

CITY OF GLOUCESTER

*City of
Gloucester,
Massachusetts*

*Comprehensive
Annual Financial
Report*

*For the Fiscal
Year Ended
June 30, 2018*



Cover: Gloucester's 34th annual Schooner Festival held in August was met with tremendous success. The event attracted 29 Schooners and thousands of onlookers to the shores and waters surrounding Gloucester. The grace and majesty of the schooners could be viewed for miles outside the harbor as they made their way in. Featured on the cover is the Tall Ship, the Lynx, as she sails through the Harbor. The original Lynx has a storied history in maritime battle for the United States. She was among the first vessels to defend American freedom by evading the British Navy in the early 1800's.

Photo Credit: Melissa Cox



Above: A spectacular sunset on a warm summer night at Wingaersheek Beach. The City is a premier spot for beach goers visiting from near and far. Known for its award-winning beaches, it has become one of the more popular summer time destinations in New England.

Photo credit: City of Gloucester website

**CITY OF GLOUCESTER,
MASSACHUSETTS**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

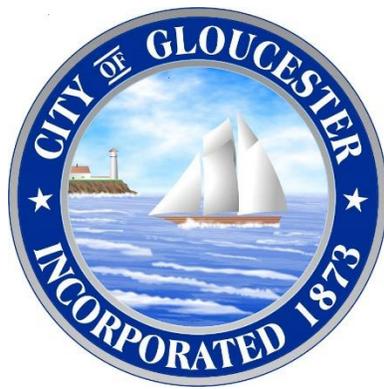
For the Fiscal Year Ended June 30, 2018

Sefatia Romeo Theken, Mayor



Prepared by the City Finance and Auditing Department

Kenny Costa, City Auditor
John Dunn, Chief Financial Officer



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INTRODUCTORY SECTION

Aerial photo on the left credited to Martin Del Vecchio with the use of a drone.



Completed in fiscal 2018 for approximately \$40 million, the West Parish School is a K thru 5 elementary school that has a student enrollment of about 350, and approximately 65 staff members. This a state-of-the-art technology infused school aimed at preparing its students for middle school.





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**CITY OF GLOUCESTER, MASSACHUSETTS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

	<u>Page(s)</u>
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal.....	1-19
Certificate of Achievement for Excellence in Financial Reporting	20
Organizational Chart	21
Principal City Officials.....	22-24
 <u>FINANCIAL SECTION</u>	
Independent Auditor’s Report	27-29
Management’s Discussion and Analysis	31-41
Basic Financial Statements:	
Statement of Net Position	44
Statement of Activities.....	45
Balance Sheet – Governmental Funds	46
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	47
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	48
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	49
Statement of Net Position – Proprietary Funds.....	50
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	51
Statement of Cash Flows – Proprietary Funds.....	52
Statement of Fiduciary Net Position	53
Statement of Changes in Fiduciary Net Position	54
Notes to Basic Financial Statements.....	55-95
Required Supplementary Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability	98
Schedule of the City’s Contribution to Pension Plan.....	98
Schedule of the Commonwealth’s Collective Share of Net Pension Liability – Massachusetts Teachers’ Retirement System.....	99
Schedule of Changes in Net OPEB Liability and Related Ratios.....	100
Schedule of Contributions to OPEB Plan.....	101
Schedule of Investment returns – OPEB Plan.....	101
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	102-107
Notes to Required Supplementary Information	108-109
Combining Statements:	
<i>Nonmajor Governmental Funds</i>	112-113
Combining Balance Sheet – Nonmajor Governmental Funds.....	114-116
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	118-120
<i>Fiduciary Funds</i>	122
Statement of Changes in Assets and Liabilities – Agency Fund	123

**CITY OF GLOUCESTER, MASSACHUSETTS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

	<u>Page(s)</u>
<u>STATISTICAL SECTION</u>	
Narrative	129
Net Position by Component – Last Ten Fiscal Years.....	130
Changes in Net Position – Last Ten Fiscal Years	131-132
Fund Balances, Governmental Funds – Last Ten Fiscal Years.....	133
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years	134
Assessed Value and Estimated Actual Value of Taxable Property By Classification and Tax Rates – Last Ten Fiscal Years.....	135
Principal Taxpayers – Current Year and Nine Years Ago	136
Property Tax Levies and Collections – Last Ten Fiscal Years.....	137
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	138
Ratios of General Bonded Debt Outstanding	139
Computation of Legal Debt Margin – Last Ten Fiscal Years	140
Direct and Overlapping Governmental Activities Debt	141
Demographic and Economic Statistics – Last Ten Fiscal Years	142
Principal Employers (Excluding City) – Current Year and Nine Years Ago.....	143
Full-time Equivalent City Employees by Functions – Last Ten Fiscal Years.....	144
Operating Indicators by Function/Program – Last Ten Fiscal Years	145
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	146



Letter of Transmittal

December 21, 2018

Honorable City Council and Residents of the City of Gloucester, Massachusetts:

We are pleased to acknowledge that the City of Gloucester has completed its second installment of the *Comprehensive Annual Financial Report* (CAFR). The report, which was prepared by the City's Department of Finance and Audit, is for the fiscal year ended June 30, 2018; and we are proud to be one of only about 40 communities in Massachusetts to accomplish this. It is our goal to make this an annual endeavor.

The City is responsible for the accuracy, completeness and fairness of the data presented in the CAFR. This letter of transmittal and the **management's discussion and analysis**, located in the financial section, provides a comprehensive financial overview of the City and ensures that the financial and general operations of City government are transparent and accessible.

The CAFR represents a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) and that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This CAFR meets and exceeds those requirements and presents itself as an informative resource for all those interested in the financial activities of the City.

The report is designed to be used by the City's elected and appointed officials and others who are concerned with its management and progress, such as bond analysts, banking institutions and rating agencies as well as the citizens and taxpayers of the City of Gloucester.

Since the report 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 addition, management is responsible for establishing and maintaining an internal control structure 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 GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Gloucester'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.

The City's Basic Financial Statements present information about the City (the primary government) and its component units as required by the Government Accounting Standards Board (GASB). Component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The inclusion of component units in the City's basic financial statements does not affect their separate legal standing.

The City's component units consist of the legally separate City of Gloucester Contributory Retirement System (the System) and the Gloucester Lyceum and Sawyer Free Library. Additional information on these legally separate entities can be found in the notes to the basic financial statements.

The City of Gloucester's financial statements have been audited by Roselli, Clark and Associates, a firm of licensed certified public accountants. The goal of the independent audit is to annually, provide reasonable assurance that the City's financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Gloucester's financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements; with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Gloucester's separately issued Single Audit Reports pursuant to Title 2 US "Code of Federal Regulations" (CFR) Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards".

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

Mayor's Message

Strong. Steady. Strategic. These words characterize Gloucester in Fiscal Year 2018 and create the foundation of our work in the years ahead. As the stewards of City tax dollars, my administration is committed to making city government not only accessible, but to work responsibly for you. We are now well into our fourth balanced budget and City departments continue to operate within the appropriations that have been approved by the City Council during yet another collaborative budget review process.



We have built up stronger reserves in our stabilization funds, capital improvement fund and maintenance and facilities fund. Together with proper capital planning, we will rely on less borrowing to fund our capital projects.

Economic growth remains a priority within our City. The Community Development Department works hard to promote and stimulate economic development and strengthen our community's assets, which include the harbor, the industrial parks and the business districts. They have grown and expanded the Gloucester Fresh program; secured over \$400,000 in grant funding for various initiatives; and collaborated with the Planning Board and City Council as part of their management of the project review on the permitting of the *Fuller Mixed Use Ventures* proposal for a state of the art Cape Ann YMCA, retail and housing development. These are just a few examples of the outstanding work that they have completed to make Gloucester a wonderful place to live, work and raise a family.

Our housing production plan was approved by the Massachusetts Department of Housing and Community Development and implementation is underway as we recently received a MassHousing technical assistance grant to help execute our plan. We are currently working with a housing consultant on an in-depth review and analysis of regulatory obstacles to housing within Gloucester's Zoning Ordinance and expect zoning recommendations to be submitted soon to the City Council for their review. Finding efficiencies within our workforce and to consolidate our facilities is an ongoing task. To that end, we move forward in earnest with a space assessment and facilities plan, which will be the blueprint for the City's capital plan moving forward.

Analysis and review of the effects of climate change are continuing. We are committed to determining how to best to use the existing science to help Gloucester adapt to our changing environment. Our goal is to figure out how we can best provide resources to support local efforts that encourage innovation and economic diversification on our coastline throughout fishing, community and habitat vulnerability assessments.

With our partners on the City Council and the School Committee, we continue to invest in our schools. We opened the new West Parish School; we completed the installation of the a new roof and rooftop ventilation at the High School; and we hired a Project Manager for the combined elementary school feasibility study to replace East Gloucester and Veterans Memorial.

I am profoundly grateful to all City staff and volunteers for their hard work on behalf of our City. Our success has come as a result of thoughtful strategy, careful planning and effective management as well as strong local, state, and community partnerships. Our results are based on the hard work and steadfast commitment to Gloucester's growth, sustainability, and stability. Together we have accomplished a lot, but there is always more to be done. This Comprehensive Annual Financial Report is another step ensuring Gloucester is on the right financial path for a brighter future and I hope you are as proud of it as I am.

Profile of the City

Gloucester is located at the northeast terminus of State Route 128, the circumferential highway around

Boston. Located only 31 miles northeast of Boston, it is bordered by the Towns of Manchester-by-the-Sea and Essex on the west, the Atlantic Ocean on the north and south and the Town of Rockport on the northeast.



The City has a population of approximately 28,789 (2010 federal census) and occupies a land area of 26.2 square miles. Originally settled in 1623, Gloucester was chartered as a town in 1642 and incorporated as

a city in 1873. The City operates under a form of government adopted by a home rule charter with an elected mayor and nine-member city council

Its proximity to populated areas makes it a destination for more than a quarter of a million people a year. Five public beaches, and many parks and playgrounds draw the crowds beginning Memorial Day through Labor Day. It is a whale watching capital, with four whale watch companies bringing thousands of visitors each year to see whales on Stellwagen Bank.



Gloucester also has more than 95 restaurant and food establishments and over 38 businesses in the accommodations field. It is a haven to recreational boaters who enjoy the view, the food and the music offered by many of the seaside restaurants. It has a vibrant downtown filled with many retail shops offering goods to visitors and citizens alike.

Terminal rail, harbor, and airport facilities are easily accessible; and connections may be made for passenger or freight service to all parts of the world. Gloucester Harbor has a controlling depth of 15.2 feet in the inner harbor and eighteen to twenty-five feet in the outer harbor.

The Cape Ann Transportation Authority (CATA) provides bus service throughout the City. Large numbers of independent as well as scheduled trucking companies are attracted to and served by the City's refrigerated seafood and industrial freight volume.



The City offers a full range of traditional municipal services including: (1) police and fire protection, (2) education, (3) maintenance of streets and sidewalks, (4) solid waste collection, (5) health and human services, and (6) cultural and recreational services.

The City owns and operates its own water supply and distribution system servicing approximately 95% of its residential, industrial and commercial users. The system includes two filtration plants (both of which have been in operation since the early 1970's), each with a distribution design capacity of approximately five million gallons per day (MGD) of water, and a one MGD auxiliary pump station used primarily during summer months. Average daily usage is approximately four million gallons. The City's water sources are supplied from seven reservoirs located within the City with a total storage capacity of approximately two billion gallons of water.

The City has operated a chemically enhanced primary treatment sewer plant with a design capacity of 7.2 MGD since 1984. The average daily flow from Gloucester is approximately 5 MGD, allowing the City to sell the excess capacity and enter into inter-municipal agreements with neighboring communities to solve regional pollution and wastewater management problems.

There are currently eight publicly administered schools in Gloucester:

1. Gloucester High School
2. O'Maley Innovation Middle School
3. Beeman Memorial Elementary School
4. East Gloucester Elementary School
5. Plum Cove Elementary School
6. Veterans' Memorial Elementary School
7. West Parish Elementary School
8. Gloucester Pre-School

Gloucester prides itself on providing a quality education. Its mission is for “*all students to be successful, engaged, life-long learners*”.

In 2003 the City completed a major renovation to the Gloucester High School of about \$30 million and more recently completed a new West Parish Elementary School for about \$40 million. A proposed future project for the combination of East Gloucester Elementary and Veteran’s Memorial Elementary is currently being planned. In addition, many renovations and smaller school projects have been undertaken recently such as the Middle School heating and High School roof. School construction costs were made possible through a partnership with the Commonwealth of Massachusetts which reimbursed the City a substantial portion of eligible construction costs from the Massachusetts School Building Authority. This relationship is expected to continue as the City continues to replace outdated infrastructure.



School enrollment for fiscal year 2018 was nearly 3,000 and funding for schools is provided via taxation and governmental revenues based on a minimum net school spending formula established by the Massachusetts Department of Elementary and Secondary Education (ESE). The City currently spends above the minimum legal requirement on each student.

Form of Government

The City operates under a strong Mayor/City Council form of government. Both the Mayor and the nine-member City Council are elected to two-year terms. January 2018 marked the beginning of the current Administration’s recent two-year term. The City Council makes policy decisions, and the Mayor is responsible for carrying out those policies and for managing the day-to-day operations of the City.

An annual operating budget is submitted by the Mayor and approved by the City Council. The annual budget serves as the foundation for the City’s financial planning and control. The budget is prepared by fund, function (e.g. general government), department (e.g. finance) and category (e.g. personnel and non-personnel) allowing the department heads to allocate resources within the department for non-personnel and personnel costs. Transfers between departments, or between personnel and non-personnel costs need approval from the City Council unless specifically exempted by state statute.

An elected, seven-member School Committee appoints a School Superintendent who administers the public-school system of the City while enforcing policies and procedures adopted by the School Committee. The Mayor is an ex-officio School Committee member while the other School Committee members are elected biennially. In Massachusetts, cities and towns are required to follow the provisions of the Education Reform Act, which specifies, amongst other things, that communities provide a minimum net school spending amount in its annual education budget. A significant portion of this is subsidized by the Commonwealth of Massachusetts through a formula grant called Chapter 70.

Factors Affecting Economic Conditions

Property Taxes

The growth of the City’s main source of revenue, property taxes, is capped by Proposition 2 ½ and can only be overridden by the voters. While revenue increases have been limited in recent years, fixed costs,

including health insurance and pension costs, have increased substantially. The City has responded well to these challenges.

Approximately 1,100 businesses employing almost 11,500 individuals are located in the City. The business base is quite diverse. Many manufacturers, service-oriented companies, financial institutions and hospitality businesses have made Gloucester their home. While this has resulted in a beneficial commercial, industrial and personal property tax base the City still relies on residential taxes, which represent just under 90% of total property taxes. Therefore, new growth is essential to revenue growth and the ability to sustain the City's rising annual costs due to cost of living and inflation increases.

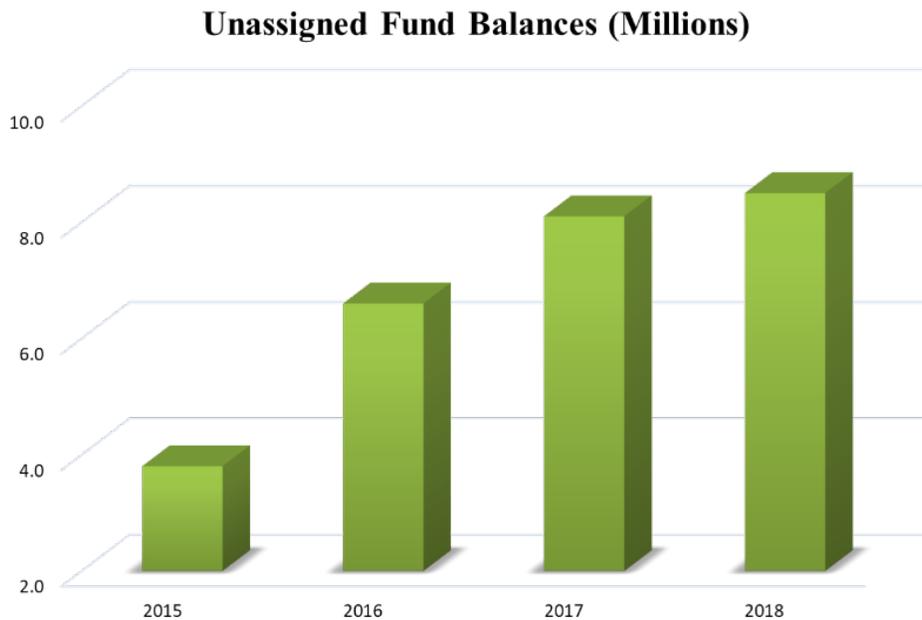
Calendar Year	# of Permits	Residential Value	Non-Residential Value	Total Value
2017	1,290	\$ 36,052,044	\$ 23,885,554	\$ 59,937,598
2016	2,091	67,874,420	24,219,634	92,094,054
2015	1,451	47,023,054	15,837,685	62,860,739
2014	1,125	36,789,217	63,952,414	100,741,631
2013	1,124	35,498,257	15,953,180	51,451,437
2012	1,028	31,372,905	29,697,915	61,070,820
Total	8,109	\$ 254,609,897	\$ 173,546,382	\$ 428,156,279

The table to the right summarizes the City's building activity growth in assessed values and tax dollars over the prior several calendar years.

Unassigned Fund Balances

One of the methods the City uses to maintain reserves from year to year is to conservatively forecast revenues. This allows the City to use free cash (surplus) for reserves, capital projects or other non-operating one-time expenses. In addition, spending controls such as monthly budget monitoring has resulted in turn-backs which also assisted the City in this process. As result, the City has been able to responsibly maintain and/or increase reserves from year to year.

The City's unassigned fund balance trend over the current and prior three years is illustrated below:



Long-term Financial Planning

Recently, the City implemented a policy of preparing rolling five-year projections. The City believes this will provide better insight when preparing annual budgets and will also alert the City to any potential budgeting issues far ahead of when these situations become real issues.

The following represents the City's five-year revenue projection:

	2019	2020	2021	2022	2023
Real Estate and Personal Property Taxes	\$ 84,202,726	\$ 87,002,726	\$ 89,802,726	\$ 92,602,726	\$ 95,402,726
Intergovernmental Revenue - Local Aid	11,167,171	11,334,679	11,504,699	11,677,269	11,852,428
Local Receipts	13,294,508	13,493,926	13,696,335	13,901,780	14,110,306
Recurring transfers from other sources	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000
Indirect charges	419,836	420,000	425,000	430,000	435,000
Total Revenues	\$ 111,284,241	\$ 114,451,331	\$ 117,628,760	\$ 120,811,775	\$ 124,000,460

The City will continue to implement budget reforms and work with collective bargaining units to maximize expenditure efficiencies; consequently, the City expects that annual budget sources as forecasted will be sufficient to fund annual appropriations.

The City is also undergoing numerous economic and development initiatives that if successful, will substantially increase the overall tax base, both commercial and residential.

Economic Development

The Community Development Department, through its Planning, Conservation, Economic Development, and Grants Administration Divisions, works to enhance (1) the quality of life of Gloucester's citizens, (2) promote economic development, (3) conserve natural resources, and (4) strengthen the community's assets. The mission is to make Gloucester a wonderful place to live, work and play, and insure that the City maintains pace economically by providing additional employment opportunities in the City and through growth that will assist the City in supplementing its current tax base.

Fiscal Year 2018 Highlights:

- Secured over \$400,000 in grant funding; a 100% success rate of applications submitted.
- Assisted the Planning Board and City Council in the permitting of Fuller Mixed Use Ventures' proposal for a state-of-the-art Cape Ann YMCA, with retail and 200 housing units, of which 30 are restricted to households with incomes not exceeding 80% of the area median income
- Successfully applied for Federal Opportunity Zone Designation.
- Greeted and assisted over 10,000 visitors from 47 states + DC, 7 Canadian Provinces and 34 different countries at the Stage Fort Park Visitors Center.
- Assisted 25 low income housing units to make repairs and essential improvements under our Housing Rehabilitation Program.
- Deleted 10 housing units to obtain full lead compliance under our Lead hazard Control Program
- Provided support for more than 11 local non-profit organizations who serve over 3,400 residents in our community.

Planning Division

The Planning Division managed the following planning studies and projects in fiscal year 2018:

Fuller Mixed Use Major Project Special Permit Guidance

During the year, the Planning Division assisted the Planning Board in the development of the Mixed-Use Overlay Zoning District (MUOD), designed to encourage the use of the City's former Fuller School property in a cohesive and balanced manner. In September of 2017, the Board initially heard Fuller Mixed-Use Venture's proposal to construct a mixed-use project at the Fuller School site. The proposal included a new Cape Ann YMCA, two new commercial buildings, and 200 housing units, of which 30 were restricted to households with incomes not exceeding 80% of the area median income. Working with the Planning Board's recommendation the City Council



concluded its review in July resulting in the unanimous approval of the project. This led to a separate site plan review process, resulting in the unanimous approval by the Planning Board.

Planning for Housing Production

In July 2017, the City's finalized Housing Production Plan (HPP) was approved by the Massachusetts Department of Housing and Community Development (DHCD). The HPP is a holistic approach to addressing housing needs in Gloucester. Included in the plan are a comprehensive housing needs assessment, an analysis of local demographic data and housing stock that reveals key characteristics, and trends in Gloucester that help explain housing needs and demand. The needs assessment was utilized to set housing goals, as well as implementation strategies and action items to reach these goals. Strategies in the plan address gaps in the current housing options by diversifying the City's housing stock, preserving existing affordability and increasing the housing stock accessible to low- and moderate-income households.

The HPP was prepared to comply with DHCD regulations, as well as, M.G.L. Chapter 40B. Chapter 40B encourages municipalities to achieve at least 10% of their total year-round housing units as affordable. Gloucester is currently at 7.32%, and this plan includes strategies to increase the number of affordable units. In addition, while Gloucester works towards the 10% goal, a DHCD-approved HPP gives the municipality more control over 40B Comprehensive Permit applications, including the ability for the Zoning Board of Appeals to deny Comprehensive Permit applications if they are not deemed "consistent with local needs" pursuant to the HPP and Chapter 40B. This control allows Gloucester to manage growth and meet affordable housing needs in accordance with the community's vision and plan.

In May 2018, the Planning Division secured a MassHousing technical assistance grant to help the City implement the ten (10) goals identified in the HPP. The City was paired with a housing consultant which began an in-depth review and analysis of regulatory impediments to housing within Gloucester's Zoning Ordinance. Through this process, a comprehensive set of zoning proposals will be developed to better

ensure that the City's staff, boards and the public have the understanding and capacity to implement the various elements of the HPP. In particular, recommendations will look to better integrate and expand multi-family housing opportunities within the community. With the assistance of the Planning Division, the consultant will look to gain additional perspective on strengths and opportunities concerning Gloucester's permitting processes by speaking with local stakeholders. Stakeholder interviews have been conducted to inform the development of well-grounded proposals that will be presented at several public outreach meetings in the coming year.

Economic Development Division

As America's oldest seaport, for nearly 400 years Gloucester has been a center for innovation, an authentic American success story and a place that values economic diversity and growth. From its beginning and continuing today, the commercial and industrial history of Gloucester has evolved as new ideas and economic initiatives leverage emerging opportunities to achieve success.

Today, Gloucester's quality of life and economic diversity attracts over one million visitors a year, as well as entrepreneurs and other business and community leaders who make Gloucester one of the region's most dynamic and vibrant communities.

The City's economic development efforts aim to ensure there is a range of employment and sustainable business opportunities in the City with a diverse economic base. The goal is to foster an environment for economic growth and investment resulting in jobs, a healthy working waterfront, a vibrant downtown core, and thriving industrial parks.

The Economic Development Division supports investment, business growth, and job creation by providing site selection assistance, technical assistance, small business and microenterprise loans, tax incremental financing (TIF) incentives, and marketing. The City works closely with the various state and federal agencies and the private sector to facilitate coordination and leveraging of resources.

The City's economic base has diversified extensively in recent years, supplementing its traditional seafood industry with active and expanding high-tech and light industrial, service, commercial and tourism sectors. Gloucester's name has been associated with the catching, curing, packaging and distribution of fish since its settlement in 1623.

It is the site of the Northeast Headquarters of the National Marine Fisheries Services which has recently relocated and expanded within the Blackburn Industrial Park with the construction of a new 100,000 square foot facility. Gloucester remains one of the top-ranked fishing ports on the East Coast in weight of annual harvest, yet this volume of fresh seafood represents only a minor portion of the City's food-processing industry. Seventy percent of the raw material in the form of frozen blocks of fish is supplied mainly by over-the-road trucking from around the country and Canada.

Gorton's of Gloucester is a major processor of this frozen seafood. The frozen fish industry makes Gloucester a major national refrigerated trucking terminal for the distribution of finished products directly to all parts of the United States. Approximately 9,000 truckloads of frozen seafood and 3,100 truckloads of other commodities are distributed from the City annually.

Long-range efforts continue being made to utilize the ocean export shipping capacity in Gloucester Harbor. Customs and technical transportation issues must be solved in order to attain increased ocean shipping and trade.

On December 11, 2009, the State issued a decision that approved the City's 2009 Harbor Plan. The plan lays out a template for future development in the port, including an increase from 25% to 50% in the allowable supporting commercial uses in the industrial Designated Port Area. Following up on identified growth areas, the City commissioned a detailed economic development plan funded with a \$150,000 grant from the Seaport Advisory Council. The 2010 Economic Development Plan identified three priorities of the port economy: fishing, tourism and the maritime industry.

A 2014 Amendment to the Harbor Plan proposes the following strategies: 1) support commercial fishing both directly, and by seeking to attract and expand the kind of businesses and industries that might build upon the existing marine assets and knowledge base of the community, 2) provide greater flexibility for supporting commercial uses on the waterfront property so that those properties have more mixed-use investment options, 3) promote public access along the waterfront in ways that do not interfere with industrial uses so as to create a more appealing environment for investment and to ensure the active use of the water's edge around the harbor, 4) promote change that will benefit the downtown and other areas of the City, 5) provide infrastructure and navigation improvements, and 6) enhance and focus the administrative resources of the City to support and strengthen the viability of the port.

Given changes in the fishing industry, the City is working to ensure future fishing while diversifying use of its hub port assets. This work is guided by the Groundfish Port Recovery and Revitalization Plan supported by The Commonwealth of Massachusetts. Consistent with the Economic Development Plan, the City received a \$1.2 million grant for a downtown HarborWalk. Since opening in August 2012, the HarborWalk has received numerous local and national awards. It is an important new place of infrastructure for the visitor-based economy and led to the City's first national public art competition in 2013. The HarborWalk was also a key element in The Commonwealth of Massachusetts' decision to name downtown Gloucester a "cultural district" – the second in Gloucester. With this designation, Gloucester has favorable standing in certain state grant applications and an enhanced partnership with the Massachusetts Office of Travel and Tourism.

Gloucester Fresh Seafood Marketing

This year the City of Gloucester in collaboration with the Gloucester Fisheries Commission, Gloucester Fishermen's Wives Association, and Snapchef LLC, expanded on its successful seafood brand, **Gloucester Fresh**, creating additional videos in partnership with 1623 Studios, additional website development and content creation and an increased presence at the largest seafood show in North America, Seafood Expo North America and the New England Food Show. This marketing effort to promote the local fishing industry

and encourage businesses to buy and serve local, sustainable and delicious Gloucester seafood has proven incredibly successful. The efforts include a digital billboard campaign drawing 83,000 visual impressions per day in South

Station and approximately 273,000 weekly gross impressions per board on Route 1 and in Gloucester. The City also successfully expanded its *Gloucester Fresh Restaurant Program*, as well as, a new *Gloucester Fresh Seafood Institutional Buyers program* which has led to partnerships with local hospitals.



The City also created new *Gloucester Fresh* videos, created by 1623 Studios, which have been promoted nationally and globally to seafood buyers. The videos highlight Gloucester seafood companies, local



fishermen, and our community to tell an exciting story. These videos also promote our local, sustainable and delicious seafood. All videos are shot on site with real fishermen, and seafood company and restaurant owners. Videos are promoted on social

media, as well as, on the internet. The goal of the videos is to create awareness, drive demand and eventually increase the price per pound our fishermen receive.

Seafood Expo North America 2018

Gloucester once again exhibited in the Seafood Expo North America. This was the fourth consecutive year that the City of Gloucester has partnered with the Gloucester Fisheries Commission, Gloucester Fishermen's Wives Association and Snapchef, the largest chef training and staffing company in New England.

The measurable impacts of this exhibit are as follows:

- 150 new business contacts interested in Gloucester Fresh seafood and/or relocation/expansion opportunities in Gloucester.
- New connections with seafood businesses from 9 countries.
- 10 meetings took place at the Gloucester Pavilion between Gloucester companies and clients/potential clients.
- Interest in follow up tours of Gloucester by Encore and MGM corporations, in conjunction with The Massachusetts Gaming Commission, for seafood, Cape Ann brewing, and Ryan and Wood Distilling in May 2018.
- A successful VIP Gloucester Tasting event with 75 people including a keynote by Assistant Secretary of International Trade and Business Development, Nam Pham.
- Gloucester Fresh Email marketing campaign reaches 300+ business contacts.
- Scotland seafood buyers, and other international seafood buyers, are interested in importing Gloucester Monkfish to sell in Europe.



