



# **City of Chelsea, Massachusetts**

## **Comprehensive Annual Financial Report**



**For the Fiscal Year Ended June 30, 2018**

**Cover Photo Credit:** Edwin Barrientos

**Description:** Chelsea Square Stebbins Fountain

# *City of Chelsea, Massachusetts*

## **Comprehensive Annual Financial Report**

*For the Fiscal Year Ended June 30, 2018*

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, 2018**

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# *Introductory Section*



**Photo credit:** Deb Cronin

**Description:** Tobin Bridge over the Majestic Mystic





**Thomas G. Ambrosino**  
**City Manager**

## **CITY OF CHELSEA**

Executive Office  
City Hall, Room #302, 500 Broadway  
Chelsea, Massachusetts 02150  
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January 22, 2019

Dear Councilors:

I am pleased to submit the City of Chelsea's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. 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 these 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, 2017, 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 FY19, 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 have improved even more with the April 2018 opening of Phase I of the Silver Line Project into Chelsea. 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, construction has commenced on a major 692 unit residential development, geared to meet the demand expected from completion of the Silver Line. A new Holiday Inn opened at the end of Fiscal Year 2018, bringing to five the number of major hotels in the City. Two more hotel properties, a Hilton Hampton Inn and an expansion of the existing Marriot Residence Inn, are now under construction. 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, 2018, totaled approximately \$25,600,000, of which \$11,210,000 relates to school remodeling projects and \$4,380,000 relates to urban renewal, leaving a balance of approximately \$10,010,000 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 (\$736,304 in FY18). In order to maintain this type of funding, even in difficult economic conditions, various Stabilization Funds have been established and, as of June 30, 2018, these funds totaled approximately \$27,906,196.

## **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, 2018, general fund cash and cash equivalents totaled \$37,048,495.

## **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, 2018. The independent auditors' report on the basic financial statements, for the fiscal year ended June 30, 2018, is included herein and contains an unmodified opinion.

## **CERTIFICATES, AFFILIATIONS AND AWARDS**

For the twentieth 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, 2017 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 2018 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.

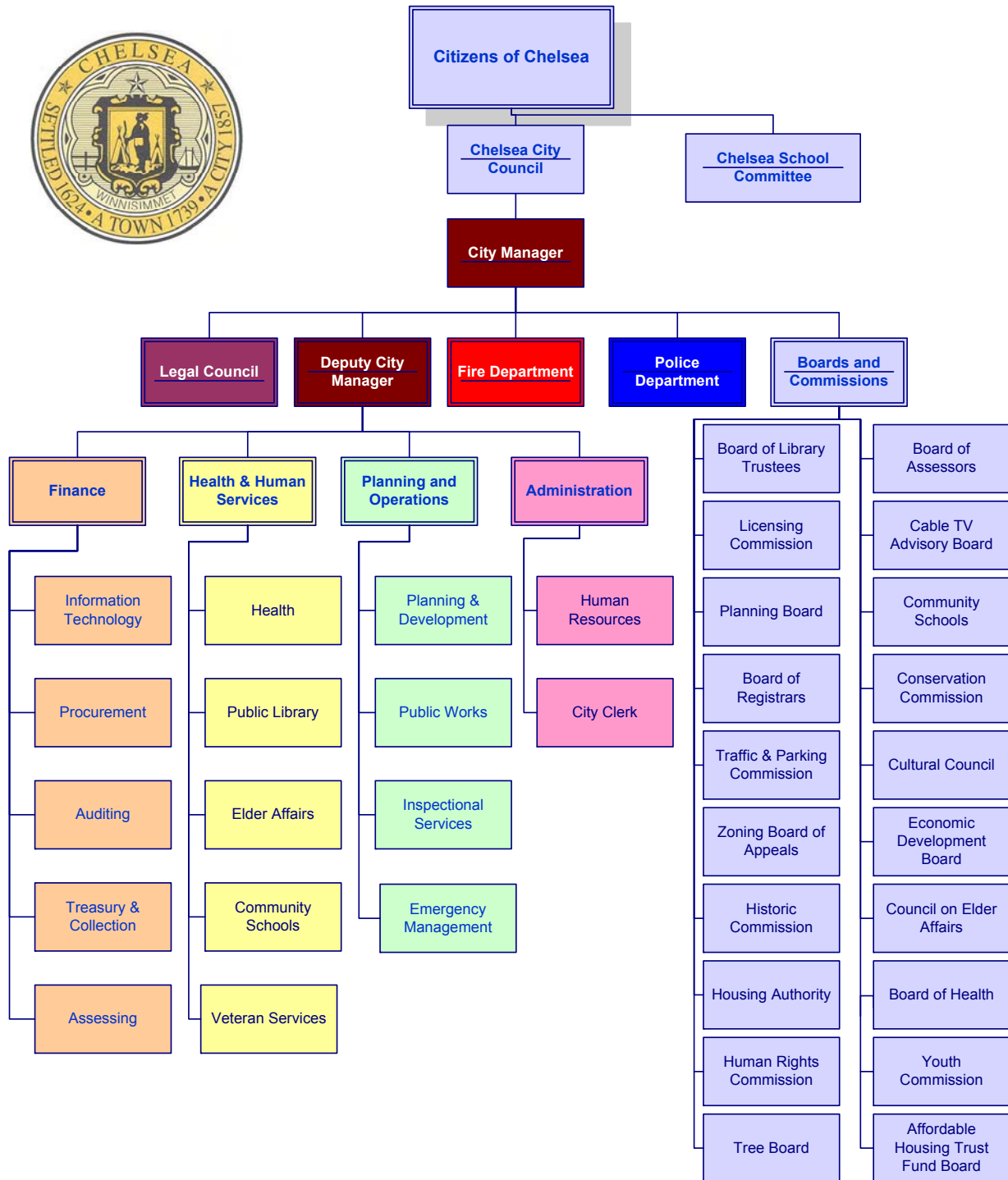
On behalf of the entire City, I am pleased to share with the City Council and the entire Chelsea community the City's fiscal year 2018 CAFR. Once again, our municipal government is not only accurately and openly reporting its operations, but it is doing so in a transparent manner consistent with Chelsea's revitalized City government.

Yours truly,



Thomas G. Ambrosino  
City Manager

# City of Chelsea Organization



## Elected Officials - City Council

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At Large	Damali Vidot, <i>President</i>
At Large	Leo Robinson
At Large	Roy Avellaneda
District One	Robert Bishop
District Two	Luis Tejada
District Three	Joseph Perlatonda
District Four	Enio A. Lopez
District Five	Judith Garcia
District Six	Giovanni A. Recupero
District Seven	Yamir Rodriguez
District Eight	Calvin T. Brown, <i>Vice-President</i>

## Elected Officials - School Committee

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At Large	Frank DePatto
District One	Rosemarie Carlisle, <i>Delegate to City Council</i>
District Two	Jeanette Velez, <i>Chair</i>
District Three	Richard Maronski
District Four	Lucia Henriquez
District Five	Julio Hernandez, <i>Delegate to Shore Collaborative</i>
District Six	Ana Hernandez
District Seven	Kelly Garcia, <i>Vice-chair</i>
District Eight	Yessenia Alfaro-Alvarez

# Principal Officials

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Department	Official(s)	Additional Areas of Authority
Assessors	Mary-Lou Ireland, Director	Chairperson, Board of Assessors
Auditing	Edward Dunn, Auditor	
City Clerk	Jeannette Cintron White, City Clerk	Traffic & Parking
City Council	Damali Vidot, 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	Patrice Montefusco, 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, 2017**

*Christopher P. Morrell*

Executive Director/CEO



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# *Financial Section*



**Photo Credit:** Joe Makarski

**Description:** Wintry Scene in the Waterfront Neighborhood with a View of the Tobin Bridge and Mystic River



## **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, 2018 (except for the Chelsea Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2017), 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, 2018 (except for the Chelsea Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2017), 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.

### ***Emphasis of Matter***

During the fiscal year ended June 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the City reported a restatement for the change in accounting principle (see Note 1). Our auditor's opinion was not modified with respect to the restatement.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and general fund budgetary comparison and certain pension and other postemployment benefits information 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.

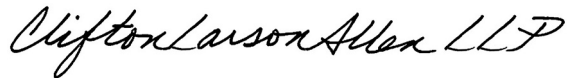
The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied 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.

To the Honorable City Council and City Manager  
City of Chelsea, Massachusetts

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Chelsea, Massachusetts' internal control over financial reporting and compliance.

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

**CliftonLarsonAllen LLP**

January 22, 2019  
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, 2018.

### *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 \$25,732,668 (net position).
- The City's total net position increased \$18,647,267.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$37,651,385, or 22.2% of total general fund revenues and transfers in from other funds.
- The City's total outstanding long-term debt increased by \$2,891,811 during the fiscal year. The City issued \$8,045,000 of general obligation bonds 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 25-27 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 20 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, Clark Avenue School construction fund, and City capital project fund, which are considered to be major funds. Data from the other 17 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.

The basic governmental funds financial statements can be found on pages 28-31 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 its health insurance and 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.

The basic proprietary fund financial statements can be found on pages 32-34 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 35-36 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 starting on page 37.

### **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 starting on page 73.

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 and deferred outflows exceeded liabilities and deferred inflows of resources by \$25,732,668 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current assets.....	\$ 112,543,848	\$ 102,236,600	\$ 23,641,513	\$ 26,056,825	\$ 136,185,361	\$ 128,293,425
Noncurrent assets (excluding capital assets).....	1,768,673	1,398,271	-	-	1,768,673	1,398,271
Capital assets (net).....	194,521,098	176,886,860	35,615,242	29,952,915	230,136,340	206,839,775
Total assets.....	308,833,619	280,521,731	59,256,755	56,009,740	368,090,374	336,531,471
<b>Deferred outflows of resources.....</b>	<b>7,434,309</b>	<b>11,429,694</b>	<b>42,618</b>	<b>172,878</b>	<b>7,476,927</b>	<b>11,602,572</b>
<b>Liabilities</b>						
Current liabilities (excluding debt).....	17,506,059	11,530,472	617,737	1,527,444	18,123,796	13,057,916
Noncurrent liabilities (excluding debt).....	252,981,605	229,483,144	1,357,977	2,814,093	254,339,582	232,297,237
Current debt.....	3,156,685	2,808,314	2,547,238	2,344,875	5,703,923	5,153,189
Noncurrent debt.....	22,362,003	19,998,688	11,453,659	11,475,897	33,815,662	31,474,585
Total liabilities.....	296,006,352	263,820,618	15,976,611	18,162,309	311,982,963	281,982,927
<b>Deferred inflows of resources.....</b>	<b>37,643,669</b>	<b>1,854,762</b>	<b>208,001</b>	<b>28,054</b>	<b>37,851,670</b>	<b>1,882,816</b>
<b>Net Position</b>						
Net investment in capital assets.....	180,490,997	162,050,337	28,462,797	29,291,684	208,953,794	191,342,021
Restricted.....	39,752,744	31,768,286	-	-	39,752,744	31,768,286
Unrestricted.....	(237,625,834)	(167,542,578)	14,651,964	8,700,571	(222,973,870)	(158,842,007)
Total net position.....	\$ (17,382,093)	\$ 26,276,045	\$ 43,114,761	\$ 37,992,255	\$ 25,732,668	\$ 64,268,300

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 \$14,651,964 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, 2018, the City's total net position increased by \$18,647,267, compared to an increase of \$17,608,207 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for services.....	\$ 11,507,739	\$ 10,384,494	\$ 20,408,211	\$ 19,481,212	\$ 31,915,950	\$ 29,865,706
Operating grants and contributions.....	106,313,816	109,842,971	194,881	-	106,508,697	109,842,971
Capital grants and contributions.....	6,241,881	12,086,531	12,880	132,000	6,254,761	12,218,531
<i>General Revenues:</i>						
Real estate and personal property taxes...	55,252,170	51,670,468	-	-	55,252,170	51,670,468
Motor vehicle and other excise taxes.....	13,186,564	17,474,882	-	-	13,186,564	17,474,882
Meals and room taxes.....	2,036,932	1,624,438	-	-	2,036,932	1,624,438
Penalties and interest on taxes.....	383,098	342,704	-	-	383,098	342,704
Payments in lieu of taxes.....	1,348,428	1,827,288	-	-	1,348,428	1,827,288
Grants and contributions not restricted to specific programs.....	9,607,782	8,758,461	-	-	9,607,782	8,758,461
Unrestricted investment income.....	1,587,936	721,227	-	-	1,587,936	721,227
Total revenues.....	<u>208,173,933</u>	<u>215,291,960</u>	<u>20,615,972</u>	<u>19,613,212</u>	<u>228,789,905</u>	<u>234,905,172</u>
<b>Expenses</b>						
General government.....	7,982,911	8,252,547	-	-	7,982,911	8,252,547
Public safety.....	41,174,310	41,233,536	-	-	41,174,310	41,233,536
Education.....	132,322,671	133,951,256	-	-	132,322,671	133,951,256
Public works.....	3,285,902	6,141,699	-	-	3,285,902	6,141,699
Health and human services.....	4,845,247	5,084,876	-	-	4,845,247	5,084,876
Culture and recreation.....	1,184,054	1,140,358	-	-	1,184,054	1,140,358
Community development.....	3,600,756	3,898,699	-	-	3,600,756	3,898,699
Debt service - interest.....	790,286	785,323	-	-	790,286	785,323
Water and sewer.....	-	-	14,956,501	16,808,671	14,956,501	16,808,671
Total expenses.....	<u>195,186,137</u>	<u>200,488,294</u>	<u>14,956,501</u>	<u>16,808,671</u>	<u>210,142,638</u>	<u>217,296,965</u>
Change in net position before transfers.....	12,987,796	14,803,666	5,659,471	2,804,541	18,647,267	17,608,207
Transfers, net.....	<u>1,094,263</u>	<u>1,887,634</u>	<u>(1,094,263)</u>	<u>(1,887,634)</u>	<u>-</u>	<u>-</u>
Change in net position.....	14,082,059	16,691,300	4,565,208	916,907	18,647,267	17,608,207
Net position - beginning of year (as restated).....	<u>(31,464,152)</u>	<u>9,584,745</u>	<u>38,549,553</u>	<u>37,075,348</u>	<u>7,085,401</u>	<u>46,660,093</u>
Net position - end of year.....	<u>\$ (17,382,093)</u>	<u>\$ 26,276,045</u>	<u>\$ 43,114,761</u>	<u>\$ 37,992,255</u>	<u>\$ 25,732,668</u>	<u>\$ 64,268,300</u>

Governmental activities increased the City's net position by \$14,082,059. In the prior year, governmental activities increased the City's net position by \$16,691,300. The key element of this change is the decrease in capital grants and contributions.

Business-type activities increased the City's net position by \$4,565,208. In the prior year, business-type activities increased the City's net position by \$916,907. 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. In addition, there was a decrease in the net pension liability.

### ***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 \$88,739,144, an increase of \$4,838,115 in comparison with the prior year. \$35,827,566 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$22,392)
- Restricted (\$41,458,198)
- Committed (\$5,165,078)
- Assigned (\$6,265,910)

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 \$37,651,385, while total fund balance was \$50,737,463. 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 22.2% of total general fund revenues and transfers in from other funds, while total fund balance represents 29.9% of that same amount.

The balance of the City's general fund decreased \$2,693,903 during the fiscal year. The City recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$2,828,000; and used approximately \$34,301,000 of reserves to fund the budget.

The fund balance of the Clark Avenue school construction fund (capital projects) decreased \$813,242 during the current fiscal year. The fund recognized \$6,349,257 of intergovernmental revenues, \$1,135,000 of bond and note proceeds, \$95,369 of bond premiums, and transfers in of \$3,000,000. Expenditures totaled \$11,392,868.

The fund balance of the City capital projects fund (capital projects) increased \$4,352,092 during the current fiscal year. The fund recognized \$4,385,000 of bond and note proceeds, \$371,000 of bond premiums, and transfers in of \$4,444,687. Expenditures totaled \$3,622,050 and transfers out totaled \$1,226,545.

#### **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 \$14,651,964. The water and sewer enterprise fund had an increase in net position for the year of \$4,565,208. 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 \$163,390,146 was increased by \$32,708,182 (20.0%) during the fiscal year. The following table summarizes the increase:

Purpose of Increase/Decrease	Amount
Transfers to other funds.....	\$ 29,455,096
Public works.....	1,881,907
Education.....	1,046,317
Public safety.....	421,136
Employee benefits.....	125,000
Health and human services.....	45,903
Culture and recreation.....	719
General government.....	(267,896)
Total net increase.....	\$ 32,708,182

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 \$9,094,000. Actual revenues for motor vehicle and other excise taxes were approximately \$3,793,000 higher than budgeted due to conservative revenue estimates and increased taxes from rental car companies. Actual expenditures for general government and public safety were lower than budgeted amounts by approximately \$873,000 and \$747,000, respectively. This is primarily the result of conservative spending.

***Capital Asset and Debt Administration***Capital assets

The City's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$230,136,340 (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 11.3%.

