037,679)</u>
Total primary government net position (1).....	<u>\$ 135,710,286</u>	<u>\$ 123,004,486</u>	<u>\$ 115,046,374</u>	<u>\$ 107,136,626</u>

(1) Net position and net investment in capital assets terminology per GASB Statement # 63 is being utilized

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 110,297,865	\$ 112,646,295	\$ 113,957,937	\$ 121,592,582	\$ 146,694,947	\$ 162,050,337
21,541,560	19,798,007	23,010,803	25,186,869	26,936,571	31,768,286
<u>(55,550,266)</u>	<u>(67,222,440)</u>	<u>(69,930,884)</u>	<u>(147,945,496)</u>	<u>(164,046,773)</u>	<u>(167,542,578)</u>
<u>\$ 76,289,159</u>	<u>\$ 65,221,862</u>	<u>\$ 67,037,856</u>	<u>\$ (1,166,045)</u>	<u>\$ 9,584,745</u>	<u>\$ 26,276,045</u>
\$ 15,188,269	\$ 16,948,277	\$ 18,376,165	\$ 20,591,676	\$ 18,000,489	\$ 29,291,684
<u>9,321,027</u>	<u>11,462,851</u>	<u>13,014,707</u>	<u>13,244,738</u>	<u>19,074,859</u>	<u>8,700,571</u>
<u>\$ 24,509,296</u>	<u>\$ 28,411,128</u>	<u>\$ 31,390,872</u>	<u>\$ 33,836,414</u>	<u>\$ 37,075,348</u>	<u>\$ 37,992,255</u>
\$ 125,486,134	\$ 129,594,572	\$ 132,334,102	\$ 142,184,258	\$ 164,695,436	\$ 191,342,021
21,541,560	19,798,007	23,010,803	25,186,869	26,936,571	31,768,286
<u>(46,229,239)</u>	<u>(55,759,589)</u>	<u>(56,916,177)</u>	<u>(134,700,758)</u>	<u>(144,971,914)</u>	<u>(158,842,007)</u>
<u>\$ 100,798,455</u>	<u>\$ 93,632,990</u>	<u>\$ 98,428,718</u>	<u>\$ 32,670,369</u>	<u>\$ 46,660,093</u>	<u>\$ 64,268,300</u>

GOVERNMENTAL ACTIVITIES
CHANGES IN NET POSITION (1)

LAST TEN FISCAL YEARS

	2008	2009	2010
Expenses			
General government.....	\$ 8,802,344	\$ 9,465,362	\$ 8,584,122
Public safety.....	33,766,246	35,665,589	36,002,662
Education.....	89,459,187	92,186,880	97,560,358
Public works.....	6,296,006	6,336,398	6,187,990
Health and human services.....	2,542,823	2,699,727	1,854,061
Culture and recreation.....	1,150,914	1,355,992	916,324
Community development.....	1,833,093	1,372,317	1,546,870
Debt service - interest.....	3,162,519	2,527,602	2,756,957
Total expenses.....	<u>147,013,132</u>	<u>151,609,867</u>	<u>155,409,344</u>
Program Revenues			
Charges for services:			
Public safety.....	4,514,069	4,700,260	4,276,170
Public works.....	1,210,082	1,446,499	1,529,503
Other activities.....	2,039,329	2,563,792	2,711,537
Operating grants and contributions.....	72,252,579	73,086,636	77,955,416
Capital grants and contributions.....	580,592	1,890,029	2,389,700
Total program revenues.....	<u>80,596,651</u>	<u>83,687,216</u>	<u>88,862,326</u>
Net (expense)/revenue.....	<u>(66,416,481)</u>	<u>(67,922,651)</u>	<u>(66,547,018)</u>
General Revenues and Other Changes in Net Position (1)			
Real estate and personal property taxes.....	31,523,741	34,562,918	34,585,525
Meals and room taxes.....	-	-	83,513
Motor vehicle and other excise taxes.....	2,846,327	2,841,288	7,467,078
Penalties and interest on taxes.....	273,865	312,440	576,893
Payments in lieu of taxes.....	1,792,342	1,537,180	1,738,295
Community preservation surcharges.....	-	-	-
Unrestricted grants and contributions.....	10,560,559	10,440,670	8,629,072
Unrestricted investment income.....	1,710,427	2,100,745	1,352,951
Gain on sale of capital assets.....	-	-	-
Sale of land.....	-	-	-
Transfers, net.....	1,539,270	(424,039)	867,506
Total general revenues and other changes in net position (1).....	<u>50,246,531</u>	<u>51,371,202</u>	<u>55,300,833</u>
Change in net position (1).....	<u><u>\$ (16,169,950)</u></u>	<u><u>\$ (16,551,449)</u></u>	<u><u>\$ (11,246,185)</u></u>

