



City of Chelsea, Massachusetts

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2019

On the cover: Just one mile north of Boston, a spanning view of Downtown Chelsea from atop the historic City Hall building's clock-tower.

CITY OF CHELSEA, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

Thomas G. Ambrosino, City Manager



Prepared by the Finance Division



This page intentionally left blank.

INTRODUCTORY SECTION



Above: Public Art painted by community members in collaboration with GreenRoots as part of the Re-Imagining (Downtown) Broadway Initiative.

Photo Credit: Silvia Lopez Chavez.



This page intentionally left blank.

**CITY OF CHELSEA, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019**

TABLE OF CONTENTS

| | <u>Page(s)</u> |
|--|----------------|
| <u>INTRODUCTORY SECTION</u> | |
| Letter of Transmittal..... | 1-4 |
| Certificate of Achievement for Excellence in Financial Reporting..... | 6 |
| Principal City Officials..... | 7 |
| Organizational Chart | 8-9 |
| <u>FINANCIAL SECTION</u> | |
| Independent Auditor’s Report | 13-15 |
| Management’s Discussion and Analysis | 17-28 |
| Basic Financial Statements: | |
| Statement of Net Position | 30 |
| Statement of Activities..... | 31 |
| Balance Sheet – Governmental Funds | 32 |
| Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position | 33 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 34 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 35 |
| Statement of Net Position – Proprietary Funds..... | 36 |
| Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds..... | 37 |
| Statement of Cash Flows – Proprietary Funds..... | 38 |
| Statement of Fiduciary Net Position | 39 |
| Statement of Changes in Fiduciary Net Position | 40 |
| Notes to Basic Financial Statements..... | 41-76 |
| Required Supplementary Information: | |
| Schedule of Changes in Employers’ Net Pension Liability and Related Ratios (System)..... | 78 |
| Schedule of Employer Contributions (System) | 79 |
| Schedule of Investment Returns (System)..... | 79 |
| Schedule of the City’s Proportionate Share of the Net Pension Liability..... | 80 |
| Schedule of the City’s Contributions to Pension Plan | 80 |
| Schedule of the Commonwealth’s Collective Share of Net Pension Liability – Massachusetts Teachers’ Retirement System..... | 81 |
| Schedule of Changes in Net OPEB Liability and Related Ratios | 82 |
| Schedule of Contributions to OPEB Plan | 83 |
| Schedule of Investment Returns – OPEB Plan | 83 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund | 84-88 |
| Notes to Required Supplementary Information | 89-90 |

**CITY OF CHELSEA, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019**

TABLE OF CONTENTS

| | <u>Page(s)</u> |
|--|----------------|
| <u>FINANCIAL SECTION (continued)</u> | |
| Combining Statements: | |
| <i>Nonmajor Governmental Funds</i> | 92-93 |
| Combining Balance Sheet – Nonmajor Governmental Funds | 94-97 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | 98-101 |
| <i>Internal Service Funds</i> | 102 |
| Combining Statement of Net Position – Internal Service Funds | 103 |
| Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds | 104 |
| Combining Statement of Cash Flows – Internal Service Funds | 105 |
| <i>Fiduciary Funds</i> | 106 |
| Statement of Changes in Assets and Liabilities – Agency Fund | 107 |
| <u>STATISTICAL SECTION</u> | |
| Narrative | 110 |
| Net Position by Component – Last Ten Fiscal Years..... | 111 |
| Changes in Net Position – Last Ten Fiscal Years | 112-113 |
| Fund Balances, Governmental Funds – Last Ten Fiscal Years | 114 |
| Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years | 115 |
| Assessed Value and Estimated Actual Value of Taxable Property By Classification –Last Ten Fiscal Years | 116 |
| Direct Property Tax Rates – Last Ten Fiscal Years | 117 |
| Principal Taxpayers – Current Year and Nine Years Ago | 118 |
| Property Tax Levies and Collections – Last Ten Fiscal Years..... | 119 |
| Ratios of Outstanding Debt by Type – Last Ten Fiscal Years | 120 |
| Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years | 121 |
| Computation of Legal Debt Margin – Last Ten Fiscal Years | 122 |
| Direct and Overlapping Governmental Activities Debt | 123 |
| Demographic and Economic Statistics – Last Ten Calendar Years | 124 |
| Principal Employers – Current Year and Nine Years Ago..... | 125 |
| Full-time Equivalent City Employees by Function – Last Ten Fiscal Years | 126 |
| Operating Indicators by Function/Program – Last Ten Fiscal Years | 127 |
| Capital Asset Statistics by Function/Program – Last Ten Fiscal Years | 128 |



CITY OF CHELSEA, MA
Office of the City Manager

Thomas G. Ambrosino

City Manager

City Hall, Broadway, Room 302 · Chelsea, MA 02150

Office: (617)466-4100 · Email: tambrosino@chelseama.gov

December 20, 2019

Dear Councilors:

I am pleased to submit the City of Chelsea's *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended June 30, 2019. This letter of transmittal, and management's discussion and analysis as located in the financial section of the CAFR, provides a comprehensive financial overview of the City.

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

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

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

REPORTING ENTITY AND SERVICES PROVIDED

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

The City has included the Chelsea Contributory Retirement System (System) as a component unit (blended) in the basic financial statements. The financial statements of the System are presented for the year ended December 31, 2018, 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 approximately 40,000 and occupies a land area of 1.8 square miles.

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

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

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

ECONOMIC CONDITIONS

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

Chelsea has taken positive steps to minimize the impact of stagnant state aid. Due to conservative fiscal management over the past decade, Chelsea has created healthy reserves. Therefore, even though Chelsea will utilize a small amount of free cash reserves to balance its budget in FY20, and likely in the next few fiscal years as well, it has built up sufficient reserves to enable it to meet its budgetary needs for at least the next five years without any significant shortfall. However, long-term, it is essential that Chelsea generate additional revenue, and it can only do that with continued economic development. It is for that reason that Chelsea continues to aggressively seek growth, albeit in a manner that is properly planned and respectful of potential negative impacts such as traffic and gentrification.

Chelsea's economic development potential remains extremely positive due to three major assets: proximity to the Airport; proximity to Downtown Boston; and a robust public transportation network. Public transportation options have improved even more with the opening of Phase I of the Silver Line Project into Chelsea. These attributes have contributed to make Chelsea an incredibly attractive community for both residential and commercial development. The evidence is obvious from the projects recently completed, as well as those in the pipeline. Both phases of the residential apartment complex known as One North of Boston on Sixth Street are now completed and occupancy has been robust. Nearby, in the Everett Avenue Urban Renewal District, construction has commenced on

a major 692 unit residential development, geared to meet the demand expected from completion of the Silver Line. The City has also permitted another 594 unit development on the Forbes site in the northeastern corridor of the City. There are also five major hotels in the City, and one of those just completed a major expansion. And a new Hilton Hampton Inn is under construction.

RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters, for all of which the City carries commercial insurance.

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

CAPITAL FINANCING AND DEBT MANAGEMENT

The City's debt burden is relatively low in relation to other communities. Outstanding long-term debt (related to governmental funds) as of June 30, 2019, totaled approximately \$23,837,003, of which \$10,805,000 relates to school remodeling projects and \$3,740,000 relates to urban renewal, leaving a balance of approximately \$9,292,003 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 (\$646,696 in FY19). In order to maintain this type of funding, even in difficult economic conditions, various Stabilization Funds have been established and, as of June 30, 2019, these funds totaled approximately \$28,406,107.

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, 2019, general fund cash and cash equivalents totaled \$18,690,536.

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 Roselli, Clark & Associates performed the City's annual audit for the fiscal year ended June 30, 2019. The independent auditors' report on the basic financial statements, for the fiscal year ended June 30, 2019, is included herein and contains an unmodified opinion.

CERTIFICATES, AFFILIATIONS AND AWARDS

For the twenty first 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, 2018 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 2019 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 2019 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.

Sincerely,

A handwritten signature in black ink, reading "Thomas G. Ambrosino". The signature is fluid and cursive, with the first name "Thomas" being the most prominent.

Thomas G. Ambrosino
City Manager



This page intentionally left blank.



Government Finance Officers Association

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

Presented to

**City of Chelsea
Massachusetts**

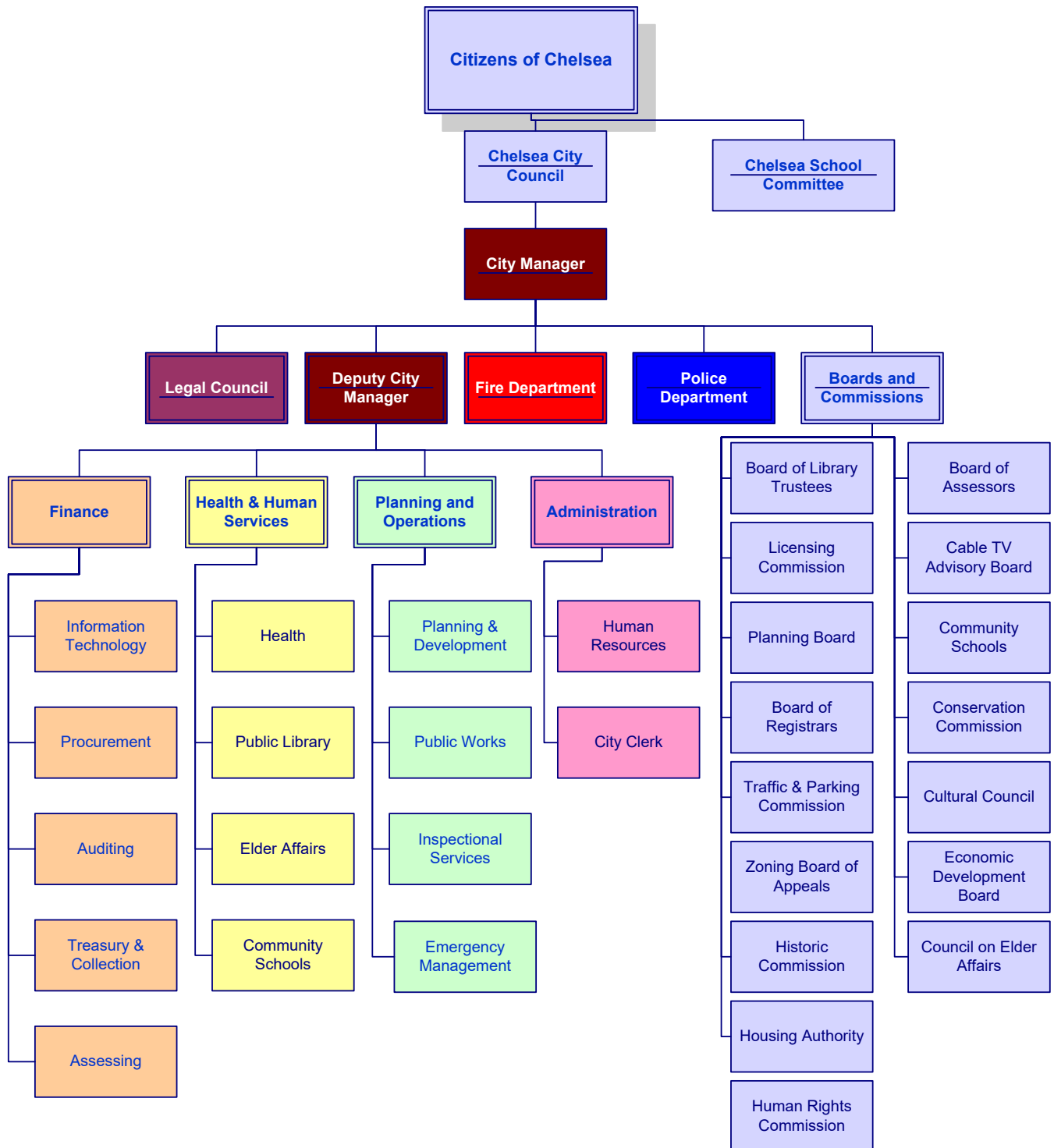
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrell

Executive Director/CEO

City of Chelsea Organization



Principal Officials

| Department | Official(s) | Additional Areas of Authority |
|-------------------------|--|---|
| Assessors | Mary-Lou Ireland, Director | Chairperson, Board of Assessors |
| Auditing | Edward Dunn, City Auditor | |
| City Clerk | Jeannette Cintron White, City Clerk | Traffic & Parking |
| City Council | Damali Vidot, President Paul Casino, Administrator | |
| Executive | Thomas Ambrosino, City Manager Ned Keefe, Deputy City Manager | |
| Emergency Management | Keith Vetreno, Director | E911 |
| Fire | Leonard Albanese, Chief | |
| Health & Human Services | Luis Prado, Director | Elder Affairs, Health, Library, Veterans Services, Community Schools |
| Human Resources | Diane Carey, Director | |
| Inspectional Services | Michael McAteer, Director | |
| Legal | Cheryl Watson Fisher, City Solicitor | |
| M.I.S. | Ramon Garcia, Chief Information Officer | |
| Planning & Development | John DePriest, Director | Planning, Economic Development, Housing |
| Police | Brian Kyes, Chief | Animal Control, Harbor Master |
| Public Works | Fidel Maltez, Public Works Commissioner | |
| Retirement Board | Joseph Siewko, Chairman | |
| School | Jeanette Velez, Chairperson Mary M. Bourque, Superintendent | |
| Treasurer/Collector | Patrice Montefusco, Treasurer/Collector | Central Billing and Research |
| Veteran Services | Francisco Toro, Director | |

City Council

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

School Committee

| | |
|----------------|--|
| At Large | Frank DePatto |
| District One | Rosemarie Carlisle, <i>Delegate to City Council</i> |
| District Two | Jeanette Velez, <i>Chairperson</i> |
| District Three | Marisol Santiago |
| District Four | Lucia Henriquez |
| District Five | Henry David Wilson, <i>Delegate to Shore Collaborative</i> |
| District Six | Ana Hernandez, <i>Vice-chair</i> |
| District Seven | Kelly Garcia |
| District Eight | Yessenia Alfaro |



This page intentionally left blank.

FINANCIAL SECTION



Above: Overlook of Bellingham Square Silverline and Commuter Rail Stations in Chelsea. The new SL3 route travels from Chelsea through East Boston and Logan Airport to South Station, providing much needed direct access to the Seaport District and Downtown Boston since the route began operating in April 2018. Inset: SL3 Silverline Chelsea bus.



This page intentionally left blank.



INDEPENDENT AUDITOR'S REPORT

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, (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents, (except for the Chelsea Contributory Retirement System, (the "System" or "Retirement System") which is as of December 31, 2018).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit includes 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, as of June 30, 2019, (except for the System which is as of December 31, 2018) 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.

Restatement of Prior Year Ending Balances

As more fully described in Note IV, a restatement of prior year ending net position balances was made to the City's governmental activities, business-type activities, City Capital Project major governmental fund and the Water and Sewer Enterprise Fund. Our opinion was not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and statistical sections have not

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

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2019, on our consideration of the City of Chelsea, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Chelsea, Massachusetts' internal control over financial reporting and compliance.



Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts 01801
December 20, 2019



This page intentionally left blank.

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the City, we offer readers of the accompanying financial statements this narrative overview and analysis of the financial activities of the City and its component unit for the fiscal year ended June 30, 2019.

Financial Highlights

- The City's assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by almost \$37.3 million.
- The government's total net position increased by over \$23.2 million. This consisted of an increase in governmental activities' net position by about \$21.0 million combined by an increase in business-type activities' net position by about \$2.2 million.
- The City's Unassigned Fund Balance reported in the General Fund was almost \$40.7 million (21.9% of General Fund expenditures). Total Fund Balance in the General Fund was over \$53.1 million (28.6% of General Fund expenditures).
- The City's total debt decreased by over \$1.2 million to about \$38.3 million during the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The *statement of position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

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

The governmental activities of the City include general government, public safety, highways and streets, sanitation, education, economic development, debt service, fringe benefits and culture and recreation. The business-type activities of the City are comprised completely of the water and sewer enterprise fund.

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

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

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

Proprietary funds – The City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer enterprise. *Internal service funds* are used to report activities that service all other City Departments. The City uses internal service funds to account for its self-insured employee and retiree health, and, worker's compensation plans.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

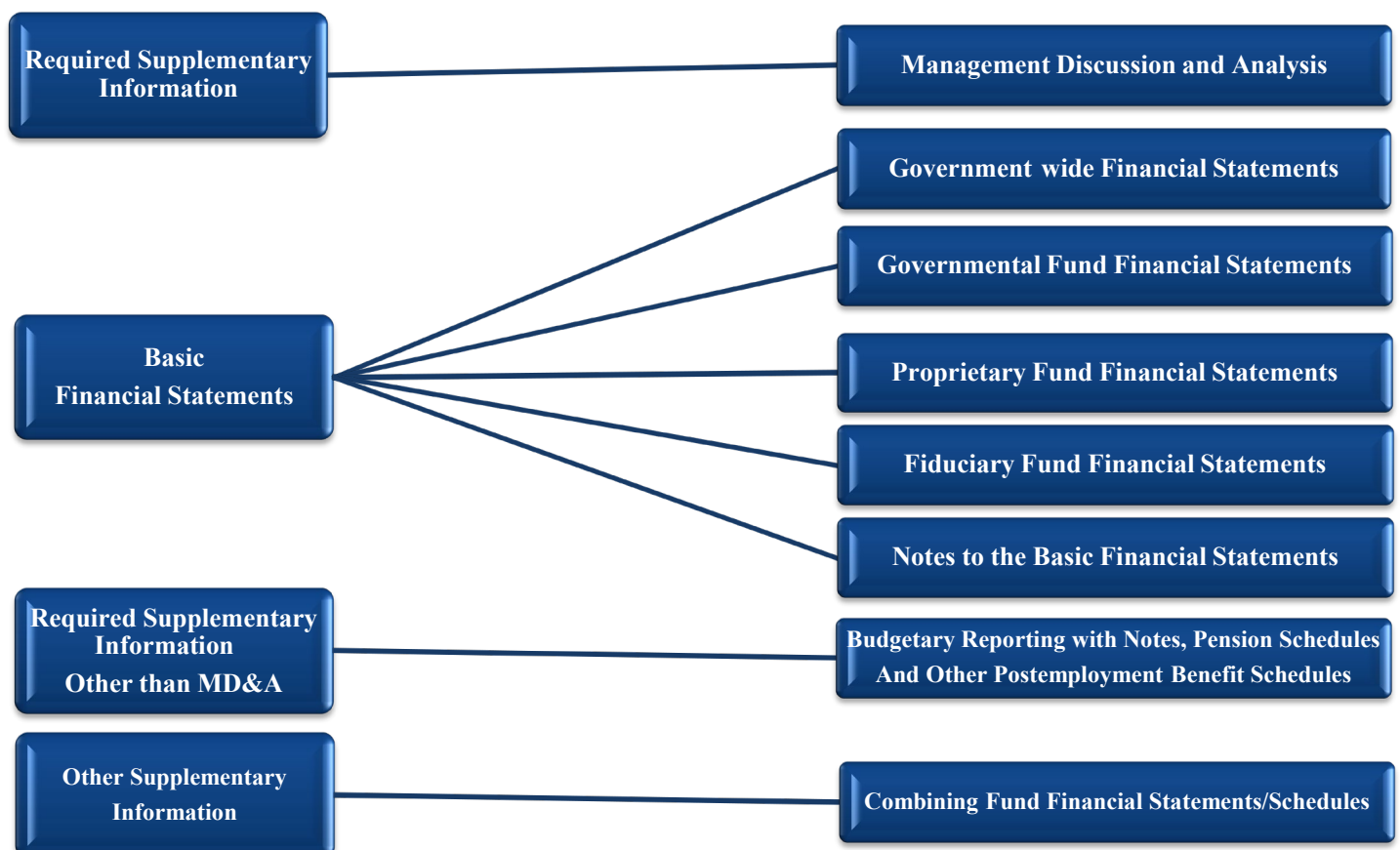
Fiduciary funds include a combined fund to account for the City’s Pension and OPEB trusts in addition to Private Purpose Trust funds and Agency funds. The Pension System is a legally separate entity reported as a fiduciary fund. Because the Pension System services the City almost entirely, it is presented as a blended component unit as if it were part of the primary government as a fiduciary fund due to the significance of its operations.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s Pension and Other Postemployment Benefit Plans as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and notes to this schedule.

The layout and relationship of the financial statements and supplementary information is visually illustrated in *Illustration 1*.

Illustration 1 – Relationship of Financial Statement information



Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, its assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by almost \$37.3 million. Condensed net position data is presented as follows:

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------------------|--------------------------------|------------------------|---------------------------------|----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| <u>Assets</u> | | | | | | |
| Current and other assets | \$ 119,570,424 | \$ 114,312,521 | \$ 23,187,427 | \$ 23,641,513 | \$ 142,757,851 | \$ 137,954,034 |
| Capital assets, net | 201,532,701 | 194,521,098 | 38,193,852 | 35,615,242 | 239,726,553 | 230,136,340 |
| Total Assets | 321,103,125 | 308,833,619 | 61,381,279 | 59,256,755 | 382,484,404 | 368,090,374 |
| Deferred outflows of resources | 15,382,796 | 7,434,309 | 88,185 | 42,618 | 15,470,981 | 7,476,927 |
| <u>Liabilities</u> | | | | | | |
| Current liabilities | 9,568,355 | 17,506,059 | 332,100 | 617,737 | 9,900,455 | 18,123,796 |
| Long-term liabilities | 307,962,989 | 278,500,293 | 16,007,378 | 15,358,874 | 323,970,367 | 293,859,167 |
| Total Liabilities | 317,531,344 | 296,006,352 | 16,339,478 | 15,976,611 | 333,870,822 | 311,982,963 |
| Deferred inflows of resources | 26,673,366 | 37,643,669 | 146,406 | 208,001 | 26,819,772 | 37,851,670 |
| <u>Net Position</u> | | | | | | |
| Net investment in capital assets | 186,637,819 | 180,490,997 | 27,575,431 | 28,462,797 | 214,213,250 | 208,953,794 |
| Restricted | 30,279,296 | 39,752,744 | - | - | 30,279,296 | 39,752,744 |
| Unrestricted | (224,635,904) | (237,625,834) | 17,408,149 | 14,651,964 | (207,227,755) | (222,973,870) |
| Total Net Position | \$ (7,718,789) | \$ (17,382,093) | \$ 44,983,580 | \$ 43,114,761 | \$ 37,264,791 | \$ 25,732,668 |

By far, the largest portion (approximately \$214.2 million) of the City's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion, approximately \$30.3 million, of the City's net position represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position is reported as a deficit, of approximately \$207.2 million. This is due to the recognition of significant net pension and net other postemployment benefit liabilities reported under GASB 68 and GASB 75. These deficits are expected to continue into the future until these liabilities become fully funded.

Condensed changes in net position data is presented as follows:

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|-----------------|---------------------------------|---------------|---------------|---------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| <u>Revenues</u> | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 13,652,798 | \$ 11,507,739 | \$ 22,270,490 | \$ 20,408,211 | \$ 35,923,288 | \$ 31,915,950 |
| Operating grants and contributions | 115,010,624 | 113,724,871 | 155,000 | 194,881 | 115,165,624 | 113,919,752 |
| Capital grants and contributions | 8,390,138 | 12,641,881 | 619,400 | 12,880 | 9,009,538 | 12,654,761 |
| General revenues: | | | | | | |
| Property taxes | 57,596,190 | 55,252,170 | - | - | 57,596,190 | 55,252,170 |
| Excise and other taxes | 17,555,212 | 13,186,564 | - | - | 17,555,212 | 13,186,564 |
| Grants and contributions not restricted | 8,590,509 | 9,607,782 | - | - | 8,590,509 | 9,607,782 |
| Other | 8,568,176 | 6,063,981 | - | - | 8,568,176 | 6,063,981 |
| Total Revenues | 229,363,647 | 221,984,988 | 23,044,890 | 20,615,972 | 252,408,537 | 242,600,960 |
| <u>Expenses</u> | | | | | | |
| General government | 11,593,140 | 11,782,911 | - | - | 11,593,140 | 11,782,911 |
| Public safety | 45,983,955 | 44,174,310 | - | - | 45,983,955 | 44,174,310 |
| Education | 135,384,643 | 134,570,283 | - | - | 135,384,643 | 134,570,283 |
| Public works | 11,831,133 | 11,849,345 | - | - | 11,831,133 | 11,849,345 |
| Health and human services | 2,177,795 | 2,045,247 | - | - | 2,177,795 | 2,045,247 |
| Culture and recreation | 1,192,222 | 1,184,054 | - | - | 1,192,222 | 1,184,054 |
| Community development | 2,102,001 | 2,600,756 | - | - | 2,102,001 | 2,600,756 |
| Interest expense | 965,162 | 790,286 | - | - | 965,162 | 790,286 |
| Water and sewer | - | - | 17,963,654 | 14,956,501 | 17,963,654 | 14,956,501 |
| Total Expenses | 211,230,051 | 208,997,192 | 17,963,654 | 14,956,501 | 229,193,705 | 223,953,693 |
| Increase (decrease) in net position before transfers | 18,133,596 | 12,987,796 | 5,081,236 | 5,659,471 | 23,214,832 | 18,647,267 |
| Transfers | 2,872,035 | 1,094,263 | (2,872,035) | (1,094,263) | - | - |
| Increase (decrease) in net position | 21,005,631 | 14,082,059 | 2,209,201 | 4,565,208 | 23,214,832 | 18,647,267 |
| Net position, beginning of year | (17,382,093) | (31,464,152) | 43,114,761 | 38,549,553 | 25,732,668 | 7,085,401 |
| Restatement for capital project funds | 339,959 | - | (339,959) | - | - | - |
| Restatement for capital assets | (4,399,685) | - | 49,857 | - | (4,349,828) | - |
| Restatement for compensated absences | 1,951,000 | - | - | - | 1,951,000 | - |
| Restatement for net OPEB liability | (9,233,601) | - | (50,280) | - | (9,283,881) | - |
| Net position, beginning of year, as restated | (28,724,420) | (31,464,152) | 42,774,379 | 38,549,553 | 14,049,959 | 7,085,401 |
| Net position, end of year | \$ (7,718,789) | \$ (17,382,093) | \$ 44,983,580 | \$ 43,114,761 | \$ 37,264,791 | \$ 25,732,668 |

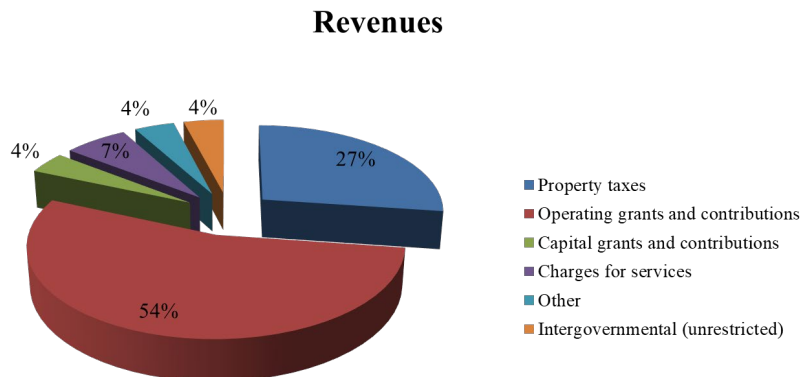
Governmental Activities – The governmental activities increased net position by approximately \$21.0 million.

