



**CITY OF GLOUCESTER, MASSACHUSETTS**

**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT**

**YEAR ENDED JUNE 30, 2019**

On the cover: A typical summer day on Stacy Boulevard. Each year between Memorial Day and Labor Day, American flags can be seen flying in memory of a loved one who served.

Photo credit: Michelle Williams



**Above:** Sunset at Corliss Landing on the Annisquam River. Not only is this a great kayaking spot it also provides spectacular scenery as can clearly be observed above.

**Photo credit:** Melissa Cox

**CITY OF GLOUCESTER,  
MASSACHUSETTS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2019

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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 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 YEAR ENDED JUNE 30, 2019**

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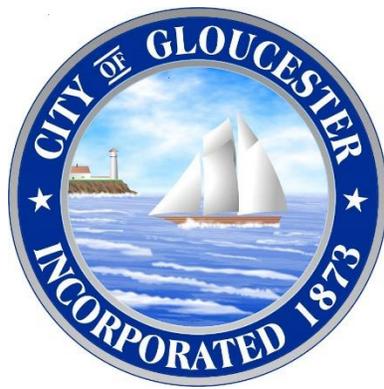
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# INTRODUCTORY SECTION



**Above:** Beautiful ocean view of the Schooner Adventure from Stage Fort Park, the historic site of Gloucester's first settlers in 1623. Today, the park is home to Half Moon and Cressy's beaches. The City's visitor center and welcoming center is also located at the historic park.

**Photo credit:** Melissa Cox



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## Letter of Transmittal

December 5, 2019

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

We are pleased to acknowledge that the City of Gloucester has completed its third 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, 2019; and we are proud to be one of only about 40 communities in Massachusetts to accomplish this. It is our goal to continue 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, 2019 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**

The past year has been one of progress and continued momentum for the City of Gloucester. Some of our most significant accomplishments did not come without great effort. We have succeeded with strategy, planning, and strong local, state, and community partnerships. Achieving our goals has required collaboration. We move Gloucester forward by doing what is responsible, smart and necessary for today, tomorrow, and years to come.



As stewards of City tax dollars, we are committed to working responsibly for you. Our financial position continues to get stronger. The monetary plans and policies that we have implemented have limited our debt, built up our reserves, and supported our capital planning. We are now well into our fifth 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 developed and implemented a long-term plan to address the needs of our City buildings. The recommendations that we have received are now the framework for a twenty-year facilities plan that we have already begun to roll-out. Our current financial position allows us to rely less on borrowing to fund capital projects.

A strong local economy benefits us all. 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. We continue to work to promote and stimulate economic development by leveraging grant opportunities for various initiatives; growing and expanding the Gloucester Fresh program; reinvigorating the Economic Development and Industrial Corporation; and identifying new growth opportunities such as recreational marijuana.

The City of Gloucester remains committed to addressing the need for affordable housing. With a Housing Production Plan approved by the Massachusetts Department of Housing and Community Development, the Planning Division has been working with a multi-member working group to develop zoning reforms that help to facilitate housing, to meet the growing needs of the community. Proposals will be considered in fiscal year 2020 and include the allowance of accessory apartments, as of right permitting for three family dwellings in certain districts, and the allowance of increased density in the Central Business district and train station area. We've also revamped our Affordable Housing Trust to support the creation, preservation, and maintenance of affordable housing in the City.

Climate change and coastal vulnerability remain challenges for our community. We have taken a proactive approach to advance smart growth policies contributing to both adapting to and alleviating the effects of climate change. We pursue projects to increase the resilience of our public infrastructure with work planned to protect some of our most vulnerable but critical assets including Gloucester High School, our pump stations and our sewage treatment plant.

The City of Gloucester is in the process of building a new state-of-the-art combined elementary school for Veterans and East Gloucester. The schools in our city are aging, and we now have the opportunity to give our children the tools that they can use to succeed. In the coming months we will continue the discussion on how this is the best decision for Gloucester residents, Gloucester parents and our wonderful community.

I would like to thank all of the City employees, the volunteer members of our boards and commissions, the School Committee and the City Council. We are an amazing team here in Gloucester and we are committed to moving Gloucester forward, together, every single day.

### 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 2019 was about 2,850; funding for schools is provided via taxation and intergovernmental revenues based on a minimum net school spending formula established under MGL Chapter 70 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. The current two-year term runs from January 1, 2018 to December 31, 2019. 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 under MGL 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.

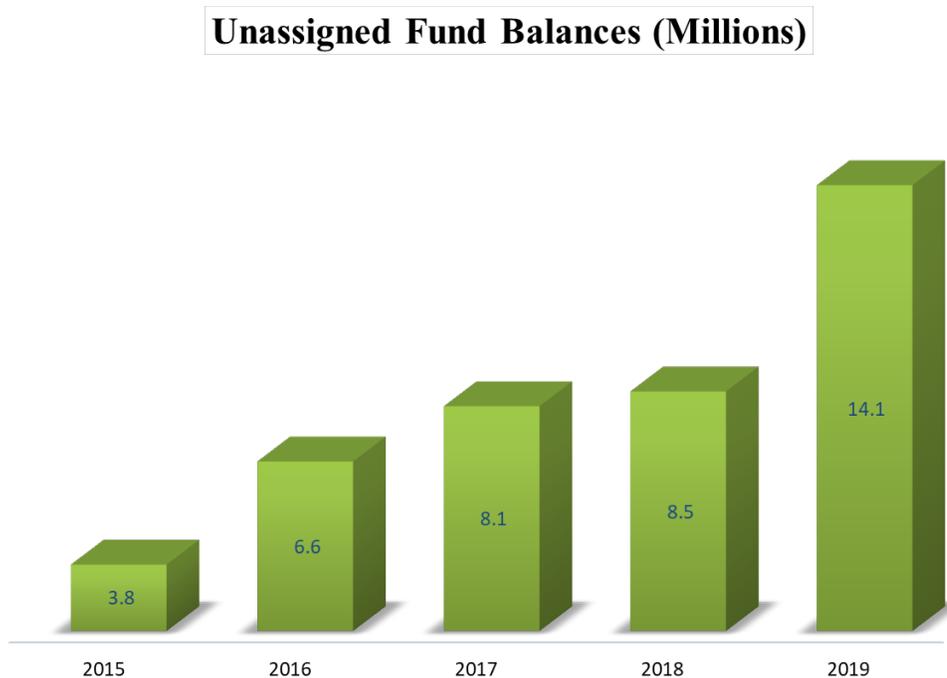
Calendar Year	# of Permits	Residential Value	Non-Residential Value	Total Value
2018	676	\$ 52,350,676	\$ 25,717,170	\$ 78,067,846
2017	1,290	36,052,044	23,885,554	59,937,598
2016	2,091	67,874,420	24,219,634	92,094,054
2015	1,451	47,023,054	15,837,685	62,860,739
2014	1,125	36,789,217	63,952,414	100,741,631
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	8,785	\$ 306,960,573	\$ 199,263,552	\$ 506,224,125

The table above on 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 four 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:

	2020	2021	2022	2023	2024
Real Estate and Personal Property Taxes	\$ 87,107,363	\$ 90,285,047	\$ 93,542,173	\$ 96,880,728	\$ 100,302,746
Intergovernmental Revenue - Local Aid	11,395,473	11,509,428	11,624,522	11,740,767	11,858,175
Local Receipts	13,657,009	13,793,579	13,931,515	14,070,830	14,211,538
Recurring transfers form 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
<b>Total Revenues</b>	<b>\$ 114,779,681</b>	<b>\$ 118,208,054</b>	<b>\$ 121,723,210</b>	<b>\$ 125,322,325</b>	<b>\$ 129,007,459</b>

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 the quality of life for Gloucester's citizens, promote and stimulate economic development, conserve natural resources, and strengthen the community's assets. The Department's goal is to make Gloucester a wonderful place to live, work, and play today and long into the future.

### *Fiscal Year 2019 Highlights*

- Applied for, secured, and administered over \$1,800,000 in grant funding;
- Continues to be proactive on issues related to coastal resiliency and the environment, securing grant funding to design solutions to protect some of our greatest assets including Gloucester High School and our water supply;
- Celebrated our 5<sup>th</sup> year featuring *Gloucester Fresh* seafood at the 2019 Seafood Expo North, resulting in over 350 new national and international business leads;
- Greeted and assisted over 10,000 visitors from 49 states as well as Washington, D.C., 7 Canadian Provinces, and 29 different countries at the Stage Fort Park Visitors Center;
- Provided support for more than 17 local nonprofit organizations with Community Development Block Grant and Community Preservation Act funds, investing over \$500,000 in our community.

## **The Planning Division**

The following summary outlines areas and concepts managed by the Planning Division in fiscal 2019. These initiatives were centered on the Administration's priorities related to housing, climate change and the environment, and economic development.

- Housing
- Climate Change and the Environment
  - Coastal Resiliency Projects
  - Municipal Vulnerability Preparedness Actions
  - Green Communities Projects
  - Community Electricity Aggregation Program
  - Home Energy Assessments
- Economic Development
  - Gloucester Marine Genomics Institute
  - Zoning for Adult use marijuana

## **Economic Development Division**

Gloucester is much more than 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 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 development efforts aim to ensure that 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 investments resulting in jobs, a healthy working waterfront, a vibrant downtown core, and thriving industrial parks.

## **Gloucester Fresh**



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**, by creating additional videos in partnership with 1623 Studios, website development and content creation for **Gloucesterfresh.com** and an increased presence at the largest seafood show in North America, Seafood Expo North America. 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.

### **Seafood Expo North America 2019**

Gloucester participated for the 5<sup>th</sup> consecutive year at the Seafood Expo North America. The Community Development Department led the planning and execution for the city's programming at the conference.

Some of the impacts of the event include:

- The 2019 Seafood Expo North America Led to Over 350 new business leads from 31 foreign countries and 30 US states for the Gloucester seafood industry;
- The *Gloucester Fresh* reception was hosted by Mayor Sefatia Romeo Theken and featured Governor Baker, Lt. Governor Polito, U.S. Representative Seth Moulton, and state Senate Minority Leader Bruce Tarr. The event attracted 100 business and seafood partners from over ten countries as well as local, national, and international media outlets;
- Two Gloucester companies grew out of the *Gloucester Fresh* pavilion this year and established their own pavilions on the new *Massachusetts Avenue*;
- The *Gloucester Fresh* social media campaign led to 19,000 target impressions from the seafood and business community at the Seafood Expo North America; and
- A follow up email newsletter was sent to 355 new contacts.



### **Massachusetts Lobstermen's Association and Gloucester Fresh Lobster Mobile Application**

Gloucester is the #1 landing port for lobster in Massachusetts. The City of Gloucester and Massachusetts Lobstermen's Association are partnering to launch a web application to connect seafood lovers with the best lobster in the country. This partnership will increase awareness of Massachusetts lobster, while also promoting lobstermen and the industry. This effort is supported by the Commonwealth's Seaport Economic Council.

### **First Annual Massachusetts Seafood Day**

On October 2nd, Mayor Romeo Theken, and city staff, joined the Massachusetts Fishing Partnership Support Services and the Division of Marine Fisheries to host the first Seafood Day at the Massachusetts State House. Massachusetts Seafood Day highlights the diversity of fish species caught and landed in Massachusetts, as well as, the economic benefits of the Massachusetts seafood industry. The City exhibited its *Gloucester Fresh* seafood marketing brand highlighting the seafood industry, the fishing community and the city. The hall was packed with hundreds of people including legislators and staff. Samples of fresh local fish was served to all who attended.

## Fisheries Commission

Mayor Romeo Theken recognized the critical role that fisheries play in the Gloucester economy and brought on a Fisheries Commission Director to support the Commission's efforts. The Fisheries Commission has been supporting the *Gloucester Fresh* program since its inception. They have actively recruited and voted to add new qualifying businesses, including restaurants, to the program. They have also been working in conjunction with the Massachusetts Fishing Partnership to bring hospitals and universities into the institutional buyers' program.

## Stage Fort Park Visitor's Center

The Stage Fort Park Visitor's Center plays an important role in welcoming visitors to Gloucester each season. This year more than 10,500 visitors received assistance from the Center's primarily volunteer staff. These visitors represented 49 states + DC, and 29 different countries. The electronic guest book software installed last year is making it possible for us to begin to analyze trends in our visitor-based economy. This data is shared with Discover Gloucester, the Tourism Commission, the Cape Ann Chamber of Commerce, and local businesses to help focus marketing efforts and identify issues to be addressed in the future.



In January 2018, Gloucester was selected by Essex National Heritage Commission to be one of nine informational kiosks sites in communities along the Essex Coastal Scenic Byway. The kiosk was permanently installed at the Welcome Center at Stage Fort Park in December of 2018.

The Byway is a state-designated route linking 14 coastal cities and towns from Lynn to Salisbury. These kiosks are a part of a wayfinding signage project that has been ongoing for over a decade with the goal of supporting a tourism-based economic initiative by showcasing the region's historic, cultural, and natural places.

## **Community Development Grants Administration Division**

The Community Development Grants Administration Division (Grants Division) pursues and administers grant funding that improves the quality of life for Gloucester residents. The Grants Division administered the Community Development Block Grant (CDBG), funded by the U.S. Department of Housing and Urban Development (HUD), the Affordable Housing Trust, and the Community Preservation Act. In fiscal year 2019, the total amount of funds administered by the Grants Division was \$2.5 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 safe and affordable housing, provide essential services, and 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 a Five Year 2015-2019 Consolidated Plan. These goals and strategies include increased affordable housing, provision of local economic opportunities, accessibility improvements to public facilities and infrastructure, and coordination and provision of public services. To achieve these goals, CDBG funds are distributed to the community through five different programs.

*Economic development loans* are offered to local small businesses in order to create or retain jobs and to micro-enterprise organizations (five or fewer employees) for a variety of uses, such as, technical assistance, equipment purchases, and training of employees. Loans are low interest, with a fiscal year 2019 rate of 2% APR, and are available to businesses that may not qualify for loans from traditional banking institutions.

*Our First Time Homebuyers, or down payment assistance, program* offers 0% interest, deferred payment loans to qualified low to moderate income households that are purchasing a home in Gloucester. Currently, applicants can receive assistance of up to \$10,000 for a down payment and closing costs.

Residents and landlords of properties located in Gloucester may also apply for our *Housing Rehabilitation Loan Program* to address health, safety, and code enforcement issues in their homes. Income qualified residents are eligible for up to \$25,000 towards the cost of repairs and improvements. These loans are also 0% interest and payment is deferred until the property is sold or the title is transferred. Properties assisted with CDBG funds are subject to an Affordable Housing Restriction and placed on the City's Subsidized Housing Inventory.