(1) Net position terminology per GASB Statement # 63 is being utilized

	2011	2012	2013	2014	2015	2016	2017
\$	8,878,505	\$ 6,303,492	\$ 6,753,023	\$ 6,396,204	\$ 7,180,957	\$ 6,504,975	\$ 8,252,547
	38,057,558	34,245,664	37,168,245	37,333,683	38,356,624	42,312,639	41,233,536
	97,529,142	101,583,304	106,039,385	108,824,624	115,114,967	124,549,859	133,951,256
	6,888,278	6,392,827	7,054,957	7,330,891	6,847,690	6,649,021	6,141,699
	1,845,688	4,003,944	4,311,783	4,397,671	4,349,173	4,736,315	5,084,876
	990,915	909,974	980,683	818,969	880,766	924,397	1,140,358
	1,345,920	1,774,591	3,324,674	2,535,337	2,837,190	3,557,852	3,898,699
	1,918,692	742,879	977,150	832,886	757,175	743,493	785,323
	<u>157,454,698</u>	<u>155,956,675</u>	<u>166,609,900</u>	<u>168,470,265</u>	<u>176,324,542</u>	<u>189,978,551</u>	<u>200,488,294</u>
	4,377,770	4,335,583	5,215,386	5,601,755	6,935,440	6,694,814	6,355,040
	1,346,420	1,421,310	1,434,148	1,436,700	1,573,631	1,550,192	1,572,575
	2,872,521	3,177,176	2,781,946	2,689,908	2,719,833	2,523,973	2,456,879
	78,148,183	78,837,387	83,700,933	91,442,874	91,452,200	101,301,162	109,842,971
	408,766	(1,065,126)	310,844	243,646	3,669,318	11,739,950	12,086,531
	<u>87,153,660</u>	<u>86,706,330</u>	<u>93,443,257</u>	<u>101,414,883</u>	<u>106,350,422</u>	<u>123,810,091</u>	<u>132,313,996</u>
	<u>(70,301,038)</u>	<u>(69,250,345)</u>	<u>(73,166,643)</u>	<u>(67,055,382)</u>	<u>(69,974,120)</u>	<u>(66,168,460)</u>	<u>(68,174,298)</u>
	37,049,408	38,375,534	42,040,017	44,226,062	45,085,165	48,999,853	51,670,468
	556,526	602,918	871,300	1,108,668	1,167,829	1,668,783	1,624,438
	7,001,354	8,253,392	8,198,951	9,945,067	10,794,088	13,037,097	17,474,882
	457,401	553,029	375,953	472,452	466,224	444,350	342,704
	1,483,189	1,221,920	1,221,631	2,139,017	1,252,908	2,084,999	1,827,288
	-	-	-	-	-	-	558,496
	7,698,509	7,718,417	7,538,595	7,837,799	8,057,101	8,071,764	8,758,461
	940,588	406,508	142,796	737,599	95,655	1,090,810	721,227
	2,115,000	-	-	654,000	-	-	-
	-	-	-	-	900,000	-	-
	497,270	1,668,393	1,710,103	1,752,855	1,796,678	1,521,594	1,887,634
	<u>57,799,245</u>	<u>58,800,111</u>	<u>62,099,346</u>	<u>68,873,519</u>	<u>69,615,648</u>	<u>76,919,250</u>	<u>84,865,598</u>
\$	<u>(12,501,793)</u>	<u>(10,450,234)</u>	<u>(11,067,297)</u>	<u>1,818,137</u>	<u>(358,472)</u>	<u>10,750,790</u>	<u>16,691,300</u>

BUSINESS-TYPE ACTIVITIES
CHANGES IN NET POSITION (1)

LAST TEN FISCAL YEARS

	2008	2009	2010	2011
Expenses				
Water and Sewer.....	\$ 10,265,022	\$ 10,442,575	\$ 11,932,616	\$ 12,619,962
Program Revenues				
Charges for services.....	11,791,807	13,864,185	16,012,276	17,304,563
Operating grants and contributions.....	69,906	-	75,909	-
Capital grants and contributions.....	236,779	-	-	404,724
Total program revenues.....	12,098,492	13,864,185	16,088,185	17,709,287
Net (expense)/revenue.....	1,833,470	3,421,610	4,155,569	5,089,325
General Revenues and Transfers				
Transfers, net.....	(1,539,270)	424,039	(867,506)	(497,270)
Change in net position (1).....	\$ 294,200	\$ 3,845,649	\$ 3,288,063	\$ 4,592,055