The primary reasons for this net increase are discussed within the following sections:

Major sources of revenue for governmental activities consist of:

(1) Property taxes which represented 25.1% of total revenues or an increase of over \$2.3 million over the prior year; under Massachusetts General Laws, communities are allowed to assess taxes at 2 ½% of the prior year (added \$1.3 million) plus any new growth (added \$1.6 million); in addition, tax liens in the prior year were greater than the current year which made up the majority of the net difference. Therefore, this net increase met a net increase that was expected from year to year.

(2) Operating grants make up about 50% of the City's total revenues. These are made up of local distributions from the State for general and school operating purposes as well as amounts contributed to teacher pensions under a special funding situation. Amounts are usually consistent from year to year. The small increase of 1.1% from the prior year is consistent with cost of living increases.



(3) Charges for services represent fees the City receives from various services it provides to its constituents. Representing 6% of total revenues, the increase of over \$2.1 million over the prior year is consistent with robust economic conditions in the Northeast and its impact on all local fees and services.

(4) Excise and other taxes represent motor vehicle, meals and hotel excise. Representing 7.7% of total revenue, the increase of \$4.4 million, similar to charges for services, is consistent with robust conditions in the Northeast in addition to increased revenues from rental car companies.

(5) Capital grants and contributions represents a modest (3.7%) of total revenue, however it is identified due to the reduction from the prior year of \$4.3 million. This is directly related to the Clark Avenue School construction project. The School, which qualifies for reimbursements from the Massachusetts School Building Authority, is nearly complete with a target date for completion in fiscal 2020. As a result, construction in the current year was less than the prior year and resulted in less reimbursements from the State for this grant eligible educational facility.

(6) All other revenue categories were either not significant or did not experience major fluctuations from year to year.

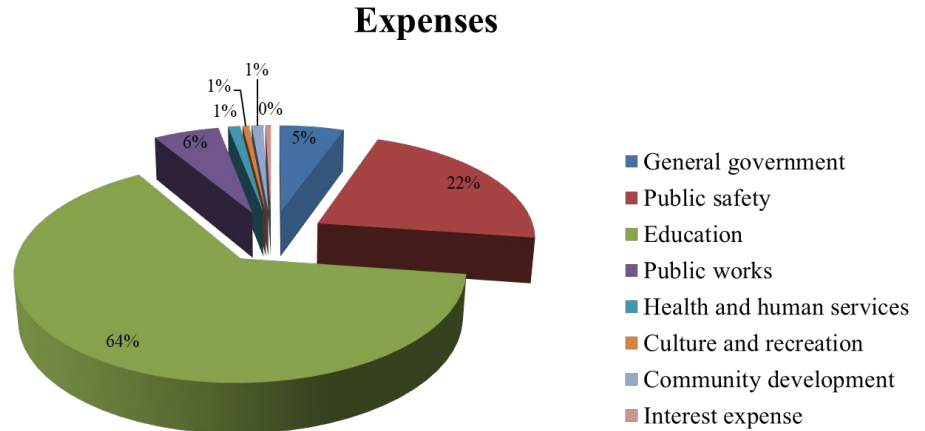
Major expense outlays incurred by governmental activities are summarized as follows:

Expenses in total were relatively flat year to year; an increase of 1.1%. This was expected as the City continues to manage its expenses by aggressively seeking cost cuts where possible and competitive procurement.

The significant increase in revenue as highlighted above as compared to flat expenses is the primary reason for the increase in net position.

The following expenses are the largest expenses in City Government:

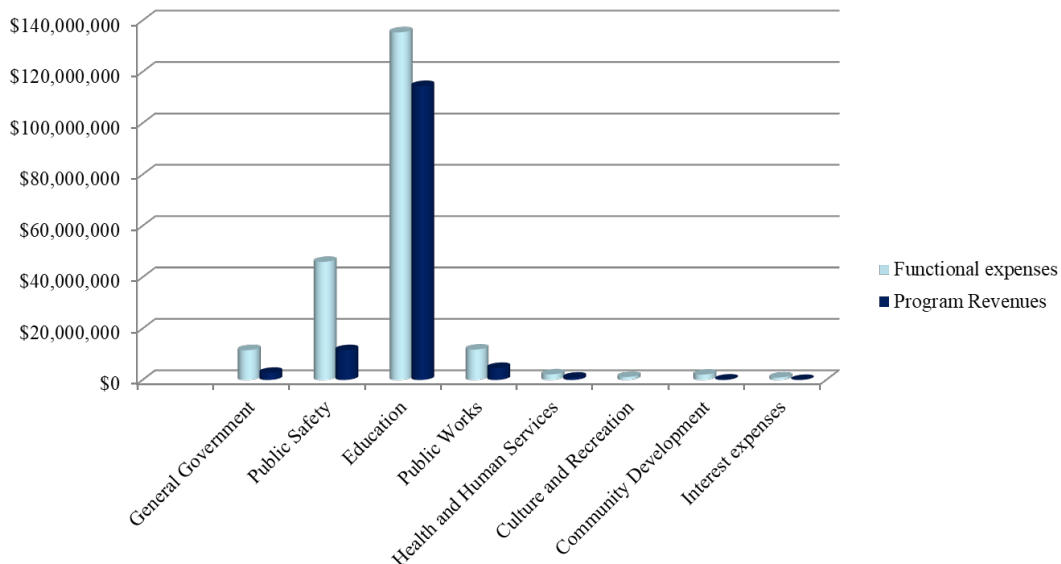
- (1) Education – representing 64% of total expenses, the City continues to devote significant resources to the quality of its education. Amounts were consistent with the prior year with a slight increase consistent with cost of living increases. In addition, Massachusetts requires School Districts to meet a net cost per student spending mandate. The City has once again achieved this level.



- (2) Public Safety is another significant expense, representing 21.8% of total expenses. Protecting the City's streets and residents is a priority to City Management and thus why a moderate level of resources are devoted to the safety of the City's citizens. The increase over the prior year of \$1.8 million is consistent with collective bargaining mandates.

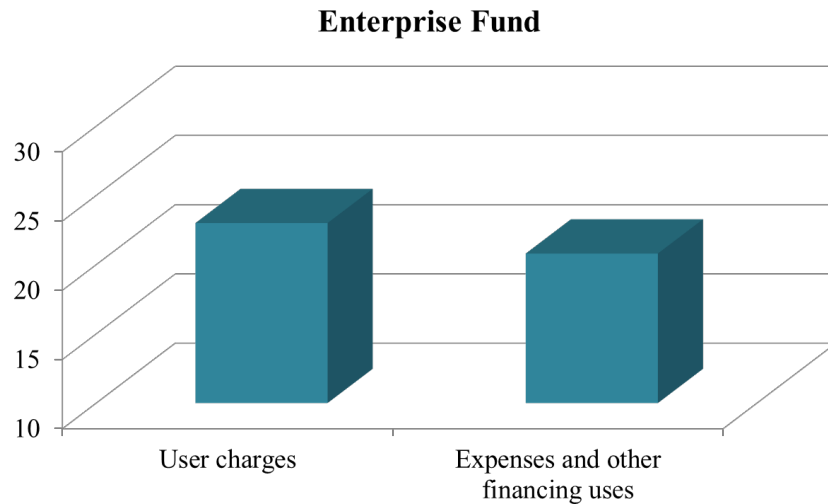
The remainder of the City's functional expense categories are either not significant or did not fluctuate significantly from year to year.

Functional expenses as compared to program revenues are illustrated as follows:



Business-type Activities – Net position of the business-type activities increased by approximately \$2.2 million (5.2% of business-type activities’ net position) over the prior year balances. The City typically sets its water and sewer rates to cover operating expenses; both those incurred directly in the enterprise fund and those incurred in the general fund on behalf of the enterprise fund. In addition, the rates are designed to also cover debt service. Since principal payback is not an expense under GAAP, user charges typically exceed expenses and financing uses, the difference being principal payback.

In the current year, both the City’s revenues and expenses in business-type activities increased. Revenue increased due to a rate increase of 7% and expenses increased due to an assessment increase of 9.5% from the Massachusetts Water Resources Authority. This is the State agency that provides water and sewer services to the City.



Fund-wide Financial Analysis of the Government’s Funds

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

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

As of the close of the current fiscal year, the City’s governmental funds balance sheet reported a combined ending fund balance of approximately \$96.0 million, an increase of approximately \$6.9 million over the prior year.

The net causes for this were:

1. An increase in the general fund of \$2.4 million. Positive operations of \$11.9 million were offset by appropriations of free cash (surplus) of \$8.9 million. The majority of the free cash appropriation was a transfer to the capital projects fund to subsidize city-wide capital activity. Large increases in revenues, especially building permits, excise, motor vehicle, meals, hotel excise and other local receipts were bolstered by the continued economic expansion in the Northeast as well as in the case of motor vehicle excise, increased revenues from rental car companies.

2. An increase to nonmajor funds of \$5.1 million, the more significant of which are observed in the following areas:
 - a. An increase in School Lunch funds of almost \$1 million due to increased participation in activities.
 - b. An increase to Community Preservation funds of over \$0.7 million as not all funds collected were earmarked during the year.
 - c. An increase in School Federal and State grants of \$2.4 million. This is due purely to timing of expenditures verse receipt of revenues.
3. Both the City Capital Projects fund and Clark Avenue School Construction Fund fluctuated by minor amounts due to the timing of revenues and expenditures.

The City's Unassigned Fund Balance reported in the General Fund was approximately \$40.7 million (21.9% of General Fund expenditures). Total Fund Balance in the General Fund was approximately \$53.1 million (28.6% of General Fund expenditures). The City reported combined restricted fund balances of about \$42.9 million in its Clark Avenue School Construction Fund, City Capital Projects Fund and Nonmajor funds. The remainder of governmental fund balances are minor amounts and are reflected as unassigned and nonspendable in the nonmajor funds.

Proprietary funds – The City's proprietary funds are made up of (1) the Water and Sewer Enterprise Fund which provides the same type of information found in the government-wide financial statements under business-type activities, but in more detail; and (2) the City's Internal Service Fund which accounts for the City's Employee and Retiree Health Insurance Plan and Worker's Compensation Plan. The Internal Service Fund increased almost \$3.6 million due to stop loss reimbursements on catastrophic claims and contributions exceeding claims.

Fiduciary Fund – The City's fiduciary fund is comprised of three fund types. The significant fund is a fund which combines the City's Retirement System and its OPEB fund. The Retirement System had over \$165.4 million in net position and the OPEB fund had nearly \$2.1 in net position.

The Retirement System net position decreased by over \$1.0 million due to adverse market conditions at the end of calendar year 2018 and the OPEB fund net position increased by \$2.0 million due to contributions exceeding claims by approximately this amount.

The City also includes Private Purpose Trust Funds in this category of funds. These increased by nearly \$0.3 million to over \$0.8 million due to donations from benefactors of about \$0.3 million.

The fund also includes Agency liabilities of over \$0.8 million.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were not material by function (less than 1% in total). The School budget was increased by over \$0.9 million and the Public Works budget was increased by nearly \$0.9 million. All other changes were not significant.

Major budget to actual differences on the revenue side in aggregate were about \$7.7 million over forecast. As discussed previously, Motor Vehicle Excise, Meals Excise, Hotel Excise, Building Permits and other local receipts continue to outpace estimates due to conservative revenue projections, robust economic conditions and increased revenue from rental car companies.

On the expenditure side, the larger differences are in Public Safety which beat budget by over \$0.6 million due to less overtime being used than budgeted. This is a difficult area to estimate. In addition, the City saved \$1.6 million in tuition assessments, another very difficult area to estimate.

Other smaller favorable budget variances were observed across all budget categories as the City continues to aggressively manage this area of its operations.

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

Capital Asset and Debt Administration

Capital Assets – The City’s investment in capital assets for its governmental and business type activities as of June 30, 2019 amounts to approximately \$239.7 million (net of accumulated depreciation) an increase from the previous year’s balance of approximately \$13.9 million. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, equipment, and software. The total increase is due to capital asset additions exceeding depreciation for the year.

The City has in recent years undergone major renovations to its educational facilities. Under pertinent Massachusetts general school construction regulations, the City is allowed to recoup a percentage of the construction costs thus only a fraction of the cost is passed to the taxpayer.

Additional information on the City’s capital assets can be found in Note II subsection D.

Long-term Debt – At the end of the current fiscal year, the City had total debt outstanding of approximately \$38.3 million. The entire amount comprises debt backed by the full faith and credit of the government. The City’s total debt decreased by approximately \$1.2 million during the fiscal year. Detail of this decrease can be observed in the following table:

| | |
|------------------------------------|-----------------------|
| Regular Scheduled Maturities: | |
| Governmental Activities | \$ (3,076,685) |
| Business-Type Activities | (2,601,735) |
| Issuance of Long-term Note or Bond | |
| Governmental Activities | 1,395,000 |
| Business-Type Activities | 3,075,000 |
| | <u>\$ (1,208,420)</u> |

The City’s most recent credit evaluation resulted in maintaining an “AA” rating –from Standard and Poor’s Investment Services for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0 % of its total assessed valuation. The current debt limitation for the City is approximately \$176.7 million, which is significantly in excess of the City’s outstanding general obligation debt classified as inside the debt limit.

The City also holds a proportionate share of debt of other governmental units that provide services within the City’s boundaries. The debt service from such arrangements is assessed annually to the City.

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

Economic Factors and Next Year's Budget and Rates

- Consistent with both State and National work force trends, the City's unemployment rates have continued to improve over the last 12 months. Rates are currently lower than pre-recession levels and the best they have been in decades.
- The City's real estate tax base is made up of residential, commercial, industrial and personal taxes. Just over ½ is residential as the City relies heavily on its commercial and industrial base which represents the majority of the other ½. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the City's ability to increase taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy.
- Consistent with both State and National indices, the City's housing market has experienced a significant positive trend since the end of the recession in 2011 and continues to increase due to the continued robust real estate market in the Greater Boston area.
- The City has responded well to the recent economic challenges. Reductions in local revenue, primarily interest income and other reductions in revenue have caused the City to aggressively seek other revenue producing initiatives in order to maintain appropriations in ways that preserve local service levels.

All of the above items were considered when the City developed its budget for fiscal year 2020. The budget was adopted in June of 2019 and the City's tax rate was certified in November 2019.

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 the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the City Manager, City Hall, 500 Broadway Chelsea, MA 02150.

BASIC FINANCIAL STATEMENTS



Above: Originally built in 1898, the Chelsea Police Station also served as the Court House (left). 102 years later, this building underwent extensive renovations in 2000 and now operates solely as a full-service Police Station (right).

Photo Courtesy of the Chelsea Police Department

CITY OF CHELSEA, MASSACHUSETTS

STATEMENT OF NET POSITION
JUNE 30, 2019

| | Primary Government | | |
|--|----------------------------|---------------------------|----------------------|
| | Governmental Activities | Business-Type Activity | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 68,850,683 | \$ 18,563,562 | \$ 87,414,245 |
| Investments | 37,290,469 | - | 37,290,469 |
| Receivables, net of allowance for uncollectibles: | | | |
| Real estate and personal property taxes | 673,453 | - | 673,453 |
| Tax and utility liens | 498,470 | 209,520 | 707,990 |
| Motor vehicle and other excise taxes | 1,352,908 | - | 1,352,908 |
| User charges | - | 4,414,345 | 4,414,345 |
| Trash | 296,333 | - | 296,333 |
| Departmental and other | 2,291,048 | - | 2,291,048 |
| Intergovernmental | 8,202,434 | - | 8,202,434 |
| Tax foreclosures | 114,626 | - | 114,626 |
| Capital assets not being depreciated | 25,922,423 | - | 25,922,423 |
| Capital assets, net of accumulated depreciation | 175,610,278 | 38,193,852 | 213,804,130 |
| Total Assets | 321,103,125 | 61,381,279 | 382,484,404 |
| Deferred Outflows of Resources | | | |
| Related to net pension liability | 15,382,796 | 88,185 | 15,470,981 |
| Total Deferred Outflows of Resources | 15,382,796 | 88,185 | 15,470,981 |
| Liabilities | | | |
| Warrants and accounts payable | 5,015,035 | 181,607 | 5,196,642 |
| Accrued payroll and withholdings | 1,093,463 | 7,796 | 1,101,259 |
| Tax refunds payable | 1,508,229 | - | 1,508,229 |
| Accrued interest expense | 324,880 | 120,551 | 445,431 |
| Health claims incurred but not reported | 1,433,811 | - | 1,433,811 |
| Other liabilities | 192,937 | 22,146 | 215,083 |
| Noncurrent liabilities: | | | |
| Due in one year or less | 4,324,001 | 2,591,362 | 6,915,363 |
| Due in more than one year | 303,638,988 | 13,416,016 | 317,055,004 |
| Total Liabilities | 317,531,344 | 16,339,478 | 333,870,822 |
| Deferred Inflows of Resources | | | |
| Related to net other postemployment benefits liability | 22,633,288 | 123,246 | 22,756,534 |
| Related to net pension liability | 4,040,078 | 23,160 | 4,063,238 |
| Total Deferred Inflows of Resources | 26,673,366 | 146,406 | 26,819,772 |
| Net Position | | | |
| Net investment in capital assets | 186,637,819 | 27,575,431 | 214,213,250 |
| Restricted: | | | |
| Nonexpendable permanent funds | 22,392 | - | 22,392 |
| Expendable permanent funds | 107,523 | - | 107,523 |
| Community development and redevelopment | 8,698,269 | - | 8,698,269 |
| Receipts reserved | 6,092,595 | - | 6,092,595 |
| Gifts and grants | 4,212,950 | - | 4,212,950 |
| Capital | 6,392,479 | - | 6,392,479 |
| Other specific purposes | 4,753,088 | - | 4,753,088 |
| Unrestricted | (224,635,904) | 17,408,149 | (207,227,755) |
| Total Net Position | \$ (7,718,789) | \$ 44,983,580 | \$ 37,264,791 |

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2019

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position | | |
|---------------------------------|-----------------------|----------------------|------------------------------------|----------------------------------|---|------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activity | Total |
| <u>Primary Government:</u> | | | | | | | |
| <i>Governmental Activities:</i> | | | | | | | |
| General government | \$ 11,593,140 | \$ 1,055,368 | \$ 509,314 | \$ 1,229,184 | \$ (8,799,274) | \$ - | \$ (8,799,274) |
| Public safety | 45,983,955 | 9,847,304 | 1,655,878 | 110,458 | (34,370,315) | - | (34,370,315) |
| Education | 135,384,643 | 748,034 | 109,628,622 | 4,111,540 | (20,896,447) | - | (20,896,447) |
| Public works | 11,831,133 | 1,911,459 | 351,807 | 2,422,902 | (7,144,965) | - | (7,144,965) |
| Health and human services | 2,177,795 | 4,645 | 897,655 | - | (1,275,495) | - | (1,275,495) |
| Culture and recreation | 1,192,222 | 69,025 | 85,160 | - | (1,038,037) | - | (1,038,037) |
| Community development | 2,102,001 | 16,963 | 1,882,188 | 516,054 | 313,204 | - | 313,204 |
| Interest expense | 965,162 | - | - | - | (965,162) | - | (965,162) |
| Total Governmental Activities | 211,230,051 | 13,652,798 | 115,010,624 | 8,390,138 | (74,176,491) | - | (74,176,491) |
| <i>Business-Type Activity:</i> | | | | | | | |
| Water and sewer | 17,963,654 | 22,270,490 | 155,000 | 619,400 | - | 5,081,236 | 5,081,236 |
| Total Business Type Activity | 17,963,654 | 22,270,490 | 155,000 | 619,400 | - | 5,081,236 | 5,081,236 |
| Total Primary Government | <u>\$ 229,193,705</u> | <u>\$ 35,923,288</u> | <u>\$ 115,165,624</u> | <u>\$ 9,009,538</u> | (74,176,491) | 5,081,236 | (69,095,255) |
| <u>General Revenues:</u> | | | | | | | |
| | | | | | 57,596,190 | - | 57,596,190 |
| | | | | | 17,555,212 | - | 17,555,212 |
| | | | | | 2,467,454 | - | 2,467,454 |
| | | | | | 368,237 | - | 368,237 |
| | | | | | 2,416,020 | - | 2,416,020 |
| | | | | | 678,523 | - | 678,523 |
| | | | | | | | |
| | | | | | 8,590,509 | - | 8,590,509 |
| | | | | | 2,637,942 | - | 2,637,942 |
| | | | | | <u>2,872,035</u> | <u>(2,872,035)</u> | <u>-</u> |
| | | | | | | | |
| | | | | | <u>95,182,122</u> | <u>(2,872,035)</u> | <u>92,310,087</u> |
| | | | | | | | |
| | | | | | 21,005,631 | 2,209,201 | 23,214,832 |
| <u>Net Position:</u> | | | | | | | |
| | | | | | <u>(28,724,420)</u> | <u>42,774,379</u> | <u>14,049,959</u> |
| | | | | | | | |
| | | | | | <u>\$ (7,718,789)</u> | <u>\$ 44,983,580</u> | <u>\$ 37,264,791</u> |

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

| | General | Clark Avenue School Construction | City Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|--|--------------------------|-----------------------------------|--------------------------------|
| Assets: | | | | | |
| Cash and short-term investments | \$ 18,690,536 | \$ 1,095,808 | \$ 12,347,691 | \$ 25,182,783 | \$ 57,316,818 |
| Investments | 32,108,946 | - | - | 5,181,523 | 37,290,469 |
| Receivables, net of allowance for uncollectibles: | | | | | |
| Real estate and personal property taxes | 663,924 | - | - | 9,529 | 673,453 |
| Tax and utility liens | 498,470 | - | - | - | 498,470 |
| Motor vehicle and other excise taxes | 1,352,908 | - | - | - | 1,352,908 |
| Trash | 296,333 | - | - | - | 296,333 |
| Department and other | 1,467,797 | - | - | 823,251 | 2,291,048 |
| Intergovernmental | 6,065,630 | - | - | 2,136,804 | 8,202,434 |
| Due from other funds | 1,091,522 | - | - | - | 1,091,522 |
| Tax foreclosures | 114,626 | - | - | - | 114,626 |
| Total Assets | <u>62,350,692</u> | <u>1,095,808</u> | <u>12,347,691</u> | <u>33,333,890</u> | <u>109,128,081</u> |
| Total Deferred Outflows of Resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 62,350,692</u> | <u>\$ 1,095,808</u> | <u>\$ 12,347,691</u> | <u>\$ 33,333,890</u> | <u>\$ 109,128,081</u> |
| Liabilities: | | | | | |
| Warrants and accounts payable | \$ 2,359,946 | \$ - | \$ 752,651 | \$ 1,902,438 | \$ 5,015,035 |
| Accrued payroll and withholdings | 936,875 | - | - | 152,974 | 1,089,849 |
| Tax refunds payable | 1,508,229 | - | - | - | 1,508,229 |
| Other liabilities | 189,962 | - | - | - | 189,962 |
| Due to other funds | - | - | - | 1,091,522 | 1,091,522 |
| Total Liabilities | <u>4,995,012</u> | <u>-</u> | <u>752,651</u> | <u>3,146,934</u> | <u>8,894,597</u> |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenues - property taxes | 989,033 | - | - | 9,529 | 998,562 |
| Unavailable revenues - excise | 1,352,908 | - | - | - | 1,352,908 |
| Unavailable revenues - other | 1,878,756 | - | - | - | 1,878,756 |
| Total Deferred Inflows of Resources | <u>4,220,697</u> | <u>-</u> | <u>-</u> | <u>9,529</u> | <u>4,230,226</u> |
| Fund Balances: | | | | | |
| Nonspendable | - | - | - | 22,392 | 22,392 |
| Restricted | - | 1,095,808 | 11,595,040 | 30,247,375 | 42,938,223 |
| Committed | 5,459,877 | - | - | - | 5,459,877 |
| Assigned | 6,986,025 | - | - | - | 6,986,025 |
| Unassigned | 40,689,081 | - | - | (92,340) | 40,596,741 |
| Total Fund Balances | <u>53,134,983</u> | <u>1,095,808</u> | <u>11,595,040</u> | <u>30,177,427</u> | <u>96,003,258</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 62,350,692</u> | <u>\$ 1,095,808</u> | <u>\$ 12,347,691</u> | <u>\$ 33,333,890</u> | <u>\$ 109,128,081</u> |

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

| | <u>Total</u> |
|---|-------------------------------------|
| Total Governmental Fund Balances | \$ 96,003,258 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 201,532,701 |
| Assets and liabilities of the City's internal service funds are included in the Statement of Net Position, but are not reported in the governmental funds. | 9,626,545 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds. | 4,230,226 |
| Deferred outflows and inflows of resources to be recognized in future years' expense are not available resources and, therefore, are not reported in the funds: | |
| Deferred outflows related to net pension liability | 15,382,796 |
| Deferred inflows related to net other postemployment benefits liability | (22,633,288) |
| Deferred inflows related to net pension liability | <u>(4,040,078)</u> |
| Net effect of reporting deferred outflows and inflows of resources | (11,290,570) |
| In the Statement of Net Position, interest is accrued on outstanding long-term debt whereas in governmental funds interest is not reported until due. | (324,880) |
| Long-term liabilities are not due and payable in the current period and therefore, are not reported in the government funds: | |
| Bonds and notes payable | (23,837,003) |
| Compensated absences | (6,032,912) |
| Net pension liability | (74,642,387) |
| Net other postemployment benefits liability | <u>(202,983,767)</u> |
| Net effect of reporting long-term liabilities | <u>(307,496,069)</u> |
| Net Position of Governmental Activities | <u><u>\$ (7,718,789)</u></u> |