Public service organizations working in Gloucester apply annually through our competitive grant cycle to receive funding from our *Public Services Grant Program*. The amount of funding we can allocate for public services is limited by HUD, making it our most financially restricted category. Applicants must request funding to serve at least one of the needs outlined in our 5 Year Consolidated Plan and the Community Needs Assessment and must demonstrate how funds increase capacity rather than fund operating costs.

Funding allocated to the *Public Facilities and Infrastructure Improvements Program* is available to the City or local organizations requiring capital improvements to make their facilities compliant with the Americans with Disabilities Act and, therefore, are better able to serve the residents.

## **Fiscal Year 2019 Community Development Block Grant Division Accomplishments**

- Implementation of grant management software began in fiscal year 2019 with an anticipated “go live” date sometime in fiscal year 2020. This software will provide improved tracking of grants/loans from the point of application through closeout for the following four categories: First Time Homebuyers, Housing Rehabilitation, Public Services, and Economic Development.
- \$25,000 in CDBG funding was used to support Action Inc.’s Home Health Aid job training program resulting in the creation of two full time jobs.
- The Small Business Loan Program’s fiscal year 2018 investment in Cape Ann Fresh Foods resulted in the creation of two full times jobs during fiscal year 2019.
- Approximately \$86,400 in CDBG funds were used for ten public services projects that 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 Gloucester and included:
  - Cape Ann Art Haven Scholarship Program;
  - Gloucester Housing Authority - Cape Ann Homeownership Center;
  - Gloucester Boxing, Inc. Scholarship Program;
  - Domestic Violence Crisis Intervention & Prevention;
  - Pathways for Children, Inc. Enrichment Programs;
  - Backyard Growers Garden Bed Initiative;
  - Open Door Food Bank;
  - Wellspring, Inc. Adult Learning Initiative Program;
  - YMCA After-School Childcare Program; and
  - YMCA Youth Employment Program.
- Approximately \$243,000 supported the following public facilities projects: American with Disabilities Act (ADA) compliant street and sidewalk improvements to Duncan Street and School Street and ADA accessibility improvements at City Hall.
- \$25,875 in down payment assistance for First Time Home Buyers – three households assisted.
- Housing Rehab Assistance – two projects were completed at a cost of approximately \$33,000. The work included replacement of roofs, windows, and heating systems, electrical and plumbing repairs and resulted in the addition of six affordable housing restrictions on rental units. Staff changes and difficulty hiring a housing rehab specialist caused this program to be less active than in previous years. It is expected to be running at full capacity by January 2020.

## **Community Preservation Act (CPA)**

The Community Preservation Act (CPA) was approved by Gloucester voters in November 2008. The CPA creates a dedicated funding source that is financed by surcharge revenues and state matching funds for the purpose of preserving community housing, historical properties, open space, and recreation.

A nine-member Community Preservation Committee makes recommendations for the use of the funds to the City Council for its approval. During fiscal year 2019 the Community Preservation Committee made the following two off-cycle funding recommendations:

- \$120,000 to an Affordable Housing Project located at 15 Pearl Street that will result in the creation of four affordable housing rental units.
- \$30,000 to the renovation of the Avis Murray Tennis courts located on the Boulevard.

Round 9, fiscal year 2018 projects were approved for funding by City Council in fiscal year 2019 totaling \$301,800. Those projects are as follows:

- Annisquam Village Church – Accessibility improvements;
- The Sargent Murray Gilman Hough House Association - Sargent House Middle Street Façade preservation;
- Gloucester Meetinghouse Foundation - Gloucester Meetinghouse "Green Envelope" Project;
- Cape Ann Museum - White-Ellery House stabilization and preservation; and
- Magnolia Library Center, Inc. - Handicap accessibility improvements.

Round 10, fiscal year 2019 projects that are currently recommended for funding total in the amount of \$564,705 are:

- Hammond's Castle – Clerestory Restoration;
- Historic New England Beauport - Masonry and Palladian Window Restoration;
- Magnolia Historical Society - Schoolhouse Electrical Improvements;
- Ocean Alliance - Paint Factory ADA Bathroom Improvements;
- Stage Fort Park Advisory Committee - Parrot Rifle Restoration;
- Young Legends Street Hockey - Stage Fort Park Hockey Rink Conversion;
- Cape Ann YMCA - Camp Spindrift Improvements; and
- Cape Ann YMCA - New Y Splash Park.

### ***Outcomes***

The Community Development Department engages in every aspect of community life in Gloucester. The Department's successes help make Gloucester a wonderful place to live, work, and play. The staff works hard to improve the quality of life for all residents, businesses, and visitors alike. Each year, the Department works diligently to build upon the success of previous years with new and continuing initiatives.

### **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.
- Improvements to the Gloucester Harbormaster facilities and establishing a visiting boater center.

### **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, 2018.

This was the second 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**

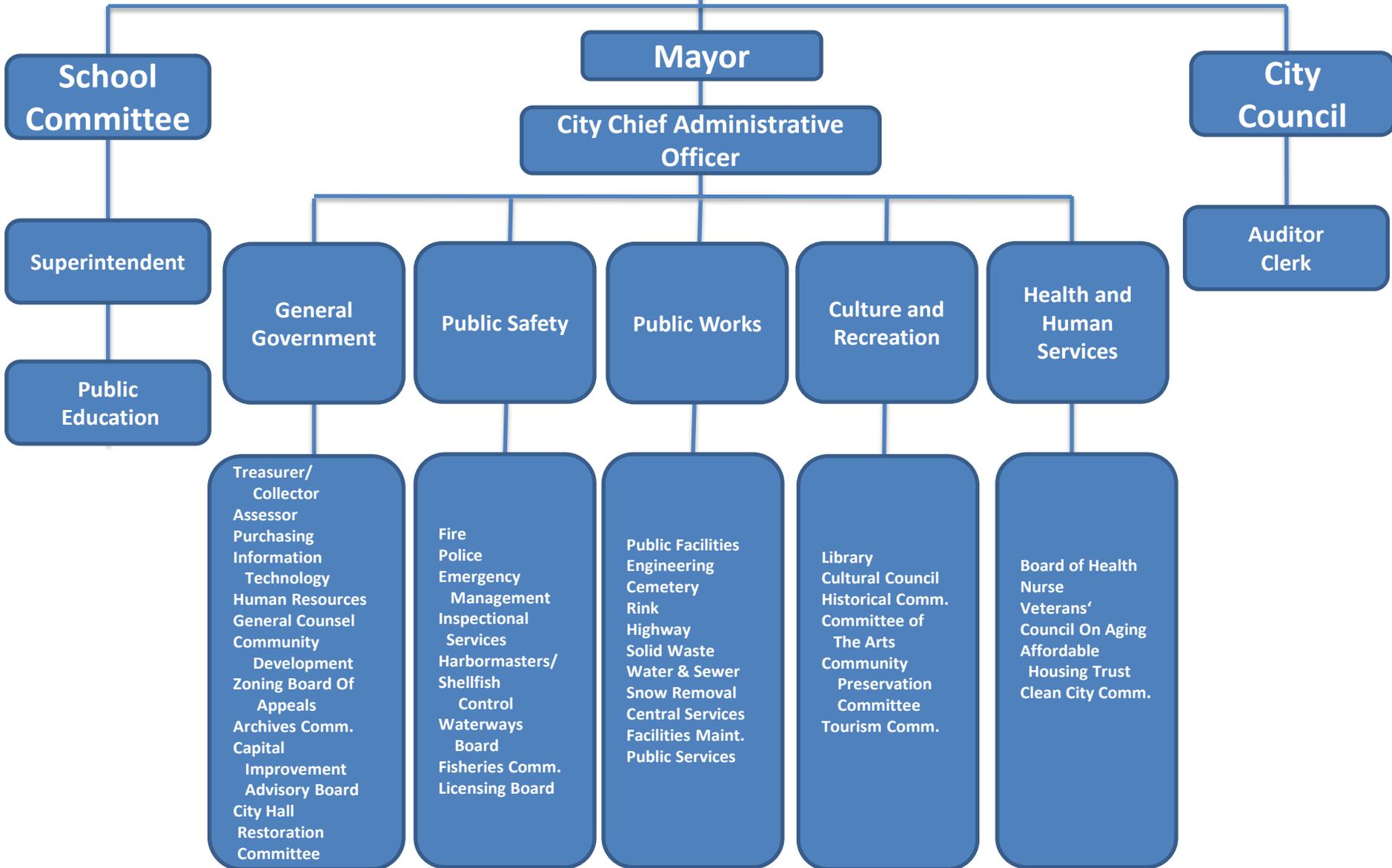
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*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



**Above:** The Seine Boat races take place during the annual St. Peter's Fiesta, a five-day event honoring St. Peter, the patron saint of fishermen. Three boats, the Nina, Pinta and Santa Maria are operated by twelve member crews

**Photo credit:** Melissa 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents, (except for the Gloucester Contributory Retirement System, (the "System" or "Retirement System") which is as of December 31, 2018). 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, 2019, (except for the System which is as of December 31, 2018) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Restatement of Prior Year Ending Balances**

As more fully described in Note IV, a restatement of prior year ending net position balances was made to the City's major funds. 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 5, 2019, 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 5, 2019



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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, 2019.

### **Financial Highlights**

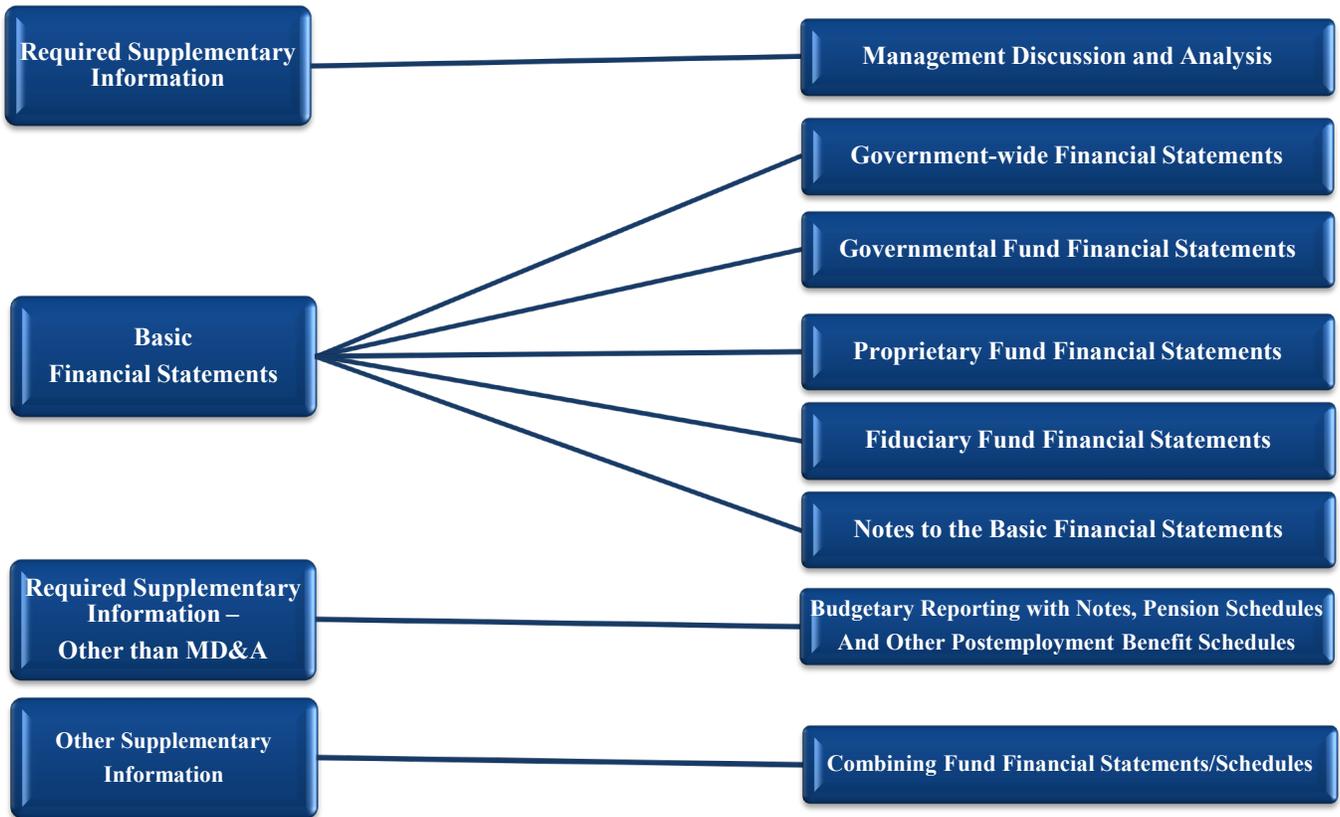
- The liabilities and deferred inflows of financial resources exceeded the City's assets and deferred outflows of financial resources at the close of the most recent fiscal year resulting in a deficit of over \$60.3 million (*total net position*).
- The government's total net position decreased by about \$9.5 million. This consisted mainly of a decrease in governmental activities' net position by over \$9.3 million as results of operations of the business - type activities were essentially flat with the prior year.
- The City's Unassigned Fund Balance reported in the General Fund was over \$14.1 million (12.7% of General Fund expenditures). Total Fund Balance in the General Fund was almost \$16.9 million (15.1% of General Fund expenditures).
- The City ended the year with over \$51.4 million in long-term outstanding debt of its governmental activities and almost \$103.8 million in long-term outstanding debt of its business-type activities. These outstanding balances include unamortized bond premiums.
- The City ended the year with over \$5.1 million in short-term outstanding debt of its governmental activities and about \$2.2 million in short-term outstanding debt of its business-type activities.
- The City's total debt increased by over \$6.6 million; detail of this increase is discussed under the capital asset and debt caption of this report.
- The City's cash equivalents and investments in aggregate increased to \$42 million from \$36.8 million in the prior year. This was primarily related to increases in debt and the sale of real property of about \$4.1 million.
- 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.
- The Gloucester Contributory Retirement System is a legally separate entity blended as a fiduciary fund because it services almost entirely the City and its omission would be misleading.

### **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 presented 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 \$60.3 million.