(1) Net position terminology per GASB Statement # 63 is being utilized

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ <u>12,587,797</u>	\$ <u>13,185,746</u>	\$ <u>13,942,646</u>	\$ <u>14,621,709</u>	\$ <u>15,028,890</u>	\$ <u>16,808,671</u>
18,344,616	18,474,949	18,389,953	18,916,044	18,658,888	19,481,212
21,966	2,412	999	-	-	-
<u>1,671</u>	<u>320,320</u>	<u>282,150</u>	<u>398,640</u>	<u>1,130,530</u>	<u>132,000</u>
<u>18,368,253</u>	<u>18,797,681</u>	<u>18,673,102</u>	<u>19,314,684</u>	<u>19,789,418</u>	<u>19,613,212</u>
5,780,456	5,611,935	4,730,456	4,692,975	4,760,528	2,804,541
<u>(1,668,393)</u>	<u>(1,710,103)</u>	<u>(1,752,855)</u>	<u>(1,796,678)</u>	<u>(1,521,594)</u>	<u>(1,887,634)</u>
\$ <u><u>4,112,063</u></u>	\$ <u><u>3,901,832</u></u>	\$ <u><u>2,977,601</u></u>	\$ <u><u>2,896,297</u></u>	\$ <u><u>3,238,934</u></u>	\$ <u><u>916,907</u></u>

**PRIMARY GOVERNMENT
CHANGES IN NET POSITION (1)**

LAST TEN FISCAL YEARS

	2008	2009	2010
Total expenses.....	\$ 157,278,154	\$ 162,052,442	\$ 167,341,960
Total program revenues.....	<u>92,695,143</u>	<u>97,551,401</u>	<u>104,950,511</u>
Net (expense)/revenue.....	(64,583,011)	(64,501,041)	(62,391,449)
Total general revenues, transfers and other changes in net position (1).....	<u>48,707,261</u>	<u>51,795,241</u>	<u>54,433,327</u>
Change in net position (1).....	<u><u>\$ (15,875,750)</u></u>	<u><u>\$ (12,705,800)</u></u>	<u><u>\$ (7,958,122)</u></u>

(1) Net position terminology per GASB Statement # 63 is being utilized

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 170,074,660	\$ 168,544,472	\$ 179,795,646	\$ 182,412,911	\$ 190,946,251	\$ 205,007,441	\$ 217,296,965
<u>104,862,947</u>	<u>105,074,583</u>	<u>112,240,938</u>	<u>120,087,985</u>	<u>125,665,106</u>	<u>143,599,509</u>	<u>151,927,208</u>
(65,211,713)	(63,469,889)	(67,554,708)	(62,324,926)	(65,281,145)	(61,407,932)	(65,369,757)
<u>57,301,975</u>	<u>57,131,718</u>	<u>60,389,243</u>	<u>67,120,664</u>	<u>67,818,970</u>	<u>75,397,656</u>	<u>82,977,964</u>
<u>\$ (7,909,738)</u>	<u>\$ (6,338,171)</u>	<u>\$ (7,165,465)</u>	<u>\$ 4,795,738</u>	<u>\$ 2,537,825</u>	<u>\$ 13,989,724</u>	<u>\$ 17,608,207</u>

GOVERNMENTAL FUNDS
FUND BALANCES (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

LAST TEN FISCAL YEARS

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund				
Reserved.....	\$ 4,843,824	\$ 3,025,808	\$ 2,915,917	\$ -
Unreserved.....	11,257,433	11,379,449	14,297,478	-
Nonspendable.....	-	-	-	-
Restricted.....	-	-	-	-
Committed.....	-	-	-	-
Assigned.....	-	-	-	2,385,892
Unassigned.....	-	-	-	24,345,161
Total general fund.....	<u>\$ 16,101,257</u>	<u>\$ 14,405,257</u>	<u>\$ 17,213,395</u>	<u>\$ 26,731,053</u>
All Other Governmental Funds				
Reserved.....	\$ 3,305,523	\$ 3,880,532	\$ 1,381,756	\$ -
Unreserved, reported in:				
Special revenue funds.....	14,327,473	13,470,775	14,542,816	-
Debt service funds.....	9,430,547	9,927,538	10,648,346	-
Capital projects funds.....	(5,346,118)	(8,762,135)	984,799	-
Permanent funds.....	100,547	100,886	101,095	-
Nonspendable.....	-	-	-	22,392
Restricted.....	-	-	-	21,683,498
Unassigned.....	-	-	-	-
Total all other governmental funds.....	<u>\$ 21,817,972</u>	<u>\$ 18,617,596</u>	<u>\$ 27,658,812</u>	<u>\$ 21,705,890</u>

(1) Fiscal year 2011 represents the first year of implementing GASB Statement # 54

<u>2012</u>	<u>(1) 2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
9,506	3,853	-	-	-	-
150,000	308,767	504,854	718,710	970,408	1,284,689
2,099,166	2,328,995	3,057,530	4,139,642	1,578,204	3,745,271
3,049,473	3,741,435	5,884,258	3,330,311	2,477,123	2,882,761
<u>24,079,453</u>	<u>26,894,097</u>	<u>33,680,292</u>	<u>34,395,684</u>	<u>43,212,229</u>	<u>45,518,645</u>
<u>\$ 29,387,598</u>	<u>\$ 33,277,147</u>	<u>\$ 43,126,934</u>	<u>\$ 42,584,347</u>	<u>\$ 48,237,964</u>	<u>\$ 53,431,366</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,060,180	1,060,180	739,250	683,351	323,786	22,392
20,481,622	20,481,622	23,830,733	25,330,694	25,642,378	31,517,310
<u>-</u>	<u>-</u>	<u>(190,172)</u>	<u>(670,421)</u>	<u>(493,971)</u>	<u>(1,070,039)</u>
<u>\$ 21,541,802</u>	<u>\$ 21,541,802</u>	<u>\$ 24,379,811</u>	<u>\$ 25,343,624</u>	<u>\$ 25,472,193</u>	<u>\$ 30,469,663</u>

