

**City of Chelsea, Massachusetts**

**Comprehensive Annual Financial Report**



**For the Fiscal Year Ended June 30, 2016**

# *City of Chelsea, Massachusetts*

## **Comprehensive Annual Financial Report**

*For the Fiscal Year Ended June 30, 2016*

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, 2016**

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# *Introductory Section*



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

## **CITY OF CHELSEA**

Executive Office  
City Hall, Room #302, 500 Broadway  
Chelsea, Massachusetts 02150  
Telephone (617) 466-4100 / Fax (617) 466-4175



December 22, 2016

Dear Councilors:

I am pleased to submit the City of Chelsea's *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended June 30, 2016. This letter of transmittal, and management's discussion and analysis as located in the financial section of the CAFR, provides a comprehensive financial overview of the City.

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

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

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

### **REPORTING ENTITY AND SERVICES PROVIDED**

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

The City has included the Chelsea Contributory Retirement System (System) as a component unit (blended) in the basic financial statements. The financial statements of the System are presented for the year ended December 31, 2015, 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 (Commonwealth). 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 FY17, and likely in the next few fiscal years as well, it has built up sufficient reserves to enable it to meet its budgetary needs for at least the next five years without any significant shortfall. However, long-term, it is essential that Chelsea generate additional revenue, and it can only do that with continued economic development. It is for that reason that Chelsea continues to aggressively seek growth, albeit in a manner that is properly planned and respectful of potential negative impacts such as traffic and gentrification.

Chelsea's economic development potential remains extremely positive due to three major assets: proximity to the Airport; proximity to downtown Boston; and a robust public transportation network. Public transportation options will only improve with the expected completion of the Silver Line into Chelsea, scheduled for 2017. These attributes have contributed to make Chelsea an incredibly attractive community for both residential and commercial development. The evidence is obvious from the projects recently completed, as well as those in the pipeline. Both phases of the residential apartment complex known as One North of Boston on Sixth Street are now completed and occupancy has been robust. Nearby, in the Everett Avenue Urban Renewal District, ("EAURD"), the City just permitted another major residential development of 692 units, geared to meet the demand expected from completion of the Silver Line. Commercial development also continues at a torrid pace. A new Marriott TownPlace Suites Hotel opened in March 2015, bringing to three the number of major hotels in the City. A fourth hotel is under construction in the EAURD, a fifth hotel has been permitted, and the Wyndham, the City's first hotel project, is scheduled for a \$10 million facelift and rebranding this Winter. Nearby, the new regional FBI headquarters, which opened in November 2016, has redefined the Chelsea skyline. All of this is proof positive that, in every corner of the City, development 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.

Through June 30, 2016, the City participated in a premium-based health care plan for its active and retired employees. 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 the liability is incurred. As of July 1, 2016, with the approval of all of its unions, and with the expectation of significant financial savings, the City moved to a self-insured group health program for its active and retired employees.

## **CAPITAL FINANCING AND DEBT MANAGEMENT**

The City's debt burden is relatively low in relation to other communities its size. Outstanding long-term debt (related to governmental funds) as of June 30, 2016, totaled approximately \$19,747,000, of which \$7,631,000 relates to school remodeling projects and \$6,310,000 relates to urban renewal, leaving a balance of approximately \$5,806,000 in CIP projects.

Since fiscal year 1997, the City had funded a portion of its CIP on a "pay-as-you-go" basis out of current revenues (\$640,865 in FY16). In order to maintain this type of funding, even in difficult economic conditions, a Capital Stabilization Fund was established and, as of June 30, 2016, the fund totaled approximately \$79,000.

## **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, 2016, general fund cash and cash equivalents totaled \$42,595,561.

## **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, 2016. The independent auditors' report on the basic financial statements, for the fiscal year ended June 30, 2016, is included herein and contains an unmodified opinion.

## **CERTIFICATES, AFFILIATIONS AND AWARDS**

For the eighteenth 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, 2015 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 2016 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.

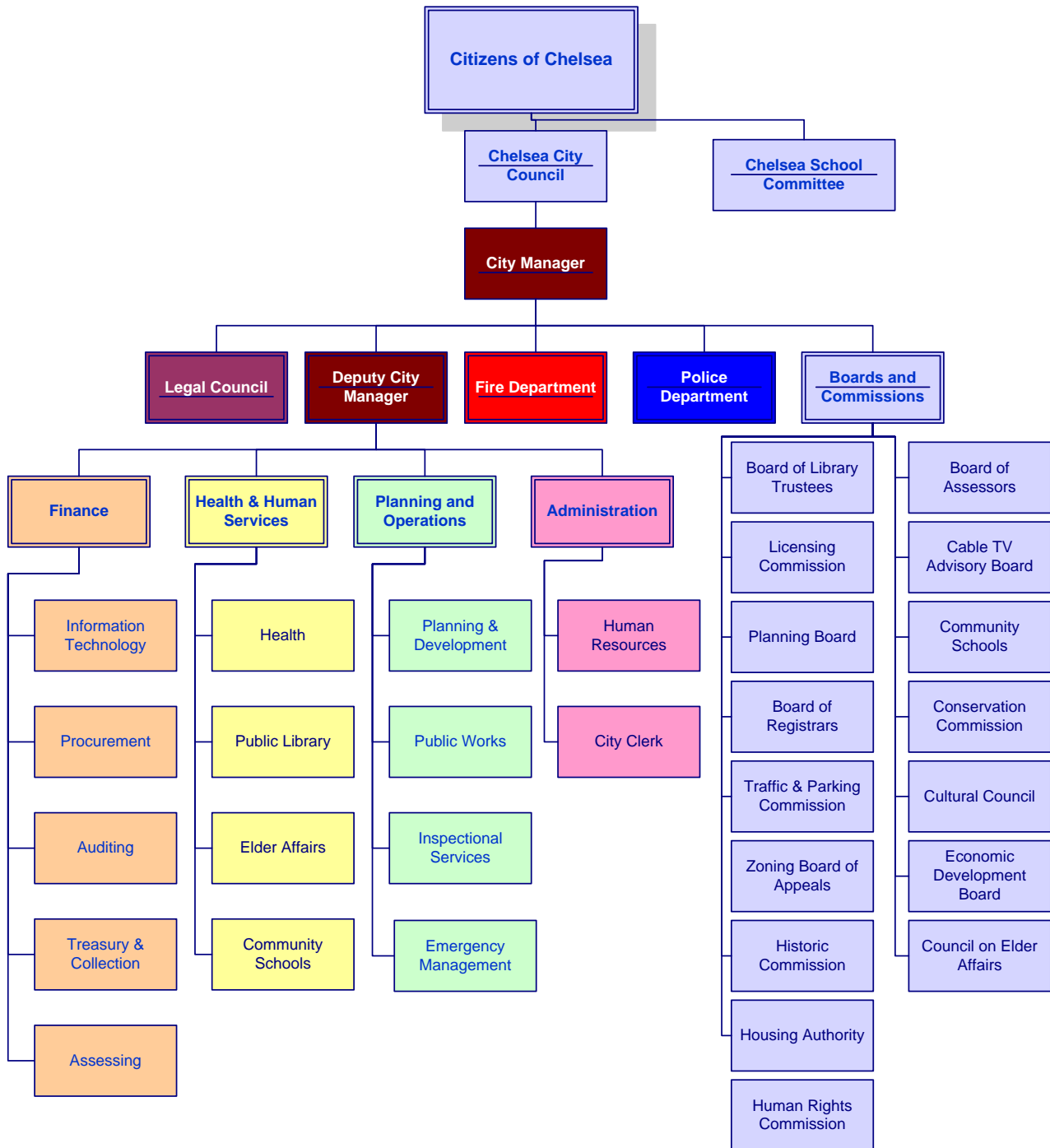
On behalf of the entire City, I am pleased to share with the City Council and the entire Chelsea community the City's fiscal year 2016 CAFR. Once again, our municipal government is not only accurately and openly reporting its operations, but it is doing so in a transparent manner consistent with Chelsea's revitalized City government.

Yours truly,



Thomas G. Ambrosino  
City Manager

# City of Chelsea Organization



## Elected Officials - City Council

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

## Elected Officials - School Committee

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

# Principal Officials

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Department	Official(s)	Additional Areas of Authority
Assessors	Ken Stein, Chairman Mary-Lou Ireland, Director	
Auditing	Edward Dunn, Auditor	
City Clerk	Jeannette Cintron White, City Clerk	Traffic & Parking
City Council	Dan Cortell, President Paul Casino, Administrator	
Executive	Thomas Ambrosino, City Manager Ned Keefe, Deputy City Manager	
Emergency Management	Allan I. Alpert, Director	E911
Fire	Leonard A. Albanese, Chief	
Health & Human Services	Luis Prado, Director	Elder Affairs, Health, Library, Veterans Services, Community Schools
Human Resources	Diane Carey, Director	
Inspectional Services	Mike 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, Acting Director	
Retirement Board	Joseph Siewko, Chairman	
School	Jeannette Velez, Chairperson Mary M. Bourque, Superintendent	
Treasurer/Collector	Robert Boulrice, Treasurer/Collector	Central Billing and Research
Veteran Services	Francisco Toro, Director	



Government Finance Officers Association

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

Presented to

**City of Chelsea  
Massachusetts**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

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# *Financial Section*

## 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, 2016 (except for the Chelsea Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2015), 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, 2016 (except for the Chelsea Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2015), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 15 through 24) and general fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 75 through 89) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

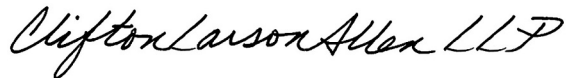
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chelsea, Massachusetts' basic financial statements. The introductory section, combining and individual fund statements and schedules and statistical section are presented for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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016 on our consideration of the City of Chelsea, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Chelsea, Massachusetts' internal control over financial reporting and compliance.

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

December 22, 2016  
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, 2016.

### *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 \$46,660,093 (net position).
- The City's total net position increased \$13,989,724.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$43,212,229, or 27.3 percent of total general fund revenues and transfers in from other funds.
- The City's total outstanding long-term debt principal increased by \$4,257,572 during the fiscal year. The City issued \$8,620,037 of general obligation bonds and \$1,054,750 in MWRA notes during the fiscal year.

### *Overview of the Basic Financial Statements*

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

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

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

#### Government-wide financial statements

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

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

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

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

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

### Fund financial statements

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

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

### **Governmental Funds**

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

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

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

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

### **Proprietary funds**

The City maintains two types of proprietary funds.

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

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

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

### **Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

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

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

### **Notes to the basic financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-73 of this report.

### **Required Supplementary and Other Information**

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

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

**Government-Wide Financial Analysis**

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

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities and deferred inflows of resources by \$46,660,093 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current assets.....	\$ 88,145,245	\$ 83,358,364	\$ 22,418,304	\$ 20,628,890	\$ 110,563,549	\$ 103,987,254
Noncurrent assets (excluding capital assets).....	1,436,385	1,546,014	-	-	1,436,385	1,546,014
Capital assets (net).....	158,301,387	135,093,743	29,136,283	27,929,272	187,437,670	163,023,015
Total assets.....	247,883,017	219,998,121	51,554,587	48,558,162	299,437,604	268,556,283
<b>Deferred outflows of resources.....</b>	<b>14,341,126</b>	<b>178,516</b>	<b>99,587</b>	<b>1,186</b>	<b>14,440,713</b>	<b>179,702</b>
<b>Liabilities</b>						
Current liabilities (excluding debt).....	13,800,255	14,325,450	193,924	726,281	13,994,179	15,051,731
Noncurrent liabilities (excluding debt).....	214,989,908	191,470,185	1,962,848	1,660,495	216,952,756	193,130,680
Current debt.....	2,480,222	2,986,860	2,407,781	2,430,355	4,888,003	5,417,215
Noncurrent debt.....	17,267,002	12,560,187	9,985,772	9,905,803	27,252,774	22,465,990
Total liabilities.....	248,537,387	221,342,682	14,550,325	14,722,934	263,087,712	236,065,616
<b>Deferred inflows of resources.....</b>	<b>4,102,011</b>	<b>-</b>	<b>28,501</b>	<b>-</b>	<b>4,130,512</b>	<b>-</b>
<b>Net Position</b>						
Net investment in capital assets.....	146,694,947	121,592,582	18,000,489	20,591,676	164,695,436	142,184,258
Restricted.....	26,936,571	25,186,869	-	-	26,936,571	25,186,869
Unrestricted.....	(164,046,773)	(147,945,496)	19,074,859	13,244,738	(144,971,914)	(134,700,758)
Total net position.....	\$ 9,584,745	\$ (1,166,045)	\$ 37,075,348	\$ 33,836,414	\$ 46,660,093	\$ 32,670,369

The largest portion of the City's net position (\$164,695,436) 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 (\$26,936,571) represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position of \$19,074,859 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 postemployment benefits liabilities.

Changes in Net Position

For the fiscal year ended June 30, 2016, the City's total net position increased by \$13,989,724, compared to an increase of \$2,537,825 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for services.....	\$ 10,768,979	\$ 11,228,904	\$ 18,658,888	\$ 18,916,044	\$ 29,427,867	\$ 30,144,948
Operating grants and contributions.....	101,301,162	91,452,200	-	0	101,301,162	91,452,200
Capital grants and contributions.....	11,739,950	3,669,318	1,130,530	398,640	12,870,480	4,067,958
<i>General Revenues:</i>						
Real estate and personal property taxes.....	48,999,853	45,085,165	-	-	48,999,853	45,085,165
Motor vehicle and other excise taxes.....	13,037,097	10,794,088	-	-	13,037,097	10,794,088
Meals and room taxes.....	1,668,783	1,167,829	-	-	1,668,783	1,167,829
Penalties and interest on taxes.....	444,350	466,224	-	-	444,350	466,224
Payments in lieu of taxes.....	2,084,999	1,252,908	-	-	2,084,999	1,252,908
Grants and contributions not restricted						
to specific programs.....	8,071,764	8,057,101	-	-	8,071,764	8,057,101
Unrestricted investment income.....	1,090,810	95,655	-	-	1,090,810	95,655
Gain on sale of permanent easement.....	-	900,000	-	-	-	900,000
<b>Total revenues.....</b>	<b>199,207,747</b>	<b>174,169,392</b>	<b>19,789,418</b>	<b>19,314,684</b>	<b>218,997,165</b>	<b>193,484,076</b>
<b>Expenses</b>						
General government.....	6,504,975	7,180,957	-	-	6,504,975	7,180,957
Public safety.....	42,312,639	38,356,624	-	-	42,312,639	38,356,624
Education.....	124,549,859	115,114,967	-	-	124,549,859	115,114,967
Public works.....	6,649,021	6,847,690	-	-	6,649,021	6,847,690
Health and human services.....	4,736,315	4,349,173	-	-	4,736,315	4,349,173
Culture and recreation.....	924,397	880,766	-	-	924,397	880,766
Community development.....	3,557,852	2,837,190	-	-	3,557,852	2,837,190
Debt service - interest.....	743,493	757,175	-	-	743,493	757,175
Water and sewer.....	-	-	15,028,890	14,621,709	15,028,890	14,621,709
<b>Total expenses.....</b>	<b>189,978,551</b>	<b>176,324,543</b>	<b>15,028,890</b>	<b>14,621,709</b>	<b>205,007,441</b>	<b>190,946,251</b>
Change in net position before transfers.....	9,229,196	(2,155,151)	4,760,528	4,692,975	13,989,724	2,537,825
Transfers, net.....	1,521,594	1,796,678	(1,521,594)	(1,796,678)	-	-
Change in net position.....	10,750,790	(358,473)	3,238,934	2,896,297	13,989,724	2,537,825
Net position - beginning of year.....	(1,166,045)	(807,572)	33,836,414	30,940,117	32,670,369	30,132,544
Net position - end of year.....	<u>\$ 9,584,745</u>	<u>\$ (1,166,045)</u>	<u>\$ 37,075,348</u>	<u>\$ 33,836,414</u>	<u>\$ 46,660,093</u>	<u>\$ 32,670,369</u>

Governmental activities increased the City's net position by \$10,750,790. In the prior year, governmental activities decreased the City's net position by \$358,473. The key element of this change is an increase in capital grants and contributions of approximately \$8,071,000, primarily from reimbursement grants related to the Clarke Avenue School construction project.

Business-type activities increased the City's net position by \$3,238,934. In the prior year, business-type activities increased the City's net position by \$2,896,297. The increase in the overall net position of business-type activities is primarily the result of planned operating revenues exceeding expenditures, consistent with the prior year.



***Fund Financial Statement Analysis***

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

**Governmental funds**

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

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$73,710,157, an increase of \$5,782,186 in comparison with the prior year. \$42,718,258 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$323,786)
- Restricted (\$26,612,786)
- Committed (\$1,578,204)
- Assigned (\$2,477,123)

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 \$43,212,229, while total fund balance was \$48,237,964. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund revenues and transfers in from other funds. Unassigned fund balance represents 27.3% of total general fund revenues and transfers in from other funds, while total fund balance represents 30.5% of that same amount.

The balance of the City's general fund increased \$5,653,617 during fiscal year 2016. The City recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$15,467,000; and used approximately \$8,801,000 of reserves to fund the fiscal year 2016 budget.

The fund balance of the Clark Avenue school construction fund (capital projects) increased \$350,317 during the current fiscal year. The fund recognized \$10,300,835 of intergovernmental revenues, \$7,000,000 of bond and note proceeds and transfers in of \$2,302,500. Expenditures totaled \$19,253,018.