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

- Clark Avenue Middle School construction in progress (\$11,533,000)
- Continued reconstruction of roadways, sidewalks and drains (\$4,946,000)
- Carter Street Pump Station construction in progress (\$2,678,000)
- Acquisition of various vehicles (\$2,078,000)

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>	
	2018	2017	2018	2017	2018	2017
Land.....	\$ 19,308,663	\$ 19,218,663	\$ -	\$ -	\$ 19,308,663	\$ 19,218,663
Construction in progress.....	58,246,260	41,970,639	6,614,436	149,721	64,860,696	42,120,360
Buildings and improvements...	79,555,766	83,221,281	-	-	79,555,766	83,221,281
Machinery and equipment.....	5,378,804	4,043,660	-	-	5,378,804	4,043,660
Infrastructure.....	32,031,605	28,432,617	29,000,806	29,803,194	61,032,411	58,235,811
Total capital assets.....	<u>\$ 194,521,098</u>	<u>\$ 176,886,860</u>	<u>\$ 35,615,242</u>	<u>\$ 29,952,915</u>	<u>\$ 230,136,340</u>	<u>\$ 206,839,775</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 \$39,519,585, 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>	
	2018	2017	2018	2017	2018	2017
General obligation bonds.....	\$ 25,518,688	\$ 22,807,002	\$ 9,900,814	\$ 8,852,999	\$ 35,419,502	\$ 31,660,001
MCWT notes.....	-	-	170,141	181,487	170,141	181,487
MWRA notes.....	-	-	3,929,942	4,786,286	3,929,942	4,786,286
Total bonds, notes and loans....	<u>\$ 25,518,688</u>	<u>\$ 22,807,002</u>	<u>\$ 14,000,897</u>	<u>\$ 13,820,772</u>	<u>\$ 39,519,585</u>	<u>\$ 36,627,774</u>

The City's total debt increased \$2,891,811 (or 7.9%) during the fiscal year. The City issued \$8,045,000 of general obligation bonds 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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents.....	\$ 37,048,495	\$ 7,890,354	\$ 44,938,849
Restricted Cash and Cash Equivalents.....	47,668,384	11,495,302	59,163,686
Investments.....	19,374,156	-	19,374,156
Restricted Investments.....	4,311,362	-	4,311,362
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes.....	520,826	-	520,826
Tax, Trash and Utility Liens.....	804,376	146,917	951,293
Motor Vehicle and Other Excise Taxes.....	430,295	-	430,295
User Charges.....	-	4,108,940	4,108,940
Trash.....	288,273	-	288,273
Department and Other.....	2,097,681	-	2,097,681
Total Current Assets.....	112,543,848	23,641,513	136,185,361
Noncurrent Assets:			
Restricted Investments.....	1,655,090	-	1,655,090
Tax Foreclosures.....	113,583	-	113,583
Capital Assets not being Depreciated.....	77,554,923	6,614,436	84,169,359
Capital Assets, Net of Accumulated Depreciation.....	116,966,175	29,000,806	145,966,981
Total Noncurrent Assets.....	196,289,771	35,615,242	231,905,013
Total Assets.....	308,833,619	59,256,755	368,090,374
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to Pension.....	7,434,309	42,618	7,476,927
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable.....	12,099,610	485,968	12,585,578
Accrued Payroll.....	1,033,484	6,500	1,039,984
Tax Refunds Payable.....	1,425,963	-	1,425,963
Other Liabilities.....	67,397	-	67,397
Abandoned Property.....	184,632	-	184,632
Customer Deposits.....	-	15,146	15,146
Accrued Interest.....	345,527	110,123	455,650
Accrued Health Claims Payable.....	980,760	-	980,760
Workers' Compensation Claims.....	219,686	-	219,686
Compensated Absences.....	1,149,000	-	1,149,000
Long-Term Bonds and Notes Payable.....	3,156,685	2,547,238	5,703,923
Total Current Liabilities.....	20,662,744	3,164,975	23,827,719
Noncurrent Liabilities:			
Workers' Compensation Claims.....	126,510	-	126,510
Compensated Absences.....	6,679,000	-	6,679,000
Total OPEB Liability.....	185,391,767	1,009,521	186,401,288
Net Pension Liability.....	60,784,328	348,456	61,132,784
Long-Term Bonds and Notes Payable.....	22,362,003	11,453,659	33,815,662
Total Noncurrent Liabilities.....	275,343,608	12,811,636	288,155,244
Total Liabilities.....	296,006,352	15,976,611	311,982,963
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Pension.....	10,503,638	60,214	10,563,852
Related to OPEB.....	27,140,031	147,787	27,287,818
Total Deferred Inflows of Resources.....	37,643,669	208,001	37,851,670
<b>NET POSITION</b>			
Net Investment in Capital Assets.....	180,490,997	28,462,797	208,953,794
Restricted for:			
OPEB.....	1,655,090	-	1,655,090
Community Preservation.....	1,267,852	-	1,267,852
Permanent Funds:			
Expendable.....	100,062	-	100,062
Nonexpendable.....	22,392	-	22,392
Community Development and Redevelopment.....	8,364,572	-	8,364,572
Receipts Reserved.....	4,792,110	-	4,792,110
Gifts and Grants.....	1,997,465	-	1,997,465
School Lunch and Other School Revolving.....	3,818,855	-	3,818,855
Capital.....	5,981,074	-	5,981,074
Other Specific Purposes.....	11,753,272	-	11,753,272
Unrestricted.....	(237,625,834)	14,651,964	(222,973,870)
Total Net Position.....	\$ (17,382,093)	\$ 43,114,761	\$ 25,732,668

See accompanying Notes to Basic Financial Statements.

# STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/Revenue
Primary Government:					
Governmental Activities:					
General Government.....	\$ 7,982,911	\$ 1,256,798	\$ 502,200	\$ -	\$ (6,223,913)
Public Safety.....	41,174,310	7,483,273	1,866,179	41,249	(31,783,609)
Education.....	132,322,671	814,123	100,951,368	6,349,258	(24,207,922)
Public Works.....	3,285,902	1,763,406	171,484	(148,626)	(1,499,638)
Health and Human Services.....	4,845,247	68,185	757,126	-	(4,019,936)
Culture and Recreation.....	1,184,054	10,956	71,542	-	(1,101,556)
Community Development.....	3,600,756	110,998	1,527,548	-	(1,962,210)
Debt Service-Interest.....	790,286	-	466,369	-	(323,917)
Total Governmental Activities.....	195,186,137	11,507,739	106,313,816	6,241,881	(71,122,701)
Business-Type Activities:					
Water and Sewer.....	14,956,501	20,408,211	194,881	12,880	5,659,471
Total Business-Type Activities	14,956,501	20,408,211	194,881	12,880	5,659,471
Total Primary Government.....	\$ 210,142,638	\$ 31,915,950	\$ 106,508,697	\$ 6,254,761	\$ (65,463,230)

See accompanying Notes to Basic Financial Statements.

(continued)

**STATEMENT OF ACTIVITIES (Continued)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>CHANGES IN NET POSITION</b>			
Net (Expense) Revenue (From Previous Page).....	\$ (71,122,701)	\$ 5,659,471	\$ (65,463,230)
General Revenues:			
Real Estate and Personal Property Taxes.....	55,252,170	-	55,252,170
Motor Vehicle and Other Excise Taxes.....	13,186,564	-	13,186,564
Meals and Room Taxes.....	2,036,932	-	2,036,932
Penalties and Interest on Taxes.....	383,098	-	383,098
Payments in Lieu of Taxes.....	1,348,428	-	1,348,428
Community Preservation Surcharges	707,587	-	707,587
Grants and Contributions not Restricted to.....			
Specific Programs.....	9,607,782	-	9,607,782
Unrestricted Investment Income.....	1,587,936	-	1,587,936
Transfers, Net.....	1,094,263	(1,094,263)	-
Total General Revenues and Transfers.....	85,204,760	(1,094,263)	84,110,497
<b>CHANGE IN NET POSITION.....</b>	14,082,059	4,565,208	18,647,267
Net Position - Beginning of Year (as restated).....	(31,464,152)	38,549,553	7,085,401
<b>NET POSITION - END OF YEAR.....</b>	\$ (17,382,093)	\$ 43,114,761	\$ 25,732,668

(concluded)

See accompanying Notes to Basic Financial Statements.



**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2018

ASSETS	General	Clark Avenue School Construction	City Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents.....	\$ 37,048,495	\$ -	\$ -	\$ -	\$ 37,048,495
Investments.....	19,374,156	-	-	-	19,374,156
Restricted cash and cash equivalents.....	-	5,114,969	11,544,268	23,641,311	40,300,548
Restricted investments.....	1,655,090	-	-	4,311,362	5,966,452
Receivables, Net of Allowance for Uncollectible Amounts:					
Real Estate and Personal Property Taxes.....	520,826	-	-	-	520,826
Tax and Trash Liens.....	708,289	-	-	96,087	804,376
Motor Vehicle and Other Excise taxes.....	430,295	-	-	-	430,295
Trash .....	288,273	-	-	-	288,273
Departmental and Other.....	1,505,992	-	-	591,689	2,097,681
Due from Other Funds.....	2,041,927	-	-	-	2,041,927
Tax Foreclosures.....	113,583	-	-	-	113,583
Total Assets.....	<u>\$ 63,686,926</u>	<u>\$ 5,114,969</u>	<u>\$ 11,544,268</u>	<u>\$ 28,640,449</u>	<u>\$ 108,986,612</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Warrants Payable.....	\$ 7,087,098	\$ 3,131,108	\$ 602,978	\$ 1,278,426	\$ 12,099,610
Accrued Payroll.....	882,371	-	-	147,593	1,029,964
Tax Refunds Payable.....	1,425,963	-	-	-	1,425,963
Other Liabilities.....	67,397	-	-	-	67,397
Abandoned Property.....	181,657	-	-	-	181,657
Due to Other Funds.....	-	-	-	2,041,927	2,041,927
Total Liabilities.....	<u>9,644,486</u>	<u>3,131,108</u>	<u>602,978</u>	<u>3,467,946</u>	<u>16,846,518</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue.....	<u>3,304,977</u>	<u>-</u>	<u>-</u>	<u>95,973</u>	<u>3,400,950</u>
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	22,392	22,392
Restricted.....	1,655,090	1,983,861	10,941,290	26,877,957	41,458,198
Committed.....	5,165,078	-	-	-	5,165,078
Assigned.....	6,265,910	-	-	-	6,265,910
Unassigned.....	37,651,385	-	-	(1,823,819)	35,827,566
Total Fund Balances.....	<u>50,737,463</u>	<u>1,983,861</u>	<u>10,941,290</u>	<u>25,076,530</u>	<u>88,739,144</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances.....	<u>\$ 63,686,926</u>	<u>\$ 5,114,969</u>	<u>\$ 11,544,268</u>	<u>\$ 28,640,449</u>	<u>\$ 108,986,612</u>

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, 2018

Total Governmental Fund Balances.....	\$ 88,739,144
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....	194,521,098
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.....	3,400,950
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.....	(345,527)
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.....	(25,518,688)
Compensated Absences.....	(7,828,000)
Total OPEB Liability.....	(185,391,767)
Net Pension Liability.....	(60,784,328)
In the statement of net position, deferred outflows of resources are reported for amounts related to pension.....	7,434,309
In the statement of net position, deferred inflows of resources are reported for amounts related to pension.....	(10,503,638)
In the statement of net position, deferred inflows of resources are reported for amounts related to pension.....	(27,140,031)
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.....	6,034,385
Net Position of Governmental Activities.....	\$ <u>(17,382,093)</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, 2018**

	General	Clark Avenue School Construction	City Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Real Estate and Personal Property Taxes.....	\$ 54,244,281	\$ -	\$ -	\$ -	\$ 54,244,281
Motor Vehicle and Other Excise Taxes.....	14,982,538	-	-	-	14,982,538
Meals and room taxes.....	2,036,932	-	-	-	2,036,932
Tax and Trash Liens.....	1,242,079	-	-	-	1,242,079
Payments in Lieu of Taxes.....	1,348,428	-	-	-	1,348,428
Community Preservation Surcharges.....	-	-	-	729,883	729,883
Charges for Services.....	-	-	-	3,738,827	3,738,827
Trash Disposal.....	1,696,655	-	-	-	1,696,655
Intergovernmental.....	83,996,703	6,349,257	-	15,608,051	105,954,011
Penalties and Interest on Taxes.....	381,859	-	-	1,239	383,098
Licenses and Permits.....	2,047,503	-	-	-	2,047,503
Fines and Forfeitures.....	2,464,701	-	-	-	2,464,701
Departmental and Other.....	1,083,167	-	-	211,556	1,294,723
Contributions.....	-	-	-	1,982,764	1,982,764
Investment Income.....	1,574,714	-	-	(28,192)	1,546,522
Total Revenues.....	167,099,560	6,349,257	-	22,244,128	195,692,945
<b>EXPENDITURES</b>					
Current:					
General Government.....	4,992,158	-	1,189,497	685,412	6,867,067
Public Safety.....	23,739,076	-	653,448	5,093,936	29,486,460
Education.....	86,223,872	11,392,868	196,117	13,809,748	111,622,605
Public Works.....	6,844,712	-	1,582,988	1,630,127	10,057,827
Health and Human Services.....	1,464,026	-	-	437,089	1,901,115
Culture and Recreation.....	684,585	-	-	77,326	761,911
Community Development.....	-	-	-	2,658,659	2,658,659
Pension Benefits.....	7,341,604	-	-	-	7,341,604
Employee Benefits.....	8,265,141	-	-	-	8,265,141
Property and Liability Insurance.....	800,000	-	-	-	800,000
Claims and Judgments.....	46,082	-	-	-	46,082
State and County Charges.....	14,562,727	-	-	-	14,562,727
Debt Service:					
Principal.....	2,808,314	-	-	-	2,808,314
Interest.....	755,950	-	-	-	755,950
Total Expenditures.....	158,528,247	11,392,868	3,622,050	24,392,297	197,935,462
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>OVER EXPENDITURES.....</b>	8,571,313	(5,043,611)	(3,622,050)	(2,148,169)	(2,242,517)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Bonds and Notes.....	-	1,135,000	4,385,000	-	5,520,000
Premium from Issuance of Bonds and Notes.....	-	95,369	371,000	-	466,369
Transfers In.....	2,566,263	3,000,000	4,444,687	7,316,337	17,327,287
Transfers Out.....	(13,831,479)	-	(1,226,545)	(1,175,000)	(16,233,024)
Total Other Financing Sources (Uses).....	(11,265,216)	4,230,369	7,974,142	6,141,337	7,080,632
<b>NET CHANGE IN FUND BALANCES.....</b>	(2,693,903)	(813,242)	4,352,092	3,993,168	4,838,115
Fund Balances - Beginning of Year.....	53,431,366	2,797,103	6,589,198	21,083,362	83,901,029
<b>FUND BALANCES - END OF YEAR.....</b>	<b>\$ 50,737,463</b>	<b>\$ 1,983,861</b>	<b>\$ 10,941,290</b>	<b>\$ 25,076,530</b>	<b>\$ 88,739,144</b>

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, 2018

Net Change in Fund Balances - Total Governmental Funds.....	\$ 4,838,115
<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.....	24,143,060
Depreciation.....	(6,508,822)
<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>	
	(1,796,438)
<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.....	(5,520,000)
Bond Maturities.....	2,808,314
<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>	
	(34,336)
<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.....	(168,000)
Total OPEB Liability.....	20,146,529
Net Pension Liability.....	14,425,017
<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>	
	(3,995,385)
<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>	
	(8,648,876)
<p>In the statement of activities, deferred inflows related to OPEB are amortized and recognized as OPEB expense. This amount represents the net change in deferred inflows related to OPEB.....</p>	
	(27,140,031)
<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>	
	1,532,912
Changes in Net Position of Governmental Activities.....	\$ <u>14,082,059</u>

See accompanying Notes to Basic Financial Statements.

**PROPRIETARY FUNDS**  
STATEMENT OF FUND NET POSITION

JUNE 30, 2018

	Business-Type Activities - Water & Sewer Enterprise	Governmental Activities - Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents.....	\$ 7,890,354	\$ -
Restricted Cash and Cash Equivalents.....	11,495,302	7,367,836
Receivables, Net of Allowance for Uncollectible Amounts:		
User Charges.....	4,108,940	-
Utility Liens.....	146,917	-
Total Current Assets.....	23,641,513	7,367,836
Long-term Assets:		
Capital Assets not being Depreciated.....	6,614,436	-
Capital Assets, Net of Accumulated Depreciation.....	29,000,806	-
Total Noncurrent Assets.....	35,615,242	-
Total Assets.....	59,256,755	7,367,836
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pension.....	42,618	-
<b>LIABILITIES</b>		
Current Liabilities:		
Warrants Payable.....	485,968	-
Accrued Payroll.....	6,500	3,520
Other Liabilities.....	-	2,975
Customer Deposits.....	15,146	-
Accrued Interest.....	110,123	-
Accrued Health Claims Payable.....	-	980,760
Workers' Compensation Claims.....	-	219,686
Long-Term Bonds and Notes Payable.....	2,547,238	-
Total Current Liabilities.....	3,164,975	1,206,941
Long-term Liabilities:		
Workers' Compensation Claims.....	-	126,510
Total OPEB Liability.....	1,009,521	-
Net Pension Liability.....	348,456	-
Long-Term Bonds and Notes Payable.....	11,453,659	-
Total Noncurrent Liabilities.....	12,811,636	126,510
Total Liabilities.....	15,976,611	1,333,451
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pension.....	60,214	-
Related to OPEB.....	147,787	-
Total Deferred Inflows of Resources.....	208,001	-
<b>FUND NET POSITION</b>		
Net Investment in Capital Assets.....	28,462,797	-
Unrestricted.....	14,651,964	6,034,385
Total Net Position.....	\$ 43,114,761	\$ 6,034,385

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, 2018**

	Business-Type Activities - Water & Sewer Enterprise	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>		
Charges for Services.....	\$ 20,408,211	\$ -
Employer Contributions.....	-	18,916,153
Employee Contributions.....	-	4,751,009
Total Operating Revenues.....	<u>20,408,211</u>	<u>23,667,162</u>
<b>OPERATING EXPENSES</b>		
Cost of Service and Administration.....	1,578,717	-
MWRA Assessment.....	11,995,243	-
Repairs and Maintenance.....	34,317	-
Depreciation.....	998,206	-
Employee Benefits.....	-	22,134,553
Total Operating Expenses.....	<u>14,606,483</u>	<u>22,134,553</u>
<b>OPERATING INCOME (LOSS).....</b>	<u>5,801,728</u>	<u>1,532,609</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Premium from Issuance of Bonds and Notes	194,881	-
Investment Income.....	-	303
Interest Expense.....	(350,018)	-
Total Nonoperating Revenues (Expenses), Net.....	<u>(155,137)</u>	<u>303</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....</b>	<u>5,646,591</u>	<u>1,532,912</u>
Capital Contributions.....	12,880	-
Transfers In.....	850,000	-
Transfers Out.....	(1,944,263)	-
Total Capital Contributions and Transfers	<u>(1,081,383)</u>	<u>-</u>
<b>CHANGE IN FUND NET POSITION.....</b>	4,565,208	1,532,912
Fund Net Position - Beginning of Year (as restated).....	<u>38,549,553</u>	<u>4,501,473</u>
<b>FUND NET POSITION - END OF YEAR.....</b>	<u>\$ 43,114,761</u>	<u>\$ 6,034,385</u>

See accompanying Notes to Basic Financial Statements.