GOVERNMENTAL FUNDS
CHANGES IN FUND BALANCES (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012
REVENUES					
Real estate and personal property taxes.....	\$ 30,782,138	\$ 32,522,544	\$ 33,656,465	\$ 35,997,749	\$ 37,851,061
Motor vehicle and other excise taxes.....	2,557,448	2,858,058	7,241,592	7,111,447	7,161,510
Meals and room taxes.....	-	-	83,513	556,526	602,918
Tax and trash liens.....	382,714	305,512	1,058,925	907,060	697,979
Payments in lieu of taxes.....	1,792,342	1,537,180	1,738,295	1,483,189	1,221,920
Community preservation surcharges.....	-	-	-	-	-
Charges for services.....	2,296,533	2,522,413	2,768,668	3,142,666	3,403,374
Trash disposal.....	1,230,237	1,421,920	1,492,690	1,509,421	1,417,444
Intergovernmental	86,499,436	89,664,616	89,848,841	102,461,524	85,285,276
Penalties and interest on taxes.....	273,865	325,535	576,893	457,401	553,029
Licenses, permits and fees.....	2,146,030	2,111,520	1,661,067	1,686,406	1,217,335
Fines and forfeitures.....	1,792,603	1,807,763	1,791,144	1,811,801	1,660,704
Departmental.....	287,836	513,831	321,045	371,243	1,408,644
Contributions.....	1,083,262	1,408,736	1,805,273	976,743	1,356,822
Investment income.....	2,943,049	2,077,494	1,347,159	936,009	677,185
TOTAL REVENUES.....	134,067,493	139,077,122	145,391,570	159,409,185	144,515,201
EXPENDITURES					
Current:					
General government.....	3,628,137	4,456,416	3,647,141	4,116,985	3,705,904
Public safety.....	19,180,605	20,102,805	21,218,465	21,857,267	21,330,776
Education.....	71,149,773	75,392,603	77,835,710	78,049,056	78,478,431
Public works.....	5,374,352	8,526,985	5,142,611	6,205,921	6,974,591
Health and human services.....	1,573,840	1,637,992	1,395,638	1,247,303	1,250,883
Culture and recreation.....	541,176	476,234	449,369	530,524	452,279
Community development.....	4,631,470	3,447,654	1,869,328	1,762,797	3,117,710
Pension benefits.....	9,807,679	10,366,861	10,778,985	11,459,731	12,258,832
Employee benefits.....	6,209,239	6,877,797	6,511,415	6,259,620	6,763,964
Property and liability insurance.....	463,140	440,049	484,181	450,000	373,711
Claims and judgments.....	3,473	25,215	38,920	46,059	29,167
State and county charges.....	4,021,544	4,234,195	4,720,440	5,032,659	5,507,326
Debt service:					
Principal.....	6,797,357	6,913,970	7,439,494	25,196,312	2,761,359
Interest.....	3,181,787	2,543,985	2,483,699	1,619,804	1,118,855
TOTAL EXPENDITURES.....	136,563,572	145,442,761	144,015,396	163,834,038	144,123,788
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(2,496,079)	(6,365,639)	1,376,174	(4,424,853)	391,413
OTHER FINANCING SOURCES (USES)					
Transfers in.....	2,897,989	4,271,345	4,372,919	27,034,339	6,230,321
Issuance of bonds and notes.....	743,000	12,828,352	1,625,950	5,136,656	394,000
Premium from issuance of bonds and notes.....	-	61,562	-	239,006	38,651
Issuance of refunding bonds.....	-	4,410,625	-	99,500	-
Premium from issuance of refunding bonds.....	-	121,901	-	4,991	-
Sale of capital assets.....	10,663	-	-	2,115,000	-
Sale of land.....	-	-	-	-	-
Capital leases.....	232,355	-	102,809	-	-
Transfers out.....	(1,343,497)	(4,695,384)	(3,505,413)	(26,537,069)	(4,561,928)
Refunded bonds redeemed.....	-	-	-	(102,834)	-
Payments to refunding bond escrow agent.....	-	(4,451,847)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	2,540,510	12,546,554	2,596,265	7,989,589	2,101,044
NET CHANGE IN FUND BALANCES.....	\$ 44,431	\$ 6,180,915	\$ 3,972,439	\$ 3,564,736	\$ 2,492,457
DEBT SERVICE EXPENDITURES AS A PERCENTAGE OF NONCAPITAL EXPENDITURES.....					
	7.51%	6.90%	7.06%	16.82%	2.79%