Second Annual Gloucester Fresh Local Restaurant Tour

Also, during 2018, the City expanded the *Gloucester Fresh Restaurant Program*, to connect Gloucester seafood companies directly with restaurants in the region. This collaboration highlights the world-class seafood and dining experience available in the City of Gloucester, and Cape Ann region, by using *Gloucester Fresh* branding and promotions.



Gloucester developed this program at the request of eager restaurateurs interested in providing their customers with the best local seafood. The *Gloucester Fresh Restaurant Program* provides guidelines to members, including: promotion of seasonal seafood from *Gloucester Fresh* members; seasonable availability awareness; under-utilized species for creative and cost-effective recipes; and cohesive branding of *Gloucester Fresh* across signage, promotions and outreach.

The *Gloucester Fresh Restaurant Program* has already attracted prominent restaurant and seafood companies, such as the 99 Restaurant Group's 106 locations, The Gloucester House, Azorean Restaurant & Bar, The Causeway Restaurant, Tonno Restaurant, Passports Restaurant, Topside Grill, Mile Marker 1, Duckworth's, Machaca, Captain Carlo's and Rockport's Lobster Pool. Seafood processors and wholesalers include Ocean Crest, Mortillaro Lobster Inc., Cape Ann Fresh Foods, Captain Joe's Lobster, Gloucester's Finest Seafood, Fisherman's Wharf Seafood, Cape Ann Seafood Exchange, Connolly Seafood and Intershell. New restaurants are signing up on a regular basis.

Gloucester Fresh Seafood Institutional Buyer Outreach Program

The key to stability for our fishermen and seafood processors are steady, reliable orders for large volumes of locally landed fish. Our goal is to increase the numbers of institutional buyers purchasing locally from Gloucester. Through our *Gloucester Fresh Institutional Buyer Outreach Program*, we have partnered with the Gloucester Fishermen's Wives Association and Snapchef to conduct live interactive demonstrations that have led to agreements with Beverly Hospital and Children's Hospital to buy Gloucester Fresh seafood for patients and visitors. Both institutions join Mass Eye & Ear, as well as Boston Medical Center in buying local seafood. Part of the agreement is not only for the purchase of seafood, but also that an additional \$0.50 per pound goes directly to local fishermen. We also have performed demonstrations for international buyers at the Seafood Expo which have yielded interest from MGM and Everett Boston Harbor Casinos. These institutions recognized the importance of supporting local fishermen, the high quality of locally landed Gloucester Fresh seafood, and the health benefits for clientele and patients.

Gloucester Wins Federal Opportunity Zone Designation

The Community Development Department applied for and received two of Massachusetts' Opportunity Zone designations. Created as part of the Federal Tax Cuts and Jobs Act of 2017, the Opportunity Zone program presents an opportunity for private, tax-free investment in areas of economic need, benefiting both residents living in the zones and private investors.

The Opportunity Zone program provides a Federal tax incentive for taxpayers who reinvest unrealized capital gains into ‘Opportunity Funds,’ which are specialized vehicles dedicated to investing in low-income areas called ‘Opportunity Zones.’ The zones themselves are to be comprised of low-income community census tracts and designated by governors in every state.

According to LOCUS, a coalition of national real estate developers and investors, Gloucester is ranked in the top 10 Massachusetts Opportunity Zones.

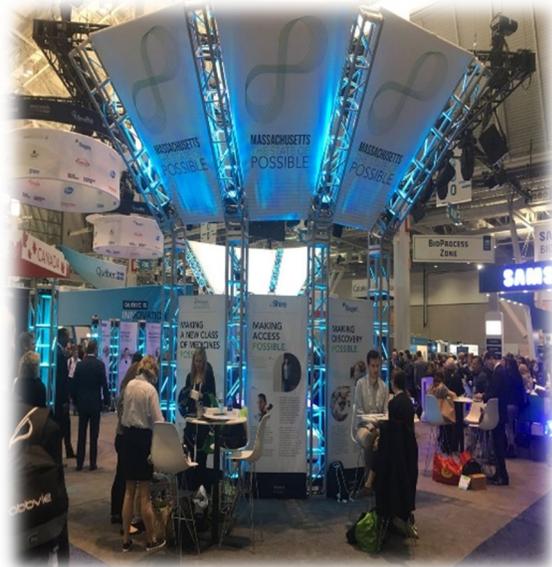
The City is working with the Commonwealth of Massachusetts to attract Opportunity Fund investments to our downtown and waterfront with the following goals:

- Generate investment in our marine industrial waterfront.
- Stimulate job growth through increasing investment opportunities in the Blue Economy.
- Increase mixed use development in downtown and waterfront.
- Attract additional investment in our innovative small businesses.

BioGloucester Initiative Launched and promoted at Bio2018 Conference

This year the City of Gloucester Community Development Department launched **BioGloucester**, a new initiative to support and promote the community’s life science economy. Serving as a Massachusetts’ BioReady Platinum community and the home to distinguished research at the UMASS Large Pelagics Research Center and Gloucester Marine Genomics Institute, biotech companies are choosing to expand in Gloucester. **BioGloucester** aims to attract more biotech companies by collaborating with public and private partners to attract and assist biotech companies at every stage of the supply chain to build their future in the City of Gloucester. **BioGloucester** also provides marketing opportunities for local life science companies and pre-permitted real estate sites.

This past June, the City of Gloucester participated in the Massachusetts Pavilion at the 2018 BIO International Convention held in Boston. The BIO International Convention attracted approximately 16,000 attendees from more than 5,000 companies from 70 different countries. The organizations represented at the convention included the world’s leading biotech companies, top 25 pharma companies, top 20 Contract Resource Organizations and Contract Manufacturing Organizations and more than 300 academic institutions, including major research labs and government agencies. Hosted by the Biotechnology Innovation Organization, the Convention helped BIO fulfill its mission to help grow the global biotech industry.



Veteran-Owned and Veteran Friendly Cape Ann Business Initiative

In the summer of 2018, the Community Development Department, in collaboration with the Cape Ann Office of Veterans Services, the Massachusetts Office of Business Development, the Cape Ann Chamber of Commerce, and MassHire, kicked off the Cape Ann Veteran-Owned and Veteran Friendly Business Initiative. At the kick-off event the City recognized Applied Materials in Gloucester for being a veteran friendly business and for the company's dedication to employing veterans, with over 150 veterans currently on their team.



In addition, Michael Minogue of Abiomed in Danvers and Michael Linquata of the Gloucester House were recognized as veteran-owned business owners as well as supporters of local veterans.

This kick-off event initiated a further pledge to create a list of veteran-owned and veteran friendly businesses located in the Cape Ann area. The Cape Ann Veteran-Owned Veteran Friendly Business Initiative attempts to provide potential clients with awareness of local businesses owned by veterans and business that provide support to our veterans.

Each business is provided a window decal to show that they are a veteran-owned or veteran friendly business.

Opening this past September, Advanced Auto Parts became one of the first new businesses in Gloucester to receive the designation of Cape Ann Veteran-Owned Veteran Friendly Business.

Innovate Gloucester Social Media

The Gloucester Community Development Department has implemented an economic development social media campaign on Twitter: @InnovateGlosta and Facebook: Innovate Gloucester. The social media content that is promoted both supports Gloucester companies in their marketing as well as highlights the City as a great location to do business. The Innovate Gloucester social media campaign has led to over **200,000** gross impressions with our targeted audiences. In 2018 we launched a beta version of a YouTube Channel with new video content!



Additional Economic Development Programs

The Economic Development Division planned and executed the following economic development programs:

- Advocating for Gloucester on Local and National policy issues impacting Gloucester.
- Administration of Tax Incentive Financing (TIF) program.
- October National Manufacturing Month.
- Small Business Saturday in Gloucester.
- Assisted scores of businesses with real estate site finding, small business loans, and technical assistance.

Grants Administration Division

In September 1993 central Gloucester was designated as a Concentrated Development Center by the Metropolitan Area Planning Council (MAPC). In 1994 Gloucester was designated an Economic Target Area by The Commonwealth of Massachusetts. The designation facilitates the City in obtaining State and Federal funds to undertake infrastructure improvements in central Gloucester.

The Grants Administration Division (Grants Division) pursues and administers grant funding that improves the quality of life for Gloucester residents. In fiscal year 2018 the Grants division administered the Community Development Block Grant (CDBG) and the Lead-Based Paint Hazard Control grant, both from the department of Housing and Urban Development (HUD), as well as the Community Preservation Act funds. In fiscal year 2018 the total amount of funds administered by the Grants Division was \$1.2 million on programs that support housing, historic preservation, open space and recreational projects, economic development, public services and infrastructure.

Community Development Block Grant (CDBG)

The CDBG program works to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. The City of Gloucester established goals and strategies to administer the CDBG program and meet the national objectives through the Five Year 2015-2019 Consolidated Plan.

The following highlight accomplishments in fiscal year 2018:

- Approximately \$105,304 in CDBG funds were used for eleven Public Services projects. These projects addressed health issues, educational and youth programs, food assistance, domestic violence programs, and job training. Together these programs served over 3,400 low/moderate residents in our community and include:
 - Cape Ann Art Haven Scholarship Program
 - GHA Cape Ann Homeownership Center
 - Gloucester Boxing, Inc. Scholarship Program
 - Grace Center Case Management Services
 - Domestic Violence Crisis Intervention & Prevention
 - LEAP, O'Maley Academy After School Program
 - Maritime Gloucester Harbor Discovery Programs
 - Pathways for Children, Inc. Enrichment Programs
 - Wellspring, Inc. ALI Program
 - YMCA After-School Childcare Program
 - YMCA Youth Employment program

- \$233,000 in CDBG funding was used to support Economic Development activities including Action’s Home Health Aide job training program and Wellspring House’s MediClerk Program. The Small Business Loan Program assisted three local businesses: The Common Crow, Glasstech Boat and Cape Ann Fresh Foods. These investments resulted in the creation of approximately 16 full time jobs.
- Approximately \$187,325 supported the following Public Facilities projects: ADA compliant street and sidewalk improvements to Duncan Street, ADA accessibility improvements at City Hall and community gardens by Backyard Growers.
- \$20,000 in Down Payment Assistance for First Time Home Buyers – two households assisted.
- Housing Rehab Assistance – 25 projects were completed. \$206,642 was spent on the completed projects. The work included replacement of roofs, windows, heating systems, electrical and plumbing repairs.
- Lead Hazard Control Program – 10 units were fully delead. The cost to delead the 10 units was \$146,613.

Other Economic Activity

The City is currently working with businesses and research and academic institutions to examine the feasibility of an ocean innovation center for a key municipally-owned 1.8-acre site situated along the HarborWalk. The \$1.5 million purchase price was supported by an \$800,000 grant from The Seaport Advisory Council and a City bond issue.

Over the past five years, downtown has seen more than \$90 million in private sector investment. This figure includes the Gloucester Crossing retail project, commercial office projects, industrial investment, and residential development.

In 2013, Ocean Alliance, a global leader in whale research and conservation, moved its headquarters to Gloucester. In doing so, the organization rehabilitated a historic waterfront building that had been vacant. Another key waterfront property was sold in 2011 for triple the previous price paid two years earlier.

To facilitate new investment, the City Council approved a zoning change and subsequently approved the special permits needed for the new owner to build a five-star, \$20 million hotel on the site. The project brought construction jobs as well as a variety of new permanent jobs. The year-round business class hotel fills a void in the market and has been cited as a critical need by area life science and high tech entrepreneurs.



The City initiated and recently completed a \$7.0 million project to upgrade water, sewer and street improvements to benefit the new hotel and the existing commercial and residential properties located in the area. The infrastructure project

was funded with state grants (\$3.0 million), City funds (\$2.6 million) and donations (\$1.4 million) from the hotel developer. The approximate 100-unit hotel opened in June 2016 to very positive reviews.

In 2013, the City Council also approved a zoning change to allow the creation of an Innovation House, a space for high tech startups to work and collaborate. Established by a relatively new Gloucester resident who created the leading web browser in Scandinavia, the Gloucester Innovation House joins similar facilities he has established in Iceland and Norway which have a total of more than 50 businesses. One Gloucester start-up is already using the Innovation House. Other local firms are expected to join as well as entrepreneurs from the Icelandic and Norwegian Innovation Houses.

In April of 2008 construction began on the 33-acre private retail plaza mixed-use project known as Gloucester Crossing, which includes approximately 195,000 square feet of open-air retail space. The City, in partnership with the developer, received a \$2,500,000 state grant to assist in funding the needed public improvements associated with the project that was primarily used for the upgrading and construction of two new public roads, which are now complete.



The first phase of the retail development opened as scheduled in the fall of 2009 with Market Basket and Marshall's as the anchors. Since then most of the smaller store spaces have been leased out to tenants such as Olympia Sports, Petco, Ace Hardware and Dollar Tree. It is estimated that the

site currently provides 350 full and part-time jobs.

In the recent past the MBTA made major improvements to the commuter rail station in the center of the City, including a new 100 space commuter parking lot. Significant private investments followed, flanking either side of the depot.

On one side a new mixed-use building with four retail stores on the first floor and seven housing units above, on the other a retail-consumer service complex including a fitness center.

The City continues to evaluate ways to stimulate continued investment in this area with a focus on capitalizing on this transit asset. The station is also less than one-half mile from Main Street, which has also seen recent reinvestment in mixed retail housing projects. The development of housing beyond the downtown core has also been steady.

A major housing project, known as Pond View Village, which included 118 condominium units has been completed. Two condominium projects in West Gloucester continue to introduce units to the market; one with 34 units near completion, another in the early stages designed with 42 units. Additional projects are in pre-application stage, which could introduce another 100+ units over the next few years.



The City has two modern industrial parks: the seventy-acre Blackburn Industrial Park (BIP) and the forty-acre Cape Ann Industrial Park. Responsibility for the parks' operations and development rests with the City's Economic Development and Industrial Corporation (EDIC).

Among the companies located in the BIP are Applied Materials/Varian Semiconductor (manufacturer of high-tech machinery), United States Government (NOAA-Commerce Dept.), Battenfield Gloucester Engineering (manufacturer of machinery for the plastic industry), McNiff Realty, and a medical center. There is currently only one remaining undeveloped lot in the park.

Perhaps the most significant development in the past few years has been construction of two wind turbine projects. One implemented by Applied Materials, a 2.5 megawatt turbine, will help offset their heavy electric usage. The second by Equity Industrial Turbines consists of two 2.0 megawatt turbines. This project is a public-private partnership project which will help defray municipal electric costs. Total investment in these projects has been estimated at approximately \$20 million.

Among the tenants located at the Cape Ann Industrial Park are C.B. Fisk Co. (designer and builder of pipe organs), Wilber Tracy (machine shop), Comdel, Allied Cold Storage, Massachusetts Coastal Seafoods, and Neptune's Harvest. All of the buildable land in the park has been developed and occupied.

The Gloucester EDIC is presently exploring the feasibility of expanding the Cape Ann Industrial Park. The City has two other privately developed and operated industrial parks, the Morse Industrial Park and the Kettle Cove Industrial Park.

The City's location at the anchor end of Route 128, known as the electronics highway, has in recent years contributed to a substantial increase in the non-fishing share of its industrial base. The access to downtown and the waterfront has been improved by a \$1 million state funded project to reconfigure the critical intersections at Route 128 and Eastern and Bass Avenues.

The City invested \$1.6 million of State and Federal grant funding to improve the appearance and function of Main Street, successfully showing a 2:1 private to public investment leveraged by the public funding. The City has made many of its downtown intersections accessible to the physically handicapped. Downtown is a vibrant and active place with a wide range of shops, restaurants, cultural attractions, and annual festivals. Commercial and residential vacancies are less than 10 percent. An apartment building that was destroyed by a fire in 2007 was rebuilt in 2011 with 24 units now available for rent downtown. The Temple Ahavat, which was destroyed by the same fire in 2007, was also rebuilt in 2011. The total investment for these buildings was over \$6,500,000.



Capital Improvements

The City maintains a comprehensive long-term capital improvement plan. This is an important component of the City's philosophy to revitalize worn and outdated infrastructure, buildings, machinery, vehicles and equipment. In that regard, the City has completed numerous capital projects over the past 10 to 15 years.

In addition to the improvements to School infrastructure, as previously discussed, the City continues to invest in accordance with its capital improvement plan in many other areas such as:

- Streets and sidewalks; funded through the Massachusetts Highway Department Chapter 90 program.

- Beautification of parks and recreational facilities funded through grants, donations and bond issuances.
- Significant infrastructure upgrades to the Water and Sewer distribution system.
- Upgrades to seawalls.
- Upgrades to City Hall.
- Numerous equipment and vehicle purchases.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Gloucester for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the first year the City received this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report will meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for this certificate.

The publication of this CAFR represents an important achievement in the ability of the City of Gloucester to provide enhanced financial information and accountability to its citizens, elected and appointed officials, and investors. The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City Auditor's Office. Special thanks also go to the certified public accounting firm of Roselli, Clark and Associates for their advice and assistance in the preparation of this report.

Respectfully submitted,



Sefatia Romeo Theken
Mayor



Kenny Costa
City Auditor



Government Finance Officers Association

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

Presented to

**City of Gloucester
Massachusetts**

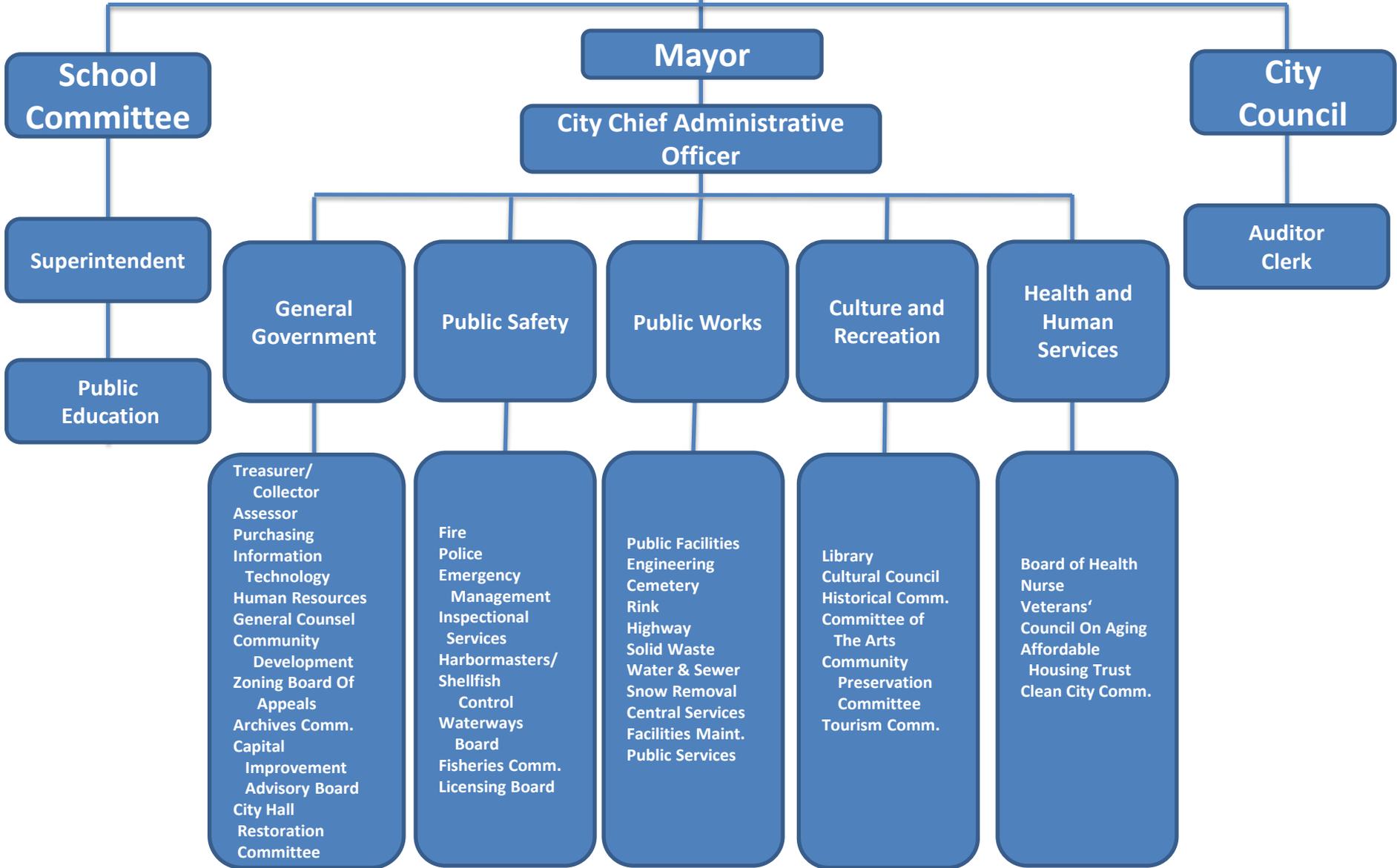
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

Voters



PRINCIPAL CITY OFFICIALS

Elected Officials

Mayor



Sefatia Romeo Theken

CITY COUNCIL



Left to Right: Paul Lundberg, Council President, Councilor at Large, R. Scott Memhard, Ward 1 Councilor, Jen Holmgren, Councilor at Large, Steven G. LeBlanc, Jr., Council Vice President, Ward 3 Councilor, Melissa Cox, Councilor at Large, Sean P. Nolan, Ward 5 Councilor, Valerie H. Gilman, Ward 4 Councilor, James W. O’Hara, Jr., Councilor at Large, Kenneth W. Hecht, Ward 2 Councilor

Elected Officials

School Committee

Jonathan A. Pope, Chairperson
Kathleen A. Clancy, Vice-Chairperson
Anthony M. Gross, Secretary
Melissa Joy Teixeira
Joel Favazza
Michelle M. Sweet
Mayor, Sefatia Romeo Theken

Appointed Officials

City Chief Administrative Officer
Superintendent of Schools
School Director of Finance and Operations
City General Counsel
City Chief Financial Officer/Treasurer/Collector
City Auditor
City Clerk
City Assessor

James Destino
Dr. Richard Safier
Gary Frisch
Charles J. Payson
John Dunn
Kenny Costa
Joanne M. Senos
Nancy A. Papows

FINANCIAL SECTION



To the left: Recently completed at a cost of over \$20 million, the Beauport Hotel in Gloucester is a state-of-the-art high scale resort with panoramic views of the City and the Harbor. The four-story building is designed to emulate New England’s grand seaside hotels and summer homes. Conveniently located on Pavillion Beach, the hotel provides year-round amenities for both vacationers and the professional traveler.

Cape Ann’s beautiful natural environment and colorful seaside gardens perpetually inspire artists, designers, landscapers and now a growing community of civic minded gardening enthusiasts. As part of the \$7 million seawall reconstruction project, the iconic Stacy Boulevard is now a stroll through thousands of flowers planted by Gloucester’s volunteer group of “Generous Gardeners,” a nonprofit organization who care for 29 public spaces in

Gloucester. **To the right** is a colorful display with the *Fishermen’s Wives Memorial* in the background, and **to the left** is a close up of a beautiful arrangement.



Photo credits: David Cox



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Honorable Members of the City Council
City of Gloucester, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Gloucester, Massachusetts, (the "City") as of and for the year ended June 30, 2018, 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 Gloucester Contributory Retirement System, (the "System" or "Retirement System") which is as of December 31, 2017). We did not audit the financial statements of the Gloucester Lyceum and Sawyer Free Library, Inc. (the "Library"), which represents 100% of the assets, net position and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for this discretely presented component unit, is based solely on the report of the other auditors.

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, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City, as of June 30, 2018, (except for the System which is as of December 31, 2017) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As disclosed in the Note III to the financial statements, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year 2018. Our opinion was not modified with respect to this matter.

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, the nonmajor governmental fund and the Water, Sewer, Waterways and Rink Enterprise Fund's. Our opinion was not modified with respect to this matter.

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 statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining 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 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 21, 2018, on our consideration of the City of Gloucester, 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's internal control over financial reporting and compliance.



Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts 01801
December 21, 2018



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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 units for the fiscal year ended June 30, 2018.

Financial Highlights

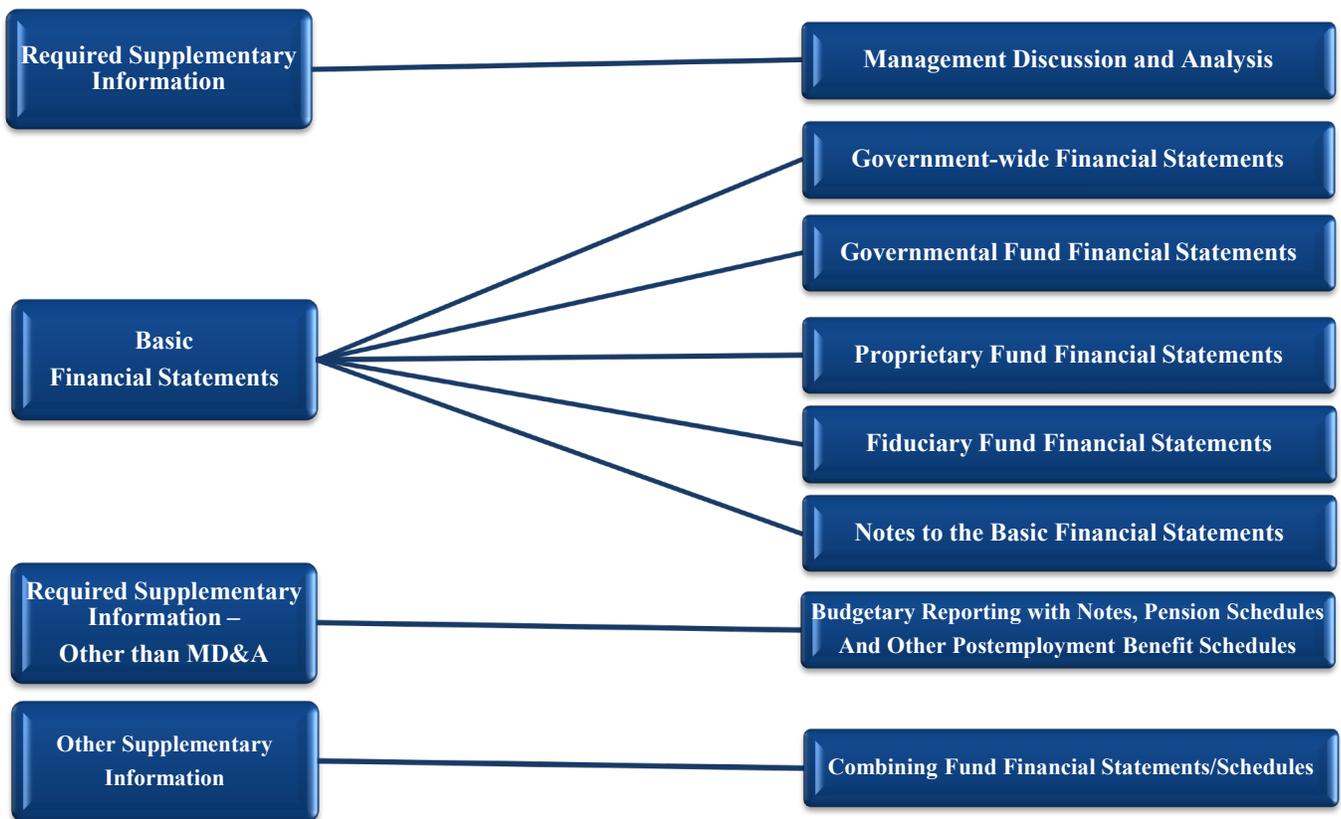
- During the year ended June 30, 2018 The City adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Previously, OPEB was accounted for under GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The result of the adoption of GASB Statement No. 75 was to record a prior period restatement to eliminate the net OPEB obligation recorded in the prior year financial statements and record the net OPEB liability at June 30, 2018. All changes in net position discussions that follow have removed the impact of these adjustments from their analysis. The adjustments can be reviewed in more detail in Note IV to the financial statements.
- The liabilities and deferred inflows of financial resources exceeded the City's assets and deferred outflows of financial resources at the close of the most recent fiscal year resulting in a deficit of about \$50.8 million (*total net position*).
- The government's total net position decreased by about \$6.9 million. This consisted mainly of a decrease in governmental activities' net position by almost \$6.9 million as results of operations of the business - type activities were flat with the prior year.
- The City's Unassigned Fund Balance reported in the General Fund was over \$8.5 million (7.7% of General Fund expenditures). Total Fund Balance in the General Fund was almost \$11.3 million (10.3% of General Fund expenditures).
- The City ended the year with almost \$47.6 million in long-term outstanding debt of its governmental activities and almost \$100.1 million in long-term outstanding debt of its business-type activities. These outstanding balances include unamortized bond premium.
- The City ended the year with \$9.3 million in short-term outstanding debt of its governmental activities and \$2.6 million in short-term outstanding debt of its business-type activities.
- The City's total debt increased by over \$10.8 million during the fiscal year. This was mainly the result of bond issuances and premiums of almost \$22.3 million offset by scheduled pay downs and amortization of premiums of about \$11.5 million. Short-term notes decreased by almost \$12.6 million as the City refinanced short-term notes to long-term debt at a faster pace than issuing new short-term notes.
- The City's cash and cash equivalents and investments in aggregate increased to \$36.8 million from \$34.1 million in the prior year. This was primarily related to a net decrease in governmental activities by over \$1.1 million offset by an increase of over \$3.8 million in business-type activities. This was mainly due to excess debt issuances over operations.
- The Gloucester Lyceum and Sawyer Free Library is a legally separate entity presented discretely in this report because the City is financially accountable for and can impose its will on it.