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Water & Sewer Enterprise	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users.....	\$ 20,420,288	\$ -
Receipts from Interfund Services Provided.....	-	23,667,162
Payments to Vendors.....	(14,862,268)	-
Payments to Employees.....	(272,335)	-
Payments for Interfund Services Used.....	-	(22,169,054)
Net Cash Provided by Operating Activities.....	<u>5,285,685</u>	<u>1,498,108</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers In.....	850,000	-
Transfers Out.....	(1,944,263)	-
Net Cash Provided by Noncapital Financing Activities.....	<u>(1,094,263)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from the Issuance of Bonds and Notes.....	2,525,000	-
Premium from the Issuance of Bonds and Notes.....	194,881	-
Capital Contributions.....	12,880	-
Acquisition and Construction of Capital Assets.....	(6,735,842)	-
Principal Payments on Bonds and Notes.....	(2,344,875)	-
Interest Expense.....	(246,701)	-
Net Cash Used by Capital and Related Financing Activities.....	<u>(6,594,657)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income.....	-	303
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(2,403,235)</b>	<b>1,498,411</b>
Cash and Cash Equivalents - Beginning of Year (Includes \$13,167,687 and \$5,869,425 Reported as Restricted in the Water/Sewer Enterprise and Internal Service Fund, Respectively).....	<u>21,788,891</u>	<u>5,869,425</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (Includes \$11,495,302 and \$7,367,836 Reported as Restricted in the Water/Sewer Enterprise and Internal Service Fund, Respectively).....	<u><u>\$ 19,385,656</u></u>	<u><u>\$ 7,367,836</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss).....	\$ 5,801,728	\$ 1,532,609
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities not Requiring Current Cash Flows:		
Depreciation.....	998,206	-
Effect of Changes in Operating Assets and Liabilities:		
Utility Liens.....	135,114	-
User Charges.....	(123,037)	-
Warrants Payable.....	(939,373)	(66,637)
Accrued Payroll.....	1,658	(15,761)
Accrued Health Claims Payable.....	-	(117,020)
Workers' Compensation Claims.....	-	164,917
Deferred Outflows of Resources Related to Pension.....	130,260	-
Deferred Inflows of Resources Related to Pension.....	32,160	-
Deferred Inflows of Resources Related to OPEB.....	147,787	-
Net Pension Liability.....	(789,113)	-
Total OPEB Liability.....	(109,705)	-
Total Adjustments.....	<u>(516,043)</u>	<u>(34,501)</u>
Net Cash Provided by Operating Activities.....	<u><u>\$ 5,285,685</u></u>	<u><u>\$ 1,498,108</u></u>

See accompanying Notes to Basic Financial Statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

<b>ASSETS</b>	Pension Trust Fund (As of 12/31/17)	Private Purpose Trust Funds	Agency Funds
Cash and Cash Equivalents.....	\$ 313,082	\$ 534,050	\$ 883,587
Investments:			
External Investment Pool.....	165,957,239	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Intergovernmental.....	185,778	-	-
Total Assets.....	<u>166,456,099</u>	<u>534,050</u>	<u>\$ 883,587</u>
<b>LIABILITIES</b>			
Warrants Payable.....	293	-	10,500
Liabilities Due Depositors.....	<u>-</u>	<u>-</u>	<u>873,087</u>
Total Liabilities.....	<u>293</u>	<u>-</u>	<u>\$ 883,587</u>
<b>NET POSITION</b>			
Net Position Restricted for Pensions and Other Purposes.....	<u>\$ 166,455,806</u>	<u>\$ 534,050</u>	

See accompanying Notes to Basic Financial Statements.



**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Pension Trust Fund (As of 12/31/17)	Private Purpose Trust Funds
<b>ADDITIONS</b>		
Contributions:		
Employer.....	\$ 11,579,000	\$ -
Plan Members.....	3,638,000	-
Private Donations.....	-	47,655
Total Contributions.....	15,217,000	47,655
Net Investment Income:		
Net Appreciation in Fair Value of Investments.....	20,517,995	-
Dividends and Interest.....	4,207,648	1,763
Total Investment Income.....	24,725,643	1,763
Less: Investment Expense.....	(798,643)	-
<b>NET INVESTMENT INCOME.....</b>	<b>23,927,000</b>	<b>1,763</b>
Other.....	283,105	-
Total Additions.....	39,427,105	49,418
<b>DEDUCTIONS</b>		
Administration.....	277,373	-
Retirement Benefits and Refunds.....	11,459,000	-
Transfers to Other Systems.....	259,882	-
Scholarships Awarded.....	-	31,975
Total Deductions.....	11,996,255	31,975
<b>CHANGE IN NET POSITION.....</b>	<b>27,430,850</b>	<b>17,443</b>
Net Position - Beginning of Year.....	139,024,956	516,607
<b>NET POSITION - END OF YEAR.....</b>	<b>\$ 166,455,806</b>	<b>\$ 534,050</b>

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 2018 Assessment
Northeast Metropolitan Regional Vocational School District	To provide vocational education services	100 Hemlock Road Wakefield, MA 01880	\$ 1,090,108

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, 2018, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 85, *Omnibus 2017*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*

The implementation of GASB Statement No. 75 resulted in, among other things, the establishment of the total other postemployment benefit (OPEB) liability in the Statement of Net Position and enhanced disclosures to OPEB. As a result, the City has restated its 2018 beginning net position to reflect the implementation of the Statement. The cumulative effect of the change in accounting principle is as follows:

	Government-wide		Fund-basis
	Governmental Activities	Business-type Activities	Water & Sewer Enterprise Fund
Net position as previously reported.....	\$ 26,276,045	\$ 37,992,255	\$ 37,992,255
Impact of GASB 75 implementation.....	(57,740,197)	557,298	557,298
Net position as restated.....	\$ <u>(31,464,152)</u>	\$ <u>38,549,553</u>	\$ <u>38,549,553</u>

The implementation of GASB Statements No. 81, 85, and 86 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 *City capital projects fund* is a capital projects fund (defined below) used to account for the accumulation of resources for various projects throughout the City.

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 1<sup>st</sup> 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 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date.

Real estate 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 Assets***

### Government-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 Assets***

### Government-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 are reported at acquisition 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 three 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.
- Deferred inflows of resources related to OPEB are reported in the government-wide and proprietary funds financial statements in accordance with GASB Statement No. 75.

#### ***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 2018 approved budget for the general fund authorized \$163,390,146 in appropriations and other amounts to be raised. During fiscal year 2018, supplemental appropriations totaling \$32,708,182 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. Fund Deficits***

At June 30, 2018, fund deficits existed in the city state grants and school federal grants funds in the amount of \$625,255 and \$1,198,564, 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, 2018, \$13,662,579 of the City's bank balance of \$61,844,651 was uninsured and uncollateralized and exposed to custodial credit risk.

Investments Summary

The City's investments at June 30, 2018 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.....	\$ 4,171,463	\$ -	\$ 4,171,463
U.S. Treasuries.....	7,356,904	5,550,556	1,806,348
Corporate bonds.....	9,153,209	-	9,153,209
Money market mutual funds.....	2,186,926	2,186,926	-
Certificates of deposit.....	11,817,421	4,634,397	7,183,024
Mutual bond funds.....	920,196	920,196	-
External investment pools.....	28,868,880	28,868,880	-
Total debt securities.....	<u>64,474,999</u>	<u>\$ 42,160,955</u>	<u>\$ 22,314,044</u>
<u>Other Investments:</u>			
Equity securities.....	2,706,513		
Equity mutual funds.....	<u>1,032,325</u>		
Total other investments.....	<u>3,738,838</u>		
Total investments.....	\$ 68,213,837		

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, 2018, 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, 2018, the credit quality ratings of the City's debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *						
		AA+	A+	A	A-	BBB+	BBB	Unrated
U.S. Agencies.....	\$ 4,171,463	\$ 4,171,463	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds.....	9,153,209	-	1,416,075	2,106,804	2,030,202	2,396,085	1,204,043	-
Money market mutual funds....	2,186,926	-	-	-	-	-	-	2,186,926
Certificates of deposit.....	11,817,421	-	-	-	-	-	-	11,817,421
Mutual bond funds.....	920,196	-	-	-	-	-	-	920,196
External investment pools.....	28,868,880	-	-	-	-	-	-	28,868,880
Total.....	\$ 57,118,095	\$ 4,171,463	\$ 1,416,075	\$ 2,106,804	2,030,202	\$ 2,396,085	\$ 1,204,043	\$ 43,793,423

\* 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, 2018, 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.

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level	Fair Value			
<u>Debt Securities:</u>				
U.S. Treasuries.....	\$ 7,356,904	\$ 7,356,904	\$ -	\$ -
U.S. Agencies.....	4,171,463	4,171,463	-	-
Corporate bonds.....	9,153,209	9,153,209	-	-
Mutual bond funds.....	920,196	920,196	-	-
Total Debt Securities.....	21,601,772	21,601,772	-	-
<u>Equity Securities:</u>				
Equity securities.....	2,706,513	2,706,513	-	-
Equity mutual funds.....	1,032,325	1,032,325	-	-
Total Equity Securities	3,738,838	3,738,838	-	-
Total Investments by Fair Value Level .....	\$ 25,340,610	\$ 25,340,610	\$ -	\$ -
Total Investments measured at Fair Value ....	\$ 25,340,610			

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, 2017, the System's bank balance of \$600,222 was not exposed to custodial credit risk.

**Investments Summary**

The System's investments of \$165,957,239 at December 31, 2017 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, 2017, 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, 2017, the System's investment in PRIT was unrated by a national credit rating organization.



**NOTE 4 - ACCOUNTS RECEIVABLE**

At June 30, 2018, 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.....	\$ 722,555	\$ (201,729)	\$ 520,826
Tax and trash liens.....	804,376	-	804,376
Motor vehicle and other excise taxes.....	1,494,517	(1,064,222)	430,295
Trash.....	288,273	-	288,273
Departmental and other.....	2,097,681	-	2,097,681
Intergovernmental.....	185,778	-	185,778
	<u>\$ 5,593,180</u>	<u>\$ (1,265,951)</u>	<u>\$ 4,327,229</u>

At June 30, 2018, receivables for the water and sewer enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 4,108,940	\$ -	\$ 4,108,940
Utility liens.....	146,917	-	146,917
	<u>\$ 4,255,857</u>	<u>\$ -</u>	<u>\$ 4,255,857</u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 19,218,663	\$ 90,000	\$ -	\$ 19,308,663
Construction in progress.....	41,970,639	16,275,621	-	58,246,260
Total capital assets not being depreciated..	61,189,302	16,365,621	-	77,554,923
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	159,937,559	524,118	-	160,461,677
Machinery and equipment.....	17,617,722	2,307,047	(1,438,307)	18,486,462
Infrastructure.....	38,359,615	4,946,274	(477,355)	42,828,534
Total capital assets being depreciated.....	215,914,896	7,777,439	(1,915,662)	221,776,673
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(76,716,278)	(4,189,633)	-	(80,905,911)
Machinery and equipment.....	(13,574,062)	(971,903)	1,438,307	(13,107,658)
Infrastructure.....	(9,926,998)	(1,347,286)	477,355	(10,796,929)
Total accumulated depreciation.....	(100,217,338)	(6,508,822)	1,915,662	(104,810,498)
Total capital assets being depreciated, net.....	115,697,558	1,268,617	-	116,966,175
Total governmental activities capital assets, net..	\$ 176,886,860	\$ 17,634,238	\$ -	\$ 194,521,098
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 149,721	\$ 6,540,024	\$ (75,309)	\$ 6,614,436
<u>Capital assets being depreciated:</u>				
Infrastructure.....	43,453,176	195,818	(1,713,937)	41,935,057
<u>Less accumulated depreciation for:</u>				
Infrastructure.....	(13,649,982)	(998,206)	1,713,937	(12,934,251)
Total capital assets being depreciated, net.....	30,343,294	(802,388)	-	29,000,806
Total business-type activities capital assets, net....	\$ 30,493,015	\$ 5,737,636	\$ (75,309)	\$ 35,615,242

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

**Governmental Activities:**

General government.....	\$ 83,469
Public safety.....	869,723
Education.....	3,595,888
Public works.....	1,150,668
Health and human services.....	6,168
Culture and recreation.....	137,126
Community development.....	<u>665,780</u>
Total depreciation expense - governmental activities.....	<u>\$ 6,508,822</u>

**Business-Type Activities:**

Water and sewer.....	<u>\$ 998,206</u>
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**NOTE 6 - NET INVESTMENT IN CAPITAL ASSETS**

Net investment in capital assets at June 30, 2018 is summarized as follows:

*Governmental Activities*

Capital assets.....	\$ 299,331,596
Less accumulated depreciation.....	(104,810,498)
Less outstanding bonds, notes and loans payable.....	(25,518,688)
Add unspent proceeds of capital related debt.....	<u>11,488,587</u>
Net investment in capital assets.....	<u>\$ 180,490,997</u>

*Business-Type Activities*

Capital assets.....	\$ 48,549,493
Less accumulated depreciation.....	(12,934,251)
Less outstanding bonds and notes payable.....	(14,000,897)
Add unspent proceeds of capital related debt.....	<u>6,848,452</u>
Net investment in capital assets.....	<u>\$ 28,462,797</u>

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Receivables and payables between funds represent advance funding of various programs and grants at June 30, 2018, and are summarized as follows:

Receivable Fund	Payable Fund	Amount
General Fund....	Nonmajor governmental funds (School federal grants).....	\$ 1,148,156
General Fund....	Nonmajor governmental funds (City revolving).....	472,526
General Fund....	Nonmajor governmental funds (City state grants).....	421,245
		<u>\$ 2,041,927</u>

Interfund transfers for the fiscal year ended June 30, 2018, are summarized as follows:

Transfers Out:	Transfers In:					Total
	General Fund	Clark Avenue School Construction	City Capital Projects Fund	Nonmajor Governmental Funds	Water/Sewer Enterprise Fund	
General Fund.....	\$ -	\$ 3,000,000	\$ 3,569,687	\$ 7,261,792	\$ -	\$ 13,831,479 (1)
City Capital Projects Fund.....	322,000	-	-	54,545	850,000	1,226,545 (2)
Nonmajor Governmental Funds...	300,000	-	875,000	-	-	1,175,000 (3)
Water/Sewer Enterprise Fund.....	1,944,263	-	-	-	-	1,944,263 (4)
	<u>\$ 2,566,263</u>	<u>\$ 3,000,000</u>	<u>\$ 4,444,687</u>	<u>\$ 7,316,337</u>	<u>\$ 850,000</u>	<u>\$ 18,177,287</u>

- (1) Represents budgeted transfers to the Clark Avenue school construction capital project fund (\$3,000,000), City capital projects fund (\$3,569,687), various capital project funds (\$1,515,000), school building capital stabilization fund (\$5,000,000), and various special revenue funds (\$746,792).
- (2) Represents budgeted transfers from the City capital projects fund to the general fund (\$322,000), Assistance to Firefighters Vehicle Acquisition grant special revenue fund (\$54,545), and the water and sewer enterprise fund (\$850,000).
- (3) Represents budgeted transfers to the general fund from parking meters special revenue fund (\$300,000). Also represents transfers to the City projects capital project fund (\$875,000).
- (4) 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, 2018, 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, 2018:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion
<b>Governmental Activities:</b>					
Bonds, notes and loans payable.....	\$ 22,807,002	\$ 5,520,000	\$ (2,808,314)	\$ 25,518,688	\$ 3,156,685
Workers' compensation claims.....	181,279	212,123	(47,206)	346,196	219,686
Compensated absences.....	7,660,000	168,000	-	7,828,000	1,149,000
Total OPEB liability.....	205,538,296	-	(20,146,529)	185,391,767	-
Net pension liability.....	75,209,345	-	(14,425,017)	60,784,328	-
Total.....	<u>\$ 311,395,922</u>	<u>\$ 5,900,123</u>	<u>\$ (37,427,066)</u>	<u>\$ 279,868,979</u>	<u>\$ 4,525,371</u>
<b>Business-type Activities:</b>					
Bonds and notes payable.....	\$ 13,820,772	\$ 2,525,000	\$ (2,344,875)	\$ 14,000,897	\$ 2,547,238
Total OPEB liability.....	1,119,226	-	(109,705)	1,009,521	-
Net pension liability.....	1,137,569	-	(789,113)	348,456	-
Total.....	<u>\$ 16,077,567</u>	<u>\$ 2,525,000</u>	<u>\$ (3,243,693)</u>	<u>\$ 15,358,874</u>	<u>\$ 2,547,238</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, \$346,196 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, 2018, \$790,000 of bonds outstanding from the advance refundings are considered defeased.