**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 \$19,074,859. The water and sewer enterprise fund had an increase in net position for the year of \$3,238,934. 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 \$150,283,235 was increased by \$2,864,694 (1.9%) during the fiscal year. The following table summarizes the increase:

<u>Purpose of Increase/Decrease</u>	<u>Amount</u>	<u>Funding Source</u>
Transfers - various.....	849,227	Unassigned fund balance
Fire department.....	746,500	Unassigned fund balance
Streets and sidewalks.....	622,062	Unassigned fund balance
Health department.....	251,460	Unassigned fund balance
Structure and grounds.....	127,875	Unassigned fund balance
School department.....	71,300	Unassigned fund balance
Police department.....	152,526	Unassigned fund balance
Snow and ice removal.....	24,529	Unassigned fund balance
Inspectional services.....	30,000	Unassigned fund balance
DPW administration.....	24,850	Unassigned fund balance
Assessor's office.....	17,300	Unassigned fund balance
Law department.....	12,460	Unassigned fund balance
Personnel department.....	11,000	Unassigned fund balance
City manager.....	29,194	Unassigned fund balance
MIS department.....	11,500	Unassigned fund balance
Treasurer/collector's office.....	5,421	Unassigned fund balance
Library.....	4,745	Unassigned fund balance
Payroll taxes.....	38,500	Unassigned fund balance
Emergency management.....	31,600	Unassigned fund balance
Unemployment compensation.....	30,860	Unassigned fund balance
Claims and judgments.....	26,736	Unassigned fund balance
Recreation.....	3,306	Unassigned fund balance
Traffic and parking.....	1,750	Unassigned fund balance
Procurement.....	2,163	Unassigned fund balance
Veteran's services.....	1,195	Unassigned fund balance
Solid waste/recycling.....	854	Unassigned fund balance
Salary reserve.....	(264,219)	Unassigned fund balance
Total net increase.....	\$ 2,864,694	

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 \$12,989,000. Actual revenues for motor vehicle and other excise taxes were approximately \$5,214,000 higher than budgeted due to conservative revenue estimates and increased taxes from rental car companies. Actual expenditures for public safety, general government and public works were lower than budgeted amounts by approximately \$900,000, \$821,000 and \$611,000, respectively. This is primarily the result of conservative spending.

Capital Asset and Debt AdministrationCapital assets

The City's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$187,437,670 (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 15.0%.

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

- Clark Avenue Middle School construction in progress (\$21,459,000)
- Continued reconstruction of roadways, sidewalks and drains (\$6,191,000)
- Continued improvements to water and sewer infrastructure (\$2,141,000)

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>	
	2016	2015	2016	2015	2016	2015
Land.....	\$ 17,878,663	\$ 17,878,663	\$ -	\$ -	\$ 17,878,663	\$ 17,878,663
Construction in progress.....	25,578,073	4,118,860	-	-	25,578,073	4,118,860
Buildings and improvements.....	85,600,864	88,760,018	-	-	85,600,864	88,760,018
Machinery and equipment.....	2,745,593	3,018,426	-	-	2,745,593	3,018,426
Infrastructure.....	26,498,194	21,317,776	29,136,283	27,929,272	55,634,477	49,247,048
Total capital assets.....	<u>\$ 158,301,387</u>	<u>\$ 135,093,743</u>	<u>\$ 29,136,283</u>	<u>\$ 27,929,272</u>	<u>\$ 187,437,670</u>	<u>\$ 163,023,015</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 \$32,140,777, 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>	
	2016	2015	2016	2015	2016	2015
General obligation bonds.....	\$ 19,747,224	\$ 15,547,047	\$ 7,487,814	\$ 7,769,253	\$ 27,235,038	\$ 23,316,300
State House notes.....	-	-	-	-	-	-
Private loans.....	-	-	-	-	-	-
MWPAT notes.....	-	-	192,609	203,510	192,609	203,510
MWRA notes.....	-	-	4,713,130	4,363,395	4,713,130	4,363,395
Total bonds, notes and loans.....	<u>\$ 19,747,224</u>	<u>\$ 15,547,047</u>	<u>\$ 12,393,553</u>	<u>\$ 12,336,158</u>	<u>\$ 32,140,777</u>	<u>\$ 27,883,205</u>

The City's total debt increased \$4,257,572 (or 15.27%) during the fiscal year. The City issued \$8,620,037 of general obligation bonds and \$1,054,750 in MWRA notes during the fiscal year.

The City received an AA bond rating from Standard & Poor's for the general obligation bonds issued on March 8, 2016.

Additional information on the City's long-term debt can be found in 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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents.....	\$ 42,595,561	\$ 11,782,505	\$ 54,378,066
Restricted Cash and Cash Equivalents.....	29,462,776	6,528,155	35,990,931
Investments.....	10,579,135	-	10,579,135
Restricted Investments.....	2,048,098	-	2,048,098
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes.....	509,343	-	509,343
Tax, Trash and Utility Liens.....	615,267	244,200	859,467
Motor Vehicle and Other Excise Taxes.....	424,723	-	424,723
User Charges.....	-	3,863,444	3,863,444
Trash.....	255,820	-	255,820
Department and Other.....	1,618,317	-	1,618,317
Loans.....	36,205	-	36,205
Total Current Assets.....	88,145,245	22,418,304	110,563,549
Noncurrent Assets:			
Restricted Investments.....	970,408	-	970,408
Receivables, Net of Allowance for Uncollectible Amounts			
Loans.....	265,189	-	265,189
Tax Foreclosures.....	200,788	-	200,788
Capital Assets not being Depreciated.....	43,456,736	-	43,456,736
Capital Assets, Net of Accumulated Depreciation.....	114,844,651	29,136,283	143,980,934
Total Noncurrent Assets.....	159,737,772	29,136,283	188,874,055
Total Assets.....	247,883,017	51,554,587	299,437,604
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to Pension.....	14,341,126	99,587	14,440,713
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable.....	9,002,573	104,409	9,106,982
Accrued Payroll.....	888,390	2,782	891,172
Tax Refunds Payable.....	1,694,309	-	1,694,309
Other Liabilities.....	582,820	-	582,820
Abandoned Property.....	161,968	-	161,968
Customer Deposits.....	-	21,146	21,146
Accrued Interest.....	306,233	65,587	371,820
Workers' Compensation Claims.....	100,962	-	100,962
Compensated Absences.....	1,063,000	-	1,063,000
Long-Term Bonds and Notes Payable.....	2,480,222	2,407,781	4,888,003
Total Current Liabilities.....	16,280,477	2,601,705	18,882,182
Noncurrent Liabilities:			
Workers' Compensation Claims.....	128,635	-	128,635
Compensated Absences.....	5,748,000	-	5,748,000
Net Pension Liability.....	75,940,024	507,530	76,447,554
Net OPEB Obligation.....	133,173,249	1,455,318	134,628,567
Long-Term Bonds and Notes Payable.....	17,267,002	9,985,772	27,252,774
Total Noncurrent Liabilities.....	232,256,910	11,948,620	244,205,530
Total Liabilities.....	248,537,387	14,550,325	263,087,712
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Pension.....	4,102,011	28,501	4,130,512
<b>NET POSITION</b>			
Net Investment in Capital Assets.....	146,694,947	18,000,489	164,695,436
Restricted for:			
OPEB.....	970,408	-	970,408
Loans.....	301,394	-	301,394
Permanent Funds:			
Expendable.....	106,165	-	106,165
Nonexpendable.....	22,392	-	22,392
Community Development and Redevelopment.....	4,326,167	-	4,326,167
Receipts Reserved.....	3,384,510	-	3,384,510
Gifts and Grants.....	4,756,982	-	4,756,982
School Lunch and Other School Revolving.....	3,551,527	-	3,551,527
Capital.....	9,517,026	-	9,517,026
Unrestricted.....	(164,046,773)	19,074,859	(144,971,914)
Total Net Position.....	\$ 9,584,745	\$ 37,075,348	\$ 46,660,093

See accompanying Notes to Basic Financial Statements.

# STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/ Revenue	
Primary Government:						
Governmental Activities:						
General Government.....	\$ 6,504,975	\$ 1,286,669	\$ 427,633	\$ -	\$ (4,790,673)	
Public Safety.....	42,312,639	6,694,814	1,721,409	82,166	(33,814,250)	
Education.....	124,549,859	747,843	93,522,060	10,300,835	(19,979,121)	
Public Works.....	6,649,021	1,550,192	95,183	1,356,949	(3,646,697)	
Health and Human Services.....	4,736,315	60,034	715,743	-	(3,960,538)	
Culture and Recreation.....	924,397	24,958	75,297	-	(824,142)	
Community Development.....	3,557,852	404,469	4,609,785	-	1,456,402	
Debt Service-Interest.....	743,493	-	134,052	-	(609,441)	
Total Governmental Activities.....	189,978,551	10,768,979	101,301,162	11,739,950	(66,168,460)	
Business-Type Activities:						
Water and Sewer.....	15,028,890	18,658,888	-	1,130,530	4,760,528	
Total Primary Government.....	\$ 205,007,441	\$ 29,427,867	\$ 101,301,162	\$ 12,870,480	\$ (61,407,932)	

See accompanying Notes to Basic Financial Statements.

(continued)

**STATEMENT OF ACTIVITIES (Continued)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>CHANGES IN NET POSITION</b>			
Net (Expense) Revenue (From Previous Page).....	\$ (66,168,460)	\$ 4,760,528	\$ (61,407,932)
General Revenues:			
Real Estate and Personal Property Taxes.....	48,999,853	-	48,999,853
Motor Vehicle and Other Excise Taxes.....	13,037,097	-	13,037,097
Meals and Room Taxes.....	1,668,783	-	1,668,783
Penalties and Interest on Taxes.....	444,350	-	444,350
Payments in Lieu of Taxes.....	2,084,999	-	2,084,999
Grants and Contributions not Restricted to.....			
Specific Programs.....	8,071,764	-	8,071,764
Unrestricted Investment Income.....	1,090,810	-	1,090,810
Transfers, Net.....	1,521,594	(1,521,594)	-
Total General Revenues and Transfers.....	76,919,250	(1,521,594)	75,397,656
<b>CHANGE IN NET POSITION.....</b>	10,750,790	3,238,934	13,989,724
Net Position - Beginning of Year.....	(1,166,045)	33,836,414	32,670,369
<b>NET POSITION - END OF YEAR.....</b>	<u>\$ 9,584,745</u>	<u>\$ 37,075,348</u>	<u>\$ 46,660,093</u>

(concluded)

See accompanying Notes to Basic Financial Statements.



**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2016

ASSETS	General	Clark Avenue School Construction	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents.....	\$ 42,595,561	\$ -	\$ -	\$ 42,595,561
Investments.....	10,496,596	-	82,539	10,579,135
Restricted cash and cash equivalents.....	-	7,069,163	21,887,238	28,956,401
Restricted investments.....	970,408	-	2,048,098	3,018,506
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes.....	509,343	-	-	509,343
Tax and Trash Liens.....	615,267	-	-	615,267
Motor Vehicle and Other Excise taxes.....	424,723	-	-	424,723
Trash .....	255,820	-	-	255,820
Departmental and Other.....	1,266,089	-	352,228	1,618,317
Loans.....	-	-	301,394	301,394
Due from Other Funds.....	599,933	-	-	599,933
Tax Foreclosures.....	200,788	-	-	200,788
Total Assets.....	<u>\$ 57,934,528</u>	<u>\$ 7,069,163</u>	<u>\$ 24,671,497</u>	<u>\$ 89,675,188</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Warrants Payable.....	\$ 3,455,637	\$ 3,877,824	\$ 1,669,112	\$ 9,002,573
Accrued Payroll.....	763,596	-	121,598	885,194
Tax Refunds Payable.....	1,694,309	-	-	1,694,309
Other Liabilities.....	582,820	-	-	582,820
Abandoned Property.....	158,993	-	-	158,993
Due to Other Funds.....	-	-	599,933	599,933
Total Liabilities.....	<u>6,655,355</u>	<u>3,877,824</u>	<u>2,390,643</u>	<u>12,923,822</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue.....	<u>3,041,209</u>	<u>-</u>	<u>-</u>	<u>3,041,209</u>
<b>FUND BALANCES</b>				
Nonspendable.....	-	-	323,786	323,786
Restricted.....	970,408	3,191,339	22,451,039	26,612,786
Committed.....	1,578,204	-	-	1,578,204
Assigned.....	2,477,123	-	-	2,477,123
Unassigned.....	43,212,229	-	(493,971)	42,718,258
Total Fund Balances.....	<u>48,237,964</u>	<u>3,191,339</u>	<u>22,280,854</u>	<u>73,710,157</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances.....	<u>\$ 57,934,528</u>	<u>\$ 7,069,163</u>	<u>\$ 24,671,497</u>	<u>\$ 89,675,188</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, 2016

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Total Governmental Fund Balances.....	\$ 73,710,157
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....	158,301,387
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.....	3,041,209
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.....	(306,233)
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.....	(19,747,224)
Compensated Absences.....	(6,811,000)
Net OPEB Obligation.....	(133,173,249)
Net Pension Liability.....	(75,940,024)
In the statement of net position, deferred outflows of resources are reported for amounts related to pension.....	14,341,126
In the statement of net position, deferred inflows of resources are reported for amounts related to pension.....	(4,102,011)
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.....	270,607
Net Position of Governmental Activities.....	\$ <u>9,584,745</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, 2016**

	General	Clark Avenue School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real Estate and Personal Property Taxes.....	\$ 48,082,876	\$ -	\$ -	\$ 48,082,876
Motor Vehicle and Other Excise Taxes.....	13,009,026	-	-	13,009,026
Meals and room taxes.....	1,668,783	-	-	1,668,783
Tax and Trash Liens.....	1,692,025	-	-	1,692,025
Payments in Lieu of Taxes.....	2,084,999	-	-	2,084,999
Charges for Services.....	-	-	3,452,170	3,452,170
Trash Disposal.....	1,564,905	-	-	1,564,905
Intergovernmental.....	81,723,562	10,300,835	18,357,602	110,381,999
Penalties and Interest on Taxes.....	444,350	-	-	444,350
Licenses and Permits.....	1,473,811	-	-	1,473,811
Fines and Forfeitures.....	2,400,469	-	-	2,400,469
Departmental and Other.....	1,028,653	-	584,102	1,612,755
Contributions.....	-	-	942,042	942,042
Investment Income.....	1,054,103	-	212,464	1,266,567
Total Revenues.....	156,227,562	10,300,835	23,548,380	190,076,777
<b>EXPENDITURES</b>				
Current:				
General Government.....	3,668,317	-	337,983	4,006,300
Public Safety.....	22,723,968	-	4,637,005	27,360,973
Education.....	83,428,362	19,253,018	11,727,660	114,409,040
Public Works.....	5,411,415	-	2,326,115	7,737,530
Health and Human Services.....	1,415,339	-	432,885	1,848,224
Culture and Recreation.....	413,391	-	99,336	512,727
Community Development.....	-	-	6,623,908	6,623,908
Pension Benefits.....	6,764,363	-	-	6,764,363
Employee Benefits.....	7,803,805	-	-	7,803,805
Property and Liability Insurance.....	695,638	-	-	695,638
Claims and Judgments.....	54,736	-	-	54,736
State and County Charges.....	11,647,770	-	-	11,647,770
Debt Service:				
Principal.....	2,486,860	-	500,000	2,986,860
Interest.....	685,400	-	-	685,400
Total Expenditures.....	147,199,364	19,253,018	26,684,892	193,137,274
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>9,028,198</b>	<b>(8,952,183)</b>	<b>(3,136,512)</b>	<b>(3,060,497)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Bonds and Notes.....	-	7,000,000	187,037	7,187,037
Premium from Issuance of Bonds and Notes.....	134,052	-	-	134,052
Transfers In.....	2,116,594	2,302,500	3,630,227	8,049,321
Transfer Out.....	(5,625,227)	-	(902,500)	(6,527,727)
Total Other Financing Sources (Uses).....	(3,374,581)	9,302,500	2,914,764	8,842,683
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>5,653,617</b>	<b>350,317</b>	<b>(221,748)</b>	<b>5,782,186</b>
Fund Balances - Beginning of Year.....	42,584,347	2,841,022	22,502,602	67,927,971
<b>FUND BALANCES - END OF YEAR.....</b>	<b>\$ 48,237,964</b>	<b>\$ 3,191,339</b>	<b>\$ 22,280,854</b>	<b>\$ 73,710,157</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, 2016

Net Change in Fund Balances - Total Governmental Funds.....	\$ 5,782,186
<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.....	28,909,463
Depreciation.....	(5,698,036)
<p>In the statement of activities, the loss on the disposals of capital assets is reported, whereas in the governmental funds the disposals are not reported as financial resources. As a result, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed.....</p>	
	(3,783)
<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>	
	(443,202)
<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.....	(7,187,037)
Bond Maturities.....	2,986,860
<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>	
	(58,094)
<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.....	(92,000)
Net OPEB Obligation.....	(13,524,116)
Net Pension Liability.....	(9,854,353)
<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>	
	14,162,610
<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>	
	(4,102,011)
<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>	
	(127,697)
Changes in Net Position of Governmental Activities.....	<u>\$ 10,750,790</u>

See accompanying Notes to Basic Financial Statements.