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.

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 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*); (2) those whose

activities are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*), and (3) a *component unit*.

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 four enterprise funds; water, sewer, waterways and rink.

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, West Parish 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 one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, waterways and rink enterprise activities.

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

The City’s fiduciary funds consist of the Gloucester Contributory Retirement System, the Other Postemployment Benefit Trust and the Private Purpose Trust Funds.

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.

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, total net position was in deficit by about \$50.8 million.

Condensed net position data is presented as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<u>Assets</u>						
Current and other assets	\$ 39,474,216	\$ 41,706,009	\$ 23,031,909	\$ 20,720,155	\$ 62,506,125	\$ 62,426,164
Capital assets, net	137,561,938	133,006,539	206,740,879	210,361,936	344,302,817	343,368,475
Total assets	177,036,154	174,712,548	229,772,788	231,082,091	406,808,942	405,794,639
Deferred outflows of resources	18,970,266	11,084,159	1,968,185	1,149,993	20,938,451	12,234,152
<u>Liabilities</u>						
Long-term liabilities	311,456,930	211,105,227	128,324,927	109,545,260	439,781,857	320,650,487
Other liabilities	16,058,933	20,898,620	4,489,555	10,868,841	20,548,488	31,767,461
Total liabilities	327,515,863	232,003,847	132,814,482	120,414,101	460,330,345	352,417,948
Deferred inflows of resources	16,506,181	1,814,293	1,712,534	54,827	18,218,715	1,869,120
<u>Net Position</u>						
Net investment in capital assets	87,174,155	83,444,529	106,011,231	107,040,094	193,185,386	190,484,623
Restricted	14,970,493	15,213,577	7,348,753	8,632,529	22,319,246	23,846,106
Unrestricted (deficit)	(250,160,272)	(146,679,539)	(16,146,027)	(3,909,467)	(266,306,299)	(150,589,006)
Total Net Position (deficit)	\$ (148,015,624)	\$ (48,021,433)	\$ 97,213,957	\$ 111,763,156	\$ (50,801,667)	\$ 63,741,723

By far, the largest portion (\$193.2 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 (\$22.3 million) of the City's net position represents resources that are subject to external restrictions on how they may be used.

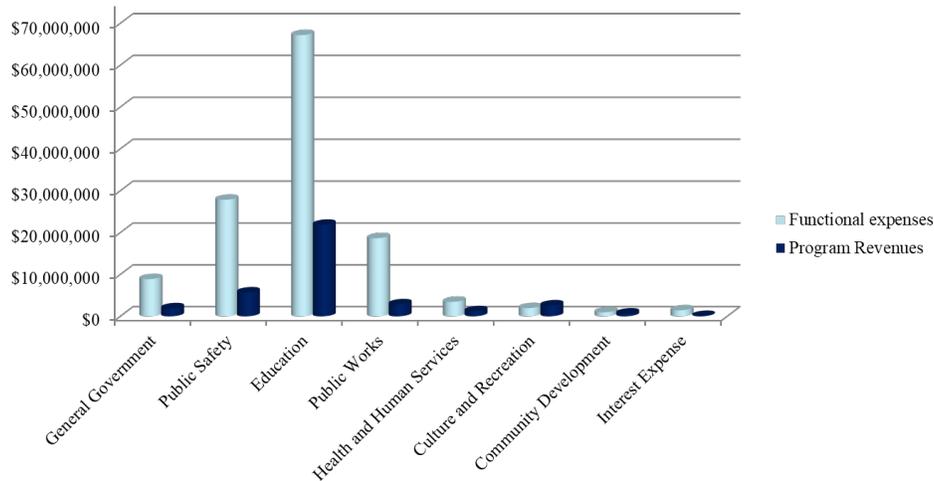
Unrestricted net position is reported as a deficit of approximately \$266.3 million. A deficit of \$250.2 million is reported in governmental activities and a deficit of \$16.1 million is reported in Business-type activities. The implementation of GASB 68 and the related net pension liability of about \$105.9 million and the implementation of GASB 75 and the related net other postemployment benefit liability of approximately \$180.2 million are the primary contributors to this. These deficits are expected to increase in the future unless the City adopts more aggressive funding schedules.

Condensed changes in net position are presented as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenues						
Program revenues:						
Charges for services	\$ 11,498,594	\$ 12,567,058	\$ 15,020,765	\$ 14,981,397	\$ 26,519,359	\$ 27,548,455
Operating grants and contributions	22,197,551	21,573,622	-	211,525	22,197,551	21,785,147
Capital grants and contributions	3,311,053	3,851,137	1,048,598	329,358	4,359,651	4,180,495
General revenues:						
Property taxes	81,723,772	78,929,607	-	-	81,723,772	78,929,607
Unrestricted grants and contributions	4,008,749	4,151,445	-	-	4,008,749	4,151,445
Other	5,786,027	5,621,368	-	-	5,786,027	5,621,368
Total Revenues	128,525,746	126,694,237	16,069,363	15,522,280	144,595,109	142,216,517
Expenses						
General government	8,886,949	8,568,308	-	-	8,886,949	8,568,308
Public safety	27,838,983	30,494,053	-	-	27,838,983	30,494,053
Education	67,183,136	61,787,760	-	-	67,183,136	61,787,760
Public works	18,674,392	16,000,830	-	-	18,674,392	16,000,830
Health and human services	3,468,254	3,248,584	-	-	3,468,254	3,248,584
Culture and recreation	1,963,264	2,048,002	-	-	1,963,264	2,048,002
Community development	958,622	1,319,911	-	-	958,622	1,319,911
Debt service	1,437,447	1,452,361	-	-	1,437,447	1,452,361
Water	-	-	8,071,332	7,382,977	8,071,332	7,382,977
Sewer	-	-	12,066,008	11,329,763	12,066,008	11,329,763
Waterways	-	-	594,448	519,099	594,448	519,099
Rink	-	-	377,209	414,163	377,209	414,163
Total Expenses	130,411,047	124,919,809	21,108,997	19,646,002	151,520,044	144,565,811
Change in net position before transfers	(1,885,301)	1,774,428	(5,039,634)	(4,123,722)	(6,924,935)	(2,349,294)
Transfers	(5,023,361)	(5,210,118)	5,023,361	5,210,118	-	-
Change in net position	(6,908,662)	(3,435,690)	(16,273)	1,086,396	(6,924,935)	(2,349,294)
Net position (deficit), beginning of year	(48,021,433)	(44,585,743)	111,763,156	110,676,760	63,741,723	66,091,017
Restate net OPEB liability	(94,575,101)	-	(13,853,012)	-	(108,428,113)	-
Restate capital assets	1,489,572	-	(679,914)	-	809,658	-
Net position (deficit), beginning of year, as restated	(141,106,962)	(44,585,743)	97,230,230	110,676,760	(43,876,732)	66,091,017
Net position (deficit), end of year	<u>\$ (148,015,624)</u>	<u>\$ (48,021,433)</u>	<u>\$ 97,213,957</u>	<u>\$ 111,763,156</u>	<u>\$ (50,801,667)</u>	<u>\$ 63,741,723</u>

Governmental Activities – The governmental activities decreased net position by over \$6.9 million as compared to a decrease in the prior year of over \$3.4 million. The fluctuations are discussed below.

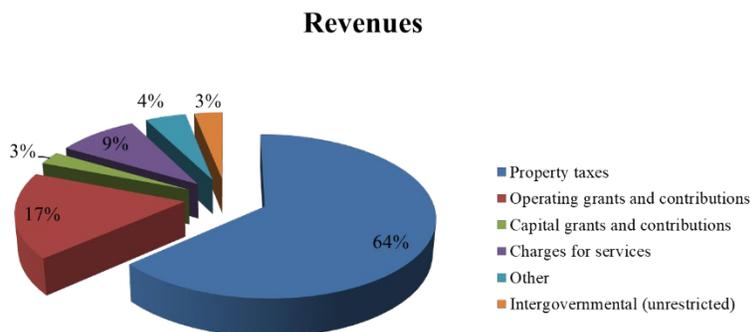
Fiscal year 2018 Expenses and Program Revenues – governmental activities are graphically presented as follows:



Major revenue sources of governmental activities consist of revenue from:

(1) Operating grants which comprised approximately 17.3% of the total governmental activity revenues; this is consistent with the prior year as the City’s grant activities did not experience any serious fluctuations.

(2) Property taxes which represented 63.6% of total revenues increased by almost \$2.8 million over the prior year; under Massachusetts General Laws, communities are allowed to assess taxes at 2 ½% of the prior year plus any new growth plus any exclusions authorized by the voters in excess of the statutory limit. As a result this increase met its expectation.

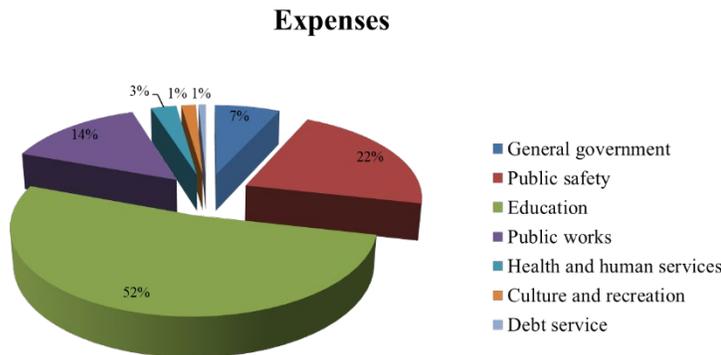


All other revenue sources were individually less than 10% of total revenues and fluctuations were not material.

Major expense outlays of governmental activities consist of expenses from:

(1) Education costs which represented the City’s largest expense category as education continues to be an area in which the City devotes substantial resources. Approximately 51.5% of total disbursements related to education. Amounts were almost \$5.4 million greater than the prior year. This increase consisted of an

increase in benefit costs, salaries, depreciation and maintenance. A greater amount of the prior year maintenance qualified as assets and was capitalized.



(2) Public Works expenses represented 14.3% of total expenses. Amounts were almost \$2.7 million higher than the prior year. This was due primarily to adverse seasonal weather conditions in 2018, increased benefit costs, and a greater amount of maintenance qualified as assets in the prior year and was capitalized.

(3) Public Safety expenses represented 21.3% of total expenses; the \$2.7 million decrease over the prior year was mainly due to a higher level of expenses being capitalized as fixed assets and lower depreciation due to capital assets aging off and being fully depreciated.

(3) Public Safety expenses represented 21.3% of total

All other expenses were less than 10% and consistent with the prior year.

Business-type Activities – The net position of the business-type activity funds in total were flat as compared to the prior year. While fluctuations in funds were experienced individually, these were not material to the overall activity.

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 \$17.4 million; this increased over the prior fiscal year by over \$3.5 million. This was primarily due to a bond issuance of almost \$6.5 million in the West Parish School construction major fund which was used to refinance previously issued short-term debt. This was offset by a reduction in the capital projects fund of over \$3.7 million due to the timing of expenditures and revenues. The general fund and the aggregate nonmajor fund experienced nominal increases that made up the final \$0.7 million increase.

The City's Unassigned Fund Balance reported in the General Fund was approximately \$8.5 million (7.8% of General Fund expenditures). Total Fund Balance in the General Fund was approximately \$11.3 million (10.3% of General Fund expenditures). The City reported a Restricted Fund Balance of \$0.2 million restricted for debt service in the General Fund and \$0.4 million in its Capital Projects Fund restricted for capital projects. In addition to the restricted amounts, approximately \$8.3 million in combined unassigned deficits were reported in the City's West Parish School Fund, and Capital Projects

Funds. The remaining fund balances are reported as part of Combined Nonmajor Fund Balances and are classified as either (1) restricted due to constraints placed externally by third-parties in the amount of approximately \$14.3 million, or (2) unassigned as they reflect negative balances due to the timing of grant receipts not accrued as revenue.

Proprietary funds – The City’s proprietary funds are made up of the Water, Sewer, Waterways and Rink Enterprise Funds which provides the same type of information found in the government-wide financial statements under business-type activities, but in more detail.

As previously discussed, the total net position was flat compared to the prior year.

Fiduciary Fund – The City’s fiduciary fund is comprised primarily of the City’s Retirement System whose net position is approximately \$107.4 million. These assets are used strictly to pay retiree pensions and annuities and may not be used for City operating purposes.

For the year ended December 31, 2017 the net position increased by approximately \$14.8 million due primarily to favorable market conditions during that calendar year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were not significant (less than 1% of overall budget).

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, 2018 amounts to approximately \$344.3 million (net of accumulated depreciation), an increase from the previous year’s balance of approximately \$0.9 million. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, equipment, and software. 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 long-term debt outstanding of almost \$148.6 million. The entire amount comprises debt backed by the full faith and credit of the government.

The City’s most recent credit evaluation resulted in maintaining an “AA” rating – stable outlook 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 over \$300 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.

The City's total debt decreased by over \$10.8 million during the fiscal year summarized as follows:

Additions:	
Governmental Activities	\$ 8,996,000
Business-Type Activities	12,469,000
Regular Scheduled Maturities:	
Governmental Activities	(3,559,602)
Business-Type Activities	(7,713,616)
Bond Premiums Received:	
Governmental Activities	486,176
Business-Type Activities	397,589
Amortization of Bond Premium	
Governmental Activities	(157,504)
Business-Type Activities	(79,932)
	<u>\$ 10,838,111</u>

Bond anticipation note payable balances outstanding at year-end amount to approximately \$24.5 million and relate to the following projects:

School construction/improv	\$ 5,100,000
Roadways	316,000
Dam remodeling	800,000
Seawall and breakwater	443,000
Departmental and building	649,000
Septic betterments	2,000,000
Water	845,000
Sewer	1,791,000
	<u>\$ 11,944,000</u>

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 many years.
- The City's real estate tax base is made up predominantly of residential taxes, which comprise nearly 88.4% of the City's real estate tax base. 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. Growth in real estate has been robust and some major projects are ongoing.
- 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 2019. The budget was adopted in June of 2018 and the City's tax rate was certified in December 2018.

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 requests for additional financial information should be addressed to the Office of the City Auditor, 9 Dale Avenue, Gloucester, Massachusetts 01930.

Complete stand-alone financial statements of the Library can be obtained from the Office of the Director of the Library, 2 Dale Avenue, Gloucester, Massachusetts 01930.

The System does not issue separate audited financial statements, however it does prepare a statutorily required annual financial report. This report may be obtained by contacting the System at 127 Eastern Avenue, Gloucester, Massachusetts 01930.



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Basic Financial Statements

CITY OF GLOUCESTER, MASSACHUSETTS

STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Gloucester Lyceum and Sawyer Free Library, Inc.
Assets				
Cash and cash equivalents	\$ 25,261,187	\$ 10,286,548	\$ 35,547,735	\$ 278,713
Investments	1,234,262	-	1,234,262	6,187,017
Receivables, net:				
Property taxes	1,407,841	-	1,407,841	-
Tax liens and deferrals	2,142,319	-	2,142,319	-
User fees	-	5,326,229	5,326,229	-
Betterments	-	6,318,289	6,318,289	-
Departmental and other	2,175,857	70,379	2,246,236	-
Intergovernmental	976,444	1,030,464	2,006,908	-
Loans	5,782,314	-	5,782,314	-
Tax foreclosures	493,992	-	493,992	-
Capital assets not being depreciated	30,996,031	13,064,214	44,060,245	232,616
Capital assets, net of accumulated depreciation	106,565,907	193,676,665	300,242,572	2,841,872
Total Assets	177,036,154	229,772,788	406,808,942	9,540,218
Deferred Outflows of Resources				
Related to net other postemployment benefit liability	9,701,464	1,006,537	10,708,001	-
Related to net pension liability	9,268,802	961,648	10,230,450	-
Total Deferred Outflows of Resources	18,970,266	1,968,185	20,938,451	-
Liabilities				
Warrants and accounts payable	1,192,754	556,668	1,749,422	120,107
Accrued payroll and withholdings	4,287,011	100,719	4,387,730	-
Retainage payable	178,590	-	178,590	-
Tax refunds payable	367,613	-	367,613	-
Accrued interest	621,961	1,055,076	1,677,037	-
Other liabilities	103,004	141,092	244,096	-
Bond anticipation notes payable	9,308,000	2,636,000	11,944,000	-
Noncurrent liabilities:				
Due within one year	4,525,641	8,255,228	12,780,869	-
Due in more than one year	306,931,289	120,069,699	427,000,988	-
Total Liabilities	327,515,863	132,814,482	460,330,345	120,107
Deferred Inflows of Resources				
Related to net other postemployment benefit liability	12,121,941	1,257,664	13,379,605	-
Related to net pension liability	4,384,240	454,870	4,839,110	-
Total Deferred Inflows of Resources	16,506,181	1,712,534	18,218,715	-
Net Position				
Net investment in capital assets	87,174,155	106,011,231	193,185,386	3,074,488
Restricted for:				
Expendable permanent funds	1,551,417	-	1,551,417	-
Debt service	221,745	7,348,753	7,570,498	-
Community preservation	1,491,041	-	1,491,041	-
Federal and State grants	1,733,983	-	1,733,983	-
Loans	5,782,314	-	5,782,314	-
Gift funds	1,060,619	-	1,060,619	-
Other specific purposes	3,129,374	-	3,129,374	3,214,926
Unrestricted	(250,160,272)	(16,146,027)	(266,306,299)	3,130,697
Total Net Position	\$ (148,015,624)	\$ 97,213,957	\$ (50,801,667)	\$ 9,420,111

See accompanying notes to basic financial statements.

CITY OF GLOUCESTER, MASSACHUSETTS

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 8,886,949	\$ 1,429,910	\$ 495,782	\$ -	\$ (6,961,257)		\$ (6,961,257)	
Public safety	27,838,983	4,798,144	351,679	566,827	(22,122,333)		(22,122,333)	
Education	67,183,136	1,063,522	19,625,054	1,179,931	(45,314,629)		(45,314,629)	
Public works	18,674,392	1,340,568	127,772	1,407,922	(15,798,130)		(15,798,130)	
Health and human services	3,468,254	271,308	958,750	-	(2,238,196)		(2,238,196)	
Culture and recreation	1,963,264	2,381,350	81,320	156,373	655,779		655,779	
Community development	958,622	126,307	547,678	-	(284,637)		(284,637)	
Interest expense	1,437,447	87,485	9,516	-	(1,340,446)		(1,340,446)	
Total governmental activities	130,411,047	11,498,594	22,197,551	3,311,053	(93,403,849)		(93,403,849)	
Business-type activities:								
Water	8,071,332	6,124,498	-	-		\$ (1,946,834)	(1,946,834)	
Sewer	12,066,008	8,173,358	-	998,873		(2,893,777)	(2,893,777)	
Waterways	594,448	407,768	-	49,725		(136,955)	(136,955)	
Rink	377,209	315,141	-	-		(62,068)	(62,068)	
Total business-type activities	21,108,997	15,020,765	-	1,048,598		(5,039,634)	(5,039,634)	
Total Primary Government	\$ 151,520,044	\$ 26,519,359	\$ 22,197,551	\$ 4,359,651	(93,403,849)	(5,039,634)	(98,443,483)	
Component Unit:								
Gloucester Lyceum and Sawyer Free Library, Inc.	\$ 1,679,317	\$ 27,081	\$ 1,533,063	\$ -				\$ (119,173)
<u>General Revenues:</u>								
Property taxes					81,723,772	-	81,723,772	-
Motor vehicle and other excise					5,171,612	-	5,171,612	-
Grants and contributions not restricted to specific programs					4,008,749	-	4,008,749	-
Penalties and interest on taxes					424,548	-	424,548	-
Unrestricted investment income					189,867	-	189,867	136,371
Transfers (net)					(5,023,361)	5,023,361	-	-
Total general revenues					86,495,187	5,023,361	91,518,548	136,371
Change in Net Position					(6,908,662)	(16,273)	(6,924,935)	17,198
<u>Net Position:</u>								
Beginning of year, as restated (see Note IV)					(141,106,962)	97,230,230	(43,876,732)	9,402,913
End of year					\$ (148,015,624)	\$ 97,213,957	\$ (50,801,667)	\$ 9,420,111

See accompanying notes to basic financial statements.

CITY OF GLOUCESTER, MASSACHUSETTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	West Parish School Construction	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 16,647,634	\$ 122,377	\$ 2,019,435	\$ 6,471,741	\$ 25,261,187
Investments	-	-	-	1,234,262	1,234,262
Receivables, net of allowance for uncollectibles:					
Property taxes	1,385,689	-	-	22,152	1,407,841
Tax liens and deferrals	2,142,319	-	-	-	2,142,319
Departmental and other	1,867,449	-	-	308,408	2,175,857
Intergovernmental	66,502	165,988	-	743,954	976,444
Loans	-	-	-	5,782,314	5,782,314
Tax foreclosures	493,992	-	-	-	493,992
Due from other funds	89,700	-	-	-	89,700
Total Assets	22,693,285	288,365	2,019,435	14,562,831	39,563,916
Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 22,693,285	\$ 288,365	\$ 2,019,435	\$ 14,562,831	\$ 39,563,916
Liabilities					
Warrants and accounts payable	\$ 547,496	\$ -	\$ 645,258	\$ -	\$ 1,192,754
Accrued payroll and withholdings	4,017,395	-	-	269,616	4,287,011
Retainage payable	-	-	178,590	-	178,590
Tax refunds payable	367,456	-	-	157	367,613
Other liabilities	92,379	-	-	10,625	103,004
Workers compensation claims payable	575,536	-	-	-	575,536
Bond anticipation notes payable	-	2,500,000	6,808,000	-	9,308,000
Due to other funds	-	-	-	89,700	89,700
Total Liabilities	5,600,262	2,500,000	7,631,848	370,098	16,102,208
Deferred Inflows of Resources					
Unavailable revenues - property taxes	3,528,008	-	-	22,152	3,550,160
Unavailable revenues - other	2,279,647	-	-	184,975	2,464,622
Total Deferred Inflows of Resources	5,807,655	-	-	207,127	6,014,782
Fund Balances					
Restricted	221,745	-	440,257	14,286,339	14,948,341
Assigned	2,545,934	-	-	-	2,545,934
Unassigned	8,517,689	(2,211,635)	(6,052,670)	(300,733)	(47,349)
Total Fund Balances	11,285,368	(2,211,635)	(5,612,413)	13,985,606	17,446,926
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 22,693,285	\$ 288,365	\$ 2,019,435	\$ 14,562,831	\$ 39,563,916

See accompanying notes to basic financial statements.

CITY OF GLOUCESTER, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Governmental Fund Balances		\$ 17,446,926
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		137,561,938
Other long-term assets are unavailable to pay current-period expenditures		6,014,782
Deferred outflows and inflows of resources to be recognized in future pension and OPEB expense are not available resources and, therefore, are not reported in the funds:		
Deferred outflows related to net other postemployment benefits liability	9,701,464	
Deferred outflows related to net pension benefits	9,268,802	
Deferred inflows related to net other postemployment benefits liability	(12,121,941)	
Deferred inflows related to net pension benefits	<u>(4,384,240)</u>	
Net effect of reporting deferred outflows and inflows of resources		2,464,085
In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in the governmental funds interest is not reported until due.		(621,961)
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	(45,613,893)	
Unamortized premiums on bonds	(1,972,917)	
Capital lease obligations	(965,641)	
Landfill closure	(400,000)	
Compensated absences	(2,674,823)	
Net pension liability	(95,987,484)	
Net other postemployment benefits liability	<u>(163,266,636)</u>	
Net effect of reporting long-term liabilities		<u>(310,881,394)</u>
Net Position of Governmental Activities		<u>\$ (148,015,624)</u>

See accompanying notes to basic financial statements.

CITY OF GLOUCESTER, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	West Parish School Construction	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 80,650,658	\$ -	\$ -	\$ 641,908	\$ 81,292,566
Intergovernmental	19,833,992	-	1,679,931	7,329,149	28,843,072
Motor vehicle and other excises	5,185,066	-	-	-	5,185,066
Licenses and permits	1,661,906	-	-	-	1,661,906
Penalties and interest on taxes	424,548	-	-	-	424,548
Fines and forfeitures	336,390	-	-	-	336,390
Departmental and other revenue	6,359,623	-	-	3,349,329	9,708,952
Investment income	115,194	-	-	74,673	189,867
Contributions and donations	-	-	-	674,281	674,281
Total Revenues	114,567,377	-	1,679,931	12,069,340	128,316,648
Expenditures:					
Current:					
General government	5,262,688	-	358,430	610,188	6,231,306
Public safety	15,911,373	-	512,206	2,044,727	18,468,306
Education	36,461,928	26,216	4,431,799	5,739,007	46,658,950
Public works	11,227,247	-	2,829,056	1,034,215	15,090,518
Health and human services	1,212,769	-	422,941	869,553	2,505,263
Culture and recreation	944,751	-	-	303,251	1,248,002
Community development	-	-	-	958,622	958,622
Pension benefits and fringe benefits	30,544,597	-	-	-	30,544,597
State and county assessments	2,620,836	-	-	-	2,620,836
Debt service:					
Principal	3,399,602	-	-	160,000	3,559,602
Interest	1,471,452	-	27,376	40,825	1,539,653
Total Expenditures	109,057,243	26,216	8,581,808	11,760,388	129,425,655
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,510,134	(26,216)	(6,901,877)	308,952	(1,109,007)
Other Financing Sources (Uses):					
Issuance of bonds and notes	-	6,110,000	2,886,000	-	8,996,000
Issuance of capital leases	-	-	184,777	-	184,777
Premiums from bonds and notes	-	390,000	-	96,176	486,176
Transfers in	207,008	-	94,634	365,552	667,194
Transfers out	(5,125,995)	-	(18,489)	(546,071)	(5,690,555)
Total Other Financing Sources (Uses)	(4,918,987)	6,500,000	3,146,922	(84,343)	4,643,592
Net Change in Fund Balances	591,147	6,473,784	(3,754,955)	224,609	3,534,585
FUND BALANCES - Beginning of year, as restated (see Note IV)	10,694,221	(8,685,419)	(1,857,458)	13,760,997	13,912,341
FUND BALANCES - End of year	\$ 11,285,368	\$ (2,211,635)	\$ (5,612,413)	\$ 13,985,606	\$ 17,446,926

See accompanying notes to basic financial statements.

CITY OF GLOUCESTER, 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, 2018

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 3,534,585**

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:

Capital outlays	9,198,791	
Depreciation expense	(6,132,964)	
Net effect of reporting capital assets		3,065,827

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 amounts are reflected here as reconciling items:

Issuances of general obligation bonds and notes	(8,996,000)	
Issuances of capital leases	(184,777)	
Premiums from long-term general obligation bonds and notes	(573,661)	
Amortization of premiums on bonds and notes payable	244,989	
Repayments of capital leases	190,311	
Repayments of debt	3,559,602	
Net effect of reporting long-term debt		(5,759,536)

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the difference in unavailable revenue.

209,098

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.

(55,298)

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:

Landfill closure	20,000	
Compensated absences	100,274	
Pension benefits	(3,479,683)	
Other postemployment benefits	(4,543,929)	
Net effect of reporting long-term liabilities		(7,903,338)

Change in Net Position of Governmental Activities **\$ (6,908,662)**

See accompanying notes to basic financial statements.