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2019**

| | <u>General</u> | <u>Clark Avenue School Construction</u> | <u>City Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|---|----------------------------------|--|---|
| Revenues: | | | | | |
| Real estate and personal property taxes, net | \$ 56,987,305 | \$ - | \$ - | \$ - | \$ 56,987,305 |
| Intergovernmental | 102,859,733 | 3,922,650 | - | 23,323,745 | 130,106,128 |
| Motor vehicle and other excise | 16,632,599 | - | - | - | 16,632,599 |
| Meals and room taxes | 2,467,454 | - | - | - | 2,467,454 |
| Tax and trash liens | 689,979 | - | - | - | 689,979 |
| Payments in lieu of taxes | 2,416,020 | - | - | - | 2,416,020 |
| Community preservation surcharges | - | - | - | 660,631 | 660,631 |
| Charges for services | - | - | - | 4,218,198 | 4,218,198 |
| Trash disposal | 1,832,892 | - | - | - | 1,832,892 |
| Licenses and permits | 3,614,339 | - | - | - | 3,614,339 |
| Departmental and other | 1,081,398 | 36,155 | - | 711,424 | 1,828,977 |
| Penalties and interest on taxes | 368,237 | - | - | - | 368,237 |
| Fines and forfeitures | 2,364,682 | - | - | - | 2,364,682 |
| Interest and investment income | 2,396,208 | - | - | 249,998 | 2,646,206 |
| Contributions and donations | - | - | - | 1,556,253 | 1,556,253 |
| Total Revenues | <u>193,710,846</u> | <u>3,958,805</u> | <u>-</u> | <u>30,720,249</u> | <u>228,389,900</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 5,185,897 | - | 812,843 | 3,757,575 | 9,756,315 |
| Public safety | 25,353,040 | - | 353,423 | 5,716,136 | 31,422,599 |
| Education | 76,682,192 | 4,846,858 | 2,306,162 | 13,789,543 | 97,624,755 |
| Public works | 8,226,436 | - | 3,594,759 | 2,541,449 | 14,362,644 |
| Health and human services | 1,336,319 | - | - | 482,303 | 1,818,622 |
| Culture and recreation | 697,595 | - | 32,081 | 133,151 | 862,827 |
| Community development | - | - | - | 1,359,106 | 1,359,106 |
| Pension benefits | 24,902,777 | - | - | - | 24,902,777 |
| Employee benefits | 21,897,973 | - | - | - | 21,897,973 |
| Property and liability insurance | 1,310,852 | - | - | - | 1,310,852 |
| Claims and judgements | 72,168 | - | - | - | 72,168 |
| State and county tax assessments | 16,279,648 | - | - | - | 16,279,648 |
| Debt service: | | | | | |
| Principal | 3,076,685 | - | - | - | 3,076,685 |
| Interest expense | 1,080,809 | - | - | - | 1,080,809 |
| Total Expenditures | <u>186,102,391</u> | <u>4,846,858</u> | <u>7,099,268</u> | <u>27,779,263</u> | <u>225,827,780</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>7,608,455</u> | <u>(888,053)</u> | <u>(7,099,268)</u> | <u>2,940,986</u> | <u>2,562,120</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 2,390,804 | - | 6,326,159 | 4,505,441 | 13,222,404 |
| Transfers out | (7,601,739) | - | (403,100) | (2,345,530) | (10,350,369) |
| Issuance of bonds | - | - | 1,395,000 | - | 1,395,000 |
| Premiums from issuance of bonds and notes | - | - | 95,000 | - | 95,000 |
| Total Other Financing Sources (Uses) | <u>(5,210,935)</u> | <u>-</u> | <u>7,413,059</u> | <u>2,159,911</u> | <u>4,362,035</u> |
| Net Change in Fund Balance | 2,397,520 | (888,053) | 313,791 | 5,100,897 | 6,924,155 |
| Fund Balances - Beginning, as restated (see Note IV) | <u>50,737,463</u> | <u>1,983,861</u> | <u>11,281,249</u> | <u>25,076,530</u> | <u>89,079,103</u> |
| Fund Balances - Ending | <u>\$ 53,134,983</u> | <u>\$ 1,095,808</u> | <u>\$ 11,595,040</u> | <u>\$ 30,177,427</u> | <u>\$ 96,003,258</u> |

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2019**

| | <u>Total</u> |
|---|-----------------------------|
| Net Change in Fund Balances - Total Governmental Fund Balances | \$ 6,924,155 |
| <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. The net amounts are reflected here as reconciling items:</p> | |
| Capital outlays | \$ 19,018,855 |
| Disposal of assets | (15,457) |
| Depreciation expense | <u>(7,592,110)</u> |
| Net effect of reporting capital assets | 11,411,288 |
| <p>In the Statement of Activities, Internal Service Funds established to administer the City's health insurance costs are included within the activity; whereas, these activities are not presented in the Statement of Revenues, Expenditures and Changes in Fund Balances.</p> | |
| | 3,592,160 |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:</p> | |
| Proceeds from bond issuances | (1,395,000) |
| Repayments of debt | <u>3,076,685</u> |
| Net effect of reporting long-term debt | 1,681,685 |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p> | |
| | 829,276 |
| <p>In the Statement of Activities, interest is accrued on outstanding long-term debt; whereas in governmental funds interest is not reported until due. The net amount presented here as a reconciling item represents the difference in accruals between this year and the prior year.</p> | |
| | 20,647 |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:</p> | |
| Compensated absences | (155,912) |
| Other postemployment benefits | (3,851,656) |
| Pension benefits | <u>553,988</u> |
| Net effect of reporting long-term liabilities | <u>(3,453,580)</u> |
| Change in Net Position of Governmental Activities | <u>\$ 21,005,631</u> |

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019**

| | Business-Type Activity Water and Sewer Enterprise Fund | Governmental Activity Internal Service Funds |
|--|--|---|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 18,563,562 | \$ 11,533,865 |
| User fees, net of allowance for uncollectibles | 4,414,345 | - |
| Total current assets | <u>22,977,907</u> | <u>11,533,865</u> |
| Noncurrent assets: | | |
| Utility liens | 209,520 | - |
| Capital assets, net of depreciation | 38,193,852 | - |
| Total noncurrent assets | <u>38,403,372</u> | <u>-</u> |
| Total Assets | <u>61,381,279</u> | <u>11,533,865</u> |
| Deferred Outflows of Resources: | | |
| Related to net pension liability | <u>88,185</u> | <u>-</u> |
| Liabilities: | | |
| Current liabilities: | | |
| Warrants and accounts payable | 181,607 | - |
| Accrued payroll and withholdings | 7,796 | 3,614 |
| Accrued interest expense | 120,551 | - |
| Health claims incurred but not reported | - | 1,433,811 |
| Other liabilities | 22,146 | 2,975 |
| Workers' compensation claims | - | 233,460 |
| Current portion of debt | 2,591,362 | - |
| Total current liabilities | <u>2,923,462</u> | <u>1,673,860</u> |
| Noncurrent liabilities: | | |
| Workers' compensation claims | - | 233,460 |
| Net other postemployment benefits liability | 1,105,315 | - |
| Net pension liability | 427,901 | - |
| Noncurrent portion of debt | 11,882,800 | - |
| Total noncurrent liabilities | <u>13,416,016</u> | <u>233,460</u> |
| Total Liabilities | <u>16,339,478</u> | <u>1,907,320</u> |
| Total Deferred Inflows of Resources: | | |
| Related to net other postemployment benefits liability | 123,246 | - |
| Related to net pension liability | 23,160 | - |
| Total Deferred Inflows of Resources | <u>146,406</u> | <u>-</u> |
| Net Position: | | |
| Net investment in capital assets | 27,575,431 | - |
| Unrestricted | 17,408,149 | 9,626,545 |
| Total Net Position | <u>\$ 44,983,580</u> | <u>\$ 9,626,545</u> |

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2019**

| | <u>Business-Type Activity Water and Sewer Enterprise Fund</u> | <u>Governmental Activities Internal Service Funds</u> |
|---|---|---|
| Operating Revenues: | | |
| Charges for services | \$ 22,270,490 | \$ - |
| Employee contributions | - | 4,857,176 |
| Employer contributions | - | 18,924,293 |
| Stop loss receipts | - | 1,415,748 |
| Total Operating Revenues | <u>22,270,490</u> | <u>25,197,217</u> |
| Operating Expenses: | | |
| Operating costs | 3,283,912 | - |
| Water and sewer assessment | 13,139,295 | - |
| Employee benefits | - | 21,749,528 |
| Depreciation | 1,246,078 | - |
| Total Operating Expenses | <u>17,669,285</u> | <u>21,749,528</u> |
| Operating Income | <u>4,601,205</u> | <u>3,447,689</u> |
| Nonoperating Revenues (Expenses): | | |
| Premiums from issuance of bonds | 155,000 | - |
| Interest income | - | 144,471 |
| Interest expense | (294,369) | - |
| Total Nonoperating Revenues (Expenses) | <u>(139,369)</u> | <u>144,471</u> |
| Income Before Capital Contributions and Transfers | 4,461,836 | 3,592,160 |
| Capital contributions | 619,400 | - |
| Transfers out | <u>(2,872,035)</u> | <u>-</u> |
| Change in Net Position | <u>2,209,201</u> | <u>3,592,160</u> |
| Total Net Position - Beginning, as restated (See Note IV) | 42,774,379 | 6,034,385 |
| Total Net Position - Ending | <u><u>\$ 44,983,580</u></u> | <u><u>\$ 9,626,545</u></u> |

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2019

| | Business-Type Activity Water and Sewer Enterprise Fund | Governmental Activities Internal Service Funds |
|--|--|---|
| Cash Flows from Operating Activities: | | |
| Receipts from users | \$ 21,902,482 | \$ - |
| Employee contributions | - | 4,857,176 |
| Employer contributions | - | 18,924,293 |
| Other revenues | - | 1,415,748 |
| Payments to vendors | (16,366,820) | - |
| Payments to employees | (334,655) | - |
| Payments for interfund services used | - | (21,175,659) |
| Net Cash Provided by (Used for) Operating Activities | 5,201,007 | 4,021,558 |
| Cash Flows from Noncapital Financing Activities: | | |
| Transfers in | - | - |
| Transfers out | (2,872,035) | - |
| Net Cash (Used for) Noncapital Financing Activities | (2,872,035) | - |
| Cash Flows from Capital and Related Financing Activities: | | |
| Capital contributions | 619,400 | - |
| Proceeds from issuance of bonds | 3,075,000 | - |
| Premium from issuance of bonds | 155,000 | - |
| Acquisition and construction of capital assets | (3,774,831) | - |
| Principal payments on bonds and notes | (2,601,735) | - |
| Interest expense | (283,941) | - |
| Net Cash (Used for) Capital and Related Financing Activities | (2,811,107) | - |
| Cash Flows from Investing Activities: | | |
| Interest income | - | 144,471 |
| Net Cash Provided by Investing Activities | - | 144,471 |
| Net Change in Cash and Cash Equivalents | (482,135) | 4,166,029 |
| Cash and Cash Equivalents: | | |
| Beginning of year, as restated | 19,045,697 | 7,367,836 |
| End of year | \$ 18,563,562 | \$ 11,533,865 |
| Reconciliation of Operating Income to Net Cash Provided By Operating Activities: | | |
| Operating income | \$ 4,601,205 | \$ 3,447,689 |
| Depreciation | 1,246,078 | - |
| Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources: | | |
| Receivables | (368,008) | - |
| Deferred outflows of resources | (45,567) | - |
| Warrants and accounts payable | (304,361) | - |
| Accrued payroll and withholdings | 1,296 | 94 |
| Other liabilities | 7,000 | - |
| Health claims incurred but not reported | - | 453,051 |
| Workers' compensation claims | - | 120,724 |
| Net other postemployment benefits liability | 45,514 | - |
| Net pension liability | 79,445 | - |
| Deferred inflows of resources | (61,595) | - |
| Net Cash Provided by Operating Activities | \$ 5,201,007 | \$ 4,021,558 |

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

| | Pension and Other Employee Benefit Trust Funds | Private Purpose Trust Funds | Agency Funds |
|--|---|-----------------------------------|-------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 333,732 | \$ 816,205 | \$ 841,712 |
| Investments at fair value: | | | |
| Equity income mutual funds | 1,332,199 | - | - |
| Fixed income mutual funds | 637,164 | - | - |
| Private equity funds | 80,308 | - | - |
| State Treasurer investment pool - PRIT | 165,010,768 | - | - |
| Total Investments | 167,060,439 | - | - |
| Receivables: | | | |
| Other | 89,787 | - | - |
| Total Receivables | 89,787 | - | - |
| Total Assets | 167,483,958 | 816,205 | 841,712 |
| Liabilities: | | | |
| Warrants and accounts payable | 228 | - | - |
| Agency liabilities | - | - | 841,712 |
| Total Liabilities | 228 | - | \$ 841,712 |
| Net Position: | | | |
| Restricted for pensions | 165,423,861 | - | |
| Restricted for other postemployment benefits | 2,059,869 | - | |
| Held in trust for private purposes | - | 816,205 | |
| Total Net Position | \$ 167,483,730 | \$ 816,205 | |

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FISCAL YEAR ENDED JUNE 30, 2019**

| | Pension and Other Employee Benefit Trust Funds | Private Purpose Trust Funds |
|--|---|-----------------------------------|
| Additions | | |
| Contributions: | | |
| Employer | \$ 19,637,403 | \$ - |
| Employee | 3,855,466 | - |
| Other contributions | 543,091 | 313,017 |
| Total contributions | 24,035,960 | 313,017 |
| Investment earnings: | | |
| Interest and dividends | 4,667,216 | 12,138 |
| Net appreciation in fair value of investments | (7,840,480) | - |
| Less - management fees | (893,724) | - |
| Net investment income | (4,066,988) | 12,138 |
| Other income | 17,097 | - |
| Total Additions | 19,986,069 | 325,155 |
| Deductions | | |
| Benefit payments to retirees and beneficiaries | 17,601,642 | - |
| Member refunds | 210,351 | - |
| Transfers and reimbursements to other systems | 854,020 | - |
| Payroll expenses of the System | 186,873 | - |
| Other administrative expenses | 105,259 | - |
| Scholarships | - | 43,000 |
| Total Deductions | 18,958,145 | 43,000 |
| Change in Net Position | 1,027,924 | 282,155 |
| Net Position - Beginning of Year | 166,455,806 | 534,050 |
| Net Position - End of Year | \$ 167,483,730 | \$ 816,205 |

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The City is located in Suffolk County, directly across the Mystic river from the City of Boston. It was settled in 1624, first incorporated as a Town in 1739 and subsequently as a City in 1857. The City is governed by a City Manager and an eleven-member elected City Council. The City provides governmental services for the territory within its boundaries, including police and fire protection, disposal of garbage and rubbish, public education in grades K-12, water and sewer services, street maintenance, parks and recreational facilities. The water and sewer services are provided via connections to the Massachusetts Water Resources Authority. These services are funded almost entirely with user charges.

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

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

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

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited annual financial report that may be obtained by contacting the System at 500 Broadway, Chelsea, Massachusetts.

The City is a member community of the Northeast Metropolitan Regional Vocational School District that provides educational services to twelve area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2019, the City's share of the operating and debt service expenses was \$1,264,633. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 100 Hemlock Road, Wakefield, Massachusetts 01880.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

The government reports the following major Governmental Funds:

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

Clark Avenue School Construction Fund – is used to account for the accumulation of resources to construct the new Clark Avenue School.

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

Nonmajor Governmental Funds – consist of other special revenue, and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental Funds financial statements. The following describes the general use of these fund types:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

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

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

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

The government reports the following major proprietary fund:

Water/Sewer Enterprise Fund – is used to account for the City’s water and sewer activities.

Additionally, the following proprietary fund type is reported:

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

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

The government reports the following fiduciary funds:

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

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

Agency Fund – is used to account for assets held in a purely custodial capacity. The City’s agency funds consist primarily of student activities, off-duty work details and escrow and other deposits. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

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

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

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

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

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

tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old.

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

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

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

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

| | |
|----------------------------|-------------|
| Buildings and improvements | 8-40 years |
| Machinery and equipment | 5-15 years |
| Infrastructure | 10-50 years |

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

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

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

Investment Income – Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds is retained in the respective funds.

Compensated Absences – It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that is reported on the government-wide statement of net position which relate to outflows from changes in the net pension liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that are reported as deferred inflows of resources. The first arises only under a modified accrual basis of accounting and, accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, excise and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are reported on the government-wide statement of net position and relate to inflows from changes in the net pension liability and the net other postemployment benefit liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A. The deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

Net Position – In the government-wide financial statements, net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

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

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

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

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

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

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

Capital represents amounts restricted for capital outlays, including the acquisition or construction of capital facilities and other capital assets, financed from sources other than proceeds from debt.

Other specific purposes represent amounts that are restricted by donors for specific governmental programs and uses.

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

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

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

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

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

Assigned represents amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Under the City's structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads. The policy established by the City Council pursuant to which this authorization is given is based on applicable Massachusetts General Law (MGL) related to encumbrances.

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

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

Stabilization Fund – The City maintains a general stabilization fund which may be used for any municipal purpose upon a majority vote of the City Council. The balance of the fund totals \$24,493,444 at June 30, 2019 and is reported as unassigned fund balance in the General Fund.

The City maintains a school capital stabilization fund which may be used for any school capital outlay purpose upon a majority vote of the City Council. The balance of the fund totals \$3,912,663 at June 30, 2019 and is reported as a capital projects fund.

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

The following table reflects the City's fund equity categorizations:

| | General | Clark Avenue School Construction | City Capital Projects | Nonmajor Governmental Funds | Total |
|-------------------------------------|---------------------|--|--------------------------|-----------------------------------|---------------------|
| Nonspendable: | | | | | |
| Nonexpendable trust funds | \$ - | \$ - | \$ - | \$ 22,392 | \$ 22,392 |
| Restricted: | | | | | |
| Redevelopment | - | - | - | 2,882,167 | 2,882,167 |
| Other community development | - | - | - | 5,806,573 | 5,806,573 |
| City state grants | - | - | - | 888,779 | 888,779 |
| School lunch | - | - | - | 3,638,017 | 3,638,017 |
| School revolving funds | - | - | - | 928,702 | 928,702 |
| School gifts | - | - | - | 919,345 | 919,345 |
| School federal grants | - | - | - | 55,422 | 55,422 |
| School state grants | - | - | - | 2,326,395 | 2,326,395 |
| Receipts reserved for appropriation | - | - | - | 6,092,595 | 6,092,595 |
| City revolving funds | - | - | - | 186,369 | 186,369 |
| City gifts | - | - | - | 23,009 | 23,009 |
| Urban I & II renewal | - | - | - | 270,575 | 270,575 |
| Capital outlay - schools | - | 1,095,808 | - | - | 1,095,808 |
| Capital outlay - engineering | - | - | 1,500,000 | - | 1,500,000 |
| Capital outlay - other | - | - | 10,095,040 | 2,209,241 | 12,304,281 |
| School capital reserve | - | - | - | 3,912,663 | 3,912,663 |
| Other trust funds | - | - | - | 107,523 | 107,523 |
| Committed: | | | | | |
| Subsequent years' budget | 5,459,877 | - | - | - | 5,459,877 |
| Assigned: | | | | | |
| Encumbrances - education | 4,884,577 | - | - | - | 4,884,577 |
| Encumbrances - other | 2,101,448 | - | - | - | 2,101,448 |
| Unassigned | 40,689,081 | - | - | (92,340) | 40,596,741 |
| | <u>\$53,134,983</u> | <u>\$ 1,095,808</u> | <u>\$11,595,040</u> | <u>\$30,177,427</u> | <u>\$96,003,258</u> |

E. Excess of Expenditures Over Appropriations and Deficits

The City incurred a fund deficit of \$92,340 in the City federal grants fund which is reported in the nonmajor governmental funds. The deficit will be funded in future fiscal years with federal grants.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

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

Primary Government (City)

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's 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 of 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. At year-end, of the City's \$61,561,099 bank balance, \$13,642,453 was uninsured and uncollateralized and exposed to custodial credit risk.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the City may not be able to recover the full amount of its principal investment and/or investment earnings. The City'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, 2019, the City's investments were not exposed to custodial credit risk.

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

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

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.

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

The following table presents the City’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2019:

| | | Fair Value Measurements Using | | |
|---------------------------------------|---------------|-------------------------------|---------------|---------|
| | Fair value | Level 1 | Level 2 | Level 3 |
| Investments by fair value level | | | | |
| Debt securities: | | | | |
| U.S. Treasuries | \$ 5,332,466 | \$ 5,332,466 | \$ - | \$ - |
| U.S. Agencies | 6,198,949 | - | 6,198,949 | - |
| Corporate bonds | 11,846,984 | - | 11,846,984 | - |
| Negotiable certificates of deposit | 7,563,517 | - | 7,563,517 | - |
| Fixed income mutual funds | 865,011 | 865,011 | - | - |
| Total debt securities | 31,806,927 | 6,197,477 | 25,609,450 | - |
| Equity securities: | | | | |
| Common stock | 6,120,705 | 6,120,705 | - | - |
| Equity mutual funds | 1,332,199 | 1,332,199 | - | - |
| Private equity funds | 80,308 | - | 80,308 | - |
| Total equity securities | 7,452,904 | 7,452,904 | 80,308 | - |
| Total investments by fair value level | \$ 39,259,831 | \$ 13,650,381 | \$ 25,689,758 | \$ - |

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. U.S. Government agencies, corporate bonds, negotiable certificates of deposit and private equity funds classified in Level 2 are valued using matrix pricing based on the securities’ relationship to benchmark quoted prices.

Interest Rate Risk – The City does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At June 30, 2019, the City's investments had the following maturities:

| Investments | Fair value | Maturities in Years | | |
|------------------------------------|----------------------|----------------------|----------------------|-------------|
| | | Less than 1 | 1 - 5 | 6 - 10 |
| U.S. Treasuries | \$ 5,332,466 | \$ 4,518,943 | \$ 813,523 | \$ - |
| U.S. Agencies | 6,198,949 | 251,570 | 5,947,379 | - |
| Corporate bonds | 11,846,984 | 3,014,254 | 8,832,730 | - |
| Negotiable certificates of deposit | 7,563,517 | 5,882,552 | 1,680,965 | - |
| Fixed income mutual funds | 865,011 | 865,011 | - | - |
| Money market mutual funds | 1,787,723 | 1,787,723 | - | - |
| MMDT | 30,325,492 | 30,325,492 | - | - |
| Total investments with maturities | <u>\$ 63,920,142</u> | <u>\$ 46,645,545</u> | <u>\$ 17,274,597</u> | <u>\$ -</u> |

Concentration of Credit Risk – The City's policy is to place no limit on the amount of investments in U.S. Government Agencies and the MMDT external investment pool, and to purchase other debt securities with a high concentration of 'A' credit ratings or better. At June 30, 2019, the City had 16% of its investments in U.S. Government Treasuries and Agencies and 42% of its investments in MMDT.

At June 30, 2019, the credit quality ratings of investments were as follows:

| Quality Ratings (S & P) | U.S. Agencies | Corporate Bonds | Totals |
|----------------------------|---------------------|----------------------|----------------------|
| AA+ | \$ 6,198,949 | \$ - | \$ 6,198,949 |
| AA | - | 99,836 | 99,836 |
| A+ | - | 3,039,171 | 3,039,171 |
| A | - | 2,943,336 | 2,943,336 |
| A- | - | 1,835,338 | 1,835,338 |
| BBB+ | - | 2,659,354 | 2,659,354 |
| BBB | - | 1,269,949 | 1,269,949 |
| Totals - All | <u>\$ 6,198,949</u> | <u>\$ 11,846,984</u> | <u>\$ 18,045,933</u> |

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

The System

Massachusetts General Laws Chapter 32 and PERAC regulations require the System to invest funds only in pre-approved investment instruments, which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, certain corporate bonds and equities and investment pools.

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

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System's policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation ("FDIC") insurance coverage for the first \$250,000 of deposits held at each financial institution. At December 31, 2018, \$197,657 of the System's bank deposits was not covered by FDIC or other depository insurance.

Investments Summary – The System's investments at December 31, 2018 consisted entirely of PRIT.

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

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System's policy for custodial credit risk of investments is to insure all of their investments. At December 31, 2018, the System was not exposed to custodial credit risk on its investments.

Credit Risk of Debt Securities: Investments – Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System does not have a policy for credit risk of debt securities. As of December 31, 2018, the System's investment in PRIT was unrated by a national credit rating organization.

B. Receivables

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

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---|----------------------|---------------------------------|----------------------|
| Receivables: | | | |
| Real estate and personal property taxes | \$ 859,324 | \$ (195,400) | \$ 663,924 |
| Tax and trash liens | 498,470 | - | 498,470 |
| Motor vehicle and other excise | 2,367,289 | (1,014,381) | 1,352,908 |
| Trash | 296,333 | - | 296,333 |
| Community preservation surcharges | 9,529 | - | 9,529 |
| Parking fines | 2,511,933 | (1,214,198) | 1,297,735 |
| Public safety detail charges | 823,251 | - | 823,251 |
| Other | 170,062 | - | 170,062 |
| Intergovernmental | 8,202,434 | - | 8,202,434 |
| Total | <u>\$ 15,738,625</u> | <u>\$ (2,423,979)</u> | <u>\$ 13,314,646</u> |

Receivables as of year-end for City's water and sewer enterprise fund are as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---------------|---------------------|---------------------------------|---------------------|
| Receivables: | | | |
| User fees | \$ 4,414,345 | \$ - | \$ 4,414,345 |
| Utility liens | 209,520 | - | 209,520 |
| Total | <u>\$ 4,623,865</u> | <u>\$ -</u> | <u>\$ 4,623,865</u> |

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are unavailable to liquidate liabilities of the current period. The following identifies the components of deferred inflows of resources in the governmental funds:

| | General Fund | Other Governmental Funds | Total |
|---|---------------------|--------------------------------|---------------------|
| Receivable and other asset type: | | | |
| Real estate and personal property taxes | \$ 490,563 | \$ - | \$ 490,563 |
| Tax and trash liens | 498,470 | - | 498,470 |
| Motor vehicle and other excise | 1,352,908 | - | 1,352,908 |
| Trash | 296,333 | - | 296,333 |
| Community preservation surcharges | - | 9,529 | 9,529 |
| Parking fines | 1,297,735 | - | 1,297,735 |
| Other | 170,062 | - | 170,062 |
| Tax foreclosures | 114,626 | - | 114,626 |
| Total | <u>\$ 4,220,697</u> | <u>\$ 9,529</u> | <u>\$ 4,230,226</u> |

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2019 is as follows:

| Receivable Fund | Payable Funds | Amount |
|-----------------|-------------------------------|---------------------|
| General Fund | Nonmajor Governmental Funds - | |
| | School Federal Grants | \$ 542,117 |
| | City Revolving | 517,058 |
| | City Federal Grants | 32,347 |
| Total | | <u>\$ 1,091,522</u> |

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

The composition of interfund transfers for the fiscal year ended June 30, 2019 is as follows:

| Transfers Out | Transfers In | | | Total |
|---------------------------------|---------------------|-----------------------|-----------------------------|---------------------|
| | General Fund | City Capital Projects | Nonmajor Governmental Funds | |
| General Fund | \$ - | \$ 4,781,159 | \$ 2,820,580 | \$ 7,601,739 (1) |
| City Capital Projects | 3,100 | - | 400,000 | 403,100 (2) |
| Nonmajor Governmental Funds | 365,669 | 695,000 | 1,284,861 | 2,345,530 (3) |
| Water and Sewer Enterprise Fund | 2,022,035 | 850,000 | - | 2,872,035 (4) |
| Total | <u>\$ 2,390,804</u> | <u>\$ 6,326,159</u> | <u>\$ 4,505,441</u> | <u>\$13,222,404</u> |

- (1) Transfers to city capital projects for capital outlays; transfers to nonmajor governmental funds for capital outlays (\$2,365,328) and various special revenue funds (\$455,252).
- (2) Transfers to general fund to supplement operating budgets.
- (3) Transfers to general fund to supplement operating budgets; transfer to city capital projects for capital outlays; and transfers between special revenue funds to reallocate cable access and other monies.
- (4) Transfers to general fund for indirect costs and transfer to city capital projects for infrastructure costs.

D. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-----------------------|----------------------|------------------------|-----------------------|
| <i><u>Governmental Activities:</u></i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 19,308,663 | \$ - | \$ - | \$ 19,308,663 |
| Construction in progress | * 57,758,586 | 6,303,150 | (57,447,976) | 6,613,760 |
| Total capital assets not being depreciated | 77,067,249 | 6,303,150 | (57,447,976) | 25,922,423 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 160,461,677 | 65,760,252 | - | 226,221,929 |
| Machinery and equipment | 18,486,462 | 881,167 | (355,229) | 19,012,400 |
| Infrastructure | * 38,835,822 | 3,522,262 | (1,513,850) | 40,844,234 |
| Total capital assets being depreciated | 217,783,961 | 70,163,681 | (1,869,079) | 286,078,563 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (80,905,911) | (5,087,055) | - | (85,992,966) |
| Machinery and equipment | (13,107,658) | (1,132,838) | 339,772 | (13,900,724) |
| Infrastructure | * (10,716,228) | (1,372,217) | 1,513,850 | (10,574,595) |
| Total accumulated depreciation | (104,729,797) | (7,592,110) | 1,853,622 | (110,468,285) |
| Total capital assets being depreciated, net | 113,054,164 | 62,571,571 | (15,457) | 175,610,278 |
| Total governmental activities capital assets, net | <u>\$ 190,121,413</u> | <u>\$ 68,874,721</u> | <u>\$ (57,463,433)</u> | <u>\$ 201,532,701</u> |
| <i><u>Business-Type Activities: Water and Sewer</u></i> | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | * \$ 2,752,283 | \$ - | \$ (2,752,283) | \$ - |
| Total capital assets not being depreciated | 2,752,283 | - | (2,752,283) | - |
| Capital assets being depreciated: | | | | |
| Machinery and equipment | - | 34,026 | - | 34,026 |
| Infrastructure | * 45,927,769 | 6,493,088 | (145,247) | 52,275,610 |
| Total capital assets being depreciated | 45,927,769 | 6,527,114 | (145,247) | 52,309,636 |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | - | (3,403) | - | (3,403) |
| Infrastructure | * (13,014,953) | (1,242,675) | 145,247 | (14,112,381) |
| Total accumulated depreciation | (13,014,953) | (1,246,078) | 145,247 | (14,115,784) |
| Total capital assets being depreciated, net | 32,912,816 | 5,281,036 | - | 38,193,852 |
| Total business-type activities capital assets, net | <u>\$ 35,665,099</u> | <u>\$ 5,281,036</u> | <u>\$ (2,752,283)</u> | <u>\$ 38,193,852</u> |

* As restated (see Note IV).

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

Governmental Activities:

| | |
|---------------------------|---------------------|
| General government | \$ 141,388 |
| Public safety | 958,990 |
| Education | 4,400,502 |
| Public works | 1,283,413 |
| Health and human services | 6,168 |
| Culture and recreation | 135,869 |
| Community development | 665,780 |
| | <u>\$ 7,592,110</u> |

Business-Type Activities:

| | |
|-----------------|---------------------|
| Water and sewer | <u>\$ 1,246,078</u> |
|-----------------|---------------------|

E. Temporary Debt

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

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

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

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

The City did not have any temporary notes payable at June 30, 2019.

F. Long-Term Obligations

The following reflects the current year activity in the long-term obligation accounts:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due within one year |
|--|----------------------|----------------------|------------------------|----------------------|------------------------|
| <i>Governmental Activities:</i> | | | | | |
| General obligation bonds | \$ 25,518,688 | \$ 1,395,000 | \$ (3,076,685) | \$ 23,837,003 | \$ 2,582,313 |
| Workers' compensation | 346,196 | 292,111 | (171,387) | 466,920 | 233,460 |
| Compensated absences (a) | 5,877,000 | 1,304,912 | (1,149,000) | 6,032,912 | 1,508,228 |
| Net pension liability | 60,784,328 | 25,312,167 | (11,454,108) | 74,642,387 | - |
| Net other postemployment benefits liability (a) | 194,625,368 | 15,716,730 | (7,358,331) | 202,983,767 | - |
| Total Governmental Activities | \$287,151,580 | \$ 44,020,920 | \$ (23,209,511) | \$307,962,989 | \$ 4,324,001 |
| <i>Business-Type Activities - Water and Sewer:</i> | | | | | |
| General obligation bonds (b) | \$ 9,900,811 | \$ 2,280,000 | \$ (1,752,813) | \$ 10,427,998 | \$ 1,847,687 |
| Notes from direct borrowings and placements (b) | 4,100,086 | 795,000 | (848,922) | 4,046,164 | 743,675 |
| Net pension liability | 348,456 | 145,108 | (65,663) | 427,901 | - |
| Net other postemployment benefits liability (a) | 1,059,801 | 85,583 | (40,069) | 1,105,315 | - |
| Total Business-Type Activities | \$ 15,409,154 | \$ 3,305,691 | \$ (2,707,467) | \$ 16,007,378 | \$ 2,591,362 |

(a) As restated. See Note IV.

(b) Reclassifications were made to beginning balances for the adoption of GASB Statement No. 88.

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, \$466,920 of internal service funds accrued 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. The business-type liabilities are generally liquidated by the water and sewer enterprise fund.

G. Long-Term Debt

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

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

On March 28, 2019, the City issued general obligation bonds totaling \$3,675,000 paying interest rates between 2-5% per annum and maturing on various dates through February 15, 2029. Bonds were issued for field improvements, sidewalk construction, drainage improvements and various water and sewer capital improvements.

The following is a summary of outstanding long-term debt obligations as of June 30, 2019:

| Description of Issue | Interest Rate | Beginning Balance | Additions | Maturities | Ending Balance |
|--|---------------|----------------------|---------------------|-----------------------|----------------------|
| <i>Governmental Activities:</i> | | | | | |
| General Obligation Bonds | 1.00 - 6.06% | \$ 24,614,830 | \$ 1,395,000 | \$ (2,571,828) | \$ 23,438,002 |
| General Obligation Refunding Bonds | 2.00 - 5.75% | 903,858 | - | (504,857) | 399,001 |
| Total General Obligation Bonds | | <u>\$ 25,518,688</u> | <u>\$ 1,395,000</u> | <u>\$ (3,076,685)</u> | <u>\$ 23,837,003</u> |
| <i>Business-Type Activities - Water and Sewer:</i> | | | | | |
| General Obligation Bonds | 1.00 - 5.75% | \$ 9,004,667 | \$ 2,280,000 | \$ (1,462,669) | \$ 9,821,998 |
| General Obligation Refunding Bonds | 2.00 - 4.00% | 896,144 | - | (290,144) | 606,000 |
| Total General Obligation Bonds | | <u>9,900,811</u> | <u>2,280,000</u> | <u>(1,752,813)</u> | <u>10,427,998</u> |
| Massachusetts Clean Water Trust | 2.00% | 170,141 | - | (11,575) | 158,566 |
| Massachusetts Water Resources Authority | 0.00% | 3,929,945 | 795,000 | (837,347) | 3,887,598 |
| Total notes from direct borrowings and placements | | <u>4,100,086</u> | <u>795,000</u> | <u>(848,922)</u> | <u>4,046,164</u> |
| Total Business-Type Activities debt | | <u>\$ 14,000,897</u> | <u>\$ 3,075,000</u> | <u>\$ (2,601,735)</u> | <u>\$ 14,474,162</u> |

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

| Year Ending June 30, | <i>Governmental Activities</i> | | | |
|-------------------------|--|---------------------|----------------------------------|------------------|
| | General Obligation Bonds | | Direct Borrowings and Placements | |
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 2,582,313 | \$ 925,411 | \$ - | \$ - |
| 2021 | 2,454,956 | 832,290 | - | - |
| 2022 | 2,178,081 | 727,786 | - | - |
| 2023 | 2,028,724 | 627,712 | - | - |
| 2024 | 1,960,929 | 534,161 | - | - |
| 2025-2029 | 5,847,000 | 1,603,402 | - | - |
| 2030-2034 | 1,615,000 | 1,039,985 | - | - |
| 2035-2039 | 1,845,000 | 790,383 | - | - |
| 2040-2044 | 2,180,000 | 452,039 | - | - |
| 2045-2047 | 1,145,000 | 72,707 | - | - |
| Total | <u>\$ 23,837,003</u> | <u>\$ 7,605,876</u> | <u>\$ -</u> | <u>\$ -</u> |
| Year Ending June 30, | <i>Business-Type Activities: Water and Sewer</i> | | | |
| | General Obligation Bonds | | Direct Borrowings and Placements | |
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 1,847,687 | \$ 377,570 | \$ 743,675 | \$ 3,053 |
| 2021 | 1,780,044 | 327,141 | 711,414 | 2,815 |
| 2022 | 1,416,919 | 262,922 | 591,121 | 2,571 |
| 2023 | 1,421,277 | 206,154 | 544,531 | 2,323 |
| 2024 | 1,199,071 | 148,488 | 426,388 | 2,070 |
| 2025-2029 | 2,763,000 | 225,279 | 999,896 | 6,366 |
| 2030-2034 | - | - | 29,139 | 586 |
| Total | <u>\$ 10,427,998</u> | <u>\$ 1,547,554</u> | <u>\$ 4,046,164</u> | <u>\$ 19,784</u> |

Massachusetts Clean Water Trust (MCWT)

The City has an outstanding note from direct borrowings and placements issued to the MCWT for \$245,000 with interest payable at 2% and payments through July 15, 2030. The note was issued for drinking water related capital outlays. The financing agreement with the MCWT contain a provision that in the event of default, outstanding amounts due and payable shall be paid from any undisbursed proceeds on account or be deducted from any state local aid distributions owed to the City. This provision also allows the MCWT to declare the entire outstanding principal amount due immediately.

Massachusetts Water Resource Authority (MWRA)

The MWRA operates financial assistance programs for community owned collection systems. The City has thirteen outstanding notes from direct borrowings and placements issued to the MWRA that are payable without interest in ten equal annual installments. Notes were issued to the MWRA as follows:

| Date of Issue | Date of Maturity | Original Amount |
|------------------|---------------------|---------------------|
| 02/22/10 | 02/15/20 | \$ 225,000 |
| 05/17/10 | 05/15/20 | 100,000 |
| 11/22/10 | 05/15/21 | 1,205,365 |
| 06/12/12 | 05/13/22 | 468,390 |
| 08/15/12 | 08/15/22 | 1,183,959 |
| 08/15/13 | 08/15/23 | 350,000 |
| 03/03/14 | 02/15/24 | 391,200 |
| 06/15/15 | 05/15/25 | 700,000 |
| 05/15/16 | 05/15/26 | 725,000 |
| 05/15/16 | 05/15/26 | 329,750 |
| 10/17/16 | 11/15/26 | 845,000 |
| 12/03/18 | 11/15/28 | 100,000 |
| 05/13/19 | 05/15/29 | 695,000 |
| | | <u>\$ 7,318,664</u> |

The following represents authorized and unissued debt as of June 30, 2019:

| Project | Amount |
|--------------------------------------|----------------------|
| Pension obligation bonds | \$ 47,000,000 |
| Clark Middle School construction | 46,197,407 |
| Capital Improvement Plans | 11,513,984 |
| 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 Ave. | 400,050 |
| Highland Greenway project | 400,000 |
| Refunding | 265,000 |
| Quigley Park renovation | 254,000 |
| Energy conservation improvements | 28,672 |
| Total Authorized and Unissued | \$110,191,978 |

III. Other Information

A. Retirement System

Retirement System Description – The City contributes to the Chelsea Contributory Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan for the City and Chelsea Housing Authority. The System was established under Chapter 32 of the General Laws of the Commonwealth of Massachusetts. The System is administered by the Chelsea Contributory Retirement Board and is part of the reporting entity. Standalone audited financial statements for the year ended December 31, 2018 were not issued. Disclosures applicable to the Chelsea Housing Authority are not material.

Membership – Membership in the System as of December 31, 2018, was as follows:

| | |
|---|--------------|
| Retirees and beneficiaries receiving benefits | 402 |
| Active plan members | 570 |
| Inactive plan members | 142 |
| Total | <u>1,114</u> |

Benefit Terms – Membership in the System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the City's school department participate in a separate pension plan administered by the Massachusetts Teachers' Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year or five-year average annual rate of regular compensation,

depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and job classification.

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

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

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

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

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

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

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

Employer contributions totaled \$12,239,003 for the year ended December 31, 2018. The City contributed \$11,519,771 to the System in fiscal year 2019, which equaled the actuarially determined contribution requirement for the fiscal year. The City's contributions as a percentage of covered payroll was approximately 32.1% in fiscal year 2019.

Net Pension Liability – The components of the net pension liability to the System at December 31, 2018 were as follows:

| | |
|---|----------------------|
| Total pension liability | \$ 245,201,000 |
| Plan fiduciary net position | <u>(165,424,089)</u> |
| Net pension liability | <u>\$ 79,776,911</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 67.5% |

At June 30, 2019, the City reported a liability of \$75,070,288 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The system adopted a decrease in the assumed investment rate of return, or discount rate, from 7.35% to 7.25%. There were no material changes to the System's benefit terms since the actuarial valuation.

The City's proportion of the net pension liability is based on a projection of the City's long-term share of contributions to the System relative to the projected contributions of all employers. The City's proportion was approximately 94.1% at December 31, 2018.

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

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

Pension Expense – The City recognized \$10,962,607 in pension expense in the statement of activities in fiscal year 2019.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Changes in assumptions | \$ 8,985,609 | \$ - |
| Net differences between projected and actual earnings on pension plan investments | 6,485,372 | - |
| Differences between expected and actual experience | - | 4,063,238 |
| | <u>\$ 15,470,981</u> | <u>\$ 4,063,238</u> |

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

| June 30, | |
|----------|----------------------|
| 2020 | \$ 4,005,837 |
| 2021 | 2,128,542 |
| 2022 | 1,119,790 |
| 2023 | 3,672,723 |
| 2024 | 480,851 |
| | <u>\$ 11,407,743</u> |

Actuarial Valuation – The measurement of the Retirement System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of December 31, 2018. The significant actuarial assumptions used in the actuarial valuation included:

| | |
|-------------------------------|--|
| Actuarial cost method | Individual Entry age normal |
| Amortization method | Increasing payments 5.7% per year |
| Remaining amortization period | 10 years from July 1, 2019 |
| Investment rate of return | 7.25% |
| Projected salary increases | 4.25% for Group 1 and 4.75% for Group 2 |
| Cost of living adjustments | 3% on the first \$12,000 of retirement income |
| Retirement mortality rates | Pre-retirement rates reflect the RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2018 (gender distinct) Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2018 (gender distinct) |
| Disabled life mortality | RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2018 (gender distinct) |

Investment Policy and Rates of Return – For the year ended December 31, 2018, the annual money-weighted rate of return on System investments net of investment expense, was -2.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------|-------------------|--|
| Domestic equities | 13.0% | 7.62% |
| International equities | 13.0% | 7.80% |
| Emerging markets equities | 5.0% | 9.31% |
| Hedged equities | 8.0% | 6.89% |
| Core fixed income | 15.0% | 3.50% to 4.37% |
| Value-added fixed income | 8.0% | 7.58% |
| Private equity | 13.0% | 11.15% |
| Real estate | 10.0% | 6.43% |
| Timberland | 4.0% | 7.00% |
| PCS/hedge funds | 11.0% | 6.76% |

Discount Rate – The discount rate used to measure the total pension liability in the December 31, 2018 actuarial valuation report was 7.25%, which was a reduction from the previous discount rate of 7.35%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents net pension liability to the System calculated using the discount rate of 7.25% as well as the net pension liability of the System using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

| | Discount Rate | | | |
|-----------------------|---------------|----------------|---------------|--------------|
| | Current Rate | 1% lower | Current | 1% greater |
| Net Pension Liability | 7.25% | \$ 108,067,879 | \$ 79,776,911 | \$55,872,938 |

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as the City's proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

| | Discount Rate | | | |
|-----------------------|---------------|----------------|---------------|--------------|
| | Current Rate | 1% lower | Current | 1% greater |
| Net Pension Liability | 7.25% | \$ 101,692,165 | \$ 75,070,288 | \$52,576,585 |

B. Massachusetts Teachers' Retirement System

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

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

For the year ended June 30, 2019, the Commonwealth contributed \$7,363,735 to the MTRS on behalf of the City. The City's proportionate share of the collective MTRS net pension liability at this reporting date was 0.560072%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the City as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

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

| | Commonwealth Portion | Paid (or assumed) On Behalf of the City | City Portion |
|-----------------------|-------------------------|---|-----------------|
| Net pension liability | \$ 132,800,353 | \$ (132,800,353) | \$ - |
| Pension expense | 13,457,393 | (13,457,393) | - |

The City has recognized intergovernmental revenue and pension expense of \$13,457,393 associated with this arrangement.

C. Other Postemployment Benefits

The City administers a single-employer defined benefit healthcare plan (the "OPEB Plan") that provides health, dental and life insurance benefits (other postemployment benefits) to retirees and their dependents/beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the City's financial statements.

An employee shall become eligible to retire under this plan upon the completion of 10 years of creditable service and the attainment of age 55 as an active member with 20 years of service regardless of age. Individuals whose employment has been terminated are also eligible if they have reached age 55 and have completed 10 years of creditable service. Employees who cease working due to a disability only need to complete 10 years of creditable service.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and City ordinance. All benefits are provided through the City's self-insured medical insurance and self-insured dental and life insurance programs.

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

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

OPEB Plan disclosures that impact the City's net OPEB liability using a measurement date of June 30, 2019 are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2019:

| | |
|--|---------------------|
| Active employees | 1,242 |
| Inactives currently receiving benefits | <u>729</u> |
| Total | <u><u>1,971</u></u> |

Contributions – The required medical insurance (including Medicare Part B) contributions 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 policy 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 OPEB Plan are paid by the City.

For the year ended June 30, 2019, the City's average contribution rate was 9.1% of covered-payroll.

Net OPEB Liability – The City’s net OPEB liability was measured as of June 30, 2019 using an actuarial valuation as of July 1, 2017. The components of the net OPEB liability of the City were as follows:

| | |
|---|-----------------------|
| Total OPEB Liability | \$ 206,148,951 |
| Plan fiduciary net position | <u>(2,059,869)</u> |
| Net OPEB liability | <u>\$ 204,089,082</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 1.0% |

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

| | |
|---------------------------------|---|
| Investment rate of return | 6.83%, net of OPEB plan investment expense including inflation. |
| Municipal bond rate | 2.79% as of June 30, 2019 |
| Single Equivalent Discount Rate | 3.25% net of OPEB plan investment expense including inflation. |
| Inflation | 2.5% annually as of June 30, 2019 and for future periods |
| Salary increases | 3.0% annually as of June 30, 2019 and for future periods |
| Health Care Trend Rate | 5.0% |
| Pre-Retirement Mortality | RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females |
| Post-Retirement Mortality | RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2009 for males and females |
| Disabled Mortality | RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females |
| Actuarial Cost Method | Individual entry age normal |

Discount Rate – The discount rate used to measure the total OPEB liability was 3.25% which was based on the blended rate of high-quality municipal bonds for 20-year maturities as of June 30, 2019 and the long-term investment rate of return.

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

| | Discount Rate | | | |
|--------------------|---------------|----------------|----------------|----------------|
| | Current Rate | 1% lower | Current | 1% greater |
| Net OPEB Liability | 3.25% | \$ 241,304,070 | \$ 204,089,082 | \$ 174,808,767 |

| | Health Care Trend Rate | | | |
|--------------------|------------------------|----------------|----------------|----------------|
| | Current Rate | 1% lower | Current | 1% greater |
| Net OPEB Liability | 5.00% | \$ 161,299,080 | \$ 204,089,082 | \$ 260,022,308 |

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2019:

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
|---------------------------------------|--------------------------------|---------------------------------------|------------------------------------|
| Balances at June 30, 2018 | \$ 195,685,169 | \$ - | \$ 195,685,169 |
| Changes for the year: | | | |
| Service cost | 9,323,439 | - | 9,323,439 |
| Interest | 6,575,170 | - | 6,575,170 |
| Employer contributions | - | 7,398,400 | (7,398,400) |
| Benefit payments withdrawn from trust | - | (5,434,827) | 5,434,827 |
| Net investment income | - | 96,296 | (96,296) |
| Benefit payments | (5,434,827) | - | (5,434,827) |
| Net changes | 10,463,782 | 2,059,869 | 8,403,913 |
| Balances at June 30, 2019 | <u>\$ 206,148,951</u> | <u>\$ 2,059,869</u> | <u>\$ 204,089,082</u> |

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

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return were as reflected in the following table:

| Asset Class | Target Allocation | Expected Investment Rate of Return |
|---|----------------------|--|
| Domestic equity - large cap | 16.00% | 4.80% |
| Domestic equity - small/mid cap | 13.00% | 5.29% |
| International equity - developed market | 11.75% | 5.45% |
| International equity - emerging market | 7.75% | 6.42% |
| Domestic fixed income | 25.00% | 2.05% |
| International fixed income | 6.25% | 3.00% |
| Alternative investments | 19.75% | 6.50% |
| Real estate | 0.00% | 6.25% |
| Cash and cash equivalents | 0.50% | 0.00% |
| | <u>100.00%</u> | |
| Real rate of return | | 4.58% |
| Inflation assumption | | 2.50% |
| Total nominal rate of return | | 7.08% |
| Investment expense | | <u>0.25%</u> |
| Net investment return | | <u>6.83%</u> |

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the City recognized OPEB expense of \$11,271,029. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2019 were reported as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between actual and expected experience | \$ - | \$ 22,732,256 |
| Net difference between projected and actual earnings on OPEB plan investments | <u>-</u> | <u>24,278</u> |
| | <u>\$ -</u> | <u>\$ 22,756,534</u> |

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

| <u>June 30,</u> | |
|-----------------|------------------------|
| 2020 | \$ (4,561,631) |
| 2021 | (4,561,631) |
| 2022 | (4,561,631) |
| 2023 | (4,561,633) |
| 2024 | <u>(4,510,008)</u> |
| | <u>\$ (22,756,534)</u> |

GASB Statement No. 74

OPEB Plan disclosures that impact the City's net OPEB liability using a reporting date of June 30, 2019 are summarized in this section except disclosures under GASB 74 that are identical to GASB 75 are not repeated.

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

Investment Policy – The OPEB Plan follows the same investment policies that apply to all other City Trust funds. Notably it can be invested in accordance with State Statutes that govern Trust investments including PRIM which is an external investment pool managed by the State.

Investment Rate of Return – For the year ended June 30, 2019 the annual money-weighted rate of return on investments, net of investment expense, was 6.13%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Pension and Other Employee Benefit Trust Funds

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

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

| | Pension Trust Fund (December 31, 2018) | Other Postemployment Benefits Trust Fund | Total |
|--|--|---|-----------------------|
| Assets: | | | |
| Cash and Cash Equivalents | \$ 323,534 | \$ 10,198 | \$ 333,732 |
| Investments (at fair value): | | | |
| Equity mutual funds | - | 1,332,199 | 1,332,199 |
| Fixed income mutual funds | - | 637,164 | 637,164 |
| Private equity funds | - | 80,308 | 80,308 |
| State Treasurer investment pool - PRIT | 165,010,768 | - | 165,010,768 |
| Total Investments | 165,010,768 | 2,049,671 | 167,060,439 |
| Receivables: | | | |
| Other | 89,787 | - | 89,787 |
| Total Receivables | 89,787 | - | 89,787 |
| Total Assets | 165,424,089 | 2,059,869 | 167,483,958 |
| Liabilities: | | | |
| Warrants and accounts payable | 228 | - | 228 |
| Total Liabilities | 228 | - | 228 |
| Net Position: | | | |
| Restricted for pensions | 165,423,861 | - | 165,423,861 |
| Restricted for other postemployment benefits | - | 2,059,869 | 2,059,869 |
| Total Net Position | \$ 165,423,861 | \$ 2,059,869 | \$ 167,483,730 |

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

| | Pension Trust Fund (December 31, 2018) | Other Postemployment Benefits Trust Fund | Total |
|--|--|---|----------------|
| Additions | | | |
| Contributions: | | | |
| Employer | \$ 12,239,003 | \$ 7,398,400 | \$ 19,637,403 |
| Employee | 3,855,466 | - | 3,855,466 |
| Other contributions | 543,091 | - | 543,091 |
| Total Contributions | 16,637,560 | 7,398,400 | 24,035,960 |
| Investment income: | | | |
| Interest and dividends | 4,618,189 | 49,027 | 4,667,216 |
| Net appreciation in fair value of investments | (7,892,931) | 52,451 | (7,840,480) |
| Less - investment management fees | (888,542) | (5,182) | (893,724) |
| Net investment earnings | (4,163,284) | 96,296 | (4,066,988) |
| Other income | 17,097 | - | 17,097 |
| Total Additions (net) | 12,491,373 | 7,494,696 | 19,986,069 |
| Deductions | | | |
| Benefit payments to retirees and beneficiaries | 12,166,815 | 5,434,827 | 17,601,642 |
| Member refunds | 210,351 | - | 210,351 |
| Transfers and reimbursements to other systems | 854,020 | - | 854,020 |
| Payroll expenses of the System | 186,873 | - | 186,873 |
| Other administrative expenses | 105,259 | - | 105,259 |
| Total Deductions | 13,523,318 | 5,434,827 | 18,958,145 |
| CHANGE IN NET POSITION | (1,031,945) | 2,059,869 | 1,027,924 |
| NET POSITION AT BEGINNING OF YEAR | 166,455,806 | - | 166,455,806 |
| NET POSITION AT END OF YEAR | \$ 165,423,861 | \$ 2,059,869 | \$ 167,483,730 |

E. Risk Financing

The City is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

Group Health Insurance Plan – The City is self-insured for health insurance activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when incurred. Claims are administered by a third-party administrator and are funded on a pay-as-you -go basis from annual appropriations. The estimated future liability is based on actual and historical lag claims. At June 30, 2019, the amount of the liability for health claims totaled \$1,433,811.