**PROPRIETARY FUNDS**  
STATEMENT OF FUND NET POSITION

JUNE 30, 2016

	Business-Type Activities - Water & Sewer Enterprise	Governmental Activities - Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents.....	\$ 11,782,505	\$ -
Restricted Cash and Cash Equivalents.....	6,528,155	506,375
Receivables, Net of Allowance for Uncollectible Amounts:		
User Charges.....	3,863,444	-
Utility Liens.....	244,200	-
Total Current Assets.....	22,418,304	506,375
Long-term Assets:		
Capital Assets, Net of Accumulated Depreciation.....	29,136,283	-
Total Assets.....	51,554,587	506,375
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pension.....	99,587	-
<b>LIABILITIES</b>		
Current Liabilities:		
Warrants Payable.....	104,409	-
Accrued Payroll.....	2,782	3,196
Other Liabilities.....	-	2,975
Customer Deposits.....	21,146	-
Accrued Interest.....	65,587	-
Workers' Compensation Claims.....	-	100,962
Long-Term Bonds and Notes Payable.....	2,407,781	-
Total Current Liabilities.....	2,601,705	107,133
Long-term Liabilities:		
Workers' Compensation Claims.....	-	128,635
Net Pension Liability.....	507,530	-
Net OPEB Obligation.....	1,455,318	-
Long-Term Bonds and Notes Payable.....	9,985,772	-
Total Noncurrent Liabilities.....	11,948,620	128,635
Total Liabilities.....	14,550,325	235,768
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pension.....	28,501	-
<b>FUND NET POSITION</b>		
Net Investment in Capital Assets.....	18,000,489	-
Unrestricted.....	19,074,859	270,607
Total Net Position.....	\$ 37,075,348	\$ 270,607

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, 2016**

	Business-Type Activities - Water & Sewer Enterprise	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>		
Charges for Services.....	\$ 18,658,888	\$ -
Employer Contributions.....	-	2,791
Total Operating Revenues.....	<u>18,658,888</u>	<u>2,791</u>
<b>OPERATING EXPENSES</b>		
Cost of Service and Administration.....	2,280,176	-
MWRA Assessment.....	11,590,427	-
Repairs and Maintenance.....	10,000	-
Depreciation.....	933,830	-
Employee Benefits.....	-	130,609
Total Operating Expenses.....	<u>14,814,433</u>	<u>130,609</u>
<b>OPERATING INCOME (LOSS).....</b>	<u>3,844,455</u>	<u>(127,818)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income.....	-	121
Interest Expense.....	(214,457)	-
Total Nonoperating Revenues (Expenses), Net.....	<u>(214,457)</u>	<u>121</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....</b>	<u>3,629,998</u>	<u>(127,697)</u>
Capital Contributions.....	1,130,530	-
Transfers In.....	320,000	-
Transfers Out.....	(1,841,594)	-
Total Capital Contributions and Transfers	<u>(391,064)</u>	<u>-</u>
<b>CHANGE IN FUND NET POSITION.....</b>	<u>3,238,934</u>	<u>(127,697)</u>
Fund Net Position - Beginning of Year.....	<u>33,836,414</u>	<u>398,304</u>
<b>FUND NET POSITION - END OF YEAR.....</b>	<u><u>\$ 37,075,348</u></u>	<u><u>\$ 270,607</u></u>

See accompanying Notes to Basic Financial Statements.

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Water & Sewer Enterprise	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users.....	\$ 18,774,988	\$ -
Receipts from Interfund Services Provided.....	-	2,791
Payments to Vendors.....	(13,901,455)	-
Payments to Employees.....	(271,641)	(171,924)
Net Cash Provided by Operating Activities.....	4,601,892	(169,133)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers In.....	320,000	-
Transfers Out.....	(1,841,594)	-
Net Cash Provided by Noncapital Financing Activities.....	(1,521,594)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from the Issuance of Bonds and Notes.....	2,487,750	-
Capital Contributions.....	1,130,530	-
Acquisition and Construction of Capital Assets.....	(2,140,841)	-
Principal Payments on Bonds and Notes.....	(2,430,355)	-
Interest Expense.....	(221,868)	-
Net Cash Used by Capital and Related Financing Activities.....	(1,174,784)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income.....	-	121
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>1,905,514</b>	<b>(169,012)</b>
Cash and Cash Equivalents - Beginning of Year (Includes \$5,019,708 and \$675,387 Reported as Restricted in the Water/Sewer Enterprise and Internal Service Fund, Respectively).....	16,405,146	675,387
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (Includes \$6,528,155 and \$506,375 Reported as Restricted in the Water/Sewer Enterprise and Internal Service Fund, Respectively).....	<b>\$ 18,310,660</b>	<b>\$ 506,375</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss).....	\$ 3,844,455	\$ (127,818)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities not Requiring Current Cash Flows:		
Depreciation.....	933,830	-
Effect of Changes in Operating Assets and Liabilities:		
Utility Liens.....	10,522	-
User Charges.....	105,578	-
Warrants Payable.....	(514,454)	-
Accrued Payroll.....	(10,492)	(14)
Other Liabilities.....	-	627
Workers' Compensation Claims.....	-	(41,928)
Deferred Outflows of Resources Related to Pension.....	(98,401)	-
Deferred Inflows of Resources Related to Pension.....	28,501	-
Net Pension Liability.....	68,467	-
Net OPEB Obligation.....	233,886	-
Total Adjustments.....	757,437	(41,315)
Net Cash Provided by Operating Activities.....	\$ 4,601,892	\$ (169,133)

See accompanying Notes to Basic Financial Statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Pension Trust Fund (As of 12/31/15)	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and Cash Equivalents.....	\$ 218,453	\$ 521,175	\$ 886,986
Investments:			
External Investment Pool.....	126,059,165	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Intergovernmental.....	21,046	-	-
Total Assets.....	<u>126,298,664</u>	<u>521,175</u>	<u>\$ 886,986</u>
<b>LIABILITIES</b>			
Warrants Payable.....	198	-	3,598
Liabilities Due Depositors.....	<u>-</u>	<u>-</u>	<u>883,388</u>
Total Liabilities.....	<u>198</u>	<u>-</u>	<u>\$ 886,986</u>
<b>NET POSITION</b>			
Held in Trust for Pension Benefits and Other Purposes.....	<u>\$ 126,298,466</u>	<u>\$ 521,175</u>	

See accompanying Notes to Basic Financial Statements.



**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Pension Trust Fund (As of 12/31/15)	Private Purpose Trust Funds
<b>ADDITIONS</b>		
Contributions:		
Employer.....	\$ 10,664,321	\$ -
Plan Members.....	2,871,000	-
Private Donations.....	-	32,907
Total Contributions.....	13,535,321	32,907
Net Investment Income:		
Net Appreciation in Fair Value of Investments.....	(1,999,726)	-
Interest.....	3,259,502	1,260
Total Investment Income.....	1,259,776	1,260
Less: Investment Expense.....	(642,776)	-
<b>NET INVESTMENT INCOME.....</b>	<b>617,000</b>	<b>1,260</b>
Other.....	1,157,732	-
Total Additions.....	15,310,053	34,167
<b>DEDUCTIONS</b>		
Administration.....	249,330	-
Retirement Benefits and Refunds.....	10,229,000	-
Transfers to Other Systems.....	1,142,410	-
Scholarships Awarded.....	-	48,105
Total Deductions.....	11,620,740	48,105
<b>CHANGE IN NET POSITION.....</b>	<b>3,689,313</b>	<b>(13,938)</b>
Net Position - Beginning of Year.....	122,609,153	535,113
<b>NET POSITION - END OF YEAR.....</b>	<b>\$ 126,298,466</b>	<b>\$ 521,175</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 2016 Assessment
Northeast Metropolitan Regional Vocational School District	To provide vocational education services	100 Hemlock Road Wakefield, MA 01880	\$ 852,130

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, 2016, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 72, *Fair Value Measurement and Application*
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 67, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*

The implementation of GASB Statement No. 72 required certain disclosures to be made about fair value measurements, the level of fair value hierarchy, and the valuation techniques related to the City's investments.

The implementation of GASB Statement No.'s 73, 76 and 79 had no reporting impact for the City.

### D. Government-Wide and Fund Financial Statements

#### Government-Wide Financial Statements

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

#### Fund Financial Statements

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

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

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

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

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

Program revenues include the following:

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

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

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

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

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

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

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

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

The following major proprietary fund is reported:

The *water/sewer enterprise fund* is used to account for the City's water and sewer activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to retirees' 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 are recorded at the estimated fair market value at the date of donation. Construction period interest is not capitalized on constructed capital assets.

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

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

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

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

Governmental Fund Financial Statements

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

**L. Interfund Receivables and Payables**

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



Government-Wide Financial Statements

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

Fund Financial Statements

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

***M. Interfund Transfers***

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

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Transfers between the governmental activities and business-type activities are reported in the statement of activities as “Transfers, net”.

Fund Financial Statements

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

***N. Deferred Outflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

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

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

***O. Deferred Inflows of Resources***

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

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

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

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

#### ***P. Net Position and Fund Balances***

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

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

Net position has been “restricted” for the following:

“OPEB” represents amounts restricted for other postemployment benefits.

“Loans” represents amounts restricted for outstanding Department of Planning and Development loans.

“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 2016 approved budget for the general fund authorized \$150,283,235 in appropriations and other amounts to be raised. During fiscal year 2016, supplemental appropriations totaling \$2,864,694 were authorized.

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

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

#### ***B. Excess of Expenditures over Appropriations***

For the fiscal year ended June 30, 2016, expenditures exceeded appropriations by \$3,000 for claims and judgments. This amount will be funded by taxes in fiscal year 2017.

#### ***C. Fund Deficit***

At June 30, 2016, a fund deficit existed in the school federal grants (special revenue) fund in the amount of \$493,971. This amount will be funded in future fiscal years 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, 2016, \$26,813,757 of the City's bank balance of \$53,376,725 was uninsured and uncollateralized and exposed to custodial credit risk.

Investments Summary

The City's investments at June 30, 2016 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.....	\$ 4,022,680	\$ -	\$ 4,022,680
U.S. Treasuries.....	2,478,820	-	2,478,820
Corporate bonds.....	2,322,301	606,857	1,715,444
Money market mutual funds.....	1,152,530	1,152,530	-
Certificates of deposit.....	11,328,286	8,215,434	3,112,852
Mutual bond funds.....	1,242,037	1,242,037	-
External investment pools.....	29,006,969	29,006,969	-
Total debt securities.....	51,553,623	\$ 40,223,827	\$ 11,329,796
<u>Other Investments:</u>			
Equity securities.....	2,914,453		
Equity mutual funds.....	624,127		
Total other investments.....	3,538,580		
Total investments.....	\$ 55,092,203		

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, 2016, 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, 2016, the credit quality ratings of the City's debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *			
		AA+	A	BBB+	Unrated
U.S. Agencies.....	\$ 4,022,680	\$ 4,022,680	\$ -	\$ -	\$ -
Corporate bonds.....	2,322,301	456,331	407,893	1,458,077	-
Money market mutual funds.....	1,152,530	-	-	-	1,152,530
Certificates of deposit.....	11,328,286	-	-	-	11,328,286
Mutual bond funds.....	1,242,037	-	-	-	1,242,037
External investment pools.....	29,006,969	-	-	-	29,006,969
Total.....	\$ 49,074,803	\$ 4,479,011	\$ 407,893	\$ 1,458,077	\$ 42,729,822

\* 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, 2016, 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.....	\$ 2,478,820	\$ 2,478,820	\$ -	\$ -
U.S. Agencies.....	4,022,680	4,022,680	-	-
Corporate bonds.....	2,322,301	2,322,301	-	-
Mutual bond funds.....	1,242,037	1,242,037	-	-
Total Debt Securities.....	10,065,838	10,065,838	-	-
<u>Equity Securities:</u>				
Equity securities.....	2,914,453	2,914,453	-	-
Equity mutual funds.....	624,127	624,127	-	-
Total Equity Securities	3,538,580	3,538,580	-	-
Total Investments by Fair Value Level .....	\$ 13,604,418	\$ 13,604,418	\$ -	\$ -
Total Investments measured at Fair Value .....	\$ 13,604,418			

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, 2015, the System's bank balance of \$427,921 was not exposed to custodial credit risk.

#### Investments Summary

The System's investments of \$126,059,165 at December 31, 2015 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, 2015, 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, 2015, the System's investment in PRIT was unrated by a national credit rating organization.



**NOTE 4 - ACCOUNTS RECEIVABLE**

At June 30, 2016, 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.....	\$ 678,845	\$ (169,502)	\$ 509,343
Tax and trash liens.....	615,267	-	615,267
Motor vehicle and other excise taxes.....	1,433,823	(1,009,100)	424,723
Trash.....	255,820	-	255,820
Departmental and other.....	3,782,057	(2,163,740)	1,618,317
Loans.....	301,394	-	301,394
Employer contributions.....	21,046	-	21,046
	<u>\$ 7,088,252</u>	<u>\$ (3,342,342)</u>	<u>\$ 3,745,910</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 3,863,444	\$ -	\$ 3,863,444
Utility liens.....	244,200	-	244,200
	<u>\$ 4,107,644</u>	<u>\$ -</u>	<u>\$ 4,107,644</u>

**NOTE 5 - CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 17,878,663	\$ -	\$ -	\$ 17,878,663
Construction in progress.....	4,118,860	21,459,213	-	25,578,073
Total capital assets not being depreciated.....	21,997,523	21,459,213	-	43,456,736
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	157,237,489	938,024	-	158,175,513
Machinery and equipment.....	15,594,860	321,647	(264,156)	15,652,351
Infrastructure.....	29,030,455	6,190,579	-	35,221,034
Total capital assets being depreciated.....	201,862,804	7,450,250	(264,156)	209,048,898
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(68,477,471)	(4,097,178)	-	(72,574,649)
Machinery and equipment.....	(12,576,434)	(590,697)	260,373	(12,906,758)
Infrastructure.....	(7,712,679)	(1,010,161)	-	(8,722,840)
Total accumulated depreciation.....	(88,766,584)	(5,698,036)	260,373	(94,204,247)
Total capital assets being depreciated, net.....	113,096,220	1,752,214	(3,783)	114,844,651
Total governmental activities capital assets, net.....	\$ 135,093,743	\$ 23,211,427	\$ (3,783)	\$ 158,301,387
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ -	\$ -	\$ -	\$ -
<u>Capital assets being depreciated:</u>				
Infrastructure.....	39,669,652	2,140,841	-	41,810,493
<u>Less accumulated depreciation for:</u>				
Infrastructure.....	(11,740,380)	(933,830)	-	(12,674,210)
Total capital assets being depreciated, net.....	27,929,272	1,207,011	-	29,136,283
Total business-type activities capital assets, net.....	\$ 27,929,272	\$ 1,207,011	\$ -	\$ 29,136,283

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

**Governmental Activities:**

General government.....	\$	70,094
Public safety.....		504,046
Education.....		3,574,752
Public works.....		878,440
Health and human services.....		7,766
Culture and recreation.....		146,799
Community development.....		516,139
		<u>5,698,036</u>

Total depreciation expense - governmental activities.....	\$	<u>5,698,036</u>
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**Business-Type Activities:**

Water and sewer.....	\$	<u>933,830</u>
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**NOTE 6 - NET INVESTMENT IN CAPITAL ASSETS**

Net investment in capital assets at June 30, 2016 is summarized as follows:

*Governmental Activities*

Capital assets.....	\$	252,505,634
Less accumulated depreciation.....		(94,204,247)
Less outstanding bonds, notes and loans payable.....		(19,747,224)
Add unspent proceeds of capital related debt.....		<u>8,140,784</u>
Net investment in capital assets.....	\$	<u>146,694,947</u>

*Business-Type Activities*

Capital assets.....	\$	41,810,493
Less accumulated depreciation.....		(12,674,210)
Less outstanding bonds and notes payable.....		(12,393,553)
Add unspent proceeds of capital related debt.....		<u>1,257,759</u>
Net investment in capital assets.....	\$	<u>18,000,489</u>

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

Receivables and payables between funds at June 30, 2016, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund.....	Nonmajor governmental funds (School federal grants).....	\$ 399,315 (1)
General Fund.....	Nonmajor governmental funds (City revolving).....	<u>200,618 (2)</u>
		<u>\$ 599,933</u>

(1) Represents advance-funding of various school federal grants

(2) Represents advance-funding of various revolving fund programs

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

<u>Transfers Out:</u>	<u>Transfers In:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Clarke Avenue School Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Water/Sewer Enterprise Fund</u>	
General Fund.....	\$ -	\$ 1,675,000	\$ 3,630,227	\$ 320,000	\$ 5,625,227 (1)
Nonmajor Governmental Funds.....	275,000	627,500	-	-	902,500 (2)
Water/Sewer Enterprise Fund.....	<u>1,841,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,841,594 (3)</u>
	<u>\$ 2,116,594</u>	<u>\$ 2,302,500</u>	<u>\$ 3,630,227</u>	<u>\$ 320,000</u>	<u>\$ 8,369,321</u>

(1) Represents budgeted transfers to the new Clark Avenue school construction capital project fund (\$1,675,000), various capital project funds (\$2,269,000), school building capital stabilization fund (\$956,000), various special revenue funds (\$405,227) and the water/sewer enterprise fund (\$320,000).

(2) Represents budgeted transfers to the general fund from the parking meters special revenue fund (\$275,000). Also represents transfers to the new Clark Avenue school construction capital project fund (\$627,500).

(3) Represents transfer of indirect costs

**NOTE 8 - SHORT-TERM FINANCING**

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

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

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

The City has no short-term debt outstanding at June 30, 2016, 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, 2016:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion
<b>Governmental Activities:</b>					
Bonds, notes and loans payable.....	\$ 15,547,047	\$ 7,187,037	\$ (2,986,860)	\$ 19,747,224	\$ 2,480,222
Workers' compensation claims.....	271,525	130,623	(172,551)	229,597	100,962
Net pension liability.....	66,085,671	9,854,353	-	75,940,024	-
Net OPEB obligation.....	119,649,133	18,348,158	(4,824,042)	133,173,249	-
Compensated absences.....	6,719,000	92,000	-	6,811,000	1,063,000
Total.....	<u>\$ 208,272,376</u>	<u>\$ 35,612,171</u>	<u>\$ (7,983,453)</u>	<u>\$ 235,901,094</u>	<u>\$ 3,644,184</u>
<b>Business-type Activities:</b>					
Bonds and notes payable.....	\$ 12,336,158	\$ 2,487,750	\$ (2,430,355)	\$ 12,393,553	\$ 2,407,781
Net pension liability.....	439,063	68,467	-	507,530	-
Net OPEB obligation.....	1,221,432	317,313	(83,427)	1,455,318	-
Total.....	<u>\$ 13,996,653</u>	<u>\$ 2,873,530</u>	<u>\$ (2,513,782)</u>	<u>\$ 14,356,401</u>	<u>\$ 2,407,781</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, \$229,597 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, 2016, \$1,920,000 of bonds outstanding from the advance refundings are considered defeased.