Details related to the outstanding indebtedness at June 30, 2018, 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, 2017	Additions	Reductions	Outstanding at June 30, 2018
Municipal purpose refunding.....	1,007,664	04/01/18	3.00 - 4.50%	\$ 33,757	\$ -	\$ (33,757)	\$ -
Municipal purpose.....	1,452,000	09/15/17	3.50 - 5.25%	41,300	-	(41,300)	-
Municipal purpose.....	3,940,352	01/15/19	3.50 - 5.00%	638,100	-	(330,086)	308,014
Municipal purpose refunding, series B.....	130,625	01/15/19	3.00 - 5.00%	25,000	-	(12,500)	12,500
Municipal purpose, series C.....	8,888,000	01/15/25	5.125 - 6.060%	4,720,000	-	(590,000)	4,130,000
Municipal purpose refunding, series C.....	4,280,000	03/01/19	3.00 - 5.00%	805,000	-	(405,000)	400,000
Municipal purpose, series A.....	1,625,950	01/15/20	3.00 - 4.00%	388,500	-	(129,500)	259,000
Urban renewal.....	1,580,000	09/01/24	3.00 - 4.00%	880,000	-	(110,000)	770,000
Municipal purpose.....	3,136,656	09/01/24	3.00 - 4.00%	1,129,500	-	(282,375)	847,125
Municipal purpose refunding.....	99,500	09/01/24	3.00 - 4.00%	38,000	-	(9,500)	28,500
Senior Center Roof.....	15,000	03/01/23	2.00 - 3.00%	8,180	-	(1,364)	6,816
City Yard Roof.....	105,000	03/01/23	2.00 - 3.00%	57,270	-	(9,545)	47,725
Library Carpet.....	35,000	03/01/22	2.00 - 3.00%	17,500	-	(3,500)	14,000
Public Way/Outdoor Recreational Facility..	590,300	05/15/23	2.00-2.25%	354,180	-	(59,030)	295,150
ESCO.....	761,328	05/15/28	2.00-2.75%	580,000	-	(45,000)	535,000
Building refunding - school refunding.....	802,857	04/01/24	2.00-2.50%	545,715	-	(82,857)	462,858
Clark Avenue Middle School.....	7,000,000	03/01/46	2.00-3.75%	6,835,000	-	(165,000)	6,670,000
Washington Avenue Park.....	187,037	03/01/31	2.00-2.50%	170,000	-	(15,000)	155,000
Clark Avenue Middle School.....	3,000,000	03/01/47	2.00-5.00%	3,000,000	-	(60,000)	2,940,000
Snow Fighters.....	270,000	03/01/22	2.00-5.00%	270,000	-	(54,000)	216,000
General Obligation Bonds.....	150,000	03/01/27	2.00-5.00%	150,000	-	(15,000)	135,000
Ladder Truck.....	1,300,000	03/01/27	2.00-5.00%	1,300,000	-	(130,000)	1,170,000
Everett Avenue Design.....	120,000	03/01/17	2.00-5.00%	120,000	-	(24,000)	96,000
General Obligation Bonds.....	400,000	03/01/22	2.00-5.00%	700,000	-	(200,000)	500,000
Downtown Broadway.....	1,385,000	03/15/28	2.00-5.00%	-	1,385,000	-	1,385,000
Other General.....	3,000,000	03/15/28	2.00-5.00%	-	3,000,000	-	3,000,000
Clark Avenue Middle School.....	1,135,000	03/15/28	2.00-5.00%	-	1,135,000	-	1,135,000
Total.....				\$ 22,807,002	\$ 5,520,000	\$ (2,808,314)	\$ 25,518,688

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

Fiscal Year	Principal	Interest	Total
2019.....	\$ 3,156,685	\$ 973,489	\$ 4,130,174
2020.....	2,438,313	869,087	3,307,400
2021.....	2,275,956	777,523	3,053,479
2022.....	1,959,081	676,293	2,635,374
2023.....	1,889,724	584,678	2,474,402
2024.....	1,821,929	422,051	2,243,980
2025.....	1,765,500	376,825	2,142,325
2026.....	1,075,500	332,700	1,408,200
2027.....	1,095,500	290,475	1,385,975
2028.....	955,500	257,159	1,212,659
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>25,518,688</u>	\$ <u>8,148,194</u>	\$ <u>33,666,882</u>

**Bonds and Notes Payable – Enterprise Funds**

Project	Original Issue	Maturity Date	Interest Rate	Outstanding at June 30, 2017	Additions	Reductions	Outstanding at June 30, 2018
Water notes (MWRA).....	190,000	05/15/18	0.00%	19,000	-	(19,000)	-
Water and sewer refunding.....	1,977,337	04/01/18	3.00 - 4.50%	66,242	-	(66,242)	-
Water and sewer bonds.....	1,452,000	09/05/17	3.50 - 5.25%	58,700	-	(58,700)	-
Water and sewer bonds.....	707,139	01/15/19	3.50 - 5.00%	81,900	-	(29,914)	51,986
Water notes (MWRA).....	1,160,074	11/15/18	0.00%	232,018	-	(116,007)	116,011
Municipal purpose refunding, series B.....	914,375	07/15/18	3.00%	175,000	-	(87,500)	87,500
Water notes (MWRA).....	100,000	05/15/20	0.00%	30,000	-	(10,000)	20,000
Water notes (MWRA).....	225,000	02/15/20	0.00%	67,500	-	(22,500)	45,000
Municipal purpose refunding, series A.....	555,000	01/15/20	3.00 - 4.00%	166,500	-	(55,500)	111,000
Sewer.....	2,061,252	09/01/20	3.00 - 4.00	820,500	-	(217,625)	602,875
Water notes (MWRA).....	1,205,365	05/15/21	0.00%	482,143	-	(120,537)	361,606
Refunded bonds.....	895,500	09/01/20	3.00 - 4.00%	342,000	-	(85,500)	256,500
Water (MWPAT).....	245,000	07/15/30	2.00%	181,487	-	(11,346)	170,141
Broadway sewer.....	150,000	03/01/23	2.00 - 3.00%	76,508	-	(11,136)	65,372
Broadway water line.....	125,000	03/01/23	2.00 - 3.00%	64,680	-	(9,228)	55,452
Everett avenue redirect.....	250,000	03/01/23	2.00 - 3.00%	130,862	-	(20,227)	110,635
Water (MWRA).....	468,390	05/13/22	0.00%	234,195	-	(46,839)	187,356
Water and sewer refunding bonds.....	575,000	03/01/22	2.00 - 3.00%	260,000	-	(55,000)	205,000
Water (MWRA).....	1,183,959	08/15/22	0.00%	710,375	-	(118,396)	591,979
Sewer.....	948,372	05/15/28	2.00-2.75%	640,820	-	(75,970)	564,850
Water notes (MWRA).....	350,000	08/15/23	0.00%	245,000	-	(35,000)	210,000
Sewer notes (MWRA).....	344,850	02/15/19	0.00%	137,940	-	(68,970)	68,970
Water notes (MWRA).....	391,200	02/15/24	0.00%	273,840	-	(39,120)	234,720
Water/Sewer general obligation bonds.....	2,000,000	04/01/24	2.00-2.50%	1,325,000	-	(215,000)	1,110,000
Sewer refunding.....	451,607	04/01/24	2.00-2.50%	306,965	-	(46,607)	260,358
Water refunding.....	150,536	04/01/24	2.00-2.50%	102,322	-	(15,536)	86,786
Water bond (MWRA).....	700,000	05/15/25	0.00%	560,000	-	(70,000)	490,000
Water bond (MWRA).....	725,000	05/15/26	0.00%	652,500	-	(72,500)	580,000
Sewer (MWRA).....	329,750	05/15/26	0.00%	296,775	-	(32,975)	263,800
Water/Sewer general obligation bonds.....	1,433,000	03/01/26	2.00%	1,245,000	-	(180,000)	1,065,000
Water bond (MWRA).....	845,000	11/15/26	0.00%	845,000	-	(84,500)	760,500
Water/Sewer general obligation bonds.....	3,290,000	03/01/27	2.00-2.50%	2,990,000	-	(247,500)	2,742,500
Water.....	75,000	03/15/23	2.00-5.00%	-	75,000	-	75,000
Sewer.....	2,450,000	03/15/28	2.00-5.00%	-	2,450,000	-	2,450,000
Total.....				\$ 13,820,772	\$ 2,525,000	\$ (2,344,875)	\$ 14,000,897

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. At June 30, 2018, the outstanding principal amount of MWRA loans totaled \$3,929,942.



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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019.....	2,547,238	350,841	2,898,079
2020.....	2,185,863	303,407	2,489,270
2021.....	2,090,954	255,487	2,346,441
2022.....	1,617,540	204,687	1,822,227
2023.....	1,575,307	160,684	1,735,991
2024.....	1,234,960	117,999	1,352,959
2025.....	922,526	82,839	1,005,365
2026.....	852,790	53,552	906,342
2027.....	687,084	27,558	714,642
2028.....	243,358	7,538	250,896
2029.....	14,138	724	14,862
2030.....	14,424	438	14,862
2031.....	14,715	147	14,862
Total.....	<u>\$ 14,000,897</u>	<u>\$ 1,565,901</u>	<u>\$ 15,566,798</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, 2018, the City had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Pension obligation bonds.....	\$ 47,000,000
Clark Middle School.....	46,197,407
Capital Improvement Plans.....	9,868,984
Corcoran Park construction.....	1,482,865
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>\$ 108,546,978</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, 2017, the latest actuarial valuation, is as follows:

Active plan members.....	1,242
Retired employees and spouses.....	<u>729</u>
Total.....	<u><u>1,971</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.

**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.

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

Valuation Date.....	July 1, 2017
Discount Rate.....	3.25%
Healthcare/Medical Cost Trend Rate....	5.0%, staying consistent at 5.0% for 2020 and later
Pre-Retirement Mortality.....	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Post-Retirement Mortality.....	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Disabled Mortality.....	RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females

**Total OPEB Liability** - The City's total OPEB liability was measured as of June 30, 2017 for the year ended June 30, 2018, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2017.

**Changes in the Total OPEB Liability -**

	<u>Increase (Decrease)</u>
	<u>Total OPEB Liability</u>
Balances at June 30, 2016.....	\$ 206,657,522
Changes for the year:	
Service cost.....	10,055,684
Interest.....	6,955,739
Differences between expected and actual experience.....	(31,843,380)
Benefits payments.....	(5,424,277)
Net Changes.....	\$ (20,256,234)
Balances at June 30, 2017.....	\$ 186,401,288

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate** - The following presents the total OPEB liability calculated using the current discount rate of 3.25%, as well as what the total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower (2.25%) or 1 percentage point higher (4.25%) than the current rate:

	<u>1 % Decrease (2.25%)</u>	<u>Current Discount Rate (3.25%)</u>	<u>1 % Increase (4.25%)</u>
Total OPEB Liability.....	\$ 220,051,334	\$ 186,401,288	\$ 159,925,828

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following presents the total OPEB liability calculated using the current healthcare cost trend rates (5.00%) as well as what the total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower (4.00%) or 1 percentage point higher (6.00%) than the current rate:

	<u>1 % Decrease (4.00%)</u>	<u>Current Trend Rate (5.00%)</u>	<u>1 % Increase (6.00%)</u>
Total OPEB Liability.....	\$ 147,724,407	\$ 186,401,288	\$ 236,958,021

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – For the year ended June 30, 2018, the City recognized OPEB expense of \$7,031,584. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience..... \$	-	\$ 27,287,818

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30		
2019	\$	4,555,562
2020		4,555,562
2021		4,555,562
2022		4,555,562
2023		4,555,562
Thereafter		<u>4,510,008</u>
Total	\$	<u><u>27,287,818</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, 2018, totaled \$980,760. Changes in the reported liability since July 1, 2017, 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 2017.....	\$ -	21,923,586	(20,825,806)	\$ 1,097,780
Fiscal year 2018.....	\$ 1,097,780	21,851,474	(21,968,494)	\$ 980,760

### 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, 2018, totaled \$346,196. Changes in the reported liability since July 1, 2017, 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 2017 .....	\$ 229,597	18,547	(66,865)	\$ 181,279
Fiscal year 2018 .....	\$ 181,279	212,123	(47,206)	\$ 346,196

### NOTE 13 – FUND BALANCES

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

	General	Clark Avenue School Construction	City Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>					
Permanent fund principal .....	\$ -	\$ -	\$ -	\$ 22,392	\$ 22,392
<b>Restricted:</b>					
Other postemployment benefits (OPEB) .....	1,655,090	-	-	-	1,655,090
School construction .....	-	1,983,861	-	-	1,983,861
Redevelopment .....	-	-	-	3,051,140	3,051,140
Other community development .....	-	-	-	5,313,432	5,313,432
City revolving .....	-	-	-	61,410	61,410
Receipts reserved .....	-	-	-	4,792,110	4,792,110
City gifts .....	-	-	-	1,147,785	1,147,785
City federal grants .....	-	-	-	116,754	116,754
School lunch .....	-	-	-	2,626,137	2,626,137
School revolving .....	-	-	-	1,131,308	1,131,308
School gifts .....	-	-	-	1,406,315	1,406,315
State school grants .....	-	-	-	1,150,430	1,150,430
Urban I & II renewal .....	-	-	-	328,807	328,807
Other capital .....	-	-	10,941,290	1,367,339	12,308,629
School capital reserve .....	-	-	-	4,284,928	4,284,928
Permanent funds - health and human services .....	-	-	-	749	749
Permanent funds - culture and recreation .....	-	-	-	99,313	99,313
Sub-total - Restricted .....	1,655,090	1,983,861	10,941,290	26,877,957	41,458,198
<b>Committed:</b>					
Subsequent year's expenditures .....	5,165,078	-	-	-	5,165,078
<b>Assigned:</b>					
Encumbrances - school .....	4,105,021	-	-	-	4,105,021
Encumbrances - other .....	2,160,889	-	-	-	2,160,889
Sub-total - Assigned .....	6,265,910	-	-	-	6,265,910
Unassigned .....	37,651,385	-	-	(1,823,819)	35,827,566
Total fund balances .....	\$ 50,737,463	\$ 1,983,861	\$ 10,941,290	\$ 25,076,530	\$ 88,739,144

**NOTE 14 - STABILIZATION FUNDS**

The City maintains the following stabilization funds:

- General stabilization
- School capital 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 fund and school capital stabilization fund at June 30, 2018 totals \$23,483,930 and \$4,284,928, respectively. The general stabilization fund is reported in the general fund as unassigned fund balance and the school capital stabilization fund is reported as a capital projects fund.

**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.....	688
Inactive members.....	220
Retirees and beneficiaries currently receiving benefits.....	381
Total members.....	<u>1,289</u>
Number of participating employers.....	<u>2</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, 2017, active member contributions totaled \$3,638,000 and employer contributions totaled \$11,579,000. Contributions to the System from the City were \$10,894,090 for the year ended June 30, 2018.

***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, 2017, were as follows:

Total pension liability.....	\$	231,431,000
Plan fiduciary net position.....		<u>(166,455,806)</u>
Net pension liability.....	\$	<u>64,975,194</u>
Plan fiduciary net position as a percentage of the total pension liability.....		71.92%

At June 30, 2018, the City reported a liability of \$61,132,784 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 that was updated to December 31, 2017. The City's proportion of the net pension liability is the proportionate share of employer contributions to the System as of December 31, 2017, actuarially determined. At December 31, 2017, the City's proportion was 94.08 percent.

For the year ended June 30, 2018, the City recognized pension expense of \$8,260,654. At June 30, 2018, the City reported deferred outflows of resources related to pensions of \$7,476,927, all of which consisted of assumption changes. At June 30, 2018, the City reported deferred inflows of resources related to pensions of \$10,563,852, which related to net differences between projected and actual investment earnings of \$6,775,053 and net differences between expected and actual experience of \$3,788,799.

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

Year Ended June 30:	Amount
2019.....	\$ 437,472
2020.....	393,254
2021.....	(1,483,642)
2022.....	(2,492,179)
2023.....	<u>58,170</u>
Total.....	\$ <u>(3,086,925)</u>

**Actuarial Assumptions** - The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled forward to December 31, 2017:

Actuarial cost method:	Entry Age Normal Cost Method
Amortization method:	Increasing payments 5.7% per year
Remaining amortization period:	10 years from July 1, 2018
Investment rate of return:	7.35% 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, 2017, the annual money-weighted rate of return on System investments, net of investment expense, was 17.09%. 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
Domestic Equity.....	17.50%	6.15%
International Equity - Developed Markets.....	15.50%	7.11%
International Equity - Emerging Markets.....	6.00%	9.41%
Core Fixed Income.....	12.00%	1.68%
High-Yield Fixed Income.....	10.00%	4.13%
Real Estate.....	10.00%	4.90%
Commodities.....	4.00%	4.71%
Hedge Funds.....	13.00%	3.94%
Private Equity.....	12.00%	10.28%



**Discount Rate** - The discount rate used to measure the total pension liability was 7.35%. 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 7.35%, 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 (6.35%) or 1-percentage-point higher (8.35%) than the current rate:

	1 % Decrease (6.35%)	Current Discount Rate (7.35%)	1 % Increase (8.35%)
Net pension liability.....	\$ 92,003,000	\$ 64,975,194	\$ 42,154,000

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.35%, 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 (6.35%) or 1-percentage-point higher (8.35%) than the current rate:

	1 % Decrease (6.35%)	Current Discount Rate (7.35%)	1 % Increase (8.35%)
City's proportionate share of the net pension liability.....	\$ 86,556,422	\$ 61,132,784	\$ 39,658,483

**Legally Required Reserve Accounts** - The balance in the System's legally required reserves as of December 31, 2017 are as follows:

Description	Amount	Purpose
Annuity Savings Fund.....	\$ 38,629,600	Active members' contribution balance
Annuity Reserve Fund.....	8,326,303	Retired members' contribution account
Military Service Fund.....	2,416	Military leave of absence contribution balance
Pension Reserve Fund.....	95,188,822	Amounts appropriated to fund future retirement
Pension Fund.....	24,308,665	Remaining net position
Total.....	\$ <u>166,455,806</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, 2018. The Commonwealth's net pension liability associated with the City was \$132,324,130.

The MTRS' net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017.

For the year ended June 30, 2018, the City recognized pension expense of \$13,811,055 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, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. 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 2016 (gender distinct). Post-retirement reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2016 (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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity.....	40.0%	5.0%
Portfolio Completion Strategies.....	13.0%	3.6%
Core Fixed Income.....	12.0%	1.1%
Private Equity.....	11.0%	6.6%
Value Added Fixed Income.....	10.0%	3.8%
Real Estate.....	10.0%	3.6%
Timber/Natural Resources.....	4.0%	3.2%
Hedge Funds.....	0.0%	3.6%
Totals.....	100.0%	

**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 \$10,000,000 in accordance with its five-year capital improvement plan.