Changes in the reported liability since July 1, 2018, are as follows:

| | <u>Balance at Beginning of Year</u> | <u>Claims and Changes in Estimates</u> | <u>Claims Payments</u> | <u>Balance at End of Year</u> | <u>Current Portion</u> |
|------------------|---|--|----------------------------|-----------------------------------|----------------------------|
| Fiscal Year 2019 | \$ 980,760 | \$ 21,457,324 | \$(21,004,273) | \$ 1,433,811 | \$ 1,433,811 |
| Fiscal Year 2018 | 1,097,780 | 21,851,474 | (21,968,494) | 980,760 | 980,760 |

Workers' Compensation – The City is also self-insured for their workers' compensation activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when incurred. Claims are administered by a third-party administrator and are funded on a pay-as-you -go basis from annual appropriations. The estimated future workers' compensation liability is based on history and injury type. At June 30, 2019, the amount of the liability for workers' compensation claims totaled \$466,920.

Changes in the reported liability since July 1, 2018, are as follows:

| | <u>Balance at Beginning of Year</u> | <u>Claims and Changes in Estimates</u> | <u>Claims Payments</u> | <u>Balance at End of Year</u> | <u>Current Portion</u> |
|------------------|---|--|----------------------------|-----------------------------------|----------------------------|
| Fiscal Year 2019 | \$ 346,196 | \$ 292,111 | \$(171,387) | \$ 466,920 | \$ 233,460 |
| Fiscal Year 2018 | 181,279 | 212,123 | (47,206) | 346,196 | 219,686 |

F. Commitments

The City has entered into or is planning to enter into contracts to expend approximately \$11,000,000 in accordance with its five-year capital plan.

G. Contingencies

The City is party to other certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters in these situations cannot be reasonably estimated. Although the amount of liability, if any, in these situations at June 30, 2019, cannot be ascertained, management believes that the resulting liability, if any, should not materially affect the basic financial statements of the City at June 30, 2019. Other amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

H. Implementation of GASB pronouncements

Current Year Implementations –

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement was to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement became effective in fiscal year 2019 and did not have a material impact on the City's financial statements.

In April 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement was to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarified which liabilities governments should include when disclosing information related to debt. The provisions of this Statement became effective in fiscal year 2019 and did not have a material impact on the City's financial statements.

Future Implementations –

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The City is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The City is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The City is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The City is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The City is currently evaluating whether adoption will have a material impact on the financial statements.

IV. Prior Period Restatements

The City restated its beginning net OPEB liability which caused a decrease in the City's governmental and business-type activities beginning net position; restated its compensated absences liability which caused a decrease in the City's governmental activities beginning net position; restated its capital asset balances which caused a decrease in the City's governmental and business-type activities beginning net position; and restated the balances of capital projects funds which increased governmental activities beginning net position and decreased business-type beginning net position, as well as increasing city capital projects major fund beginning fund balance and decreasing water and sewer enterprise beginning net position.

The impact is illustrated in the table below:

| | Governmental Activities | Business-type Activities | Water and Sewer | City Capital Projects |
|--|----------------------------|-----------------------------|----------------------|--------------------------|
| Prior year as presented | \$ (17,382,093) | \$ 43,114,761 | \$ 43,114,761 | \$ 10,941,290 |
| Restate capital assets | (4,399,685) | 49,857 | 49,857 | - |
| Restate compensated absences liability | 1,951,000 | - | - | - |
| Restate net OPEB liability | (9,233,601) | (50,280) | (50,280) | - |
| Reclassify capital projects | 339,959 | (339,959) | (339,959) | 339,959 |
| As restated | <u>\$ (28,724,420)</u> | <u>\$ 42,774,379</u> | <u>\$ 42,774,379</u> | <u>\$ 11,281,249</u> |

REQUIRED SUPPLEMENTARY INFORMATION



Above: Dockless Bike Share rentals in beautiful, tree-lined Chelsea Square. Extending throughout the Greater Boston region, the bike share network provides low-cost, healthy transportation options to residents.

Photo Credit: Matt Frank

CITY OF CHELSEA, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2019SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS
(SYSTEM)

(dollar amounts are in thousands)

| | Year Ended December 31, | | | | |
|--|-------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Total pension liability: | | | | | |
| Service cost | \$ 6,095 | \$ 5,833 | \$ 5,478 | \$ 5,242 | \$ 4,822 |
| Interest | 16,998 | 16,211 | 15,752 | 14,481 | 14,245 |
| Changes in benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | (1,603) | (3,062) | - | (3,065) | - |
| Changes in assumptions | 4,800 | 3,460 | - | 10,500 | - |
| Benefit payments, including refunds | (12,520) | (11,459) | (10,657) | (10,229) | (10,211) |
| Net change in total pension liability | 13,770 | 10,983 | 10,573 | 16,929 | 8,856 |
| Total pension liability - beginning of year | 231,431 | 220,448 | 209,875 | 192,946 | 184,090 |
| Total pension liability - end of year (a) | <u>\$ 245,201</u> | <u>\$ 231,431</u> | <u>\$ 220,448</u> | <u>\$ 209,875</u> | <u>\$ 192,946</u> |
| Plan fiduciary net position: | | | | | |
| Contributions - employer | \$ 12,239 | \$ 11,579 | \$ 10,956 | \$ 10,664 | \$ 9,626 |
| Contributions - employee | 3,855 | 3,638 | 3,265 | 2,871 | 3,028 |
| Contributions - nonemployer contributing entities | 543 | - | - | - | - |
| Net investment income | (4,163) | 23,927 | 9,368 | 617 | 8,519 |
| Benefit payments, including refunds | (13,231) | (11,459) | (10,657) | (10,229) | (10,211) |
| Administrative expenses | (292) | (277) | (215) | (249) | (261) |
| Other | 17 | 23 | 10 | 15 | 28 |
| Net change in plan fiduciary net position | (1,032) | 27,431 | 12,727 | 3,689 | 10,729 |
| Plan fiduciary net position - beginning of year | 166,456 | 139,025 | 126,298 | 122,609 | 111,880 |
| Plan fiduciary net position - end of year (b) | <u>\$ 165,424</u> | <u>\$ 166,456</u> | <u>\$ 139,025</u> | <u>\$ 126,298</u> | <u>\$ 122,609</u> |
| Net pension liability - end of year (a) - (b) | <u>\$ 79,777</u> | <u>\$ 64,975</u> | <u>\$ 81,423</u> | <u>\$ 83,577</u> | <u>\$ 70,337</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 67.5% | 71.9% | 63.1% | 60.2% | 63.5% |
| Covered payroll | 39,748 | 35,888 | 33,007 | 33,007 | 31,121 |
| Net pension liability as a percentage of covered payroll | 200.7% | 181.0% | 246.7% | 253.2% | 226.0% |

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

See accompanying independent auditor's report.

CITY OF CHELSEA, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2019

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

(dollar amounts are in thousands)

| | Year Ended December 31, | | | | |
|--|-------------------------|-----------|-----------|-----------|----------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Actuarially-determined contribution | \$ 12,239 | \$ 11,579 | \$ 10,955 | \$ 10,664 | \$ 9,626 |
| Contributions in relation to the actuarially-determined contribution | 12,239 | 11,579 | 10,955 | 10,664 | 9,626 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | 39,748 | 35,888 | 33,007 | 33,007 | 31,121 |
| Contribution as a percentage of covered payroll | 30.8% | 32.3% | 33.2% | 32.3% | 30.9% |

(continued)

| | Year Ended December 31, | | | | |
|--|-------------------------|----------|----------|----------|----------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| Actuarially-determined contribution | \$ 9,656 | \$ 9,381 | \$ 9,339 | \$ 8,168 | \$ 8,260 |
| Contributions in relation to the actuarially-determined contribution | 9,656 | 9,381 | 9,339 | 8,168 | 8,260 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | 31,121 | 29,750 | 29,750 | 29,412 | 29,412 |
| Contribution as a percentage of covered payroll | 31.0% | 31.5% | 31.4% | 27.8% | 28.1% |

(concluded)

SCHEDULE OF INVESTMENT RETURNS (SYSTEM)

| | Year Ended December 31, | | | | |
|---|-------------------------|--------|-------|-------|-------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Annual money-weighted rate of return, net of investment expense | -2.48% | 17.09% | 7.06% | 1.02% | 7.59% |

The Schedules of Investment Returns is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditor's report.

CITY OF CHELSEA, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2019

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

(dollar amounts are in thousands)

| | Year Ended June 30, | | | | |
|--|---------------------|-----------|-----------|-----------|-----------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| City's proportion of the net pension liability (asset) | 94.1% | 94.1% | 93.8% | 91.5% | 94.6% |
| City's proportionate share of the net pension liability (asset) | \$ 75,070 | \$ 61,133 | \$ 76,347 | \$ 76,448 | \$ 66,525 |
| City's covered payroll | \$ 37,403 | \$ 33,616 | \$ 30,191 | \$ 30,191 | \$ 29,435 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 200.7% | 181.9% | 252.9% | 253.2% | 226.0% |
| Plan fiduciary net position as a percentage of the total pension liability | 67.5% | 71.9% | 63.1% | 60.2% | 63.6% |

SCHEDULE OF THE CITY'S CONTRIBUTIONS TO PENSION PLAN

(dollar amounts are in thousands)

| | Year Ended June 30, | | | | |
|--|---------------------|-----------|-----------|-----------|-----------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Actuarially determined contribution | \$ 11,520 | \$ 10,894 | \$ 10,272 | \$ 9,755 | \$ 9,326 |
| Contributions in relation to the actuarially determined contribution | 11,520 | 10,894 | 10,272 | 9,755 | 9,326 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 35,892 | \$ 34,457 | \$ 32,493 | \$ 30,946 | \$ 30,171 |
| Contributions as a percentage of covered payroll | 32.1% | 31.6% | 31.6% | 31.5% | 30.9% |

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

See accompanying independent auditor's report.

CITY OF CHELSEA, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2019

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

(dollar amounts are in thousands)

| | 2018 | 2017 | Year Ended June 30, | | 2014 |
|---|---------------|--------------|---------------------|---------------|---------------|
| | | | 2016 | 2015 | |
| Commonwealth's proportion of the collective net pension liability (asset) | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| City's proportion of the collective net pension liability (asset) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Commonwealth's proportionate share of the net pension liability (asset) | \$ 23,711,289 | \$22,885,391 | \$ 22,357,928 | \$ 20,489,643 | \$ 15,896,354 |
| Commonwealth's actuarially determined contribution | \$ 1,314,783 | \$ 1,235,515 | \$ 1,124,583 | \$ 1,021,930 | \$ 937,379 |

Contributions to MTRS are the responsibility of the Commonwealth of Massachusetts.

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

See accompanying independent auditor's report.

CITY OF CHELSEA, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2019

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

| | 2019 | 2018 | 2017 |
|---|-----------------------|-----------------------|-----------------------|
| Total OPEB liability: | | | |
| Service cost | \$ 9,323,439 | \$ 8,189,017 | \$ 10,055,684 |
| Interest | 6,575,170 | 6,241,225 | 6,955,739 |
| Differences between expected and actual experience | - | - | (31,843,380) |
| Benefit payments, including refunds | (5,434,827) | (5,146,361) | (5,424,277) |
| Net change in total OPEB liability | 10,463,782 | 9,283,881 | (20,256,234) |
| Total OPEB liability - beginning of year | 195,685,169 | 186,401,288 | 206,657,522 |
| Total OPEB liability - end of year (a) | <u>\$ 206,148,951</u> | <u>\$ 195,685,169</u> | <u>\$ 186,401,288</u> |
| Plan fiduciary net position: | | | |
| Contributions - employer | \$ 7,398,400 | \$ 5,146,361 | \$ 5,424,277 |
| Net investment income | 96,296 | - | - |
| Benefit payments, including refunds | (5,434,827) | (5,146,361) | (5,424,277) |
| Net change in plan fiduciary net position | 2,059,869 | - | - |
| Plan fiduciary net position - beginning of year | - | - | - |
| Plan fiduciary net position - end of year (b) | <u>\$ 2,059,869</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net OPEB liability - end of year (a) - (b) | <u>\$ 204,089,082</u> | <u>\$ 195,685,169</u> | <u>\$ 186,401,288</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 1.0% | 0.0% | 0.0% |
| Covered payroll | 81,096,580 | 76,441,305 | 76,441,305 |
| Net OPEB liability as a percentage of covered payroll | 251.7% | 256.0% | 243.8% |

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

This schedule is presented using the optional format of combining the required schedules in paragraph 36a and 36b.

See accompanying independent auditor's report.

CITY OF CHELSEA, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2019**

SCHEDULE OF CONTRIBUTIONS

| | <u>2019</u> |
|--|---|
| Actuarially-determined contribution | \$ 19,736,769 |
| Contributions in relation to the actuarially-determined contribution | <u>7,398,400</u> |
| Contribution deficiency (excess) | <u>\$ 12,338,369</u> |
| Covered payroll | 81,096,580 |
| Contribution as a percentage of covered payroll | 9.1% |
| Valuation Date | July 1, 2017 |
| Amortization Period | 30 years |
| Investment rate of return | 6.83% |
| Municipal Bond Rate | 2.79% |
| Single Equivalent Discount Rate | 3.25% |
| Inflation | 2.50% |
| Healthcare cost trend rates | 5.00% |
| Salary increases | 3.00% |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value of Assets as of Reporting Date |

SCHEDULE OF INVESTMENT RETURNS

| | <u>2019</u> |
|---|-------------|
| Annual money-weighted rate of return, net of investment expense | 6.13% |

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

CITY OF CHELSEA, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual | | Actual | Variance |
|---|------------------|---------------|---------------|--------------|-------------|------------|
| | Original | Final | Budgetary | | Budgetary | Positive |
| | Budget | Budget | Amounts | Encumbrances | Adjusted | (Negative) |
| Revenues: | | | | | | |
| Real estate and personal property taxes | \$ 56,251,119 | \$ 57,177,228 | \$ 57,152,741 | \$ - | 57,152,741 | (24,487) |
| Motor vehicle and other excise | 11,700,000 | 11,700,000 | 17,090,040 | - | 17,090,040 | 5,390,040 |
| Meals and room excise | 2,300,000 | 2,300,000 | 2,467,454 | - | 2,467,454 | 167,454 |
| Tax and trash liens | - | - | 689,979 | - | 689,979 | 689,979 |
| Payments in lieu of taxes | 1,816,509 | 1,816,509 | 2,416,020 | - | 2,416,020 | 599,511 |
| Trash disposal | 1,870,000 | 1,870,000 | 1,832,892 | - | 1,832,892 | (37,108) |
| Intergovernmental | 89,933,722 | 89,933,722 | 89,402,340 | - | 89,402,340 | (531,382) |
| Penalties and interest on taxes | 350,000 | 350,000 | 368,237 | - | 368,237 | 18,237 |
| Licenses and permits | 2,145,000 | 2,145,000 | 3,614,339 | - | 3,614,339 | 1,469,339 |
| Fines and forfeitures | 2,700,000 | 2,700,000 | 2,364,682 | - | 2,364,682 | (335,318) |
| Departmental and other | 770,795 | 770,795 | 1,081,398 | - | 1,081,398 | 310,603 |
| Investment income | 1,400,000 | 1,400,000 | 1,386,694 | - | 1,386,694 | (13,306) |
| Total Revenues | 171,237,145 | 172,163,254 | 179,866,816 | - | 179,866,816 | 7,703,562 |
| Expenditures: | | | | | | |
| <i>General Government:</i> | | | | | | |
| Legislative: | | | | | | |
| Personal services | 229,173 | 235,573 | 235,556 | - | 235,556 | 17 |
| Expenditures | 79,374 | 80,874 | 79,972 | 411 | 80,383 | 491 |
| | 308,547 | 316,447 | 315,528 | 411 | 315,939 | 508 |
| Executive Office: | | | | | | |
| Personal services | 473,499 | 473,499 | 473,108 | - | 473,108 | 391 |
| Expenditures | 53,100 | 53,100 | 41,901 | 1,050 | 42,951 | 10,149 |
| | 526,599 | 526,599 | 515,009 | 1,050 | 516,059 | 10,540 |
| Auditor's Office: | | | | | | |
| Personal services | 365,598 | 367,598 | 367,012 | - | 367,012 | 586 |
| Expenditures | 115,870 | 115,870 | 80,823 | 29,714 | 110,537 | 5,333 |
| | 481,468 | 483,468 | 447,835 | 29,714 | 477,549 | 5,919 |
| Treasurer/Collector's Office: | | | | | | |
| Personal services | 402,725 | 403,975 | 403,593 | - | 403,593 | 382 |
| Expenditures | 235,411 | 235,411 | 169,497 | 44,612 | 214,109 | 21,302 |
| | 638,136 | 639,386 | 573,090 | 44,612 | 617,702 | 21,684 |
| Assessing: | | | | | | |
| Personal services | 311,053 | 312,553 | 310,815 | - | 310,815 | 1,738 |
| Expenditures | 209,317 | 279,317 | 166,411 | 100,517 | 266,928 | 12,389 |
| Capital outlay | 18,000 | 21,100 | - | 21,100 | 21,100 | - |
| | 538,370 | 612,970 | 477,226 | 121,617 | 598,843 | 14,127 |
| Procurement: | | | | | | |
| Personal services | 171,724 | 171,874 | 171,874 | - | 171,874 | - |
| Expenditures | 81,877 | 81,877 | 79,120 | 2,149 | 81,269 | 608 |
| | 253,601 | 253,751 | 250,994 | 2,149 | 253,143 | 608 |
| Central Billing: | | | | | | |
| Personal services | 154,192 | 154,192 | 152,669 | - | 152,669 | 1,523 |
| Expenditures | 115,597 | 115,597 | 79,335 | 23,007 | 102,342 | 13,255 |
| | 269,789 | 269,789 | 232,004 | 23,007 | 255,011 | 14,778 |
| Law Department: | | | | | | |
| Personal services | 320,107 | 320,107 | 319,843 | - | 319,843 | 264 |
| Expenditures | 103,598 | 143,598 | 126,125 | 2,156 | 128,281 | 15,317 |
| | 423,705 | 463,705 | 445,968 | 2,156 | 448,124 | 15,581 |

CITY OF CHELSEA, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual | | Actual | Variance |
|-------------------------------------|-------------------|-------------------|-------------------|----------------|-------------------|----------------|
| | Original | Final | Budgetary | Encumbrances | Budgetary | Positive |
| | Budget | Budget | Amounts | | Adjusted | (Negative) |
| Personnel Department: | | | | | | |
| Personal services | 319,355 | 369,355 | 315,975 | 42,615 | 358,590 | 10,765 |
| Expenditures | 163,133 | 113,133 | 58,982 | 20,497 | 79,479 | 33,654 |
| | 482,488 | 482,488 | 374,957 | 63,112 | 438,069 | 44,419 |
| Information Systems: | | | | | | |
| Personal services | 420,419 | 420,419 | 357,697 | - | 357,697 | 62,722 |
| Expenditures | 632,974 | 632,974 | 492,596 | 58,648 | 551,244 | 81,730 |
| Capital outlay | 222,238 | 222,238 | 86,025 | 58,779 | 144,804 | 77,434 |
| | 1,275,631 | 1,275,631 | 936,318 | 117,427 | 1,053,745 | 221,886 |
| City Clerk: | | | | | | |
| Personal services | 329,465 | 329,465 | 282,696 | - | 282,696 | 46,769 |
| Expenditures | 53,433 | 53,913 | 43,835 | 3,435 | 47,270 | 6,643 |
| Capital outlay | 20,696 | 20,696 | 10,620 | - | 10,620 | 10,076 |
| | 403,594 | 404,074 | 337,151 | 3,435 | 340,586 | 63,488 |
| Office of Planning and Development: | | | | | | |
| Personal services | 198,296 | 198,296 | 197,887 | - | 197,887 | 409 |
| Expenditures | 122,512 | 222,032 | 77,543 | 108,704 | 186,247 | 35,785 |
| Capital outlay | 10,000 | 10,000 | 10,000 | - | 10,000 | - |
| | 330,808 | 430,328 | 285,430 | 108,704 | 394,134 | 36,194 |
| Salary Reserve: | | | | | | |
| Personal services | 785,000 | - | - | - | - | - |
| | 785,000 | - | - | - | - | - |
| <i>Total General Government</i> | <i>6,717,736</i> | <i>6,158,636</i> | <i>5,191,510</i> | <i>517,394</i> | <i>5,708,904</i> | <i>449,732</i> |
| <i>Public Safety:</i> | | | | | | |
| Police Department: | | | | | | |
| Personal services | 10,275,249 | 11,696,249 | 11,526,262 | - | 11,526,262 | 169,987 |
| Expenditures | 786,897 | 786,897 | 639,385 | 82,952 | 722,337 | 64,560 |
| | 11,062,146 | 12,483,146 | 12,165,647 | 82,952 | 12,248,599 | 234,547 |
| Fire Department: | | | | | | |
| Personal services | 9,960,988 | 9,809,468 | 9,645,088 | - | 9,645,088 | 164,380 |
| Expenditures | 545,240 | 545,240 | 515,049 | 21,737 | 536,786 | 8,454 |
| Capital outlay | 25,000 | 25,000 | 25,000 | - | 25,000 | - |
| | 10,531,228 | 10,379,708 | 10,185,137 | 21,737 | 10,206,874 | 172,834 |
| Inspectional Services: | | | | | | |
| Personal services | 930,230 | 930,230 | 899,621 | 22 | 899,643 | 30,587 |
| Expenditures | 61,953 | 86,953 | 42,783 | 203 | 42,986 | 43,967 |
| | 992,183 | 1,017,183 | 942,404 | 225 | 942,629 | 74,554 |
| Traffic and Parking: | | | | | | |
| Personal services | 99,533 | 99,533 | 97,911 | - | 97,911 | 1,622 |
| Operating expenses | 846,835 | 846,835 | 778,478 | 37,873 | 816,351 | 30,484 |
| Capital outlay | 5,000 | 5,000 | 4,995 | - | 4,995 | 5 |
| | 951,368 | 951,368 | 881,384 | 37,873 | 919,257 | 32,111 |
| Emergency Management: | | | | | | |
| Personal services | 1,187,380 | 1,187,380 | 1,120,290 | - | 1,120,290 | 67,090 |
| Expenditures | 102,846 | 181,846 | 93,497 | 22,432 | 115,929 | 65,917 |
| | 1,290,226 | 1,369,226 | 1,213,787 | 22,432 | 1,236,219 | 133,007 |
| <i>Total Public Safety</i> | <i>24,827,151</i> | <i>26,200,631</i> | <i>25,388,359</i> | <i>165,219</i> | <i>25,553,578</i> | <i>647,053</i> |

CITY OF MALDEN, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2018

| | Budgeted Amounts | | Actual | | Actual | Variance |
|-------------------------------------|-------------------|-------------------|-------------------|------------------|-------------------|----------------|
| | Original | Final | Budgetary | Encumbrances | Budgetary | Positive |
| | Budget | Budget | Amounts | | Adjusted | (Negative) |
| <i>Education:</i> | | | | | | |
| Operational | 95,305,021 | 96,231,130 | 90,888,922 | 4,884,577 | 95,773,499 | 457,631 |
| Northeast regional school district: | | | | | | |
| Assessment | 1,249,070 | 1,264,633 | 1,264,633 | - | 1,264,633 | - |
| <i>Total Education</i> | <u>96,554,091</u> | <u>97,495,763</u> | <u>92,153,555</u> | <u>4,884,577</u> | <u>97,038,132</u> | <u>457,631</u> |
| <i>Public Works:</i> | | | | | | |
| Administration: | | | | | | |
| Personal services | 315,437 | 315,437 | 289,419 | - | 289,419 | 26,018 |
| Expenditures | 8,724 | 8,724 | 5,785 | 566 | 6,351 | 2,373 |
| | <u>324,161</u> | <u>324,161</u> | <u>295,204</u> | <u>566</u> | <u>295,770</u> | <u>28,391</u> |
| Streets and Sidewalks: | | | | | | |
| Personal services | 1,122,037 | 1,172,037 | 1,151,406 | - | 1,151,406 | 20,631 |
| Expenditures | 1,973,964 | 2,084,633 | 1,508,925 | 548,113 | 2,057,038 | 27,595 |
| Capital outlay | 622,507 | 882,507 | 658,511 | 217,253 | 875,764 | 6,743 |
| | <u>3,718,508</u> | <u>4,139,177</u> | <u>3,318,842</u> | <u>765,366</u> | <u>4,084,208</u> | <u>54,969</u> |
| Solid Waste/Recycling: | | | | | | |
| Personal services | 58,242 | 58,242 | 58,241 | - | 58,241 | 1 |
| Expenditures | 2,589,017 | 2,636,017 | 2,566,301 | 67,746 | 2,634,047 | 1,970 |
| | <u>2,647,259</u> | <u>2,694,259</u> | <u>2,624,542</u> | <u>67,746</u> | <u>2,692,288</u> | <u>1,971</u> |
| Structure and Grounds: | | | | | | |
| Personal services | 250,874 | 310,874 | 298,181 | - | 298,181 | 12,693 |
| Expenditures | 1,511,408 | 1,693,408 | 1,307,117 | 330,564 | 1,637,681 | 55,727 |
| Capital outlay | 114,641 | 114,641 | 100,408 | 2,639 | 103,047 | 11,594 |
| | <u>1,876,923</u> | <u>2,118,923</u> | <u>1,705,706</u> | <u>333,203</u> | <u>2,038,909</u> | <u>80,014</u> |
| Snow and Ice Removal: | | | | | | |
| Personal services | 25,000 | 63,769 | 63,768 | - | 63,768 | 1 |
| Expenditures | 78,555 | 225,259 | 220,541 | 2,295 | 222,836 | 2,423 |
| | <u>103,555</u> | <u>289,028</u> | <u>284,309</u> | <u>2,295</u> | <u>286,604</u> | <u>2,424</u> |
| <i>Total Public Works</i> | <u>8,670,406</u> | <u>9,565,548</u> | <u>8,228,603</u> | <u>1,169,176</u> | <u>9,397,779</u> | <u>167,769</u> |
| <i>Health and Human Services:</i> | | | | | | |
| Administration: | | | | | | |
| Personal services | 70,305 | 70,305 | 68,451 | - | 68,451 | 1,854 |
| | <u>70,305</u> | <u>70,305</u> | <u>68,451</u> | <u>-</u> | <u>68,451</u> | <u>1,854</u> |
| Health Division: | | | | | | |
| Personal services | 217,738 | 219,913 | 219,912 | - | 219,912 | 1 |
| Expenditures | 543,631 | 543,631 | 386,637 | 115,760 | 502,397 | 41,234 |
| | <u>761,369</u> | <u>763,544</u> | <u>606,549</u> | <u>115,760</u> | <u>722,309</u> | <u>41,235</u> |
| Veteran's Services: | | | | | | |
| Personal services | 70,855 | 68,855 | 68,854 | - | 68,854 | 1 |
| Expenditures | 632,670 | 630,670 | 352,427 | 449 | 352,876 | 277,794 |
| Capital outlay | - | 4,000 | - | - | - | 4,000 |
| | <u>703,525</u> | <u>703,525</u> | <u>421,281</u> | <u>449</u> | <u>421,730</u> | <u>281,795</u> |