Details related to the outstanding indebtedness at June 30, 2016, 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, 2015	Additions	Reductions	Outstanding at June 30, 2016
Municipal purpose refunding.....	1,007,664	04/01/18	3.00 - 4.50%	\$ 212,672	\$ -	\$ (91,145)	\$ 121,527
Renovations.....	263,000	09/15/15	3.75 - 4.00%	26,300	-	(26,300)	-
Sidewalks.....	50,000	09/15/15	3.75 - 4.00%	5,000	-	(5,000)	-
Municipal purpose.....	653,000	09/15/16	3.50 - 4.00%	77,000	-	(38,500)	38,500
Municipal purpose.....	1,452,000	09/15/17	3.50 - 5.25%	123,900	-	(41,300)	82,600
Municipal purpose.....	3,940,352	01/15/19	3.50 - 5.00%	1,298,272	-	(330,086)	968,186
Municipal purpose refunding, series B.....	130,625	01/15/19	3.00 - 5.00%	50,000	-	(12,500)	37,500
Municipal purpose, series C.....	8,888,000	01/15/25	5.125 - 6.060%	5,910,000	-	(595,000)	5,315,000
Municipal purpose refunding, series C.....	4,280,000	03/01/19	3.00 - 5.00%	1,620,000	-	(410,000)	1,210,000
Municipal purpose, series A.....	1,625,950	01/15/20	3.00 - 4.00%	652,500	-	(134,500)	518,000
Urban renewal.....	1,580,000	09/01/24	3.00 - 4.00%	1,110,000	-	(115,000)	995,000
Municipal purpose.....	3,136,656	09/01/24	3.00 - 4.00%	1,757,250	-	(345,375)	1,411,875
Permanent state house loan notes.....	420,000	09/01/15	4.25%	80,000	-	(80,000)	-
Municipal purpose refunding.....	99,500	09/01/24	3.00 - 4.00%	58,000	-	(10,000)	48,000
Dump Trucks.....	136,000	03/01/17	2.00 - 2.25%	53,800	-	(27,400)	26,400
Rack Truck.....	68,000	03/01/17	2.00 - 2.25%	27,200	-	(13,600)	13,600
Senior Center Roof.....	15,000	03/01/23	2.00 - 3.00%	10,908	-	(1,364)	9,544
City Yard Roof.....	105,000	03/01/23	2.00 - 3.00%	76,362	-	(9,546)	66,816
Library Carpet.....	35,000	03/01/22	2.00 - 3.00%	24,500	-	(3,500)	21,000
City Hall Door.....	35,000	03/01/17	2.00-2.25%	14,000	-	(7,000)	7,000
Public Way/Outdoor Recreational Facility.....	590,300	05/15/23	2.00-2.25%	472,240	-	(59,030)	413,210
ESCO.....	761,328	05/15/28	2.00-2.75%	670,000	-	(45,000)	625,000
Everett Avenue.....	1,400,000	12/31/15	0.00%	500,000	-	(500,000)	-
Building refunding - school refunding.....	802,857	04/01/24	2.00-2.50%	717,143	-	(85,714)	631,429
Clark Avenue Middle School.....	7,000,000	03/01/46	2.00-3.75%	-	7,000,000	-	7,000,000
Washington Avenue Park.....	187,037	03/01/31	2.00-2.50%	-	187,037	-	187,037
Total.....				\$ 15,547,047	\$ 7,187,037	\$ (2,986,860)	\$ 19,747,224

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017.....	\$ 2,480,222	\$ 766,050	\$ 3,246,272
2018.....	2,325,314	661,505	2,986,819
2019.....	2,233,185	555,280	2,788,465
2020.....	1,509,813	472,328	1,982,141
2021.....	1,382,456	411,349	1,793,805
2022.....	1,095,581	355,294	1,450,875
2023.....	1,094,224	309,354	1,403,578
2024.....	1,021,429	185,002	1,206,431
2025.....	955,000	178,301	1,133,301
2026.....	260,000	173,201	433,201
2027.....	270,000	168,001	438,001
2028.....	275,000	160,800	435,800
2029.....	215,000	155,963	370,963
2030.....	220,000	150,588	370,588
2031.....	230,000	145,088	375,088
2032.....	225,000	139,338	364,338
2033.....	230,000	133,713	363,713
2034.....	235,000	127,388	362,388
2035.....	240,000	120,925	360,925
2036.....	250,000	113,725	363,725
2037.....	255,000	106,225	361,225
2038.....	265,000	97,938	362,938
2039.....	275,000	89,325	364,325
2040.....	285,000	79,700	364,700
2041.....	290,000	69,725	359,725
2042.....	305,000	59,575	364,575
2043.....	315,000	48,900	363,900
2044.....	325,000	37,875	362,875
2045.....	335,000	25,688	360,688
2046.....	350,000	13,125	363,125
Total.....	\$ <u>19,747,224</u>	\$ <u>6,111,265</u>	\$ <u>25,858,489</u>

**Bonds and Notes Payable – Enterprise Funds**

Project	Original Issue	Maturity Date	Interest Rate	Outstanding at June 30, 2015	Additions	Reductions	Outstanding at June 30, 2016
Water notes (MWRA).....	99,760	05/15/16	0.00%	\$ 9,976	\$ -	\$ (9,976)	\$ -
Water notes (MWRA).....	190,000	05/15/18	0.00%	57,000	-	(19,000)	38,000
Water and sewer refunding.....	1,977,337	04/01/18	3.00 - 4.50%	417,328	-	(178,855)	238,473
Water - meters.....	448,000	09/15/15	3.75 - 4.00%	44,800	-	(44,800)	-
Sewer - Crescent Street.....	956,000	09/15/15	3.75 - 4.00%	91,400	-	(91,400)	-
Water - Crescent Street.....	23,000	09/15/15	3.75 - 4.00%	2,300	-	(2,300)	-
Sewer - meters.....	752,000	09/15/15	3.75 - 4.00%	75,200	-	(75,200)	-
Water and sewer bonds.....	2,497,000	09/15/16	3.50 - 4.00%	503,000	-	(251,500)	251,500
Water and sewer bonds.....	1,452,000	09/05/17	3.50 - 5.25%	191,100	-	(68,700)	122,400
Water and sewer bonds.....	707,139	01/15/19	3.50 - 5.00%	141,728	-	(29,914)	111,814
Water notes (MWRA).....	1,160,074	11/15/18	0.00%	464,032	-	(116,007)	348,025
Municipal purpose refunding, series B.....	914,375	07/15/18	3.00%	350,000	-	(87,500)	262,500
Water notes (MWRA).....	100,000	05/15/20	0.00%	50,000	-	(10,000)	40,000
Water notes (MWRA).....	225,000	02/15/20	0.00%	112,500	-	(22,500)	90,000
Municipal purpose refunding, series A.....	555,000	01/15/20	3.00 - 4.00%	277,500	-	(55,500)	222,000
Sewer.....	2,061,252	09/01/20	3.00 - 4.00	1,242,750	-	(204,625)	1,038,125
Water notes (MWRA).....	1,205,365	05/15/21	0.00%	723,217	-	(120,537)	602,680
Refunded bonds.....	895,500	09/1/20	3.00 - 4.00%	522,000	-	(90,000)	432,000
Sewer notes (MWRA).....	399,850	05/15/16	0.00%	79,970	-	(79,970)	-
Water (MWPAI).....	245,000	07/15/30	2.00%	203,510	-	(10,901)	192,609
Broadway sewer.....	150,000	03/01/23	2.00 - 3.00%	99,728	-	(13,637)	86,091
Broadway water line.....	125,000	03/01/23	2.00 - 3.00%	85,408	-	(11,364)	74,044
Storm water management plan.....	50,000	03/01/17	2.00 - 2.25%	20,000	-	(10,000)	10,000
Everett avenue redirect.....	250,000	03/01/23	2.00 - 3.00%	173,094	-	(22,589)	150,505
Water (MWRA).....	468,390	05/13/22	0.00%	327,873	-	(46,839)	281,034
Water and sewer refunding bonds.....	575,000	03/01/22	2.00 - 3.00%	375,000	-	(60,000)	315,000
Water (MWRA).....	1,183,959	08/15/22	0.00%	947,167	-	(118,396)	828,771
Sewer.....	948,372	05/15/28	2.00-2.75%	792,760	-	(75,970)	716,790
Water notes (MWRA).....	350,000	08/15/23	0.00%	315,000	-	(35,000)	280,000
Sewer notes (MWRA).....	344,850	02/15/19	0.00%	275,880	-	(68,970)	206,910
Water notes (MWRA).....	391,200	02/15/24	0.00%	352,080	-	(39,120)	312,960
Water/Sewer general obligation bonds.....	2,000,000	04/01/24	2.00-2.50%	1,775,000	-	(225,000)	1,550,000
Sewer refunding.....	451,607	04/01/24	2.00-2.50%	403,393	-	(48,214)	355,179
Water refunding.....	150,536	04/01/24	2.00-2.50%	134,464	-	(16,071)	118,393
Water bond (MWRA).....	700,000	05/15/25	0.00%	700,000	-	(70,000)	630,000
Water bond (MWRA).....	725,000	05/15/26	0.00%	-	725,000	-	725,000
Sewer (MWRA).....	329,750	05/15/26	0.00%	-	329,750	-	329,750
Water/Sewer general obligation bonds.....	1,433,000	03/01/26	2.00%	-	1,433,000	-	1,433,000
Total.....				\$ 12,336,158	\$ 2,487,750	\$ (2,430,355)	\$ 12,393,553

The Massachusetts Water Resource Authority (MWRA) operates financial assistance programs for community owned collection systems. Financial assistance received from the MWRA consists of non-interest bearing loans (payable in five equal annual installments) and, in some instances, grants. During fiscal year 2016, \$2,044,000 was received from the program, of which \$1,054,750 were loans and \$989,250 was a grant. At June 30, 2016, the outstanding principal amount of MWRA loans totaled \$4,713,130.



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>
2017.....	\$ 2,407,781	\$ 200,131	\$ 2,607,912
2018.....	2,012,875	152,853	2,165,728
2019.....	1,836,238	116,656	1,952,894
2020.....	1,479,863	86,302	1,566,165
2021.....	1,389,954	60,567	1,450,521
2022.....	916,540	42,092	958,632
2023.....	871,307	30,414	901,721
2024.....	665,960	20,204	686,164
2025.....	353,526	10,771	364,297
2026.....	283,790	7,207	290,997
2027.....	68,584	3,638	72,222
2028.....	63,858	2,153	66,011
2029.....	14,138	724	14,862
2030.....	14,424	438	14,862
2031.....	14,715	147	14,862
Total.....	\$ <u>12,393,553</u>	\$ <u>734,297</u>	\$ <u>13,127,850</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, 2016, the City had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Clark Middle School.....	\$ 50,332,407
Pension obligation bonds.....	47,000,000
Capital Improvement Plans.....	7,847,984
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>110,660,978</u>

**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS**

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

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

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

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

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

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

	<u>Amount</u>
Annual required contribution.....	\$ 21,255,724
Interest on net OPEB obligation.....	4,230,471
Adjustment to annual required contribution.....	<u>(6,820,724)</u>
Annual OPEB cost.....	18,665,471
Contributions made.....	<u>(4,907,469)</u>
Increase in net OPEB obligation.....	13,758,002
Net OPEB obligation at beginning of year.....	<u>120,870,565</u>
Net OPEB obligation at end of year.....	<u><u>\$ 134,628,567</u></u>

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014.....	15,001,773	29.2%	109,600,123
June 30, 2015.....	15,949,749	29.3%	120,870,565
June 30, 2016.....	18,665,471	26.3%	134,628,567

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

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

**Governmental Activities:**

General government.....	\$ 1,127,394
Public safety.....	5,235,665
Education.....	10,792,375
Public works.....	587,962
Health and human services.....	276,249
Culture and recreation.....	153,057
Community development.....	<u>175,455</u>

Total AOPEBC - governmental activities.....	<u>18,348,158</u>
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**Business-Type Activities:**

Water/Sewer.....	<u>317,313</u>
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Total AOPEBC.....	<u><u>\$ 18,665,471</u></u>
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**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**

Prior to May 1, 2012, the City was self-insured for a portion of its retirees' health insurance activities, which were accounted for in the internal service fund. Since that date, the retirees' health insurance internal service fund has been accounting for the activities (i.e., run-off claims) related to when the City was self-insured. As of June 30, 2016, there are no material outstanding health insurance claims payable.

The City participates in premium-based health care plans for its active and retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

**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, 2016, totaled \$229,597. Changes in the reported liability since July 1, 2014, 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 2015.....	\$ 354,809	192,481	(275,765)	271,525
Fiscal year 2016.....	271,525	130,623	(172,551)	229,597

**NOTE 13 - FUND BALANCES**

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

	General	Clark Avenue School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Loans.....	\$ -	\$ -	\$ 301,394	\$ 301,394
Permanent fund principal.....	-	-	22,392	22,392
Sub-total - Nonspendable.....	-	-	323,786	323,786
<b>Restricted:</b>				
Other postemployment benefits (OPEB).....	970,408	-	-	970,408
School construction.....	-	3,191,339	-	3,191,339
Redevelopment.....	-	-	3,294,715	3,294,715
Other community development.....	-	-	1,031,452	1,031,452
City revolving.....	-	-	117,039	117,039
Receipts reserved.....	-	-	3,384,510	3,384,510
City gifts.....	-	-	1,163,637	1,163,637
City state grants.....	-	-	88,169	88,169
City federal grants.....	-	-	763,851	763,851
School lunch.....	-	-	2,028,563	2,028,563
School revolving.....	-	-	1,405,925	1,405,925
School gifts.....	-	-	855,837	855,837
State school grants.....	-	-	1,885,488	1,885,488
Urban I & II renewal.....	-	-	419,237	419,237
Other capital.....	-	-	4,915,269	4,915,269
School capital reserve.....	-	-	991,182	991,182
Permanent funds - health and human services.....	-	-	749	749
Permanent funds - culture and recreation.....	-	-	105,416	105,416
Sub-total - Restricted.....	970,408	3,191,339	22,451,039	26,612,786
<b>Committed:</b>				
Subsequent year's expenditures.....	1,328,768	-	-	1,328,768
Capital stabilization.....	78,586	-	-	78,586
Redevelopment stabilization.....	170,850	-	-	170,850
Sub-total - Committed.....	1,578,204	-	-	1,578,204
<b>Assigned:</b>				
Encumbrances - school.....	1,886,282	-	-	1,886,282
Encumbrances - other.....	590,841	-	-	590,841
Sub-total - Assigned.....	2,477,123	-	-	2,477,123
<b>Unassigned.....</b>	<b>43,212,229</b>	<b>-</b>	<b>(493,971)</b>	<b>42,718,258</b>
Total fund balances.....	\$ 48,237,964	\$ 3,191,339	\$ 22,280,854	\$ 73,710,157

**NOTE 14 - STABILIZATION FUNDS**

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

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

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

The balance of the general stabilization, operating stabilization, capital stabilization and redevelopment stabilization funds at June 30, 2016 total \$2,506,005, \$2,639,746, \$78,586 and \$170,850, respectively. The capital stabilization and redevelopment stabilization funds are reported in the general fund as committed fund balance. The general and operating stabilization funds are reported in the general fund as unassigned fund balance.

**NOTE 15 - PENSION PLAN**

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

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

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

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

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

For the year ended December 31, 2015, active member contributions totaled \$2,871,000 and employer contributions totaled \$10,664,321. Contributions to the System from the City were \$9,754,667 for the year ended June 30, 2016.

***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, 2015, were as follows:

Total pension liability.....	\$	209,875,000
Plan fiduciary net position.....		<u>(126,298,466)</u>
Net pension liability.....	\$	<u><u>83,576,534</u></u>
Plan fiduciary net position as a percentage of the total pension liability.....		60.18%

At June 30, 2016, the City reported a liability of \$76,447,554 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 that was updated to December 31, 2015. The City's proportion of the net pension liability is the proportionate share of employer contributions to the System as of December 31, 2015, actuarially determined. At December 31, 2015, the City's proportion was 91.47 percent.

For the year ended June 30, 2016, the City recognized pension expense of \$9,543,698. At June 30, 2016, the City reported deferred outflows of resources related to pensions of \$14,440,713 and deferred inflows of resources related to pensions of \$4,130,512.

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

Year Ended June 30:	Amount
2017.....	\$ 2,444,418
2018.....	2,444,418
2019.....	2,444,418
2020.....	2,400,970
2021.....	<u>575,976</u>
Total	\$ <u><u>10,310,201</u></u>



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

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

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

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

For the year ended December 31, 2015, the annual money-weighted rate of return on System investments, net of investment expense, was 1.02%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Global Equity.....	42.00	7.79
Fixed Income.....	23.00	5.44
Private Equity.....	10.00	9.50
Real Estate.....	10.00	6.50
Timber/Natural Resources.....	4.00	7.07
Hedge Funds.....	11.00	6.34

**Discount Rate** - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the System calculated using the discount rate of 7.5 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
System's net pension liability..... \$	107,801,000	\$ 83,576,534	\$ 63,083,000

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability.... \$	98,605,704	\$ 76,447,554	\$ 57,702,096

**Legally Required Reserve Accounts** - The balance in the System's legally required reserves as of December 31, 2015 are as follows:

Description	Amount	Purpose
Annuity Savings Fund..... \$	36,807,034	Active members' contribution balance
Annuity Reserve Fund.....	6,371,019	Retired members' contribution account
Military Service Fund.....	2,412	Military leave of absence contribution balance
Pension Reserve Fund.....	62,888,158	Amounts appropriated to fund future retirement
Pension Fund.....	20,229,843	Remaining net position
Total..... \$	<u>126,298,466</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, 2016. The Commonwealth's net pension liability associated with the Town was \$116,388,215.

The MTRS' net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015.

For the year ended June 30, 2016, the Town recognized pension expense of \$9,440,120 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, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. This valuation used the following assumptions:

Investment rate of return - 7.5%

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

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

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

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity.....	40%	6.9%
Core Fixed Income.....	13%	2.4%
Hedge Funds.....	9%	5.8%
Private Equity.....	10%	8.5%
Real Estate.....	10%	6.5%
Value Added Fixed Income.....	10%	5.8%
Portfolio Completion Strategies.....	4%	5.5%
Timber/Natural Resources.....	4%	6.6%
Totals.....	100%	

**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 \$63,396,000 for the Clark Middle School project, Highland Greenway project and various capital improvements in accordance with its five-year capital improvement plan.