CITY OF GLOUCESTER, MASSACHUSETTS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2018

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Waterways	Rink	
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,619,583	\$ 8,346,479	\$ 201,099	\$ 119,387	\$ 10,286,548
Receivables (net):					
User charges	2,307,973	2,994,040	24,216	-	5,326,229
Betterments	-	65,042	-	-	65,042
Liens	-	-	70,379	-	70,379
Intergovernmental	-	400,998	-	-	400,998
Total current assets	<u>3,927,556</u>	<u>11,806,559</u>	<u>295,694</u>	<u>119,387</u>	<u>16,149,196</u>
Noncurrent assets:					
Receivables (net):					
Betterments	-	6,253,247	-	-	6,253,247
Intergovernmental	-	629,466	-	-	629,466
Nondepreciable capital assets	3,594,263	8,861,232	538,482	70,237	13,064,214
Capital assets (net of depreciation)	<u>64,051,488</u>	<u>127,590,212</u>	<u>1,360,569</u>	<u>674,396</u>	<u>193,676,665</u>
Total noncurrent assets	<u>67,645,751</u>	<u>143,334,157</u>	<u>1,899,051</u>	<u>744,633</u>	<u>213,623,592</u>
Total Assets	<u>71,573,307</u>	<u>155,140,716</u>	<u>2,194,745</u>	<u>864,020</u>	<u>229,772,788</u>
Deferred Outflows of Resources					
Related to net other postemployment benefit liability	480,368	459,129	42,832	24,208	1,006,537
Related to net pension liability	<u>458,945</u>	<u>438,653</u>	<u>40,922</u>	<u>23,128</u>	<u>961,648</u>
Total Deferred Outflows of Resources	<u>939,313</u>	<u>897,782</u>	<u>83,754</u>	<u>47,336</u>	<u>1,968,185</u>
Liabilities					
Current liabilities:					
Warrants and accounts payable	208,197	328,455	17,028	2,988	556,668
Accrued payroll and withholdings	43,226	41,925	13,584	1,984	100,719
Accrued interest	474,635	580,441	-	-	1,055,076
Other liabilities	141,092	-	-	-	141,092
Bond anticipation notes payable	845,000	1,791,000	-	-	2,636,000
Compensated absences	9,707	2,485	865	509	13,566
Capital leases	-	153,401	-	-	153,401
Bonds and notes payable	<u>3,097,795</u>	<u>4,941,706</u>	<u>-</u>	<u>48,760</u>	<u>8,088,261</u>
Total current liabilities	<u>4,819,652</u>	<u>7,839,413</u>	<u>31,477</u>	<u>54,241</u>	<u>12,744,783</u>
Noncurrent liabilities:					
Compensated absences	87,361	22,362	7,786	4,577	122,086
Capital leases	-	159,369	-	-	159,369
Bonds and notes payable	40,305,955	51,891,784	-	692,631	92,890,370
Net other postemployment benefits liability	8,084,146	7,726,711	720,827	407,392	16,939,076
Net pension liability	<u>4,752,819</u>	<u>4,542,677</u>	<u>423,788</u>	<u>239,514</u>	<u>9,958,798</u>
Total noncurrent liabilities	<u>53,230,281</u>	<u>64,342,903</u>	<u>1,152,401</u>	<u>1,344,114</u>	<u>120,069,699</u>
Total Liabilities	<u>58,049,933</u>	<u>72,182,316</u>	<u>1,183,878</u>	<u>1,398,355</u>	<u>132,814,482</u>
Deferred Inflows of Resources					
Related to net other postemployment benefit liability	600,218	573,680	53,519	30,247	1,257,664
Related to net pension liability	<u>217,086</u>	<u>207,487</u>	<u>19,357</u>	<u>10,940</u>	<u>454,870</u>
Total Deferred Inflows of Resources	<u>817,304</u>	<u>781,167</u>	<u>72,876</u>	<u>41,187</u>	<u>1,712,534</u>
Net Position					
Net investment in capital assets	23,495,131	80,613,807	1,899,051	3,242	106,011,231
Restricted	-	7,348,753	-	-	7,348,753
Unrestricted	<u>(9,849,748)</u>	<u>(4,887,545)</u>	<u>(877,306)</u>	<u>(531,428)</u>	<u>(16,146,027)</u>
Total Net Position	<u>\$ 13,645,383</u>	<u>\$ 83,075,015</u>	<u>\$ 1,021,745</u>	<u>\$ (528,186)</u>	<u>\$ 97,213,957</u>

See accompanying notes to basic financial statements.

CITY OF GLOUCESTER, MASSACHUSETTS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Waterways	Rink	
Operating Revenues:					
Charges for services	\$ 5,873,936	\$ 8,032,113	\$ 393,269	\$ 301,598	\$ 14,600,916
Other	250,562	141,245	14,499	13,543	419,849
Total Operating Revenues	6,124,498	8,173,358	407,768	315,141	15,020,765
Operating Expenses:					
Operating costs	4,967,508	6,441,354	470,006	262,985	12,141,853
Depreciation	1,896,940	3,940,831	124,442	87,139	6,049,352
Total Operating Expenses	6,864,448	10,382,185	594,448	350,124	18,191,205
Operating Income (Loss)	(739,950)	(2,208,827)	(186,680)	(34,983)	(3,170,440)
Nonoperating Revenues (Expenses):					
Interest expense	(1,206,884)	(1,683,823)	-	(27,085)	(2,917,792)
Total Nonoperating Revenues (Expenses)	(1,206,884)	(1,683,823)	-	(27,085)	(2,917,792)
Income (Loss) Before Capital Contributions and Transfers	(1,946,834)	(3,892,650)	(186,680)	(62,068)	(6,088,232)
Capital contributions	-	998,873	49,725	-	1,048,598
Transfers in	2,663,003	2,295,076	30,000	35,282	5,023,361
Total Capital Contributions and Transfers	2,663,003	3,293,949	79,725	35,282	6,071,959
Change in Net Position	716,169	(598,701)	(106,955)	(26,786)	(16,273)
Total Net Position - Beginning of the Year, as restated (see Note IV)	12,929,214	83,673,716	1,128,700	(501,400)	97,230,230
Total Net Position - End of the Year	\$ 13,645,383	\$ 83,075,015	\$ 1,021,745	\$ (528,186)	\$ 97,213,957

See accompanying notes to basic financial statements.

CITY OF GLOUCESTER, MASSACHUSETTS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Waterways	Rink	
Cash Flows from Operating Activities:					
Receipts from users	\$ 5,812,078	\$ 8,313,466	\$ 392,129	\$ 301,598	\$ 14,819,271
Other receipts	250,562	141,245	14,499	13,543	419,849
Payments to employees	(1,109,867)	(999,159)	(258,791)	(115,513)	(2,483,330)
Payments to vendors	(3,206,555)	(4,732,991)	(153,786)	(124,140)	(8,217,472)
Net Cash Provided by (Used in) Operating Activities	1,746,218	2,722,561	(5,949)	75,488	4,538,318
Cash Flows from Noncapital Financing Activities:					
Intergovernmental operating grants	-	-	-	-	-
Transfers in	2,663,003	2,295,076	30,000	35,282	5,023,361
Net Cash Provided by Noncapital Financing Activities	2,663,003	2,295,076	30,000	35,282	5,023,361
Cash Flows from Capital and Related Financing Activities:					
Proceeds from intergovernmental capital grants	-	443,050	49,725	-	492,775
Proceeds from betterments	-	1,652,286	-	-	1,652,286
Proceeds from the issuance of notes	1,505,000	6,020,000	-	-	7,525,000
Proceeds from the issuance of bonds	4,395,000	3,185,000	-	-	7,580,000
Premiums from the issuance of bonds and notes	237,114	199,217	-	-	436,331
Acquisition and construction of capital assets	(925,677)	(1,945,632)	(213,258)	(23,642)	(3,108,209)
Principal payments on capital leases	-	(147,658)	-	-	(147,658)
Principal payments on bonds and notes	(7,730,324)	(9,634,532)	-	(48,760)	(17,413,616)
Interest payments on bonds and notes	(1,248,930)	(1,482,374)	-	(27,085)	(2,758,389)
Net Cash (Used in) Capital and Related Financing Activities	(3,767,817)	(1,710,643)	(163,533)	(99,487)	(5,741,480)
Net Change in Cash and Cash Equivalents	641,404	3,306,994	(139,482)	11,283	3,820,199
Cash and Cash Equivalents:					
Beginning of the year	978,179	5,039,485	340,581	108,104	6,466,349
End of the year	\$ 1,619,583	\$ 8,346,479	\$ 201,099	\$ 119,387	\$ 10,286,548
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating Loss	\$ (739,950)	\$ (2,208,827)	\$ (186,680)	\$ (34,983)	\$ (3,170,440)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,896,940	3,940,831	124,442	87,139	6,049,352
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
Receivables	(61,858)	281,353	(1,140)	-	218,355
Deferred outflows	(390,481)	(373,216)	(34,817)	(19,678)	(818,192)
Accounts payable and accrued expenses	209,880	332,267	17,277	1,855	561,279
Other liabilities	39,187	-	(202)	-	38,985
Deferred inflows	791,138	756,158	70,543	39,868	1,657,707
Accrued employee benefit liabilities	1,362	(6,005)	4,628	1,287	1,272
Net Cash Provided by (Used in) Operating Activities	\$ 1,746,218	\$ 2,722,561	\$ (5,949)	\$ 75,488	\$ 4,538,318
Noncash capital and related financing activities:					
Amortization of bond premium	\$ 50,482	\$ 29,450	\$ -	\$ -	\$ 79,932
Debt subsidies from MCWT	-	443,882	-	-	443,882

See accompanying notes to basic financial statements.

CITY OF GLOUCESTER, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 1,080,529	\$ -	\$ 540,445
Investments:			
PRIT	106,267,072	-	-
Equity mutual funds	159,083	415,837	-
Corporate fixed income securities	-	98,375	-
Fixed income mutual funds	92,805	204,838	-
Negotiable certificates of deposit	-	184,693	-
Receivables:			
Employer and employee contributions	16,159	-	-
Intergovernmental	73,399	-	-
Other investment trades	563	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>107,689,610</u>	<u>903,743</u>	<u>540,445</u>
Liabilities			
Warrants and accounts payable	7,989	-	-
Accrued payroll	-	-	413
Agency liabilities	-	-	540,032
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>7,989</u>	<u>-</u>	<u>\$ 540,445</u>
Net Position			
Restricted for pension benefits	107,379,244	-	
Restricted for other postemployment benefits	302,377	-	
Held in trust for private purposes	-	903,743	
	<u> </u>	<u> </u>	
Total Net Position	<u>\$ 107,681,621</u>	<u>\$ 903,743</u>	

See accompanying notes to basic financial statements.

CITY OF GLOUCESTER, MASSACHUSETTS

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

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 15,082,977	\$ -
Employee	3,088,166	-
Transfers from other systems	57,999	-
Reimbursements from other systems	161,580	-
From Commonwealth of Massachusetts	149,566	-
Total contributions	<u>18,540,288</u>	<u>-</u>
Investment income:		
Interest and dividends	2,776,351	28,131
Net depreciation in fair value of investments	13,460,327	-
Less - investment management fees	(518,846)	-
Net investment earnings	<u>15,717,832</u>	<u>28,131</u>
Other income	<u>18,023</u>	<u>-</u>
Total Additions	<u>34,276,143</u>	<u>28,131</u>
Deductions		
Benefit payments to pensioners and beneficiaries	18,545,291	-
Member refunds	195,942	-
Transfers to other systems	75,038	-
Reimbursements to other systems	311,104	-
Payroll expenses of the System	214,891	-
Other administrative expenses	132,912	-
Education - scholarships	-	-
Total Deductions	<u>19,475,178</u>	<u>-</u>
CHANGE IN NET POSITION	14,800,965	28,131
NET POSITION AT BEGINNING OF YEAR	<u>92,880,656</u>	<u>875,612</u>
NET POSITION AT END OF YEAR	<u>\$ 107,681,621</u>	<u>\$ 903,743</u>

See accompanying notes to basic financial statements.

CITY OF GLOUCESTER, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

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 Essex County, thirty-one miles northeast of Boston. It was first established as a Town in 1623 and incorporated as a City in 1873. An elected Mayor who serves a two-year term and a nine-member City Council, who are elected biennially, govern the City. 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 entities discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

Gloucester Contributory Retirement System – The System was established to provide retirement benefits to City employees, the Gloucester 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.

Unaudited financial statements of the System as of December 31, 2017 were issued and are available at the Retirement Office, 127 Eastern Avenue, Gloucester, Massachusetts 01930.

Discretely Presented Component Unit – The Gloucester Lyceum and Sawyer Free Library, Inc. (the “Library”) is presented in a separate column to emphasize that it is legally separate from the City, but is included because the City is financially accountable for the organization and its exclusion would cause the City’s financial statements to be misleading or incomplete. Unless otherwise indicated, the notes to the basic financial statements pertain only to the primary government. A description of the discretely presented component unit and its relationship with the City follows:

The Library is a non-profit corporation created by state statute in 1830. The Library’s primary operating support is City appropriations and it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Library is governed by a Board of Directors (the “Board”). The Board consists of at least nine, and no more than fifteen, Directors that are elected to three-year terms on a staggered basis at the annual meeting of the Library. The Mayor of the City of Gloucester serves as an ex-officio, non-voting member of the Board. Complete audited financial statements of the Library as of June 30, 2018 are available at the office of Gloucester Lyceum and Sawyer Free Library, Inc., 2 Dale Avenue, Gloucester, Massachusetts 01930.

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, except 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, regardless of the timing of related cash flows. 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 due and payable.

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.

West Parish School Construction Fund – is used to account for all financial resources relating to the City’s construction activities for the West Parish School.

Capital Projects Fund – is used to account for all financial resources relating to the City’s remaining capital construction activities and other capital purchases.

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 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 funds:

Water Enterprise Fund – is used to account for the operations of the City’s water activities.

Sewer Enterprise Fund – is used to account for the operations of the City’s sewer activities.

Waterways Enterprise Fund – is used to account for the operations of the City’s harbor activities.

Rink Enterprise Fund – is used to account for the operations of the City’s ice rink activities.

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 Funds – is used to account for trust arrangements under which the principal and income benefit individuals, private organizations or other governments. This fund is primarily used for needy citizen benefit funds.

Agency Funds – is used to account for assets held in a purely custodial capacity. The City’s agency funds consist primarily of custodial maintenance activities.

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 its component unit are recorded at fair value.

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 due date 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.

Loans receivables are principally comprised of funds advanced to developers under various grant and loan agreements. The City loans funds to owners of commercial and residential properties

for the purpose of rehabilitating these properties. The City receives these funds from the U.S. Department of Housing and Urban Development (HUD) under Community Development Block Grant (CDBG) and Housing Investment Partnerships (HOME) programs, from Federal and State Brownfield grant programs and from loan repayments. These loans are repaid to the City under various terms and conditions stipulated by each mortgage agreement. The collected proceeds of these loans may be used for any eligible activity relevant to the community development program.

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 at 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	20-40 years
Improvements	20 years
Machinery and equipment	5-20 years
Vehicles	2-20 years
Other	5-50 years
Infrastructure	20-50 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 voluntarily assigned to the general fund.

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 effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

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 two items that are reported on the government-wide statement of net position which relate to outflows 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.

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 two sources: property taxes 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:

Expendable permanent funds represent amounts held in trust whereby expenditures are subject to various trust agreements.

Debt service represents amounts restricted to fund a portion of the debt service on outstanding long-term debt obligations that will be amortized over the life of the bonds in accordance with state law.

Community preservation represents assets that are restricted by state law for the purposes of acquiring or developing open space and recreational facilities, historic resources and affordable housing.

Federal and State grants represent assets that have restrictions placed on them from federal and state granting agencies.

Loans represent the outstanding community development and brownfield loans.

Gift funds represent assets that are restricted by donors for specific governmental programs and uses.

Other specific purposes represent assets that are restricted for numerous various minor 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. The City does not report any amounts as nonspendable.

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. The City Council has by ordinance authorized individual department heads to assign fund balance only for non-contractual encumbrances. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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.

The City has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Funds – The City maintains a general stabilization fund under Massachusetts General Law (MGL) Chapter 40, Section 5B which may be used for any municipal purpose upon a two-thirds vote of the City Council. The balance of the fund totals \$2,221,661 at June 30, 2018 and is reported as unassigned fund balance in the General Fund.

The City also maintains a capital stabilization fund under MGL Chapter 40, Section 5B which may be used for any capital purpose upon a two-thirds vote of the City Council. The balance of the fund totals \$3,914,905 at June 30, 2018 and is reported as unassigned fund balance in the General Fund.

Encumbrances – The City's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity as assigned, and (2) classify encumbrances that result from an action of the City Council as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The City reports \$2,195,934 of encumbrances from normal purchasing activity in the general fund as assigned. There are no encumbrances reported in any other fund.

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

	General Fund	West Parish School Construction	Capital Projects	Nonmajor Governmental Funds	Total
Restricted:					
School grants	\$ -	\$ -	\$ -	\$ 416,699	\$ 416,699
School lunch	-	-	-	178,707	178,707
School gifts	-	-	-	449,432	449,432
School revolving	-	-	-	401,131	401,131
Public safety grants	-	-	-	549,976	549,976
Public works grants	-	-	-	531,770	531,770
Other City grants	-	-	-	235,538	235,538
City revolving	-	-	-	1,576,317	1,576,317
Cable revolving	-	-	-	273,662	273,662
Loans	-	-	-	5,782,314	5,782,314
Capital outlay	-	-	440,257	259,300	699,557
Community preservation	-	-	-	1,468,889	1,468,889
Gift funds	-	-	-	611,187	611,187
Cemetery trust funds	-	-	-	1,017,671	1,017,671
Affordable housing trust funds	-	-	-	248,875	248,875
Other trust funds	-	-	-	284,871	284,871
Debt service	221,745	-	-	-	221,745
Assigned:					
Purchase orders	2,195,934	-	-	-	2,195,934
Subsequent years' budget	350,000	-	-	-	350,000
Unassigned	8,517,689	(2,211,635)	(6,052,670)	(300,733)	(47,349)
	<u>\$ 11,285,368</u>	<u>\$ (2,211,635)</u>	<u>\$ (5,612,413)</u>	<u>\$13,985,606</u>	<u>\$17,446,926</u>

E. Excess of Expenditures Over Appropriations and Deficits

During fiscal year 2018, expenditures exceeded appropriations in the General Fund for snow and ice expenditures by \$376,442. This over-expenditure will be funded through available funds during fiscal year 2019.

The City incurred deficits of \$2,211,635, \$6,052,670, and \$300,733 in its West Parish School Construction, Capital Projects Major funds and Nonmajor Governmental Funds, respectively. These deficits will be funded through available revenues, grant funds or bond proceeds in future fiscal years.

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.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the City's deposits was \$34,517,031 and the bank balance was \$34,599,117. Of the City's bank balance, \$24,741,794 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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 investments in corporate bonds, money market mutual funds, pooled alternative investments, exchange traded funds and mutual funds are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty. The City's investments in negotiable certificates of deposit are fully insured by the FDIC. The City does not have a formal investment policy related 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, 2018:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
Corporate fixed income securities	\$ 148,585	\$ -	\$ 148,585	\$ -
Fixed income mutual funds	426,027	-	426,027	-
Fixed income exchange traded funds	114,308	114,308	-	-
Negotiable certificates of deposit	552,440	-	552,440	-
Total debt securities	1,241,360	114,308	1,127,052	-
Equity securities:				
Equity mutual funds	655,194	-	655,194	-
Equity exchange traded funds	349,013	349,013	-	-
Alternative equity pooled funds	103,600	-	103,600	-
REIT exchange traded funds	40,725	40,725	-	-
Total equity securities	1,148,532	389,738	758,794	-
Total investments by fair value level	\$ 2,389,892	\$ 504,046	\$ 1,885,846	\$ -
Investments measured at amortized cost				
State investment pool (MMDT)	1,548,712			
Money market mutual funds	72,927			
Total investments	\$ 4,011,531			

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Fixed income securities and mutual funds, negotiable certificates of deposit, equity mutual funds and alternative equity pooled funds classified in Level 2 are valued on pricing based on the securities relationship to benchmark quoted prices. Money market mutual funds and the State Treasurer’s investment pool (MMDT) are valued at amortized cost. The MMDT’s investment advisor may value the pool using an alternative valuation method that more accurately reflects the fair value in accordance with the pools fair value pricing policies should amortized cost not approximate the fair value of the pool.

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, 2018, the City had the following investments with maturities:

Investment Type	Fair Value	Time Until Maturity (Years)		
		Less Than 1	1-5	6-10
Corporate fixed income securities	\$ 148,585	\$ -	\$ 73,525	\$ 75,060
Fixed income mutual funds	426,027	-	29,703	396,324
Fixed income exchange traded funds	114,308	-	114,308	-
Negotiable certificates of deposit	552,440	49,908	478,590	23,942
State investment pool (MMDT)	1,548,712	1,548,712	-	-
Money market mutual funds	72,927	72,927	-	-
Total investments with maturities	<u>\$ 2,862,999</u>	<u>\$ 1,671,547</u>	<u>\$ 696,126</u>	<u>\$ 495,326</u>

Concentration of Credit Risk – The City does not place a limit on the amount that may be invested in any one issuer. The City has 39% of its investments in MMDT.

Credit Risk – The City has not adopted a formal policy related to credit risk. At June 30, 2018, corporate fixed income securities of \$24,889 were rated as AA, \$24,607 were rated as AA+, \$50,171 were rated as AA- and \$48,918 were rated A- by Standard and Poor's. At June 30, 2018, fixed income mutual funds of \$72,500 were rated as B+ and \$112,250 were rated as BBB+ by Standard and Poor's. The City's remaining investments were 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.

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 does not have a policy for custodial credit risk. At December 31, 2017, the System had bank deposits of \$479,554 exposed to custodial credit risk because it was uninsured and uncollateralized.

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 does not have a policy for custodial credit risk. At December 31, 2017, the System was not exposed to custodial credit risk on its investments.

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.

Concentration of Credit Risk: Investments – The System does not have a policy for concentration of credit risk. As of December 31, 2017, the System was not exposed to this risk.

Credit Risk: Investments – In the case of investments, there is the risk that in the event of an invested party will be unable to fulfill its obligations, such as to provide required payments to investors, to meet current or future performance expectations, to abide by industry regulations and proper operational practices, ceasing to exist, or filing for bankruptcy. In those instances, the System may not be able to recover the full amount of its principal investment and/or investment earnings. The System does not have a policy for credit risk of investments. The System’s investments in money market mutual funds and PRIT are unrated.

At December 31, 2017, the System’s investments in PRIT are valued at amortized cost.

Discretely Presented Component Unit – Library

At June 30, 2018, the Library’s carrying amount of cash totaling \$278,713 was fully insured.

The Library had the following investments at June 30, 2018 which are all classified in Level 1 under the fair value framework using prices quoted in active markets for those securities:

Investment Type	Fair Value	Time Until Maturity (Years)		
		Less Than 1	1-5	6-10
Corporate fixed income securities	\$ 1,261,741	\$ 149,909	\$ 645,634	\$ 466,198
Municipal government obligations	104,744	-	-	104,744
Certificates of deposit	1,498,577	340,113	1,074,507	83,957
Fixed income mutual funds	301,576	-	240,261	61,315
Fixed income exchange traded funds	352,341	-	352,341	-
Money market funds	106,988	106,988	-	-
Total investments with maturities	\$ 3,625,967	\$ 597,010	\$ 2,312,743	\$ 716,214

Other Investments:

Common stock	64,789
Equity mutual funds	2,006,622
Equity exchange traded funds	489,639
Total Library investments	\$ 6,187,017

The Library’s investments were rated at June 30, 2018 as follows:

Quality Ratings (S & P)	Corporate Fixed Income	Municipal Government Obligations	Fixed Income Mutual Funds	Totals
AA+	\$ 125,136	\$ 104,744	\$ -	\$ 229,880
AA-	270,694	-	-	270,694
A+	110,641	-	-	110,641
A	149,760	-	-	149,760
A-	183,426	-	-	183,426
B+	150,800	-	142,880	293,680
BBB+	221,273	-	-	221,273
BBB	-	-	97,381	97,381
Unrated	50,011	-	61,315	111,326
Totals - All	\$ 1,261,741	\$ 104,744	\$ 301,576	\$ 1,668,061

All other investments were unrated.

B. Receivables

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 1,559,230	\$ (173,541)	\$ 1,385,689
Community preservation surcharges	22,152	-	22,152
Tax liens and deferrals	2,142,319	-	2,142,319
Motor vehicle and other excise taxes	519,928	(94,720)	425,208
Special assessments	287,103	-	287,103
Ambulance fees	1,423,610	(232,136)	1,191,474
Parking fines	333,505	(268,260)	65,245
Public safety details	123,433	-	123,433
Other departmental	83,394	-	83,394
Loans	5,782,314	-	5,782,314
Intergovernmental	976,444	-	976,444
Total	<u>\$ 13,253,432</u>	<u>\$ (768,657)</u>	<u>\$ 12,484,775</u>

Receivables as of year-end for City's proprietary funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user charges	\$ 2,307,973	\$ -	\$ 2,307,973
Sewer user charges	2,994,040	-	2,994,040
Sewer betterments	6,318,289	-	6,318,289
Sewer intergovernmental	1,030,464	-	1,030,464
Waterways boat excise	70,379	-	70,379
Waterways user charges	24,216	-	24,216
Total	<u>\$ 12,745,361</u>	<u>\$ -</u>	<u>\$ 12,745,361</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available 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
Receivables and other asset type:			
Real estate and personal property taxes	\$ 1,385,689	\$ -	\$ 1,385,689
Community preservation surcharges	-	22,152	22,152
Tax liens and deferrals	2,142,319	-	2,142,319
Motor vehicle and other excise taxes	425,208	-	425,208
Special assessments	102,128	184,975	287,103
Ambulance fees	1,191,474	-	1,191,474
Parking fines	65,245	-	65,245
Other departmental	1,600	-	1,600
Tax foreclosures	493,992	-	493,992
Total	<u>\$ 5,807,655</u>	<u>\$ 207,127</u>	<u>\$ 6,014,782</u>

Sewer Betterments – Unapportioned sewer betterments totaling \$6,253,247 are included in the betterments receivable amount and represent amounts that are expected to be owed in future years for sewer projects that have been funded through bond issuances and taxation.

School Building Assistance Reimbursement – As of June 30, 2018, the City expects to receive the balance of grants from the Commonwealth of Massachusetts totaling approximately \$0.2 million applicable to approved school construction costs. This amount is due in a lump sum during fiscal year 2019. In the Governmental funds, a receivable for this amount has been included under the caption Intergovernmental.

MCWT Loan Subsidies – The City has entered into numerous loan agreements with the Massachusetts Clean Water Trust (“MCWT”). It is expected that the City will be subsidized by MCWT on a periodic basis for principal in the amount of \$928,779 and interest in the amount of \$245,914 until the maturity of these agreements. GAAP requires the recognition of gross debt relative to these agreements. Therefore, the principal amount is reported as an intergovernmental receivable in the sewer enterprise fund.

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds - Roadway Improvements	\$ 89,700

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, 2018 is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>			<u>Total</u>	
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>		
General Fund	\$ -	\$ -	\$ 207,008	\$ 207,008	(1)
Capital Projects Fund	-	18,061	76,573	94,634	(2)
Nonmajor Governmental Funds	112,634	428	252,490	365,552	(3)
Water Enterprise Fund	2,663,003	-	-	2,663,003	(4)
Sewer Enterprise Fund	2,285,076	-	10,000	2,295,076	(4)
Waterways Enterprise Fund	30,000	-	-	30,000	(5)
Rink Enterprise Fund	35,282	-	-	35,282	(4)
Total	<u>\$ 5,125,995</u>	<u>\$ 18,489</u>	<u>\$ 546,071</u>	<u>\$ 5,690,555</u>	

- (1) Transfers to General Fund to supplement operating budgets.
- (2) Transfers to Capital Projects Fund for various capital projects.
- (3) Transfers to Nonmajor Governmental Funds to supplement operations.
- (4) Transfers to Water, Sewer and Rink enterprise funds for debt service costs and transfer to Nonmajor Governmental Funds to supplement operations.
- (5) Transfers to Waterways Enterprise Fund to supplement operations.