Other significant commitments include the encumbrances outstanding for the general fund, which totaled approximately \$6,266,000 at June 30, 2018. There were no other significant encumbrances in funds other than the general fund at June 30, 2018.

**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, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2018.

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Uniform Grant Guidance through June 30, 2018, 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, 2018

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real estate and personal property taxes.....	\$ -	\$ 53,394,108	\$ -	\$ 53,394,108
Motor vehicle and other excise taxes.....	-	12,000,000	-	12,000,000
Meals and room taxes.....	-	1,925,000	-	1,925,000
Tax and trash liens.....	-	250,000	-	250,000
Payments in lieu of taxes.....	-	1,815,116	-	1,815,116
Trash disposal.....	-	1,704,200	-	1,704,200
Intergovernmental .....	-	82,929,452	1,046,185	83,975,637
Penalties and interest on taxes.....	-	430,000	-	430,000
Licenses and permits.....	-	2,497,050	-	2,497,050
Fines and forfeitures.....	-	2,311,250	-	2,311,250
Departmental and other.....	-	623,000	-	623,000
Investment income.....	-	400,000	-	400,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>160,279,176</b>	<b>1,046,185</b>	<b>161,325,361</b>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Legislative				
Personal services.....	-	227,008	-	227,008
Expenditures.....	-	79,257	-	79,257
<b>Total.....</b>	<b>-</b>	<b>306,265</b>	<b>-</b>	<b>306,265</b>
Executive Office				
Personal services.....	-	468,634	-	468,634
Expenditures.....	-	45,500	-	45,500
<b>Total.....</b>	<b>-</b>	<b>514,134</b>	<b>-</b>	<b>514,134</b>
Auditor's Office				
Personal services.....	-	336,574	-	336,574
Expenditures.....	43,046	81,775	-	124,821
<b>Total.....</b>	<b>43,046</b>	<b>418,349</b>	<b>-</b>	<b>461,395</b>
Treasurer's/Collector's Office				
Personal services.....	-	482,086	-	482,086
Expenditures.....	4,854	221,850	-	226,704
<b>Total.....</b>	<b>4,854</b>	<b>703,936</b>	<b>-</b>	<b>708,790</b>
Assessing				
Personal services.....	-	300,105	-	300,105
Expenditures.....	33,794	93,595	25,000	152,389
<b>Total.....</b>	<b>33,794</b>	<b>393,700</b>	<b>25,000</b>	<b>452,494</b>
Procurement				
Personal services.....	-	165,226	-	165,226
Expenditures.....	518	73,475	2,800	76,793
<b>Total.....</b>	<b>518</b>	<b>238,701</b>	<b>2,800</b>	<b>242,019</b>
Central Billing				
Personal services.....	-	140,432	4,349	144,781
Expenditures.....	16,934	91,500	-	108,434
<b>Total.....</b>	<b>16,934</b>	<b>231,932</b>	<b>4,349</b>	<b>253,215</b>

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	54,227,582	\$ -	\$ 54,227,582	\$ 833,474
	15,793,302	-	15,793,302	3,793,302
	2,036,932	-	2,036,932	111,932
	1,242,079	-	1,242,079	992,079
	1,348,428	-	1,348,428	(466,688)
	1,696,655	-	1,696,655	(7,545)
	83,996,703	-	83,996,703	21,066
	381,859	-	381,859	(48,141)
	2,047,503	-	2,047,503	(449,547)
	2,464,701	-	2,464,701	153,451
	1,083,167	-	1,083,167	460,167
	1,289,478	-	1,289,478	889,478
	<u>167,608,389</u>	<u>-</u>	<u>167,608,389</u>	<u>6,283,028</u>
	226,764	-	226,764	244
	78,044	117	78,161	1,096
	<u>304,808</u>	<u>117</u>	<u>304,925</u>	<u>1,340</u>
	447,400	-	447,400	21,234
	33,104	7,600	40,704	4,796
	<u>480,504</u>	<u>7,600</u>	<u>488,104</u>	<u>26,030</u>
	293,943	-	293,943	42,631
	82,584	40,225	122,809	2,012
	<u>376,527</u>	<u>40,225</u>	<u>416,752</u>	<u>44,643</u>
	396,997	-	396,997	85,089
	183,424	12,061	195,485	31,219
	<u>580,421</u>	<u>12,061</u>	<u>592,482</u>	<u>116,308</u>
	275,557	-	275,557	24,548
	120,352	30,982	151,334	1,055
	<u>395,909</u>	<u>30,982</u>	<u>426,891</u>	<u>25,603</u>
	138,806	-	138,806	26,420
	73,336	227	73,563	3,230
	<u>212,142</u>	<u>227</u>	<u>212,369</u>	<u>29,650</u>
	144,916	-	144,916	(135)
	72,347	24,097	96,444	11,990
	<u>217,263</u>	<u>24,097</u>	<u>241,360</u>	<u>11,855</u>
				(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>Law Department</b>				
Personal services.....	-	253,312	46,037	299,349
Expenditures.....	106	106,665	-	106,771
Total.....	106	359,977	46,037	406,120
<b>Personnel Department</b>				
Personal services.....	-	308,576	50,000	358,576
Expenditures.....	7,084	114,833	-	121,917
Total.....	7,084	423,409	50,000	480,493
<b>Information System</b>				
Personal services.....	-	397,742	-	397,742
Expenditures.....	23,932	760,856	-	784,788
Capital outlay.....	52,664	135,000	-	187,664
Total.....	76,596	1,293,598	-	1,370,194
<b>City Clerk</b>				
Personal services.....	-	314,648	1,778	316,426
Expenditures.....	516	53,325	5,200	59,041
Total.....	516	367,973	6,978	375,467
<b>Office of Planning and Development</b>				
Personal services.....	-	164,453	-	164,453
Expenditures.....	16,423	113,780	50,000	180,203
Capital outlay.....	-	10,000	-	10,000
Total.....	16,423	288,233	50,000	354,656
Salary reserve.....	-	700,000	(453,060)	246,940
<b>TOTAL GENERAL GOVERNMENT.....</b>	<b>199,871</b>	<b>6,240,207</b>	<b>(267,896)</b>	<b>6,172,182</b>
<b>PUBLIC SAFETY</b>				
<b>Police Department</b>				
Personal services.....	-	10,109,074	-	10,109,074
Expenditures.....	62,293	764,166	-	826,459
Capital outlay.....	-	164,000	-	164,000
Total.....	62,293	11,037,240	-	11,099,533
<b>Fire Department</b>				
Personal services.....	-	9,520,153	364,600	9,884,753
Expenditures.....	8,779	524,280	(5,909)	527,150
Capital outlay.....	-	-	-	-
Total.....	8,779	10,044,433	358,691	10,411,903
<b>Inspectional Services</b>				
Personal services.....	-	787,851	62,145	849,996
Expenditures.....	253	60,950	-	61,203
Total.....	253	848,801	62,145	911,199
<b>Traffic and Parking</b>				
Personal services.....	-	93,484	300	93,784
Expenditures.....	67,062	784,700	-	851,762
Total.....	67,062	899,749	300	967,111



Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
299,348	-	299,348	1
75,214	3,783	78,997	27,774
374,562	3,783	378,345	27,775
282,481	-	282,481	76,095
77,151	50,000	127,151	(5,234)
359,632	50,000	409,632	70,861
351,218	-	351,218	46,524
707,581	27,847	735,428	49,360
112,644	32,238	144,882	42,782
1,171,443	60,085	1,231,528	138,666
269,727	-	269,727	46,699
39,865	7,158	47,023	12,018
309,592	7,158	316,750	58,717
137,653	-	137,653	26,800
75,486	56,798	132,284	47,919
-	10,000	10,000	-
213,139	66,798	279,937	74,719
-	-	-	246,940
4,995,942	303,133	5,299,075	873,107
9,923,458	-	9,923,458	185,616
710,476	40,697	751,173	75,286
161,439	-	161,439	2,561
10,795,373	40,697	10,836,070	263,463
9,774,401	-	9,774,401	110,352
504,721	6,710	511,431	15,719
-	-	-	-
10,279,122	6,710	10,285,832	126,071
754,525	-	754,525	95,471
27,779	103	27,882	33,321
782,304	103	782,407	128,792
93,188	-	93,188	596
661,005	62,635	723,640	128,122
775,635	62,635	838,270	128,841

(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
Emergency Management				
Personal services.....	-	1,143,513	-	1,143,513
Expenditures.....	12,127	76,198	-	88,325
Total.....	12,127	1,219,711	-	1,231,838
<b>TOTAL PUBLIC SAFETY.....</b>	<b>150,514</b>	<b>24,049,934</b>	<b>421,136</b>	<b>24,621,584</b>
<b>EDUCATION</b>				
Operational.....	1,722,249	86,500,000	1,046,317	89,268,566
Northeast Regional Vocational High School Assessment.....	-	1,090,108	-	1,090,108
<b>TOTAL EDUCATION.....</b>	<b>1,722,249</b>	<b>87,590,108</b>	<b>1,046,317</b>	<b>90,358,674</b>
<b>PUBLIC WORKS</b>				
Administration				
Personal services.....	-	283,225	25,425	308,650
Expenditures.....	828	13,500	-	14,328
Total.....	828	296,725	25,425	322,978
Streets and Sidewalks				
Personal services.....	-	1,067,955	45,344	1,113,299
Expenditures.....	189,790	1,337,914	404,744	1,932,448
Capital outlay.....	234,151	182,000	383,500	799,651
Total.....	423,941	2,587,869	833,588	3,845,398
Solid Waste/Recycling				
Personal services.....	-	55,829	-	55,829
Expenditures.....	1,957	1,948,632	468,600	2,419,189
Total.....	1,957	2,004,461	468,600	2,475,018
Structure and Grounds				
Personal services.....	-	217,467	13,183	230,650
Expenditures.....	184,118	1,119,975	285,470	1,589,563
Capital outlay.....	135,507	62,500	25,000	223,007
Total.....	319,625	1,399,942	323,653	2,043,220
Snow and Ice Removal				
Personal services.....	-	25,000	40,641	65,641
Expenditures.....	5,215	76,260	190,000	271,475
Total.....	5,215	101,260	230,641	337,116
<b>TOTAL PUBLIC WORKS.....</b>	<b>751,566</b>	<b>6,390,257</b>	<b>1,881,907</b>	<b>9,023,730</b>
<b>HEALTH AND HUMAN SERVICES</b>				
Administration				
Personal services.....	-	66,008	903	66,911
Health Division				
Personal services.....	-	209,770	-	209,770
Expenditures.....	33,513	480,537	-	514,050
Total.....	33,513	690,307	-	723,820

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
1,051,047	-	1,051,047	92,466
74,319	6,193	80,512	7,813
1,125,366	6,193	1,131,559	100,279
23,757,800	116,338	23,874,138	747,446
85,142,353	4,105,021	89,247,374	21,192
1,090,108	-	1,090,108	-
86,232,461	4,105,021	90,337,482	21,192
276,447	-	276,447	32,203
7,357	20	7,377	6,951
283,804	20	283,824	39,154
999,737	-	999,737	113,562
1,253,132	455,358	1,708,490	223,958
458,435	334,007	792,442	7,209
2,711,304	789,365	3,500,669	344,729
55,781	-	55,781	48
1,895,906	509,812	2,405,718	13,471
1,951,687	509,812	2,461,499	13,519
215,491	-	215,491	15,159
1,179,727	249,999	1,429,726	159,837
154,624	68,141	222,765	242
1,549,842	318,140	1,867,982	175,238
65,640		65,640	1
259,006	2,295	261,301	10,174
324,646	2,295	326,941	10,175
6,821,283	1,619,632	8,440,915	582,815
65,733	-	65,733	1,178
209,769	-	209,769	1
431,786	55,132	486,918	27,132
641,555	55,132	696,687	27,133

(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>Veteran's Services</b>				
Personal services.....	-	66,893	-	66,893
Expenditures.....	4,000	622,270	-	626,270
Total.....	4,000	689,163	-	693,163
<b>Elder Affairs</b>				
Personal services.....	-	187,862	-	187,862
Expenditures.....	4,995	33,795	45,000	83,790
Total.....	4,995	221,657	45,000	271,652
<b>TOTAL HEALTH AND HUMAN SERVICES.....</b>	<b>42,508</b>	<b>1,667,135</b>	<b>45,903</b>	<b>1,755,546</b>
<b>CULTURE AND RECREATION</b>				
Recreation and Cultural Affairs				
Personal services.....	-	169,397	-	169,397
Expenditures.....	4,992	244,937	-	249,929
Total.....	4,992	414,334	-	419,326
Public Library				
Personal services.....	-	295,066	719	295,785
Expenditures.....	1,777	26,589	-	28,366
Capital outlay.....	-	23,639	-	23,639
Total.....	1,777	345,294	719	347,790
<b>TOTAL CULTURE AND RECREATION.....</b>	<b>6,769</b>	<b>759,628</b>	<b>719</b>	<b>767,116</b>
<b>PENSION BENEFITS</b>				
Contributory Retirement System				
Expenditures.....	-	7,401,406	-	7,401,406
Non-Contributory Pension Benefits				
Expenditures.....	-	10,530	-	10,530
<b>TOTAL PENSION BENEFITS.....</b>	<b>-</b>	<b>7,411,936</b>	<b>-</b>	<b>7,411,936</b>
<b>EMPLOYEE BENEFITS</b>				
Unemployment Compensation				
Expenditures.....	-	30,000	-	30,000
Health Insurance				
Expenditures.....	7,663	7,377,740	50,000	7,435,403
Worker's Compensation				
Expenditures.....	-	415,000	50,000	465,000
Payroll Taxes				
Expenditures.....	-	403,525	25,000	428,525

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
66,892	2,000	68,892	(1,999)
479,500	4,000	483,500	142,770
546,392	6,000	552,392	140,771
174,994	-	174,994	12,868
33,075	45,000	78,075	5,715
208,069	45,000	253,069	18,583
1,461,749	106,132	1,567,881	187,665
135,249	-	135,249	34,148
216,920	451	217,371	32,558
352,169	451	352,620	66,706
291,979	-	291,979	3,806
27,528	15	27,543	823
10,993	2,500	13,493	10,146
330,500	2,515	333,015	14,775
682,669	2,966	685,635	81,481
7,331,790	-	7,331,790	69,616
9,814	-	9,814	716
7,341,604	-	7,341,604	70,332
21,813	341	22,154	7,846
7,337,111	9,083	7,346,194	89,209
464,700	-	464,700	300
424,604	-	424,604	3,921
			(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
Life Insurance Expenditures.....	1,621	24,000	-	25,621
<b>TOTAL EMPLOYEE BENEFITS.....</b>	<b>9,284</b>	<b>8,250,265</b>	<b>125,000</b>	<b>8,384,549</b>
<b>PROPERTY AND LIABILITY INSURANCE</b>				
Expenditures.....	-	805,000	-	805,000
<b>CLAIMS AND JUDGMENTS</b>				
Expenditures.....	-	50,000	-	50,000
<b>STATE AND COUNTY CHARGES</b>				
Expenditures.....	-	15,007,387	-	15,007,387
<b>DEBT SERVICE PRINCIPAL</b>				
Expenditures.....	-	2,723,315	-	2,723,315
<b>DEBT SERVICE INTEREST</b>				
Expenditures.....	-	884,974	-	884,974
<b>TOTAL EXPENDITURES.....</b>	<b>2,882,761</b>	<b>161,830,146</b>	<b>3,253,086</b>	<b>167,965,993</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(2,882,761)	(1,550,970)	(2,206,901)	(6,640,632)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	-	2,436,816	918,331	3,355,147
Transfers out.....	-	(1,560,000)	(29,455,096)	(31,015,096)
Total other financing sources (uses).....	-	876,816	(28,536,765)	(27,659,949)
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(2,882,761)</b>	<b>(674,154)</b>	<b>(30,743,666)</b>	<b>(34,300,581)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR.....</b>	<b>46,367,269</b>	<b>46,367,269</b>	<b>46,367,269</b>	<b>46,367,269</b>
<b>FUND BALANCE AT END OF YEAR.....</b>	<b>\$ 43,484,508</b>	<b>\$ 45,693,115</b>	<b>\$ 15,623,603</b>	<b>\$ 12,066,688</b>

See notes to required supplementary information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
14,635	3,264	17,899	7,722
8,262,863	12,688	8,275,551	108,998
800,000	-	800,000	5,000
46,082	-	46,082	3,918
14,562,727	-	14,562,727	444,660
2,723,315	-	2,723,315	-
884,973	-	884,973	1
158,573,468	6,265,910	164,839,378	3,126,615
9,034,921	(6,265,910)	2,769,011	9,409,643
3,162,594	-	3,162,594	(192,553)
(31,137,979)	-	(31,137,979)	(122,883)
(27,975,385)	-	(27,975,385)	(315,436)
(18,940,464)	(6,265,910)	(25,206,374)	9,094,207
46,367,269	46,367,269	46,367,269	-
\$ 27,426,805	\$ 40,101,359	\$ 21,160,895	\$ 9,094,207 (concluded)