Other significant commitments include the encumbrances outstanding for the general fund, which totaled approximately \$2,477,000 at June 30, 2016.

**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, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2016.

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2016, 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, 2016

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real estate and personal property taxes.....	\$ -	\$ 47,215,541	\$ -	\$ 47,215,541
Motor vehicle and other excise taxes.....	-	7,000,000	-	7,000,000
Meals and room taxes.....	-	1,165,000	-	1,165,000
Tax and trash liens.....	-	125,000	-	125,000
Payments in lieu of taxes.....	-	1,212,432	-	1,212,432
Trash disposal.....	-	1,655,388	-	1,655,388
Intergovernmental .....	-	81,556,736	-	81,556,736
Penalties and interest on taxes.....	-	448,000	-	448,000
Licenses and permits.....	-	1,401,950	-	1,401,950
Fines and forfeitures.....	-	2,311,250	-	2,311,250
Departmental and other.....	-	591,300	-	591,300
Investment income.....	-	300,000	-	300,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>144,982,597</b>	<b>-</b>	<b>144,982,597</b>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Legislative				
Personal services.....	-	225,945	-	225,945
Expenditures.....	-	74,057	-	74,057
Total.....	-	300,002	-	300,002
Executive Office				
Personal services.....	-	347,567	3,494	351,061
Expenditures.....	-	46,050	25,700	71,750
Total.....	-	393,617	29,194	422,811
Auditor's Office				
Personal services.....	-	309,919	-	309,919
Expenditures.....	34,375	73,515	-	107,890
Total.....	34,375	383,434	-	417,809
Treasurer's/Collector's Office				
Personal services.....	-	429,590	5,421	435,011
Expenditures.....	4,526	203,775	-	208,301
Total.....	4,526	633,365	5,421	643,312
Assessing				
Personal services.....	-	223,539	11,300	234,839
Expenditures.....	16,597	87,895	6,000	110,492
Total.....	16,597	311,434	17,300	345,331
Procurement				
Personal services.....	-	117,007	2,163	119,170
Expenditures.....	995	65,275	-	66,270
Total.....	995	182,282	2,163	185,440
Central Billing				
Personal services.....	-	118,230	-	118,230
Expenditures.....	-	74,200	-	74,200
Total.....	-	192,430	-	192,430

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	47,811,704	\$ -	\$ 47,811,704	\$ 596,163
	12,214,291	-	12,214,291	5,214,291
	1,668,784	-	1,668,784	503,784
	1,692,025	-	1,692,025	1,567,025
	2,084,999	-	2,084,999	872,567
	1,564,905	-	1,564,905	(90,483)
	81,723,562	-	81,723,562	166,826
	444,350	-	444,350	(3,650)
	1,473,811	-	1,473,811	71,861
	2,400,469	-	2,400,469	89,219
	1,028,653	-	1,028,653	437,353
	486,475	-	486,475	186,475
	<u>154,594,028</u>	<u>-</u>	<u>154,594,028</u>	<u>9,611,431</u>
	209,711	-	209,711	16,234
	72,721	-	72,721	1,336
	<u>282,432</u>	<u>-</u>	<u>282,432</u>	<u>17,570</u>
	350,919	-	350,919	142
	38,194	-	38,194	33,556
	<u>389,113</u>	<u>-</u>	<u>389,113</u>	<u>33,698</u>
	253,151	-	253,151	56,768
	42,424	46,700	89,124	18,766
	<u>295,575</u>	<u>46,700</u>	<u>342,275</u>	<u>75,534</u>
	435,011	-	435,011	-
	165,047	26,470	191,517	16,784
	<u>600,058</u>	<u>26,470</u>	<u>626,528</u>	<u>16,784</u>
	232,618	-	232,618	2,221
	89,185	15,950	105,135	5,357
	<u>321,803</u>	<u>15,950</u>	<u>337,753</u>	<u>7,578</u>
	119,169	-	119,169	1
	53,778	1,887	55,665	10,605
	<u>172,947</u>	<u>1,887</u>	<u>174,834</u>	<u>10,606</u>
	110,282	-	110,282	7,948
	64,850	1,298	66,148	8,052
	<u>175,132</u>	<u>1,298</u>	<u>176,430</u>	<u>16,000</u>
				(continued)



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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>Law Department</b>				
Personal services.....	-	202,935	1,460	204,395
Expenditures.....	-	65,950	11,000	76,950
Total.....	-	268,885	12,460	281,345
<b>Personnel Department</b>				
Personal services.....	-	229,050	-	229,050
Expenditures.....	11,653	44,067	11,000	66,720
Total.....	11,653	273,117	11,000	295,770
<b>Information System</b>				
Personal services.....	-	277,015	-	277,015
Expenditures.....	8,264	472,174	11,500	491,938
Capital outlay.....	368	100,000	-	100,368
Total.....	8,632	849,189	11,500	869,321
<b>City Clerk</b>				
Personal services.....	-	257,769	-	257,769
Expenditures.....	-	59,700	-	59,700
Total.....	-	317,469	-	317,469
<b>Office of Planning and Development</b>				
Personal services.....	-	114,664	-	114,664
Expenditures.....	424	49,780	-	50,204
Total.....	424	164,444	-	164,868
Salary reserve.....	-	680,541	(264,219)	416,322
<b>TOTAL GENERAL GOVERNMENT.....</b>	<b>77,202</b>	<b>4,950,209</b>	<b>(175,181)</b>	<b>4,852,230</b>
<b>PUBLIC SAFETY</b>				
<b>Police Department</b>				
Personal services.....	-	9,685,744	143,526	9,829,270
Expenditures.....	21,684	1,050,166	9,000	1,080,850
Capital outlay.....	-	173,000	-	173,000
Total.....	21,684	10,908,910	152,526	11,083,120
<b>Fire Department</b>				
Personal services.....	-	8,732,529	726,500	9,459,029
Expenditures.....	14,672	455,231	20,000	489,903
Capital outlay.....	-	68,300	-	68,300
Total.....	14,672	9,256,060	746,500	10,017,232
<b>Inspectional Services</b>				
Personal services.....	-	779,656	-	779,656
Expenditures.....	28,826	38,842	30,000	97,668
Total.....	28,826	818,498	30,000	877,324
<b>Traffic and Parking</b>				
Personal services.....	-	100,750	1,750	102,500
Expenditures.....	65,395	785,900	-	851,295
Total.....	65,395	886,650	1,750	953,795

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
203,898	-	203,898	497
65,213	-	65,213	11,737
269,111	-	269,111	12,234
203,327	-	203,327	25,723
37,415	13,082	50,497	16,223
240,742	13,082	253,824	41,946
276,328	-	276,328	687
439,614	21,350	460,964	30,974
65,449	-	65,449	34,919
781,391	21,350	802,741	66,580
250,367	-	250,367	7,402
45,294	-	45,294	14,406
295,661	-	295,661	21,808
44,377	-	44,377	70,287
24,589	424	25,013	25,191
68,966	424	69,390	95,478
11,000	-	11,000	405,322
3,903,931	127,161	4,031,092	821,138
9,638,954	-	9,638,954	190,316
665,588	27,454	693,042	387,808
173,000	-	173,000	-
10,477,542	27,454	10,504,996	578,124
9,399,481	-	9,399,481	59,548
401,404	2,219	403,623	86,280
66,795	-	66,795	1,505
9,867,680	2,219	9,869,899	147,333
705,781	-	705,781	73,875
26,985	54,149	81,134	16,534
732,766	54,149	786,915	90,409
102,500	-	102,500	-
745,294	57,341	802,635	48,660
847,794	57,341	905,135	48,660

(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
Emergency Management				
Personal services.....	-	971,281	6,600	977,881
Expenditures.....	-	43,123	25,000	68,123
Total.....	-	1,014,404	31,600	1,046,004
<b>TOTAL PUBLIC SAFETY.....</b>	<b>130,577</b>	<b>22,884,522</b>	<b>962,376</b>	<b>23,977,475</b>
<b>EDUCATION</b>				
Operational.....	2,714,921	82,052,520	70,000	84,837,441
Northeast Regional Vocational High School Assessment.....	-	855,876	1,300	857,176
<b>TOTAL EDUCATION.....</b>	<b>2,714,921</b>	<b>82,908,396</b>	<b>71,300</b>	<b>85,694,617</b>
<b>PUBLIC WORKS</b>				
Administration				
Personal services.....	-	210,804	24,850	235,654
Expenditures.....	-	13,440	-	13,440
Total.....	-	224,244	24,850	249,094
Streets and Sidewalks				
Personal services.....	-	815,013	-	815,013
Expenditures.....	64,144	1,093,086	92,062	1,249,292
Capital outlay.....	-	111,000	530,000	641,000
Total.....	64,144	2,019,099	622,062	2,705,305
Solid Waste/Recycling				
Personal services.....	-	49,138	854	49,992
Expenditures.....	75,008	1,703,060	-	1,778,068
Total.....	75,008	1,752,198	854	1,828,060
Structure and Grounds				
Personal services.....	-	283,223	-	283,223
Expenditures.....	49,345	931,980	108,000	1,089,325
Capital outlay.....	-	-	19,875	19,875
Total.....	49,345	1,215,203	127,875	1,392,423
Snow and Ice Removal				
Personal services.....	-	25,000	820	25,820
Expenditures.....	9,172	76,260	23,709	109,141
Total.....	9,172	101,260	24,529	134,961
<b>TOTAL PUBLIC WORKS.....</b>	<b>197,669</b>	<b>5,312,004</b>	<b>800,170</b>	<b>6,309,843</b>
<b>HEALTH AND HUMAN SERVICES</b>				
Administration				
Personal services.....	-	110,690	-	110,690
Health Division				
Personal services.....	-	146,731	51,460	198,191
Expenditures.....	-	156,125	200,000	356,125
Total.....	-	302,856	251,460	554,316

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
953,956	-	953,956	23,925
53,660	2,531	56,191	11,932
1,007,616	2,531	1,010,147	35,857
22,933,398	143,694	23,077,092	900,383
82,819,209	1,886,282	84,705,491	131,950
852,765	-	852,765	4,411
83,671,974	1,886,282	85,558,256	136,361
235,616	-	235,616	38
4,775	90	4,865	8,575
240,391	90	240,481	8,613
783,672	-	783,672	31,341
987,263	141,042	1,128,305	120,987
557,942	-	557,942	83,058
2,328,877	141,042	2,469,919	235,386
49,991	-	49,991	1
1,620,556	74,709	1,695,265	82,803
1,670,547	74,709	1,745,256	82,804
203,597	-	203,597	79,626
827,172	58,123	885,295	204,030
19,787	-	19,787	88
1,050,556	58,123	1,108,679	283,744
25,820	-	25,820	-
109,141	-	109,141	-
134,961	-	134,961	-
5,425,332	273,964	5,699,296	610,547
108,660	-	108,660	2,030
198,190	-	198,190	1
251,936	44,272	296,208	59,917
450,126	44,272	494,398	59,918

(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>Veteran's Services</b>				
Personal services.....	-	62,990	1,195	64,185
Expenditures.....	-	704,370	-	704,370
Total.....	-	767,360	1,195	768,555
<b>Elder Affairs</b>				
Personal services.....	-	178,387	-	178,387
Expenditures.....	-	31,300	-	31,300
Total.....	-	209,687	-	209,687
<b>TOTAL HEALTH AND HUMAN SERVICES.....</b>	<b>-</b>	<b>1,390,593</b>	<b>252,655</b>	<b>1,643,248</b>
<b>CULTURE AND RECREATION</b>				
Recreation and Cultural Affairs				
Personal services.....	-	74,703	3,306	78,009
Expenditures.....	-	75,000	-	75,000
Total.....	-	149,703	3,306	153,009
Public Library				
Personal services.....	-	245,184	3,460	248,644
Expenditures.....	-	24,128	1,285	25,413
Capital outlay.....	-	11,400	-	11,400
Total.....	-	280,712	4,745	285,457
<b>TOTAL CULTURE AND RECREATION.....</b>	<b>-</b>	<b>430,415</b>	<b>8,051</b>	<b>438,466</b>
<b>PENSION BENEFITS</b>				
Contributory Retirement System				
Expenditures.....	-	6,754,818	-	6,754,818
Non-Contributory Pension Benefits				
Expenditures.....	-	10,000	-	10,000
<b>TOTAL PENSION BENEFITS.....</b>	<b>-</b>	<b>6,764,818</b>	<b>-</b>	<b>6,764,818</b>
<b>EMPLOYEE BENEFITS</b>				
Unemployment Compensation				
Expenditures.....	-	30,000	30,860	60,860
Health Insurance				
Expenditures.....	207,567	6,869,046	-	7,076,613
Worker's Compensation				
Expenditures.....	-	300,000	-	300,000
Payroll Taxes				
Expenditures.....	-	360,000	38,500	398,500

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
64,184	-	64,184	1
595,460	-	595,460	108,910
659,644	-	659,644	108,911
175,543	-	175,543	2,844
27,316	-	27,316	3,984
202,859	-	202,859	6,828
1,421,289	44,272	1,465,561	177,687
61,915	-	61,915	16,094
75,000	-	75,000	-
136,915	-	136,915	16,094
247,166	-	247,166	1,478
23,085	-	23,085	2,328
10,610	-	10,610	790
280,861	-	280,861	4,596
417,776	-	417,776	20,690
6,754,818	-	6,754,818	-
9,545	-	9,545	455
6,764,363	-	6,764,363	455
29,532	-	29,532	31,328
7,038,348	1,750	7,040,098	36,515
270,538	-	270,538	29,462
395,183	-	395,183	3,317
			(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
Life Insurance				
Expenditures.....	2,395	20,000	-	22,395
<b>TOTAL EMPLOYEE BENEFITS.....</b>	<b>209,962</b>	<b>7,579,046</b>	<b>69,360</b>	<b>7,858,368</b>
<b>PROPERTY AND LIABILITY INSURANCE</b>				
Expenditures.....	-	700,975	-	700,975
<b>CLAIMS AND JUDGMENTS</b>				
Expenditures.....	-	25,000	26,736	51,736
<b>STATE AND COUNTY CHARGES</b>				
Expenditures.....	-	12,117,453	-	12,117,453
<b>DEBT SERVICE PRINCIPAL</b>				
Expenditures.....	-	2,486,861	-	2,486,861
<b>DEBT SERVICE INTEREST</b>				
Expenditures.....	-	687,943	-	687,943
<b>TOTAL EXPENDITURES.....</b>	<b>3,330,331</b>	<b>148,238,235</b>	<b>2,015,467</b>	<b>153,584,033</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(3,330,331)</b>	<b>(3,255,638)</b>	<b>(2,015,467)</b>	<b>(8,601,436)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Premium from issuance of bonds.....	-	-	-	-
Transfers in.....	-	2,695,086	-	2,695,086
Transfers out.....	-	(2,045,000)	(849,227)	(2,894,227)
Total other financing sources (uses).....	-	650,086	(849,227)	(199,141)
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(3,330,331)</b>	<b>(2,605,552)</b>	<b>(2,864,694)</b>	<b>(8,800,577)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR.....</b>	<b>37,136,511</b>	<b>37,136,511</b>	<b>37,136,511</b>	<b>37,136,511</b>
<b>FUND BALANCE AT END OF YEAR.....</b>	<b>\$ 33,806,180</b>	<b>\$ 34,530,959</b>	<b>\$ 34,271,817</b>	<b>\$ 28,335,934</b>

See notes to required supplementary information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
19,659	-	19,659	2,736
7,753,260	1,750	7,755,010	103,358
695,638	-	695,638	5,337
54,736	-	54,736	(3,000)
11,647,770	-	11,647,770	469,683
2,486,861	-	2,486,861	-
685,399	-	685,399	2,544
147,861,727	2,477,123	150,338,850	3,245,183
6,732,301	(2,477,123)	4,255,178	12,856,614
134,052	-	134,052	134,052
2,693,909	-	2,693,909	(1,177)
(2,894,227)	-	(2,894,227)	-
(66,266)	-	(66,266)	132,875
6,666,035	(2,477,123)	4,188,912	12,989,489
37,136,511	37,136,511	37,136,511	-
\$ 43,802,546	\$ 34,659,388	\$ 41,325,423	\$ 12,989,489 (concluded)



## PENSION PLAN SCHEDULES

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

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

### SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

	2015	2014	2013	2012	2011
Actuarially determined contribution.....	\$ 10,664,321	\$ 9,626,072	\$ 9,655,593	\$ 9,380,817	\$ 9,339,362
Contributions in relation to the actuarially determined contribution.....	<u>10,664,321</u>	<u>9,626,072</u>	<u>9,655,593</u>	<u>9,380,817</u>	<u>9,339,362</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 33,006,583	\$ 31,121,488	\$ 31,121,488	\$ 29,750,417	\$ 29,750,417
Contributions as a percentage of covered-employee payroll.....	32.31%	30.93%	31.03%	31.53%	31.39%
(continued)					
	2010	2009	2008	2007	2006
Actuarially determined contribution.....	\$ 8,168,182	\$ 8,260,223	\$ 7,329,618	\$ 7,650,765	\$ 7,230,596
Contributions in relation to the actuarially determined contribution.....	<u>8,168,182</u>	<u>8,260,223</u>	<u>7,329,618</u>	<u>7,650,765</u>	<u>7,230,596</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 29,412,382	\$ 29,412,382	\$ 26,951,807	\$ 26,951,807	\$ 24,442,724
Contributions as a percentage of covered-employee payroll.....	27.77%	28.08%	27.20%	28.39%	29.58%

### SCHEDULE OF INVESTMENT RETURNS (SYSTEM)

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

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

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

\*The amounts presented were determined as of December 31 within the applicable fiscal year