	2013	2014	2015	2016	2017
\$	40,349,818	\$ 43,530,062	\$ 44,656,911	\$ 48,082,876	\$ 50,307,484
	9,340,599	10,305,740	10,643,290	13,009,026	15,673,336
	871,300	1,108,668	1,167,829	1,668,783	1,624,438
	1,836,771	1,240,594	603,960	1,692,025	1,142,958
	1,221,631	2,139,017	1,252,908	2,084,999	1,827,288
	-	-	-	-	544,562
	3,400,408	2,824,712	3,111,715	3,452,170	3,319,396
	1,351,774	1,403,215	1,528,620	1,564,905	1,549,819
	89,997,970	98,310,010	95,527,502	110,381,999	114,150,846
	375,953	472,452	466,224	444,350	342,704
	1,544,748	1,342,675	2,517,342	1,473,811	1,341,405
	2,007,744	2,348,181	2,353,081	2,400,469	2,561,169
	1,133,145	1,566,193	1,726,715	1,612,755	1,492,032
	1,483,355	975,896	1,254,660	942,042	2,606,735
	201,303	901,867	185,153	1,266,567	864,282
	<u>155,116,519</u>	<u>168,469,282</u>	<u>166,995,910</u>	<u>190,076,777</u>	<u>199,348,454</u>
	4,521,689	4,098,380	4,807,736	4,006,300	6,630,936
	26,344,654	25,818,310	25,900,880	27,360,973	28,129,942
	80,609,369	84,500,020	94,834,369	114,409,040	115,044,521
	6,467,158	7,768,296	8,401,759	7,737,530	7,257,534
	1,536,981	1,721,863	1,659,475	1,848,224	1,947,404
	418,499	558,400	491,973	512,727	681,108
	5,264,289	3,923,532	5,220,518	6,623,908	4,080,978
	12,731,118	13,078,542	6,537,620	6,764,363	7,076,377
	6,022,290	6,093,715	7,064,222	7,803,805	8,709,185
	475,362	450,000	651,504	695,638	750,000
	36,098	30,453	31,097	54,736	63,155
	6,900,308	8,011,029	9,378,341	11,647,770	13,635,401
	2,756,573	2,627,887	3,499,461	2,986,861	2,480,222
	1,007,448	926,936	792,407	685,399	780,365
	<u>155,091,836</u>	<u>159,607,363</u>	<u>169,271,362</u>	<u>193,137,274</u>	<u>197,267,128</u>
	<u>24,683</u>	<u>8,861,919</u>	<u>(2,275,452)</u>	<u>(3,060,497)</u>	<u>2,081,326</u>
	5,747,213	5,762,875	11,082,014	8,049,321	9,247,874
	2,751,628	-	-	7,187,037	5,540,000
	248	77,052	-	134,052	681,912
	-	802,857	-	-	-
	-	1,396,000	-	-	-
	-	-	-	-	-
	-	-	900,000	-	-
	-	-	-	-	-
	(4,037,110)	(4,010,020)	(9,285,336)	(6,527,727)	(7,360,240)
	-	(800,000)	-	-	-
	-	-	-	-	-
	<u>4,461,979</u>	<u>3,228,764</u>	<u>2,696,678</u>	<u>8,842,683</u>	<u>8,109,546</u>
\$	<u>4,486,662</u>	<u>\$ 12,090,683</u>	<u>\$ 421,226</u>	<u>\$ 5,782,186</u>	<u>\$ 10,190,872</u>
	2.52%	2.30%	2.71%	2.24%	1.89%

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Assessed Value (2)			Total Assessed Value	Total Direct Tax Rate	Equalized Actual Value (3)	Assessed Value as a Percentage of Actual Value
	Residential Real Property	Commercial and Industrial Real Property	Personal Property				
2008	1,734,194,631	614,984,682	70,899,900	2,420,079,213	12.25	2,856,347,100	84.73%
2009 (1)	1,532,423,197	617,642,043	79,844,500	2,229,909,740	13.01	2,856,347,100	78.07%
2010	1,284,140,289	597,622,166	85,033,150	1,966,795,605	14.92	2,344,168,400	83.90%
2011	1,266,881,856	573,416,736	92,734,520	1,933,033,112	17.96	2,344,168,400	82.46%
2012 (1)	1,232,708,179	556,636,461	95,916,000	1,885,260,640	19.01	2,237,742,500	84.25%
2013	1,264,203,453	571,459,665	111,145,390	1,946,808,508	20.75	2,237,742,500	87.00%
2014	1,275,660,981	567,198,165	117,035,520	1,959,894,666	21.85	2,234,376,700	87.72%
2015	1,487,308,702	612,872,638	117,761,940	2,217,943,280	20.13	2,234,376,700	99.26%
2016	1,665,190,615	631,635,662	130,843,020	2,427,669,297	21.32	2,791,398,900	86.97%
2017	1,885,509,017	673,031,713	144,279,500	2,702,820,230	18.87	2,791,398,900	96.83%