Condensed net position data is presented as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b><u>Assets</u></b>						
Current and other assets	\$ 46,262,780	\$ 39,474,216	\$ 23,993,336	\$ 23,031,909	\$ 70,256,116	\$ 62,506,125
Capital assets, net	135,303,148	137,561,938	209,580,165	206,740,879	344,883,313	344,302,817
<b>Total assets</b>	<b>181,565,928</b>	<b>177,036,154</b>	<b>233,573,501</b>	<b>229,772,788</b>	<b>415,139,429</b>	<b>406,808,942</b>
<b>Deferred outflows of resources</b>	<b>25,423,088</b>	<b>18,970,266</b>	<b>2,637,670</b>	<b>1,968,185</b>	<b>28,060,758</b>	<b>20,938,451</b>
<b><u>Liabilities</u></b>						
Long-term liabilities	342,446,415	311,456,930	133,796,720	128,324,927	476,243,135	439,781,857
Other liabilities	11,175,466	16,058,933	4,401,536	4,489,555	15,577,002	20,548,488
<b>Total liabilities</b>	<b>353,621,881</b>	<b>327,515,863</b>	<b>138,198,256</b>	<b>132,814,482</b>	<b>491,820,137</b>	<b>460,330,345</b>
<b>Deferred inflows of resources</b>	<b>10,720,444</b>	<b>16,506,181</b>	<b>979,321</b>	<b>1,712,534</b>	<b>11,699,765</b>	<b>18,218,715</b>
<b><u>Net Position</u></b>						
Net investment in capital assets	83,515,738	87,174,155	109,380,754	106,011,231	192,896,492	193,185,386
Restricted	15,857,729	14,970,493	7,372,331	7,348,753	23,230,060	22,319,246
Unrestricted	(256,726,776)	(250,160,272)	(19,719,491)	(16,146,027)	(276,446,267)	(266,306,299)
<b>Total Net Position</b>	<b>\$ (157,353,309)</b>	<b>\$ (148,015,624)</b>	<b>\$ 97,033,594</b>	<b>\$ 97,213,957</b>	<b>\$ (60,319,715)</b>	<b>\$ (50,801,667)</b>

By far, the largest portion (nearly \$192.9 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 (\$23.2 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 \$276.4 million. A deficit of about \$256.7 million is reported in governmental activities and a deficit of \$19.7 million is reported in Business-type activities. The implementation of GASB 68 and GASB 75 related to net pension and OPEB liabilities are the primary contributors to this deficit as these liabilities are significant. These deficits are expected to increase in the future unless the City adopts more aggressive funding schedules.

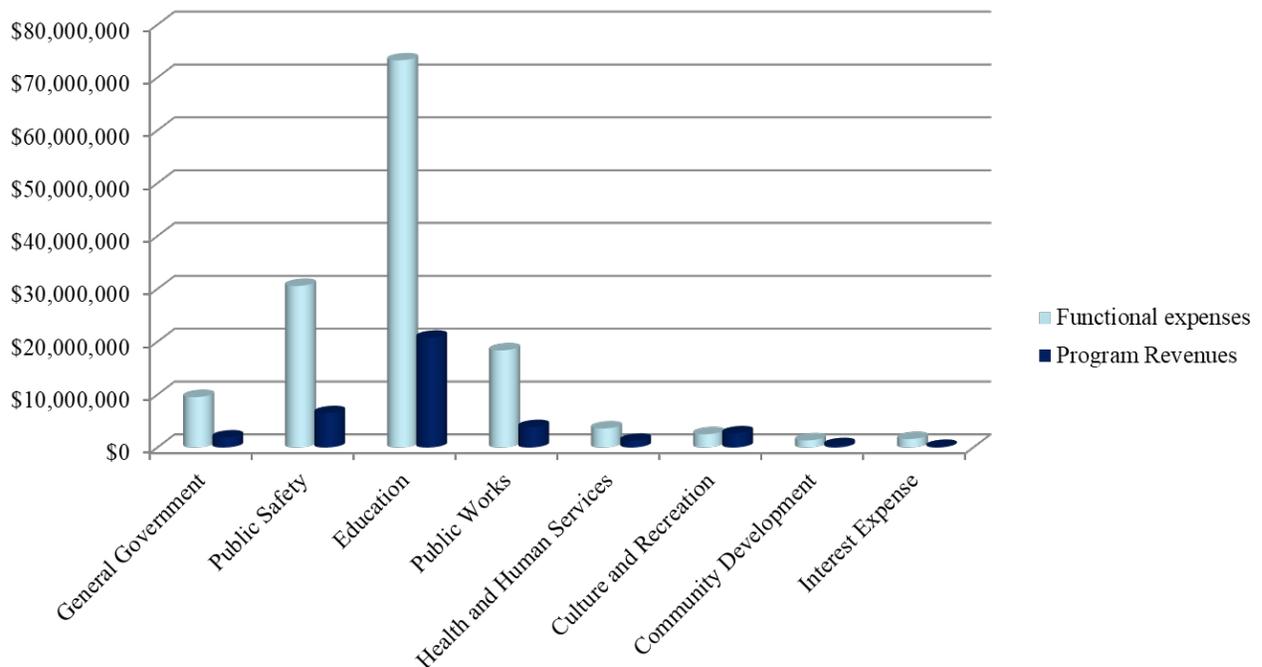
Condensed changes in net position are presented as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b><u>Revenues</u></b>						
Program revenues:						
Charges for services	\$ 12,284,422	\$ 11,498,594	\$ 15,078,094	\$ 15,020,765	\$ 27,362,516	\$ 26,519,359
Operating grants and contributions	21,508,203	22,197,551	138,939	-	21,647,142	22,197,551
Capital grants and contributions	3,875,792	3,311,053	533,449	1,048,598	4,409,241	4,359,651
General revenues:						
Property taxes	84,569,085	81,723,772	-	-	84,569,085	81,723,772
Unrestricted grants and	4,150,452	4,008,749	-	-	4,150,452	4,008,749
Other	10,180,054	5,786,027	-	-	10,180,054	5,786,027
<b>Total Revenues</b>	<b>136,568,008</b>	<b>128,525,746</b>	<b>15,750,482</b>	<b>16,069,363</b>	<b>152,318,490</b>	<b>144,595,109</b>
<b><u>Expenses</u></b>						
General government	9,542,071	8,886,949	-	-	9,542,071	8,886,949
Public safety	30,578,634	27,838,983	-	-	30,578,634	27,838,983
Education	73,271,241	67,183,136	-	-	73,271,241	67,183,136
Public works	18,377,820	18,674,392	-	-	18,377,820	18,674,392
Health and human services	3,599,903	3,468,254	-	-	3,599,903	3,468,254
Culture and recreation	2,503,980	1,963,264	-	-	2,503,980	1,963,264
Community development	1,349,645	958,622	-	-	1,349,645	958,622
Debt service	1,603,797	1,437,447	-	-	1,603,797	1,437,447
Water	-	-	8,275,458	8,071,332	8,275,458	8,071,332
Sewer	-	-	11,731,064	12,066,008	11,731,064	12,066,008
Waterways	-	-	617,934	594,448	617,934	594,448
Rink	-	-	384,991	377,209	384,991	377,209
<b>Total Expenses</b>	<b>140,827,091</b>	<b>130,411,047</b>	<b>21,009,447</b>	<b>21,108,997</b>	<b>161,836,538</b>	<b>151,520,044</b>
Change in net position before	(4,259,083)	(1,885,301)	(5,258,965)	(5,039,634)	(9,518,048)	(6,924,935)
Transfers	(5,078,602)	(5,023,361)	5,078,602	5,023,361	-	-
Change in net position	(9,337,685)	(6,908,662)	(180,363)	(16,273)	(9,518,048)	(6,924,935)
Net position, beginning of year	(148,015,624)	(48,021,433)	97,213,957	111,763,156	(50,801,667)	63,741,723
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, beginning of year, as restated	(148,015,624)	(141,106,962)	97,213,957	97,230,230	(50,801,667)	(43,876,732)
Net position, end of year	<b>\$ (157,353,309)</b>	<b>\$ (148,015,624)</b>	<b>\$ 97,033,594</b>	<b>\$ 97,213,957</b>	<b>\$ (60,319,715)</b>	<b>\$ (50,801,667)</b>

**Governmental Activities** – The governmental activities decreased net position by over \$9.3 million as compared to a decrease in the prior year of over \$6.9 million. The primary reason was higher benefit costs allocated to functional items; these were mostly non-cash items related to GASB 68 and GASB 75, and greater depreciation costs due to more facilities coming online.

The fluctuations are discussed below.

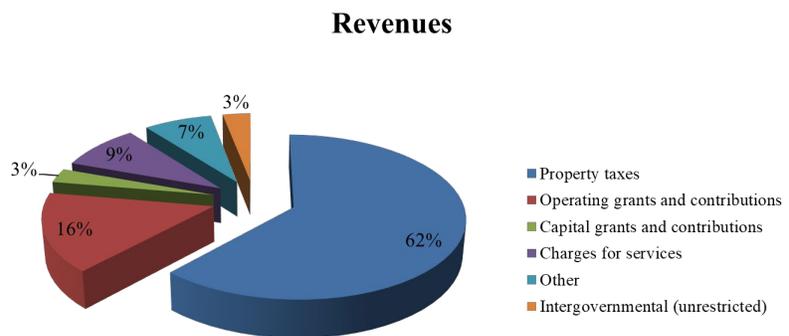
Fiscal year 2019 Expenses and Program Revenues – governmental activities are graphically presented as follows:



**Major revenue sources of governmental activities consist of revenue from:**

(1) Operating grants which comprised approximately 15.7% 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 61.9% of total revenues increased by over \$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



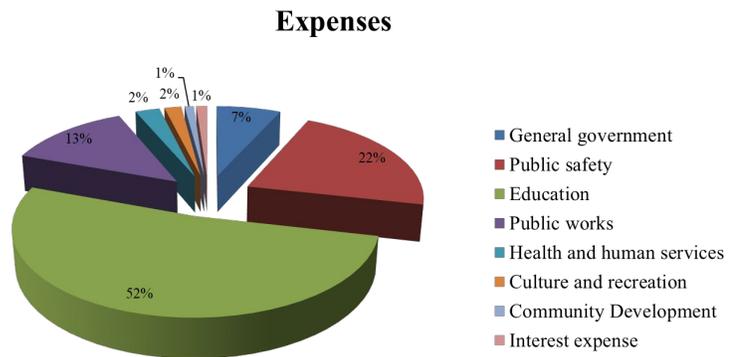
any exclusions authorized by the voters in excess of the statutory limit. As a result, this increase met its expectation.

(3) Other revenues which represents a modest amount of total revenues increased by \$4.4 million, the majority of which was a gain on sale of real property.

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 52% of total disbursements related to education. Amounts were almost \$6.1 million greater than the prior year. This increase consisted of an increase in benefit costs allocated to this functional expense, salaries per collective bargaining agreements, depreciation due to more large facilities coming on-line, maintenance and general cost of living increases. A greater amount of the prior year maintenance qualified as assets and was capitalized.



(2) Public Works expenses represented 13.0% of total expenses. Amounts were consistent with the prior year as the increase in benefits allocation to this functional expense category were offset by better than expected operating results due to a less severe winter season.

(3) Public Safety expenses represented 21.7% of total expenses; the \$2.7 million increase over the prior year was mainly due to a greater amount of benefits being allocated to this functional expense category.

All other expenses were less than 10% of total expenses and their individual increases were isolated to benefit allocations increasing, as well as general cost of living factors.

**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 \$27.7 million; this increased over the prior fiscal year by almost \$10.3 million. This was primarily due to three factors; (1) a bond issuance in the capital project fund of almost \$7.6 million, which was used to refinance previously issued short-term debt; (2) reimbursements from the Massachusetts School Building Authority of over \$2.4 million for eligible school construction costs recorded in the capital projects fund; and (3) proceeds from the sale of an old school of about \$4.0 million that was recorded as revenue in the stabilization fund which is categorized as general fund under GASB 54. These revenues were offset by capital expenditures in the capital projects fund of about \$3.4 million. This accounts for the majority of this fluctuation as the remaining operations reflected revenues offsetting expenditures, or flat to the prior year.

The City's Unassigned Fund Balance reported in the General Fund was approximately \$14.1 million (12.7% of General Fund expenditures). Total Fund Balance in the General Fund was approximately \$16.9 million (15.1% of General Fund expenditures). The City reported a Restricted Fund Balance of \$0.2 million restricted for debt service in the General Fund and \$1.1 million in its Capital Projects Fund restricted for capital projects. In addition to the restricted amounts, approximately \$4.8 million in combined unassigned deficits were reported in the City's Capital Projects Fund and Nonmajor funds. The remaining fund balances are reported as part of Combined Nonmajor Fund Balances and are classified as restricted due to constraints placed externally by third parties in the amount of approximately \$14.6 million.

**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 \$103.8 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, 2018 the net position decreased by approximately \$3.6 million due primarily to market conditions during that calendar year.

The City also includes a minor amount in Other Postemployment Benefits that is combined with the Retirement System in the fiduciary funds. This increased by almost \$0.1 million as contributions exceeded benefits combined with minor investment earnings.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were not significant (almost negligible).

Revenues beat forecasts in several areas including motor vehicle excise, hotel excise, meals excise, permits and licenses. This amount was almost \$1.8 million. This was primarily due to robust economic conditions in the northeast. Expenditures were for the most part on budget individually, with many small favorable variances that amount to about \$0.9 million. The City continues to be budget conscious and uses effective cost controls including strong procurement.

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

## **Capital Asset and Debt Administration**

**Capital Assets** – The City’s investment in capital assets for its governmental and business type activities as of June 30, 2019 amounts to approximately \$344.9 million (net of accumulated depreciation), an increase from the previous year’s balance of approximately \$0.6 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 \$155.2 million. The entire amount comprises debt backed by the full faith and credit of the government.

The City’s total debt increased by over \$6.6 million during the fiscal year summarized as follows:

Additions:	
Governmental Activities	\$ 7,552,500
Business-Type Activities	10,527,794
Regular Scheduled Maturities:	
Governmental Activities	(3,710,316)
Business-Type Activities	(7,979,828)
Bond Premiums Received:	
Governmental Activities	191,339
Business-Type Activities	361,255
Amortization of Bond Premium	
Governmental Activities	(194,876)
Business-Type Activities	(108,433)
	<u>\$ 6,639,435</u>

Bond anticipation note payable balances outstanding at year-end amount to over \$7.3 million and relate to the following projects:

School construction/improv	\$ 2,179,250
Roadways	294,500
Dam remodeling	800,000
Seawall and breakwater	1,275,000
Departmental and building	418,000
Septic betterments	170,750
Water	96,500
Sewer	2,111,541
	<u>\$ 7,345,541</u>

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 \$337.3 million, which is significantly in excess of the City's outstanding general obligation debt classified as inside the debt limit.