### SCHEDULE OF CITY CONTRIBUTIONS (SYSTEM)

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

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

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

### SCHEDULE OF CITY CONTRIBUTIONS (MTRS)

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

## OTHER POSTEMPLOYMENT BENEFITS SCHEDULES

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

### SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/15	\$ -	\$ 192,772,240	\$ 192,772,240	-	\$ 69,485,461	277%
07/01/13	-	164,767,775	164,767,775	-	66,431,592	248%
07/01/11	-	169,212,224	169,212,224	-	60,733,942	279%

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

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

**NOTE A - BUDGETARY - GAAP RECONCILIATION**

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2016, 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.....	\$ 154,594,028	\$ 150,338,850	\$ (66,266)
<u>Adjustments</u>			
Activity of general stabilization fund recorded in the general fund for GAAP purposes.....	383,898	-	(2,000,000)
Activity of operating stabilization fund recorded in the general fund for GAAP purposes.....	51,723	-	(577,315)
Activity of capital stabilization fund recorded in the general fund for GAAP purposes.....	13,348	-	(956,000)
Activity of redevelopment stabilization fund recorded in the general fund for GAAP purposes.....	1,668	-	-
Activity of other postemployment benefits fund recorded in the general fund for GAAP purposes.....	26,698	-	225,000
Net change in recording 60-day receipts.....	(26,493)	-	-
Net change in recording tax refunds payable.....	1,092,400	-	-
Net change in investment market value.....	90,292	-	-
To record additional accrued payroll.....	-	(662,363)	-
To record encumbrances and continuing appropriations.....	-	(2,477,123)	-
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 156,227,562</u>	<u>\$ 147,199,364</u>	<u>\$ (3,374,581)</u>

## **Combining and Individual Fund Statements and Schedules**

# Nonmajor Governmental Funds

## Narrative

### *Special Revenue Funds*

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

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

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

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

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

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

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

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

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

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

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

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

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

### ***Capital Projects Funds***

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The capital projects funds are grouped into the following categories:

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

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

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

### ***Permanent Funds***

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

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

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



**NONMAJOR GOVERNMENTAL FUNDS**  
COMBINING BALANCE SHEET

JUNE 30, 2016

<i>Special Revenue Funds</i>						
	Redevelopment	Other Community Development	City Revolving	Receipts Reserved	City Gifts	City State Grants
<b>ASSETS</b>						
Investments.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents.....	1,727,887	1,751,178	-	3,384,510	1,210,402	167,177
Restricted investments.....	1,571,077	477,021	-	-	-	-
Receivables, net of uncollectibles:						
Departmental and other.....	-	-	352,228	-	-	-
Loans.....	-	301,394	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 3,298,964</b>	<b>\$ 2,529,593</b>	<b>\$ 352,228</b>	<b>\$ 3,384,510</b>	<b>\$ 1,210,402</b>	<b>\$ 167,177</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Warrants payable.....	\$ -	\$ 1,195,160	\$ 3,963	\$ -	\$ 46,003	\$ 73,386
Accrued payroll.....	4,249	1,587	30,608	-	762	5,622
Due to other funds.....	-	-	200,618	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>4,249</b>	<b>1,196,747</b>	<b>235,189</b>	<b>-</b>	<b>46,765</b>	<b>79,008</b>
<b>FUND BALANCES:</b>						
Nonspendable.....	-	301,394	-	-	-	-
Restricted.....	3,294,715	1,031,452	117,039	3,384,510	1,163,637	88,169
Unassigned.....	-	-	-	-	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>3,294,715</b>	<b>1,332,846</b>	<b>117,039</b>	<b>3,384,510</b>	<b>1,163,637</b>	<b>88,169</b>
<b>TOTAL LIABILITIES AND FUND BALANCES....</b>	<b>\$ 3,298,964</b>	<b>\$ 2,529,593</b>	<b>\$ 352,228</b>	<b>\$ 3,384,510</b>	<b>\$ 1,210,402</b>	<b>\$ 167,177</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
770,782	2,232,926	1,414,152	867,721	1,908,409	-	15,435,144	448,112	4,966,782
-	-	-	-	-	-	2,048,098	-	-
-	-	-	-	-	-	352,228	-	-
-	-	-	-	-	-	301,394	-	-
<u>\$ 770,782</u>	<u>\$ 2,232,926</u>	<u>\$ 1,414,152</u>	<u>\$ 867,721</u>	<u>\$ 1,908,409</u>	<u>\$ -</u>	<u>\$ 18,136,864</u>	<u>\$ 448,112</u>	<u>\$ 4,966,782</u>
\$ 762	\$ 202,412	\$ 3,575	\$ 5,485	\$ 10,358	\$ 47,620	\$ 1,588,724	\$ 28,875	\$ 51,513
6,169	1,951	4,652	6,399	12,563	47,036	121,598	-	-
-	-	-	-	-	399,315	599,933	-	-
<u>6,931</u>	<u>204,363</u>	<u>8,227</u>	<u>11,884</u>	<u>22,921</u>	<u>493,971</u>	<u>2,310,255</u>	<u>28,875</u>	<u>51,513</u>
-	-	-	-	-	-	301,394	-	-
763,851	2,028,563	1,405,925	855,837	1,885,488	-	16,019,186	419,237	4,915,269
-	-	-	-	-	(493,971)	(493,971)	-	-
<u>763,851</u>	<u>2,028,563</u>	<u>1,405,925</u>	<u>855,837</u>	<u>1,885,488</u>	<u>(493,971)</u>	<u>15,826,609</u>	<u>419,237</u>	<u>4,915,269</u>
<u>\$ 770,782</u>	<u>\$ 2,232,926</u>	<u>\$ 1,414,152</u>	<u>\$ 867,721</u>	<u>\$ 1,908,409</u>	<u>\$ -</u>	<u>\$ 18,136,864</u>	<u>\$ 448,112</u>	<u>\$ 4,966,782</u>

(continued)

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2016

	<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>						
Investments.....	\$ -	\$ -	\$ -	\$ 82,539	\$ 82,539	\$ 82,539
Restricted cash and cash equivalents.....	991,182	6,406,076	12,745	33,273	46,018	21,887,238
Restricted investments.....	-	-	-	-	-	2,048,098
Receivables, net of uncollectibles:						
Departmental and other.....	-	-	-	-	-	352,228
Loans.....	-	-	-	-	-	301,394
<b>TOTAL ASSETS.....</b>	<b>\$ 991,182</b>	<b>\$ 6,406,076</b>	<b>\$ 12,745</b>	<b>\$ 115,812</b>	<b>\$ 128,557</b>	<b>\$ 24,671,497</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Warrants payable.....	\$ -	\$ 80,388	\$ -	\$ -	\$ -	\$ 1,669,112
Accrued payroll.....	-	-	-	-	-	121,598
Due to other funds.....	-	-	-	-	-	599,933
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>80,388</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,390,643</b>
<b>FUND BALANCES:</b>						
Nonspendable.....	-	-	11,996	10,396	22,392	323,786
Restricted.....	991,182	6,325,688	749	105,416	106,165	22,451,039
Unassigned.....	-	-	-	-	-	(493,971)
<b>TOTAL FUND BALANCES.....</b>	<b>991,182</b>	<b>6,325,688</b>	<b>12,745</b>	<b>115,812</b>	<b>128,557</b>	<b>22,280,854</b>
<b>TOTAL LIABILITIES AND FUND BALANCES....</b>	<b>\$ 991,182</b>	<b>\$ 6,406,076</b>	<b>\$ 12,745</b>	<b>\$ 115,812</b>	<b>\$ 128,557</b>	<b>\$ 24,671,497</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, 2016

	<i>Special Revenue Funds</i>					
	Redevelopment	Other Community Development	City Revolving	Receipts Reserved	City Gifts	City State Grants
<b>REVENUES</b>						
Charges for services.....	\$ -	\$ -	\$ 2,273,055	\$ 395,002	\$ -	\$ -
Intergovernmental .....	-	3,832,088	-	358,908	6,315	2,337,014
Departmental and other.....	17,421	387,048	125,288	44,945	9,400	-
Contributions.....	-	-	-	-	665,831	1,313
Investment income.....	102,133	60,993	-	-	-	-
<b>TOTAL REVENUES.....</b>	<b>119,554</b>	<b>4,280,129</b>	<b>2,398,343</b>	<b>798,855</b>	<b>681,546</b>	<b>2,338,327</b>
<b>EXPENDITURES</b>						
Current:						
General government.....	-	-	-	45,049	232,421	-
Public safety.....	-	-	2,180,846	800,028	28,459	760,217
Education.....	-	-	-	-	23,534	844
Public works.....	-	-	-	-	-	1,061,877
Health and human services.....	-	-	78,352	-	296,675	48,768
Culture and recreation.....	-	-	27,382	-	2,490	67,510
Community development.....	227,891	5,521,196	-	-	-	-
Principal.....	-	-	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>227,891</b>	<b>5,521,196</b>	<b>2,286,580</b>	<b>845,077</b>	<b>583,579</b>	<b>1,939,216</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(108,337)	(1,241,067)	111,763	(46,222)	97,967	399,111
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in.....	272,500	-	118,997	-	-	-
Issuance of bonds, notes and loans.....	-	-	-	-	-	-
Transfers out.....	-	-	-	(275,000)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>272,500</b>	<b>-</b>	<b>118,997</b>	<b>(275,000)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>164,163</b>	<b>(1,241,067)</b>	<b>230,760</b>	<b>(321,222)</b>	<b>97,967</b>	<b>399,111</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>3,130,552</b>	<b>2,573,913</b>	<b>(113,721)</b>	<b>3,705,732</b>	<b>1,065,670</b>	<b>(310,942)</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 3,294,715</b>	<b>\$ 1,332,846</b>	<b>\$ 117,039</b>	<b>\$ 3,384,510</b>	<b>\$ 1,163,637</b>	<b>\$ 88,169</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
\$ 36,271	\$ 429,668	\$ 318,174	\$ -	\$ -	\$ -	\$ 3,452,170	\$ -	\$ -
674,000	3,316,414	9,430	-	2,091,224	5,134,306	17,759,699	-	597,903
-	-	-	-	-	-	584,102	-	-
-	-	-	274,898	-	-	942,042	-	-
5,476	-	-	-	-	-	168,602	-	-
<u>715,747</u>	<u>3,746,082</u>	<u>327,604</u>	<u>274,898</u>	<u>2,091,224</u>	<u>5,134,306</u>	<u>22,906,615</u>	<u>-</u>	<u>597,903</u>
-	-	-	-	-	-	277,470	-	60,513
851,745	-	-	-	-	-	4,621,295	-	15,710
-	3,730,947	172,885	361,881	1,710,050	5,382,519	11,382,660	-	345,000
-	-	-	-	-	-	1,061,877	-	1,264,238
9,090	-	-	-	-	-	432,885	-	-
-	-	-	-	-	-	97,382	-	-
-	-	-	-	-	-	5,749,087	66,871	807,950
-	-	-	-	-	-	-	500,000	-
<u>860,835</u>	<u>3,730,947</u>	<u>172,885</u>	<u>361,881</u>	<u>1,710,050</u>	<u>5,382,519</u>	<u>23,622,656</u>	<u>566,871</u>	<u>2,493,411</u>
<u>(145,088)</u>	<u>15,135</u>	<u>154,719</u>	<u>(86,983)</u>	<u>381,174</u>	<u>(248,213)</u>	<u>(716,041)</u>	<u>(566,871)</u>	<u>(1,895,508)</u>
13,730	-	-	-	-	-	405,227	-	2,269,000
-	-	-	-	-	-	-	-	187,037
-	-	-	-	-	-	(275,000)	-	-
<u>13,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,227</u>	<u>-</u>	<u>2,456,037</u>
(131,358)	15,135	154,719	(86,983)	381,174	(248,213)	(585,814)	(566,871)	560,529
<u>895,209</u>	<u>2,013,428</u>	<u>1,251,206</u>	<u>942,820</u>	<u>1,504,314</u>	<u>(245,758)</u>	<u>16,412,423</u>	<u>986,108</u>	<u>4,354,740</u>
<u>\$ 763,851</u>	<u>\$ 2,028,563</u>	<u>\$ 1,405,925</u>	<u>\$ 855,837</u>	<u>\$ 1,885,488</u>	<u>\$ (493,971)</u>	<u>\$ 15,826,609</u>	<u>\$ 419,237</u>	<u>\$ 4,915,269</u>

(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<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.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,452,170
Intergovernmental .....	-	597,903	-	-	-	18,357,602
Departmental and other.....	-	-	-	-	-	584,102
Contributions.....	-	-	-	-	-	942,042
Investment income.....	38,376	38,376	-	5,486	5,486	212,464
<b>TOTAL REVENUES.....</b>	<b>38,376</b>	<b>636,279</b>	<b>-</b>	<b>5,486</b>	<b>5,486</b>	<b>23,548,380</b>
<b>EXPENDITURES</b>						
Current:						
General government.....	-	60,513	-	-	-	337,983
Public safety.....	-	15,710	-	-	-	4,637,005
Education.....	-	345,000	-	-	-	11,727,660
Public works.....	-	1,264,238	-	-	-	2,326,115
Health and human services.....	-	-	-	-	-	432,885
Culture and recreation.....	-	-	-	1,954	1,954	99,336
Community development.....	-	874,821	-	-	-	6,623,908
Principal.....	-	500,000	-	-	-	500,000
<b>TOTAL EXPENDITURES.....</b>	<b>-</b>	<b>3,060,282</b>	<b>-</b>	<b>1,954</b>	<b>1,954</b>	<b>26,684,892</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	38,376	(2,424,003)	-	3,532	3,532	(3,136,512)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in.....	956,000	3,225,000	-	-	-	3,630,227
Issuance of bonds, notes and loans.....	-	187,037	-	-	-	187,037
Transfers out.....	(627,500)	(627,500)	-	-	-	(902,500)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>328,500</b>	<b>2,784,537</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,914,764</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>366,876</b>	<b>360,534</b>	<b>-</b>	<b>3,532</b>	<b>3,532</b>	<b>(221,748)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>624,306</b>	<b>5,965,154</b>	<b>12,745</b>	<b>112,280</b>	<b>125,025</b>	<b>22,502,602</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 991,182</b>	<b>\$ 6,325,688</b>	<b>\$ 12,745</b>	<b>\$ 115,812</b>	<b>\$ 128,557</b>	<b>\$ 22,280,854</b>

(concluded)

## Internal Service Funds

### Narrative

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

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

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



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

JUNE 30, 2016

			<u>Total</u>
	Retirees' Health Insurance	Workers' Compensation	Internal Service Funds
<b>ASSETS</b>			
Current assets:			
Restricted cash and cash equivalents.....	\$ 235,643	\$ 270,732	\$ 506,375
<b>LIABILITIES</b>			
Current liabilities:			
Accrued payroll.....	\$ -	\$ 3,196	\$ 3,196
Other liabilities.....	-	2,975	2,975
Workers' compensation claims.....	-	100,962	100,962
Total current liabilities.....	-	107,133	107,133
Noncurrent liabilities:			
Workers' compensation claims.....	-	128,635	128,635
Total liabilities.....	-	235,768	235,768
<b>NET POSITION</b>			
Unrestricted.....	\$ 235,643	\$ 34,964	\$ 270,607

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

			<u>Total</u>
	Retirees' Health Insurance	Workers' Compensation	Internal Service Funds
<b>OPERATING REVENUES</b>			
Employer contributions.....	\$ -	\$ 2,791	\$ 2,791
<b>OPERATING EXPENSES</b>			
Employee benefits.....	-	130,609	130,609
OPERATING INCOME (LOSS).....	-	(127,818)	(127,818)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income.....	-	121	121
CHANGE IN NET POSITION.....	-	(127,697)	(127,697)
NET POSITION AT BEGINNING OF YEAR.....	235,643	162,661	398,304
NET POSITION AT END OF YEAR.....	\$ <u>235,643</u>	\$ <u>34,964</u>	\$ <u>270,607</u>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

			Total
	Retirees' Health Insurance	Workers' Compensation	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from interfund services provided.....	\$ -	\$ 2,791	\$ 2,791
Payments for interfund services used.....	-	(171,924)	(171,924)
NET CASH FROM OPERATING ACTIVITIES.....	-	(169,133)	(169,133)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income.....	-	121	121
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	-	(169,012)	(169,012)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b> (Includes \$235,643 and \$439,744 reported as restricted in the retirees' health insurance and workers' compensation fund, respectively).....			
	235,643	439,744	675,387
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (Includes \$235,643 and \$270,732 reported as restricted in the retirees' health insurance and workers' compensation fund, respectively).....			
	\$ 235,643	\$ 270,732	\$ 506,375
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating income (loss).....	\$ -	\$ (127,818)	\$ (127,818)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Adjustments requiring current cash flows:			
Changes in assets and liabilities:			
Accrued payroll.....	-	(14)	(14)
Other liabilities.....	-	627	627
Workers' compensation claims.....	-	(41,928)	(41,928)
Total adjustments.....	-	(41,315)	(41,315)
NET CASH FROM OPERATING ACTIVITIES.....	\$ -	\$ (169,133)	\$ (169,133)

## 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, 2016**

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 843,426	\$ 12,683,374	\$ (12,639,814)	\$ 886,986
<b>LIABILITIES</b>				
Warrants payable.....	-	12,642,921	(12,639,323)	3,598
Liabilities due depositors.....	843,426	14,303,411	(14,263,449)	883,388
<b>TOTAL LIABILITIES.....</b>	<b>\$ 843,426</b>	<b>\$ 26,946,332</b>	<b>\$ (26,902,772)</b>	<b>\$ 886,986</b>

# Statistical Section

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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