Source: Assessing Department

(1) Revaluation year

(2) As of January 1st

(3) Value is based on equalized valuations determined biennially by the Commissioner of Revenue

DIRECT PROPERTY TAX RATES (1) (2)

LAST TEN FISCAL YEARS

Fiscal Year	Residential Real Property	Commercial and Industrial Real Property	Personal Property	Total Direct (3)
2008	9.95	20.76	20.76	12.85
2009	10.80	23.96	23.96	13.69
2010	12.09	29.00	29.00	16.57
2011	12.92	30.60	30.60	17.49
2012	13.81	32.92	32.92	20.00
2013	14.13	34.20	34.20	20.75
2014	14.88	36.04	36.04	21.85
2015	14.40	33.45	33.45	20.13
2016	14.25	32.25	32.25	21.32
2017	14.34	30.51	30.51	18.87

Source: Assessing Department

(1) Rates are applicable to each \$1,000 of assessed value

(2) Per the initiatives of Proposition 2 1/2 adopted by the Commonwealth of Massachusetts, the City cannot levy more than 2.5 percent of the total full and fair cash value of all taxable real and personal property. The City's levy is also limited in that it cannot increase more than 2.5 percent from the prior year, with certain exceptions for new growth or through overrides and exclusions adopted by City voters.

(3) Calculated by dividing the net tax levy by total assessed value divided by 1,000

PRINCIPAL PROPERTY TAXPAYERS

CURRENT FISCAL YEAR AND NINE YEARS AGO

Taxpayer	2017			2008		
	Amount of Tax	Rank	Percentage of Total Tax Levy	Amount of Tax	Rank	Percentage of Total Tax Levy
Nstar Services.....	\$ 2,812,101	1	5.51%	\$ 813,979	2	2.62%
Anthony C Simboli.....	2,060,746	2	4.04%	799,684	3	2.57%
Urban Growth Properties.....	1,357,576	3	2.66%	878,148	1	2.82%
FR Chelsea Commons.....	1,293,838	4	2.54%	342,650	6	1.10%
Demoulas Super Markets Inc.....	1,135,735	5	2.23%	405,823	5	1.31%
One North Boston.....	1,070,081	6	2.10%	-	-	-
Griffin Way LLC.....	929,005	7	1.82%	632,219	4	2.03%
Parkside Commons.....	645,188	8	1.27%	-	-	-
KeySpan/ Boston Gas.....	640,130	9	1.26%	-	-	-
Catamount Petroleum Limited Partnership....	551,456	10	1.08%	313,881	8	1.01%
New England Produce Center.....	-	-	-	314,194	7	1.01%
Admiral Hill Association.....	-	-	-	296,148	9	0.95%
Tobin Mark Et Al General Partners	-	-	-	217,621	10	0.70%
Total	\$ 12,495,856		24.51%	\$ 5,014,347		16.13%

Source: Assessing Department

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Net Tax Levy	Collected within the Fiscal Year of the Levy		Actual Subsequent Collections	Total Collections to Date	
		Current Tax Collections	Percent of Net Levy Collected		Total Tax Collections	Total Collections as a % of Net Levy
2008	31,094,201	30,159,309	96.99%	554,283	30,713,592	98.78%
2009	32,533,065	31,721,963	97.51%	561,502	32,283,465	99.23%
2010	34,888,374	33,582,088	96.26%	656,313	34,238,401	98.14%
2011	36,340,614	35,212,941	96.90%	786,348	35,999,289	99.06%
2012	37,698,372	37,043,761	98.26%	671,510	37,715,271	100.04%
2013	40,399,463	39,627,287	98.09%	839,373	40,466,660	100.17%
2014	42,820,454	42,549,387	99.37%	577,035	43,126,422	100.71%
2015	44,639,903	44,626,213	99.97%	439,281	45,065,494	100.95%
2016	47,289,241	46,733,354	98.82%	189,964	46,923,318	99.23%
2017	50,991,870	50,462,814	98.96%		50,462,814	98.96%

Source: Assessing Department

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Median Family Income (1)	Per Capita (1)
	General Obligation Bonds	State House Notes	Loans	General Obligation Bonds	MWRA and MWPAT Notes			
2008	43,867,534	-	-	11,684,463	894,255	56,446,252	5.36%	1,615
2009	49,917,541	-	-	11,217,947	1,866,489	63,001,977	5.97%	1,801
2010	43,603,997	-	-	10,399,950	1,887,642	55,891,589	5.29%	1,592
2011	23,623,841	420,000	-	11,299,067	3,156,511	38,499,419	2.78%	1,097
2012	21,341,482	335,000	-	10,252,455	3,182,629	35,111,566	2.31%	998
2013	20,021,537	250,000	1,400,000	9,273,463	4,102,147	35,047,147	2.27%	996
2014	17,481,507	165,000	1,400,000	9,588,493	4,615,206	33,250,206	2.00%	945
2015	14,967,047	80,000	500,000	7,717,953	4,618,205	27,883,205	1.68%	793
2016	19,747,224	-	-	7,487,814	4,905,739	32,140,777	1.88%	914
2017	22,807,002	-	-	8,852,999	4,967,773	36,627,774	2.18%	1,041

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the "Demographic and Economic Statistics" schedule located in the Statistical Section for median family income and population data. These ratios are calculated using median family income and population for the prior calendar year in which both median family income and population data exist.