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 19,218,983	\$ -	\$ -	\$ 19,218,983
Construction in process	* 53,584,516	7,167,050	(48,974,518)	11,777,048
Total capital assets not being depreciated	72,803,499	7,167,050	(48,974,518)	30,996,031
Capital assets being depreciated:				
Buildings	64,520,027	40,697,609	-	105,217,636
Building improvements	17,047,500	875,748	-	17,923,248
Machinery and equipment	9,808,335	560,569	(175,954)	10,192,950
Vehicles	8,953,753	264,068	(563,856)	8,653,965
Other	1,914,056	38,751	-	1,952,807
Infrastructure	32,614,668	8,569,514	-	41,184,182
Total capital assets being depreciated	134,858,339	51,006,259	(739,810)	185,124,788
Less accumulated depreciation for:				
Buildings	(45,579,590)	(2,811,924)	-	(48,391,514)
Building improvements	(6,135,949)	(819,861)	-	(6,955,810)
Machinery and equipment	* (7,227,439)	(699,387)	175,954	(7,750,872)
Vehicles	* (5,885,525)	(592,138)	563,856	(5,913,807)
Other	(1,166,509)	(117,915)	-	(1,284,424)
Infrastructure	(7,170,715)	(1,091,739)	-	(8,262,454)
Total accumulated depreciation	(73,165,727)	(6,132,964)	739,810	(78,558,881)
Total capital assets being depreciated, net	61,692,612	44,873,295	-	106,565,907
Total governmental activities capital assets, net	\$ 134,496,111	\$ 52,040,345	\$ (48,974,518)	\$ 137,561,938
<i>Business-Type Activities - All:</i>				
Capital assets not being depreciated:				
Land	\$ 4,512,584	\$ -	\$ -	\$ 4,512,584
Construction in process	* 8,251,009	1,918,666	(1,618,045)	8,551,630
Total capital assets not being depreciated	12,763,593	1,918,666	(1,618,045)	13,064,214
Capital assets being depreciated:				
Buildings	4,655,741	-	-	4,655,741
Building improvements	2,518,023	548,218	-	3,066,241
Machinery and equipment	2,589,049	10,727	(37,207)	2,562,569
Vehicles	1,837,148	37,880	-	1,875,028
Other	344,327	10,930	-	355,257
Infrastructure	272,976,092	2,199,833	-	275,175,925
Total capital assets being depreciated	284,920,380	2,807,588	(37,207)	287,690,761
Less accumulated depreciation for:				
Buildings	(4,383,908)	(25,235)	-	(4,409,143)
Building improvements	(1,271,752)	(137,560)	-	(1,409,312)
Machinery and equipment	(1,835,784)	(145,622)	37,207	(1,944,199)
Vehicles	(1,039,123)	(103,702)	-	(1,142,825)
Other	(341,179)	(3,190)	-	(344,369)
Infrastructure	(79,130,205)	(5,634,043)	-	(84,764,248)
Total accumulated depreciation	(88,001,951)	(6,049,352)	37,207	(94,014,096)
Total capital assets being depreciated, net	196,918,429	(3,241,764)	-	193,676,665
Total business-type activities capital assets, net	\$ 209,682,022	\$ (1,323,098)	\$ (1,618,045)	\$ 206,740,879

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities: Water</i>				
Capital assets not being depreciated:				
Land	\$ 3,594,263	\$ -	\$ -	\$ 3,594,263
Construction in process	* 1,293,621	-	(1,293,621)	-
Total capital assets not being depreciated	<u>4,887,884</u>	<u>-</u>	<u>(1,293,621)</u>	<u>3,594,263</u>
Capital assets being depreciated:				
Buildings	160,023	-	-	160,023
Building improvements	177,286	-	-	177,286
Machinery and equipment	1,449,542	-	-	1,449,542
Vehicles	596,511	14,000	-	610,511
Other	77,977	5,465	-	83,442
Infrastructure	80,757,480	2,199,833	-	82,957,313
Total capital assets being depreciated	<u>83,218,819</u>	<u>2,219,298</u>	<u>-</u>	<u>85,438,117</u>
Less accumulated depreciation for:				
Buildings	(160,023)	-	-	(160,023)
Building improvements	(39,888)	(8,865)	-	(48,753)
Machinery and equipment	(1,011,099)	(69,175)	-	(1,080,274)
Vehicles	(410,611)	(32,675)	-	(443,286)
Other	(77,977)	(546)	-	(78,523)
Infrastructure	(17,790,091)	(1,785,679)	-	(19,575,770)
Total accumulated depreciation	<u>(19,489,689)</u>	<u>(1,896,940)</u>	<u>-</u>	<u>(21,386,629)</u>
Total capital assets being depreciated, net	<u>63,729,130</u>	<u>322,358</u>	<u>-</u>	<u>64,051,488</u>
Total Water capital assets, net	<u>\$ 68,617,014</u>	<u>\$ 322,358</u>	<u>\$ (1,293,621)</u>	<u>\$ 67,645,751</u>
<i>Business-type Activities: Sewer</i>				
Capital assets not being depreciated:				
Land	\$ 379,839	\$ -	\$ -	\$ 379,839
Construction in process	6,856,896	1,895,024	(270,527)	8,481,393
Total capital assets not being depreciated	<u>7,236,735</u>	<u>1,895,024</u>	<u>(270,527)</u>	<u>8,861,232</u>
Capital assets being depreciated:				
Buildings	\$ 4,370,258	\$ -	\$ -	\$ 4,370,258
Building improvements	239,887	289,563	-	529,450
Machinery and equipment	449,065	10,727	-	459,792
Vehicles	1,217,387	15,380	-	1,232,767
Other	266,350	5,465	-	271,815
Infrastructure	191,203,385	-	-	191,203,385
Total capital assets being depreciated	<u>197,746,332</u>	<u>321,135</u>	<u>-</u>	<u>198,067,467</u>
Less accumulated depreciation for:				
Buildings	(4,125,311)	(7,312)	-	(4,132,623)
Building improvements	(71,363)	(17,941)	-	(89,304)
Machinery and equipment	(391,315)	(16,106)	-	(407,421)
Vehicles	(605,262)	(70,177)	-	(675,439)
Other	(263,202)	(2,644)	-	(265,846)
Infrastructure	(61,079,971)	(3,826,651)	-	(64,906,622)
Total accumulated depreciation	<u>(66,536,424)</u>	<u>(3,940,831)</u>	<u>-</u>	<u>(70,477,255)</u>
Total capital assets being depreciated, net	<u>131,209,908</u>	<u>(3,619,696)</u>	<u>-</u>	<u>127,590,212</u>
Total Sewer capital assets, net	<u>\$ 138,446,643</u>	<u>\$ (1,724,672)</u>	<u>\$ (270,527)</u>	<u>\$ 136,451,444</u>

* As restated

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-type Activities: Waterways</u></i>				
Capital assets not being depreciated:				
Land	\$ 538,482	\$ -	\$ -	\$ 538,482
Construction in process	53,897	-	(53,897)	-
Total capital assets not being depreciated	<u>592,379</u>	<u>-</u>	<u>(53,897)</u>	<u>538,482</u>
Capital assets being depreciated:				
Building improvements	\$ 1,297,714	\$ 258,655	\$ -	\$ 1,556,369
Machinery and equipment	401,626	-	(37,207)	364,419
Vehicles	23,250	8,500	-	31,750
Infrastructure	1,015,227	-	-	1,015,227
Total capital assets being depreciated	<u>2,737,817</u>	<u>267,155</u>	<u>(37,207)</u>	<u>2,967,765</u>
Less accumulated depreciation for:				
Building improvements	(944,995)	(70,597)	-	(1,015,592)
Machinery and equipment	(291,573)	(31,282)	37,207	(285,648)
Vehicles	(23,250)	(850)	-	(24,100)
Infrastructure	(260,143)	(21,713)	-	(281,856)
Total accumulated depreciation	<u>(1,519,961)</u>	<u>(124,442)</u>	<u>37,207</u>	<u>(1,607,196)</u>
Total capital assets being depreciated, net	<u>1,217,856</u>	<u>142,713</u>	<u>-</u>	<u>1,360,569</u>
Total Waterways capital assets, net	<u>\$ 1,810,235</u>	<u>\$ 142,713</u>	<u>\$ (53,897)</u>	<u>\$ 1,899,051</u>
<i><u>Business-type Activities: Rink</u></i>				
Capital assets not being depreciated:				
Construction in process	\$ 46,595	\$ 23,642	\$ -	\$ 70,237
Total capital assets not being depreciated	<u>46,595</u>	<u>23,642</u>	<u>-</u>	<u>70,237</u>
Capital assets being depreciated:				
Buildings	\$ 125,460	\$ -	\$ -	\$ 125,460
Building improvements	803,136	-	-	803,136
Machinery and equipment	288,816	-	-	288,816
Total capital assets being depreciated	<u>1,217,412</u>	<u>-</u>	<u>-</u>	<u>1,217,412</u>
Less accumulated depreciation for:				
Buildings	(98,574)	(17,923)	-	(116,497)
Building improvements	(215,506)	(40,157)	-	(255,663)
Machinery and equipment	(141,797)	(29,059)	-	(170,856)
Total accumulated depreciation	<u>(455,877)</u>	<u>(87,139)</u>	<u>-</u>	<u>(543,016)</u>
Total capital assets being depreciated, net	<u>761,535</u>	<u>(87,139)</u>	<u>-</u>	<u>674,396</u>
Total Rink capital assets, net	<u>\$ 808,130</u>	<u>\$ (63,497)</u>	<u>\$ -</u>	<u>\$ 744,633</u>
Depreciation expense was charged to functions/programs as follows:				
Governmental Activities:		Business-Type Activities:		
General government	\$ 443,990	Water	\$ 1,896,940	
Public safety	680,660	Sewer	3,940,831	
Education	3,221,640	Waterways	124,442	
Public works	1,678,824	Rink	87,139	
Health and human services	2,400		<u>\$ 6,049,352</u>	
Culture and recreation	105,450			
	<u>\$ 6,132,964</u>			

Restatement – The City conducted an evaluation of its capital assets in fiscal year 2018. As a result of this evaluation, the City determined that previously reported capital assets of the Governmental Activities were understated by \$1,489,572 and capital assets of the Water Enterprise Fund were overstated by \$679,914. These amounts were reported as a restatement to the City’s net position at June 30, 2017.

Discretely Presented Component Unit – Library

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in process	193,517	38,099	-	231,616
Total capital assets not being depreciated	<u>194,517</u>	<u>38,099</u>	<u>-</u>	<u>232,616</u>
Capital assets being depreciated:				
Building improvements	\$ 4,411,799	\$ 80,152	\$ -	\$ 4,491,951
Machinery and equipment	326,367	76,911	-	403,278
Total capital assets being depreciated	<u>4,738,166</u>	<u>157,063</u>	<u>-</u>	<u>4,895,229</u>
Less accumulated depreciation for:				
Buildings, improvements and equipment	(1,896,947)	(156,410)	-	(2,053,357)
Total accumulated depreciation	<u>(1,896,947)</u>	<u>(156,410)</u>	<u>-</u>	<u>(2,053,357)</u>
Total capital assets being depreciated, net	<u>2,841,219</u>	<u>653</u>	<u>-</u>	<u>2,841,872</u>
Total component unit capital assets, net	<u>\$ 3,035,736</u>	<u>\$ 38,752</u>	<u>\$ -</u>	<u>\$ 3,074,488</u>

E. Leases

The City has entered into various non-cancelable leases for streetlights and departmental vehicles. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities	Total
<i>Asset:</i>			
Streetlights	\$ 882,191	\$ -	\$ 882,191
Vehicles	406,294	610,428	1,016,722
Less: accumulated depreciation	<u>(235,720)</u>	<u>(95,091)</u>	<u>(330,811)</u>
Total	<u>\$ 1,052,765</u>	<u>\$ 515,337</u>	<u>\$ 1,568,102</u>

The future minimum lease payments and the present value of the minimum lease payments at June 30, 2018, are as follows:

Fiscal Year Ended June 30,	Governmental Activities	Business-type Activities	Total
2019	\$ 219,492	\$ 165,568	\$ 385,060
2020	187,370	165,568	352,938
2021	102,702	-	102,702
2022	102,702	-	102,702
2023	102,703	-	102,703
2024-2027	359,458	-	359,458
Total minimum lease payments	1,074,427	331,136	1,405,563
Less: amounts representing interest	(108,786)	(18,366)	(127,152)
Present value of minimum lease payments	<u>\$ 965,641</u>	<u>\$ 312,770</u>	<u>\$ 1,278,411</u>

F. 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.

BAN's outstanding at year end were issued for school construction and improvements (\$5,100,000), roadways (\$316,000), dam remodeling (\$800,000), seawall and breakwater construction (\$443,000), departmental equipment and building repairs (\$649,000), various other governmental projects combined (\$2,000,000), water projects (\$845,000) and sewer projects (\$1,791,000).

As more fully described in Note G, on September 20, 2018, the City issued \$7,275,000 of general obligation bonds to retire BAN's outstanding at June 30, 2018. These BAN's are reported as long-term debt obligations in these financial statements.

Temporary notes outstanding at June 30, 2018, are payable as follows:

Type	Interest Rate	Maturity Date	July 1, 2017	Additions	Retirements	June 30, 2018
<i>Governmental Activities</i>						
BAN	2.00%	Matured	\$ 10,308,000	\$ -	\$(10,308,000)	\$ -
BAN	1.75%	Matured	1,000,000	-	(1,000,000)	-
BAN	2.00%	Matured	2,486,000	-	(2,486,000)	-
BAN	2.50%	09/20/18	-	8,494,000	(1,411,000)	7,083,000
BAN	2.68%	09/20/18	-	800,000	-	800,000
BAN	2.75%	09/20/18	-	1,400,000	(975,000)	425,000
MCWT	0.10%	12/31/18	1,000,000	-	-	1,000,000
Total Governmental Notes			<u>14,794,000</u>	<u>10,694,000</u>	<u>(16,180,000)</u>	<u>9,308,000</u>
<i>Business-type Activities</i>						
BAN	2.00%	Matured	6,885,000	-	(6,885,000)	-
BAN	2.00%	Matured	2,815,000	-	(2,815,000)	-
BAN	2.00%	09/20/18	-	3,600,000	(3,111,000)	489,000
BAN	2.50%	09/20/18	-	1,775,000	(1,118,000)	657,000
BAN	2.68%	09/20/18	-	1,200,000	-	1,200,000
BAN	2.75%	09/20/18	-	950,000	(660,000)	290,000
Total Business-Type Notes			<u>9,700,000</u>	<u>7,525,000</u>	<u>(14,589,000)</u>	<u>2,636,000</u>
Total Notes Payable			<u>\$24,494,000</u>	<u>\$18,219,000</u>	<u>\$(30,769,000)</u>	<u>\$11,944,000</u>

G. Long-Term Obligations

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.

On February 1, 2018, the City issued \$13,690,000 in general obligation bonds that mature on various dates through February 1, 2043 and pay interest at 3%-5% per annum. Bonds totaling \$6,110,000 will be used for City capital purposes and have been recorded in the governmental activities; an additional \$4,395,000 and \$3,185,000 have been recorded in the Water and Sewer Enterprise Fund's, respectively. On June 15, 2018, the City also issued \$500,000 in general obligation bonds that mature on various dates through June 15, 2038 and pay interest at 2% per annum. These bonds will be used for dam construction in the governmental activities.

On September 20, 2018, the City issued \$7,360,000 in general obligation bonds that mature on various dates through June 30, 2039 and pay interest at 3%-5% per annum. Proceeds of \$7,275,000 were used to retire BAN's outstanding at June 30, 2018 and have been reported as long-term debt in these financial statements. The remainder will be reported in fiscal year 2019.

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<i>Governmental Activities:</i>					
Bond and note indebtedness	\$ 40,177,495	\$ 8,996,000	\$ (3,559,602)	\$ 45,613,893	\$ 3,710,316
Unamortized bond premium	1,644,245	486,176	(157,504)	1,972,917	194,876
Capital leases	971,175	184,777	(190,311)	965,641	189,083
Landfill closure	420,000	-	(20,000)	400,000	20,000
Compensated absences	2,775,097	177,236	(277,510)	2,674,823	267,482
Workers' compensation claims	370,171	414,513	(209,148)	575,536	143,884
Net pension liability	98,178,961	20,420,012	(22,611,489)	95,987,484	-
Net other postemployment benefits liability *	161,143,184	19,781,400	(17,657,948)	163,266,636	-
Total Governmental Activities	\$ 305,680,328	\$ 50,460,114	\$ (44,683,512)	\$311,456,930	\$ 4,525,641
<i>Business-Type Activities - Water:</i>					
Bond and note debt	\$ 40,557,751	\$ 5,055,000	\$ (2,900,324)	\$ 42,712,427	\$ 3,030,724
Unamortized bond premium	511,006	230,799	(50,482)	691,323	67,071
Compensated absences	92,338	13,964	(9,234)	97,068	9,707
Net pension liability	4,861,330	1,011,097	(1,119,608)	4,752,819	-
Net other postemployment benefits liability *	7,979,003	979,476	(874,333)	8,084,146	-
Total Water	54,001,428	7,290,336	(4,953,981)	56,337,783	3,107,502
<i>Business-Type Activities - Sewer:</i>					
Bond and note debt	53,813,828	7,414,000	(4,764,532)	56,463,296	4,900,344
Unamortized bond premium	232,854	166,790	(29,450)	370,194	41,362
Capital leases	460,428	-	(147,658)	312,770	153,401
Compensated absences	27,633	5,977	(8,763)	24,847	2,485
Net pension liability	4,646,390	966,392	(1,070,105)	4,542,677	-
Net other postemployment benefits liability *	7,626,217	936,169	(835,675)	7,726,711	-
Total Sewer	66,807,350	9,489,328	(6,856,183)	69,440,495	5,097,592
<i>Business-Type Activities - Waterways:</i>					
Compensated absences	3,723	5,300	(372)	8,651	865
Net pension liability	433,463	90,155	(99,830)	423,788	-
Net other postemployment benefits liability *	711,452	87,336	(77,961)	720,827	-
Total Waterways	1,148,638	182,791	(178,163)	1,153,266	865
<i>Business-Type Activities - Rink:</i>					
Bond and note debt	790,151	-	(48,760)	741,391	48,760
Compensated absences	3,629	1,820	(363)	5,086	509
Net pension liability	244,982	50,954	(56,422)	239,514	-
Net other postemployment benefits liability *	402,094	49,360	(44,062)	407,392	-
Total Rink	1,440,856	102,134	(149,607)	1,393,383	49,269
Total Business-Type Activities	\$ 123,398,272	\$ 17,064,589	\$ (12,137,934)	\$128,324,927	\$ 8,255,228

*As restated (see Note IV)

The governmental activities liabilities will be liquidated by the general fund. The business-type liabilities will be liquidated by the enterprise funds incurring the liability.

The following is a summary of outstanding long-term debt obligations as of June 30, 2018:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities:</i>					
General Obligation Bonds	2.00 - 5.00%	\$ 33,288,499	\$ 8,996,000	\$ (2,428,890)	\$ 39,855,609
Refunding Bonds	2.00 - 5.00%	2,530,070	-	(747,900)	1,782,170
MCWT notes	0%	4,358,926	-	(382,812)	3,976,114
Total Governmental Activities		40,177,495	8,996,000	(3,559,602)	45,613,893
Add: Unamortized bond premium		1,644,245	486,176	(157,504)	1,972,917
Total Governmental Activities, net		\$ 41,821,740	\$ 9,482,176	\$ (3,717,106)	\$ 47,586,810
<i>Business-Type Activities - Water:</i>					
General Obligation Bonds	2.00 - 5.00%	\$ 11,124,042	\$ 5,055,000	\$ (539,510)	\$ 15,639,532
Refunding Bonds	2.00 - 5.00%	5,576,115	-	(1,069,100)	4,507,015
MCWT notes	0.00 - 2.00%	23,857,594	-	(1,291,714)	22,565,880
Total Water		40,557,751	5,055,000	(2,900,324)	42,712,427
Add: Unamortized bond premium		511,006	230,799	(50,482)	691,323
Total Water, net		41,068,757	5,285,799	(2,950,806)	43,403,750
<i>Business-Type Activities - Sewer:</i>					
General Obligation Bonds	2.00 - 5.00%	16,863,000	7,414,000	(999,000)	23,278,000
Refunding Bonds	2.00 - 5.00%	4,478,815	-	(873,000)	3,605,815
MCWT notes	0.00%	32,472,013	-	(2,892,532)	29,579,481
Total Sewer		53,813,828	7,414,000	(4,764,532)	56,463,296
Add: Unamortized bond premium		232,854	166,790	(29,450)	370,194
Total Sewer, net		54,046,682	7,580,790	(4,793,982)	56,833,490
<i>Business-Type Activities - Rink:</i>					
General Obligation Bonds	2.00 - 5.00%	790,151	-	(48,760)	741,391
Total Rink		790,151	-	(48,760)	741,391
Total Business-Type Activities, net		\$ 95,905,590	\$ 12,866,589	\$ (7,793,548)	\$100,978,631

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

Year Ending June 30	Principal			Interest			Total
	Balance	Subsidy	Net of Subsidy	Balance	Subsidy	Net of Subsidy	
<i>Governmental Activities</i>							
2019	\$ 3,710,316	\$ -	\$ 3,710,316	\$ 1,362,563	\$ (6,480)	\$ 1,356,083	\$ 5,066,399
2020	3,698,182	-	3,698,182	1,385,205	(4,000)	1,381,205	5,079,387
2021	3,476,380	-	3,476,380	1,202,930	(2,539)	1,200,391	4,676,771
2022	3,281,779	-	3,281,779	1,080,744	(2,040)	1,078,704	4,360,483
2023	3,039,142	-	3,039,142	966,833	-	966,833	4,005,975
2024-2028	13,368,154	-	13,368,154	3,334,340	-	3,334,340	16,702,494
2029-2033	8,638,559	-	8,638,559	1,599,832	-	1,599,832	10,238,391
2034-2038	6,345,274	-	6,345,274	498,548	-	498,548	6,843,822
2039	56,107	-	56,107	982	-	982	57,089
Total	<u>\$ 45,613,893</u>	<u>\$ -</u>	<u>\$ 45,613,893</u>	<u>\$ 11,431,977</u>	<u>\$ (15,059)</u>	<u>\$ 11,416,918</u>	<u>\$ 57,030,811</u>
<i>Business-Type Activities: Water</i>							
2019	\$ 3,030,724	\$ -	\$ 3,030,724	\$ 1,123,415	\$ -	\$ 1,123,415	\$ 4,154,139
2020	2,862,485	-	2,862,485	1,075,771	-	1,075,771	3,938,256
2021	2,874,556	-	2,874,556	978,174	-	978,174	3,852,730
2022	2,633,466	-	2,633,466	899,318	-	899,318	3,532,784
2023	2,612,847	-	2,612,847	824,490	-	824,490	3,437,337
2024-2028	12,429,410	-	12,429,410	3,073,843	-	3,073,843	15,503,253
2029-2033	10,826,167	-	10,826,167	1,518,633	-	1,518,633	12,344,800
2034-2038	4,207,772	-	4,207,772	440,299	-	440,299	4,648,071
2039-2043	1,235,000	-	1,235,000	120,279	-	120,279	1,355,279
Total	<u>\$ 42,712,427</u>	<u>\$ -</u>	<u>\$ 42,712,427</u>	<u>\$ 10,054,222</u>	<u>\$ -</u>	<u>\$ 10,054,222</u>	<u>\$ 52,766,649</u>
<i>Business-Type Activities: Sewer</i>							
2019	\$ 4,900,344	\$ (299,313)	\$ 4,601,031	\$ 1,411,055	\$ (120,324)	\$ 1,290,731	\$ 5,891,762
2020	5,167,982	(313,048)	4,854,934	1,511,536	(82,145)	1,429,391	6,284,325
2021	5,130,236	(316,418)	4,813,818	1,255,115	(28,386)	1,226,729	6,040,547
2022	3,750,579	-	3,750,579	1,118,733	-	1,118,733	4,869,312
2023	3,750,779	-	3,750,779	1,015,545	-	1,015,545	4,766,324
2024-2028	17,639,937	-	17,639,937	3,658,694	-	3,658,694	21,298,631
2029-2033	12,918,439	-	12,918,439	1,461,101	-	1,461,101	14,379,540
2034-2038	2,120,000	-	2,120,000	349,302	-	349,302	2,469,302
2039-2043	1,085,000	-	1,085,000	91,334	-	91,334	1,176,334
Total	<u>\$ 56,463,296</u>	<u>\$ (928,779)</u>	<u>\$ 55,534,517</u>	<u>\$ 11,872,415</u>	<u>\$ (230,855)</u>	<u>\$ 11,641,560</u>	<u>\$ 67,176,077</u>
<i>Business-Type Activities: Rink</i>							
2019	\$ 48,760	\$ -	\$ 48,760	\$ 25,155	\$ -	\$ 25,155	\$ 73,915
2020	48,759	-	48,759	23,053	-	23,053	71,812
2021	48,760	-	48,760	21,123	-	21,123	69,883
2022	53,759	-	53,759	19,509	-	19,509	73,268
2023	53,760	-	53,760	17,697	-	17,697	71,457
2024-2028	218,797	-	218,797	66,041	-	66,041	284,838
2029-2033	243,796	-	243,796	28,410	-	28,410	272,206
2034-2038	25,000	-	25,000	1,000	-	1,000	26,000
Total	<u>\$ 741,391</u>	<u>\$ -</u>	<u>\$ 741,391</u>	<u>\$ 201,988</u>	<u>\$ -</u>	<u>\$ 201,988</u>	<u>\$ 943,379</u>
<i>Business-Type Activities: Total</i>							
2019	\$ 7,979,828	\$ (299,313)	\$ 7,680,515	\$ 2,559,625	\$ (120,324)	\$ 2,439,301	\$ 10,119,816
2020	8,079,226	(313,048)	7,766,178	2,610,360	(82,145)	2,528,215	10,294,393
2021	8,053,552	(316,418)	7,737,134	2,254,412	(28,386)	2,226,026	9,963,160
2022	6,437,804	-	6,437,804	2,037,560	-	2,037,560	8,475,364
2023	6,417,386	-	6,417,386	1,857,732	-	1,857,732	8,275,118
2024-2028	30,288,144	-	30,288,144	6,798,578	-	6,798,578	37,086,722
2029-2033	23,988,402	-	23,988,402	3,008,144	-	3,008,144	26,996,546
2034-2038	6,352,772	-	6,352,772	790,601	-	790,601	7,143,373
2039-2043	2,320,000	-	2,320,000	211,613	-	211,613	2,531,613
Total	<u>\$ 99,917,114</u>	<u>\$ (928,779)</u>	<u>\$ 98,988,335</u>	<u>\$ 22,128,625</u>	<u>\$ (230,855)</u>	<u>\$ 21,897,770</u>	<u>\$120,886,105</u>

MCWT Loan Subsidies – As previously noted in Note I. B., the City has entered into loan agreements with the MCWT. It is expected that the City will be subsidized by MCWT on a periodic basis for principal in the amount of \$928,779 and interest in the amount of \$245,914 until the maturity of these agreements.

The following represents authorized and unissued debt as of June 30, 2018:

<u>Project</u>	<u>Amount</u>
<i>Governmental:</i>	
West Parish elementary school	\$ 501,536
School roofs	3,378,430
Roads, drains and sidewalks	1,359,476
Breakwater rehabilitation	3,275,000
Seawalls	620,000
Spillway and dam remodeling	500,000
Other capital projects	1,453,400
<i>Business-type:</i>	
Water projects	828,055
Sewer projects	9,377,144
Rink equipment	6,000
Total Authorized and Unissued	<u>\$ 21,299,041</u>

III. Other Information

A. Retirement System

Pension Plan Description – The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan for the City and the Gloucester Housing Authority. The System was established under Chapter 32 of Massachusetts General Laws. The System is administered by the City and is included as part of the reporting entity as fiduciary fund. Unaudited financial statements for the year ended December 31, 2017 are available at the Retirement Office, 127 Eastern Avenue, Gloucester, Massachusetts.

Current membership in the System for all employers as of December 31, 2017 was as follows:

Active and inactive employees	599
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>463</u>
	<u>1,062</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 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 retirement 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.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. 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. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of 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.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

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.

The City contributed \$8,467,454 to the System in fiscal year 2018, which equaled the actuarially-determined contribution requirement for the fiscal year. The City's contributions as a percentage of covered payroll was approximately 30.7% in fiscal year 2018.

Net Pension Liability – At June 30, 2018, the City reported a liability of \$105,946,282 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was

determined by an actuarial valuation as of that same date. There were no material changes to the System's benefit terms since the previous 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 94.90% at December 31, 2017, which was consistent with the proportion measured in the previous actuarial valuation.

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 unaudited financial statements as of and for the year ended December 31, 2017 can be obtained by contacting the Retirement Board.

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 GAAP and 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 \$12,308,159 in pension expense in the statement of activities in fiscal year 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on pension plan investments	\$ -	\$ 4,278,456
Differences between expected and actual experience	1,198,173	429,834
Changes of assumptions	8,573,690	-
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>458,587</u>	<u>130,820</u>
Total	<u>\$ 10,230,450</u>	<u>\$ 4,839,110</u>

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

<u>Year ended June 30,</u>	
2019	\$ 2,489,870
2020	2,451,090
2021	1,200,798
2022	<u>(750,418)</u>
Total	<u>\$ 5,391,340</u>

Actuarial Valuation – The measurement of the System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of December 31, 2017. The significant actuarial assumptions used in the December 31, 2017 actuarial valuation included:

Actuarial cost method:	Entry age normal
Amortization method:	Level dollar for the 2002 and 2003 ERIs and increasing amortization for the remaining unfunded liability such that the total appropriation increases 6.75% per year
Remaining amortization period:	Two years from July 1, 2016 for the 2002 and 2013 ERI liabilities and 18 years from July 1, 2016 for the remaining unfunded liability
Asset valuation method:	Market value of assets less unrecognized returns in each of the last four years. Unrecognized return is equal to the differences between the actual and expected return on an actuarial value basis, and is recognized over a four-year period, further adjusted, if necessary, to be within 10% of the market value.
Investment rate of return:	7.50%, net of pension plan investment expense, including inflation
Inflation rate:	3.5%
Projected salary increases:	4.50%
Cost of living adjustments:	3% on the first \$14,000 of retirement income

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:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	17.5%	6.15%
International developed markets equity	15.5%	7.11%
International emerging markets equity	6.0%	9.41%
Core fixed income	12.0%	1.68%
High-yield fixed income	10.0%	4.13%
Real estate	10.0%	4.90%
Commodities	4.0%	4.71%
Hedge fund, GTAA, risk parity	13.0%	3.94%
Private equity	12.0%	10.28%

Discount Rate – The discount rate used to measure the total pension liability in the December 31, 2017 actuarial valuation report was 7.50%. 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 Retirement 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 the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50% as well as the City’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% increase (8.50%)</u>
City's proportionate share of the net pension liability	\$ 128,507,119	\$ 105,946,282	\$ 86,810,784

Massachusetts Teachers’ Retirement System – Teachers and certain administrative employees of the School Department participate in the Massachusetts Teachers’ Retirement System (“MTRS”), a cost-sharing multiple employer defined benefit pension plan. The MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the 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, 2018, the Commonwealth contributed \$4,232,016 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 0.342531%, 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	\$ 78,389,450	\$ (78,389,450)	\$ —
Pension expense	8,181,735	(8,181,735)	—

The City has recognized intergovernmental revenue and pension expense of \$8,181,735 associated with this arrangement.

B. Other Postemployment Benefits

The City administers a single-employer defined benefit healthcare plan (the "OPEB Plan"). The OPEB Plan provides health, dental and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B.

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 premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the City's financial statements.

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, specifically if the plan year-end date and measurement date are the same.

GASB Statement No. 75

OPEB Plan disclosures that impact the City's net OPEB liability using a measurement date of June 30, 2018 are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2018:

Active employees	672
Retired employees and beneficiaries currently receiving benefits	950
Total	<u>1,622</u>

Contributions – The contribution requirements of OPEB Plan members and the City are established and may be amended by the City. Retirees (excluding school retirees that participate in the Commonwealth’s Group Insurance Commission (the GIC)) contribute 25% of the calculated contribution through pension benefit deductions. School retirees that participate in the GIC contribute between 10% - 15%. The remainder of the cost is funded by general revenues of the City. 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, 2018, the City’s average contribution rate was approximately 11.5% of covered payroll.