(Continued)

CITY OF CHELSEA, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual | | Actual | Variance |
|---|------------------|-----------|-----------|--------------|-----------|------------|
| | Original | Final | Budgetary | Encumbrances | Budgetary | Positive |
| | Budget | Budget | Amounts | | Adjusted | (Negative) |
| Elder Affairs: | | | | | | |
| Personal services | 193,731 | 193,731 | 185,029 | - | 185,029 | 8,702 |
| Expenditures | 79,008 | 129,008 | 55,888 | 67,900 | 123,788 | 5,220 |
| | 272,739 | 322,739 | 240,917 | 67,900 | 308,817 | 13,922 |
| <i>Total Health and Human Services</i> | 1,807,938 | 1,860,113 | 1,337,198 | 184,109 | 1,521,307 | 338,806 |
| <i>Culture and Recreation:</i> | | | | | | |
| Recreation and Cultural Affairs: | | | | | | |
| Personal services | 190,390 | 190,390 | 164,966 | - | 164,966 | 25,424 |
| Expenditures | 298,601 | 298,601 | 199,127 | 30,000 | 229,127 | 69,474 |
| | 488,991 | 488,991 | 364,093 | 30,000 | 394,093 | 94,898 |
| Public Library: | | | | | | |
| Personal services | 309,516 | 309,516 | 306,705 | - | 306,705 | 2,811 |
| Expenditures | 26,904 | 26,904 | 26,466 | - | 26,466 | 438 |
| Capital outlay | 20,075 | 20,075 | 12,061 | 7,703 | 19,764 | 311 |
| | 356,495 | 356,495 | 345,232 | 7,703 | 352,935 | 3,560 |
| <i>Total Culture and Recreation</i> | 845,486 | 845,486 | 709,325 | 37,703 | 747,028 | 98,458 |
| <i>Pension Benefits:</i> | | | | | | |
| Contributory Retirement: | | | | | | |
| Expenditures | 8,035,800 | 8,008,660 | 7,950,920 | - | 7,950,920 | 57,740 |
| | 8,035,800 | 8,008,660 | 7,950,920 | - | 7,950,920 | 57,740 |
| Non-Contributory Retirement: | | | | | | |
| Expenditures | 10,850 | 10,850 | 10,496 | - | 10,496 | 354 |
| | 10,850 | 10,850 | 10,496 | - | 10,496 | 354 |
| <i>Total Pension Benefits</i> | 8,046,650 | 8,019,510 | 7,961,416 | - | 7,961,416 | 58,094 |
| <i>Employee Benefits:</i> | | | | | | |
| Unemployment Compensation: | | | | | | |
| Expenditures | 30,341 | 30,341 | 17,425 | 12,869 | 30,294 | 47 |
| | 30,341 | 30,341 | 17,425 | 12,869 | 30,294 | 47 |
| Health Insurance: | | | | | | |
| Operating expenses | 7,721,931 | 7,695,039 | 7,329,943 | 2,301 | 7,332,244 | 362,795 |
| | 7,721,931 | 7,695,039 | 7,329,943 | 2,301 | 7,332,244 | 362,795 |
| Workers' Compensation: | | | | | | |
| Operating expenses | 415,000 | 415,300 | 353,120 | 888 | 354,008 | 61,292 |
| | 415,000 | 415,300 | 353,120 | 888 | 354,008 | 61,292 |
| Payroll Taxes: | | | | | | |
| Operating expenses | 430,000 | 484,000 | 477,833 | - | 477,833 | 6,167 |
| | 430,000 | 484,000 | 477,833 | - | 477,833 | 6,167 |
| Life Insurance: | | | | | | |
| Operating expenses | 27,264 | 27,264 | 13,031 | 11,777 | 24,808 | 2,456 |
| | 27,264 | 27,264 | 13,031 | 11,777 | 24,808 | 2,456 |
| <i>Total Employee Benefits</i> | 8,624,536 | 8,651,944 | 8,191,352 | 27,835 | 8,219,187 | 432,757 |
| <i>Property and Liability Insurance:</i> | | | | | | |
| Expenditures | 855,000 | 855,000 | 849,988 | 12 | 850,000 | 5,000 |
| <i>Total Property and Liability Insurance</i> | 855,000 | 855,000 | 849,988 | 12 | 850,000 | 5,000 |

CITY OF CHELSEA, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual | | Actual | Variance |
|--|---------------------|---------------------|--------------------|------------------|-----------------------|----------------------|
| | Original | Final | Budgetary | Encumbrances | Budgetary | Positive |
| | Budget | Budget | Amounts | | Adjusted | (Negative) |
| <i>Claims and Judgments:</i> | | | | | | |
| Expenditures | 50,000 | 75,000 | 72,168 | - | 72,168 | 2,832 |
| <i>Total Claims and Judgements</i> | <u>50,000</u> | <u>75,000</u> | <u>72,168</u> | <u>-</u> | <u>72,168</u> | <u>2,832</u> |
| <i>State and County Assessments:</i> | | | | | | |
| State assessments and charges | 353,176 | 353,176 | 353,176 | - | 353,176 | - |
| Transportation authorities assessments | 2,604,908 | 2,604,908 | 2,604,908 | - | 2,604,908 | - |
| Annual charges against receipts | 49,712 | 49,712 | 77,508 | - | 77,508 | (27,796) |
| Tuition assessments | 14,859,723 | 14,859,723 | 13,244,056 | - | 13,244,056 | 1,615,667 |
| <i>Total State and County Assessments</i> | <u>17,867,519</u> | <u>17,867,519</u> | <u>16,279,648</u> | <u>-</u> | <u>16,279,648</u> | <u>1,587,871</u> |
| <i>Debt Service Principal:</i> | | | | | | |
| Expenditures | 3,156,686 | 3,156,686 | 3,156,685 | - | 3,156,685 | 1 |
| <i>Total Debt Service Principal</i> | <u>3,156,686</u> | <u>3,156,686</u> | <u>3,156,685</u> | <u>-</u> | <u>3,156,685</u> | <u>1</u> |
| <i>Debt Service Interest:</i> | | | | | | |
| Expenditures | 1,000,810 | 1,000,810 | 1,000,809 | - | 1,000,809 | 1 |
| <i>Total Debt Service Interest</i> | <u>1,000,810</u> | <u>1,000,810</u> | <u>1,000,809</u> | <u>-</u> | <u>1,000,809</u> | <u>1</u> |
| Total Expenditures | <u>179,024,009</u> | <u>181,752,646</u> | <u>170,520,616</u> | <u>6,986,025</u> | <u>177,506,641</u> | <u>4,246,005</u> |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | 2,322,035 | 2,591,804 | 2,591,804 | | 2,591,804 | - |
| Transfers out | (6,066,159) | (8,327,739) | (8,327,739) | | (8,327,739) | - |
| Total Other Financing Sources (Uses) | <u>(3,744,124)</u> | <u>(5,735,935)</u> | <u>(5,735,935)</u> | | <u>\$ (5,735,935)</u> | <u>-</u> |
| <i>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Uses Of Prior Year Budgetary Fund Balance</i> | <u>(11,530,988)</u> | <u>(15,325,327)</u> | <u>3,610,265</u> | | | <u>\$ 11,949,567</u> |
| Other Budgetary Items | | | | | | |
| Use of unassigned fund balance (free cash) | \$ 5,165,078 | \$ 8,889,417 | | | | |
| Use of overlay surplus | 100,000 | 170,000 | | | | |
| Prior year encumbrances | 6,265,910 | 6,265,910 | | | | |
| Total Other Budgetary Items | <u>11,530,988</u> | <u>15,325,327</u> | | | | |
| Net budget and actual | <u>\$ -</u> | <u>\$ -</u> | | | | |

(Concluded)

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

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

CITY OF CHELSEA, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2019

I. Pension Plan

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

Changes in Assumptions – The discount rate decreased from 7.35% to 7.25%.

II. Other Postemployment Benefit Plan

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

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

| | |
|---------------------------------|---|
| Investment rate of return | 6.83%, net of OPEB plan investment expense including inflation. |
| Municipal bond rate | 2.79% as of June 30, 2019 |
| Single Equivalent Discount Rate | 3.25% net of OPEB plan investment expense including inflation. |
| Inflation | 2.5% annually as of June 30, 2019 and for future periods |
| Salary increases | 3.0% annually as of June 30, 2019 and for future periods |
| Health Care Trend Rate | 5.0% |
| Pre-Retirement Mortality | RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females |
| Post-Retirement Mortality | RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2009 for males and females |
| Disabled Mortality | RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females |
| Actuarial Cost Method | Individual entry age normal |

Changes in Assumptions – None.

III. Budgetary Basis of Accounting

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

The City adopts an annual budget for the general fund in conformity with the guidelines described above, with appropriations totaling approximately \$185.1 million. During fiscal year 2019, City Council approved various supplemental budgetary appropriations which resulted in a net increase of approximately \$5.0 million from the original voted budget, which was primarily utilized for public safety (\$1.4 million), education (\$1.2 million) and transfers to other funds (\$2.0 million).

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

Budgetary-to-GAAP Reconciliation – The City's general fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2019, is as follows:

| | Basis of Accounting Differences | Fund Perspective Differences | Total |
|---|---------------------------------------|---------------------------------|-----------------------|
| Revenues on a budgetary basis | | | \$ 179,866,816 |
| Change in revenue accruals | \$ (622,877) | \$ - | (622,877) |
| Stabilization activity | - | 1,009,514 | 1,009,514 |
| On behalf payments | 13,457,393 | - | 13,457,393 |
| Revenues on a GAAP basis | <u>\$ 13,457,393</u> | <u>\$ -</u> | <u>\$ 193,710,846</u> |
| Expenditures on a budgetary basis | | | \$ 170,520,616 |
| Fiduciary fund activity | \$ - | \$ 225,000 | 225,000 |
| Change in expenditure accruals | (55,708) | - | (55,708) |
| On behalf payments | 13,457,393 | - | 13,457,393 |
| Contributions to OPEB trust | - | 1,955,090 | 1,955,090 |
| Expenditures on a GAAP basis | <u>\$ 13,401,685</u> | <u>\$ 2,180,090</u> | <u>\$ 186,102,391</u> |
| Other financing sources (uses) on a budgetary basis | | | \$ (5,735,935) |
| Fiduciary fund activity | \$ - | \$ 225,000 | 225,000 |
| Transfers to OPEB trust | - | 300,000 | 300,000 |
| Other financing sources (uses) on a GAAP basis | <u>\$ -</u> | <u>\$ 525,000</u> | <u>\$ (5,210,935)</u> |

Combining Statements

Nonmajor Governmental Funds

Special Revenue Funds –

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

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

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

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

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

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

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

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

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

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

School Gifts – This fund accounts for donated monies from residents and organizations that are to be used to provide a specific benefit to the Chelsea schools.

School State Grants – This fund accounts for Commonwealth of Massachusetts funded educational-based grant programs received directly from state agencies.

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

Capital Project Funds –

Capital project funds are used to account for and report resources that are legally restricted, committed or assigned to expenditure for capital outlays, including acquisition or construction of capital facilities and other capital assets.

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

Other Capital – This fund accounts for the proceeds of bonds sold, intergovernmental grant and transfers in used to finance the City's other capital project activity.

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

Permanent Funds –

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support governmental programs.

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

Culture and Recreation – This fund accounts for various gift, bequests and contributions held for which only earnings may be expended for purposes specified by the donor related to culture and recreation activities.

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2019

| | Special Revenue Funds | | | | | |
|---|-----------------------|-----------------------------------|-------------------|----------------------|------------------|-------------------------|
| | Redevelopment | Other Community Development | City Revolving | Receipts Reserved | City Gifts | City State Grants |
| Assets: | | | | | | |
| Cash and short-term investments | \$ 3,460 | \$ 4,503,274 | \$ - | \$ 6,092,595 | \$ 54,188 | \$ 949,728 |
| Investments | 2,886,886 | 2,177,467 | - | - | - | - |
| Receivables, net of allowance for uncollectibles | | | | | | |
| Real estate and personal property taxes | - | 9,529 | - | - | - | - |
| Departmental and other | - | - | 823,251 | - | - | - |
| Intergovernmental | - | 169,671 | - | - | - | - |
| Total Assets | \$ 2,890,346 | \$ 6,859,941 | \$ 823,251 | \$ 6,092,595 | \$ 54,188 | \$ 949,728 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | | | | | |
| Liabilities: | | | | | | |
| Warrants and accounts payable | \$ 3,461 | \$ 1,042,422 | \$ 26,459 | \$ - | \$ 29,751 | \$ 48,202 |
| Accrued payroll and withholdings | 4,718 | 1,417 | 93,365 | - | 1,428 | 12,747 |
| Due to other funds | - | - | 517,058 | - | - | - |
| Total Liabilities | 8,179 | 1,043,839 | 636,882 | - | 31,179 | 60,949 |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable revenues - property taxes | - | 9,529 | - | - | - | - |
| Total Deferred Inflows of Resources | - | 9,529 | - | - | - | - |
| Fund Balances: | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | 2,882,167 | 5,806,573 | 186,369 | 6,092,595 | 23,009 | 888,779 |
| Unassigned | - | - | - | - | - | - |
| Total Fund Balances | 2,882,167 | 5,806,573 | 186,369 | 6,092,595 | 23,009 | 888,779 |
| Total Liabilities, Deferred Inflow of Resources, and Fund Balances | \$ 2,890,346 | \$ 6,859,941 | \$ 823,251 | \$ 6,092,595 | \$ 54,188 | \$ 949,728 |

| City Federal Grants | School Lunch | School Revolving | School Gifts | School State Grants | School Federal Grants | Sub-total Special Revenue Funds |
|---------------------------|---------------------|---------------------|-------------------|---------------------------|-----------------------------|---------------------------------------|
| \$ - | \$ 2,987,223 | \$ 932,701 | \$ 961,984 | \$ 1,717,406 | \$ - | \$ 18,202,559 |
| - | - | - | - | - | - | 5,064,353 |
| - | - | - | - | - | - | 9,529 |
| - | - | - | - | - | - | 823,251 |
| - | 660,913 | - | - | 634,345 | 671,875 | 2,136,804 |
| <u>\$ -</u> | <u>\$ 3,648,136</u> | <u>\$ 932,701</u> | <u>\$ 961,984</u> | <u>\$ 2,351,751</u> | <u>\$ 671,875</u> | <u>\$ 26,236,496</u> |
| | | | | | | |
| \$ 30,218 | \$ 7,782 | \$ 843 | \$ 40,348 | \$ 24,903 | \$ 73,049 | \$ 1,327,438 |
| 29,775 | 2,337 | 3,156 | 2,291 | 453 | 1,287 | 152,974 |
| 32,347 | - | - | - | - | 542,117 | 1,091,522 |
| <u>92,340</u> | <u>10,119</u> | <u>3,999</u> | <u>42,639</u> | <u>25,356</u> | <u>616,453</u> | <u>2,571,934</u> |
| - | - | - | - | - | - | 9,529 |
| - | - | - | - | - | - | 9,529 |
| - | - | - | - | - | - | - |
| - | 3,638,017 | 928,702 | 919,345 | 2,326,395 | 55,422 | 23,747,373 |
| (92,340) | - | - | - | - | - | (92,340) |
| <u>(92,340)</u> | <u>3,638,017</u> | <u>928,702</u> | <u>919,345</u> | <u>2,326,395</u> | <u>55,422</u> | <u>23,655,033</u> |
| <u>\$ -</u> | <u>\$ 3,648,136</u> | <u>\$ 932,701</u> | <u>\$ 961,984</u> | <u>\$ 2,351,751</u> | <u>\$ 671,875</u> | <u>\$ 26,236,496</u> |

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2019

| | Capital Project Funds | | | |
|---|-------------------------------------|--------------------------|---------------------------------------|--|
| | <u>Urban I & II Renewal</u> | <u>Other Capital</u> | <u>School Capital Reserve</u> | <u>Sub-total Capital Project Funds</u> |
| Assets: | | | | |
| Cash and short-term investments | \$ 270,575 | \$ 2,784,241 | \$ 3,912,663 | \$ 6,967,479 |
| Investments | - | - | - | - |
| Receivables, net of allowance for uncollectibles | | | | |
| Real estate and personal property taxes | - | - | - | - |
| Departmental and other | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Total Assets | <u>\$ 270,575</u> | <u>\$ 2,784,241</u> | <u>\$ 3,912,663</u> | <u>\$ 6,967,479</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances: | | | | |
| Liabilities: | | | | |
| Warrants and accounts payable | \$ - | \$ 575,000 | \$ - | \$ 575,000 |
| Accrued payroll and withholdings | - | - | - | - |
| Due to other funds | - | - | - | - |
| Total Liabilities | - | 575,000 | - | 575,000 |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenues - property taxes | - | - | - | - |
| Total Deferred Inflows of Resources | - | - | - | - |
| Fund Balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 270,575 | 2,209,241 | 3,912,663 | 6,392,479 |
| Unassigned | - | - | - | - |
| Total Fund Balances | <u>270,575</u> | <u>2,209,241</u> | <u>3,912,663</u> | <u>6,392,479</u> |
| Total Liabilities, Deferred Inflow of Resources, and Fund Balances | <u>\$ 270,575</u> | <u>\$ 2,784,241</u> | <u>\$ 3,912,663</u> | <u>\$ 6,967,479</u> |

| Permanent Funds | | | Total |
|---------------------------------|---------------------------|---------------------------------|-----------------------------------|
| Health and Human Services | Culture and Recreation | Sub-total Permanent Funds | Nonmajor Governmental Funds |
| \$ 12,745 | \$ - | \$ 12,745 | \$ 25,182,783 |
| - | 117,170 | 117,170 | 5,181,523 |
| - | - | - | 9,529 |
| - | - | - | 823,251 |
| - | - | - | 2,136,804 |
| <u>\$ 12,745</u> | <u>\$ 117,170</u> | <u>\$ 129,915</u> | <u>\$ 33,333,890</u> |

| | | | |
|------------------|-------------------|-------------------|----------------------|
| \$ - | \$ - | \$ - | \$ 1,902,438 |
| - | - | - | 152,974 |
| - | - | - | 1,091,522 |
| - | - | - | 3,146,934 |
| - | - | - | 9,529 |
| - | - | - | 9,529 |
| 11,996 | 10,396 | 22,392 | 22,392 |
| 749 | 106,774 | 107,523 | 30,247,375 |
| - | - | - | (92,340) |
| <u>12,745</u> | <u>117,170</u> | <u>129,915</u> | <u>30,177,427</u> |
| <u>\$ 12,745</u> | <u>\$ 117,170</u> | <u>\$ 129,915</u> | <u>\$ 33,333,890</u> |

(Concluded)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2019

| | Special Revenue Funds | | | | | |
|--|------------------------------|--|---------------------------|------------------------------|-----------------------|----------------------------------|
| | <u>Redevelopment</u> | <u>Other Community Development</u> | <u>City Revolving</u> | <u>Receipts Reserved</u> | <u>City Gifts</u> | <u>City State Grants</u> |
| Revenues: | | | | | | |
| Community preservation surcharges | \$ - | \$ 660,631 | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | 3,345,427 | - | - | - | 3,499,304 |
| Charges for services | - | - | 3,570,294 | - | - | - |
| Departmental and other | 15,598 | 1,364 | 69,025 | 525,307 | - | - |
| Interest and investment income | 53,678 | 36,124 | - | - | - | - |
| Contributions and donations | - | 261,000 | - | - | 832,655 | - |
| Total Revenues | <u>69,276</u> | <u>4,304,546</u> | <u>3,639,319</u> | <u>525,307</u> | <u>832,655</u> | <u>3,499,304</u> |
| Expenditures: | | | | | | |
| General government | - | 2,741,153 | - | 21,456 | 332,822 | - |
| Public safety | - | - | 3,627,559 | - | 9,175 | 759,568 |
| Education | - | - | - | - | - | - |
| Public works | - | - | 9,212 | - | 203,810 | 1,216,145 |
| Health and human services | - | - | - | - | 295,451 | 73,507 |
| Culture and recreation | - | - | 49,456 | - | 1,682 | 79,125 |
| Community development | 246,657 | 1,054,217 | - | - | - | - |
| Total Expenditures | <u>246,657</u> | <u>3,795,370</u> | <u>3,686,227</u> | <u>21,456</u> | <u>842,940</u> | <u>2,128,345</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (177,381) | 509,176 | (46,908) | 503,851 | (10,285) | 1,370,959 |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in | 8,408 | - | 171,867 | 1,096,634 | - | 250,000 |
| Transfers out | - | (16,035) | - | (300,000) | (1,114,491) | (106,925) |
| Total Other Financing Sources (Uses) | <u>8,408</u> | <u>(16,035)</u> | <u>171,867</u> | <u>796,634</u> | <u>(1,114,491)</u> | <u>143,075</u> |
| Net Change in Fund Balance | (168,973) | 493,141 | 124,959 | 1,300,485 | (1,124,776) | 1,514,034 |
| Fund Balances - Beginning of Year | 3,051,140 | 5,313,432 | 61,410 | 4,792,110 | 1,147,785 | (625,255) |
| Fund Balances - End of Year | <u>\$ 2,882,167</u> | <u>\$ 5,806,573</u> | <u>\$ 186,369</u> | <u>\$ 6,092,595</u> | <u>\$ 23,009</u> | <u>\$ 888,779</u> |

| City Federal Grants | School Lunch | School Revolving | School Gifts | School State Grants | School Federal Grants | Sub-total Special Revenue Funds |
|---------------------------|-----------------|---------------------|-----------------|---------------------------|-----------------------------|---------------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 660,631 |
| 1,123,441 | 4,635,454 | - | - | 3,743,560 | 6,955,559 | 23,302,745 |
| - | 365,484 | 282,420 | - | - | - | 4,218,198 |
| - | - | 100,130 | - | - | - | 711,424 |
| - | - | - | - | - | - | 89,802 |
| - | - | - | 462,598 | - | - | 1,556,253 |
| 1,123,441 | 5,000,938 | 382,550 | 462,598 | 3,743,560 | 6,955,559 | 30,539,053 |
| - | - | - | - | - | - | 3,095,431 |
| 1,319,834 | - | - | - | - | - | 5,716,136 |
| - | 3,989,058 | 585,156 | 957,520 | 2,556,236 | 5,701,573 | 13,789,543 |
| - | - | - | - | - | - | 1,429,167 |
| 113,345 | - | - | - | - | - | 482,303 |
| 2,888 | - | - | - | - | - | 133,151 |
| - | - | - | - | - | - | 1,300,874 |
| 1,436,067 | 3,989,058 | 585,156 | 957,520 | 2,556,236 | 5,701,573 | 25,946,605 |
| (312,626) | 1,011,880 | (202,606) | (494,922) | 1,187,324 | 1,253,986 | 4,592,448 |
| 205,252 | - | - | 7,952 | - | - | 1,740,113 |
| (101,720) | - | - | - | (11,359) | - | (1,650,530) |
| 103,532 | - | - | 7,952 | (11,359) | - | 89,583 |
| (209,094) | 1,011,880 | (202,606) | (486,970) | 1,175,965 | 1,253,986 | 4,682,031 |
| 116,754 | 2,626,137 | 1,131,308 | 1,406,315 | 1,150,430 | (1,198,564) | 18,973,002 |
| \$ (92,340) | \$ 3,638,017 | \$ 928,702 | \$ 919,345 | \$ 2,326,395 | \$ 55,422 | \$ 23,655,033 |

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2019

| | Capital Project Funds | | | |
|--|-------------------------------------|--------------------------|---------------------------------------|--|
| | Urban I & II Renewal | Other Capital | School Capital Reserve | Sub-total Capital Project Funds |
| Revenues: | | | | |
| Community preservation surcharges | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | 21,000 | - | 21,000 |
| Charges for services | - | - | - | - |
| Departmental and other | - | - | - | - |
| Interest and investment income | - | - | 152,735 | 152,735 |
| Contributions and donations | - | - | - | - |
| Total Revenues | - | 21,000 | 152,735 | 173,735 |
| Expenditures: | | | | |
| General government | - | 662,144 | - | 662,144 |
| Public safety | - | - | - | - |
| Education | - | - | - | - |
| Public works | - | 1,112,282 | - | 1,112,282 |
| Health and human services | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Community development | 58,232 | - | - | 58,232 |
| Total Expenditures | 58,232 | 1,774,426 | - | 1,832,658 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (58,232) | (1,753,426) | 152,735 | (1,658,923) |
| Other Financing Sources (Uses): | | | | |
| Transfers in | - | 2,595,328 | 170,000 | 2,765,328 |
| Transfers out | - | - | (695,000) | (695,000) |
| Total Other Financing Sources (Uses) | - | 2,595,328 | (525,000) | 2,070,328 |
| Net Change in Fund Balance | (58,232) | 841,902 | (372,265) | 411,405 |
| Fund Balances - Beginning of Year | 328,807 | 1,367,339 | 4,284,928 | 5,981,074 |
| Fund Balances - End of Year | \$ 270,575 | \$ 2,209,241 | \$ 3,912,663 | \$ 6,392,479 |

| Permanent Funds | | | Total |
|---------------------------------|---------------------------|---------------------------------|-----------------------------------|
| Health and Human Services | Culture and Recreation | Sub-total Permanent Funds | Nonmajor Governmental Funds |
| \$ - | \$ - | \$ - | \$ 660,631 |
| - | - | - | 23,323,745 |
| - | - | - | 4,218,198 |
| - | - | - | 711,424 |
| - | 7,461 | 7,461 | 249,998 |
| - | - | - | 1,556,253 |
| - | 7,461 | 7,461 | 30,720,249 |
| - | - | - | 3,757,575 |
| - | - | - | 5,716,136 |
| - | - | - | 13,789,543 |
| - | - | - | 2,541,449 |
| - | - | - | 482,303 |
| - | - | - | 133,151 |
| - | - | - | 1,359,106 |
| - | - | - | 27,779,263 |
| - | 7,461 | 7,461 | 2,940,986 |
| - | - | - | 4,505,441 |
| - | - | - | (2,345,530) |
| - | - | - | 2,159,911 |
| - | 7,461 | 7,461 | 5,100,897 |
| 12,745 | 109,709 | 122,454 | 25,076,530 |
| <u>\$ 12,745</u> | <u>\$ 117,170</u> | <u>\$ 129,915</u> | <u>\$ 30,177,427</u> |