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	Net General Bonded Debt Outstanding			(1) Percentage of Assessed Value	(2) Per Capita
	Total Gross General Bonded Debt	Less: Resources Restricted for Debt Principal	Total Net General Bonded Debt		
2008	55,551,997	9,927,538	45,624,459	1.89%	1,301
2009	61,135,488	10,400,021	50,735,467	2.28%	1,446
2010	54,003,947	10,648,346	43,355,601	2.20%	1,236
2011	34,922,908	-	34,922,908	1.81%	993
2012	31,593,937	-	31,593,937	1.68%	898
2013	29,295,000	-	29,295,000	1.50%	833
2014	27,070,000	-	27,070,000	1.38%	770
2015	22,685,000	-	22,685,000	1.02%	645
2016	27,235,038	-	27,235,038	1.12%	774
2017	31,660,001	-	31,660,001	1.17%	900

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Property value data can be found in the "Assessed Value and Estimated Actual Value of Taxable Property" schedule located in the Statistical Section

(2) Population data can be found in the "Demographic and Economic Statistics" schedule located in the Statistical Section

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2017			
Fiscal year 2017 equalized valuation.....	\$	2,791,398,900	
Normal debt limit (5% of equalized valuation).....		139,569,945	
Debt applicable to limit:			
Total bonded debt.....		22,807,002	
Less: General obligation bonds exempted by authority of state legislature.....		(11,530,000)	
Total net debt applicable to limit.....		11,277,002	
Legal debt margin.....	\$	128,292,943	
		Fiscal Year	
		2008	2009
			2010
Normal debt limit.....	\$	142,817,356	\$ 142,817,357 \$ 117,208,420
Total net debt applicable to limit.....		4,942,534	17,082,541 20,793,997
Legal debt margin.....	\$	137,874,822	\$ 125,734,816 \$ 96,414,423
Total net debt applicable to the limit as a percentage of normal debt limit.....		3.46%	11.96% 17.74%

Fiscal Year						
2011	2012	2013	2014	2015	2016	2017
\$ 117,208,420	\$ 111,887,125	\$ 111,887,125	\$ 111,718,835	\$ 111,718,835	\$ 139,569,945	\$ 139,569,945
<u>24,043,841</u>	<u>16,965,982</u>	<u>16,196,287</u>	<u>13,656,257</u>	<u>12,217,047</u>	<u>17,527,224</u>	<u>11,277,002</u>
<u>\$ 93,164,579</u>	<u>\$ 94,921,143</u>	<u>\$ 95,690,838</u>	<u>\$ 98,062,578</u>	<u>\$ 99,501,788</u>	<u>\$ 122,042,721</u>	<u>\$ 128,292,943</u>
20.51%	15.16%	14.48%	12.22%	10.94%	12.56%	8.08%

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

JUNE 30, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Massachusetts Water Resource Authority.....	\$ 5,630,458,000	1.67%	\$ 94,138,048
City direct debt.....			<u>22,807,002</u>
Total direct and overlapping debt.....			<u><u>\$ 116,945,050</u></u>

Source: Massachusetts Water Resource Authority

(1) The percentage of total overlapping debt is derived from the City's share of capital charges divided by the total MWRA debt at fiscal year end.

DEMOGRAPHIC AND ECONOMIC INDICATORS

LAST TEN CALENDAR YEARS

Year	Population (1)	Median Family Income (1) (4)	Unemployment Rate (%) (2)	Per Capita Income
2007	35,080	30,161 (3)	6.4%	14,628 (3)
2008	35,080	30,161 (3)	6.3%	14,628 (3)
2009	35,080	30,161 (3)	9.4%	14,628 (3)
2010	35,080	30,161 (3)	10.6%	14,628 (3)
2011	35,177	40,487	9.6%	14,628
2012	35,177	43,155	8.7%	20,214
2013	35,177	43,919	9.0%	19,625
2014	35,177	47,291	6.1%	20,617
2015	35,177	48,725	5.0%	21,523
2016	35,177	47,733	3.5%	21,722

Sources: (1) U.S. Department of Commerce, Bureau of Census

(2) U.S. Department of Labor, Bureau of Labor Statistics

(3) Data not available for 2007-2010 (the number reported is 2005 data)

(4) The City is presenting Median Family Income data because
Personal Income data is not available