Net OPEB Liability – The components of the net OPEB liability of the City as measured at June 30, 2018 using an actuarial valuation date of June 30, 2017 were as follows:

Total OPEB Liability	\$ 180,508,090
Plan fiduciary net position	<u>(302,377)</u>
Net OPEB liability	<u>\$ 180,205,713</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.17%

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	7.00%
Municipal bond rate	3.45%
Discount Rate	3.87%
Inflation	3.75%
Health Care Trend Rate	0.2% for 1 year, then 8.0% decreasing by 0.5% for 6 years to an ultimate level of 5.0% per year Retiree contributions are expected to increase with medical trend

Salary Increases	Group 1 and Group 4 employees: 4.5% Service-related increases for Teachers: 7.5% decreasing over 20 years to an ultimate level of 4.0%
Pre-Retirement Mortality	Non-Teachers: RP-2014 Blue Collar Employee Mortality Table projected generationally using Scale MP-2017 Teachers: RP-2014 White Collar Employee Materiality Table projected generationally using Scale MP-2016
Post-Retirement Mortality	Healthy (Non-Teachers): RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2017 Disabled (Non-Teachers): RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2017 Healthy (Teachers): RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2016 Disabled (Teachers): RP-2014 Healthy Annuitant Mortality Table set forward 4 years projected generationally using Scale BB2D
Actuarial Cost Method	Entry age normal - Level percentage of payroll

The discount rate increased from 3.58% to 3.87%, the health care trend rate increased from 5.5% to 6.0% and the municipal bond rate increased from 3.13% to 3.45% from the prior valuation.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.87%.

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	30.00%	6.44%
International equity	15.00%	7.40% - 9.42%
Domestic bonds	25.00%	2.02%
International bonds	10.00%	1.06% - 4.71%
Alternatives	20.00%	3.75% - 10.47%
	100.00%	
Real rate of return		3.25%
Inflation assumption		3.75%
Total nominal rate of return		7.00%
Investment expense		0.00%
Net investment return		7.00%

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% lower or 1% 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		
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB Liability	\$ 210,975,822	\$ 180,205,713	\$ 155,706,367

	Healthcare Trend Rate		
	1% Decrease (7.00%)	Current Trend Rate (8.00%)	1% Increase (9.00%)
Net OPEB Liability	\$ 153,900,599	\$ 180,205,713	\$ 214,002,403

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2018:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2017	\$ 178,151,905	\$ 239,865	\$ 177,912,040
Changes for the year:			
Service cost	5,349,516	-	5,349,516
Interest	6,460,937	-	6,460,937
Difference between expected and actual experience	13,380,723	-	13,380,723
Changes of assumptions	(16,724,618)	-	(16,724,618)
Net investment income	-	12,512	(12,512)
Employer contributions	-	6,160,373	(6,160,373)
Benefit payments withdrawn from trust	-	(6,110,373)	6,110,373
Benefit payments	(6,110,373)	-	(6,110,373)
Net changes	2,356,185	62,512	2,293,673
Balances at June 30, 2018	<u>\$ 180,508,090</u>	<u>\$ 302,377</u>	<u>\$ 180,205,713</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the City recognized OPEB expense of \$11,125,739. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2018 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 10,704,578	\$ -
Changes of assumptions	-	13,379,694
Net difference between projected and actual earnings	3,423	-
Totals	<u>\$ 10,708,001</u>	<u>\$ 13,379,694</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:

June 30	
2019	\$ (667,923)
2020	(667,923)
2021	(667,923)
2022	(667,924)
Total	<u>\$ (2,671,693)</u>

GASB Statement No. 74

OPEB Plan disclosures that impact the City's net OPEB liability 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 has a formal investment policy to invest in domestic equity, international equity, domestic bond, international bond and alternative investments with target allocations of 30%, 15%, 25%, 10% and 20% respectively.

Investment Rate of Return – For the year ended June 30, 2018 the annual money-weighted rate of return on investments, net of investment expense, was 5.21%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. 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, 2017)	Other Postemployment Benefits Trust Fund	Total
Assets:			
Cash and Cash Equivalents	\$ 1,030,040	\$ 50,489	\$ 1,080,529
Investments (at fair value):			
PRIT	106,267,072	-	106,267,072
Equity mutual funds	-	159,083	159,083
Fixed income mutual funds	-	92,805	92,805
Total Investments	106,267,072	251,888	106,518,960
Receivables:			
Employer and employee contributions	16,159	-	16,159
Intergovernmental	73,399	-	73,399
Other investment trades	563	-	563
Total Receivables	90,121	-	90,121
Total Assets	107,387,233	302,377	107,689,610
Liabilities:			
Warrants and accounts payable	7,989	-	7,989
Total Liabilities	7,989	-	7,989
Net Position:			
Restricted for pensions	107,379,244	-	107,379,244
Restricted for other postemployment benefits	-	302,377	302,377
Total Net Position	\$ 107,379,244	\$ 302,377	\$ 107,681,621

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, 2017)	Other Postemployment Benefits Trust Fund	Total
Additions			
Contributions:			
Employer	\$ 8,922,604	\$ 6,160,373	\$ 15,082,977
Employee	3,088,166	-	3,088,166
Transfers from other systems	57,999	-	57,999
Reimbursements from other systems	161,580	-	161,580
From Commonwealth of Massachusetts	149,566	-	149,566
Total Contributions	<u>12,379,915</u>	<u>6,160,373</u>	<u>18,540,288</u>
Investment income:			
Interest and dividends	2,767,920	8,431	2,776,351
Net appreciation in fair value of investments	13,456,246	4,081	13,460,327
Less - investment management fees	(518,846)	-	(518,846)
Net investment earnings	<u>15,705,320</u>	<u>12,512</u>	<u>15,717,832</u>
Other income	<u>18,023</u>	<u>-</u>	<u>18,023</u>
Total Additions (net)	<u>28,103,258</u>	<u>6,172,885</u>	<u>34,276,143</u>
Deductions			
Benefit payments to pensioners and beneficiaries	12,434,918	6,110,373	18,545,291
Member refunds	195,942	-	195,942
Transfers to other systems	75,038	-	75,038
Reimbursements to other systems	311,104	-	311,104
Payroll expenses of the System	214,891	-	214,891
Other administrative expenses	132,912	-	132,912
Total Deductions	<u>13,364,805</u>	<u>6,110,373</u>	<u>19,475,178</u>
CHANGE IN NET POSITION	14,738,453	62,512	14,800,965
NET POSITION AT BEGINNING OF YEAR	<u>92,640,791</u>	<u>239,865</u>	<u>92,880,656</u>
NET POSITION AT END OF YEAR	<u>\$ 107,379,244</u>	<u>\$ 302,377</u>	<u>\$ 107,681,621</u>

D. 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. The City participates in a premium-based health care plan for its active and retired employees.

Workers' Compensation – The City is self-insured for their workers' compensation activities. Workers' compensation claims are administered by a third-party 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, 2018, the amount of the liability for workers' compensation claims totaled \$575,536.

Changes in the reported liability since July 1, 2016:

	<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 2018	\$ 370,171	\$ 414,513	\$(209,148)	\$ 575,536	\$ 143,884
Fiscal Year 2017	314,988	312,405	(257,222)	370,171	92,543

E. Commitments

The City has entered into, or is planning to enter into, contracts totaling approximately \$50,000,000 to complete various governmental, water, sewer and rink capital projects.

F. Contingencies

The City is party to 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, 2018, 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, 2018. 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.

G. Landfill Post-Closure Care

The City's landfill is closed and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the City to perform certain maintenance and monitoring functions ("post-closure care") at the site for 30 years after the landfill cover is installed. In accordance with generally accepted accounting principles, the estimated remaining cost of monitoring, \$400,000 has been recorded as a governmental activities

liability; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

H. Implementation of GASB pronouncements

Current Year Implementations –

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 established new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement became effective in fiscal year 2018. The adoption of GASB No. 75 resulted in a reduction in beginning net position of approximately \$94.6 million and \$13.9 million in the City's governmental and business-type activities, respectively. Refer to Note IV.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement was to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement became effective in fiscal year 2018 and did not have a material impact on the City's financial statements.

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of the Statement was to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions of this Statement became effective in fiscal year 2018 and did not have a material impact on the City's financial statements.

Future Implementations –

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement is 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 are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). The City is currently evaluating whether adoption will have a material impact on the financial statements.

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 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 is to

improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). 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.

IV. Prior Period Restatements

The City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018. Previously, OPEB was accounted for under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The result of the adoption of GASB Statement No. 75 was to eliminate the net OPEB obligation recorded in the City financial statements and record the net OPEB liability at June 30, 2017. The City also reclassified certain capital assets between governmental and business-type activities, restated accumulated depreciation in the governmental activities and reclassified loans receivable as restricted fund balance.

The impacts are illustrated as follows:

	Governmental Activities	Business-type Activities
Prior year as presented	\$ (48,021,433)	\$ 111,763,156
Eliminate previously recorded OPEB obligation	66,568,083	2,865,754
Record net OPEB liability	(161,143,184)	(16,718,766)
Restate capital assets	1,489,572	(679,914)
As restated	<u>\$ (141,106,962)</u>	<u>\$ 97,230,230</u>

	Nonmajor				
	Governmental	Water	Sewer	Waterways	Rink
	Funds	Enterprise	Enterprise	Enterprise	Enterprise
Prior year as presented	\$ 7,899,195	\$ 20,261,819	\$ 90,098,954	\$ 1,609,624	\$ (207,241)
Eliminate previously recorded OPEB obligation	-	1,326,312	1,200,979	230,528	107,935
Record net OPEB liability	-	(7,979,003)	(7,626,217)	(711,452)	(402,094)
Restate capital assets	-	(679,914)	-	-	-
Restrict loans receivable	5,861,802	-	-	-	-
As restated	<u>\$ 13,760,997</u>	<u>\$ 12,929,214</u>	<u>\$ 83,673,716</u>	<u>\$ 1,128,700</u>	<u>\$ (501,400)</u>



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Required Supplementary Information

CITY OF GLOUCESTER, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2018**

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

(dollar amounts are in thousands)

	<u>2018</u>	Year Ended June 30, <u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	94.90%	94.96%	94.42%	94.14%
City's proportionate share of the net pension liability (asset)	\$ 105,946	\$ 108,365	\$ 97,248	\$ 89,895
City's covered payroll *	\$ 27,576	\$ 27,425	\$ 25,874	\$ 26,629
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	384.2%	393.0%	375.9%	337.6%
Plan fiduciary net position as a percentage of the total pension liability	49.0%	44.8%	45.8%	47.9%

SCHEDULE OF THE CITY CONTRIBUTIONS TO PENSION PLAN

(dollar amounts are in thousands)

	<u>2018</u>	Year Ended June 30, <u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 8,467	\$ 7,798	\$ 7,305	\$ 6,897
Contributions in relation to the actuarially determined contribution	<u>8,467</u>	<u>7,798</u>	<u>7,305</u>	<u>6,897</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll **	\$ 27,420	\$ 27,005	\$ 25,369	\$ 26,123
Contributions as a percentage of covered payroll	30.7%	28.3%	28.2%	25.9%

* Covered payroll as reported in the actuarial valuation report

** Covered payroll as of employer fiscal year.

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 GLOUCESTER, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2018

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

(dollar amounts are in thousands)

	<u>2017</u>	<u>Year Ended June 30,</u>		<u>2014</u>
		<u>2016</u>	<u>2015</u>	
Commonwealth's proportion of the collective net pension liability (asset)	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%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 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 GLOUCESTER, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2018

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	2018	2017
Total OPEB liability:		
Service cost	\$ 5,349,516	\$ 6,840,214
Interest	6,460,937	5,604,137
Differences between expected and actual experience	13,380,723	-
Changes in assumptions	(16,724,618)	(21,164,291)
Benefit payments	(6,110,373)	(5,807,861)
Net change in total OPEB liability	<u>2,356,185</u>	<u>(14,527,801)</u>
Total OPEB liability - beginning of year	<u>178,151,905</u>	<u>192,679,706</u>
Total OPEB liability - end of year (a)	<u><u>\$ 180,508,090</u></u>	<u><u>\$ 178,151,905</u></u>
Plan fiduciary net position:		
Contributions - employer	\$ 6,160,373	\$ 5,807,861
Net investment income	12,512	18,214
Benefit payments	(6,110,373)	(5,807,861)
Net change in Plan fiduciary net position	<u>62,512</u>	<u>18,214</u>
Plan fiduciary net position - beginning of year	<u>239,865</u>	<u>221,651</u>
Plan fiduciary net position - end of year (b)	<u><u>\$ 302,377</u></u>	<u><u>\$ 239,865</u></u>
Net OPEB liability - end of year (a) - (b)	<u><u>\$ 180,205,713</u></u>	<u><u>\$ 177,912,040</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.17%	0.13%
Covered payroll	\$ 53,678,328	\$ 62,478,064
Net OPEB liability as a percentage of covered payroll	335.71%	284.76%

Note: 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.

Note: 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 GLOUCESTER, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2018**

SCHEDULE OF CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>
Actuarially-determined contribution	\$ 9,384,398	\$ 11,960,493
Contributions in relation to the actuarially-determined contribution	<u>(6,160,373)</u>	<u>(5,807,861)</u>
Contribution deficiency (excess)	<u>\$ 3,224,025</u>	<u>\$ 6,152,632</u>
Covered payroll	\$ 53,678,328	\$ 62,478,064
Contribution as a percentage of covered payroll	11.48%	9.30%
Valuation Date	June 30, 2017	June 30, 2017
Amortization Period	30 years	30 years
Investment rate of return	7.00%	7.00%
Municipal bond rate	3.45%	3.13%
Single Equivalent Discount Rate	3.87%	3.50%
Inflation	3.75%	3.75%
Healthcare cost trend rates	8.0% > 5.0%	6.0% > 5.0%
Salary increases	7.5% > 4.0%	7.5% > 4.0%
Actuarial Cost Method	Individual Entry Age Normal (for all years presented)	
Asset Valuation Method	Market Value of Assets as of Reporting Date (for all years presented)	

SCHEDULE OF INVESTMENT RETURNS

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of	8.23%	8.23%

Note: These schedules are 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.

See accompanying independent auditor's report.

CITY OF GLOUCESTER, MASSACHUSETTS

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

	Budgeted Amounts		Actual	Encumbrances	Actual	Variance Positive (Negative)
	Original Budget	Final Budget	Budgetary Amounts		Budgetary Adjusted	
Revenues:						
<i>Taxes:</i>						
Real estate taxes	\$ 79,392,311	\$ 79,392,311	\$ 78,780,139	\$ -	78,780,139	(612,172)
Personal property taxes	1,489,154	1,489,154	1,470,871	-	1,470,871	(18,283)
Tax title	-	-	399,648	-	399,648	399,648
Motor vehicle excise	3,450,000	3,450,000	3,676,777	-	3,676,777	226,777
Meals excise	600,000	600,000	679,175	-	679,175	79,175
Room occupancy excise	700,000	700,000	829,114	-	829,114	129,114
	<u>85,631,465</u>	<u>85,631,465</u>	<u>85,835,724</u>	<u>-</u>	<u>85,835,724</u>	<u>204,259</u>
<i>Intergovernmental:</i>						
State aid - chapter 70	6,509,407	6,509,407	6,802,527	-	6,802,527	293,120
State aid - unrestricted	3,989,861	3,989,861	3,989,861	-	3,989,861	-
State aid - veterans & elderly	392,114	392,114	380,140	-	380,140	(11,974)
State aid - other	18,888	18,888	23,304	-	23,304	4,416
Medicaid reimbursements	250,000	250,000	321,863	-	321,863	71,863
Federal aid - other	-	-	125,046	-	125,046	125,046
	<u>11,160,270</u>	<u>11,160,270</u>	<u>11,642,741</u>	<u>-</u>	<u>11,642,741</u>	<u>482,471</u>
<i>Departmental fees, charges, and other:</i>						
Solid waste revenue	1,000,000	1,000,000	1,081,558	-	1,081,558	81,558
Parking revenues	2,060,000	2,060,000	2,189,860	-	2,189,860	129,860
Wind turbine revenues	300,000	300,000	225,528	-	225,528	(74,472)
Naming rights fees	50,000	50,000	50,000	-	50,000	-
Treasurer/Collector fees	255,000	255,000	138,260	-	138,260	(116,740)
City clerk fees	59,500	59,500	81,282	-	81,282	21,782
Police fees	402,050	402,050	494,285	-	494,285	92,235
Ambulance charges	1,241,573	1,241,573	1,533,912	-	1,533,912	292,339
Rental of municipal property	143,735	143,735	188,825	-	188,825	45,090
Other miscellaneous	210,842	210,842	302,292	-	302,292	91,450
	<u>5,722,700</u>	<u>5,722,700</u>	<u>6,285,802</u>	<u>-</u>	<u>6,285,802</u>	<u>563,102</u>
<i>Licenses and permits:</i>						
Liquor licenses	145,000	145,000	148,020	-	148,020	3,020
Other licenses	81,400	81,400	104,239	-	104,239	22,839
Inspectional services permits	936,000	936,000	1,165,619	-	1,165,619	229,619
Fire permits	82,500	82,500	87,789	-	87,789	5,289
Health permits	140,000	140,000	136,329	-	136,329	(3,671)
Other permits	12,000	12,000	19,910	-	19,910	7,910
	<u>1,396,900</u>	<u>1,396,900</u>	<u>1,661,906</u>	<u>-</u>	<u>1,661,906</u>	<u>265,006</u>
<i>Fines and forfeitures:</i>						
Parking fines	250,000	250,000	296,223	-	296,223	46,223
Court fines	25,000	25,000	17,317	-	17,317	(7,683)
Other fines	5,000	5,000	22,850	-	22,850	17,850
	<u>280,000</u>	<u>280,000</u>	<u>336,390</u>	<u>-</u>	<u>336,390</u>	<u>56,390</u>
<i>Penalties and interest on taxes</i>	<u>425,000</u>	<u>425,000</u>	<u>424,548</u>	<u>-</u>	<u>424,548</u>	<u>(452)</u>
<i>Interest and investment income</i>	<u>45,000</u>	<u>45,000</u>	<u>105,208</u>	<u>-</u>	<u>105,208</u>	<u>60,208</u>
Total Revenues	<u>104,661,335</u>	<u>104,661,335</u>	<u>106,292,319</u>	<u>-</u>	<u>106,292,319</u>	<u>1,630,984</u>

CITY OF GLOUCESTER, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Expenditures:						
<i>General Government:</i>						
<i>City Council:</i>						
Personal services	103,500	103,500	103,500	-	103,500	-
Ordinary maintenance	4,500	4,500	2,529	-	2,529	1,971
	<u>108,000</u>	<u>108,000</u>	<u>106,029</u>	<u>-</u>	<u>106,029</u>	<u>1,971</u>
<i>Mayor:</i>						
Personal services	344,199	341,157	341,056	-	341,056	101
Ordinary maintenance	55,539	59,942	39,273	2,070	41,343	18,599
	<u>399,738</u>	<u>401,099</u>	<u>380,329</u>	<u>2,070</u>	<u>382,399</u>	<u>18,700</u>
<i>Auditor:</i>						
Personal services	309,564	298,875	298,031	-	298,031	844
Ordinary maintenance	69,668	64,584	60,893	102	60,995	3,589
	<u>379,232</u>	<u>363,459</u>	<u>358,924</u>	<u>102</u>	<u>359,026</u>	<u>4,433</u>
<i>Purchasing:</i>						
Personal services	152,879	152,879	152,087	-	152,087	792
Ordinary maintenance	187,285	179,912	157,264	22,166	179,430	482
	<u>340,164</u>	<u>332,791</u>	<u>309,351</u>	<u>22,166</u>	<u>331,517</u>	<u>1,274</u>
<i>Assessors:</i>						
Personal services	401,260	403,027	400,127	-	400,127	2,900
Ordinary maintenance	58,454	48,094	42,359	2,605	44,964	3,130
	<u>459,714</u>	<u>451,121</u>	<u>442,486</u>	<u>2,605</u>	<u>445,091</u>	<u>6,030</u>
<i>Treasurer-Collector:</i>						
Personal services	621,877	626,582	623,450	-	623,450	3,132
Ordinary maintenance	294,384	282,371	236,753	41,316	278,069	4,302
Liability insurance	616,729	677,702	673,793	3,450	677,243	459
Capital outlay	2,000	2,000	569	-	569	1,431
	<u>1,534,990</u>	<u>1,588,655</u>	<u>1,534,565</u>	<u>44,766</u>	<u>1,579,331</u>	<u>9,324</u>
<i>Legal:</i>						
Personal services	246,611	248,050	246,827	-	246,827	1,223
Ordinary maintenance	119,312	148,757	125,746	14,266	140,012	8,745
	<u>365,923</u>	<u>396,807</u>	<u>372,573</u>	<u>14,266</u>	<u>386,839</u>	<u>9,968</u>
<i>Personnel:</i>						
Personal services	275,085	283,821	273,719	6,932	280,651	3,170
Ordinary maintenance	49,508	49,290	48,708	102	48,810	480
	<u>324,593</u>	<u>333,111</u>	<u>322,427</u>	<u>7,034</u>	<u>329,461</u>	<u>3,650</u>
<i>Information Technology:</i>						
Personal services	326,312	289,602	288,914	-	288,914	688
Ordinary maintenance	590,173	507,293	309,609	188,483	498,092	9,201
Capital outlay	35,000	35,000	34,946	-	34,946	54
	<u>951,485</u>	<u>831,895</u>	<u>633,469</u>	<u>188,483</u>	<u>821,952</u>	<u>9,943</u>
<i>City Clerk:</i>						
Personal services	287,476	290,212	289,413	-	289,413	799
Ordinary maintenance	15,852	10,048	9,142	17	9,159	889
	<u>303,328</u>	<u>300,260</u>	<u>298,555</u>	<u>17</u>	<u>298,572</u>	<u>1,688</u>
<i>Registration:</i>						
Personal services	55,026	56,065	55,207	-	55,207	858
Ordinary maintenance	54,701	49,201	44,736	2,100	46,836	2,365
	<u>109,727</u>	<u>105,266</u>	<u>99,943</u>	<u>2,100</u>	<u>102,043</u>	<u>3,223</u>

(continued)

CITY OF GLOUCESTER, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Conservation Commission:						
Personal services	77,576	47,276	47,208	-	47,208	68
Ordinary maintenance	3,000	3,000	800	-	800	2,200
	80,576	50,276	48,008	-	48,008	2,268
Community Development:						
Personal services	454,836	463,697	462,461	-	462,461	1,236
Ordinary maintenance	78,482	78,459	58,293	15,807	74,100	4,359
	533,318	542,156	520,754	15,807	536,561	5,595
<i>Total General Government</i>	<u>5,890,788</u>	<u>5,804,896</u>	<u>5,427,413</u>	<u>299,416</u>	<u>5,726,829</u>	<u>78,067</u>
<i>Public Safety:</i>						
Police Administration:						
Personal services	374,356	354,229	350,113	-	350,113	4,116
Ordinary maintenance	57,083	56,425	49,702	4,644	54,346	2,079
	431,439	410,654	399,815	4,644	404,459	6,195
Police Uniform:						
Personal services	5,089,651	5,303,142	5,305,191	-	5,305,191	(2,049)
Ordinary maintenance	150,335	152,326	138,133	9,291	147,424	4,902
Capital outlay	99,410	176,008	113,296	57,827	171,123	4,885
	5,339,396	5,631,476	5,556,620	67,118	5,623,738	7,738
Police Investigations:						
Personal services	479,219	403,344	398,403	-	398,403	4,941
Ordinary maintenance	2,451	2,450	700	176	876	1,574
	481,670	405,794	399,103	176	399,279	6,515
Police Harbor Patrol:						
Personal services	16,320	17,320	16,977	-	16,977	343
Ordinary maintenance	17,683	15,453	8,893	5,560	14,453	1,000
	34,003	32,773	25,870	5,560	31,430	1,343
Police Parking:						
Personal services	71,171	72,561	71,576	-	71,576	985
Ordinary maintenance	476	400	400	-	400	-
	71,647	72,961	71,976	-	71,976	985
Fire Prevention and Suppression:						
Personal services	8,114,157	8,038,712	8,034,907	-	8,034,907	3,805
Ordinary maintenance	664,005	656,124	575,938	70,207	646,145	9,979
Capital outlay	90,738	78,403	77,934	-	77,934	469
	8,868,900	8,773,239	8,688,779	70,207	8,758,986	14,253

CITY OF GLOUCESTER, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Civil Defense:						
Ordinary maintenance	52,087	45,562	41,889	-	41,889	3,673
Capital outlay	1,800	1,800	-	-	-	1,800
	<u>53,887</u>	<u>47,362</u>	<u>41,889</u>	<u>-</u>	<u>41,889</u>	<u>5,473</u>
Animal Control:						
Personal services	107,345	106,395	104,402	-	104,402	1,993
Ordinary maintenance	9,561	8,732	2,660	3,126	5,786	2,946
	<u>116,906</u>	<u>115,127</u>	<u>107,062</u>	<u>3,126</u>	<u>110,188</u>	<u>4,939</u>
Shellfish Control:						
Personal services	78,787	91,780	90,499	-	90,499	1,281
Ordinary maintenance	1,450	1,450	115	-	115	1,335
	<u>80,237</u>	<u>93,230</u>	<u>90,614</u>	<u>-</u>	<u>90,614</u>	<u>2,616</u>
<i>Total Public Safety</i>	<u>16,000,732</u>	<u>16,119,688</u>	<u>15,911,373</u>	<u>153,540</u>	<u>16,064,913</u>	<u>54,775</u>
Education:						
Public schools	42,396,150	42,035,552	40,573,268	1,172,028	41,745,296	290,256
Regional School Assessment: Ordinary maintenance	1,612,136	1,541,163	1,540,503	-	1,540,503	660
<i>Total Education</i>	<u>44,008,286</u>	<u>43,576,715</u>	<u>42,113,771</u>	<u>1,172,028</u>	<u>43,285,799</u>	<u>290,916</u>
Public Works:						
Solid Waste:						
Personal services	10,000	10,000	9,279	-	9,279	721
Ordinary maintenance	1,964,723	1,914,723	1,839,887	43,352	1,883,239	31,484
	<u>1,974,723</u>	<u>1,924,723</u>	<u>1,849,166</u>	<u>43,352</u>	<u>1,892,518</u>	<u>32,205</u>
Engineering:						
Personal services	51,124	53,850	53,763	-	53,763	87
Ordinary maintenance	9,880	8,088	4,733	983	5,716	2,372
	<u>61,004</u>	<u>61,938</u>	<u>58,496</u>	<u>983</u>	<u>59,479</u>	<u>2,459</u>
Highway Administration:						
Personal services	106,065	108,141	108,091	-	108,091	50
Ordinary maintenance	16,196	12,196	10,349	1,584	11,933	263
	<u>122,261</u>	<u>120,337</u>	<u>118,440</u>	<u>1,584</u>	<u>120,024</u>	<u>313</u>
Snow and Ice:						
Personal services	141,500	141,500	149,835	-	149,835	(8,335)
Ordinary maintenance	590,100	839,167	1,226,075	-	1,226,075	(386,908)
Capital outlay	35,000	35,000	16,199	-	16,199	18,801
	<u>766,600</u>	<u>1,015,667</u>	<u>1,392,109</u>	<u>-</u>	<u>1,392,109</u>	<u>(376,442)</u>
Public Properties - Maintenance:						
Personal services	1,445,681	1,484,015	1,482,732	-	1,482,732	1,283
Ordinary maintenance	386,583	554,019	473,143	71,493	544,636	9,383
Capital outlay	106,905	106,905	95,429	5,146	100,575	6,330
	<u>1,939,169</u>	<u>2,144,939</u>	<u>2,051,304</u>	<u>76,639</u>	<u>2,127,943</u>	<u>16,996</u>

(continued)

CITY OF GLOUCESTER, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Public Properties - Facilities:						
Personal services	2,146,811	2,191,541	2,187,521	-	2,187,521	4,020
Ordinary maintenance	3,044,280	2,939,306	2,606,991	300,312	2,907,303	32,003
	<u>5,191,091</u>	<u>5,130,847</u>	<u>4,794,512</u>	<u>300,312</u>	<u>5,094,824</u>	<u>36,023</u>
DPW Central Services:						
Personal services	126,466	120,400	118,197	-	118,197	2,203
Ordinary maintenance	897,919	886,468	746,547	129,080	875,627	10,841
Capital outlay	7,025	98,525	98,476	-	98,476	49
	<u>1,031,410</u>	<u>1,105,393</u>	<u>963,220</u>	<u>129,080</u>	<u>1,092,300</u>	<u>13,093</u>
Total Public Works	11,086,258	11,503,844	11,227,247	551,950	11,779,197	(275,353)
Health and Human Services:						
Public Health:						
Personal services	451,125	448,432	446,228	-	446,228	2,204
Ordinary maintenance	9,191	14,011	12,872	254	13,126	885
	<u>460,316</u>	<u>462,443</u>	<u>459,100</u>	<u>254</u>	<u>459,354</u>	<u>3,089</u>
Council on Aging:						
Personal services	122,040	124,975	124,953	-	124,953	22
Ordinary maintenance	7,603	7,240	5,751	1,439	7,190	50
	<u>129,643</u>	<u>132,215</u>	<u>130,704</u>	<u>1,439</u>	<u>132,143</u>	<u>72</u>
Veterans Services:						
Personal services	126,438	127,396	127,051	-	127,051	345
Ordinary maintenance	345,000	377,000	374,107	-	374,107	2,893
	<u>471,438</u>	<u>504,396</u>	<u>501,158</u>	<u>-</u>	<u>501,158</u>	<u>3,238</u>
Tourism:						
Personal services	22,500	16,500	16,186	-	16,186	314
Ordinary maintenance	126,006	125,010	105,621	7,400	113,021	11,989
	<u>148,506</u>	<u>141,510</u>	<u>121,807</u>	<u>7,400</u>	<u>129,207</u>	<u>12,303</u>
Total Health and Human Services	1,209,903	1,240,564	1,212,769	9,093	1,221,862	18,702
Culture and Recreation:						
Sawyer Free Library:						
Personal services	831,547	819,219	814,743	-	814,743	4,476
Ordinary maintenance	133,638	133,582	130,008	3,571	133,579	3
Total Culture and Recreation	965,185	952,801	944,751	3,571	948,322	4,479
State and County Assessments:						
State assessments and charges	88,171	88,171	88,171	-	88,171	-
Transportation authorities assessments	351,734	351,734	351,734	-	351,734	-
Annual charges against receipts	9,877	10,081	-	-	-	10,081
Tuition assessments	1,897,624	2,136,227	2,180,931	-	2,180,931	(44,704)
Total State and County Assessments	2,347,406	2,586,213	2,620,836	-	2,620,836	(34,623)
Pension and Fringe Benefits:						
Pension Services:						
Personal services	7,637,190	7,753,987	7,753,987	-	7,753,987	-
	<u>7,637,190</u>	<u>7,753,987</u>	<u>7,753,987</u>	<u>-</u>	<u>7,753,987</u>	<u>-</u>