## PENSION PLAN SCHEDULES\*

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

	2017	2016	2015	2014
<u>Total pension liability</u>				
Service cost.....	\$ 5,833,000	\$ 5,478,000	\$ 5,242,000	\$ 4,822,000
Interest.....	16,211,000	15,752,000	14,481,000	14,245,000
Differences between expected and actual experience.....	(3,062,000)	-	(3,065,000)	-
Changes of assumptions.....	3,460,000	-	10,500,000	-
Benefit payments, including refunds of member contributions.....	(11,459,000)	(10,657,000)	(10,229,000)	(10,211,000)
Net change in total pension liability.....	10,983,000	10,573,000	16,929,000	8,856,000
Total pension liability - beginning.....	220,448,000	209,875,000	192,946,000	184,090,000
Total pension liability - ending (a).....	<u>\$ 231,431,000</u>	<u>\$ 220,448,000</u>	<u>\$ 209,875,000</u>	<u>\$ 192,946,000</u>
<u>Plan fiduciary net position</u>				
Contributions - employer.....	\$ 11,579,000	\$ 10,956,000	\$ 10,664,321	\$ 9,626,072
Contributions - member.....	3,638,000	3,265,000	2,871,000	3,028,000
Net investment income.....	23,927,000	9,368,000	617,000	8,519,000
Benefit payments, including refunds of member contributions.....	(11,459,000)	(10,657,000)	(10,229,000)	(10,211,000)
Administrative expense.....	(277,373)	(215,195)	(249,330)	(260,643)
Other.....	23,223	9,685	15,322	27,688
Net change in plan fiduciary net position.....	27,430,850	12,726,490	3,689,313	10,729,117
Plan fiduciary net position - beginning.....	139,024,956	126,298,466	122,609,153	111,880,036
Plan fiduciary net position - ending (b).....	<u>\$ 166,455,806</u>	<u>\$ 139,024,956</u>	<u>\$ 126,298,466</u>	<u>\$ 122,609,153</u>
Net pension liability - ending (a) - (b).....	<u>\$ 64,975,194</u>	<u>\$ 81,423,044</u>	<u>\$ 83,576,534</u>	<u>\$ 70,336,847</u>
Plan fiduciary net position as a percentage of the total pension liability...	71.92%	63.06%	60.18%	63.55%
Covered payroll.....	\$ 35,887,899	\$ 33,006,583	\$ 33,006,583	\$ 31,121,488
Net pension liability as a percentage of covered payroll.....	181.05%	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)

	2017	2016	2015	2014	2013	2012
Actuarially determined contribution.....	\$ 11,579,000	\$ 10,955,000	\$ 10,664,321	\$ 9,626,072	\$ 9,655,593	\$ 9,380,817
Contributions in relation to the actuarially determined contribution.....	11,579,000	10,955,000	10,664,321	9,626,072	9,655,593	9,380,817
Contribution deficiency (excess).....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll.....	\$ 35,887,899	\$ 33,006,583	\$ 33,006,583	\$ 31,121,488	\$ 31,121,488	\$ 29,750,417
Contributions as a percentage of covered payroll.....	32.26%	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.....	9,339,362	8,168,182	8,260,223	7,329,618	7,650,765
Contribution deficiency (excess).....	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll.....	\$ 29,750,417	\$ 29,412,382	\$ 29,412,382	\$ 26,951,807	\$ 26,951,807
Contributions as a percentage of covered payroll.....	31.39%	27.77%	28.08%	27.20%	28.39%

(concluded)

### SCHEDULE OF INVESTMENT RETURNS (SYSTEM)

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense.....	17.09%	7.06%	1.02%	7.59%

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

	2018*	2017*	2016*	2015*
City's proportion of the net pension liability.....	94.08%	93.77%	91.47%	94.58%
City's proportionate share of the net pension liability.....	61,132,784	76,346,914	76,447,554	66,524,734
City's covered payroll.....	33,616,195	30,191,161	30,191,161	29,434,703
City's proportionate share of the net pension liability as a percentage of its covered payroll.....	181.86%	252.88%	253.21%	226.01%
Plan fiduciary net position as a percentage of the total pension liability.....	71.92%	63.06%	60.18%	63.55%

### SCHEDULE OF CITY CONTRIBUTIONS (SYSTEM)

	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
Actuarially Required Contribution.....	\$ 10,894,090	\$ 10,272,036	\$ 9,754,667	\$ 9,325,751
Contributions in Relation to the Actuarially Required Contribution....	10,894,090	10,272,036	9,754,667	9,325,751
Contribution Deficiency (Excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll.....	\$ 34,456,600	\$ 32,493,237	\$ 30,945,940	\$ 30,170,571
Contributions as a Percentage of Covered Payroll.....	31.62%	31.61%	31.52%	30.91%

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

	2018	2017	2016	2015
City's proportion of the net pension liability.....	0.00%	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>132,324,130</u>	<u>128,476,204</u>	<u>116,388,215</u>	<u>90,427,207</u>
Total.....	<u>\$ 132,324,130</u>	<u>\$ 128,476,204</u>	<u>\$ 116,388,215</u>	<u>\$ 90,427,207</u>
City's covered payroll.....	\$ 39,262,690	\$ 37,797,442	\$ 36,007,039	\$ 34,879,310
City's proportionate share of the net pension liability as a percentage of its covered payroll.....	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability..	54.25%	52.73%	55.38%	61.64%

### SCHEDULE OF CITY CONTRIBUTIONS (MTRS)

	2018	2017	2016	2015
Contractually required contribution.....	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll.....	\$ 39,262,690	\$ 37,797,442	\$ 36,007,039	\$ 34,879,310
Contributions as a percentage of covered payroll.....	N/A	N/A	N/A	N/A

## OTHER POSTEMPLOYMENT BENEFITS SCHEDULES

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

### SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS\*

	<u>6/30/2018</u>
<b>Total OPEB Liability</b>	
Service cost.....	\$ 10,055,684
Interest on unfunded liability.....	6,955,739
Benefits payments.....	(5,424,277)
Differences between expected and actual experience.....	<u>(31,843,380)</u>
Net change in Total OPEB liability.....	(20,256,234)
Total OPEB liability - beginning.....	<u>206,657,522</u>
<b>Total OPEB liability - ending.....</b>	<b><u><u>\$ 186,401,288</u></u></b>
 Covered employee payroll.....	 76,441,305
 Total OPEB liability as a percentage of covered employee payroll.....	  243.85%

\* This schedule is intended to report information for 10 years. Additional years' information will be displayed as it becomes available.

**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, 2018, 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.....	\$ 167,608,389	\$ 164,839,378	\$ (27,975,385)
<u>Adjustments</u>			
Activity of general stabilization fund recorded in the general fund for GAAP purposes.....	284,529	-	17,982,447
Activity of operating stabilization fund recorded in the general fund for GAAP purposes.....	11,682	-	(1,305,181)
Activity of capital stabilization fund recorded in the general fund for GAAP purposes.....	562	-	(62,846)
Activity of redevelopment stabilization fund recorded in the general fund for GAAP purposes.....	1,604	-	(179,251)
Activity of other postemployment benefits fund recorded in the general fund for GAAP purposes.....	95,401	-	275,000
Net change in recording 60-day receipts.....	16,698	-	-
Net change in recording tax refunds payable.....	(810,764)	-	-
Net change in investment market value.....	(108,541)	-	-
Net change in recording other expenditures.....	-	(45,221)	-
To record encumbrances and continuing appropriations.....	-	(6,265,910)	-
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 167,099,560</u>	<u>\$ 158,528,247</u>	<u>\$ (11,265,216)</u>

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## Combining and Individual Fund Statements and Schedules



**Photo credit:** Darlene DeVita

**Description:** Fiesta Verano: Celebramos la música de Latino-America

A Celebration of the Music of Latin America Held on August 4, 2018 on the Chelsea Square Stage Presented by the Chelsea Art Walk and Chelsea Prospers, the City of Chelsea's Downtown Initiative for Neighborhood Vitality

# 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.



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**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2018

	<i>Special Revenue Funds</i>					
	Redevelopment	Other Community Development	City Revolving	Receipts Reserved	City Gifts	City State Grants
<b>ASSETS</b>						
Restricted cash and cash equivalents.....	\$ 493,652	\$ 3,973,132	\$ -	\$ 4,794,678	\$ 1,155,446	\$ -
Restricted investments.....	2,565,987	1,655,249	-	-	-	-
Receivables, net of uncollectibles:						
Tax and trash liens.....	-	95,973	114	-	-	-
Departmental and other.....	-	-	591,689	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 3,059,639</b>	<b>\$ 5,724,354</b>	<b>\$ 591,803</b>	<b>\$ 4,794,678</b>	<b>\$ 1,155,446</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Warrants payable.....	\$ 1,080	\$ 313,261	\$ 2,268	\$ 2,568	\$ 6,261	\$ 201,783
Accrued payroll.....	7,419	1,688	55,599	-	1,400	2,227
Due to other funds.....	-	-	472,526	-	-	421,245
<b>TOTAL LIABILITIES.....</b>	<b>8,499</b>	<b>314,949</b>	<b>530,393</b>	<b>2,568</b>	<b>7,661</b>	<b>625,255</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue.....	-	95,973	-	-	-	-
<b>FUND BALANCES:</b>						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	3,051,140	5,313,432	61,410	4,792,110	1,147,785	-
Committed.....	-	-	-	-	-	-
Assigned.....	-	-	-	-	-	-
Unassigned.....	-	-	-	-	-	(625,255)
<b>TOTAL FUND BALANCES.....</b>	<b>3,051,140</b>	<b>5,313,432</b>	<b>61,410</b>	<b>4,792,110</b>	<b>1,147,785</b>	<b>(625,255)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 3,059,639</b>	<b>\$ 5,724,354</b>	<b>\$ 591,803</b>	<b>\$ 4,794,678</b>	<b>\$ 1,155,446</b>	<b>\$ -</b>

<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
\$ 142,120	\$ 3,088,577	\$ 1,142,774	\$ 1,451,063	\$ 1,166,370	\$ -	\$ 17,407,812	\$ 328,807	\$ 1,587,036
-	-	-	-	-	-	4,221,236	-	-
-	-	-	-	-	-	96,087	-	-
-	-	-	-	-	-	591,689	-	-
<u>\$ 142,120</u>	<u>\$ 3,088,577</u>	<u>\$ 1,142,774</u>	<u>\$ 1,451,063</u>	<u>\$ 1,166,370</u>	<u>\$ -</u>	<u>\$ 22,316,824</u>	<u>\$ 328,807</u>	<u>\$ 1,587,036</u>
\$ 9,296	\$ 445,271	\$ -	\$ 41,229	\$ 6,733	\$ 28,579	\$ 1,058,329	\$ -	\$ 219,697
16,070	17,169	11,466	3,519	9,207	21,829	147,593	-	-
-	-	-	-	-	1,148,156	2,041,927	-	-
25,366	462,440	11,466	44,748	15,940	1,198,564	3,247,849	-	219,697
-	-	-	-	-	-	95,973	-	-
-	-	-	-	-	-	-	-	-
116,754	2,626,137	1,131,308	1,406,315	1,150,430	-	20,796,821	328,807	1,367,339
-	-	-	-	-	-	-	-	-
-	-	-	-	-	(1,198,564)	(1,823,819)	-	-
116,754	2,626,137	1,131,308	1,406,315	1,150,430	(1,198,564)	18,973,002	328,807	1,367,339
<u>\$ 142,120</u>	<u>\$ 3,088,577</u>	<u>\$ 1,142,774</u>	<u>\$ 1,451,063</u>	<u>\$ 1,166,370</u>	<u>\$ -</u>	<u>\$ 22,316,824</u>	<u>\$ 328,807</u>	<u>\$ 1,587,036</u>

(continued)

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2018

	<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
<b>ASSETS</b>						
Restricted cash and cash equivalents.....	\$ 4,284,928	\$ 6,200,771	\$ 12,745	\$ 19,983	\$ 32,728	\$ 23,641,311
Restricted investments.....	-	-	-	90,126	90,126	4,311,362
Receivables, net of uncollectibles:						
Tax and trash liens.....	-	-	-	-	-	96,087
Departmental and other.....	-	-	-	-	-	591,689
<b>TOTAL ASSETS.....</b>	<b>\$ 4,284,928</b>	<b>\$ 6,200,771</b>	<b>\$ 12,745</b>	<b>\$ 110,109</b>	<b>\$ 122,854</b>	<b>\$ 28,640,449</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Warrants payable.....	\$ -	\$ 219,697	\$ -	\$ 400	\$ 400	\$ 1,278,426
Accrued payroll.....	-	-	-	-	-	147,593
Due to other funds.....	-	-	-	-	-	2,041,927
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>219,697</b>	<b>-</b>	<b>400</b>	<b>400</b>	<b>3,467,946</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue.....	-	-	-	-	-	95,973
<b>FUND BALANCES:</b>						
Nonspendable.....	-	-	11,996	10,396	22,392	22,392
Restricted.....	4,284,928	5,981,074	749	99,313	100,062	26,877,957
Committed.....	-	-	-	-	-	-
Assigned.....	-	-	-	-	-	-
Unassigned.....	-	-	-	-	-	(1,823,819)
<b>TOTAL FUND BALANCES.....</b>	<b>4,284,928</b>	<b>5,981,074</b>	<b>12,745</b>	<b>109,709</b>	<b>122,454</b>	<b>25,076,530</b>
<b>TOTAL LIABILITIES AND FUND BALANCES....</b>	<b>\$ 4,284,928</b>	<b>\$ 6,200,771</b>	<b>\$ 12,745</b>	<b>\$ 110,109</b>	<b>\$ 122,854</b>	<b>\$ 28,640,449</b>

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**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<i>Special Revenue Funds</i>					
	Redevelopment	Other Community Development	City Revolving	Receipts Reserved	City Gifts	City State Grants
<b>REVENUES</b>						
Charges for services.....	\$ -	\$ -	\$ 2,522,065	\$ 381,115	\$ -	\$ -
Community preservation surcharges.....	-	729,883	-	-	-	-
Intergovernmental .....	-	795,798	-	39,491	-	754,311
Penalties and interest on taxes.....	-	1,239	-	-	-	-
Departmental and other.....	2,546	4,116	64,561	131,908	8,425	-
Contributions.....	-	123,398	-	-	745,944	-
Investment income.....	(36,050)	(5,805)	-	-	-	-
<b>TOTAL REVENUES.....</b>	<b>(33,504)</b>	<b>1,648,629</b>	<b>2,586,626</b>	<b>552,514</b>	<b>754,369</b>	<b>754,311</b>
<b>EXPENDITURES</b>						
Current:						
General government.....	-	-	-	49,897	635,515	-
Public safety.....	-	-	2,619,198	184	13,687	694,894
Education.....	-	-	-	-	136	-
Public works.....	-	-	-	-	-	536,334
Health and human services.....	-	-	76,577	-	218,597	69,709
Culture and recreation.....	-	-	16,194	-	393	50,142
Community development.....	458,622	1,517,950	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>458,622</b>	<b>1,517,950</b>	<b>2,711,969</b>	<b>50,081</b>	<b>868,328</b>	<b>1,351,079</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(492,126)</b>	<b>130,679</b>	<b>(125,343)</b>	<b>502,433</b>	<b>(113,959)</b>	<b>(596,768)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in.....	468,000	-	-	-	-	-
Issuance of bonds, notes and loans.....	-	-	-	-	-	-
Transfers out.....	-	-	-	(300,000)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>468,000</b>	<b>-</b>	<b>-</b>	<b>(300,000)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(24,126)</b>	<b>130,679</b>	<b>(125,343)</b>	<b>202,433</b>	<b>(113,959)</b>	<b>(596,768)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>3,075,266</b>	<b>5,182,753</b>	<b>186,753</b>	<b>4,589,677</b>	<b>1,261,744</b>	<b>(28,487)</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 3,051,140</b>	<b>\$ 5,313,432</b>	<b>\$ 61,410</b>	<b>\$ 4,792,110</b>	<b>\$ 1,147,785</b>	<b>\$ (625,255)</b>

<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
\$ 21,524	\$ 392,439	\$ 421,684	\$ -	\$ -	\$ -	\$ 3,738,827	\$ -	\$ -
-	-	-	-	-	-	729,883	-	-
1,306,465	4,263,077	-	-	1,467,981	6,223,928	14,851,051	-	757,000
-	-	-	-	-	-	1,239	-	-
-	-	-	-	-	-	211,556	-	-
-	-	-	1,113,422	-	-	1,982,764	-	-
-	-	-	-	-	-	(41,855)	-	-
<u>1,327,989</u>	<u>4,655,516</u>	<u>421,684</u>	<u>1,113,422</u>	<u>1,467,981</u>	<u>6,223,928</u>	<u>21,473,465</u>	<u>-</u>	<u>757,000</u>
-	-	-	-	-	-	685,412	-	-
1,765,973	-	-	-	-	-	5,093,936	-	-
-	4,241,250	476,956	715,602	1,981,852	6,380,940	13,796,736	-	13,012
-	-	-	-	-	-	536,334	-	1,093,793
72,206	-	-	-	-	-	437,089	-	-
8,445	-	-	-	-	-	75,174	-	-
-	-	-	-	-	-	1,976,572	36,427	645,660
<u>1,846,624</u>	<u>4,241,250</u>	<u>476,956</u>	<u>715,602</u>	<u>1,981,852</u>	<u>6,380,940</u>	<u>22,601,253</u>	<u>36,427</u>	<u>1,752,465</u>
<u>(518,635)</u>	<u>414,266</u>	<u>(55,272)</u>	<u>397,820</u>	<u>(513,871)</u>	<u>(157,012)</u>	<u>(1,127,788)</u>	<u>(36,427)</u>	<u>(995,465)</u>
183,337	-	-	150,000	-	-	801,337	-	1,515,000
-	-	-	-	-	-	-	-	-
<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(325,000)</u>	<u>-</u>	<u>-</u>
158,337	-	-	150,000	-	-	476,337	-	1,515,000
(360,298)	414,266	(55,272)	547,820	(513,871)	(157,012)	(651,451)	(36,427)	519,535
<u>477,052</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>847,804</u>
<u>\$ 116,754</u>	<u>\$ 2,626,137</u>	<u>\$ 1,131,308</u>	<u>\$ 1,406,315</u>	<u>\$ 1,150,430</u>	<u>\$ (1,198,564)</u>	<u>\$ 18,973,002</u>	<u>\$ 328,807</u>	<u>\$ 1,367,339</u>

(continued)

**NONMAJOR GOVERNMENTAL FUNDS**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<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
<b>REVENUES</b>						
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,738,827
Community preservation surcharges.....	-	-	-	-	-	729,883
Intergovernmental .....	-	757,000	-	-	-	15,608,051
Penalties and interest on taxes.....	-	-	-	-	-	1,239
Departmental and other.....	-	-	-	-	-	211,556
Contributions.....	-	-	-	-	-	1,982,764
Investment income.....	14,827	14,827	-	(1,164)	(1,164)	(28,192)
TOTAL REVENUES.....	14,827	771,827	-	(1,164)	(1,164)	22,244,128
<b>EXPENDITURES</b>						
Current:						
General government.....	-	-	-	-	-	685,412
Public safety.....	-	-	-	-	-	5,093,936
Education.....	-	13,012	-	-	-	13,809,748
Public works.....	-	1,093,793	-	-	-	1,630,127
Health and human services.....	-	-	-	-	-	437,089
Culture and recreation.....	-	-	-	2,152	2,152	77,326
Community development.....	-	682,087	-	-	-	2,658,659
TOTAL EXPENDITURES.....	-	1,788,892	-	2,152	2,152	24,392,297
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	14,827	(1,017,065)	-	(3,316)	(3,316)	(2,148,169)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in.....	5,000,000	6,515,000	-	-	-	7,316,337
Issuance of bonds, notes and loans.....	-	-	-	-	-	-
Transfers out.....	(850,000)	(850,000)	-	-	-	(1,175,000)
TOTAL OTHER FINANCING SOURCES (USES).....	4,150,000	5,665,000	-	-	-	6,141,337
NET CHANGE IN FUND BALANCES.....	4,164,827	4,647,935	-	(3,316)	(3,316)	3,993,168
FUND BALANCES AT BEGINNING OF YEAR.....	120,101	1,333,139	12,745	113,025	125,770	21,083,362
FUND BALANCES AT END OF YEAR.....	\$ 4,284,928	\$ 5,981,074	\$ 12,745	\$ 109,709	\$ 122,454	\$ 25,076,530

(concluded)



## Internal Service Funds

### Narrative

Internal service funds are used to account for the financing of services provided by one department to other departments. The risk financing activities related to health insurance and 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.