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of Chelsea.....	1,331	1	7.04%	1,255	1	9.27%
MITC.....	1,200	2	6.34%	1,100	2	8.13%
MWRA.....	1,100	3	5.82%	564	3	4.17%
Market Basket.....	900	4	4.76%	300	5	2.22%
State Garden.....	750	5	3.97%	-		-
FBI.....	600	6	3.17%	-		-
Kayem Foods.....	375	7	1.98%	389	4	2.87%
Massachusetts General Hospital.....	375	8	1.98%	246	6	1.82%
Paul Reverse Transportation.....	375	9	1.98%	208	7	1.54%
Soldiers Home.....	200	10	1.06%	-		-
Signature Breads.....	-	N/A	N/A	202	8	1.49%
Metropolitan Credit Union	-	N/A	N/A	151	9	1.12%
Stop & Shop.....	-	N/A	N/A	120	10	0.89%
Total	7,206		38.10%	4,535		33.51%

Source: Department of Planning and Development

EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Full-Time Equivalent Employees as of June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government.....	55	55	55	48	48	49	50	50	51	53
Public safety.....	215	216	225	218	225	227	231	240	244	246
Education.....	901	926	930	907	910	918	894	923	960	967
Public works	25	25	25	22	24	24	26	26	26	26
Health and human services....	37	37	30	30	30	30	31	31	18	21
Culture and recreation.....	8	8	8	7	7	7	7	7	7	7
Community development.....	9	8	7	7	7	7	7	7	8	8
Water and sewer.....	5	5	3	3	3	3	3	3	3	3
Total.....	<u>1,255</u>	<u>1,280</u>	<u>1,283</u>	<u>1,242</u>	<u>1,254</u>	<u>1,265</u>	<u>1,249</u>	<u>1,287</u>	<u>1,317</u>	<u>1,331</u>

Source: Various departments

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	2008	2009	2010	2011	2012
Public safety					
Police					
Offenses committed.....	8,795	9,110	9,450	8,624	8,483
Crime-related incidents.....	3,878	3,744	3,626	3,244	3,406
Non-crime related incidents.....	1,636	1,611	1,846	1,857	1,789
Arrests (on view).....	1,713	1,793	1,825	1,871	1,630
Arrests (based on incident/warrants).....	388	399	429	500	413
Summons arrests.....	6	5	4	2	3
Total arrests.....	2,107	2,197	2,258	2,373	2,046
Juvenile arrests.....	124	95	70	118	70
Hearings.....	559	589	834	585	640
Summons.....	383	573	652	510	498
Restraint orders.....	367	381	352	379	335
Citations.....	6,966	7,795	8,325	7,799	8,188
Fire					
Fires extinguished (1).....	268	271	376	317	425
Education					
Public school enrollment.....	5,603	5,641	5,699	5,709	5,883
Culture and recreation					
Library volumes in collection.....	77,103	79,025	80,443	71,260	72,348
Library volumes borrowed.....	53,136	61,501	74,340	68,649	67,912
Water					
Average daily consumption (1) (million gallons/day).....	2.750	3.040	3.048	3.064	3.077
Peak daily consumption (1) (million gallons/day).....	3.700	3.940	3.700	3.418	3.800
Sewer					
Average daily sewage treatment (1) (million gallons/day).....	4.350	4.130	3.900	5.080	5.490

Source: Various departments

(1) Data is on a calendar year basis

(2) Data is not available

Fiscal Year				
2013	2014	2015	2016	2017
7,227	6,948	6,489	6,050	5,285
3,296	3,134	2,862	2,782	2,632
1,865	2,092	2,285	1,451	1,348
1,468	1,306	1,353	1,246	941
390	452	407	344	264
4	8	34	40	53
1,862	1,766	1,794	1,630	1,258
101	106	108	100	37
471	438	357	314	299
374	349	442	426	519
407	346	391	356	281
6,371	7,126	4,986	3,654	3,446
395	430	(2)	N/A	N/A
6,044	6,288	6,554	6,574	6,600
66,487	72,617	64,735	59,672	57,082
64,721	63,588	60,073	71,930	71,637
3.078	3.206	3.264	3.250	3.263
3.700	3.900	(2)	N/A	N/A
4.350	4.870	5.200	5.210	4.240

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year						
	2008	2009	2010	2011	2012	2013	2014
Public safety							
Police							
Stations.....	1	1	1	1	1	1	1
Fire							
Stations.....	3	3	3	3	3	3	3
Trucks.....	6	6	6	6	6	6	6
Education							
Public school buildings.....	4	4	4	4	4	4	4
Public works							
Streets (miles).....	44	44	44	44	44	44	44
Streetlights.....	1,805	1,805	1,771	1,771	1,771	1,771	1,771
Traffic signals.....	47	47	53	53	53	53	53
Culture and recreation							
Community centers.....	1	1	1	1	1	1	1
Water							
Water mains (miles).....	61	61	61	61	61	61	61
Sewer							
Sewers (miles).....	41	41	41	41	41	41	41

Source: Various City Departments

Fiscal Year		
2015	2016	2017
1	1	1
3	3	3
6	6	6
4	4	4
44	44	44
1,771	1,821	1,821
53	53	54
1	1	1
61	61	61
41	41	41