CITY OF GLOUCESTER, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive Negative
	Original Budget	Final Budget				
Employee Benefits:						
Personal services - workers' compensation	338,708	302,080	301,624	-	301,624	456
Personal services - unemployment compensation	47,133	52,657	35,934	6,336	42,270	10,387
Personal services - group health insurance	7,669,238	7,563,512	7,563,333	-	7,563,333	179
Personal services - life insurance	16,600	16,429	16,429	-	16,429	-
Personal services - medicare	620,000	736,000	728,499	-	728,499	7,501
	<u>8,691,679</u>	<u>8,670,678</u>	<u>8,645,819</u>	<u>6,336</u>	<u>8,652,155</u>	<u>18,523</u>
<i>Total Pension and Fringe Benefits</i>	<u>16,328,869</u>	<u>16,424,665</u>	<u>16,399,806</u>	<u>6,336</u>	<u>16,406,142</u>	<u>18,523</u>
Debt Service:						
Ordinary maintenance - long-term debt principal	8,530,237	8,694,835	8,694,835	-	8,694,835	-
Ordinary maintenance - long-term debt interest	2,828,130	2,663,530	2,663,530	-	2,663,530	-
Ordinary maintenance - temporary debt interest	326,478	287,480	286,534	-	286,534	946
	<u>11,684,845</u>	<u>11,645,845</u>	<u>11,644,899</u>	<u>-</u>	<u>11,644,899</u>	<u>946</u>
<i>Total Debt Service</i>	<u>11,684,845</u>	<u>11,645,845</u>	<u>11,644,899</u>	<u>-</u>	<u>11,644,899</u>	<u>946</u>
Total Expenditures	<u>109,522,272</u>	<u>109,855,231</u>	<u>107,502,865</u>	<u>2,195,934</u>	<u>109,698,799</u>	<u>156,432</u>
Other Financing Sources (Uses)						
Premiums on bonds and notes	-	-	-	-	-	-
Transfers in	2,646,191	2,791,191	2,505,795	-	2,505,795	(285,396)
Transfers out	(112,634)	(2,276,120)	(2,276,120)	-	(2,276,120)	-
	<u>2,533,557</u>	<u>515,071</u>	<u>229,675</u>		<u>\$ 229,675</u>	<u>(285,396)</u>
<i>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Uses Of Prior Year Budgetary Fund Balance</i>	<u>(2,327,380)</u>	<u>(4,678,825)</u>	<u>\$ (980,871)</u>			<u>\$ 1,502,020</u>
Other Budgetary Items						
Use of unassigned fund balance (free cash)	\$ 200,000	\$ 2,552,986				
Prior year encumbrances	2,127,380	2,127,380				
Overlay surplus	-	275,000				
Other reserves	-	27,725				
Encumbrance reversions	-	(304,266)				
	<u>2,327,380</u>	<u>4,678,825</u>				
Total Other Budgetary Items	<u>2,327,380</u>	<u>4,678,825</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 GLOUCESTER, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the General Fund and the Enterprise Fund. Financial orders are initiated by department heads, recommended by the Mayor and the Budget and Finance Committee and approved by the City Council. Expenditures may not legally exceed appropriations at the department level, or in the categories of personnel, non-personnel expenses and capital outlay. Department heads may transfer, without City Council approval, appropriation balances from one account to another within their department budget within the categories of personnel and non-personnel. The City Council and the department head however must approve any transfer of unencumbered appropriation balances to and from capital outlay accounts and between departments or agencies. 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. 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, 2018, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 106,292,319
Stabilization revenue	\$ -	\$ 13,986	13,986
Debt subsidies	9,516	-	9,516
Agency fund contributions	-	69,821	69,821
On behalf payments	8,181,735	-	8,181,735
Revenues on a GAAP basis	<u>\$ 8,191,251</u>	<u>\$ 83,807</u>	<u>\$ 114,567,377</u>

	Basis of Accounting Differences	Fund Perspective Differences	Total
Expenditures on a budgetary basis			\$ 107,502,865
Reclass of enterprise indirects cost to expenditures	\$ -	\$ (393,966)	(393,966)
Transfer for enterprise debt service	-	(6,783,361)	(6,783,361)
Debt subsidies	9,516	-	9,516
Change in expenditure accruals	205,365	-	205,365
OPEB contributions	-	50,000	50,000
On behalf payments	8,181,735	-	8,181,735
Stabilization expenditures	-	285,089	285,089
Expenditures on a GAAP basis	<u>\$ 8,396,616</u>	<u>\$ (6,842,238)</u>	<u>\$ 109,057,243</u>
Other financing sources (uses) on a budgetary basis			\$ 229,675
Reclass of enterprise indirects cost to expenditures	\$ -	\$ (393,966)	(393,966)
Transfer for enterprise debt service	-	(6,783,361)	(6,783,361)
Agency fund contributions	-	(69,821)	(69,821)
OPEB contributions	-	50,000	50,000
Stabilization transfers	-	2,048,486	2,048,486
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ (5,148,662)</u>	<u>\$ (4,918,987)</u>

Excess of Expenditures Over Appropriations – During fiscal year 2018, expenditures exceeded appropriations in the General Fund for snow and ice expenditures by \$376,442. This over-expenditure will be funded through available funds during fiscal year 2019.



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Combining Statements

Nonmajor Governmental Fund

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:

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

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

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

Receipts Reserved for Appropriation – This fund accounts for receipts collected which are reserved until appropriated for a specific purpose for which it has been segregated by law or administrative action.

City Revolving Funds – 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.

School Revolving Funds – This fund accounts for educational-based activities within revolving funds established in accordance with MGL Chapter 44, Section 53E ½ and Chapter 71.

School Lunch Fund – This segregated revolving fund accounts for the activities of the child nutrition programs; amounts collected from services include federal and state meal reimbursements and meal charges.

City Gift and Other Funds – This fund accounts for donated monies and other miscellaneous special revenue accounts which related to non-school activities.

School Gift and Other Funds – This fund accounts for donated monies and other miscellaneous special revenue accounts which related to educational-based activities.

Community Preservation – This fund accounts for assets that are restricted by state law for the purposes of acquiring or developing open space and recreational facilities, historic resources and affordable housing.

Chapter 90 Road Improvements – This fund accounts for certain roadway improvement projects which are fully reimbursed by the Commonwealth of Massachusetts.

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.

Cemetery Trust Funds – This fund accounts for contributions earmarked for the perpetual care and maintenance of cemetery facilities and property.

Other Trust Funds – This fund accounts for all contributions including: gifts, donations and bequests for which only earnings on the original trust corpus may be expended to benefit government approved programs, other than those associated with cemetery activities.

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2018

	Special Revenue Funds				
	City Federal Grants	School Federal Grants	City State Grants	School State Grants	Receipts Reserved for Appropriation
Assets:					
Cash and cash equivalents	\$ 582,475	\$ 82,965	\$ 350,397	\$ 12,639	\$ 344,138
Investments	-	-	-	-	-
Receivables, net of allowance for uncollectibles:					
Property taxes	-	-	-	-	-
Departmental and other	-	-	-	-	184,975
Intergovernmental	195,357	79,842	29,382	372,679	-
Loans	5,782,314	-	-	-	-
Total Assets	\$ 6,560,146	\$ 162,807	\$ 379,779	\$ 385,318	\$ 529,113
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accrued payroll and withholdings	\$ 6,347	\$ 117,966	\$ 34,388	\$ 13,460	\$ -
Tax refunds payable	-	-	-	-	-
Other liabilities	10,625	-	-	-	-
Due to other funds	-	-	-	-	-
Total Liabilities	16,972	117,966	34,388	13,460	-
Deferred Inflows of Resources:					
Unavailable revenues - property taxes	-	-	-	-	-
Unavailable revenues - other	-	-	-	-	184,975
Total Deferred Inflows of Resources	-	-	-	-	184,975
Fund Balances:					
Restricted	6,672,060	44,841	427,538	371,858	344,138
Unassigned	(128,886)	-	(82,147)	-	-
Total Fund Balances	6,543,174	44,841	345,391	371,858	344,138
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	\$ 6,560,146	\$ 162,807	\$ 379,779	\$ 385,318	\$ 529,113

City Revolving Funds	School Revolving Funds	School Lunch Fund	City Gifts and Other Funds	School Gifts and Other Funds	Community Preservation	Chapter 90 Road Improvements	Sub-total Special Revenue Funds
\$ 1,433,561	\$ 406,297	\$ 137,824	\$ 884,849	\$ 449,432	\$ 1,470,009	\$ -	\$ 6,154,586
-	-	-	-	-	-	-	-
-	-	-	-	-	22,152	-	22,152
123,433	-	-	-	-	-	-	308,408
-	22,337	44,357	-	-	-	-	743,954
-	-	-	-	-	-	-	5,782,314
<u>\$ 1,556,994</u>	<u>\$ 428,634</u>	<u>\$ 182,181</u>	<u>\$ 884,849</u>	<u>\$ 449,432</u>	<u>\$ 1,492,161</u>	<u>\$ -</u>	<u>\$ 13,011,414</u>
\$ 65,515	\$ 27,503	\$ 3,474	\$ -	\$ -	\$ 963	\$ -	\$ 269,616
-	-	-	-	-	157	-	157
-	-	-	-	-	-	-	10,625
-	-	-	-	-	-	89,700	89,700
<u>65,515</u>	<u>27,503</u>	<u>3,474</u>	<u>-</u>	<u>-</u>	<u>1,120</u>	<u>89,700</u>	<u>370,098</u>
-	-	-	-	-	22,152	-	22,152
-	-	-	-	-	-	-	184,975
-	-	-	-	-	22,152	-	207,127
1,491,479	401,131	178,707	884,849	449,432	1,468,889	-	12,734,922
-	-	-	-	-	-	(89,700)	(300,733)
<u>1,491,479</u>	<u>401,131</u>	<u>178,707</u>	<u>884,849</u>	<u>449,432</u>	<u>1,468,889</u>	<u>(89,700)</u>	<u>12,434,189</u>
<u>\$ 1,556,994</u>	<u>\$ 428,634</u>	<u>\$ 182,181</u>	<u>\$ 884,849</u>	<u>\$ 449,432</u>	<u>\$ 1,492,161</u>	<u>\$ -</u>	<u>\$ 13,011,414</u>

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2018

	<u>Permanent Funds</u>			<u>Total</u>
	<u>Cemetery Trust Funds</u>	<u>Other Trust Funds</u>	<u>Sub-total Permanent Funds</u>	<u>Nonmajor Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 259,322	\$ 57,833	\$ 317,155	\$ 6,471,741
Investments	758,349	475,913	1,234,262	1,234,262
Receivables, net of allowance for uncollectibles:				
Property taxes	-	-	-	22,152
Departmental and other	-	-	-	308,408
Intergovernmental	-	-	-	743,954
Loans	-	-	-	5,782,314
Total Assets	<u>\$ 1,017,671</u>	<u>\$ 533,746</u>	<u>\$ 1,551,417</u>	<u>\$ 14,562,831</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accrued payroll and withholdings	\$ -	\$ -	\$ -	\$ 269,616
Tax refunds payable	-	-	-	157
Other liabilities	-	-	-	10,625
Due to other funds	-	-	-	89,700
Total Liabilities	-	-	-	370,098
Deferred Inflows of Resources:				
Unavailable revenues - property taxes	-	-	-	22,152
Unavailable revenues - other	-	-	-	184,975
Total Deferred Inflows of Resources	-	-	-	207,127
Fund Balances:				
Restricted	1,017,671	533,746	1,551,417	14,286,339
Unassigned	-	-	-	(300,733)
Total Fund Balances	<u>1,017,671</u>	<u>533,746</u>	<u>1,551,417</u>	<u>13,985,606</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 1,017,671</u>	<u>\$ 533,746</u>	<u>\$ 1,551,417</u>	<u>\$ 14,562,831</u>

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NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2018

	Special Revenue Funds				
	City Federal Grants	School Federal Grants	City State Grants	School State Grants	Receipts Reserved for Appropriation
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,631,605	1,589,798	579,878	1,801,012	-
Departmental and other revenue	126,306	-	-	-	114,945
Investment income	-	-	-	-	-
Contributions and donations	-	-	-	-	-
Total Revenues	<u>1,757,911</u>	<u>1,589,798</u>	<u>579,878</u>	<u>1,801,012</u>	<u>114,945</u>
Expenditures:					
Current:					
General government	-	-	230,106	-	70,913
Public safety	609,115	-	219,091	-	-
Education	-	1,718,542	-	1,890,913	-
Public works	58,918	-	(15,065)	-	-
Health and human services	308,327	-	146,582	-	-
Culture and recreation	1,750	-	34,332	-	-
Community development	958,622	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>1,936,732</u>	<u>1,718,542</u>	<u>615,046</u>	<u>1,890,913</u>	<u>70,913</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(178,821)	(128,744)	(35,168)	(89,901)	44,032
Other Financing Sources (Uses):					
Premiums from bonds and notes	-	-	-	-	96,176
Transfers in	-	-	-	-	-
Transfers out	-	-	(49,000)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(49,000)</u>	<u>-</u>	<u>96,176</u>
Net Change in Fund Balance	(178,821)	(128,744)	(84,168)	(89,901)	140,208
Fund Balances - Beginning of Year, as restated	6,721,995	173,585	429,559	461,759	203,930
Fund Balances - End of Year	<u>\$ 6,543,174</u>	<u>\$ 44,841</u>	<u>\$ 345,391</u>	<u>\$ 371,858</u>	<u>\$ 344,138</u>

City Revolving Funds	School Revolving Funds	School Lunch Fund	City Gifts and Other Funds	School Gifts and Other Funds	Community Preservation	Chapter 90 Road Improvements	Sub-total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 641,908	\$ -	\$ 641,908
-	-	713,061	-	-	105,873	907,922	7,329,149
2,044,556	730,464	280,971	-	52,087	-	-	3,349,329
-	-	-	-	-	4,508	-	4,508
-	-	-	510,492	163,789	-	-	674,281
<u>2,044,556</u>	<u>730,464</u>	<u>994,032</u>	<u>510,492</u>	<u>215,876</u>	<u>752,289</u>	<u>907,922</u>	<u>11,999,175</u>
68,735	-	-	240,434	-	-	-	610,188
1,215,214	-	-	1,307	-	-	-	2,044,727
-	814,639	1,016,963	-	297,950	-	-	5,739,007
3,872	-	-	-	-	-	982,742	1,030,467
297,001	-	-	117,643	-	-	-	869,553
-	-	-	73,327	-	193,842	-	303,251
-	-	-	-	-	-	-	958,622
-	-	-	-	-	160,000	-	160,000
-	-	-	-	-	40,825	-	40,825
<u>1,584,822</u>	<u>814,639</u>	<u>1,016,963</u>	<u>432,711</u>	<u>297,950</u>	<u>394,667</u>	<u>982,742</u>	<u>11,756,640</u>
459,734	(84,175)	(22,931)	77,781	(82,074)	357,622	(74,820)	242,535
-	-	-	-	-	-	-	96,176
37,634	75,000	-	-	1,600	251,318	-	365,552
(168,008)	-	-	-	(1,600)	(327,463)	-	(546,071)
<u>(130,374)</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,145)</u>	<u>-</u>	<u>(84,343)</u>
329,360	(9,175)	(22,931)	77,781	(82,074)	281,477	(74,820)	158,192
<u>1,162,119</u>	<u>410,306</u>	<u>201,638</u>	<u>807,068</u>	<u>531,506</u>	<u>1,187,412</u>	<u>(14,880)</u>	<u>12,275,997</u>
<u>\$ 1,491,479</u>	<u>\$ 401,131</u>	<u>\$ 178,707</u>	<u>\$ 884,849</u>	<u>\$ 449,432</u>	<u>\$ 1,468,889</u>	<u>\$ (89,700)</u>	<u>\$ 12,434,189</u>

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2018

	<u>Permanent Funds</u>			<u>Total</u>
	<u>Cemetery Trust Funds</u>	<u>Other Trust Funds</u>	<u>Sub-total Permanent Funds</u>	<u>Nonmajor Governmental Funds</u>
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ 641,908
Intergovernmental	-	-	-	7,329,149
Departmental and other revenue	-	-	-	3,349,329
Investment income	58,518	11,647	70,165	74,673
Contributions and donations	-	-	-	674,281
Total Revenues	<u>58,518</u>	<u>11,647</u>	<u>70,165</u>	<u>12,069,340</u>
Expenditures:				
Current:				
General government	-	-	-	610,188
Public safety	-	-	-	2,044,727
Education	-	-	-	5,739,007
Public works	3,748	-	3,748	1,034,215
Health and human services	-	-	-	869,553
Culture and recreation	-	-	-	303,251
Community development	-	-	-	958,622
Debt service:				
Principal	-	-	-	160,000
Interest	-	-	-	40,825
Total Expenditures	<u>3,748</u>	<u>-</u>	<u>3,748</u>	<u>11,760,388</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>54,770</u>	<u>11,647</u>	<u>66,417</u>	<u>308,952</u>
Other Financing Sources (Uses):				
Premiums from bonds and notes	-	-	-	96,176
Transfers in	-	-	-	365,552
Transfers out	-	-	-	(546,071)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,343)</u>
Net Change in Fund Balance	<u>54,770</u>	<u>11,647</u>	<u>66,417</u>	<u>224,609</u>
Fund Balances - Beginning of Year, as restated	<u>962,901</u>	<u>522,099</u>	<u>1,485,000</u>	<u>13,760,997</u>
Fund Balances - End of Year	<u>\$ 1,017,671</u>	<u>\$ 533,746</u>	<u>\$ 1,551,417</u>	<u>\$ 13,985,606</u>

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Fiduciary Funds

Agency Funds –

Agency funds are used to account for assets maintained in a custodial capacity. Such activities primarily consist of performance bonds and school deposits held, as well as, monies due to City personnel for certain services rendered that were collected from external parties on their behalf.

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FISCAL YEAR ENDED JUNE 30, 2018

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Assets:				
Cash and cash equivalents	\$ 505,758	\$ 1,242,062	\$ (1,207,375)	\$ 540,445
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Accrued payroll	\$ 1,271	\$ 413	\$ (1,271)	\$ 413
Agency liabilities	504,487	1,241,649	(1,206,104)	540,032
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 505,758</u>	<u>\$ 1,242,062</u>	<u>\$ (1,207,375)</u>	<u>\$ 540,445</u>



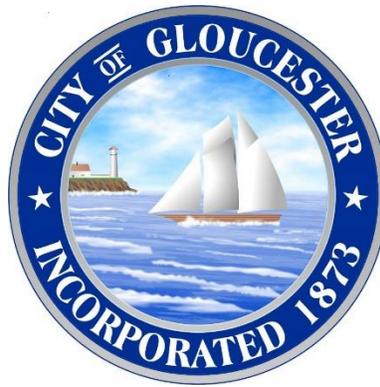
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STATISTICAL SECTION



Above: The City Hall view from the Harbor. Listed in the National Register of Historic Places, the Gloucester City Hall was built in 1870 to replace the prior City Hall that was burned down in a fire in 1869. Dedicated in 1871 it is a two-story Second Empire brick building. Centered on the front elevation is a clock tower that is brick in its lower levels, and decorated wood above, ending in a copper dome.

The City Hall Restoration Commission which was established in 2004 recently completed a major renovation of the building in 2014. All restoration work was completed in accordance with the Secretary of the Interior's Standard for Historic Structures.



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Statistical Section



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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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets.....	\$ 40,075,777	\$ 41,810,591	\$ 30,275,698	\$ 42,164,538	\$ 46,050,972	\$ 50,775,626	\$ 67,919,534	\$ 79,744,529	\$ 83,444,529	\$ 87,174,155
Restricted.....	5,042,678	5,427,686	17,235,118	14,598,432	11,107,946	17,957,590	14,703,484	14,034,943	15,213,577	14,970,493
Unrestricted.....	(4,504,015)	(8,089,584)	(13,458,533)	(23,443,933)	(30,400,280)	(42,372,213)	(136,510,465)	(138,365,215)	(146,679,539)	(250,160,272)
Total governmental activities net position.....	\$ 40,614,440	\$ 39,148,693	\$ 34,052,283	\$ 33,319,037	\$ 26,758,638	\$ 26,361,003	\$ (53,887,447)	\$ (44,585,743)	\$ (48,021,433)	\$ (148,015,624)
Business-type activities:										
Net investment in capital assets.....	\$ 67,009,058	\$ 78,138,873	\$ 82,476,284	\$ 88,027,781	\$ 92,884,895	\$ 99,173,805	\$ 100,025,889	\$ 99,638,405	\$ 107,040,094	\$ 106,011,231
Restricted.....	36,111,184	25,228,594	3,799,714	-	-	-	-	10,579,756	8,632,529	7,348,753
Unrestricted.....	6,914,961	6,431,737	24,528,662	23,299,662	18,353,667	12,626,726	7,797,868	458,599	(3,909,467)	(16,146,027)
Total business-type activities net position.....	\$ 110,035,203	\$ 109,799,204	\$ 110,804,660	\$ 111,327,443	\$ 111,238,562	\$ 111,800,531	\$ 107,823,757	\$ 110,676,760	\$ 111,763,156	\$ 97,213,957
Primary government:										
Net investment in capital assets.....	\$ 107,084,835	\$ 119,949,464	\$ 112,751,982	\$ 130,192,319	\$ 138,935,867	\$ 149,949,431	\$ 167,945,423	\$ 179,382,934	\$ 190,484,623	\$ 193,185,386
Restricted.....	41,153,862	30,656,280	21,034,832	14,598,432	11,107,946	17,957,590	14,703,484	24,614,699	23,846,106	22,319,246
Unrestricted.....	2,410,946	(1,657,847)	11,070,129	(144,271)	(12,046,613)	(29,745,487)	(128,712,597)	(137,906,616)	(150,589,006)	(266,306,299)
Total primary government net position.....	\$ 150,649,643	\$ 148,947,897	\$ 144,856,943	\$ 144,646,480	\$ 137,997,200	\$ 138,161,534	\$ 53,936,310	\$ 66,091,017	\$ 63,741,723	\$ (50,801,667)

Note: The City restated the 2008 - 2012 governmental activities net position to conform to the current year classifications.

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses -										
Governmental activities:										
General government.....	\$ 8,221,549	\$ 6,687,783	\$ 7,590,541	\$ 8,065,325	\$ 7,876,806	\$ 8,157,467	\$ 7,030,527	\$ 7,065,924	\$ 8,568,308	\$ 8,886,949
Public safety.....	19,498,597	19,891,820	21,378,976	21,639,656	23,611,041	25,041,322	26,236,458	27,601,798	30,494,053	27,838,983
Education.....	60,834,332	61,389,047	60,613,207	61,434,195	62,636,639	62,749,205	61,431,058	61,690,389	61,787,760	67,183,136
Public works.....	9,127,735	7,604,686	12,903,774	11,520,406	13,358,454	13,847,127	15,733,578	13,618,155	16,000,830	18,674,392
Human services.....	2,377,069	3,093,944	2,897,092	2,760,670	3,492,413	3,109,978	2,640,005	2,900,414	3,248,584	3,468,254
Culture and recreation.....	1,320,640	1,306,697	1,228,440	1,338,998	1,485,843	1,470,795	2,248,760	1,886,628	2,048,002	1,963,264
Community development.....	-	-	-	-	743,152	433,472	283,559	1,027,976	1,319,911	958,622
Interest.....	1,520,347	1,365,600	1,489,621	1,570,886	1,810,129	1,928,689	1,079,444	801,280	1,452,361	1,437,447
Total government activities expenses.....	102,900,269	101,339,577	108,101,651	108,330,136	115,014,477	116,738,055	116,683,389	116,592,564	124,919,809	130,411,047
Business-type activities:										
Waterways operations.....	381,369	351,991	415,062	379,238	433,976	458,485	481,211	540,878	519,099	594,448
Talbot rink operations.....	-	-	215,488	256,093	340,235	353,949	364,877	414,350	414,163	377,209
Water operations.....	4,998,627	5,628,213	5,169,099	5,068,206	6,467,800	5,804,537	6,672,772	7,183,747	7,382,977	8,071,332
Sewer operations.....	10,520,880	9,574,904	9,188,687	9,627,430	9,870,450	9,435,467	10,773,921	10,836,496	11,329,763	12,066,008
Total business-type activities expenses.....	15,900,876	15,555,108	14,988,336	15,330,967	17,112,461	16,052,438	18,292,781	18,975,471	19,646,002	21,108,997
Total primary government expenses.....	\$ 118,801,145	\$ 116,894,685	\$ 123,089,987	\$ 123,661,103	\$ 132,126,938	\$ 132,790,493	\$ 134,976,170	\$ 135,568,035	\$ 144,565,811	\$ 151,520,044
Program Revenues -										
Governmental activities:										
Charges for services:										
General government.....	\$ 1,151,384	\$ 1,453,924	\$ 1,345,727	\$ 1,925,415	\$ 1,396,875	\$ 1,554,393	\$ 968,894	\$ 1,022,856	\$ 1,672,776	\$ 1,429,910
Public safety.....	2,852,071	4,136,494	4,026,394	4,242,730	3,938,415	4,581,632	5,077,913	4,590,746	5,112,977	4,798,144
Education.....	1,809,909	1,908,344	1,665,823	1,422,699	1,258,229	1,097,475	1,326,587	2,054,882	1,209,605	1,063,522
Public works.....	2,474,165	2,954,283	3,063,593	3,146,335	4,427,430	3,424,833	3,046,751	105,046	1,385,619	1,340,568
Human services.....	416,248	498,203	417,484	442,633	409,567	454,490	463,970	1,426,179	439,774	271,308
Culture and recreation.....	284,897	-	-	-	-	-	-	2,471,843	2,260,209	2,381,350
Community development.....	-	-	-	-	153,887	-	590,774	54,030	486,098	126,307
Interest expense.....	-	-	-	-	-	-	-	-	-	87,485
Operating grants and contributions.....	24,708,974	22,854,138	23,658,517	23,651,184	24,263,000	23,885,539	18,448,966	19,468,876	21,573,622	22,197,551
Capital grants and contributions.....	699,924	1,245,970	985,212	2,295,805	688,653	1,850,835	10,879,240	11,758,769	3,851,137	3,311,053
Total government activities program revenues.....	34,397,572	35,051,356	35,162,750	37,126,801	36,536,056	36,849,197	40,803,095	42,953,227	37,991,817	37,007,198
Business-type activities:										
Charges for services.....	13,896,538	12,953,425	14,580,630	13,399,135	13,801,523	13,959,304	13,284,388	14,458,647	14,981,397	15,020,765
Operating grants and contributions.....	534,399	470,519	580,041	133,507	796,589	313,063	313,201	1,204,530	211,525	-
Capital grants and contributions.....	-	1,602,899	-	1,235,968	1,059,902	778,444	2,030,382	768,472	329,358	1,048,598
Total business-type activities program revenues.....	14,430,937	15,026,843	15,160,671	14,768,610	15,658,014	15,050,811	15,627,971	16,431,649	15,522,280	16,069,363
Total primary government program revenues.....	\$ 48,828,509	\$ 50,078,199	\$ 50,323,421	\$ 51,895,411	\$ 52,194,070	\$ 51,900,008	\$ 56,431,066	\$ 59,384,876	\$ 53,514,097	\$ 53,076,561
Net (Expense)/Program Revenue										
Governmental activities.....	\$ (68,502,697)	\$ (66,288,221)	\$ (72,938,901)	\$ (71,203,335)	\$ (78,478,421)	\$ (79,888,858)	\$ (75,880,294)	\$ (73,639,337)	\$ (86,927,992)	\$ (93,403,849)
Business-type activities.....	(1,469,939)	(528,265)	172,335	(562,357)	(1,454,447)	(1,001,627)	(2,664,810)	(2,543,822)	(4,123,722)	(5,039,634)
Total primary government net (expense)/program revenue.....	\$ (69,972,636)	\$ (66,816,486)	\$ (72,766,566)	\$ (71,765,692)	\$ (79,932,868)	\$ (80,890,485)	\$ (78,545,104)	\$ (76,183,159)	\$ (91,051,714)	\$ (98,443,483)