*Health Insurance* – accounts for the activities of employees who are eligible to receive health insurance benefits.

**INTERNAL SERVICE FUNDS**  
COMBINING STATEMENT OF NET POSITION

JUNE 30, 2018

				Total
	Retirees' Health Insurance	Workers' Compensation	Health Insurance	Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Restricted cash and cash equivalents.....	\$ 235,643	\$ 157,041	\$ 6,975,152	\$ 7,367,836
<b>LIABILITIES</b>				
Current liabilities:				
Warrants payable.....	\$ -	\$ -	\$ -	\$ -
Accrued payroll.....	-	3,520	-	3,520
Other liabilities.....	-	2,975	-	2,975
Accrued health claims payable.....	-	-	980,760	980,760
Workers' compensation claims.....	-	219,686	-	219,686
Total current liabilities.....	-	226,181	980,760	1,206,941
Noncurrent liabilities:				
Workers' compensation claims.....	-	126,510	-	126,510
Total liabilities.....	-	352,691	980,760	1,333,451
<b>NET POSITION</b>				
Unrestricted.....	\$ 235,643	\$ (195,650)	\$ 5,994,392	\$ 6,034,385

**INTERNAL SERVICE FUNDS**  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

				<u>Total</u>
	Retirees' Health Insurance	Workers' Compensation	Health Insurance	Internal Service Funds
<b>OPERATING REVENUES</b>				
Employer contributions.....	\$ -	\$ -	\$ 18,916,153	\$ 18,916,153
Employee contributions.....	-	-	4,751,009	4,751,009
<b>TOTAL OPERATING REVENUES.....</b>	<b>-</b>	<b>-</b>	<b>23,667,162</b>	<b>23,667,162</b>
<b>OPERATING EXPENSES</b>				
Employee benefits.....	-	196,363	21,938,190	22,134,553
<b>OPERATING INCOME (LOSS).....</b>	<b>-</b>	<b>(196,363)</b>	<b>1,728,972</b>	<b>1,532,609</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income.....	-	303	-	303
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>-</b>	<b>(196,060)</b>	<b>1,728,972</b>	<b>1,532,912</b>
<b>CHANGE IN NET POSITION.....</b>	<b>-</b>	<b>(196,060)</b>	<b>1,728,972</b>	<b>1,532,912</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>235,643</b>	<b>410</b>	<b>4,265,420</b>	<b>4,501,473</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 235,643</b>	<b>\$ (195,650)</b>	<b>\$ 5,994,392</b>	<b>\$ 6,034,385</b>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

		Retirees' Health Insurance	Workers' Compensation	Health Insurance	Total Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from interfund services provided.....	\$	-	\$ -	\$ 23,667,162	\$ 23,667,162
Payments for interfund services used.....		-	(52,007)	(22,117,047)	(22,169,054)
NET CASH FROM OPERATING ACTIVITIES.....		-	(52,007)	1,550,115	1,498,108
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income.....		-	303	-	303
NET CHANGE IN CASH AND CASH EQUIVALENTS.....		-	(51,704)	1,550,115	1,498,411
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>					
(All cash is reported as restricted).....		235,643	208,745	5,425,037	5,869,425
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>					
(All cash is reported as restricted).....	\$	<u>235,643</u>	<u>157,041</u>	<u>6,975,152</u>	<u>7,367,836</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>					
<b>TO NET CASH FROM OPERATING ACTIVITIES</b>					
Operating income (loss).....	\$	-	\$ (196,363)	\$ 1,728,972	\$ 1,532,609
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.....		-	(15,761)	-	(15,761)
Accrued health claims payable.....		-	-	(117,020)	(117,020)
Workers' compensation claims.....		-	164,917	-	164,917
Total adjustments.....		-	144,356	(178,857)	(34,501)
NET CASH FROM OPERATING ACTIVITIES.....	\$	<u>-</u>	<u>(52,007)</u>	<u>1,550,115</u>	<u>1,498,108</u>

## 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, 2018**

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 859,595	\$ 7,970,750	\$ (7,946,758)	\$ 883,587
<b>LIABILITIES</b>				
Warrants payable.....	-	7,998,141	(7,987,641)	10,500
Liabilities due depositors.....	859,595	9,718,010	(9,704,518)	873,087
TOTAL LIABILITIES.....	\$ 859,595	\$ 17,716,151	\$ (17,692,159)	\$ 883,587

# Statistical Section



**Photo credit:** Isaac Subillaga

**Description:** Memorial Day in Chelsea

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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

	2009	2010	2011	2012
<b>Governmental Activities</b>				
Net investment in capital assets (1).....	\$ 113,168,275	\$ 115,802,386	\$ 123,198,732	\$ 110,297,865
Restricted.....	15,843,439	16,877,352	5,330,361	21,541,560
Unrestricted.....	<u>(18,524,343)</u>	<u>(33,438,542)</u>	<u>(41,789,700)</u>	<u>(55,550,266)</u>
Total governmental activities net position (1).....	<u>\$ 110,487,371</u>	<u>\$ 99,241,196</u>	<u>\$ 86,739,393</u>	<u>\$ 76,289,159</u>
<b>Business-Type Activities</b>				
Net investment in capital assets (1).....	\$ 5,079,857	\$ 9,731,672	\$ 13,645,212	\$ 15,188,269
Unrestricted.....	<u>7,437,258</u>	<u>6,073,506</u>	<u>6,752,021</u>	<u>9,321,027</u>
Total business-type activities net position (1).....	<u>\$ 12,517,115</u>	<u>\$ 15,805,178</u>	<u>\$ 20,397,233</u>	<u>\$ 24,509,296</u>
<b>Primary Government</b>				
Net investment in capital assets (1).....	\$ 118,248,132	\$ 125,534,058	\$ 136,843,944	\$ 125,486,134
Restricted.....	15,843,439	16,877,352	5,330,361	21,541,560
Unrestricted.....	<u>(11,087,085)</u>	<u>(27,365,036)</u>	<u>(35,037,679)</u>	<u>(46,229,239)</u>
Total primary government net position (1).....	<u>\$ 123,004,486</u>	<u>\$ 115,046,374</u>	<u>\$ 107,136,626</u>	<u>\$ 100,798,455</u>

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

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 112,646,295	\$ 113,957,937	\$ 121,592,582	\$ 146,694,947	\$ 162,050,337	\$ 180,490,997
19,798,007	23,010,803	25,186,869	26,936,571	31,768,286	39,752,744
<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>(237,625,834)</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>	<u>\$ (17,382,093)</u>
\$ 16,948,277	\$ 18,376,165	\$ 20,591,676	\$ 18,000,489	\$ 29,291,684	\$ 28,462,797
<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>14,651,964</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>	<u>\$ 43,114,761</u>
\$ 129,594,572	\$ 132,334,102	\$ 142,184,258	\$ 164,695,436	\$ 191,342,021	\$ 208,953,794
19,798,007	23,010,803	25,186,869	26,936,571	31,768,286	39,752,744
<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>(222,973,870)</u>
<u>\$ 93,632,990</u>	<u>\$ 98,428,728</u>	<u>\$ 32,670,359</u>	<u>\$ 46,660,093</u>	<u>\$ 64,268,300</u>	<u>\$ 25,732,668</u>

**GOVERNMENTAL ACTIVITIES**  
**CHANGES IN NET POSITION (1)**

LAST TEN FISCAL YEARS

	2009	2010	2011
<b>Expenses</b>			
General government.....	\$ 9,465,362	\$ 8,584,122	\$ 8,878,505
Public safety.....	35,665,589	36,002,662	38,057,558
Education.....	92,186,880	97,560,358	97,529,142
Public works.....	6,336,398	6,187,990	6,888,278
Health and human services.....	2,699,727	1,854,061	1,845,688
Culture and recreation.....	1,355,992	916,324	990,915
Community development.....	1,372,317	1,546,870	1,345,920
Debt service - interest.....	2,527,602	2,756,957	1,918,692
Total expenses.....	151,609,867	155,409,344	157,454,698
<b>Program Revenues</b>			
Charges for services:			
Public safety.....	4,700,260	4,276,170	4,377,770
Public works.....	1,446,499	1,529,503	1,346,420
Other activities.....	2,563,792	2,711,537	2,872,521
Operating grants and contributions.....	73,086,636	77,955,416	78,148,183
Capital grants and contributions.....	1,890,029	2,389,700	408,766
Total program revenues.....	83,687,216	88,862,326	87,153,660
Net (expense)/revenue.....	(67,922,651)	(66,547,018)	(70,301,038)
<b>General Revenues and Other Changes in Net Position (1)</b>			
Real estate and personal property taxes.....	34,562,918	34,585,525	37,049,408
Meals and room taxes.....	-	83,513	556,526
Motor vehicle and other excise taxes.....	2,841,288	7,467,078	7,001,354
Penalties and interest on taxes.....	312,440	576,893	457,401
Payments in lieu of taxes.....	1,537,180	1,738,295	1,483,189
Community preservation surcharges.....	-	-	-
Unrestricted grants and contributions.....	10,440,670	8,629,072	7,698,509
Unrestricted investment income.....	2,100,745	1,352,951	940,588
Gain on sale of capital assets.....	-	-	2,115,000
Sale of land.....	-	-	-
Transfers, net.....	(424,039)	867,506	497,270
Total general revenues and other changes in net position (1).....	51,371,202	55,300,833	57,799,245
<b>Change in net position (1).....</b>	<b>\$ (16,551,449)</b>	<b>\$ (11,246,185)</b>	<b>\$ (12,501,793)</b>

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

2012	2013	2014	2015	2016	2017	2018
\$ 6,303,492	\$ 6,753,023	\$ 6,396,204	\$ 7,180,957	\$ 6,504,975	\$ 8,252,547	\$ 7,982,911
34,245,664	37,168,245	37,333,683	38,356,624	42,312,639	41,233,536	41,174,310
101,583,304	106,039,385	108,824,624	115,114,967	124,549,859	133,951,256	132,322,671
6,392,827	7,054,957	7,330,891	6,847,690	6,649,021	6,141,699	3,285,902
4,003,944	4,311,783	4,397,671	4,349,173	4,736,315	5,084,876	4,845,247
909,974	980,683	818,969	880,766	924,397	1,140,358	1,184,054
1,774,591	3,324,674	2,535,337	2,837,190	3,557,852	3,898,699	3,600,756
742,879	977,150	832,886	757,175	743,493	785,323	790,286
155,956,675	166,609,900	168,470,265	176,324,542	189,978,551	200,488,294	195,186,137
4,335,583	5,215,386	5,601,755	6,935,440	6,694,814	6,355,040	7,483,273
1,421,310	1,434,148	1,436,700	1,573,631	1,550,192	1,572,575	1,763,406
3,177,176	2,781,946	2,689,908	2,719,833	2,523,973	2,456,879	2,261,060
78,837,387	83,700,933	91,442,874	91,452,200	101,301,162	109,842,971	106,313,816
(1,065,126)	310,844	243,646	3,669,318	11,739,950	12,086,531	6,241,881
86,706,330	93,443,257	101,414,883	106,350,422	123,810,091	132,313,996	124,063,436
(69,250,345)	(73,166,643)	(67,055,382)	(69,974,120)	(66,168,460)	(68,174,298)	(71,122,701)
38,375,534	42,040,017	44,226,062	45,085,165	48,999,853	51,670,468	55,252,170
602,918	871,300	1,108,668	1,167,829	1,668,783	1,624,438	2,036,932
8,253,392	8,198,951	9,945,067	10,794,088	13,037,097	17,474,882	13,186,564
553,029	375,953	472,452	466,224	444,350	342,704	383,098
1,221,920	1,221,631	2,139,017	1,252,908	2,084,999	1,827,288	1,348,428
-	-	-	-	-	558,496	707,587
7,718,417	7,538,595	7,837,799	8,057,101	8,071,764	8,758,461	9,607,782
406,508	142,796	737,599	95,655	1,090,810	721,227	1,587,936
-	-	654,000	-	-	-	-
-	-	-	900,000	-	-	-
1,668,393	1,710,103	1,752,855	1,796,678	1,521,594	1,887,634	1,094,263
58,800,111	62,099,346	68,873,519	69,615,648	76,919,250	84,865,598	85,204,760
\$ (10,450,234)	\$ (11,067,297)	\$ 1,818,137	\$ (358,472)	\$ 10,750,790	\$ 16,691,300	\$ 14,082,059

**BUSINESS-TYPE ACTIVITIES**  
**CHANGES IN NET POSITION (1)**

LAST TEN FISCAL YEARS

	2009	2010	2011	2012
<b>Expenses</b>				
Water and Sewer.....	\$ 10,442,575	\$ 11,932,616	\$ 12,619,962	\$ 12,587,797
<b>Program Revenues</b>				
Charges for services.....	13,864,185	16,012,276	17,304,563	18,344,616
Operating grants and contributions.....	-	75,909	-	21,966
Capital grants and contributions.....	-	-	404,724	1,671
Total program revenues.....	13,864,185	16,088,185	17,709,287	18,368,253
Net (expense)/revenue.....	3,421,610	4,155,569	5,089,325	5,780,456
<b>General Revenues and Transfers</b>				
Transfers, net.....	424,039	(867,506)	(497,270)	(1,668,393)
<b>Change in net position (1)</b> .....	\$ 3,845,649	\$ 3,288,063	\$ 4,592,055	\$ 4,112,063

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

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</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>	\$ <u>14,956,501</u>
18,474,949	18,389,953	18,916,044	18,658,888	19,481,212	20,408,211
2,412	999	-	-	-	194,881
<u>320,320</u>	<u>282,150</u>	<u>398,640</u>	<u>1,130,530</u>	<u>132,000</u>	<u>12,880</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>	<u>20,615,972</u>
5,611,935	4,730,456	4,692,975	4,760,528	2,804,541	5,659,471
<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>(1,094,263)</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>	\$ <u><u>4,565,208</u></u>

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

LAST TEN FISCAL YEARS

	2009	2010	2011
Total expenses.....	\$ 162,052,442	\$ 167,341,960	\$ 170,074,660
Total program revenues.....	<u>97,551,401</u>	<u>104,950,511</u>	<u>104,862,947</u>
Net (expense)/revenue.....	(64,501,041)	(62,391,449)	(65,211,713)
Total general revenues, transfers and other changes in net position (1).....	<u>51,795,241</u>	<u>54,433,327</u>	<u>57,301,975</u>
<b>Change in net position (1).....</b>	<b><u><u>\$ (12,705,800)</u></u></b>	<b><u><u>\$ (7,958,122)</u></u></b>	<b><u><u>\$ (7,909,738)</u></u></b>

(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>2018</u>
\$ 168,544,472	\$ 179,795,646	\$ 182,412,911	\$ 190,946,251	\$ 205,007,441	\$ 217,296,965	\$ 210,142,638
<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>	<u>144,679,408</u>
(63,469,889)	(67,554,708)	(62,324,926)	(65,281,145)	(61,407,932)	(65,369,757)	(65,463,230)
<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>84,110,497</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>	<u>\$ 18,647,267</u>

**GOVERNMENTAL FUNDS**  
**FUND BALANCES (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

LAST TEN FISCAL YEARS

	2009	2010	(1) 2011	2012
<b>General Fund</b>				
Reserved.....	\$ 3,025,808	\$ 2,915,917	\$ -	\$ -
Unreserved.....	11,379,449	14,297,478	-	-
Nonspendable.....	-	-	-	9,506
Restricted.....	-	-	-	150,000
Committed.....	-	-	-	2,099,166
Assigned.....	-	-	2,385,892	3,049,473
Unassigned.....	-	-	24,345,161	24,079,453
Total general fund.....	<u>\$ 14,405,257</u>	<u>\$ 17,213,395</u>	<u>\$ 26,731,053</u>	<u>\$ 29,387,598</u>
<b>All Other Governmental Funds</b>				
Reserved.....	\$ 3,880,532	\$ 1,381,756	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds.....	13,470,775	14,542,816	-	-
Debt service funds.....	9,927,538	10,648,346	-	-
Capital projects funds.....	(8,762,135)	984,799	-	-
Permanent funds.....	100,886	101,095	-	-
Nonspendable.....	-	-	22,392	1,060,180
Restricted.....	-	-	21,683,498	20,481,622
Unassigned.....	-	-	-	-
Total all other governmental funds.....	<u>\$ 18,617,596</u>	<u>\$ 27,658,812</u>	<u>\$ 21,705,890</u>	<u>\$ 21,541,802</u>