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

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

### **Economic Factors and Next Year's Budget and Rates**

- Consistent with both State and National work force trends, and robust economic conditions, 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 90.3% 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 2020. The budget was adopted in June of 2019 and the City's tax rate was certified on December 3, 2019.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or 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, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Gloucester Lyceum and Sawyer Free Library, Inc.
<b>Assets</b>				
Cash and cash equivalents	\$ 31,139,234	\$ 9,728,778	\$ 40,868,012	\$ 308,993
Investments	1,131,862	-	1,131,862	6,073,929
Receivables, net:				
Property taxes	1,733,486	-	1,733,486	-
Tax liens and deferrals	1,809,404	-	1,809,404	-
User fees	-	5,854,938	5,854,938	-
Betterments	-	5,114,074	5,114,074	-
Departmental and other	2,589,502	73,343	2,662,845	-
Intergovernmental	2,358,822	3,222,203	5,581,025	-
Loans	5,010,440	-	5,010,440	-
Tax foreclosures	490,030	-	490,030	-
Capital assets not being depreciated	24,579,875	19,029,005	43,608,880	433,928
Capital assets, net of accumulated depreciation	110,723,273	190,551,160	301,274,433	2,680,415
<b>Total Assets</b>	<b>181,565,928</b>	<b>233,573,501</b>	<b>415,139,429</b>	<b>9,497,265</b>
<b>Deferred Outflows of Resources</b>				
Related to net other postemployment benefit liability	15,255,248	1,582,747	16,837,995	-
Related to net pension liability	10,167,840	1,054,923	11,222,763	-
<b>Total Deferred Outflows of Resources</b>	<b>25,423,088</b>	<b>2,637,670</b>	<b>28,060,758</b>	<b>-</b>
<b>Liabilities</b>				
Warrants and accounts payable	187,376	933,586	1,120,962	22,118
Accrued payroll and withholdings	4,634,000	107,613	4,741,613	-
Retainage payable	-	-	-	-
Tax refunds payable	111,547	-	111,547	-
Accrued interest	864,913	974,233	1,839,146	-
Other liabilities	240,130	178,063	418,193	-
Bond anticipation notes payable	5,137,500	2,208,041	7,345,541	-
Noncurrent liabilities:				
Due within one year	4,589,105	8,415,353	13,004,458	-
Due in more than one year	337,857,310	125,381,367	463,238,677	-
<b>Total Liabilities</b>	<b>353,621,881</b>	<b>138,198,256</b>	<b>491,820,137</b>	<b>22,118</b>
<b>Deferred Inflows of Resources</b>				
Related to net other postemployment benefit liability	9,091,516	943,254	10,034,770	-
Related to net pension liability	347,633	36,067	383,700	-
Taxes paid in advance	1,281,295	-	1,281,295	-
<b>Total Deferred Inflows of Resources</b>	<b>10,720,444</b>	<b>979,321</b>	<b>11,699,765</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	83,515,738	109,380,754	192,896,492	3,114,343
Restricted for:				
Expendable permanent funds	1,614,509	-	1,614,509	-
Debt service	194,834	7,372,331	7,567,165	-
Community preservation	1,835,405	-	1,835,405	-
Federal and State grants	2,028,256	-	2,028,256	-
Loans	5,010,440	-	5,010,440	-
Gift funds	1,450,900	-	1,450,900	-
Other specific purposes	3,723,385	-	3,723,385	3,343,539
Unrestricted	(256,726,776)	(19,719,491)	(276,446,267)	3,017,265
<b>Total Net Position</b>	<b>\$ (157,353,309)</b>	<b>\$ 97,033,594</b>	<b>\$ (60,319,715)</b>	<b>\$ 9,475,147</b>

See accompanying notes to basic financial statements.

CITY OF GLOUCESTER, MASSACHUSETTS

STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2019

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	
<b>Primary government:</b>								
<b>Governmental activities:</b>								
General government	\$ 9,542,071	\$ 1,484,625	\$ 424,053	\$ -	\$ (7,633,393)		\$ (7,633,393)	
Public safety	30,578,634	5,474,337	491,301	542,273	(24,070,723)		(24,070,723)	
Education	73,271,241	1,123,399	19,005,501	663,685	(52,478,656)		(52,478,656)	
Public works	18,377,820	1,260,274	144,493	2,470,907	(14,502,146)		(14,502,146)	
Health and human services	3,599,903	402,632	891,357	-	(2,305,914)		(2,305,914)	
Culture and recreation	2,503,980	2,401,733	94,681	198,927	191,361		191,361	
Community development	1,349,645	9,645	450,337	-	(889,663)		(889,663)	
Interest expense	1,603,797	127,777	6,480	-	(1,469,540)		(1,469,540)	
<b>Total governmental activities</b>	<b>140,827,091</b>	<b>12,284,422</b>	<b>21,508,203</b>	<b>3,875,792</b>	<b>(103,158,674)</b>		<b>(103,158,674)</b>	
<b>Business-type activities:</b>								
Water	8,275,458	6,149,159	-	-	\$ (2,126,299)		(2,126,299)	
Sewer	11,731,064	8,193,187	127,939	533,449	(2,876,489)		(2,876,489)	
Waterways	617,934	450,670	11,000	-	(156,264)		(156,264)	
Rink	384,991	285,078	-	-	(99,913)		(99,913)	
<b>Total business-type activities</b>	<b>21,009,447</b>	<b>15,078,094</b>	<b>138,939</b>	<b>533,449</b>	<b>(5,258,965)</b>		<b>(5,258,965)</b>	
<b>Total Primary Government</b>	<b>\$ 161,836,538</b>	<b>\$ 27,362,516</b>	<b>\$ 21,647,142</b>	<b>\$ 4,409,241</b>	<b>(103,158,674)</b>	<b>(5,258,965)</b>	<b>(108,417,639)</b>	
<b>Component Unit:</b>								
Gloucester Lyceum and Sawyer Free Library, Inc.	\$ 1,731,484	\$ 27,900	\$ 1,478,421	\$ -				\$ (225,163)
<b>General Revenues:</b>								
Property taxes					84,569,085	-	84,569,085	-
Motor vehicle and other excise					5,421,437	-	5,421,437	-
Grants and contributions not restricted to specific programs					4,150,452	-	4,150,452	-
Penalties and interest on taxes					431,899	-	431,899	-
Unrestricted investment income					305,232	-	305,232	280,199
Gain on sale of assets					4,021,486	-	4,021,486	-
<b>Transfers (net)</b>					<b>(5,078,602)</b>	<b>5,078,602</b>	<b>-</b>	<b>-</b>
<b>Total general revenues</b>					<b>93,820,989</b>	<b>5,078,602</b>	<b>98,899,591</b>	<b>280,199</b>
<b>Change in Net Position</b>					<b>(9,337,685)</b>	<b>(180,363)</b>	<b>(9,518,048)</b>	<b>55,036</b>
<b>Net Position:</b>								
Beginning of year					(148,015,624)	97,213,957	(50,801,667)	9,420,111
End of year					\$ (157,353,309)	\$ 97,033,594	\$ (60,319,715)	\$ 9,475,147

See accompanying notes to basic financial statements.

**CITY OF GLOUCESTER, MASSACHUSETTS**

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

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 22,500,874	\$ 1,029,676	\$ 7,608,684	\$ 31,139,234
Investments	-	-	1,131,862	1,131,862
Receivables, net of allowance for uncollectibles:				
Property taxes	1,705,924	-	27,562	1,733,486
Tax liens and deferrals	1,809,404	-	-	1,809,404
Departmental and other	2,202,290	-	387,212	2,589,502
Intergovernmental	673,368	829,673	855,781	2,358,822
Loans	-	-	5,010,440	5,010,440
Tax foreclosures	490,030	-	-	490,030
Due from other funds	140,607	-	-	140,607
<b>Total Assets</b>	<u>29,522,497</u>	<u>1,859,349</u>	<u>15,021,541</u>	<u>46,403,387</u>
<b>Deferred Outflows of Resources</b>	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 29,522,497</u>	<u>\$ 1,859,349</u>	<u>\$ 15,021,541</u>	<u>\$ 46,403,387</u>
<b>Liabilities</b>				
Warrants and accounts payable	\$ -	\$ 187,376	\$ -	\$ 187,376
Accrued payroll and withholdings	4,322,841	-	311,159	4,634,000
Tax refunds payable	111,547	-	-	111,547
Other liabilities	229,456	-	10,674	240,130
Workers compensation claims payable	582,752	-	-	582,752
Bond anticipation notes payable	-	5,137,500	-	5,137,500
Due to other funds	-	-	140,607	140,607
<b>Total Liabilities</b>	<u>5,246,596</u>	<u>5,324,876</u>	<u>462,440</u>	<u>11,033,912</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues - taxes paid in advance	1,271,121	-	10,174	1,281,295
Unavailable revenues - property taxes	3,515,328	-	27,562	3,542,890
Unavailable revenues - other	2,621,049	-	179,507	2,800,556
<b>Total Deferred Inflows of Resources</b>	<u>7,407,498</u>	<u>-</u>	<u>217,243</u>	<u>7,624,741</u>
<b>Fund Balances</b>				
Restricted	194,834	1,087,557	14,575,338	15,857,729
Assigned	2,541,723	-	-	2,541,723
Unassigned	14,131,846	(4,553,084)	(233,480)	9,345,282
<b>Total Fund Balances</b>	<u>16,868,403</u>	<u>(3,465,527)</u>	<u>14,341,858</u>	<u>27,744,734</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 29,522,497</u>	<u>\$ 1,859,349</u>	<u>\$ 15,021,541</u>	<u>\$ 46,403,387</u>

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, 2019**

<b>Total Governmental Fund Balances</b>		<b>\$ 27,744,734</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		135,303,148
Other long-term assets are unavailable to pay current-period expenditures		6,343,446
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	15,255,248	
Deferred outflows related to net pension liability	10,167,840	
Deferred inflows related to net other postemployment benefits liability	(9,091,516)	
Deferred inflows related to net pension liability	<u>(347,633)</u>	
Net effect of reporting deferred outflows and inflows of resources		15,983,939
In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in the governmental funds interest is not reported until due.		(864,913)
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	(49,456,077)	
Unamortized premiums on bonds	(1,969,380)	
Capital lease obligations	(808,438)	
Landfill closure	(380,000)	
Compensated absences	(2,767,681)	
Net pension liability	(105,600,066)	
Net other postemployment benefits liability	<u>(180,882,021)</u>	
Net effect of reporting long-term liabilities		<u>(341,863,663)</u>
<b>Net Position of Governmental Activities</b>		<b><u><u>\$ (157,353,309)</u></u></b>

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, 2019**

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 83,906,672	\$ -	\$ 673,645	\$ 84,580,317
Intergovernmental	19,556,260	2,413,685	6,875,913	28,845,858
Motor vehicle and other excises	5,393,775	-	-	5,393,775
Licenses and permits	2,039,728	-	-	2,039,728
Penalties and interest on taxes	431,899	-	-	431,899
Fines and forfeitures	285,284	-	-	285,284
Departmental and other revenue	6,480,531	-	3,166,645	9,647,176
Investment income	238,631	-	66,601	305,232
Contributions and donations	-	-	688,589	688,589
<b>Total Revenues</b>	<b>118,332,780</b>	<b>2,413,685</b>	<b>11,471,393</b>	<b>132,217,858</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	5,527,817	224,648	545,992	6,298,457
Public safety	16,283,417	370,668	2,063,739	18,717,824
Education	37,619,343	1,706,271	5,094,922	44,420,536
Public works	11,169,035	3,020,927	812,255	15,002,217
Health and human services	1,224,895	500,579	787,391	2,512,865
Culture and recreation	1,266,005	760	417,469	1,684,234
Community development	-	-	1,210,677	1,210,677
Pension benefits and fringe benefits	30,925,193	-	-	30,925,193
State and county assessments	2,636,256	-	-	2,636,256
<b>Debt service:</b>				
Principal	3,545,316	-	165,000	3,710,316
Interest	1,518,321	-	37,400	1,555,721
<b>Total Expenditures</b>	<b>111,715,598</b>	<b>5,823,853</b>	<b>11,134,845</b>	<b>128,674,296</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>6,617,182</b>	<b>(3,410,168)</b>	<b>336,548</b>	<b>3,543,562</b>
<b>Other Financing Sources (Uses):</b>				
Issuance of bonds and notes	-	7,552,500	-	7,552,500
Issuance of capital leases	-	49,696	-	49,696
Premiums from bonds and notes	-	149,000	42,339	191,339
Proceeds from sale of capital assets	4,039,313	-	-	4,039,313
Transfers in	211,716	159,674	842,081	1,213,471
Transfers out	(5,285,176)	(142,181)	(864,716)	(6,292,073)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,034,147)</b>	<b>7,768,689</b>	<b>19,704</b>	<b>6,754,246</b>
<b>Net Change in Fund Balances</b>	<b>5,583,035</b>	<b>4,358,521</b>	<b>356,252</b>	<b>10,297,808</b>
<b>FUND BALANCES - Beginning of year, as restated (see Note IV)</b>	<b>11,285,368</b>	<b>(7,824,048)</b>	<b>13,985,606</b>	<b>17,446,926</b>
<b>FUND BALANCES - End of year</b>	<b>\$ 16,868,403</b>	<b>\$ (3,465,527)</b>	<b>\$ 14,341,858</b>	<b>\$ 27,744,734</b>

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, 2019

<b>Net Change in Fund Balances - Total Governmental Fund Balances</b>		<b>\$ 10,297,808</b>
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net amounts are reflected here as reconciling items:</p>		
Capital outlays	6,767,081	
Disposal of capital assets	(17,827)	
Depreciation expense	<u>(9,008,044)</u>	
Net effect of reporting capital assets		(2,258,790)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amounts are reflected here as reconciling items:</p>		
Issuances of general obligation bonds and notes	(7,552,500)	
Issuances of capital leases	(49,696)	
Premiums from long-term general obligation bonds and notes	(191,339)	
Amortization of premiums on bonds and notes payable	194,876	
Repayments of capital leases	206,899	
Repayments of debt	<u>3,710,316</u>	
Net effect of reporting long-term debt		(3,681,444)
<p>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.</p>		
		328,664
<p>In the Statement of Activities, interest is accrued on outstanding long-term debt; whereas in governmental funds interest is not reported until due. The net amount presented here as a reconciling item represents the difference in accruals between this year and the prior year.</p>		
		(242,952)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:</p>		
Landfill closure	20,000	
Compensated absences	(92,858)	
Pension benefits	(4,676,937)	
Other postemployment benefits	<u>(9,031,176)</u>	
Net effect of reporting long-term liabilities		<u>(13,780,971)</u>
<b>Change in Net Position of Governmental Activities</b>		<b>\$ <u>(9,337,685)</u></b>

See accompanying notes to basic financial statements.