(continued)

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues, Transfers and Other Changes in Net Position -										
Governmental activities:										
Real estate and personal property taxes,										
net of tax refunds payable.....	\$ 54,775,708	\$ 57,151,585	\$ 61,124,814	\$ 63,550,949	\$ 65,256,614	\$ 68,099,541	\$ 73,802,313	\$ 76,596,057	\$ 78,929,607	\$ 81,723,772
Motor vehicle and other excise taxes.....	2,738,111	3,073,946	3,469,727	3,891,502	4,020,479	4,192,373	4,526,892	4,712,182	4,991,370	5,171,612
Penalties and interest on taxes.....	404,219	771,830	580,182	605,280	482,536	574,470	579,891	472,492	451,354	424,548
Grants and contributions not restricted to specific programs.....	4,522,568	3,546,018	3,400,946	3,400,000	3,398,980	3,477,561	3,572,975	3,720,566	4,151,445	4,008,749
Unrestricted investment income.....	544,141	177,915	81,153	78,204	92,508	105,615	84,034	144,636	178,644	189,867
Gain on sale of capital assets.....	-	8,026	-	-	-	3,000	2,300	-	-	-
Miscellaneous.....	325,055	182,918	18,790	29,294	32,471	41,905	-	-	-	-
Transfers.....	(546,610)	(89,764)	(833,121)	(1,085,140)	(1,365,566)	(1,486,874)	(5,613,589)	(5,396,825)	(5,210,118)	(5,023,361)
Total governmental activities.....	<u>62,763,192</u>	<u>64,822,474</u>	<u>67,842,491</u>	<u>70,470,089</u>	<u>71,918,022</u>	<u>75,007,591</u>	<u>76,954,816</u>	<u>80,249,108</u>	<u>83,492,302</u>	<u>86,495,187</u>
Business-type activities:										
Motor vehicle and other excise taxes.....	-	-	-	-	-	76,722	98,683	-	-	-
Unrestricted investment income.....	-	202,502	-	-	-	-	-	-	-	-
Transfers.....	546,610	89,764	833,121	1,085,140	1,365,566	1,486,874	5,613,589	5,396,825	5,210,118	5,023,361
Total business-type activities.....	<u>546,610</u>	<u>292,266</u>	<u>833,121</u>	<u>1,085,140</u>	<u>1,365,566</u>	<u>1,563,596</u>	<u>5,712,272</u>	<u>5,396,825</u>	<u>5,210,118</u>	<u>5,023,361</u>
Total primary government general revenues, transfers and other changes in net position.....	<u>\$ 63,309,802</u>	<u>\$ 65,114,740</u>	<u>\$ 68,675,612</u>	<u>\$ 71,555,229</u>	<u>\$ 73,283,588</u>	<u>\$ 76,571,187</u>	<u>\$ 82,667,088</u>	<u>\$ 85,645,933</u>	<u>\$ 88,702,420</u>	<u>\$ 91,518,548</u>
Changes in Net Position										
Governmental activities.....	\$ (5,739,505)	\$ (1,465,747)	\$ (5,096,410)	\$ (733,246)	\$ (6,560,399)	\$ (4,881,267)	\$ 1,074,522	\$ 6,609,771	\$ (3,435,690)	\$ (6,908,662)
Business-type activities.....	(923,329)	(235,999)	1,005,456	522,783	(88,881)	561,969	3,047,462	2,853,003	1,086,396	(16,273)
Total primary government changes in net position.....	<u>\$ (6,662,834)</u>	<u>\$ (1,701,746)</u>	<u>\$ (4,090,954)</u>	<u>\$ (210,463)</u>	<u>\$ (6,649,280)</u>	<u>\$ (4,319,298)</u>	<u>\$ 4,121,984</u>	<u>\$ 9,462,774</u>	<u>\$ (2,349,294)</u>	<u>\$ (6,924,935)</u>

(concluded)

FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund:										
Restricted.....	\$ -	\$ -	\$ 10,000	\$ 20,017	\$ 99,139	\$ 559,229	\$ 314,964	\$ 282,025	\$ 250,809	\$ 221,745
Committed.....	-	-	109,793	762,351	860,215	1,991,952	-	-	-	-
Assigned.....	306,568	861,269	815,750	1,377,844	1,908,475	1,388,337	3,163,485	1,800,766	2,355,105	2,545,934
Unassigned.....	907,329	4,769,340	6,241,339	8,422,360	7,412,492	6,160,494	3,802,793	6,598,857	8,088,307	8,517,689
Total general fund.....	\$ 1,213,897	\$ 5,630,609	\$ 7,176,882	\$ 10,582,572	\$ 10,280,321	\$ 10,100,012	\$ 7,281,242	\$ 8,681,648	\$ 10,694,221	\$ 11,285,368
All Other Governmental Funds:										
Nonspendable.....	\$ 1,825,767	\$ 2,455,422	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted.....	3,047,869	3,707,007	8,859,837	10,420,817	12,826,218	18,149,060	8,441,210	8,099,571	9,084,904	14,726,596
Committed.....	-	-	-	-	-	-	-	-	-	-
Unassigned.....	(2,071,062)	(329,192)	(2,304,074)	(5,149,626)	(3,964,533)	(3,959,206)	(13,144,666)	(14,272,406)	(11,728,586)	(8,565,038)
Total all other governmental funds.....	\$ 2,802,574	\$ 5,833,237	\$ 6,555,763	\$ 5,271,191	\$ 8,861,685	\$ 14,189,854	\$ (4,703,456)	\$ (6,172,835)	\$ (2,643,682)	\$ 6,161,558

Note: The City implemented GASB 54 in fiscal year 2011. All previous years (2009 - 2010) data presented were restated to conform to the GASB 54 presentation.

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 53,687,316	\$ 56,718,544	\$ 60,321,588	\$ 63,226,876	\$ 64,563,325	\$ 67,660,642	\$ 73,314,196	\$ 76,418,856	\$ 79,128,774	\$ 81,292,566
Motor vehicle and other excise taxes.....	3,199,763	3,050,315	3,482,871	3,875,520	3,864,021	4,366,266	4,389,505	4,667,949	5,014,229	5,185,066
Penalties and interest on taxes.....	404,219	771,830	582,442	610,806	482,536	574,469	579,891	472,492	451,354	424,548
Intergovernmental.....	29,231,079	27,964,588	28,717,037	29,706,314	28,417,008	29,116,562	33,172,664	34,976,514	29,466,537	28,843,072
Departmental and other.....	8,175,900	9,930,086	9,230,633	9,673,237	8,998,714	9,834,636	8,775,422	10,361,766	10,333,622	9,708,952
Licenses and permits.....	1,142,515	1,273,074	1,388,405	1,382,935	1,469,954	1,486,456	1,799,191	1,710,803	1,641,886	1,661,906
Fines and forfeitures.....	269,703	393,422	394,975	606,414	593,931	635,315	359,724	349,429	282,197	336,390
Contributions.....	1,829,018	643,614	475,130	582,757	1,649,316	439,650	490,332	540,184	1,025,693	674,281
Investment income.....	436,138	251,782	211,432	78,395	167,848	213,693	84,034	144,636	178,644	189,867
Total Revenue.....	98,375,651	100,997,255	104,804,513	109,743,254	110,206,653	114,327,689	122,964,959	129,642,629	127,522,936	128,316,648
Expenditures:										
General government.....	4,423,811	4,405,071	4,791,015	4,760,118	4,830,801	4,844,555	4,662,678	4,243,241	5,235,956	5,668,324
Public safety.....	11,929,978	11,724,539	12,459,141	13,136,257	14,242,542	15,105,879	17,955,067	18,166,710	18,306,769	17,435,154
Education.....	43,362,014	42,300,832	40,607,221	40,307,690	41,448,800	44,252,035	43,171,417	39,315,418	38,262,648	41,980,024
Public works.....	7,539,886	5,629,209	9,195,769	8,414,606	9,316,246	10,511,206	11,332,988	8,472,442	9,346,234	12,166,787
Health and human services.....	2,123,692	2,243,951	2,351,678	2,147,534	2,218,459	2,188,146	1,954,080	2,107,184	2,255,245	2,505,263
Culture and recreation.....	780,619	719,011	722,469	737,745	833,284	851,535	1,728,756	1,274,780	1,327,007	1,248,002
Community development.....	-	-	-	-	469,147	429,525	207,477	1,024,150	1,315,993	958,622
Pension and fringe benefits.....	17,429,837	17,906,781	19,502,002	19,938,895	21,360,791	22,110,603	18,390,910	25,491,834	28,368,444	30,544,597
State and county charges.....	3,592,803	3,691,967	4,440,241	5,127,863	4,097,879	3,073,226	2,101,304	2,328,208	2,344,811	2,620,836
Capital outlay.....	6,853,389	3,533,740	3,310,124	8,877,373	9,396,426	6,534,656	25,555,132	29,775,096	12,885,646	9,198,791
Debt service:										
Principal.....	4,339,015	4,325,958	4,526,283	4,664,851	4,970,003	5,002,121	4,582,222	4,802,928	3,825,648	3,559,602
Interest.....	1,929,302	1,361,777	1,498,070	1,613,112	1,763,333	2,007,394	1,065,665	1,055,839	1,593,728	1,539,653
Total Expenditures.....	104,304,346	97,842,836	103,404,013	109,726,044	114,947,711	116,910,881	132,707,696	138,057,830	125,068,629	129,425,655
Excess of revenues over (under) expenditures.....	(5,928,695)	3,154,419	1,400,500	17,210	(4,741,058)	(2,583,192)	(9,742,737)	(8,415,201)	2,454,307	(1,109,007)
Other Financing Sources (Uses):										
Issuance of bonds and notes.....	5,443,135	3,808,948	1,364,000	3,020,000	9,002,773	3,255,000	164,880	12,300,000	6,716,650	8,996,000
Issuance of refunding bonds.....	-	-	1,590,180	-	891,438	-	822,470	-	-	-
Payments to refunding escrow agent.....	-	-	(1,658,785)	-	(951,007)	-	(698,396)	-	-	-
Issuance of capital lease.....	-	-	-	-	-	-	-	985,635	90,028	184,777
Premiums from bonds and notes.....	304,401	164,346	216,495	169,048	435,459	526,168	380,340	457,418	1,490,859	486,176
Sale of capital assets.....	-	-	3,600	-	16,205	3,000	2,300	-	-	-
Transfers in.....	1,429,830	2,519,685	828,835	916,868	995,635	1,162,999	458,764	399,397	1,364,004	667,194
Transfers out.....	(1,935,882)	(2,200,023)	(1,476,026)	(2,002,008)	(2,361,202)	(2,649,873)	(6,072,353)	(5,796,222)	(6,574,122)	(5,690,555)
Total other financing sources (uses).....	5,241,484	4,292,956	868,299	2,103,908	8,029,301	2,297,294	(4,941,995)	8,346,228	3,087,419	4,643,592
Net change in fund balance.....	\$ (687,211)	\$ 7,447,375	\$ 2,268,799	\$ 2,121,118	\$ 3,288,243	\$ (285,898)	\$ (14,684,732)	\$ (68,973)	\$ 5,541,726	\$ 3,534,585
Debt service as a percentage of noncapital expenditures.....	6.43%	6.03%	6.02%	6.23%	6.38%	6.35%	5.27%	5.41%	4.83%	4.24%

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY BY CLASSIFICATION AND TAX RATES

LAST TEN FISCAL YEARS

Fiscal Year	Assessed Value						State Equalized Value	Ratio of Assessed to Equalized Value	Tax Rates		
	Residential Value	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Total City Value			Residential Tax Rate	Commercial Tax Rate	Average Tax Rate
2009	\$ 5,131,715,937	\$ 291,565,933	\$ 167,680,030	\$ 83,931,100	\$ 543,177,063	\$ 5,674,893,000	\$ 6,244,033,100	90.89%	\$ 9.60	\$ 10.24	\$ 9.66
2010	4,823,470,706	300,127,372	167,286,322	90,546,600	557,960,294	5,381,431,000	6,244,033,100	86.19%	10.49	11.20	10.56
2011	4,722,167,330	301,355,658	162,664,112	101,892,820	565,912,590	5,288,079,920	5,923,627,100	89.27%	11.31	12.06	11.39
2012	4,568,213,394	298,555,412	160,182,394	108,995,390	567,733,196	5,135,946,590	5,923,627,100	86.70%	12.18	13.01	12.27
2013	4,547,193,970	295,165,012	159,699,918	111,716,260	566,581,190	5,113,775,160	5,580,515,200	91.64%	12.62	13.48	12.72
2014	4,586,013,382	306,863,592	162,999,426	108,314,630	578,177,648	5,164,191,030	5,580,515,200	92.54%	12.98	13.86	13.08
2015	4,742,958,563	309,327,365	165,566,272	110,008,000	584,901,637	5,327,860,200	5,495,341,100	96.95%	13.65	14.58	13.75
2016	4,952,400,301	312,996,766	161,739,833	109,622,320	584,358,919	5,536,759,220	5,495,341,100	100.75%	13.61	14.53	13.71
2017	5,325,464,096	328,422,330	164,154,274	112,471,660	605,048,264	5,930,512,360	6,026,476,200	98.41%	13.19	13.63	13.23
2018	5,632,515,602	351,927,798	171,493,100	111,463,650	634,884,548	6,267,400,150	6,026,476,200	104.00%	12.93	13.36	12.97

Source: Official Statements, State Division of Local Services

Note: All property in the Commonwealth of Massachusetts is assessed at 100% of full and fair cash value. The State estimates this "equalized valuation" for all municipalities every two years. Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the City. The primary limitation is that the tax levy cannot exceed 2 1/2% of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2%, subject to an exception for property added to the tax rolls and for certain valuation increases. This secondary limit may be exceeded in any fiscal year by majority approval of the voters, however, it cannot exceed the primary limitation.

PRINCIPAL TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Nature of Business	2018			2009		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Massachusetts Electric Co.	Utility	\$ 47,530,440	1	0.76%	\$ 37,053,770	1	0.65%
Boston Gas Co.	Utility	27,163,090	2	0.43%	13,111,730	7	0.23%
Varian Semiconductor Equipment	Semiconductors	22,590,510	3	0.36%	23,291,000	2	0.41%
Beauport Gloucester LLC	Hotel	22,560,500	4	0.36%			
ART Mortgage Borrower Propco	Freezer Storage	20,964,500	5	0.33%			
Gloucester Commons LLC	Retail Shopping Center	16,603,400	6	0.26%			
NGP Gloucester Mall	Office Building	13,956,500	7	0.22%			
Blackburn Center LLC	Real Estate	13,920,900	8	0.22%	12,804,000	8	0.23%
Gorton's Inc.	Fish Processing	13,442,500	9	0.21%	11,419,500	9	0.20%
Heights at Cape Ann II LLC	Residential	12,600,200	10	0.20%	14,910,200	5	0.26%
Americold Real Estate LP	Freezer Storage			0.00%	21,751,420	3	0.38%
Verizon New England	Utility			0.00%	15,769,400	4	0.28%
Traves William Hetux TRS	Real Estate			0.00%	14,543,600	6	0.26%
Lamson Katherine Et al TRS	Real Estate			0.00%	10,158,700	10	0.18%
		<u>\$ 211,332,540</u>		<u>3.37%</u>	<u>\$ 174,813,320</u>		<u>3.08%</u>

Source: Official Statements

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Tax Levy			Collections				Percent of Total Tax Collections to Net Tax Levy
	Total Tax Levy	Less Abatements & Exemptions	Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	
2009	\$ 54,826,606	\$ 310,828	\$ 54,515,778	\$ 53,013,298	97.24%	\$ 973,088	\$ 53,986,386	99.03%
2010	56,847,363	451,068	56,396,295	54,898,487	97.34%	1,204,210	56,102,697	99.48%
2011	60,243,937	399,096	59,844,841	58,328,499	97.47%	1,147,706	59,476,205	99.38%
2012	63,027,048	400,000	62,627,048	61,592,946	98.35%	616,850	62,209,796	99.33%
2013	65,023,102	407,466	64,615,636	64,197,240	99.35%	418,396	64,615,636	100.00%
2014	67,539,996	429,928	67,110,068	66,264,173	98.74%	315,703	66,579,876	99.21%
2015	73,269,250	390,273	72,878,977	71,883,521	98.63%	613,011	72,496,532	99.48%
2016	75,892,903	390,222	75,502,681	74,541,095	98.73%	531,160	75,072,255	99.43%
2017	78,489,679	384,430	78,105,249	77,197,819	98.84%	533,988	77,731,807	99.52%
2018	81,310,484	429,019	80,881,465	79,715,323	98.56%	-	79,715,323	98.56%

Source: Accounting Records

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business-type Activities		Total Outstanding Debt	Personal Income	Percentage of Personal Income	U.S Census Population	Debt Per Capita
	General Obligation Bonds (1)	Capital Leases	General Obligation Bonds (1)	Capital Leases					
2009	\$ 41,308,119	\$ 1,357,519	\$ 58,977,170	\$ -	\$ 101,642,808	\$ 774,837,435	13.12%	30,273	\$ 3,358
2010	40,791,109	1,147,973	54,896,641	-	96,835,723	984,698,956	9.83%	28,789	3,364
2011	37,649,007	-	75,494,570	-	113,143,577	984,698,956	11.49%	28,789	3,930
2012	36,004,156	-	82,518,560	-	118,522,716	984,698,956	12.04%	28,789	4,117
2013	39,995,863	-	100,698,530	-	140,694,393	984,698,956	14.29%	28,789	4,887
2014 (2)	34,044,661	-	114,368,318	-	148,412,979	984,698,956	15.07%	28,789	5,155
2015	30,160,252	-	107,383,369	-	137,543,621	984,698,956	13.97%	28,789	4,778
2016	37,638,307	957,729	101,664,935	-	140,260,971	984,698,956	14.24%	28,789	4,872
2017	41,821,740	971,175	95,905,590	460,428	139,158,933	984,698,956	14.13%	28,789	4,834
2018	47,586,810	965,641	100,978,631	312,770	149,843,852	984,698,956	15.22%	28,789	5,205

Source: U. S. Census, State Division of Local Services

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

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Obligation Bonds (1)</u>	<u>Less: Amounts Available (2)</u>	<u>Total</u>	<u>Assessed Value</u>	<u>Percentage of Assessed Value</u>	<u>U.S Census Population</u>	<u>Debt Per Capita</u>
2009	\$ 100,285,289	\$ (8,408,897)	\$ 91,876,392	\$ 5,674,893,000	1.62%	30,273	\$ 3,035
2010	95,687,750	(7,343,237)	88,344,513	5,381,431,000	1.64%	28,789	3,069
2011	113,143,577	(6,033,989)	107,109,588	5,288,079,920	2.03%	28,789	3,721
2012	118,522,716	(5,008,927)	113,513,789	5,135,946,590	2.21%	28,789	3,943
2013	140,694,393	(3,983,865)	136,710,528	5,113,775,160	2.67%	28,789	4,749
2014	148,412,979	(3,307,576)	145,105,403	5,164,191,030	2.81%	28,789	5,040
2015	137,543,621	(2,461,952)	135,081,669	5,327,860,200	2.54%	28,789	4,692
2016	139,303,242	(1,477,860)	137,825,382	5,536,759,220	2.49%	28,789	4,787
2017	137,727,330	(250,809)	137,476,521	5,930,512,360	2.32%	28,789	4,775
2018	148,565,441	(221,745)	148,343,696	6,267,400,150	2.37%	28,789	5,153

Source: U. S. Census, State Division of Local Services

- (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 and amounts restricted by state law for debt principal.

COMPUTATION OF LEGAL DEBT MARGIN

LAST TEN FISCAL YEARS

(Amounts in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Equalized Valuation.....	\$ 6,244,033	\$ 6,244,033	\$ 5,923,627	\$ 5,923,627	\$ 5,580,515	\$ 5,580,515	\$ 5,495,341	5,495,341	6,026,476	6,026,476
Debt Limit.....	312,202	312,202	296,181	296,181	279,026	279,026	274,767	274,767	301,324	301,324
Outstanding general obligation bonds.....	100,285	95,688	113,144	118,523	140,694	148,413	137,544	139,303	137,727	148,565
Authorized and unissued debt.....	57,521	74,283	68,798	27,612	16,188	57,026	35,344	13,161	17,306	21,299
Debt not applicable to debt limit.....	(59,666)	(54,017)	(58,257)	(58,667)	(56,303)	(52,093)	(62,131)	(56,205)	(67,451)	(72,300)
Legal debt margin.....	<u>\$ 214,062</u>	<u>\$ 196,248</u>	<u>\$ 172,496</u>	<u>\$ 208,713</u>	<u>\$ 178,447</u>	<u>\$ 125,680</u>	<u>\$ 164,010</u>	<u>\$ 178,508</u>	<u>\$ 213,742</u>	<u>\$ 203,760</u>
Total debt applicable to the limit as a percentage of debt limit.....	31.43%	37.14%	41.76%	29.53%	36.05%	54.96%	40.31%	35.03%	29.07%	32.38%

Source: State Division of Local Services, Accounting Records

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF JUNE 30, 2018

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Essex North Shore Agricultural and Technical School District.....	\$ 29,035,000	9.970%	<u>\$ 2,894,790</u>
Subtotal, overlapping debt.....			2,894,790
City direct debt.....			<u>48,552,451</u>
Total direct and overlapping debt.....			<u><u>\$ 51,447,241</u></u>

Source: Official Statements, Accounting Records

Note: The estimated percentage applicable is determined based on the City's weighted percentage of the total member municipalities of the school district as provided in its agreements.

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2009	30,273	\$ 774,837,435	\$ 25,595	40.1	3,426	9.90%
2010	28,789	984,698,956	34,204	46.4	3,246	10.00%
2011	28,789	984,698,956	34,204	46.4	3,098	8.70%
2012	28,789	984,698,956	34,204	46.4	3,067	7.80%
2013	28,789	984,698,956	34,204	46.4	3,078	8.60%
2014	28,789	984,698,956	34,204	46.4	2,863	7.60%
2015	28,789	984,698,956	34,204	46.4	2,986	6.60%
2016	28,789	984,698,956	34,204	46.4	2,930	4.30%
2017	28,789	984,698,956	34,204	46.4	2,904	5.10%
2018	28,789	984,698,956	34,204	46.4	2,930	3.70%

Source: U. S. Census, Division of Local Services, Massachusetts
 Department of Elementary and Secondary Education.
 Median age is based on most recent census data.

PRINCIPAL EMPLOYERS (EXCLUDING CITY)

CURRENT YEAR AND NINE YEARS AGO

Employer	Nature of Business	2018			2009		
		Approximate Number of Employees	Rank	Percentage of Total City Employment	Approximate Number of Employees	Rank	Percentage of Total City Employment
Varian Semiconductor Equipment	Semiconductors	500-999	1	6.66%	909	1	6.01%
Addision Gilbert Hospital	Hospital	250-500	2	3.34%	363	3	2.40%
Seaport Grille	Food Industry	250-500	3	3.34%			
Action Inc.	Human Services	100-249	4	1.66%			
Applied Materials Inc.	Semiconductors	100-249	5	1.66%			
Bomco Inc.	Metal Forming	100-249	6	1.66%	87	10	0.58%
Gloucester Engineering Co Inc.	Engineering	100-249	7	1.66%			
Head Start-Emerson	Day Care	100-249	8	1.66%			
North Shore Prenatal	Nursing	100-249	9	1.66%			
Pathways for Children	Day Care	100-249	10	1.66%			
Gorton's	Seafood processing				424	2	2.80%
Battenfeld Gloucester Engineering	Manufacturing				235	4	1.55%
Shaw's Sipermarkets	Supermarkets				223	5	1.48%
Seacoast Nursing & Retirement	Nursing home				165	6	1.09%
Stop & Shop Supermarkets	Supermarkets				148	7	0.98%
ITT Industries-Rule Industries	Marine and special hardware				134	8	0.89%
First Boston Pharma	Manufacturing				128	9	0.85%

Source: Official Statements

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

<u>Function</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General government.....	41	42	38	42	44	44	42	41	44	48
Public safety.....	150	155	153	154	152	153	155	155	159	165
Education.....	704	704	650	652	663	665	652	659	663	679
Public works.....	27	28	65	65	67	63	62	65	69	70
Health and human services.....	15	15	14	13	13	13	14	13	13	12
Culture and recreation.....	18	18	16	17	17	17	17	17	17	16
Sub-total	955	961	936	942	955	954	941	950	964	990
Water, sewer, waterways and rink.....	39	40	36	37	36	35	36	37	31	29
Total City employees.....	<u>994</u>	<u>1,001</u>	<u>972</u>	<u>979</u>	<u>992</u>	<u>989</u>	<u>978</u>	<u>986</u>	<u>995</u>	<u>1,019</u>

Source: City personnel records

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government:										
City Clerk										
Registered voters.....	13,466	13,961	14,381	15,706	16,386	17,189	18,130	20,487	21,529	21,966
Public Safety:										
Police										
Criminal offenses										
Homicide.....	-	-	-	-	-	-	-	-	-	-
Rape.....	2	3	6	4	9	4	2	4	5	9
Robbery.....	7	4	1	1	1	6	6	4	5	4
Aggravated assault.....	21	28	15	23	13	12	23	16	28	22
Burglary.....	29	26	32	20	23	21	23	22	27	34
Larceny.....	41	39	24	32	31	37	21	22	33	56
Motor vehicle theft.....	5	4	5	4	5	13	16	15	8	10
Total criminal offenses.....	105	104	83	84	82	93	91	83	106	135
Adult arrests.....	418	530	448	585	554	854	979	867	473	355
Juvenile arrests.....	12	26	29	15	21	63	57	59	22	5
Incident reports.....	3,578	3,735	3,570	4,020	4,336	2,924	2,815	2,711	7,875	9,518
Citations issued.....	932	992	1,160	1,870	1,968	1,529	2,613	1,776	1,193	844
Fire										
Incidents										
Fires.....	622	699	633	739	678	647	733	719	694	761
Non-fire incidents.....	4,047	4,539	3,950	3,830	3,953	4,149	4,347	4,350	4,636	4,752
Total fire calls.....	4,669	5,238	4,583	4,569	4,631	4,796	5,080	5,069	5,330	5,513
Inspectional Services										
Number of Building permits	881	793	1,087	1,028	1,124	1,125	1,451	1,348	1,293	2,618
Estimated dollar value of new construction	41,595,612	41,545,301	50,727,409	61,070,820	51,451,437	100,741,631	62,860,739	57,208,759	64,140,373	70,442,400
Education:										
Number of students.....	3,426	3,246	3,098	3,067	3,078	2,863	2,986	2,930	2,904	2,930
Public Works:										
Highway										
Roads paved (miles).....	1.20	0.90	1.30	6.30	0.80	2.20	1.40	0.69	1.10	1.00
Water										
Water mains replaced (miles).....	0.17	-	1.40	-	3.13	3.99	0.56	0.07	6.90	-
Sewer										
Sanitary sewers replaced (miles).....	-	0.49	0.44	0.44	-	0.29	0.77	0.15	1.40	-
Health and Human Services:										
Board of Health										
Permits issued										
Food permits.....	N/A	N/A	N/A	N/A	407	375	378	364	N/A	300
Other.....	N/A	N/A	N/A	N/A	589	593	846	850	N/A	651
Total permits.....	-	-	-	-	996	968	1,224	1,214	-	951
Culture and Recreation:										
Libraries										
Circulation.....	163,064	158,697	155,208	154,935	137,966	138,860	146,061	163,445	162,986	163,776
Holdings.....	134,999	136,940	139,313	144,754	153,305	148,865	136,044	121,627	112,491	720,488
Number of visits.....	155,682	154,763	152,485	151,771	142,252	135,078	73,948	160,419	233,569	244,579

N/A - Information not available at the current time.
Source: Various City Departments and State websites.

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government:										
Number of buildings.....	4	4	4	4	4	4	4	4	4	4
Public Safety:										
Police										
Number of stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of stations.....	4	4	4	4	4	4	4	4	4	4
Education:										
Number of Pre-K schools.....	1	1	1	1	1	-	-	-	-	-
Number of grade K - 8 schools.....	6	6	6	6	6	6	6	6	6	6
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works:										
Number of facility yards.....	1	1	1	1	1	1	1	1	1	1
Road miles (Public/Private).....	90/67	90/67	90/67	90/67	90/67	90/67	90/67	90/67	90/67	90/67
Water main lines (miles).....	133.0	133.0	133.0	133.0	133.0	133.0	133.0	133.0	133.0	133.0
Sewer main lines (miles).....	107.6	107.6	107.6	107.6	107.6	107.6	107.6	107.6	107.6	107.6
Number of cemeteries.....	15	15	15	15	15	15	15	15	15	15
Culture and Recreation:										
Number of senior centers.....	1	1	1	1	1	1	1	1	1	1
Number of public parks.....	14	14	14	14	14	14	14	14	14	14
Number of public beaches.....	5	5	5	5	5	5	5	5	5	5

Source: Various City Departments and State websites.

Known as one of the most active whaling centers in the late 18th to early 19th centuries, Gloucester has a history steeped in whaling that can be experienced up front through the many whale watching tours available throughout the tourist season.