(Concluded)

Internal Service Funds

Internal service funds are used to account for the financing of services provided by one department to other departments or governmental units. The City's risk financing activities accounts for in the internal service funds can be distinctly categorized into the following groupings:

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

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

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

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET POSITION JUNE 30, 2019

| | Retirees' Health Insurance | Workers' Compensation | Health Insurance | Total Internal Service Funds |
|---|----------------------------------|--------------------------|---------------------|------------------------------------|
| Assets: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 235,643 | \$ 211,062 | \$ 11,087,160 | \$ 11,533,865 |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accrued payroll and withholdings | - | 3,614 | - | 3,614 |
| Health claims incurred but not reported | - | - | 1,433,811 | 1,433,811 |
| Other liabilities | - | 2,975 | - | 2,975 |
| Workers' compensation claims | - | 233,460 | - | 233,460 |
| Total Current Liabilities | - | 240,049 | 1,433,811 | 1,673,860 |
| Noncurrent liabilities: | | | | |
| Workers' compensation claims | - | 233,460 | - | 233,460 |
| Total Noncurrent Liabilities | - | 233,460 | - | 233,460 |
| Total Liabilities | - | 473,509 | 1,433,811 | 1,907,320 |
| Net Position: | | | | |
| Unrestricted | 235,643 | (262,447) | 9,653,349 | 9,626,545 |
| TOTAL NET POSITION | <u>\$ 235,643</u> | <u>\$ (262,447)</u> | <u>\$ 9,653,349</u> | <u>\$ 9,626,545</u> |
| | - | - | - | - |

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FISCAL YEAR ENDED JUNE 30, 2019

| | Retirees' Health Insurance | Workers' Compensation | Health Insurance | Total Internal Service Funds |
|-----------------------------------|----------------------------------|--------------------------|---------------------|------------------------------------|
| Operating Revenues: | | | | |
| Employee contributions | \$ - | \$ - | \$ 4,857,176 | \$ 4,857,176 |
| Employer contributions | - | 225,000 | 18,699,293 | 18,924,293 |
| Stop loss receipts | - | - | 1,415,748 | 1,415,748 |
| Total Operating Revenues | - | 225,000 | 24,972,217 | 25,197,217 |
| Operating Expenditures: | | | | |
| Employee benefits | - | 292,206 | 21,457,322 | 21,749,528 |
| Total Operating Expenditures | - | 292,206 | 21,457,322 | 21,749,528 |
| Operating Income (Loss) | - | (67,206) | 3,514,895 | 3,447,689 |
| Nonoperating Revenues (Expenses): | | | | |
| Investment Income | - | 409 | 144,062 | 144,471 |
| Income (Loss) Before Transfers | - | (66,797) | 3,658,957 | 3,592,160 |
| Change in Net Position | - | (66,797) | 3,658,957 | 3,592,160 |
| Fund Balances - Beginning of Year | 235,643 | (195,650) | 5,994,392 | 6,034,385 |
| Fund Balances - End of Year | \$ 235,643 | \$ (262,447) | \$ 9,653,349 | \$ 9,626,545 |

INTERNAL SERVICE FUNDS

**COMBINING STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2019**

| | <u>Retirees' Health Insurance</u> | <u>Workers' Compensation</u> | <u>Health Insurance</u> | <u>Total Internal Service Funds</u> |
|---|---|----------------------------------|-----------------------------|---|
| Cash Flows From Operating Activities: | | | | |
| Receipts from interfund services provided | \$ - | \$ 225,000 | \$ 24,972,217 | \$ 25,197,217 |
| Payments for interfund services used | <u>-</u> | <u>(171,388)</u> | <u>(21,004,271)</u> | <u>(21,175,659)</u> |
| Net Cash Provided by Operating Activities | <u>-</u> | <u>53,612</u> | <u>3,967,946</u> | <u>4,021,558</u> |
| Cash Flows From Investing Activities: | | | | |
| Investment income | <u>-</u> | <u>409</u> | <u>144,062</u> | <u>144,471</u> |
| Net Cash Provided By Investing Activities | <u>-</u> | <u>409</u> | <u>144,062</u> | <u>144,471</u> |
| Net Change in Cash and Cash Equivalents | <u>-</u> | <u>54,021</u> | <u>4,112,008</u> | <u>4,166,029</u> |
| Cash and Cash Equivalents: | | | | |
| Beginning of the Year | <u>235,643</u> | <u>157,041</u> | <u>6,975,152</u> | <u>7,367,836</u> |
| End of the Year | <u><u>\$ 235,643</u></u> | <u><u>\$ 211,062</u></u> | <u><u>\$ 11,087,160</u></u> | <u><u>\$ 11,533,865</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | | | | |
| Operating income (loss) | - | (67,206) | 3,514,895 | 3,447,689 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Changes in assets and liabilities: | | | | |
| Accrued payroll and withholdings | - | 94 | - | 94 |
| Health claims incurred but not reported | - | - | 453,051 | 453,051 |
| Workers' compensation claims | <u>-</u> | <u>120,724</u> | <u>-</u> | <u>120,724</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ -</u></u> | <u><u>\$ 53,612</u></u> | <u><u>\$ 3,967,946</u></u> | <u><u>\$ 4,021,558</u></u> |

Fiduciary Funds

Agency Funds –

Agency funds are used to account for assets maintained in a custodial capacity.

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FISCAL YEAR ENDED JUNE 30, 2019

| | <u>Beginning of Year</u> | <u>Additions</u> | <u>Deletions</u> | <u>End of Year</u> |
|---------------------------|------------------------------|----------------------|------------------------|------------------------|
| Assets: | | | | |
| Cash and cash equivalents | <u>\$ 883,587</u> | <u>\$ 19,873,984</u> | <u>\$ (19,915,859)</u> | <u>\$ 841,712</u> |
| Liabilities: | | | | |
| Warrants payable | \$ 10,500 | \$ 19,905,359 | \$ (19,915,859) | \$ - |
| Agency liabilities | <u>873,087</u> | <u>19,873,984</u> | <u>(19,905,359)</u> | <u>841,712</u> |
| Total Liabilities | <u>\$ 883,587</u> | <u>\$ 39,779,343</u> | <u>\$ (39,821,218)</u> | <u>\$ 841,712</u> |



This page intentionally left blank.

STATISTICAL SECTION



Above: City Manager Tom Ambrosino reads to an attentive young audience during a Chelsea Reads Outdoor Storytime event coordinated by the Chelsea Public Library and Outdoors RX.

Photo courtesy of the Chelsea Public Library

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 (1) | 2016 | 2017 | 2018 (2) | 2019 |
|---|-----------------------|-----------------------|-----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|------------------------|-----------------------|
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets..... | \$ 115,802,386 | \$ 123,198,732 | \$ 110,297,865 | \$ 112,646,295 | \$ 113,957,937 | \$ 121,592,582 | \$ 146,694,947 | \$ 162,050,337 | \$ 180,490,997 | \$ 186,637,819 |
| Restricted..... | 16,877,352 | 5,330,361 | 21,541,560 | 19,798,007 | 23,010,803 | 25,186,869 | 26,936,571 | 31,768,286 | 39,752,744 | 30,279,296 |
| Unrestricted..... | (33,438,542) | (41,789,700) | (55,550,266) | (67,222,440) | (69,930,884) | (147,945,496) | (164,046,773) | (167,542,578) | (237,625,834) | (224,635,904) |
| Total governmental activities net position..... | \$ 99,241,196 | \$ 86,739,393 | \$ 76,289,159 | \$ 65,221,862 | \$ 67,037,856 | \$ (1,166,045) | \$ 9,584,745 | \$ 26,276,045 | \$ (17,382,093) | \$ (7,718,789) |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets..... | \$ 9,731,672 | \$ 13,645,212 | \$ 15,188,269 | \$ 16,948,277 | \$ 18,376,165 | \$ 20,591,676 | \$ 18,000,489 | \$ 29,291,684 | \$ 28,462,797 | \$ 27,575,431 |
| Unrestricted..... | 6,073,506 | 6,752,021 | 9,321,027 | 11,462,851 | 13,014,707 | 13,244,738 | 19,074,859 | 8,700,571 | 14,651,964 | 17,408,149 |
| Total business-type activities net position..... | \$ 15,805,178 | \$ 20,397,233 | \$ 24,509,296 | \$ 28,411,128 | \$ 31,390,872 | \$ 33,836,414 | \$ 37,075,348 | \$ 37,992,255 | \$ 43,114,761 | \$ 44,983,580 |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets..... | \$ 125,534,058 | \$ 136,843,944 | \$ 125,486,134 | \$ 129,594,572 | \$ 132,334,102 | \$ 142,184,258 | \$ 164,695,436 | \$ 191,342,021 | \$ 208,953,794 | \$ 214,213,250 |
| Restricted..... | 16,877,352 | 5,330,361 | 21,541,560 | 19,798,007 | 23,010,803 | 25,186,869 | 26,936,571 | 31,768,286 | 39,752,744 | 30,279,296 |
| Unrestricted..... | (27,365,036) | (35,037,679) | (46,229,239) | (55,759,589) | (56,916,177) | (134,700,758) | (144,971,914) | (158,842,007) | (222,973,870) | (207,227,755) |
| Total primary government net position..... | \$ 115,046,374 | \$ 107,136,626 | \$ 100,798,455 | \$ 93,632,990 | \$ 98,428,728 | \$ 32,670,369 | \$ 46,660,093 | \$ 64,268,300 | \$ 25,732,668 | \$ 37,264,791 |

Note: The City restated the 2010 - 2012 governmental activities net position to conform to the current year classifications.

(1) Unrestricted governmental and business-type activities were restated for the net pension liability.

(2) Unrestricted governmental and business-type activities were restated for the net OPEB liability.

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Expenses - | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government..... | \$ 8,584,122 | \$ 8,878,505 | \$ 6,303,492 | \$ 6,753,023 | \$ 6,396,204 | \$ 7,180,957 | \$ 6,504,975 | \$ 8,252,547 | \$ 7,982,911 | \$ 11,593,140 |
| Public safety..... | 36,002,662 | 38,057,558 | 34,245,664 | 37,168,245 | 37,333,683 | 38,356,624 | 42,312,639 | 41,233,536 | 41,174,310 | 45,983,955 |
| Education..... | 97,560,358 | 97,529,142 | 101,583,304 | 106,039,385 | 108,824,624 | 115,114,967 | 124,549,859 | 133,951,256 | 132,322,671 | 135,384,643 |
| Public works..... | 6,187,990 | 6,888,278 | 6,392,827 | 7,054,957 | 7,330,891 | 6,847,690 | 6,649,021 | 6,141,699 | 3,285,902 | 11,831,133 |
| Health and Human services..... | 1,854,061 | 1,845,688 | 4,003,944 | 4,311,783 | 4,397,671 | 4,349,173 | 4,736,315 | 5,084,876 | 4,845,247 | 2,177,795 |
| Culture and recreation..... | 916,324 | 990,915 | 909,974 | 980,683 | 818,969 | 880,766 | 924,397 | 1,140,358 | 1,184,054 | 1,192,222 |
| Community development..... | 1,546,870 | 1,345,920 | 1,774,591 | 3,324,674 | 2,535,337 | 2,837,190 | 3,557,852 | 3,898,699 | 3,600,756 | 2,102,001 |
| Interest..... | 2,756,957 | 1,918,692 | 742,879 | 977,150 | 832,886 | 757,175 | 743,493 | 785,323 | 790,286 | 965,162 |
| Total government activities expenses..... | 155,409,344 | 157,454,698 | 155,956,675 | 166,609,900 | 168,470,265 | 176,324,542 | 189,978,551 | 200,488,294 | 195,186,137 | 211,230,051 |
| Business-type activities: | | | | | | | | | | |
| Water and sewer operations..... | 11,932,616 | 12,619,962 | 12,587,797 | 13,185,746 | 13,942,646 | 14,621,709 | 15,028,890 | 16,808,671 | 14,956,501 | 17,963,654 |
| Total business-type activities expenses..... | 11,932,616 | 12,619,962 | 12,587,797 | 13,185,746 | 13,942,646 | 14,621,709 | 15,028,890 | 16,808,671 | 14,956,501 | 17,963,654 |
| Total primary government expenses..... | \$ 167,341,960 | \$ 170,074,660 | \$ 168,544,472 | \$ 179,795,646 | \$ 182,412,911 | \$ 190,946,251 | \$ 205,007,441 | \$ 217,296,965 | \$ 210,142,638 | \$ 229,193,705 |
| Program Revenues - | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Public safety..... | \$ 4,276,170 | \$ 4,377,770 | \$ 4,335,583 | \$ 5,215,386 | \$ 5,601,755 | \$ 6,935,440 | \$ 6,694,814 | \$ 6,355,040 | \$ 7,483,273 | \$ 9,847,304 |
| Public works..... | 1,529,503 | 1,346,420 | 1,421,310 | 1,434,148 | 1,436,700 | 1,573,631 | 1,550,192 | 1,572,575 | 1,763,406 | 1,911,459 |
| Other activities..... | 2,711,537 | 2,872,521 | 3,177,176 | 2,781,946 | 2,689,908 | 2,719,833 | 2,523,973 | 2,456,879 | 2,261,060 | 1,894,035 |
| Operating grants and contributions..... | 77,955,416 | 78,148,183 | 78,837,387 | 83,700,933 | 91,442,874 | 91,452,200 | 101,301,162 | 109,842,971 | 106,313,816 | 115,010,624 |
| Capital grants and contributions..... | 2,389,700 | 408,766 | (1,065,126) | 310,844 | 243,646 | 3,669,318 | 11,739,950 | 12,086,531 | 6,241,881 | 8,390,138 |
| Total government activities program revenues..... | 88,862,326 | 87,153,660 | 86,706,330 | 93,443,257 | 101,414,883 | 106,350,422 | 123,810,091 | 132,313,996 | 124,063,436 | 137,053,560 |
| Business-type activities: | | | | | | | | | | |
| Charges for services..... | 16,012,276 | 17,304,563 | 18,344,616 | 18,474,949 | 18,389,953 | 18,916,044 | 18,658,888 | 19,481,212 | 20,408,211 | 22,270,490 |
| Operating grants and contributions..... | 75,909 | - | 21,966 | 2,412 | 999 | - | - | - | 194,881 | 155,000 |
| Capital grants and contributions..... | - | 404,724 | 1,671 | 320,320 | 282,150 | 398,640 | 1,130,530 | 132,000 | 12,880 | 619,400 |
| Total business-type activities program revenues..... | 16,088,185 | 17,709,287 | 18,368,253 | 18,797,681 | 18,673,102 | 19,314,684 | 19,789,418 | 19,613,212 | 20,615,972 | 23,044,890 |
| Total primary government program revenues..... | \$ 104,950,511 | \$ 104,862,947 | \$ 105,074,583 | \$ 112,240,938 | \$ 120,087,985 | \$ 125,665,106 | \$ 143,599,509 | \$ 151,927,208 | \$ 144,679,408 | \$ 160,098,450 |
| Net (Expense)/Program Revenue | | | | | | | | | | |
| Governmental activities..... | \$ (66,547,018) | \$ (70,301,038) | \$ (69,250,345) | \$ (73,166,643) | \$ (67,055,382) | \$ (69,974,120) | \$ (66,168,460) | \$ (68,174,298) | \$ (71,122,701) | \$ (74,176,491) |
| Business-type activities..... | 4,155,569 | 5,089,325 | 5,780,456 | 5,611,935 | 4,730,456 | 4,692,975 | 4,760,528 | 2,804,541 | 5,659,471 | 5,081,236 |
| Total primary government net (expense)/program revenue..... | \$ (62,391,449) | \$ (65,211,713) | \$ (63,469,889) | \$ (67,554,708) | \$ (62,324,926) | \$ (65,281,145) | \$ (61,407,932) | \$ (65,369,757) | \$ (65,463,230) | \$ (69,095,255) |

(continued)

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Revenues, Transfers and Other Changes in Net Position - | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Real estate and personal property taxes, net of tax refunds payable..... | \$ 34,585,525 | \$ 37,049,408 | \$ 38,375,534 | \$ 42,040,017 | \$ 44,226,062 | \$ 45,085,165 | \$ 48,999,853 | \$ 51,670,468 | \$ 55,252,170 | \$ 57,596,190 |
| Meals and rooms taxes..... | 83,513 | 556,526 | 602,918 | 871,300 | 1,108,668 | 1,167,829 | 1,668,783 | 1,624,438 | 2,036,932 | 2,467,454 |
| Motor vehicle and other excise taxes..... | 7,467,078 | 7,001,354 | 8,253,392 | 8,198,951 | 9,945,067 | 10,794,088 | 13,037,097 | 17,474,882 | 13,186,564 | 17,555,212 |
| Penalties and interest on taxes..... | 576,893 | 457,401 | 553,029 | 375,953 | 472,452 | 466,224 | 444,350 | 342,704 | 383,098 | 368,237 |
| Payments in lieu of taxes..... | 1,738,295 | 1,483,189 | 1,221,920 | 1,221,631 | 2,139,017 | 1,252,908 | 2,084,999 | 1,827,288 | 1,348,428 | 2,416,020 |
| Community preservation surcharges..... | - | - | - | - | - | - | - | 558,496 | 707,587 | 678,523 |
| Grants and contributions not restricted to specific programs..... | 8,629,072 | 7,698,509 | 7,718,417 | 7,538,595 | 7,837,799 | 8,057,101 | 8,071,764 | 8,758,461 | 9,607,782 | 8,590,509 |
| Unrestricted investment income..... | 1,352,951 | 940,588 | 406,508 | 142,796 | 737,599 | 95,655 | 1,090,810 | 721,227 | 1,587,936 | 2,637,942 |
| Gain on sale of capital assets..... | - | 2,115,000 | - | - | 654,000 | - | - | - | - | - |
| Sale of land..... | - | - | - | - | - | 900,000 | - | - | - | - |
| Transfers..... | 867,506 | 497,270 | 1,668,393 | 1,710,103 | 1,752,855 | 1,796,678 | 1,521,594 | 1,887,634 | 1,094,263 | 2,872,035 |
| Total governmental activities..... | 55,300,833 | 57,799,245 | 58,800,111 | 62,099,346 | 68,873,519 | 69,615,648 | 76,919,250 | 84,865,598 | 85,204,760 | 95,182,122 |
| Business-type activities: | | | | | | | | | | |
| Transfers..... | (867,506) | (497,270) | (1,668,393) | (1,710,103) | (1,752,855) | (1,796,678) | (1,521,594) | (1,887,634) | (1,094,263) | (2,872,035) |
| Total business-type activities..... | (867,506) | (497,270) | (1,668,393) | (1,710,103) | (1,752,855) | (1,796,678) | (1,521,594) | (1,887,634) | (1,094,263) | (2,872,035) |
| Total primary government general revenues, transfers and other changes in net position..... | \$ 54,433,327 | \$ 57,301,975 | \$ 57,131,718 | \$ 60,389,243 | \$ 67,120,664 | \$ 67,818,970 | \$ 75,397,656 | \$ 82,977,964 | \$ 84,110,497 | \$ 92,310,087 |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities..... | \$ (11,246,185) | \$ (12,501,793) | \$ (10,450,234) | \$ (11,067,297) | \$ 1,818,137 | \$ (358,472) | \$ 10,750,790 | \$ 16,691,300 | \$ 14,082,059 | \$ 21,005,631 |
| Business-type activities..... | 3,288,063 | 4,592,055 | 4,112,063 | 3,901,832 | 2,977,601 | 2,896,297 | 3,238,934 | 916,907 | 4,565,208 | 2,209,201 |
| Total primary government changes in net position..... | \$ (7,958,122) | \$ (7,909,738) | \$ (6,338,171) | \$ (7,165,465) | \$ 4,795,738 | \$ 2,537,825 | \$ 13,989,724 | \$ 17,608,207 | \$ 18,647,267 | \$ 23,214,832 |

(concluded)

FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

| | 2010 | 2011 (1) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund: | | | | | | | | | | |
| Reserved..... | \$ 2,915,917 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved..... | 14,297,478 | - | - | - | - | - | - | - | - | - |
| Nonspendable..... | - | - | 9,506 | 3,853 | - | - | - | - | - | - |
| Restricted..... | - | - | 150,000 | 308,767 | 504,854 | 718,710 | 970,408 | 1,284,689 | 1,655,090 | - |
| Committed..... | - | - | 2,099,166 | 2,328,995 | 3,057,530 | 4,139,642 | 1,578,204 | 3,745,271 | 5,165,078 | 5,459,877 |
| Assigned..... | - | 2,385,892 | 3,049,473 | 3,741,435 | 5,884,258 | 3,330,311 | 2,477,123 | 2,882,761 | 6,265,910 | 6,986,025 |
| Unassigned..... | - | 24,345,161 | 24,079,453 | 26,894,097 | 33,680,292 | 34,395,684 | 43,212,229 | 45,518,645 | 37,651,385 | 40,689,081 |
| Total general fund..... | <u>\$ 17,213,395</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> | <u>\$ 53,431,366</u> | <u>\$ 50,737,463</u> | <u>\$ 53,134,983</u> |
| All Other Governmental Funds: | | | | | | | | | | |
| Reserved..... | \$ 1,381,756 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds..... | 14,542,816 | - | - | - | - | - | - | - | - | - |
| Debt service funds..... | 10,648,346 | - | - | - | - | - | - | - | - | - |
| Capital projects funds..... | 984,799 | - | - | - | - | - | - | - | - | - |
| Permanent funds..... | 101,095 | - | - | - | - | - | - | - | - | - |
| Nonspendable..... | - | 22,392 | 1,060,180 | 787,405 | 739,250 | 683,351 | 323,786 | 22,392 | 22,392 | 22,392 |
| Restricted..... | - | 21,683,498 | 20,481,622 | 21,381,784 | 23,830,733 | 25,330,694 | 25,642,378 | 31,517,310 | 39,803,108 | 42,938,223 |
| Unassigned..... | - | - | - | (30,274) | (190,172) | (670,421) | (493,971) | (1,070,039) | (1,823,819) | (92,340) |
| Total all other governmental funds..... | <u>\$ 27,658,812</u> | <u>\$ 21,705,890</u> | <u>\$ 21,541,802</u> | <u>\$ 22,138,915</u> | <u>\$ 24,379,811</u> | <u>\$ 25,343,624</u> | <u>\$ 25,472,193</u> | <u>\$ 30,469,663</u> | <u>\$ 38,001,681</u> | <u>\$ 42,868,275</u> |