CITY OF GLOUCESTER, MASSACHUSETTS

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2019

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Waterways	Rink	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 1,270,701	\$ 8,159,360	\$ 182,495	\$ 116,222	\$ 9,728,778
Receivables (net):					
User charges	2,382,758	3,450,112	22,068	-	5,854,938
Betterments	-	63,428	-	-	63,428
Departmental and other	-	-	73,343	-	73,343
Intergovernmental	963,946	1,941,839	-	-	2,905,785
Total current assets	4,617,405	13,614,739	277,906	116,222	18,626,272
Noncurrent assets:					
Receivables (net):					
Betterments	-	5,050,646	-	-	5,050,646
Intergovernmental	-	316,418	-	-	316,418
Nondepreciable capital assets	4,856,232	13,563,095	538,482	71,196	19,029,005
Capital assets (net of depreciation)	62,148,766	126,539,430	1,266,748	596,216	190,551,160
Total noncurrent assets	67,004,998	145,469,589	1,805,230	667,412	214,947,229
Total Assets	71,622,403	159,084,328	2,083,136	783,634	233,573,501
<b>Deferred Outflows of Resources</b>					
Related to net other postemployment benefit liability	755,363	721,966	67,352	38,066	1,582,747
Related to net pension liability	503,461	481,200	44,891	25,371	1,054,923
Total Deferred Outflows of Resources	1,258,824	1,203,166	112,243	63,437	2,637,670
<b>Liabilities</b>					
Current liabilities:					
Warrants and accounts payable	333,203	600,383	-	-	933,586
Accrued payroll and withholdings	45,727	45,449	13,323	3,114	107,613
Accrued interest	451,603	522,630	-	-	974,233
Other liabilities	178,063	-	-	-	178,063
Bond anticipation notes payable	96,500	2,111,541	-	-	2,208,041
Compensated absences	9,934	1,914	1,007	657	13,512
Capital leases	-	159,369	-	-	159,369
Bonds and notes payable	2,936,815	5,256,897	-	48,760	8,242,472
Total current liabilities	4,051,845	8,698,183	14,330	52,531	12,816,889
Noncurrent liabilities:					
Compensated absences	89,408	17,226	9,066	5,917	121,617
Bonds and notes payable	39,958,885	54,934,191	-	643,871	95,536,947
Net other postemployment benefits liability	8,956,372	8,560,372	798,600	451,347	18,766,691
Net pension liability	5,228,786	4,997,599	466,228	263,499	10,956,112
Total noncurrent liabilities	54,233,451	68,509,388	1,273,894	1,364,634	125,381,367
Total Liabilities	58,285,296	77,207,571	1,288,224	1,417,165	138,198,256
<b>Deferred Inflows of Resources</b>					
Related to net other postemployment benefit liability	450,166	430,263	40,139	22,686	943,254
Related to net pension liability	17,213	16,452	1,535	867	36,067
Total Deferred Inflows of Resources	467,379	446,715	41,674	23,553	979,321
<b>Net Position</b>					
Net investment in capital assets	24,976,744	82,623,999	1,805,230	(25,219)	109,380,754
Restricted for:					
Debt service	-	7,372,331	-	-	7,372,331
Unrestricted	(10,848,192)	(7,363,122)	(939,749)	(568,428)	(19,719,491)
<b>Total Net Position</b>	<b>\$ 14,128,552</b>	<b>\$ 82,633,208</b>	<b>\$ 865,481</b>	<b>\$ (593,647)</b>	<b>\$ 97,033,594</b>

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, 2019

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Waterways	Rink	
Operating Revenues:					
Charges for services	\$ 5,845,623	\$ 8,092,383	\$ 387,447	\$ 271,636	\$ 14,597,089
Other	303,536	100,804	63,223	13,442	481,005
Total Operating Revenues	6,149,159	8,193,187	450,670	285,078	15,078,094
Operating Expenses:					
Operating costs	5,301,898	6,269,039	493,845	281,656	12,346,438
Depreciation	1,902,722	4,032,466	124,089	78,180	6,137,457
Total Operating Expenses	7,204,620	10,301,505	617,934	359,836	18,483,895
Operating Income (Loss)	(1,055,461)	(2,108,318)	(167,264)	(74,758)	(3,405,801)
Nonoperating Revenues (Expenses):					
Intergovernmental	-	127,939	11,000	-	138,939
Interest expense	(1,070,838)	(1,429,559)	-	(25,155)	(2,525,552)
Total Nonoperating Revenues (Expenses)	(1,070,838)	(1,301,620)	11,000	(25,155)	(2,386,613)
Income (Loss) Before Capital Contributions and Transfers	(2,126,299)	(3,409,938)	(156,264)	(99,913)	(5,792,414)
Capital contributions	-	533,449	-	-	533,449
Transfers in	2,609,468	2,434,682	-	34,452	5,078,602
Total Capital Contributions and Transfers	2,609,468	2,968,131	-	34,452	5,612,051
Change in Net Position	483,169	(441,807)	(156,264)	(65,461)	(180,363)
Total Net Position - Beginning of the Year	13,645,383	83,075,015	1,021,745	(528,186)	97,213,957
<b>Total Net Position - End of the Year</b>	<b>\$ 14,128,552</b>	<b>\$ 82,633,208</b>	<b>\$ 865,481</b>	<b>\$ (593,647)</b>	<b>\$ 97,033,594</b>

See accompanying notes to basic financial statements.

**CITY OF GLOUCESTER, MASSACHUSETTS**

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

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Waterways	Rink	
<b>Cash Flows from Operating Activities:</b>					
Receipts from users	\$ 5,770,838	\$ 7,636,311	\$ 386,631	\$ 271,636	\$ 14,065,416
Other receipts	303,536	100,804	63,223	13,442	481,005
Payments to employees	(1,127,948)	(1,009,903)	(213,759)	(125,984)	(2,477,594)
Payments to vendors	(3,328,441)	(4,340,644)	(235,431)	(121,837)	(8,026,353)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,617,985</b>	<b>2,386,568</b>	<b>664</b>	<b>37,257</b>	<b>4,042,474</b>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Intergovernmental operating grants	-	7,615	11,000	-	18,615
Transfers in	2,609,468	2,434,682	-	34,452	5,078,602
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>2,609,468</b>	<b>2,442,297</b>	<b>11,000</b>	<b>34,452</b>	<b>5,097,217</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Proceeds from intergovernmental capital grants	-	313,682	-	-	313,682
Proceeds from betterments	-	1,404,747	-	-	1,404,747
Proceeds from the issuance of notes	1,671,066	8,592,952	-	-	10,264,018
Proceeds from the issuance of bonds	660,000	4,229,000	-	-	4,889,000
Premiums from the issuance of bonds and notes	51,233	310,022	-	-	361,255
Acquisition and construction of capital assets	(1,261,969)	(7,683,547)	(30,268)	(959)	(8,976,743)
Principal payments on capital leases	-	(153,401)	-	-	(153,401)
Principal payments on bonds and notes	(4,535,724)	(10,621,031)	-	(48,760)	(15,205,515)
Interest payments on bonds and notes	(1,160,941)	(1,408,408)	-	(25,155)	(2,594,504)
<b>Net Cash (Used in) Capital and Related Financing Activities</b>	<b>(4,576,335)</b>	<b>(5,015,984)</b>	<b>(30,268)</b>	<b>(74,874)</b>	<b>(9,697,461)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(348,882)</b>	<b>(187,119)</b>	<b>(18,604)</b>	<b>(3,165)</b>	<b>(557,770)</b>
<b>Cash and Cash Equivalents:</b>					
Beginning of the year	1,619,583	8,346,479	201,099	119,387	10,286,548
End of the year	\$ 1,270,701	\$ 8,159,360	\$ 182,495	\$ 116,222	\$ 9,728,778
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>					
Operating Loss	\$ (1,055,461)	\$ (2,108,318)	\$ (167,264)	\$ (74,758)	\$ (3,405,801)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>					
Depreciation	1,902,722	4,032,466	124,089	78,180	6,137,457
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
Receivables	(74,785)	(456,072)	(816)	-	(531,673)
Deferred outflows	(319,511)	(305,384)	(28,489)	(16,101)	(669,485)
Accounts payable and accrued expenses	127,507	275,452	(17,289)	(1,858)	383,812
Other liabilities	36,971	-	-	-	36,971
Deferred inflows	(349,925)	(334,452)	(31,202)	(17,634)	(733,213)
Accrued employee benefit liabilities	1,350,467	1,282,876	121,635	69,428	2,824,406
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 1,617,985</b>	<b>\$ 2,386,568</b>	<b>\$ 664</b>	<b>\$ 37,257</b>	<b>\$ 4,042,474</b>
<b>Noncash capital and related financing activities:</b>					
Amortization of bond premium	\$ 67,071	\$ 41,362	\$ -	\$ -	\$ 108,433
Proceeds from issuance of bonds not yet received	1,878,512	3,760,282	-	-	5,638,794
Debt subsidies from MCWT	-	419,637	-	-	419,637

See accompanying notes to basic financial statements.

**CITY OF GLOUCESTER, MASSACHUSETTS**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds	Agency Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 1,197,390	\$ -	\$ 311,505
Investments:			
PRIT	102,636,028	-	-
Equity mutual funds	255,778	434,868	-
Corporate fixed income securities	-	103,827	-
Fixed income mutual funds	114,572	215,803	-
Negotiable certificates of deposit	-	190,819	-
Receivables:			
Employer and employee contributions	890	-	-
<b>Total Assets</b>	<u>104,204,658</u>	<u>945,317</u>	<u>311,505</u>
<b>Liabilities</b>			
Warrants and accounts payable	9,449	-	-
Agency liabilities	-	-	311,505
<b>Total Liabilities</b>	<u>9,449</u>	<u>-</u>	<u>\$ 311,505</u>
<b>Net Position</b>			
Restricted for pension benefits	103,823,032	-	
Restricted for other postemployment benefits	372,177	-	
Held in trust for private purposes	-	945,317	
<b>Total Net Position</b>	<u>\$ 104,195,209</u>	<u>\$ 945,317</u>	

See accompanying notes to basic financial statements.

**CITY OF GLOUCESTER, MASSACHUSETTS**

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

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds
<b>Additions</b>		
Contributions:		
Employer	\$ 15,174,473	\$ -
Employee	3,032,797	-
Other contributions	646,542	1,800
Total contributions	<u>18,853,812</u>	<u>1,800</u>
Investment income:		
Interest and dividends	2,940,387	39,774
Net depreciation in fair value of investments	(4,790,578)	-
Less - investment management fees	(559,922)	-
Net investment earnings	<u>(2,410,113)</u>	<u>39,774</u>
Other income	<u>14,649</u>	<u>-</u>
<b>Total Additions</b>	<u>16,458,348</u>	<u>41,574</u>
<b>Deductions</b>		
Benefit payments to pensioners and beneficiaries	18,698,227	-
Member refunds	190,957	-
Transfers and reimbursements to other systems	692,337	-
Payroll expenses of the System	221,664	-
Other administrative expenses	141,575	-
<b>Total Deductions</b>	<u>19,944,760</u>	<u>-</u>
CHANGE IN NET POSITION	(3,486,412)	41,574
NET POSITION AT BEGINNING OF YEAR	<u>107,681,621</u>	<u>903,743</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 104,195,209</u>	<u>\$ 945,317</u>

See accompanying notes to basic financial statements.

## CITY OF GLOUCESTER, MASSACHUSETTS

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

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#### **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, 2018 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, 2019 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.

*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. Two of these (property taxes and other) arise only under a modified accrual basis of accounting and, accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet for those two items. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Taxes paid in advance are reported in both the governmental funds balance sheet and the government-wide statement of net position and recognized as revenue in the period the amounts become available. The other two items are reported on the government-wide statement of net position only 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 \$6,380,722 at June 30, 2019 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 \$4,370,084 at June 30, 2019 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 \$2,191,723 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	Capital Projects	Nonmajor Governmental Funds	Total
<b>Restricted:</b>				
School grants	\$ -	\$ -	\$ 538,029	\$ 538,029
School lunch	-	-	154,959	154,959
School gifts	-	-	440,361	440,361
School revolving	-	-	419,268	419,268
Public safety grants	-	-	743,487	743,487
Public works grants	-	-	564,635	564,635
Other City grants	-	-	182,105	182,105
City revolving	-	-	1,474,739	1,474,739
Cable revolving	-	-	355,124	355,124
Loans	-	-	5,010,440	5,010,440
Capital outlay	-	1,087,557	259,300	1,346,857
Community preservation	-	-	1,807,843	1,807,843
Gift funds	-	-	1,010,539	1,010,539
Cemetery trust funds	-	-	1,068,906	1,068,906
Affordable housing trust funds	-	-	250,792	250,792
Other trust funds	-	-	294,811	294,811
Debt service	194,834	-	-	194,834
<b>Assigned:</b>				
Encumbrances - education	1,278,017	-	-	1,278,017
Encumbrances - other	913,706	-	-	913,706
Subsequent years' budget	350,000	-	-	350,000
Unassigned	14,131,846	(4,553,084)	(233,480)	9,345,282
	<u>\$ 16,868,403</u>	<u>\$ (3,465,527)</u>	<u>\$14,341,858</u>	<u>\$27,744,734</u>

**E. Excess of Expenditures Over Appropriations and Deficits**

The City incurred deficits of \$4,553,084 and \$233,480 in its 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 \$39,574,858 and the bank balance was \$40,814,380. Of the City's bank balance, \$17,760,068 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, 2019:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Investments by fair value level</b>				
Debt securities:				
Corporate fixed income securities	\$ 257,982	\$ -	\$ 257,982	\$ -
Fixed income mutual funds	516,982	-	516,982	-
Fixed income exchange traded funds	57,026	57,026	-	-
Negotiable certificates of deposit	335,787	-	335,787	-
Total debt securities	1,167,777	57,026	1,110,751	-
Equity securities:				
Equity mutual funds	675,767	-	675,767	-
Equity exchange traded funds	455,052	455,052	-	-
Alternative equity pooled funds	105,233	-	105,233	-
REIT exchange traded funds	43,700	43,700	-	-
Total equity securities	1,279,752	498,752	781,000	-
Total investments by fair value level	\$ 2,447,529	\$ 555,778	\$ 1,891,751	\$ -
<b>Investments measured at amortized cost</b>				
State investment pool (MMDT)	1,587,415			
Money market mutual funds	19,071			
Total investments	\$ 4,054,015			

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, 2019, 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	\$ 257,982	\$ -	\$ 232,235	\$ 25,747
Fixed income mutual funds	516,982	-	235,783	281,199
Fixed income exchange traded funds	57,026	-	57,026	-
Negotiable certificates of deposit	335,787	335,787	-	-
State investment pool (MMDT)	1,587,415	1,587,415	-	-
Money market mutual funds	19,071	19,071	-	-
Total investments with maturities	<u>\$ 2,774,263</u>	<u>\$ 1,942,273</u>	<u>\$ 525,044</u>	<u>\$ 306,946</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, 2019, corporate fixed income securities of \$25,431 were rated as AA+, \$102,840 were rated as AA, \$78,314 were rated as AA-, \$25,704 were rated as A+ and \$25,693 were rated A- by Standard and Poor's. The City's remaining investments in fixed income mutual funds and exchange traded funds, negotiable certificates of deposit, MMDT and money market mutual funds 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, 2018, the System had bank deposits of \$743,246 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, 2018, 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, 2018, 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, 2018, the System’s investments in PRIT are valued at amortized cost.