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

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
3,853	-	-	-	-	-
308,767	504,854	718,710	970,408	1,284,689	1,655,090
2,328,995	3,057,530	4,139,642	1,578,204	3,745,271	5,165,078
3,741,435	5,884,258	3,330,311	2,477,123	2,882,761	6,265,910
26,894,097	33,680,292	34,395,684	43,212,229	45,518,645	37,651,385
<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>	<u>\$ 50,737,463</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,060,180	739,250	683,351	323,786	22,392	22,392
20,481,622	23,830,733	25,330,694	25,642,378	31,517,310	39,803,108
-	(190,172)	(670,421)	(493,971)	(1,070,039)	(1,823,819)
<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>	<u>\$ 38,001,681</u>

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

LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013
<b>REVENUES</b>					
Real estate and personal property taxes.....	\$ 32,522,544	\$ 33,656,465	\$ 35,997,749	\$ 37,851,061	\$ 40,349,818
Motor vehicle and other excise taxes.....	2,858,058	7,241,592	7,111,447	7,161,510	9,340,599
Meals and room taxes.....	-	83,513	556,526	602,918	871,300
Tax and trash liens.....	305,512	1,058,925	907,060	697,979	1,836,771
Payments in lieu of taxes.....	1,537,180	1,738,295	1,483,189	1,221,920	1,221,631
Community preservation surcharges.....	-	-	-	-	-
Charges for services.....	2,522,413	2,768,668	3,142,666	3,403,374	3,400,408
Trash disposal.....	1,421,920	1,492,690	1,509,421	1,417,444	1,351,774
Intergovernmental .....	89,664,616	89,848,841	102,461,524	85,285,276	89,997,970
Penalties and interest on taxes.....	325,535	576,893	457,401	553,029	375,953
Licenses, permits and fees.....	2,111,520	1,661,067	1,686,406	1,217,335	1,544,748
Fines and forfeitures.....	1,807,763	1,791,144	1,811,801	1,660,704	2,007,744
Departmental.....	513,831	321,045	371,243	1,408,644	1,133,145
Contributions.....	1,408,736	1,805,273	976,743	1,356,822	1,483,355
Investment income.....	2,077,494	1,347,159	936,009	677,185	201,303
TOTAL REVENUES.....	139,077,122	145,391,570	159,409,185	144,515,201	155,116,519
<b>EXPENDITURES</b>					
Current:					
General government.....	4,456,416	3,647,141	4,116,985	3,705,904	4,521,689
Public safety.....	20,102,805	21,218,465	21,857,267	21,330,776	26,344,654
Education.....	75,392,603	77,835,710	78,049,056	78,478,431	80,609,369
Public works.....	8,526,985	5,142,611	6,205,921	6,974,591	6,467,158
Health and human services.....	1,637,992	1,395,638	1,247,303	1,250,883	1,536,981
Culture and recreation.....	476,234	449,369	530,524	452,279	418,499
Community development.....	3,447,654	1,869,328	1,762,797	3,117,710	5,264,289
Pension benefits.....	10,366,861	10,778,985	11,459,731	12,258,832	12,731,118
Employee benefits.....	6,877,797	6,511,415	6,259,620	6,763,964	6,022,290
Property and liability insurance.....	440,049	484,181	450,000	373,711	475,362
Claims and judgments.....	25,215	38,920	46,059	29,167	36,098
State and county charges.....	4,234,195	4,720,440	5,032,659	5,507,326	6,900,308
Debt service:					
Principal.....	6,913,970	7,439,494	25,196,312	2,761,359	2,756,573
Interest.....	2,543,985	2,483,699	1,619,804	1,118,855	1,007,448
TOTAL EXPENDITURES.....	145,442,761	144,015,396	163,834,038	144,123,788	155,091,836
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(6,365,639)	1,376,174	(4,424,853)	391,413	24,683
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in.....	4,271,345	4,372,919	27,034,339	6,230,321	5,747,213
Issuance of bonds and notes.....	12,828,352	1,625,950	5,136,656	394,000	2,751,628
Premium from issuance of bonds and notes.....	61,562	-	239,006	38,651	248
Issuance of refunding bonds.....	4,410,625	-	99,500	-	-
Premium from issuance of refunding bonds.....	121,901	-	4,991	-	-
Sale of capital assets.....	-	-	2,115,000	-	-
Sale of land.....	-	-	-	-	-
Capital leases.....	-	102,809	-	-	-
Transfers out.....	(4,695,384)	(3,505,413)	(26,537,069)	(4,561,928)	(4,037,110)
Refunded bonds redeemed.....	-	-	(102,834)	-	-
Payments to refunding bond escrow agent.....	(4,451,847)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	12,546,554	2,596,265	7,989,589	2,101,044	4,461,979
NET CHANGE IN FUND BALANCES.....	\$ 6,180,915	\$ 3,972,439	\$ 3,564,736	\$ 2,492,457	\$ 4,486,662
<b>DEBT SERVICE EXPENDITURES AS A PERCENTAGE OF NONCAPITAL EXPENDITURES.....</b>					
	7.51%	6.90%	7.06%	16.82%	2.79%

	2014	2015	2016	2017	2018
\$	43,530,062	\$ 44,656,911	\$ 48,082,876	\$ 50,307,484	\$ 54,244,281
	10,305,740	10,643,290	13,009,026	15,673,336	14,982,538
	1,108,668	1,167,829	1,668,783	1,624,438	2,036,932
	1,240,594	603,960	1,692,025	1,142,958	1,242,079
	2,139,017	1,252,908	2,084,999	1,827,288	1,348,428
	-	-	-	544,562	729,883
	2,824,712	3,111,715	3,452,170	3,319,396	3,738,827
	1,403,215	1,528,620	1,564,905	1,549,819	1,696,655
	98,310,010	95,527,502	110,381,999	114,150,846	105,954,011
	472,452	466,224	444,350	342,704	383,098
	1,342,675	2,517,342	1,473,811	1,341,405	2,047,503
	2,348,181	2,353,081	2,400,469	2,561,169	2,464,701
	1,566,193	1,726,715	1,612,755	1,492,032	1,294,723
	975,896	1,254,660	942,042	2,606,735	1,982,764
	901,867	185,153	1,266,567	864,282	1,546,522
	<u>168,469,282</u>	<u>166,995,910</u>	<u>190,076,777</u>	<u>199,348,454</u>	<u>195,692,945</u>
	4,098,380	4,807,736	4,006,300	6,630,936	6,867,067
	25,818,310	25,900,880	27,360,973	28,129,942	29,486,460
	84,500,020	94,834,369	114,409,040	115,044,521	111,622,605
	7,768,296	8,401,759	7,737,530	7,257,534	10,057,827
	1,721,863	1,659,475	1,848,224	1,947,404	1,901,115
	558,400	491,973	512,727	681,108	761,911
	3,923,532	5,220,518	6,623,908	4,080,978	2,658,659
	13,078,542	6,537,620	6,764,363	7,076,377	7,341,604
	6,093,715	7,064,222	7,803,805	8,709,185	8,265,141
	450,000	651,504	695,638	750,000	800,000
	30,453	31,097	54,736	63,155	46,082
	8,011,029	9,378,341	11,647,770	13,635,401	14,562,727
	2,627,887	3,499,461	2,986,861	2,480,222	2,808,314
	926,936	792,407	685,399	780,365	755,950
	<u>159,607,363</u>	<u>169,271,362</u>	<u>193,137,274</u>	<u>197,267,128</u>	<u>197,935,462</u>
	<u>8,861,919</u>	<u>(2,275,452)</u>	<u>(3,060,497)</u>	<u>2,081,326</u>	<u>(2,242,517)</u>
	5,762,875	11,082,014	8,049,321	9,247,874	17,327,287
	-	-	7,187,037	5,540,000	5,520,000
	77,052	-	134,052.00	681,912	466,369
	802,857	-	-	-	-
	1,396,000	-	-	-	-
	-	-	-	-	-
	-	900,000	-	-	-
	-	-	-	-	-
	(4,010,020)	(9,285,336)	(6,527,727)	(7,360,240)	(16,233,024)
	(800,000)	-	-	-	-
	-	-	-	-	-
	<u>3,228,764</u>	<u>2,696,678</u>	<u>8,842,683</u>	<u>8,109,546</u>	<u>7,080,632</u>
\$	<u>12,090,683</u>	<u>\$ 421,226</u>	<u>\$ 5,782,186</u>	<u>\$ 10,190,872</u>	<u>\$ 4,838,115</u>
	2.52%	2.30%	2.71%	1.89%	2.05%

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

**LAST TEN FISCAL YEARS**

		Assessed Value (2)			Total Assessed Value	Total Direct Tax Rate	Equalized Actual Value (3)	Assessed Value as a Percentage of Actual Value
Fiscal Year		Residential Real Property	Commercial and Industrial Real Property	Personal Property				
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)	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)	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%
2018	(1)	2,060,509,635	716,134,235	151,637,670	2,928,281,540	18.43	3,534,210,300	82.86%

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)
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
2018	14.10	29.74	29.74	18.43

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	2018			2009		
	Amount of Tax	Rank	Percentage of Total Tax Levy	Amount of Tax	Rank	Percentage of Total Tax Levy
Nstar Services.....	\$ 2,862,858	1	5.30%	\$ 1,047,318	1	3.22%
Anthony C Simboli.....	2,086,042	2	3.87%	917,467	3	2.82%
Urban Growth Properties.....	1,365,634	3	2.53%	1,013,508	2	3.12%
One North Boston.....	1,328,396	4	2.46%	-		0.00%
Demoulas Super Markets Inc.....	1,123,934	5	2.08%	469,420	5	1.44%
Federal Realty Investment.....	1,117,978	6	2.07%	-		-
Griffin Way LLC.....	950,452	7	1.76%	729,671	4	2.24%
National Grid.....	707,644	8	1.31%	-		-
Parkside Commons.....	703,742	9	1.30%	236,110	10	-
GS Admirals Hill LLC.....	559,114	10	1.04%	341,797	9	1.05%
FR Chelsea Commons.....	-		-	395,467	6	1.22%
New England Produce Center.....	-		-	362,625	7	1.11%
Catamount Petroleum Limited Partnership....	-		-	362,263	8	1.11%
Total	\$ 12,805,794		23.73%	\$ 5,875,646		17.33%

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
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	37,715,271	37,043,761	98.22%	671,510	37,715,271	100.00%
2013	40,466,660	39,627,287	97.93%	839,373	40,466,660	100.00%
2014	43,126,422	42,549,387	98.66%	577,035	43,126,422	100.00%
2015	45,065,494	44,626,213	99.03%	439,281	45,065,494	100.00%
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%	229,129	50,691,943	99.41%
2018	53,966,079	53,496,967	99.13%	-	53,496,967	99.13%

Source: Assessing Department

# RATIOS OF OUTSTANDING DEBT BY TYPE

## LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities			Percentage of Median Family Income (1)	Per Capita (1)
	General Obligation Bonds	State House Notes	Loans	General Obligation Bonds	MWRA and MWPAT Notes	Total Primary Government		
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	22,807,022	-	-	8,852,999	4,967,773	36,627,794	2.18%	1,041
2018	25,518,688	-	-	9,900,814	4,100,083	39,519,585	2.26%	1,123

**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		
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	31,660,021	-	31,660,021	1.17%	900
2018	35,419,502	-	35,419,502	1.21%	1,007

**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 2018			
Fiscal year 2018 equalized valuation.....	\$	3,534,210,300	
Normal debt limit (5% of equalized valuation).....		176,710,515	
Debt applicable to limit:			
Total bonded debt.....		35,419,502	
Less: General obligation bonds exempted by authority of state legislature.....		(17,023,553)	
Total net debt applicable to limit.....		18,395,949	
Legal debt margin.....	\$	158,314,566	
		Fiscal Year	
		2009	2010
		2011	
Normal debt limit.....	\$	142,817,357	\$ 117,208,420
Total net debt applicable to limit.....		17,082,541	20,793,997
Legal debt margin.....	\$	125,734,816	\$ 96,414,423
Total net debt applicable to the limit as a percentage of normal debt limit.....		11.96%	17.74%
			20.51%

Fiscal Year						
2012	2013	2014	2015	2016	2017	2018
\$ 111,887,125	\$ 111,887,125	\$ 111,718,835	\$ 111,718,835	\$ 139,569,945	\$ 139,569,945	\$ 176,710,515
<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>18,395,949</u>
\$ <u><u>94,921,143</u></u>	\$ <u><u>95,690,838</u></u>	\$ <u><u>98,062,578</u></u>	\$ <u><u>99,501,788</u></u>	\$ <u><u>122,042,721</u></u>	\$ <u><u>128,292,943</u></u>	\$ <u><u>158,314,566</u></u>
15.16%	14.48%	12.22%	10.94%	12.56%	8.08%	10.41%

# **DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

JUNE 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Massachusetts Water Resource Authority.....	\$ 5,493,233,000	1.77%	\$ 97,250,408
City direct debt.....			<u>35,419,502</u>
Total direct and overlapping debt.....			<u><u>\$ 132,669,910</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
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
2017	35,177	49,614	3.5%	22,369

- 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 2008-2010 (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	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of Chelsea.....	1,340	1	6.92%	1,280	1	9.48%
MITC.....	1,200	2	6.20%	1,400	2	10.37%
MWRA.....	1,100	3	5.68%	561	4	4.16%
Market Basket.....	900	4	4.65%	600	3	4.45%
State Garden.....	750	5	3.87%	-		-
FBI.....	600	6	3.10%	-		-
Kayem Foods.....	375	7	1.94%	381	5	2.82%
Massachusetts General Hospital.....	375	8	1.94%	246	6	1.82%
Paul Reverse Transportation.....	375	9	1.94%	208	7	1.54%
Soldiers Home.....	200	10	1.03%	-		-
Signature Breads.....	-	N/A	N/A	204	8	1.51%
Metropolitan Credit Union .....	-	N/A	N/A	151	9	1.12%
Stop & Shop.....	-	N/A	N/A	123	10	0.91%
Total.....	<u>7,215</u>		<u>37.27%</u>	<u>5,154</u>		<u>38.18%</u>

Source: Department of Planning and Development



# EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Full-Time Equivalent Employees as of June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government.....	55	55	48	48	49	50	50	51	53	57
Public safety.....	216	225	218	225	227	231	240	244	246	248
Education.....	926	930	907	910	918	894	923	960	967	969
Public works .....	25	25	22	24	24	26	26	26	26	27
Health and human services....	37	30	30	30	30	31	31	18	21	20
Culture and recreation.....	8	8	7	7	7	7	7	7	7	7
Community development.....	8	7	7	7	7	7	7	8	8	9
Water and sewer.....	5	3	3	3	3	3	3	3	3	3
Total.....	<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>	<u>1,340</u>

**Source:** Various departments

## OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	2009	2010	2011	2012	2013
Public safety					
Police					
Offenses committed.....	9,110	9,450	8,624	8,483	7,227
Crime-related incidents.....	3,744	3,626	3,244	3,406	3,296
Non-crime related incidents.....	1,611	1,846	1,857	1,789	1,865
Arrests (on view).....	1,793	1,825	1,871	1,630	1,468
Arrests (based on incident/warrants).....	399	429	500	413	390
Summons arrests.....	5	4	2	3	4
Total arrests.....	2,197	2,258	2,373	2,046	1,862
Juvenile arrests.....	95	70	118	70	101
Hearings.....	589	834	585	640	471
Summons.....	573	652	510	498	374
Restraint orders.....	381	352	379	335	407
Citations.....	7,795	8,325	7,799	8,188	6,371
Fire					
Fires extinguished (1).....	271	376	317	425	395
Education					
Public school enrollment.....	5,641	5,699	5,709	5,883	6,044
Culture and recreation					
Library volumes in collection.....	79,025	80,443	71,260	72,348	66,487
Library volumes borrowed.....	61,501	74,340	68,649	67,912	64,721
Water					
Average daily consumption (1)					
(million gallons/day).....	3.040	3.048	3.064	3.077	3.078
Peak daily consumption (1)					
(million gallons/day).....	3.940	3.700	3.418	3.800	3.700
Sewer					
Average daily sewage treatment (1)					
(million gallons/day).....	4.130	3.900	5.080	5.490	4.350

**Source:** Various departments

(1) Data is on a calendar year basis

(2) Data is not available

Fiscal Year				
2014	2015	2016	2017	2018
6,948	6,489	6,050	5,285	4,891
3,134	2,862	2,782	2,632	2,396
2,092	2,285	1,451	1,348	1,406
1,306	1,353	1,246	941	942
452	407	344	264	265
8	34	40	53	50
1,766	1,794	1,630	1,258	1,257
106	108	100	37	37
438	357	314	299	279
349	442	426	519	584
346	391	356	281	326
7,126	4,986	3,654	3,446	3,925
430	390	353	208	N/A (2)
6,288	6,554	6,574	6,600	6,467
72,617	64,735	59,672	57,082	48,486
63,588	60,073	71,930	71,637	52,410
3.206	3.264	3.250	3.263	3.390
3.900	3.730	3.604	3.720	N/A (2)
4.870	5.200	5.210	4.240	3.800

# CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

## LAST TEN FISCAL YEARS

Function/Program	Fiscal Year						
	2009	2010	2011	2012	2013	2014	2015
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	1,771	1,771	1,771	1,771	1,771	1,771
Traffic signals.....	47	53	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		
2016	2017	2018
1	1	1
3	3	3
6	6	6
4	4	4
44	44	44
1,821	1,821	1,821
53	54	54
1	1	1
61	61	61
41	41	41