	2007	2008	2009	2010
<b>Governmental Activities</b>				
Net investment in capital assets (1).....	\$ 103,040,202	\$ 109,699,755	\$ 113,168,275	\$ 115,802,386
Restricted.....	12,836,617	14,156,898	15,843,439	16,877,352
Unrestricted.....	<u>27,331,951</u>	<u>3,182,167</u>	<u>(18,524,343)</u>	<u>(33,438,542)</u>
Total governmental activities net position (1).....	<u>\$ 143,208,770</u>	<u>\$ 127,038,820</u>	<u>\$ 110,487,371</u>	<u>\$ 99,241,196</u>
<b>Business-Type Activities</b>				
Net investment in capital assets (1).....	\$ 3,382,731	\$ 4,293,753	\$ 5,079,857	\$ 9,731,672
Unrestricted.....	<u>4,994,535</u>	<u>4,377,713</u>	<u>7,437,258</u>	<u>6,073,506</u>
Total business-type activities net position (1).....	<u>\$ 8,377,266</u>	<u>\$ 8,671,466</u>	<u>\$ 12,517,115</u>	<u>\$ 15,805,178</u>
<b>Primary Government</b>				
Net investment in capital assets (1).....	\$ 106,422,933	\$ 113,993,508	\$ 118,248,132	\$ 125,534,058
Restricted.....	12,836,617	14,156,898	15,843,439	16,877,352
Unrestricted.....	<u>32,326,486</u>	<u>7,559,880</u>	<u>(11,087,085)</u>	<u>(27,365,036)</u>
Total primary government net position (1).....	<u>\$ 151,586,036</u>	<u>\$ 135,710,286</u>	<u>\$ 123,004,486</u>	<u>\$ 115,046,374</u>

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

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 123,198,732	\$ 110,297,865	\$ 112,646,295	\$ 113,957,937	\$ 121,592,582	\$ 146,694,947
5,330,361	21,541,560	19,798,007	23,010,803	25,186,869	26,936,571
<u>(41,789,700)</u>	<u>(55,550,266)</u>	<u>(67,222,440)</u>	<u>(69,930,884)</u>	<u>(147,945,496)</u>	<u>(164,046,773)</u>
<u>\$ 86,739,393</u>	<u>\$ 76,289,159</u>	<u>\$ 65,221,862</u>	<u>\$ 67,037,856</u>	<u>\$ (1,166,045)</u>	<u>\$ 9,584,745</u>
\$ 13,645,212	\$ 15,188,269	\$ 16,948,277	\$ 18,376,165	\$ 20,591,676	\$ 18,000,489
<u>6,752,021</u>	<u>9,321,027</u>	<u>11,462,851</u>	<u>13,014,707</u>	<u>13,244,738</u>	<u>19,074,859</u>
<u>\$ 20,397,233</u>	<u>\$ 24,509,296</u>	<u>\$ 28,411,128</u>	<u>\$ 31,390,872</u>	<u>\$ 33,836,414</u>	<u>\$ 37,075,348</u>
\$ 136,843,944	\$ 125,486,134	\$ 129,594,572	\$ 132,334,102	\$ 142,184,258	\$ 164,695,436
5,330,361	21,541,560	19,798,007	23,010,803	25,186,869	26,936,571
<u>(35,037,679)</u>	<u>(46,229,239)</u>	<u>(55,759,589)</u>	<u>(56,916,177)</u>	<u>(134,700,758)</u>	<u>(144,971,914)</u>
<u>\$ 107,136,626</u>	<u>\$ 100,798,455</u>	<u>\$ 93,632,980</u>	<u>\$ 98,428,728</u>	<u>\$ 32,670,369</u>	<u>\$ 46,660,093</u>

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

LAST TEN FISCAL YEARS

	2007	2008	(2) 2009
<b>Expenses</b>			
General government.....	\$ 6,749,810	\$ 8,802,344	\$ 9,465,362
Public safety.....	26,964,061	33,766,246	35,665,589
Education.....	75,539,107	89,459,187	92,186,880
Public works.....	5,738,727	6,296,006	6,336,398
Health and human services.....	2,221,478	2,542,823	2,699,727
Culture and recreation.....	728,672	1,150,914	1,355,992
Community development.....	1,760,889	1,833,093	1,372,317
Debt service - interest.....	3,460,180	3,162,519	2,527,602
Total expenses.....	<u>123,162,924</u>	<u>147,013,132</u>	<u>151,609,867</u>
<b>Program Revenues</b>			
Charges for services:			
Public safety.....	4,998,734	4,514,069	4,700,260
Public works.....	1,358,377	1,210,082	1,446,499
Other activities.....	2,302,399	2,039,329	2,563,792
Operating grants and contributions.....	67,520,030	72,252,579	73,086,636
Capital grants and contributions.....	3,786,207	580,592	1,890,029
Total program revenues.....	<u>79,965,747</u>	<u>80,596,651</u>	<u>83,687,216</u>
Net (expense)/revenue.....	<u>(43,197,177)</u>	<u>(66,416,481)</u>	<u>(67,922,651)</u>
<b>General Revenues and Other Changes in Net Position (1)</b>			
Real estate and personal property taxes.....	30,114,992	31,523,741	34,562,918
Meals and room taxes.....	-	-	-
Motor vehicle and other excise taxes.....	2,111,357	2,846,327	2,841,288
Penalties and interest on taxes.....	301,942	273,865	312,440
Payments in lieu of taxes.....	1,185,030	1,792,342	1,537,180
Unrestricted grants and contributions.....	10,539,794	10,560,559	10,440,670
Unrestricted investment income.....	1,695,467	1,710,427	2,100,745
Gain on sale of capital assets.....	-	-	-
Sale of land.....	-	-	-
Miscellaneous.....	-	-	-
Transfers, net.....	1,507,253	1,539,270	(424,039)
Total general revenues and other changes in net position (1).....	<u>47,455,835</u>	<u>50,246,531</u>	<u>51,371,202</u>
<b>Change in net position (1).....</b>	<u><u>\$ 4,258,658</u></u>	<u><u>\$ (16,169,950)</u></u>	<u><u>\$ (16,551,449)</u></u>

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

(2) Beginning in fiscal year 2008, the City implemented GASBS 45, which accounts for a significant portion of the decrease in net position of governmental activities

	2010	2011	2012	2013	2014	2015	2016
\$	8,584,122	\$ 8,878,505	\$ 6,303,492	\$ 6,753,023	\$ 6,396,204	\$ 7,180,957	\$ 6,504,975
	36,002,662	38,057,558	34,245,664	37,168,245	37,333,683	38,356,624	42,312,639
	97,560,358	97,529,142	101,583,304	106,039,385	108,824,624	115,114,967	124,549,859
	6,187,990	6,888,278	6,392,827	7,054,957	7,330,891	6,847,690	6,649,021
	1,854,061	1,845,688	4,003,944	4,311,783	4,397,671	4,349,173	4,736,315
	916,324	990,915	909,974	980,683	818,969	880,766	924,397
	1,546,870	1,345,920	1,774,591	3,324,674	2,535,337	2,837,190	3,557,852
	2,756,957	1,918,692	742,879	977,150	832,886	757,175	743,493
	<u>155,409,344</u>	<u>157,454,698</u>	<u>155,956,675</u>	<u>166,609,900</u>	<u>168,470,265</u>	<u>176,324,542</u>	<u>189,978,551</u>
	4,276,170	4,377,770	4,335,583	5,215,386	5,601,755	6,935,440	6,694,814
	1,529,503	1,346,420	1,421,310	1,434,148	1,436,700	1,573,631	1,550,192
	2,711,537	2,872,521	3,177,176	2,781,946	2,689,908	2,719,833	2,523,973
	77,955,416	78,148,183	78,837,387	83,700,933	91,442,874	91,452,200	101,301,162
	2,389,700	408,766	(1,065,126)	310,844	243,646	3,669,318	11,739,950
	<u>88,862,326</u>	<u>87,153,660</u>	<u>86,706,330</u>	<u>93,443,257</u>	<u>101,414,883</u>	<u>106,350,422</u>	<u>123,810,091</u>
	<u>(66,547,018)</u>	<u>(70,301,038)</u>	<u>(69,250,345)</u>	<u>(73,166,643)</u>	<u>(67,055,382)</u>	<u>(69,974,120)</u>	<u>(66,168,460)</u>
	34,585,525	37,049,408	38,375,534	42,040,017	44,226,062	45,085,165	48,999,853
	83,513	556,526	602,918	871,300	1,108,668	1,167,829	1,668,783
	7,467,078	7,001,354	8,253,392	8,198,951	9,945,067	10,794,088	13,037,097
	576,893	457,401	553,029	375,953	472,452	466,224	444,350
	1,738,295	1,483,189	1,221,920	1,221,631	2,139,017	1,252,908	2,084,999
	8,629,072	7,698,509	7,718,417	7,538,595	7,837,799	8,057,101	8,071,764
	1,352,951	940,588	406,508	142,796	737,599	95,655	1,090,810
	-	2,115,000	-	-	654,000	-	-
	-	-	-	-	-	900,000	-
	-	-	-	-	-	-	-
	867,506	497,270	1,668,393	1,710,103	1,752,855	1,796,678	1,521,594
	<u>55,300,833</u>	<u>57,799,245</u>	<u>58,800,111</u>	<u>62,099,346</u>	<u>68,873,519</u>	<u>69,615,648</u>	<u>76,919,250</u>
\$	<u>(11,246,185)</u>	<u>(12,501,793)</u>	<u>(10,450,234)</u>	<u>(11,067,297)</u>	<u>1,818,137</u>	<u>(358,472)</u>	<u>10,750,790</u>

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

LAST TEN FISCAL YEARS

	2007	2008	2009	2010
<b>Expenses</b>				
Water and Sewer.....	\$ 9,625,649	\$ 10,265,022	\$ 10,442,575	\$ 11,932,616
<b>Program Revenues</b>				
Charges for services.....	11,219,309	11,791,807	13,864,185	16,012,276
Operating grants and contributions.....	86,085	69,906	-	75,909
Capital grants and contributions.....	41,358	236,779	-	-
Total program revenues.....	11,346,752	12,098,492	13,864,185	16,088,185
Net (expense)/revenue.....	1,721,103	1,833,470	3,421,610	4,155,569
<b>General Revenues and Transfers</b>				
Transfers, net.....	(1,507,253)	(1,539,270)	424,039	(867,506)
<b>Change in net position (1).....</b>	<b>\$ 213,850</b>	<b>\$ 294,200</b>	<b>\$ 3,845,649</b>	<b>\$ 3,288,063</b>

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

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ <u>12,619,962</u>	\$ <u>12,587,797</u>	\$ <u>13,185,746</u>	\$ <u>13,942,646</u>	\$ <u>14,621,709</u>	\$ <u>15,028,890</u>
17,304,563	18,344,616	18,474,949	18,389,953	18,916,044	18,658,888
-	21,966	2,412	999	-	-
<u>404,724</u>	<u>1,671</u>	<u>320,320</u>	<u>282,150</u>	<u>398,640</u>	<u>1,130,530</u>
<u>17,709,287</u>	<u>18,368,253</u>	<u>18,797,681</u>	<u>18,673,102</u>	<u>19,314,684</u>	<u>19,789,418</u>
5,089,325	5,780,456	5,611,935	4,730,456	4,692,975	4,760,528
<u>(497,270)</u>	<u>(1,668,393)</u>	<u>(1,710,103)</u>	<u>(1,752,855)</u>	<u>(1,796,678)</u>	<u>(1,521,594)</u>
\$ <u><u>4,592,055</u></u>	\$ <u><u>4,112,063</u></u>	\$ <u><u>3,901,832</u></u>	\$ <u><u>2,977,601</u></u>	\$ <u><u>2,896,297</u></u>	\$ <u><u>3,238,934</u></u>

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

LAST TEN FISCAL YEARS

	2007	2008	2009
Total expenses.....	\$ 132,788,573	\$ 157,278,154	\$ 162,052,442
Total program revenues.....	<u>91,312,499</u>	<u>92,695,143</u>	<u>97,551,401</u>
Net (expense)/revenue.....	(41,476,074)	(64,583,011)	(64,501,041)
Total general revenues, transfers and other changes in net position (1).....	<u>45,948,582</u>	<u>48,707,261</u>	<u>51,795,241</u>
<b>Change in net position (1).....</b>	<b><u>\$ 4,472,508</u></b>	<b><u>\$ (15,875,750)</u></b>	<b><u>\$ (12,705,800)</u></b>

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

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 167,341,960	\$ 170,074,660	\$ 168,544,472	\$ 179,795,646	\$ 182,412,911	\$ 190,946,251	\$ 205,007,441
<u>104,950,511</u>	<u>104,862,947</u>	<u>105,074,583</u>	<u>112,240,938</u>	<u>120,087,985</u>	<u>125,665,106</u>	<u>143,599,509</u>
(62,391,449)	(65,211,713)	(63,469,889)	(67,554,708)	(62,324,926)	(65,281,145)	(61,407,932)
<u>54,433,327</u>	<u>57,301,975</u>	<u>57,131,718</u>	<u>60,389,243</u>	<u>67,120,664</u>	<u>67,818,970</u>	<u>75,397,656</u>
<u>\$ (7,958,122)</u>	<u>\$ (7,909,738)</u>	<u>\$ (6,338,171)</u>	<u>\$ (7,165,465)</u>	<u>\$ 4,795,738</u>	<u>\$ 2,537,825</u>	<u>\$ 13,989,724</u>



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

**LAST TEN FISCAL YEARS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>General Fund</b>				
Reserved.....	\$ 2,637,577	\$ 4,843,824	\$ 3,025,808	\$ 2,915,917
Unreserved.....	10,218,873	11,257,433	11,379,449	14,297,478
Nonspendable.....	-	-	-	-
Restricted.....	-	-	-	-
Committed.....	-	-	-	-
Assigned.....	-	-	-	-
Unassigned.....	-	-	-	-
Total general fund.....	<u>\$ 12,856,450</u>	<u>\$ 16,101,257</u>	<u>\$ 14,405,257</u>	<u>\$ 17,213,395</u>
<b>All Other Governmental Funds</b>				
Reserved.....	\$ 3,305,523	\$ 3,305,523	\$ 3,880,532	\$ 1,381,756
Unreserved, reported in:				
Special revenue funds.....	14,327,473	14,327,473	13,470,775	14,542,816
Debt service funds.....	9,430,547	9,430,547	9,927,538	10,648,346
Capital projects funds.....	(5,346,118)	(5,346,118)	(8,762,135)	984,799
Permanent funds.....	100,547	100,547	100,886	101,095
Nonspendable.....	-	-	-	-
Restricted.....	-	-	-	-
Unassigned.....	-	-	-	-
Total all other governmental funds.....	<u>\$ 21,817,972</u>	<u>\$ 21,817,972</u>	<u>\$ 18,617,596</u>	<u>\$ 27,658,812</u>

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

<u>2011</u>	<u>(1) 2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	9,506	3,853	-	-	-
-	150,000	308,767	504,854	718,710	970,408
-	2,099,166	2,328,995	3,057,530	4,139,642	1,578,204
2,385,892	3,049,473	3,741,435	5,884,258	3,330,311	2,477,123
<u>24,345,161</u>	<u>24,079,453</u>	<u>26,894,097</u>	<u>33,680,292</u>	<u>34,395,684</u>	<u>43,212,229</u>
\$ <u>26,731,053</u>	\$ <u>29,387,598</u>	\$ <u>33,277,147</u>	\$ <u>43,126,934</u>	\$ <u>42,584,347</u>	\$ <u>48,237,964</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
22,392	1,060,180	1,060,180	739,250	683,351	323,786
21,683,498	20,481,622	20,481,622	23,830,733	25,330,694	25,642,378
<u>-</u>	<u>-</u>	<u>-</u>	<u>(190,172)</u>	<u>(670,421)</u>	<u>(493,971)</u>
\$ <u>21,705,890</u>	\$ <u>21,541,802</u>	\$ <u>21,541,802</u>	\$ <u>24,379,811</u>	\$ <u>25,343,624</u>	\$ <u>25,472,193</u>

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

LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011
<b>REVENUES</b>					
Real estate and personal property taxes.....	\$ 28,944,381	\$ 30,782,138	\$ 32,522,544	\$ 33,656,465	\$ 35,997,749
Motor vehicle and other excise taxes.....	2,332,484	2,557,448	2,858,058	7,241,592	7,111,447
Meals and room taxes.....	-	-	-	83,513	556,526
Tax and trash liens.....	366,997	382,714	305,512	1,058,925	907,060
Payments in lieu of taxes.....	1,185,030	1,792,342	1,537,180	1,738,295	1,483,189
Charges for services.....	2,491,044	2,296,533	2,522,413	2,768,668	3,142,666
Trash disposal.....	1,270,801	1,230,237	1,421,920	1,492,690	1,509,421
Intergovernmental .....	84,823,330	86,499,436	89,664,616	89,848,841	102,461,524
Penalties and interest on taxes.....	301,942	273,865	325,535	576,893	457,401
Licenses, permits and fees.....	2,283,402	2,146,030	2,111,520	1,661,067	1,686,406
Fines and forfeitures.....	1,534,903	1,792,603	1,807,763	1,791,144	1,811,801
Departmental.....	642,619	287,836	513,831	321,045	371,243
Contributions.....	690,561	1,083,262	1,408,736	1,805,273	976,743
Investment income.....	2,521,329	2,943,049	2,077,494	1,347,159	936,009
<b>TOTAL REVENUES.....</b>	<b>129,388,823</b>	<b>134,067,493</b>	<b>139,077,122</b>	<b>145,391,570</b>	<b>159,409,185</b>
<b>EXPENDITURES</b>					
Current:					
General government.....	3,428,427	3,628,137	4,456,416	3,647,141	4,116,985
Public safety.....	18,157,315	19,180,605	20,102,805	21,218,465	21,857,267
Education (1).....	67,868,326	71,149,773	75,392,603	77,835,710	78,049,056
Public works.....	5,112,018	5,374,352	8,526,985	5,142,611	6,205,921
Health and human services.....	1,643,909	1,573,840	1,637,992	1,395,638	1,247,303
Culture and recreation.....	460,047	541,176	476,234	449,369	530,524
Community development.....	6,784,769	4,631,470	3,447,654	1,869,328	1,762,797
Pension benefits (1).....	9,001,662	9,807,679	10,366,861	10,778,985	11,459,731
Employee benefits (1).....	5,839,623	6,209,239	6,877,797	6,511,415	6,259,620
Property and liability insurance.....	558,328	463,140	440,049	484,181	450,000
Claims and judgments.....	21,180	3,473	25,215	38,920	46,059
State and county charges.....	3,310,117	4,021,544	4,234,195	4,720,440	5,032,659
Debt service:					
Principal.....	6,857,391	6,797,357	6,913,970	7,439,494	25,196,312
Interest.....	3,497,188	3,181,787	2,543,985	2,483,699	1,619,804
<b>TOTAL EXPENDITURES.....</b>	<b>132,540,300</b>	<b>136,563,572</b>	<b>145,442,761</b>	<b>144,015,396</b>	<b>163,834,038</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>OVER EXPENDITURES.....</b>	<b>(3,151,477)</b>	<b>(2,496,079)</b>	<b>(6,365,639)</b>	<b>1,376,174</b>	<b>(4,424,853)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in.....	3,959,770	2,897,989	4,271,345	4,372,919	27,034,339
Issuance of bonds and notes.....	653,000	743,000	12,828,352	1,625,950	5,136,656
Premium from issuance of bonds and notes.....	29,287	-	61,562	-	239,006
Issuance of refunding bonds.....	-	-	4,410,625	-	99,500
Premium from issuance of refunding bonds.....	-	-	121,901	-	4,991
Sale of capital assets.....	250,000	10,663	-	-	2,115,000
Sale of land.....	-	-	-	-	-
Capital leases.....	-	232,355	-	102,809	-
Transfers out.....	(2,440,246)	(1,343,497)	(4,695,384)	(3,505,413)	(26,537,069)
Refunded bonds redeemed.....	-	-	-	-	(102,834)
Payments to refunding bond escrow agent.....	-	-	(4,451,847)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,451,811</b>	<b>2,540,510</b>	<b>12,546,554</b>	<b>2,596,265</b>	<b>7,989,589</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>\$ (699,666)</b>	<b>\$ 44,431</b>	<b>\$ 6,180,915</b>	<b>\$ 3,972,439</b>	<b>\$ 3,564,736</b>
<b>DEBT SERVICE EXPENDITURES AS A PERCENTAGE</b>					
<b>OF NONCAPITAL EXPENDITURES.....</b>	<b>8.17%</b>	<b>7.51%</b>	<b>6.90%</b>	<b>7.06%</b>	<b>16.82%</b>