***Discretely Presented Component Unit – Library***

At June 30, 2019, the Library’s carrying amount of cash totaling \$308,993 was fully insured.

The Library had the following investments at June 30, 2019 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	\$ 605,612	\$ 50,997	\$ 371,598	\$ 183,017
Certificates of deposit	1,393,535	300,107	990,256	103,172
Fixed income mutual funds	297,401	-	234,411	62,990
Fixed income exchange traded funds	355,876	-	355,876	-
Money market funds	386,920	386,920	-	-
Total investments with maturities	\$ 3,039,344	\$ 738,024	\$ 1,952,141	\$ 349,179
<b>Other Investments:</b>				
Common stock	69,272			
Equity mutual funds	1,716,224			
Equity exchange traded funds	1,249,089			
Total Library investments	\$ 6,073,929			

The Library’s investments were rated at June 30, 2019 as follows:

Quality Ratings (S & P)	Corporate Fixed Income
AA	\$ 103,935
AA-	77,243
A+	362,146
A	51,728
A-	10,560
Totals - All	\$ 605,612

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	\$ 1,788,758	\$ (82,834)	\$ 1,705,924
Community preservation surcharges	27,562	-	27,562
Tax liens and deferrals	1,809,404	-	1,809,404
Motor vehicle and other excise taxes	559,885	(107,015)	452,870
Special assessments	254,948	-	254,948
Ambulance fees	1,931,335	(399,580)	1,531,755
Parking fines	355,488	(286,335)	69,153
Public safety details	207,705	-	207,705
Other departmental	73,071	-	73,071
Loans	5,559,048	(548,608)	5,010,440
Intergovernmental	2,358,822	-	2,358,822
Total	<u>\$ 14,926,026</u>	<u>\$ (1,424,372)</u>	<u>\$ 13,501,654</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	\$ 2,382,758	\$ -	\$ 2,382,758
Sewer user charges	3,450,112	-	3,450,112
Sewer betterments	5,114,074	-	5,114,074
Waterways boat excise	73,343	-	73,343
Waterways user charges	22,068	-	22,068
Intergovernmental	3,222,203	-	3,222,203
Total	<u>\$ 14,264,558</u>	<u>\$ -</u>	<u>\$ 14,264,558</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	\$ 1,705,924	\$ -	\$ 1,705,924
Community preservation surcharges	-	27,562	27,562
Tax liens and deferrals	1,809,404	-	1,809,404
Motor vehicle and other excise taxes	452,870	-	452,870
Special assessments	75,441	179,507	254,948
Ambulance fees	1,531,755	-	1,531,755
Parking fines	69,153	-	69,153
Other departmental	1,800	-	1,800
Tax foreclosures	490,030	-	490,030
Total	<u>\$ 6,136,377</u>	<u>\$ 207,069</u>	<u>\$ 6,343,446</u>

*Sewer Betterments* – Unapportioned sewer betterments totaling \$5,050,646 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.

*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 \$629,466 and interest in the amount of \$119,110 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, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds - Roadway Improvements	\$ 140,607

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

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

Transfers In	Transfers Out			Total	
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds		
General Fund	\$ -	\$ -	\$ 211,716	\$ 211,716	(1)
Capital Projects Fund	63,000	66,674	30,000	159,674	(2)
Nonmajor Governmental Funds	143,574	75,507	623,000	842,081	(3)
Water Enterprise Fund	2,609,468	-	-	2,609,468	(4)
Sewer Enterprise Fund	2,434,682	-	-	2,434,682	(4)
Rink Enterprise Fund	34,452	-	-	34,452	(4)
Total	<u>\$ 5,285,176</u>	<u>\$ 142,181</u>	<u>\$ 864,716</u>	<u>\$ 6,292,073</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; transfers between Nonmajor Governmental Funds primarily to allocate community preservation funds to capital projects and reserves.
- (4) Transfers to Water, Sewer and Rink Enterprise funds for debt service costs.

#### D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 19,218,983	\$ -	\$ (17,827)	\$ 19,201,156
Construction in process	11,777,048	3,111,600	(9,509,929)	5,378,719
Total capital assets not being depreciated	30,996,031	3,111,600	(9,527,756)	24,579,875
Capital assets being depreciated:				
Buildings and improvements	123,140,884	6,147,651	(8,439,214)	120,849,321
Machinery and equipment	12,145,757	303,451	-	12,449,208
Vehicles	8,653,965	399,696	(102,589)	8,951,072
Infrastructure	41,184,182	6,314,612	-	47,498,794
Total capital assets being depreciated	185,124,788	13,165,410	(8,541,803)	189,748,395
Less accumulated depreciation for:				
Buildings and improvements	(55,347,324)	(6,267,078)	8,439,214	(53,175,188)
Machinery and equipment	(9,035,296)	(816,805)	-	(9,852,101)
Vehicles	(5,913,807)	(547,262)	102,589	(6,358,480)
Infrastructure	(8,262,454)	(1,376,899)	-	(9,639,353)
Total accumulated depreciation	(78,558,881)	(9,008,044)	8,541,803	(79,025,122)
Total capital assets being depreciated, net	106,565,907	4,157,366	-	110,723,273
Total governmental activities capital assets, net	<u>\$ 137,561,938</u>	<u>\$ 7,268,966</u>	<u>\$ (9,527,756)</u>	<u>\$ 135,303,148</u>
<i>Business-Type Activities - All:</i>				
Capital assets not being depreciated:				
Land	\$ 4,512,584	\$ -	\$ -	\$ 4,512,584
Construction in process	8,551,630	8,630,893	(2,666,102)	14,516,421
Total capital assets not being depreciated	13,064,214	8,630,893	(2,666,102)	19,029,005
Capital assets being depreciated:				
Buildings and improvements	7,721,982	29,836	-	7,751,818
Machinery and equipment	2,917,826	266,208	-	3,184,034
Vehicles	1,875,028	79,641	-	1,954,669
Infrastructure	275,175,925	2,636,267	-	277,812,192
Total capital assets being depreciated	287,690,761	3,011,952	-	290,702,713
Less accumulated depreciation for:				
Buildings and improvements	(5,818,455)	(168,287)	-	(5,986,742)
Machinery and equipment	(2,288,568)	(157,284)	-	(2,445,852)
Vehicles	(1,142,825)	(115,454)	-	(1,258,279)
Infrastructure	(84,764,248)	(5,696,432)	-	(90,460,680)
Total accumulated depreciation	(94,014,096)	(6,137,457)	-	(100,151,553)
Total capital assets being depreciated, net	193,676,665	(3,125,505)	-	190,551,160
Total business-type activities capital assets, net	<u>\$ 206,740,879</u>	<u>\$ 5,505,388</u>	<u>\$ (2,666,102)</u>	<u>\$ 209,580,165</u>

	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	-	1,261,969	-	1,261,969
Total capital assets not being depreciated	<u>3,594,263</u>	<u>1,261,969</u>	<u>-</u>	<u>4,856,232</u>
Capital assets being depreciated:				
Buildings and improvements	337,309	-	-	337,309
Machinery and equipment	1,532,984	-	-	1,532,984
Vehicles	610,511	-	-	610,511
Infrastructure	82,957,313	-	-	82,957,313
Total capital assets being depreciated	<u>85,438,117</u>	<u>-</u>	<u>-</u>	<u>85,438,117</u>
Less accumulated depreciation for:				
Buildings and improvements	(208,776)	(8,865)	-	(217,641)
Machinery and equipment	(1,158,797)	(64,440)	-	(1,223,237)
Vehicles	(443,286)	(34,075)	-	(477,361)
Infrastructure	(19,575,770)	(1,795,342)	-	(21,371,112)
Total accumulated depreciation	<u>(21,386,629)</u>	<u>(1,902,722)</u>	<u>-</u>	<u>(23,289,351)</u>
Total capital assets being depreciated, net	<u>64,051,488</u>	<u>(1,902,722)</u>	<u>-</u>	<u>62,148,766</u>
Total Water capital assets, net	<u>\$ 67,645,751</u>	<u>\$ (640,753)</u>	<u>\$ -</u>	<u>\$ 67,004,998</u>
<i>Business-type Activities: Sewer</i>				
Capital assets not being depreciated:				
Land	\$ 379,839	\$ -	\$ -	\$ 379,839
Construction in process	8,481,393	7,367,965	(2,666,102)	13,183,256
Total capital assets not being depreciated	<u>8,861,232</u>	<u>7,367,965</u>	<u>(2,666,102)</u>	<u>13,563,095</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 4,899,708	\$ 29,836	\$ -	\$ 4,929,544
Machinery and equipment	731,607	235,940	-	967,547
Vehicles	1,232,767	79,641	-	1,312,408
Infrastructure	191,203,385	2,636,267	-	193,839,652
Total capital assets being depreciated	<u>198,067,467</u>	<u>2,981,684</u>	<u>-</u>	<u>201,049,151</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,221,927)	(33,239)	-	(4,255,166)
Machinery and equipment	(673,267)	(40,172)	-	(713,439)
Vehicles	(675,439)	(79,679)	-	(755,118)
Infrastructure	(64,906,622)	(3,879,376)	-	(68,785,998)
Total accumulated depreciation	<u>(70,477,255)</u>	<u>(4,032,466)</u>	<u>-</u>	<u>(74,509,721)</u>
Total capital assets being depreciated, net	<u>127,590,212</u>	<u>(1,050,782)</u>	<u>-</u>	<u>126,539,430</u>
Total Sewer capital assets, net	<u>\$ 136,451,444</u>	<u>\$ 6,317,183</u>	<u>\$ (2,666,102)</u>	<u>\$ 140,102,525</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities: Waterways</i>				
Capital assets not being depreciated:				
Land	\$ 538,482	\$ -	\$ -	\$ 538,482
Total capital assets not being depreciated	538,482	-	-	538,482
Capital assets being depreciated:				
Buildings and improvements	\$ 1,556,369	\$ -	\$ -	\$ 1,556,369
Machinery and equipment	364,419	30,268	-	394,687
Vehicles	31,750	-	-	31,750
Infrastructure	1,015,227	-	-	1,015,227
Total capital assets being depreciated	2,967,765	30,268	-	2,998,033
Less accumulated depreciation for:				
Buildings and improvements	(1,015,592)	(77,063)	-	(1,092,655)
Machinery and equipment	(285,648)	(23,612)	-	(309,260)
Vehicles	(24,100)	(1,700)	-	(25,800)
Infrastructure	(281,856)	(21,714)	-	(303,570)
Total accumulated depreciation	(1,607,196)	(124,089)	-	(1,731,285)
Total capital assets being depreciated, net	1,360,569	(93,821)	-	1,266,748
Total Waterways capital assets, net	\$ 1,899,051	\$ (93,821)	\$ -	\$ 1,805,230

<i>Business-type Activities: Rink</i>				
Capital assets not being depreciated:				
Construction in process	\$ 70,237	\$ 959	\$ -	\$ 71,196
Total capital assets not being depreciated	70,237	959	-	71,196
Capital assets being depreciated:				
Buildings and improvements	\$ 928,596	\$ -	\$ -	\$ 928,596
Machinery and equipment	288,816	-	-	288,816
Total capital assets being depreciated	1,217,412	-	-	1,217,412
Less accumulated depreciation for:				
Buildings and improvements	(372,160)	(49,120)	-	(421,280)
Machinery and equipment	(170,856)	(29,060)	-	(199,916)
Total accumulated depreciation	(543,016)	(78,180)	-	(621,196)
Total capital assets being depreciated, net	674,396	(78,180)	-	596,216
Total Rink capital assets, net	\$ 744,633	\$ (77,221)	\$ -	\$ 667,412

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>		<b>Business-Type Activities:</b>	
General government	\$ 350,954	Water	\$ 1,902,722
Public safety	735,029	Sewer	4,032,466
Education	5,809,578	Waterways	124,089
Public works	1,868,490	Rink	78,180
Health and human services	1,200		<u>\$ 6,137,457</u>
Culture and recreation	103,825		
Community development	138,968		
	<u>\$ 9,008,044</u>		

***Discretely Presented Component Unit – Library***

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in process	231,617	201,311	-	432,928
Total capital assets not being depreciated	<u>232,617</u>	<u>201,311</u>	<u>-</u>	<u>433,928</u>
Capital assets being depreciated:				
Building improvements	\$ 4,491,951	\$ -	\$ -	\$ 4,491,951
Machinery and equipment	403,277	-	-	403,277
Total capital assets being depreciated	<u>4,895,228</u>	<u>-</u>	<u>-</u>	<u>4,895,228</u>
Less accumulated depreciation for:				
Buildings, improvements and equipment	(2,053,357)	(161,456)	-	(2,214,813)
Total accumulated depreciation	<u>(2,053,357)</u>	<u>(161,456)</u>	<u>-</u>	<u>(2,214,813)</u>
Total capital assets being depreciated, net	<u>2,841,871</u>	<u>(161,456)</u>	<u>-</u>	<u>2,680,415</u>
Total component unit capital assets, net	<u>\$ 3,074,488</u>	<u>\$ 39,855</u>	<u>\$ -</u>	<u>\$ 3,114,343</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	455,990	610,428	1,066,418
Less: accumulated depreciation	(375,010)	(158,585)	(533,595)
Total	<u>\$ 963,171</u>	<u>\$ 451,843</u>	<u>\$ 1,415,014</u>

The future minimum lease payments and the present value of the minimum lease payments at June 30, 2019, are as follows:

Fiscal Year Ended June 30,	Governmental Activities	Business-type Activities	Total
2020	\$ 205,186	\$ 165,568	\$ 370,754
2021	120,521	-	120,521
2022	102,702	-	102,702
2023	102,703	-	102,703
2023	102,703	-	102,703
2025-2029	256,755	-	256,755
Total minimum lease payments	890,570	165,568	1,056,138
Less: amounts representing interest	(82,132)	(6,199)	(88,331)
Present value of minimum lease payments	<u>\$ 808,438</u>	<u>\$ 159,369</u>	<u>\$ 967,807</u>

Operating Leases – The City has entered into various non-cancelable operating leases for school buses and school office space. The future payments on these operating leases are as follows:

Fiscal Year Ended June 30,	School Bus	School Office Space	Total
2020	\$ 363,265	\$ 406,250	\$ 769,515
2021	-	375,000	375,000
2022	-	31,250	31,250
	<u>\$ 363,265</u>	<u>\$ 812,500</u>	<u>\$ 1,175,765</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.