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

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

| LAST TEN FISCAL YEARS | | | | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|----------------------|--------------------|---------------------|----------------------|---------------------|---------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 (1) |
| Revenues: | | | | | | | | | | |
| Real estate and personal property taxes, | | | | | | | | | | |
| net of tax refunds..... | \$ 33,656,465 | \$ 35,997,749 | \$ 37,851,061 | \$ 40,349,818 | \$ 43,530,062 | \$ 44,656,911 | \$ 48,082,876 | \$ 50,307,484 | \$ 54,244,281 | \$ 56,987,305 |
| Motor vehicle and other excise taxes..... | 7,241,592 | 7,111,447 | 7,161,510 | 9,340,599 | 10,305,740 | 10,643,290 | 13,009,026 | 15,673,336 | 14,982,538 | 16,632,599 |
| Meals and room taxes..... | 83,513 | 556,526 | 602,918 | 871,300 | 1,108,668 | 1,167,829 | 1,668,783 | 1,624,438 | 2,036,932 | 2,467,454 |
| Tax and trash liens..... | 1,058,925 | 907,060 | 697,979 | 1,836,771 | 1,240,594 | 603,960 | 1,692,025 | 1,142,958 | 1,242,079 | 689,979 |
| Payments in lieu of taxes..... | 1,738,295 | 1,483,189 | 1,221,920 | 1,221,631 | 2,139,017 | 1,252,908 | 2,084,999 | 1,827,288 | 1,348,428 | 2,416,020 |
| Penalties and interest on taxes..... | 576,893 | 457,401 | 553,029 | 375,953 | 472,452 | 466,224 | 444,350 | 342,704 | 383,098 | 368,237 |
| Community preservation surcharges..... | - | - | - | - | - | - | - | 544,562 | 729,883 | 660,631 |
| Charges for services..... | 2,768,668 | 3,142,666 | 3,403,374 | 3,400,408 | 2,824,712 | 3,111,715 | 3,452,170 | 3,319,396 | 3,738,827 | 4,218,198 |
| Trash disposal..... | 1,492,690 | 1,509,421 | 1,417,444 | 1,351,774 | 1,403,215 | 1,528,620 | 1,564,905 | 1,549,819 | 1,696,655 | 1,832,892 |
| Intergovernmental..... | 89,848,841 | 102,461,524 | 85,285,276 | 89,997,970 | 98,310,010 | 95,527,502 | 110,381,999 | 114,150,846 | 105,954,011 | 130,106,128 |
| Departmental and other..... | 321,045 | 371,243 | 1,408,644 | 1,133,145 | 1,566,193 | 1,726,715 | 1,612,755 | 1,492,032 | 1,294,723 | 1,828,977 |
| Licenses and permits..... | 1,661,067 | 1,686,406 | 1,217,335 | 1,544,748 | 1,342,675 | 2,517,342 | 1,473,811 | 1,341,405 | 2,047,503 | 3,614,339 |
| Fines and forfeitures..... | 1,791,144 | 1,811,801 | 1,660,704 | 2,007,744 | 2,348,181 | 2,353,081 | 2,400,469 | 2,561,169 | 2,464,701 | 2,364,682 |
| Contributions..... | 1,805,273 | 976,743 | 1,356,822 | 1,483,355 | 975,896 | 1,254,660 | 942,042 | 2,606,735 | 1,982,764 | 1,556,253 |
| Investment income..... | 1,347,159 | 936,009 | 677,185 | 201,303 | 901,867 | 185,153 | 1,266,567 | 864,282 | 1,546,522 | 2,646,206 |
| Total Revenue..... | 145,391,570 | 159,409,185 | 144,515,201 | 155,116,519 | 168,469,282 | 166,995,910 | 190,076,777 | 199,348,454 | 195,692,945 | 228,389,900 |
| Expenditures: | | | | | | | | | | |
| General government..... | 3,647,141 | 4,116,985 | 3,705,904 | 4,521,689 | 4,098,380 | 4,807,736 | 4,006,300 | 6,630,936 | 6,867,067 | 9,756,315 |
| Public safety..... | 21,218,465 | 21,857,267 | 21,330,776 | 26,344,654 | 25,818,310 | 25,900,880 | 27,360,973 | 28,129,942 | 29,486,460 | 31,422,599 |
| Education..... | 77,835,710 | 78,049,056 | 78,478,431 | 80,609,369 | 84,500,020 | 94,834,369 | 114,409,040 | 115,044,521 | 111,622,605 | 97,624,755 |
| Public works..... | 5,142,611 | 6,205,921 | 6,974,591 | 6,467,158 | 7,768,296 | 8,401,759 | 7,737,530 | 7,257,534 | 10,057,827 | 14,362,644 |
| Health and human services..... | 1,395,638 | 1,247,303 | 1,250,883 | 1,536,981 | 1,721,863 | 1,659,475 | 1,848,224 | 1,947,404 | 1,901,115 | 1,818,622 |
| Culture and recreation..... | 449,369 | 530,524 | 452,279 | 418,499 | 558,400 | 491,973 | 512,727 | 681,108 | 761,911 | 862,827 |
| Community development..... | 1,869,328 | 1,762,797 | 3,117,710 | 5,264,289 | 3,923,532 | 5,220,518 | 6,623,908 | 4,080,978 | 2,658,659 | 1,359,106 |
| Pension benefits..... | 10,778,985 | 11,459,731 | 12,258,832 | 12,731,118 | 13,078,542 | 6,537,620 | 6,764,363 | 7,076,377 | 7,341,604 | 24,902,777 |
| Employee benefits..... | 6,511,415 | 6,259,620 | 6,763,964 | 6,022,290 | 6,093,715 | 7,064,222 | 7,803,805 | 8,709,185 | 8,265,141 | 21,897,973 |
| Property and liability insurance..... | 484,181 | 450,000 | 373,711 | 475,362 | 450,000 | 651,504 | 695,638 | 750,000 | 800,000 | 1,310,852 |
| Claims and judgements..... | 38,920 | 46,059 | 29,167 | 36,098 | 30,453 | 31,097 | 54,736 | 63,155 | 46,082 | 72,168 |
| State and county charges..... | 4,720,440 | 5,032,659 | 5,507,326 | 6,900,308 | 8,011,029 | 9,378,341 | 11,647,770 | 13,635,401 | 14,562,727 | 16,279,648 |
| Debt service: | | | | | | | | | | |
| Principal..... | 7,439,494 | 25,196,312 | 2,761,359 | 2,756,573 | 2,627,887 | 3,499,461 | 2,986,861 | 2,480,222 | 2,808,314 | 3,076,685 |
| Interest..... | 2,483,699 | 1,619,804 | 1,118,855 | 1,007,448 | 926,936 | 792,407 | 685,399 | 780,365 | 755,950 | 1,080,809 |
| Total Expenditures..... | 144,015,396 | 163,834,038 | 144,123,788 | 155,091,836 | 159,607,363 | 169,271,362 | 193,137,274 | 197,267,128 | 197,935,462 | 225,827,780 |
| Excess of revenues over (under) expenditures..... | 1,376,174 | (4,424,853) | 391,413 | 24,683 | 8,861,919 | (2,275,452) | (3,060,497) | 2,081,326 | (2,242,517) | 2,562,120 |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Issuance of bonds and notes..... | 1,625,950 | 5,136,656 | 394,000 | 2,751,628 | - | - | 7,187,037 | 5,540,000 | 5,520,000 | 1,395,000 |
| Issuance of refunding bonds..... | - | 99,500 | - | - | 1,396,000 | - | - | - | - | - |
| Refunded bonds redeemed..... | - | (102,834) | - | - | (800,000) | - | - | - | - | - |
| Sale of capital assets..... | - | 2,115,000 | - | - | - | - | - | - | - | - |
| Sale of land..... | - | - | - | - | - | 900,000 | - | - | - | - |
| Proceeds from capital lease..... | 102,809 | - | - | - | - | - | - | - | - | - |
| Premiums from issuance of bonds and notes..... | - | 239,006 | 38,651 | 248 | 77,052 | - | 134,052 | 681,912 | 466,369 | 95,000 |
| Premiums from issuance of refunding bonds..... | - | 4,991 | - | - | 802,857 | - | - | - | - | - |
| Transfers in..... | 4,372,919 | 27,034,339 | 6,230,321 | 5,747,213 | 5,762,875 | 11,082,014 | 8,049,321 | 9,247,874 | 17,327,287 | 13,222,404 |
| Transfers out..... | (3,505,413) | (26,537,069) | (4,561,928) | (4,037,110) | (4,010,020) | (9,285,336) | (6,527,727) | (7,360,240) | (16,233,024) | (10,350,369) |
| Total other financing sources (uses)..... | 2,596,265 | 7,989,589 | 2,101,044 | 4,461,979 | 3,228,764 | 2,696,678 | 8,842,683 | 8,109,546 | 7,080,632 | 4,362,035 |
| Net change in fund balance..... | \$ 3,972,439 | \$ 3,564,736 | \$ 2,492,457 | \$ 4,486,662 | \$ 12,090,683 | \$ 421,226 | \$ 5,782,186 | \$ 10,190,872 | \$ 4,838,115 | \$ 6,924,155 |
| Debt service as a percentage of noncapital expenditures..... | 6.90% | 7.06% | 16.82% | 2.79% | 2.52% | 2.30% | 2.71% | 1.89% | 2.05% | 2.01% |

(1) Contributory pensions and employee benefits of school employees are presented as pension benefits and employee benefits, respectively, rather than education. On-behalf pension payments are reported and presented as intergovernmental revenue and pension expenditures.

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY BY CLASSIFICATION

LAST TEN FISCAL YEARS

| Fiscal Year | Assessed Value (2) | | | | Total Direct Tax Rate | State Equalized Value (3) | Ratio of Assessed to Equalized Value |
|----------------|------------------------------|---|----------------------|----------------------------|-----------------------------|---------------------------------|---|
| | Residential Real Property | Commercial and Industrial Real Property | Personal Property | Total Assessed Value | | | |
| 2010 | \$ 1,284,140,289 | \$ 597,622,166 | \$ 85,033,150 | \$ 1,966,795,605 | 16.57 | \$ 2,344,168,400 | 83.90% |
| 2011 | 1,266,881,856 | 573,416,736 | 92,734,520 | 1,933,033,112 | 17.49 | 2,344,168,400 | 82.46% |
| 2012 (1) | 1,232,708,179 | 556,636,461 | 95,916,000 | 1,885,260,640 | 20.00 | 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) | 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 | 19.48 | 2,791,398,900 | 86.97% |
| 2017 | 1,885,509,017 | 673,031,713 | 144,279,500 | 2,702,820,230 | 18.87 | 2,791,398,900 | 96.83% |
| 2018 | 2,060,509,635 | 716,134,235 | 151,637,670 | 2,928,281,540 | 18.43 | 3,534,210,300 | 82.86% |
| 2019 | 2,201,608,021 | 758,516,820 | 151,439,200 | 3,111,564,041 | 18.38 | 3,534,210,300 | 88.04% |

Source: Assessing Department

(1) Revaluation year

(2) As of January 1st

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

DIRECT PROPERTY TAX RATES (1) (2)**LAST TEN FISCAL YEARS**

| <u>Fiscal Year</u> | <u>Residential Real Property</u> | <u>Commercial and Industrial Real Property</u> | <u>Personal Property</u> | <u>Total Direct (3)</u> |
|------------------------|--------------------------------------|--|------------------------------|-----------------------------|
| 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 | 19.48 |
| 2017 | 14.34 | 30.51 | 30.51 | 18.87 |
| 2018 | 14.10 | 29.74 | 29.74 | 18.43 |
| 2019 | 14.25 | 29.14 | 29.14 | 18.38 |

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 TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

| Taxpayer | Nature of Business | 2019 | | | 2010 | | |
|----------------------------|--------------------------------|----------------------|------|----------------------------|---------------------|------|----------------------------|
| | | Amount of Tax | Rank | Percentage of Net Tax Levy | Amount of Tax | Rank | Percentage of Net Tax Levy |
| Nstar-Eversource | For Profit Utility Company | \$ 2,737,645 | 1 | 4.79% | \$ 1,333,698 | 1 | 3.82% |
| Anthony C. Simboli | Commercial | 2,112,468 | 2 | 3.69% | 1,042,811 | 3 | 2.99% |
| Urban Growth Properties LP | Private for Profit Parking Lot | 1,421,840 | 3 | 2.49% | 1,196,154 | 2 | 3.43% |
| One North Boston | Apartments | 1,371,753 | 4 | 2.40% | - | | |
| Federal Realty Investment | Retail and Apartments | 1,330,218 | 5 | 2.33% | - | | |
| DeMoulas Super Market Inc. | Retail Grocer | 1,114,704 | 6 | 1.95% | 762,564 | 6 | 2.19% |
| Griffin Way LLC | Commercial | 955,530 | 7 | 1.67% | 848,958 | 4 | 2.43% |
| National Grid | For Profit Utility Company | 726,368 | 8 | 1.27% | - | | |
| Parkside Commons | Apartments | 659,074 | 9 | 1.15% | 462,508 | 7 | 1.33% |
| GS Admirals Hill LLC | Apartments | 559,515 | 10 | 0.98% | - | | |
| FR Chelsea Commons | Retail and Apartments | | | | 829,983 | 5 | 2.38% |
| New England Produce Center | Produce Wholesaler | | | | 434,110 | 8 | 1.24% |
| Catamount Petroleum | Oil and Gas Retailer | | | | 388,928 | 10 | 1.11% |
| Signature Breads | Wholesale Bakery Products | | | | 411,600 | 9 | 1.18% |
| Total | | <u>\$ 12,989,115</u> | | <u>22.72%</u> | <u>\$ 7,711,314</u> | | <u>22.10%</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 | | Delinquent Tax Collections | Total Collections to Date | |
|----------------|-----------------|------------|---|-------------------------------------|----------------------------------|-----------------------------|---|
| | | | First Year Current Tax Collections | Percent of Net Levy Collected | | Total Tax Collections | Percent of Total Tax Collections to Net Tax Levy |
| 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 | (1) | 37,698,372 | 37,043,761 | 98.26% | 654,611 | 37,698,372 | 100.00% |
| 2013 | | 40,399,463 | 39,627,287 | 98.09% | 772,176 | 40,399,463 | 100.00% |
| 2014 | | 42,820,454 | 42,549,387 | 99.37% | 271,067 | 42,820,454 | 100.00% |
| 2015 | (1) | 44,639,903 | 44,626,213 | 99.97% | 13,690 | 44,639,903 | 100.00% |
| 2016 | | 47,289,241 | 46,733,354 | 98.82% | 189,964 | 46,923,318 | 99.23% |
| 2017 | | 50,991,870 | 50,462,814 | 98.96% | 229,129 | 50,691,944 | 99.41% |
| 2018 | | 53,966,079 | 53,496,967 | 99.13% | 295,934 | 53,792,901 | 99.68% |
| 2019 | | 57,177,228 | 56,907,361 | 99.53% | - | 56,907,361 | 99.53% |

Source: Assessing Department

(1) Revaluation year

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 (2) | Debt Per Capita (2) |
|----------------|------------------------------------|--|------------------------------------|--|--------------------------------|---|---------------------------|
| | General Obligation Bonds (1) | Direct Borrowings and Placements | General Obligation Bonds (1) | Direct Borrowings and Placements | | | |
| 2010 | \$ 43,603,997 | \$ - | \$ 10,399,950 | \$ 1,887,642 | \$ 55,891,589 | 5.28% | \$ 1,593 |
| 2011 | 23,623,841 | 420,000 | 11,299,067 | 3,156,511 | 38,499,419 | 3.64% | 1,097 |
| 2012 | 21,341,482 | 335,000 | 10,252,455 | 3,182,629 | 35,111,566 | 2.47% | 998 |
| 2013 | 20,021,537 | 1,650,000 | 9,273,463 | 4,102,147 | 35,047,147 | 2.31% | 996 |
| 2014 | 17,481,507 | 1,565,000 | 9,588,493 | 4,615,206 | 33,250,206 | 2.15% | 945 |
| 2015 | 14,967,047 | 580,000 | 7,717,953 | 4,618,205 | 27,883,205 | 1.68% | 793 |
| 2016 | 19,747,224 | - | 7,487,814 | 4,905,739 | 32,140,777 | 1.88% | 914 |
| 2017 | 22,807,022 | - | 8,852,999 | 4,967,773 | 36,627,794 | 2.18% | 1,041 |
| 2018 | 25,518,688 | - | 9,900,811 | 4,100,086 | 39,519,585 | 2.26% | 1,123 |
| 2019 | 23,837,003 | - | 10,427,998 | 4,046,164 | 38,311,165 | 2.10% | 1,089 |

Sources: U. S. Department of Commerce, Bureau of Census

(1) Presented net of original issuance discounts and premiums.

(2) See the 'Demographic and Economic Statistics' schedule located in this 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 GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

| Fiscal Year | General Obligation Bonds (1) | Less: Amounts Available (2) | Total | Assessed Value | Percentage of Assessed Value | U.S Census Population | Debt Per Capita |
|-------------|------------------------------------|-----------------------------------|---------------|-------------------|------------------------------------|--------------------------|-----------------------|
| 2010 | \$ 54,003,947 | \$ (10,648,346) | \$ 43,355,601 | \$ 1,966,795,605 | 2.20% | 35,080 | \$ 1,236 |
| 2011 | 34,922,908 | - | 34,922,908 | 1,933,033,112 | 1.81% | 35,080 | 996 |
| 2012 | 31,593,937 | - | 31,593,937 | 1,885,260,640 | 1.68% | 35,177 | 898 |
| 2013 | 29,295,000 | - | 29,295,000 | 1,946,808,508 | 1.50% | 35,177 | 833 |
| 2014 | 27,070,000 | - | 27,070,000 | 1,959,894,666 | 1.38% | 35,177 | 770 |
| 2015 | 22,685,000 | - | 22,685,000 | 2,217,943,280 | 1.02% | 35,177 | 645 |
| 2016 | 27,235,038 | - | 27,235,038 | 2,427,669,297 | 1.12% | 35,177 | 774 |
| 2017 | 31,660,021 | - | 31,660,021 | 2,702,820,230 | 1.17% | 35,177 | 900 |
| 2018 | 35,419,499 | - | 35,419,499 | 2,928,281,540 | 1.21% | 35,177 | 1,007 |
| 2019 | 34,265,001 | - | 34,265,001 | 3,111,564,041 | 1.10% | 35,177 | 974 |

Sources: Assessing Department and U. S. Department of Commerce, Bureau of Census

(1) General obligation bonds consist of debt of both governmental and business-type activities, net of original issuance discounts and premiums.

(2) These are restricted resources from the Massachusetts School Building Authority for debt principal on school construction.

COMPUTATION OF LEGAL DEBT MARGIN

LAST TEN FISCAL YEARS

| | (Amounts in Thousands) | | | | | | | | | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Equalized Valuation..... | <u>\$ 2,344,168,400</u> | <u>\$ 2,344,168,400</u> | <u>\$ 2,237,742,500</u> | <u>\$ 2,237,742,500</u> | <u>\$ 2,234,376,700</u> | <u>\$ 2,234,376,700</u> | <u>\$ 2,791,398,900</u> | <u>\$ 2,791,398,900</u> | <u>\$ 3,534,210,300</u> | <u>\$ 3,534,210,300</u> |
| Debt Limit..... | 117,208,420 | 117,208,420 | 111,887,125 | 111,887,125 | 111,718,835 | 111,718,835 | 139,569,945 | 139,569,945 | 176,710,515 | 176,710,515 |
| Total outstanding debt..... | 55,891,589 | 38,499,419 | 35,111,566 | 35,047,147 | 33,250,206 | 27,883,205 | 32,140,777 | 36,627,794 | 39,519,585 | 38,311,165 |
| Debt not applicable to debt limit..... | <u>(33,209,950)</u> | <u>(10,879,067)</u> | <u>(14,627,955)</u> | <u>(13,098,713)</u> | <u>(13,413,743)</u> | <u>(10,467,953)</u> | <u>(9,707,814)</u> | <u>(20,383,019)</u> | <u>(17,023,550)</u> | <u>(16,856,596)</u> |
| Legal debt margin..... | <u>\$ 94,526,781</u> | <u>\$ 89,588,068</u> | <u>\$ 91,403,514</u> | <u>\$ 89,938,691</u> | <u>\$ 91,882,372</u> | <u>\$ 94,303,583</u> | <u>\$ 117,136,982</u> | <u>\$ 123,325,170</u> | <u>\$ 154,214,480</u> | <u>\$ 155,255,946</u> |
| Total debt applicable to the limit as a percentage of debt limit..... | 19.35% | 23.57% | 18.31% | 19.62% | 17.76% | 15.59% | 16.07% | 11.64% | 12.73% | 12.14% |

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**AS OF JUNE 30, 2019**

| | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable (1)</u> | <u>Estimated Share of Overlapping Debt</u> |
|---|-----------------------------|--|--|
| Debt repaid with property taxes: | | | |
| Massachusetts Water Resources Authority (MWRA)..... | \$ 5,452,734,000 (a) | 1.781% | <u>\$ 97,102,697</u> |
| Subtotal, overlapping debt..... | | | 97,102,697 |
| City direct debt..... | | | <u>38,311,165</u> |
| Total direct and overlapping debt..... | | | <u><u>\$ 135,413,862</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 STATISTICS

LAST TEN CALENDAR YEARS

| Calendar Year | Population (1) | Median Family Income (1) (3) | Unemployment Rate (%) (2) | Per Capita Income |
|------------------|-------------------|---------------------------------------|---------------------------------|-------------------------|
| 2009 | 35,080 | \$ 30,161 (4) | 9.40% | \$ 14,628 (5) |
| 2010 | 35,080 | 30,161 | 10.60% | 14,628 |
| 2011 | 35,177 | 40,487 | 9.60% | 14,628 |
| 2012 | 35,177 | 43,155 | 8.70% | 20,214 |
| 2013 | 35,177 | 43,919 | 9.00% | 19,625 |
| 2014 | 35,177 | 47,291 | 6.10% | 20,617 |
| 2015 | 35,177 | 48,725 | 5.00% | 21,523 |
| 2016 | 35,177 | 47,733 | 3.50% | 21,722 |
| 2017 | 35,177 | 49,614 | 3.50% | 22,369 |
| 2018 | 35,177 | 51,839 | 3.20% | 23,340 |

- Sources:
- (1) U.S. Department of Commerce, Bureau of Census
 - (2) U.S. Department of Labor, Bureau of Labor Statistics
 - (3) The City is presenting Median Family Income data because Personal Income data is not available
 - (4) Data not available for 2009-2010 (the number reported is 2005 data)
 - (5) Data not available for 2009-2011 (the number reported is 2005 data)

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

| Employer | Nature of Business | 2019 | | | 2010 | | |
|---------------------------------|--------------------|---------------------------------|------|-------------------------------------|---------------------------------|------|-------------------------------------|
| | | Approximate Number of Employees | Rank | Percentage of Total City Employment | Approximate Number of Employees | Rank | Percentage of Total City Employment |
| City of Chelsea | Government | 1,373 | 1 | 6.73% | 1,283 | 2 | 8.44% |
| Mass. Water Resources Authority | Government Agency | 1,200 | 2 | 5.88% | 561 | 4 | 3.69% |
| MITC | Government Agency | 1,000 | 3 | 4.90% | 1,300 | 1 | 8.55% |
| Market Basket | Retail Grocery | 900 | 4 | 4.41% | 950 | 3 | 6.25% |
| State Garden | Distributor - Food | 800 | 5 | 3.92% | | | |
| FBI | Government Agency | 750 | 6 | 3.68% | | | |
| Kayem Foods | Distributor - Food | 450 | 7 | 2.21% | 334 | 5 | 2.20% |
| North Suffolk Mental Health | Health Services | 400 | 8 | 1.96% | | | |
| Mass General Hospital | Medical Center | 375 | 9 | 1.84% | 246 | 6 | 1.62% |
| Paul Revere Transportation | Transportation | 375 | 10 | 1.84% | 209 | 8 | 1.37% |
| Signature Breads | Distributor - Food | | | | 222 | 7 | 1.46% |
| Metropolitan Credit Union | Banking | | | | 169 | 9 | 1.11% |
| Stop & Shop | Retail Grocery | | | | 133 | 10 | 0.87% |
| Total | | 7,623 | | 37.38% | 5,407 | | 35.55% |

Source: Department of Planning and Development

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

| Function | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General government..... | 55 | 48 | 48 | 49 | 50 | 50 | 51 | 53 | 57 | 58 |
| Public safety..... | 225 | 218 | 225 | 227 | 231 | 240 | 244 | 246 | 248 | 255 |
| Education..... | 930 | 907 | 910 | 918 | 894 | 923 | 960 | 967 | 969 | 987 |
| Public works..... | 25 | 22 | 24 | 24 | 26 | 26 | 26 | 26 | 27 | 30 |
| Health and human services..... | 30 | 30 | 30 | 30 | 31 | 31 | 18 | 21 | 20 | 20 |
| Culture and recreation..... | 8 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Community development..... | 7 | 7 | 7 | 7 | 7 | 7 | 8 | 8 | 9 | 9 |
| Sub-total | 1,280 | 1,239 | 1,251 | 1,262 | 1,246 | 1,284 | 1,314 | 1,328 | 1,337 | 1,366 |
| Water and sewer..... | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 6 |
| Total City employees..... | <u>1,283</u> | <u>1,242</u> | <u>1,254</u> | <u>1,265</u> | <u>1,249</u> | <u>1,287</u> | <u>1,317</u> | <u>1,331</u> | <u>1,341</u> | <u>1,372</u> |

Source: Various City departments

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

| Function | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Offenses committed..... | 9,450 | 8,624 | 8,483 | 7,227 | 6,948 | 6,489 | 6,050 | 5,285 | 4,891 | 4,342 |
| Crime-related incidents..... | 3,626 | 3,244 | 3,406 | 3,296 | 3,134 | 2,862 | 2,782 | 2,632 | 2,396 | 2,091 |
| Non-crime related incidents..... | 1,846 | 1,857 | 1,789 | 1,865 | 2,092 | 2,285 | 1,451 | 1,348 | 1,406 | 1,302 |
| Arrests (on view)..... | 1,825 | 1,871 | 1,630 | 1,468 | 1,306 | 1,353 | 1,246 | 941 | 942 | 771 |
| Arrests (based on incident/warrants)..... | 429 | 500 | 413 | 390 | 452 | 407 | 344 | 264 | 265 | 207 |
| Summons arrests..... | 4 | 2 | 3 | 4 | 8 | 34 | 40 | 53 | 50 | 96 |
| Total arrests..... | 2,258 | 2,373 | 2,046 | 1,862 | 1,766 | 1,794 | 1,630 | 1,258 | 1,257 | 1,074 |
| Juvenile arrests..... | 70 | 118 | 70 | 101 | 106 | 108 | 100 | 37 | 37 | 23 |
| Hearings..... | 834 | 585 | 640 | 471 | 438 | 357 | 314 | 299 | 279 | 191 |
| Summons..... | 652 | 510 | 498 | 374 | 349 | 442 | 426 | 519 | 584 | 445 |
| Restraint orders..... | 352 | 379 | 335 | 407 | 346 | 391 | 356 | 281 | 326 | 283 |
| Citations..... | 8,325 | 7,799 | 8,188 | 6,371 | 7,126 | 4,986 | 3,654 | 3,446 | 3,925 | 2,264 |
| Fire | | | | | | | | | | |
| Fires extinguished (1)..... | 376 | 317 | 45 | 395 | 430 | 390 | 353 | 208 | 254 | N/A |
| Education | | | | | | | | | | |
| Public school enrollment..... | 5,699 | 5,709 | 5,883 | 6,044 | 6,288 | 6,554 | 6,574 | 6,600 | 6,467 | 6,300 |
| Culture and Recreation | | | | | | | | | | |
| Library volumes in collection..... | 80,443 | 71,260 | 72,348 | 66,487 | 72,617 | 64,735 | 59,672 | 57,082 | 48,486 | 54,658 |
| Library volumes borrowed..... | 74,340 | 68,649 | 67,912 | 64,721 | 63,588 | 60,073 | 71,930 | 71,637 | 52,410 | 56,626 |
| Water | | | | | | | | | | |
| Average daily consumption (1) (million gallons/day)..... | 3.048 | 3.064 | 3.077 | 3.078 | 3.206 | 3.264 | 3.250 | 3.263 | 3.390 | 3.400 |
| Peak daily consumption (1) (million gallons/day)..... | 3.700 | 3.418 | 3.800 | 3.700 | 3.900 | 3.730 | 3.604 | 3.720 | 3.730 | N/A |
| Sewer | | | | | | | | | | |
| Average daily sewage treatment (1) (million gallons/day)..... | 3.900 | 5.080 | 5.490 | 4.350 | 4.870 | 5.200 | 5.210 | 4.240 | 3.800 | 6.140 |

Source: Various City departments

(1) Data is reported on a calendar year basis

N/A - Data is not available

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

| Function | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations..... | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire | | | | | | | | | | |
| Stations..... | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Trucks..... | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 7 |
| Education | | | | | | | | | | |
| Public school buildings..... | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 5 |
| Public Works | | | | | | | | | | |
| Streets (miles)..... | 44 | 44 | 44 | 44 | 44 | 44 | 44 | 44 | 44 | 44 |
| Streetlights..... | 1,771 | 1,771 | 1,771 | 1,771 | 1,771 | 1,771 | 1,821 | 1,821 | 1,821 | 1,821 |
| Traffic signals..... | 53 | 53 | 53 | 53 | 53 | 53 | 53 | 54 | 54 | 54 |
| Culture and Recreation | | | | | | | | | | |
| Community centers..... | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water | | | | | | | | | | |
| Water mains (miles)..... | 61 | 61 | 61 | 61 | 61 | 61 | 61 | 61 | 61 | 61 |
| Sewer | | | | | | | | | | |
| Sewer mains (miles)..... | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 |

Source: Various City departments



This page intentionally left blank.