(1) Beginning in fiscal year 2007, the City began reporting the School Department's share of pension and employee benefit costs as Education expenditures

	2012	2013	2014	2015	2016
\$	37,851,061	\$ 40,349,818	\$ 43,530,062	\$ 44,656,911	\$ 48,082,876
	7,161,510	9,340,599	10,305,740	10,643,290	13,009,026
	602,918	871,300	1,108,668	1,167,829	1,668,783
	697,979	1,836,771	1,240,594	603,960	1,692,025
	1,221,920	1,221,631	2,139,017	1,252,908	2,084,999
	3,403,374	3,400,408	2,824,712	3,111,715	3,452,170
	1,417,444	1,351,774	1,403,215	1,528,620	1,564,905
	85,285,276	89,997,970	98,310,010	95,527,502	110,381,999
	553,029	375,953	472,452	466,224	444,350
	1,217,335	1,544,748	1,342,675	2,517,342	1,473,811
	1,660,704	2,007,744	2,348,181	2,353,081	2,400,469
	1,408,644	1,133,145	1,566,193	1,726,715	1,612,755
	1,356,822	1,483,355	975,896	1,254,660	942,042
	677,185	201,303	901,867	185,153	1,266,567
	<u>144,515,201</u>	<u>155,116,519</u>	<u>168,469,282</u>	<u>166,995,910</u>	<u>190,076,777</u>
	3,705,904	4,521,689	4,098,380	4,807,736	4,006,300
	21,330,776	26,344,654	25,818,310	25,900,880	27,360,973
	78,478,431	80,609,369	84,500,020	94,834,369	114,409,040
	6,974,591	6,467,158	7,768,296	8,401,759	7,737,530
	1,250,883	1,536,981	1,721,863	1,659,475	1,848,224
	452,279	418,499	558,400	491,973	512,727
	3,117,710	5,264,289	3,923,532	5,220,518	6,623,908
	12,258,832	12,731,118	13,078,542	6,537,620	6,764,363
	6,763,964	6,022,290	6,093,715	7,064,222	7,803,805
	373,711	475,362	450,000	651,504	695,638
	29,167	36,098	30,453	31,097	54,736
	5,507,326	6,900,308	8,011,029	9,378,341	11,647,770
	2,761,359	2,756,573	2,627,887	3,499,461	2,986,861
	1,118,855	1,007,448	926,936	792,407	685,399
	<u>144,123,788</u>	<u>155,091,836</u>	<u>159,607,363</u>	<u>169,271,362</u>	<u>193,137,274</u>
	<u>391,413</u>	<u>24,683</u>	<u>8,861,919</u>	<u>(2,275,452)</u>	<u>(3,060,497)</u>
	6,230,321	5,747,213	5,762,875	11,082,014	8,049,321
	394,000	2,751,628	-	-	7,187,037
	38,651	248	77,052	-	134,052
	-	-	802,857	-	-
	-	-	1,396,000	-	-
	-	-	-	-	-
	-	-	-	900,000	-
	-	-	-	-	-
	(4,561,928)	(4,037,110)	(4,010,020)	(9,285,336)	(6,527,727)
	-	-	(800,000)	-	-
	-	-	-	-	-
	<u>2,101,044</u>	<u>4,461,979</u>	<u>3,228,764</u>	<u>2,696,678</u>	<u>8,842,683</u>
\$	<u>2,492,457</u>	<u>\$ 4,486,662</u>	<u>\$ 12,090,683</u>	<u>\$ 421,226</u>	<u>\$ 5,782,186</u>
	2.79%	2.52%	2.30%	2.71%	2.24%

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

LAST TEN FISCAL YEARS

Fiscal Year	Assessed Value (2)			Total Assessed Value	Total Direct Tax Rate	Equalized Actual Value (3)	Assessed Value as a Percentage of Actual Value
	Residential Real Property	Commercial and Industrial Real Property	Personal Property				
2007	1,747,423,205	640,162,304	58,162,900	2,445,748,409	12.53	2,642,115,600	92.57%
2008	1,734,194,631	614,984,682	70,899,900	2,420,079,213	12.25	2,856,347,100	84.73%
2009 (1)	1,532,423,197	617,642,043	79,844,500	2,229,909,740	13.01	2,856,347,100	78.07%
2010	1,284,140,289	597,622,166	85,033,150	1,966,795,605	14.92	2,344,168,400	83.90%
2011	1,266,881,856	573,416,736	92,734,520	1,933,033,112	17.96	2,344,168,400	82.46%
2012 (1)	1,232,708,179	556,636,461	95,916,000	1,885,260,640	19.01	2,237,742,500	84.25%
2013	1,264,203,453	571,459,665	111,145,390	1,946,808,508	20.75	2,237,742,500	87.00%
2014	1,275,660,981	567,198,165	117,035,520	1,959,894,666	21.85	2,234,376,700	87.72%
2015	1,487,308,702	612,872,638	117,761,940	2,217,943,280	20.13	2,234,376,700	99.26%
2016	1,665,190,615	631,635,662	130,843,020	2,427,669,297	21.32	2,791,398,900	86.97%

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)
2007	9.33	19.54	19.54	12.08
2008	9.95	20.76	20.76	12.85
2009	10.80	23.96	23.96	13.69
2010	12.09	29.00	29.00	16.57
2011	12.92	30.60	30.60	17.49
2012	13.81	32.92	32.92	20.00
2013	14.13	34.20	34.20	20.75
2014	14.88	36.04	36.04	21.85
2015	14.40	33.45	33.45	20.13
2016	14.25	32.25	32.25	21.32

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	2016			2007		
	Amount of Tax	Rank	Percentage of Total Tax Levy	Amount of Tax	Rank	Percentage of Total Tax Levy
Nstar Services.....	\$ 2,667,290	1	5.64%	\$ 605,662	3	2.05%
Urban Growth Properties.....	1,404,429	2	2.97%	826,542	1	2.80%
Anthony C Simboli.....	1,247,946	3	2.64%	803,065	2	2.72%
Demoulas Super Markets Inc.....	1,191,995	4	2.52%	360,486	6	1.22%
FR Chelsea Commons.....	1,113,853	5	2.36%	-	-	-
Griffin Way LLC.....	969,303	6	2.05%	595,065	4	2.01%
KeySpan/Boston Gas.....	590,865	7	1.25%	-	-	-
Catamount Petroleum Limited Partnership....	583,274	8	1.23%	295,435	9	1.00%
One North Boston.....	485,217	9	1.03%	-	-	-
Parkside Commons.....	444,982	10	0.94%	-	-	-
New England Produce Center.....	-	-	-	295,730	8	1.00%
Admiral Hill Association.....	-	-	-	300,873	7	1.02%
General Mills / Pillsbury.....	-	-	-	285,298	10	0.97%
Parkway Plaza Venture.....	-	-	-	437,508	5	1.48%
Total	\$ <u>10,699,154</u>		<u>22.62%</u>	\$ <u>4,805,664</u>		<u>16.27%</u>

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
2007	29,542,591	28,584,863	96.76%	87,245	28,672,108	97.05%
2008	31,094,201	30,159,309	96.99%	554,283	30,713,592	98.78%
2009	32,533,065	31,721,963	97.51%	561,502	32,283,465	99.23%
2010	34,888,374	33,582,088	96.26%	656,313	34,238,401	98.14%
2011	36,340,614	35,212,941	96.90%	786,348	35,999,289	99.06%
2012	37,698,372	37,043,761	98.26%	671,510	37,715,271	100.04%
2013	40,399,463	39,627,287	98.09%	839,373	40,466,660	100.17%
2014	42,820,454	42,549,387	99.37%	577,035	43,126,422	100.71%
2015	44,639,903	44,626,213	99.97%	439,281	45,065,494	100.95%
2016	47,289,241	46,733,354	98.82%	-	46,733,354	98.82%

Source: Assessing Department



# RATIOS OF OUTSTANDING DEBT BY TYPE

## LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Median Family Income (1)	Per Capita (1)
	General Obligation Bonds	State House Notes	Loans	General Obligation Bonds	MWRA and MWPAT Notes			
2007	49,921,891	-	-	12,113,106	645,439	62,680,436	5.92%	1,787
2008	43,867,534	-	-	11,684,463	894,255	56,446,252	5.36%	1,615
2009	49,917,541	-	-	11,217,947	1,866,489	63,001,977	5.97%	1,801
2010	43,603,997	-	-	10,399,950	1,887,642	55,891,589	5.29%	1,592
2011	23,623,841	420,000	-	11,299,067	3,156,511	38,499,419	2.78%	1,097
2012	21,341,482	335,000	-	10,252,455	3,182,629	35,111,566	2.47%	998
2013	20,021,537	250,000	1,400,000	9,273,463	4,102,147	35,047,147	2.31%	996
2014	17,481,507	165,000	1,400,000	9,588,493	4,615,206	33,250,206	2.15%	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	1.93%	914

**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		
2007	62,034,997	9,430,547	52,604,450	2.15%	1,500
2008	55,551,997	9,927,538	45,624,459	1.89%	1,301
2009	61,135,488	10,400,021	50,735,467	2.28%	1,446
2010	54,003,947	10,648,346	43,355,601	2.20%	1,236
2011	34,922,908	-	34,922,908	1.81%	996
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

**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 2015			
Fiscal year 2016 equalized valuation.....	\$	2,791,398,900	
Normal debt limit (5% of equalized valuation).....		139,569,945	
Debt applicable to limit:			
Total bonded debt.....		19,747,224	
Less: General obligation bonds exempted by authority of state legislature.....		(2,220,000)	
Total net debt applicable to limit.....		17,527,224	
Legal debt margin.....	\$	122,042,721	
		Fiscal Year	
		2007	2008
			2009
Normal debt limit.....	\$	132,105,791	\$ 142,817,356
Total net debt applicable to limit.....		4,831,891	4,942,534
Legal debt margin.....	\$	127,273,900	\$ 137,874,822
Total net debt applicable to the limit as a percentage of normal debt limit.....		3.66%	3.46%
			11.96%

Fiscal Year						
2010	2011	2012	2013	2014	2015	2016
\$ 117,208,420	\$ 117,208,420	\$ 111,887,125	\$ 111,887,125	\$ 111,718,835	\$ 111,718,835	\$ 139,569,945
<u>20,793,997</u>	<u>24,043,841</u>	<u>16,965,982</u>	<u>16,196,287</u>	<u>13,656,257</u>	<u>12,217,047</u>	<u>17,527,224</u>
<u>\$ 96,414,423</u>	<u>\$ 93,164,579</u>	<u>\$ 94,921,143</u>	<u>\$ 95,690,838</u>	<u>\$ 98,062,578</u>	<u>\$ 99,501,788</u>	<u>\$ 122,042,721</u>
17.74%	20.51%	15.16%	14.48%	12.22%	10.94%	12.56%

# **DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

JUNE 30, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Massachusetts Water Resource Authority.....	\$ 5,775,115,000	1.72%	\$ 99,260,848
City direct debt.....			<u>19,747,224</u>
Total direct and overlapping debt.....			<u><u>\$ 119,008,072</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
2006	35,080	30,161 (3)	5.8%	14,628 (3)
2007	35,080	30,161	6.4%	14,628
2008	35,080	30,161	6.3%	14,628
2009	35,080	30,161	9.4%	14,628
2010	35,080	30,161	10.6%	14,628
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

**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 2006-2009 (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	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of Chelsea.....	1,317	1	7.15%	1,217	1	8.92%
MITC.....	1,000	2	5.43%	1,100	2	8.06%
Market Basket.....	900	3	4.89%	300	4	2.20%
MWRA.....	549	4	2.98%	564	3	4.13%
State Garden.....	500	5	2.72%	N/A	N/A	N/A
Kayem Foods.....	323	6	1.75%	179	9	1.31%
Massachusetts General Hospital.....	245	7	1.33%	250	6	1.83%
Metropolitan Credit Union .....	216	8	1.17%	221	8	1.62%
Paul Reverse Transportation.....	200	9	1.09%	260	5	1.91%
Soldiers Home.....	200	10	1.09%	N/A	N/A	N/A
Signature Breads.....		N/A	N/A	230	7	1.69%
Stop & Shop.....		N/A	N/A	147	10	1.08%
Total	5,450		29.60%	4,468		32.76%

Source: Department of Planning and Development

# EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Full-Time Equivalent Employees as of June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government.....	54	55	55	55	48	48	49	50	50	51
Public safety.....	212	215	216	225	218	225	227	231	240	244
Education.....	871	901	926	930	907	910	918	894	923	960
Public works .....	25	25	25	25	22	24	24	26	26	26
Health and human services....	37	37	37	30	30	30	30	31	31	18
Culture and recreation.....	8	8	8	8	7	7	7	7	7	7
Community development.....	10	9	8	7	7	7	7	7	7	8
Water and sewer.....	5	5	5	3	3	3	3	3	3	3
Total.....	<u>1,222</u>	<u>1,255</u>	<u>1,280</u>	<u>1,283</u>	<u>1,242</u>	<u>1,254</u>	<u>1,265</u>	<u>1,249</u>	<u>1,287</u>	<u>1,317</u>

Source: Various departments



## OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	2007	2008	2009	2010	2011
Public safety					
Police					
Offenses committed.....	7,632	8,795	9,110	9,450	8,624
Crime-related incidents.....	3,543	3,878	3,744	3,626	3,244
Non-crime related incidents.....	1,707	1,636	1,611	1,846	1,857
Arrests (on view).....	1,577	1,713	1,793	1,825	1,871
Arrests (based on incident/warrants).....	408	388	399	429	500
Summons arrests.....	10	6	5	4	2
Total arrests.....	1,995	2,107	2,197	2,258	2,373
Juvenile arrests.....	137	124	95	70	118
Hearings.....	533	559	589	834	585
Summons.....	340	383	573	652	510
Restraint orders.....	373	367	381	352	379
Citations.....	3,561	6,966	7,795	8,325	7,799
Fire					
Fires extinguished (1).....	326	268	271	376	317
Education					
Public school enrollment.....	5,571	5,603	5,641	5,699	5,709
Culture and recreation					
Library volumes in collection.....	76,633	77,103	79,025	80,443	71,260
Library volumes borrowed.....	49,459	53,136	61,501	74,340	68,649
Water					
Average daily consumption (1) (million gallons/day).....	3.010	2.750	3.040	3.048	3.064
Peak daily consumption (1) (million gallons/day).....	4.400	3.700	3.940	3.700	3.418
Sewer					
Average daily sewage treatment (1) (million gallons/day).....	4.030	4.350	4.130	3.900	5.080

**Source:** Various departments

(1) Data is on a calendar year basis

(2) Data is not available

Fiscal Year				
2012	2013	2014	2015	2016
8,483	7,227	6,948	6,489	6,050
3,406	3,296	3,134	2,862	2,782
1,789	1,865	2,092	2,285	1,451
1,630	1,468	1,306	1,353	1,246
413	390	452	407	344
3	4	8	34	40
2,046	1,862	1,766	1,794	1,630
70	101	106	108	100
640	471	438	357	314
498	374	349	442	426
335	407	346	391	356
8,188	6,371	7,126	4,986	3,654
425	395	430	(2)	N/A
5,883	6,044	6,288	6,554	6,574
72,348	66,487	72,617	64,735	59,672
67,912	64,721	63,588	60,073	71,930
3.077	3.078	3.206	3.264	3.250
3.800	3.700	3.900	(2)	N/A
5.490	4.350	4.870	5.200	5.210

## CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

## LAST TEN FISCAL YEARS

Function/Program	Fiscal Year						
	2007	2008	2009	2010	2011	2012	2013
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.....	1,708	1,805	1,805	1,771	1,771	1,771	1,771
Traffic signals.....	47	47	47	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		
2014	2015	2016
1	1	1
3	3	3
6	6	6
4	4	4
44	44	44
1,771	1,771	1,821
53	53	53
1	1	1
61	61	61
41	41	41