Temporary notes outstanding at June 30, 2019, are payable as follows:

Type	Interest Rate	Maturity Date	July 1, 2018	Additions	Retirements	June 30, 2019
<i>Governmental Activities</i>						
BAN	2.50%	Matured	\$ 7,083,000	\$ -	\$ (7,083,000)	\$ -
BAN	2.68%	Matured	800,000	-	(800,000)	-
BAN	2.75%	Matured	425,000	-	(425,000)	-
BAN	2.80%	09/20/19	-	500,000	(500,000)	-
BAN	1.98%	09/20/19	-	7,590,000	(4,468,250)	3,121,750
BAN	1.62%	09/20/19	-	3,515,000	(1,499,250)	2,015,750
MCWT	0.10%	Matured	1,000,000	-	(1,000,000)	-
Total Governmental Notes			<u>9,308,000</u>	<u>11,605,000</u>	<u>(15,775,500)</u>	<u>5,137,500</u>
<i>Business-type Activities</i>						
BAN	2.00%	Matured	489,000	-	(489,000)	-
BAN	2.50%	Matured	657,000	-	(657,000)	-
BAN	2.68%	Matured	1,200,000	-	(1,200,000)	-
BAN	2.75%	Matured	290,000	-	(290,000)	-
BAN	1.98%	09/20/19	-	2,990,000	(2,112,500)	877,500
BAN	1.62%	09/20/19	-	1,825,000	(1,000,000)	825,000
MCWT	0.10%	12/31/19	-	496,597	(496,597)	-
MCWT	0.10%	12/31/19	-	3,580,814	(3,580,814)	-
MCWT	0.10%	12/31/19	-	505,541	-	505,541
MCWT	0.10%	12/31/19	-	866,066	(866,066)	-
Total Business-Type Notes			<u>2,636,000</u>	<u>10,264,018</u>	<u>(10,691,977)</u>	<u>2,208,041</u>
Total Notes Payable			<u>\$ 11,944,000</u>	<u>\$ 21,869,018</u>	<u>\$ (26,467,477)</u>	<u>\$ 7,345,541</u>

BAN's outstanding at year end were issued for school construction and improvements (\$2,179,250), roadways (\$294,500), dam remodeling (\$800,000), seawall and breakwater construction (\$1,275,000), departmental equipment and building repairs (\$418,000), septic betterments (\$170,750), water projects (\$96,500) and sewer projects (\$2,111,541).

As more fully described in Note H, on September 20, 2019, the City issued \$9,580,000 of general obligation bonds to retire BAN's outstanding at June 30, 2019. These BAN's are reported as long-term debt obligations in these financial statements.

As more fully described in Note H, on October 24, 2019, the City issued notes to the MCWT to retire temporary notes outstanding totaling \$496,597, \$3,580,814 and \$866,066. These notes are reported as long-term obligations in these financial statements.

## G. Long-Term Obligations

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>					
General obligation bonds (a)	\$ 41,137,779	\$ 6,552,500	\$ (3,306,840)	\$ 44,383,439	\$ 3,320,120
Unamortized bond premium	1,972,917	191,339	(194,876)	1,969,380	222,953
Notes from direct borrowings and placements (a)	4,476,114	1,000,000	(403,476)	5,072,638	423,054
Capital leases	965,641	49,696	(206,899)	808,438	180,522
Landfill closure	400,000	-	(20,000)	380,000	20,000
Compensated absences	2,674,823	360,340	(267,482)	2,767,681	276,768
Workers' compensation claims	575,536	278,159	(270,943)	582,752	145,688
Net pension liability	95,987,484	23,035,086	(13,422,504)	105,600,066	-
Net other postemployment benefits liability	163,266,636	31,825,443	(14,210,058)	180,882,021	-
<b>Total Governmental Activities</b>	<b>\$ 311,456,930</b>	<b>\$ 63,292,563</b>	<b>\$ (32,303,078)</b>	<b>\$342,446,415</b>	<b>\$ 4,589,105</b>
<i>Business-Type Activities - Water:</i>					
General obligation bonds (a)	\$ 19,382,015	\$ 708,500	\$ (1,674,900)	\$ 18,415,615	\$ 1,478,120
Unamortized bond premium	691,323	51,233	(67,071)	675,485	74,330
Notes from direct borrowings and placements (a)	23,330,412	1,830,012	(1,355,824)	23,804,600	1,384,365
Compensated absences	97,068	11,981	(9,707)	99,342	9,934
Net pension liability	4,752,819	1,140,582	(664,615)	5,228,786	-
Net other postemployment benefits liability	8,084,146	1,575,837	(703,611)	8,956,372	-
<b>Total Water</b>	<b>56,337,783</b>	<b>5,318,145</b>	<b>(4,475,728)</b>	<b>57,180,200</b>	<b>2,946,749</b>
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds (a)	26,883,815	2,404,000	(1,939,500)	27,348,315	2,148,000
Unamortized bond premium	370,194	310,022	(41,362)	638,854	88,915
Notes from direct borrowings and placements (a)	29,579,481	5,585,282	(2,960,844)	32,203,919	3,019,982
Capital leases	312,770	-	(153,401)	159,369	159,369
Compensated absences	24,847	3,516	(9,223)	19,140	1,914
Net pension liability	4,542,677	1,090,152	(635,230)	4,997,599	-
Net other postemployment benefits liability	7,726,711	1,506,163	(672,502)	8,560,372	-
<b>Total Sewer</b>	<b>69,440,495</b>	<b>10,899,135</b>	<b>(6,412,062)</b>	<b>73,927,568</b>	<b>5,418,180</b>
<i>Business-Type Activities - Waterways:</i>					
Compensated absences	8,651	2,287	(865)	10,073	1,007
Net pension liability	423,788	101,701	(59,261)	466,228	-
Net other postemployment benefits liability	720,827	140,511	(62,738)	798,600	-
<b>Total Waterways</b>	<b>1,153,266</b>	<b>244,499</b>	<b>(122,864)</b>	<b>1,274,901</b>	<b>1,007</b>
<i>Business-Type Activities - Rink:</i>					
General obligation bonds	741,391	-	(48,760)	692,631	48,760
Compensated absences	5,086	1,997	(509)	6,574	657
Net pension liability	239,514	57,479	(33,494)	263,499	-
Net other postemployment benefits liability	407,392	79,413	(35,458)	451,347	-
<b>Total Rink</b>	<b>1,393,383</b>	<b>138,889</b>	<b>(118,221)</b>	<b>1,414,051</b>	<b>49,417</b>
<b>Total Business-Type Activities</b>	<b>\$ 128,324,927</b>	<b>\$ 16,600,668</b>	<b>\$ (11,128,875)</b>	<b>\$133,796,720</b>	<b>\$ 8,415,353</b>

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

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.

## H. Long-Term Debt

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

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

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities:</i>					
General Obligation Bonds	2.00 - 5.00%	\$ 39,355,609	\$ 6,552,500	\$ (2,647,240)	\$ 43,260,869
General Obligation Refunding Bonds	2.00 - 5.00%	1,782,170	-	(659,600)	1,122,570
Total General Obligation Bonds		41,137,779	6,552,500	(3,306,840)	44,383,439
Add: Unamortized bond premium		1,972,917	191,339	(194,876)	1,969,380
Total General Obligation Bonds, net		43,110,696	6,743,839	(3,501,716)	46,352,819
MA Office of Energy & Environmental Affairs	2.00%	500,000	-	(20,558)	479,442
Massachusetts Clean Water Trust	0.00 - 2.00%	3,976,114	1,000,000	(382,918)	4,593,196
Total notes from direct borrowings and placements		4,476,114	1,000,000	(403,476)	5,072,638
Total Governmental Activities debt		\$ 47,586,810	\$ 7,743,839	\$ (3,905,192)	\$ 51,425,457
<i>Business-Type Activities - Water:</i>					
General Obligation Bonds	2.00 - 5.00%	\$ 14,875,000	\$ 708,500	\$ (610,000)	\$ 14,973,500
General Obligation Refunding Bonds	2.00 - 5.00%	4,507,015	-	(1,064,900)	3,442,115
Total General Obligation Bonds		19,382,015	708,500	(1,674,900)	18,415,615
Add: Unamortized bond premium		691,323	51,233	(67,071)	675,485
Total General Obligation Bonds, net		20,073,338	759,733	(1,741,971)	19,091,100
MA Office of Energy & Environmental Affairs	2.00%	764,532	-	(36,887)	727,645
Massachusetts Clean Water Trust	0.00 - 2.00%	22,565,880	1,830,012	(1,318,937)	23,076,955
Total notes from direct borrowings and placements		23,330,412	1,830,012	(1,355,824)	23,804,600
Total Water debt		\$ 43,403,750	\$ 2,589,745	\$ (3,097,795)	\$ 42,895,700
<i>Business-Type Activities - Sewer:</i>					
General Obligation Bonds	2.00 - 5.00%	\$ 23,278,000	\$ 2,404,000	\$ (1,079,000)	\$ 24,603,000
General Obligation Refunding Bonds	2.00 - 5.00%	3,605,815	-	(860,500)	2,745,315
Total General Obligation Bonds		26,883,815	2,404,000	(1,939,500)	27,348,315
Add: Unamortized bond premium		370,194	310,022	(41,362)	638,854
Total General Obligation Bonds, net		27,254,009	2,714,022	(1,980,862)	27,987,169
Massachusetts Clean Water Trust	0.00 - 2.00%	29,579,481	5,585,282	(2,960,844)	32,203,919
Total notes from direct borrowings and placements		29,579,481	5,585,282	(2,960,844)	32,203,919
Total Sewer debt		\$ 56,833,490	\$ 8,299,304	\$ (4,941,706)	\$ 60,191,088
<i>Business-Type Activities - Rink:</i>					
General Obligation Bonds	2.00 - 5.00%	\$ 741,391	\$ -	\$ (48,760)	\$ 692,631
Total Rink debt		\$ 741,391	\$ -	\$ (48,760)	\$ 692,631
<b>Total Business-Type Activities, net</b>		<b>\$100,978,631</b>	<b>\$ 10,889,049</b>	<b>\$ (8,088,261)</b>	<b>\$103,779,419</b>

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

Year Ending June 30	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
<i>Governmental Activities</i>				
2020	\$ 3,320,120	\$ 1,376,928	\$ 423,054	\$ 33,079
2021	3,492,140	1,592,694	407,611	30,379
2022	3,284,040	1,319,334	409,509	28,105
2023	3,035,860	1,188,529	410,969	25,793
2024	2,984,010	1,066,623	392,051	23,963
2025-2029	12,467,303	3,647,709	1,770,721	99,020
2030-2034	9,499,966	1,725,258	842,328	61,569
2035-2039	6,080,000	431,845	416,395	20,135
2040-2043	220,000	3,300	-	-
Total	<u>\$ 44,383,439</u>	<u>\$ 12,352,220</u>	<u>\$ 5,072,638</u>	<u>\$ 322,043</u>
<i>Business-Type Activities - Water</i>				
2020	\$ 1,478,120	\$ 642,175	\$ 1,384,365	\$ 441,831
2021	1,504,550	615,243	1,505,007	441,469
2022	1,230,200	548,259	1,534,767	411,252
2023	1,179,200	500,420	1,565,148	380,433
2024	1,161,000	455,670	1,596,175	349,001
2025-2029	4,932,545	1,685,626	7,839,242	1,270,044
2030-2034	4,080,000	833,025	6,670,492	530,710
2035-2039	1,845,000	323,835	1,617,904	55,814
2040-2043	1,005,000	81,042	91,500	916
Total	<u>\$ 18,415,615</u>	<u>\$ 5,685,295</u>	<u>\$ 23,804,600</u>	<u>\$ 3,881,470</u>
<i>Business-Type Activities - Sewer</i>				
2020	\$ 2,148,000	\$ 987,347	\$ 3,019,982	\$ 549,322
2021	2,219,550	963,413	3,318,952	545,832
2022	1,882,000	834,527	2,272,843	477,659
2023	1,846,180	760,007	2,308,863	437,154
2024	1,756,230	690,985	2,345,636	395,933
2025-2029	7,851,355	2,534,051	11,530,446	1,334,825
2030-2034	6,405,000	1,077,509	5,731,613	419,888
2035-2039	2,415,000	338,405	1,396,320	97,745
2040-2043	825,000	60,796	279,264	2,793
Total	<u>\$ 27,348,315</u>	<u>\$ 8,247,040</u>	<u>\$ 32,203,919</u>	<u>\$ 4,261,151</u>
<i>Business-Type Activities - Rink</i>				
2020	\$ 48,760	\$ 23,053	\$ -	\$ -
2021	48,760	21,123	-	-
2022	53,759	19,509	-	-
2023	53,760	17,697	-	-
2024	43,760	16,033	-	-
2025-2029	223,796	59,029	-	-
2030-2034	220,036	20,389	-	-
Total	<u>\$ 692,631</u>	<u>\$ 176,833</u>	<u>\$ -</u>	<u>\$ -</u>

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 were reported as long-term debt in the financial statements for the year then ended. The remainder is reported as long-term debt proceeds in these financial statements.

On September 20, 2019, the City issued \$9,580,000 in general obligation bonds that mature on various dates through June 30, 2040 and pay interest at 2.25%-5% per annum. The entire proceeds of the issuance were used to retire BAN's outstanding at June 30, 2019, which are reported as long-term debt in these financial statements.

Massachusetts Office of Energy and Environmental Affairs (EEA)

The City's has an outstanding note from direct borrowings and placements issued to the EEA under the Commonwealth's Dam and Seawall Repair and Removal Fund. The note was issued on June 15, 2018, payable at a 2% interest rate with payments through June 15, 2038. The City also has an outstanding note from direct borrowings and placements issued to the EEA for drinking water purposes. The note was issued on December 12, 2015, payable at a 2% interest rate with payments through December 16, 2035.

Massachusetts Clean Water Trust (MCWT)

The City has thirty-one outstanding notes from direct borrowings and placements issued to the MCWT as follows:

<u>Governmental Activities</u>			<u>Business-type Activities - Water</u>			<u>Business-type Activities - Sewer</u>		
<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Original Amount</u>
09/28/01	08/01/19	\$ 306,347	11/16/05	07/15/25	\$ 3,347,000	08/25/04	08/01/19	\$ 408,508
07/01/04	08/01/22	381,167	07/08/10	07/15/30	5,145,904	08/25/04	08/01/20	5,789,018
12/14/06	07/15/26	1,420,968	06/06/12	06/30/31	2,863,761	08/25/04	08/01/20	5,550,352
11/22/10	07/15/29	1,878,448	05/22/13	06/30/33	249,108	08/25/04	08/01/20	82,864
06/13/12	07/15/27	1,050,000	01/07/15	01/15/35	9,866,524	08/25/04	08/01/20	2,736,927
05/22/13	01/15/33	1,535,703	01/07/15	01/15/35	4,482,909	11/16/05	06/15/25	5,177,496
01/07/15	01/15/35	168,440	02/11/16	01/15/36	474,127	03/18/09	07/15/28	8,753,000
09/12/18	06/30/31	1,000,000	01/07/15	01/15/35	2,522,368	03/18/09	07/15/28	2,572,666
		<u>\$ 7,741,073</u>	10/24/19	07/15/39	1,830,012	07/08/10	07/15/30	646,275
					<u>\$ 30,781,713</u>	07/08/10	07/15/30	3,801,369
						07/08/10	07/15/30	5,656,282
						05/22/13	06/30/33	13,289,716
						10/24/19	07/15/39	1,365,441
						10/24/19	07/15/39	4,219,841
								<u>\$ 60,049,755</u>

The financing agreements with the MCWT contain a provision that in the event of default, outstanding amounts due and payable shall be paid from any undisbursed proceeds on account or be deducted from any state local aid distributions owed to the City. This provision also allows the MCWT to declare the entire outstanding principal amount due immediately.

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

<u>Project</u>	<u>Amount</u>
<i>Governmental:</i>	
West Parish elementary school	\$ 501,536
School roofs	1,989,752
Roads, drains and sidewalks	1,359,476
Breakwater rehabilitation	1,825,000
School feasibility study	700,000
Seawalls	500,000
Spillway and dam remodeling	500,000
Other capital projects	1,963,400
<i>Business-type:</i>	
Water projects	2,061,989
Sewer projects	6,123,192
Harbormaster projects	1,400,000
Rink equipment	6,000
Total Authorized and Unissued	<u><u>\$ 18,930,345</u></u>

### **III. Other Information**

#### **A. Retirement System**

Pension Plan Description – The City contributes to the Gloucester Contributory Retirement System (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 a fiduciary fund. Unaudited financial statements for the year ended December 31, 2018, are available at the Retirement Office, 127 Eastern Avenue, Gloucester, Massachusetts. Disclosures applicable to the Gloucester Housing Authority are not material.

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

Retired participants and beneficiaries receiving benefits	471
Inactive participants	80
Active participants	<u>554</u>
Total	<u><u>1,105</u></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.

Generally, 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.

Employer contributions to the System totaled \$9,524,879 for the year ended December 31, 2018. The City contributed \$9,040,063 to the System in fiscal year 2019, which equaled the actuarially-determined contribution requirement for the fiscal year. The City's contributions as a percentage of covered payroll was approximately 32% in fiscal year 2019.

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

Total pension liability	\$ 226,630,086
Plan fiduciary net position	<u>(103,823,032)</u>
Net pension liability	<u>\$ 122,807,054</u>
Plan fiduciary net position as a percentage of the total pension liability	45.81%

At June 30, 2019, the City reported a liability of \$116,556,179 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that 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 94.91% at December 31, 2018, 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, 2018 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 \$14,202,236 in pension expense in the statement of activities in fiscal year 2019.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employers' contributions and proportionate share of contributions	\$ 291,465	\$ 97,110
Changes of assumptions	5,933,130	-
Net differences between projected and actual earnings on pension plan investments	4,099,434	-
Differences between expected and actual experience	898,734	286,590
Total	<u>\$ 11,222,763</u>	<u>\$ 383,700</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>	<u>Recognition</u>
2020	\$ 4,435,679
2021	3,185,249
2022	1,233,815
2023	1,984,320
Total	<u>\$ 10,839,063</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 January 1, 2018. The significant actuarial assumptions used in the January 1, 2018 actuarial valuation included:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level dollar for the 2002 and 2003 ERIs and increasing amortization for the remaining unfunded liability such that total appropriation increases 6.75% per year
Remaining amortization period	Two years from July 1, 2016 for the 2002 and 2003 ERI liabilities and 18 years from July 1, 2016 for the remaining unfunded
Asset valuation method	Market value of assets less unrecognized returns in each of the last four years. Unrecognized return is equal to the difference between the actual return on a market value basis and the expected return on an actuarial value basis, and is recognized over a four-year period, further adjusted, if necessary, to be within the 10% of the market value.

Inflation rate	3.50%
Projected salary increases	4.50%
Cost of living adjustments	3.0% of the first \$14,000 of retirement income
Mortality rates:	
Pre-retirement	RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017
Healthy retiree	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017
Disabled retiree	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017
Investment rate of return / Discount rate	7.50%

Changes in Actuarial Assumptions – The following assumptions were changed effective with the actuarial valuation report for January 1, 2018:

Mortality assumption for non-disabled participants was updated from the PR-2000 Employee and Healthy Annuitant Mortality Tables projected generally from 2009 with Scale BB2D to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables set forward one year for female participants projected generationally with Scale MP-2017.

Mortality assumption for disabled participants was updated from the PR-2000 Healthy Annuitant Mortality Tables projected generally from 2015 with Scale BB2D to the RP-2014 Blue Collar Healthy Annuitant Mortality Tables set forward one year projected generationally with Scale MP-2017.

Administrative expense assumption was changed from \$385,000 for calendar year 2016, increasing 2.5% per year, to \$400,000 for calendar year 2018, increasing 3.5% per year.

Investment Policy and Rates of Return – For the year ended December 31, 2018, the annual money-weighted rate of return on System investments net of investment expense, was -2.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The investment rate of return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns and professional judgment. The market expectations analysis used a building-block approach, which included expected returns by asset class and the target asset allocation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	21.00%	6.16%
International developed markets equity	13.00%	6.69%
International emerging markets equity	5.00%	9.47%
Core fixed income	15.00%	1.89%
High-yield fixed income	8.00%	4.00%
Real estate	10.00%	4.58%
Commodities	4.00%	4.77%
Hedge fund, GTAA, Risk parity	11.00%	3.68%
Private equity	13.00%	10.00%
Total	100.00%	

**Discount Rate** – The discount rate used to measure the total pension liability in the December 31, 2018 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 net pension liability of the System calculated using the discount rate of 7.50% as well as the net pension liability of the System using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 147,106,550	\$ 122,807,054	\$ 102,194,691

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:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
City's proportionate share of net pension liability	\$ 139,618,832	\$ 116,556,179	\$ 96,992,985

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, 2019, the Commonwealth contributed \$4,496,437 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 0.341991%, 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	\$ 81,090,428	\$ (81,090,428)	\$ -
Pension expense	8,217,341	(8,217,341)	-

The City has recognized intergovernmental revenue and pension expense of \$8,217,341 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 as of June 30, 2019, are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2017 actuarial valuation date:

Retired employee members and beneficiaries currently receiving benefits	950
Active employee members	<u>672</u>
Total	<u><u>1,622</u></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 plus additional contributions which may vary annually. The costs of administering the OPEB Plan are paid by the City. For the year ended June 30, 2019, the City’s average contribution rate was approximately 10.3% of covered payroll.

Net OPEB Liability – The components of the net OPEB liability of the City as measured at June 30, 2019 using an actuarial valuation as of June 30, 2017. The components of the net OPEB liability of the Town were as follows:

Total OPEB Liability	\$ 200,020,889
Plan fiduciary net position	<u>(372,177)</u>
Net OPEB liability	<u><u>\$ 199,648,712</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.19%

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	3.50%
Discount rate	3.50%
Inflation	3.25%
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

Change in Actuarial Assumptions – The discount rate decreased from 3.87% to 3.50%, inflation decreased from 3.75% to 3.25%, the health care trend rate decreased from 8.0% to 7.5% and the municipal bond rate increased from 3.45% to 3.50%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.50%.

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 and are part of the Town's OPEB investment policy:

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic equity	29.00%	6.16%
International equity	19.00%	6.69% - 9.47%
Domestic bonds	26.00%	1.89% - 4.00%
International bonds	6.00%	1.31% - 4.48%
Alternatives	20.00%	3.68% - 10.00%
	100.00%	
Real rate of return		3.75%
Inflation assumption		3.25%
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 (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB Liability	\$ 234,666,676	\$ 199,648,712	\$ 171,904,196

	Healthcare Trend Rate		
	1% Decrease (6.50%)	Current Trend Rate (7.50%)	1% Increase (8.50%)
Net OPEB Liability	\$ 168,443,227	\$ 199,648,712	\$ 240,103,060

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2018	\$ 180,508,090	\$ 302,377	\$ 180,205,713
Changes for the year:			
Service cost	6,959,109	-	6,959,109
Interest	7,147,657	-	7,147,657
Changes of assumptions	11,005,627	-	11,005,627
Net investment income	-	19,800	(19,800)
Employer contributions	-	5,649,594	(5,649,594)
Benefit payments withdrawn from trust	-	(5,599,594)	5,599,594
Benefit payments	(5,599,594)	-	(5,599,594)
Net changes	19,512,799	69,800	19,442,999
Balances at June 30, 2019	<u>\$ 200,020,889</u>	<u>\$ 372,177</u>	<u>\$ 199,648,712</u>

*OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB* – For the year ended June 30, 2019, the City recognized OPEB expense of \$15,617,675. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2019 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,028,433	\$ -
Changes of assumptions	8,804,502	10,034,770
Net difference between projected and actual earnings	5,060	-
Totals	<u>\$ 16,837,995</u>	<u>\$ 10,034,770</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	Recognition
2020	\$ 1,533,825
2021	1,533,825
2022	1,533,824
2023	2,201,751
Total	<u>\$ 6,803,225</u>

**GASB Statement No. 74**

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

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

*Investment Policy* – The OPEB Plan has a formal investment policy to invest in domestic equity, international equity, domestic bond, international bond and alternative investments with target allocations of 29%, 19%, 26%, 6% and 20% respectively.

*Investment Rate of Return* – For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 5.57%. 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, 2018)	Other Postemployment Benefits Trust Fund	Total
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,195,563	\$ 1,827	\$ 1,197,390
Investments (at fair value):			
PRIT	102,636,028	-	102,636,028
Equity mutual funds	-	255,778	255,778
Fixed income mutual funds	-	114,572	114,572
Total Investments	102,636,028	370,350	103,006,378
Receivables:			
Employer and employee contributions	890	-	890
Total Receivables	890	-	890
<b>Total Assets</b>	<b>103,832,481</b>	<b>372,177</b>	<b>104,204,658</b>
<b>Liabilities:</b>			
Warrants and accounts payable	9,449	-	9,449
<b>Total Liabilities</b>	<b>9,449</b>	<b>-</b>	<b>9,449</b>
<b>Net Position:</b>			
Restricted for pensions	103,823,032	-	103,823,032
Restricted for other postemployment benefits	-	372,177	372,177
<b>Total Net Position</b>	<b>\$ 103,823,032</b>	<b>\$ 372,177</b>	<b>\$ 104,195,209</b>

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

	Pension Trust Fund (December 31, 2018)	Other Postemployment Benefits Trust Fund	Total
<b>Additions</b>			
Contributions:			
Employer	\$ 9,524,879	\$ 5,649,594	\$ 15,174,473
Employee	3,032,797	-	3,032,797
Other contributions	646,542	-	646,542
<b>Total Contributions</b>	<u>13,204,218</u>	<u>5,649,594</u>	<u>18,853,812</u>
Investment income:			
Interest and dividends	2,925,592	14,795	2,940,387
Net appreciation in fair value of investments	(4,795,583)	5,005	(4,790,578)
Less - investment management fees	(559,922)	-	(559,922)
<b>Net investment earnings</b>	<u>(2,429,913)</u>	<u>19,800</u>	<u>(2,410,113)</u>
Other income	<u>14,649</u>	<u>-</u>	<u>14,649</u>
<b>Total Additions (net)</b>	<u>10,788,954</u>	<u>5,669,394</u>	<u>16,458,348</u>
<b>Deductions</b>			
Benefit payments to pensioners and beneficiaries	13,098,633	5,599,594	18,698,227
Member refunds	190,957	-	190,957
Transfers and reimbursements to other systems	692,337	-	692,337
Payroll expenses of the System	221,664	-	221,664
Other administrative expenses	141,575	-	141,575
<b>Total Deductions</b>	<u>14,345,166</u>	<u>5,599,594</u>	<u>19,944,760</u>
<b>CHANGE IN NET POSITION</b>	(3,556,212)	69,800	(3,486,412)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>107,379,244</u>	<u>302,377</u>	<u>107,681,621</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 103,823,032</u>	<u>\$ 372,177</u>	<u>\$ 104,195,209</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, 2019, the amount of the liability for workers' compensation claims totaled \$582,752.

Changes in the reported liability since July 1, 2017:

	<u>Balance at Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>	<u>Current Portion</u>
Fiscal Year 2019	\$ 575,536	\$ 278,159	\$( 270,943)	\$ 582,752	\$ 145,688
Fiscal Year 2018	370,171	414,513	( 209,148)	575,536	143,884

**E. Commitments**

The City has entered into, or is planning to enter into, contracts totaling approximately \$40,000,000 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, 2019, cannot be ascertained, management believes that the resulting liability, if any, should not materially affect the basic financial statements of the City at June 30, 2019. Other amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

## 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, \$380,000 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 November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement was to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement became effective in fiscal year 2019 and did not have a material impact on the City's financial statements.

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

### Future Implementations –

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

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

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

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to

improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The City is currently evaluating whether adoption will have a material impact on the financial statements.

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

#### **IV. Prior Period Restatements**

The City reclassified the June 30, 2018 deficit balance in the West Parish School Capital major fund of (\$2,211,635) to the Capital Projects major fund. As a result, the June 30, 2018 balance of the Capital Projects major fund totaled a deficit balance of (\$7,824,048).

## **Required Supplementary Information**

CITY OF GLOUCESTER, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS  
YEAR ENDED JUNE 30, 2019

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

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Total pension liability:					
Service cost	\$ 4,668,438	\$ 4,644,403	\$ 4,207,448	\$ 4,065,167	\$ 3,946,764
Interest	16,276,589	15,372,686	14,587,523	14,071,185	13,552,314
Differences between expected and actual experience	-	1,578,223	(754,897)	-	-
Changes in assumptions	-	3,424,312	10,491,832	-	-
Benefit payments, including refunds	(13,335,384)	(12,647,857)	(11,803,759)	(11,428,658)	(10,416,099)
Net change in total pension liability	7,609,643	12,371,767	16,728,147	6,707,694	7,082,979
Total pension liability - beginning of year	219,020,443	206,648,676	189,920,529	183,212,835	176,129,856
Total pension liability - end of year (a)	<u>\$226,630,086</u>	<u>\$219,020,443</u>	<u>\$206,648,676</u>	<u>\$189,920,529</u>	<u>\$183,212,835</u>
Plan fiduciary net position:					
Contributions - employer	\$ 9,524,879	\$ 8,922,604	\$ 8,211,530	\$ 7,736,730	\$ 7,331,948
Contributions - employee	3,032,797	3,088,166	3,094,661	2,800,037	2,545,406
Contributions - nonemployer contributing entities	646,542	369,145	704,562	448,861	694,006
Net investment income	(2,429,913)	15,705,320	6,491,792	540,476	6,117,062
Benefit payments, including refunds	(13,981,927)	(13,017,002)	(12,508,322)	(11,877,519)	(11,110,105)
Administrative expenses	(363,239)	(347,803)	(404,403)	(345,744)	(357,924)
Other	14,649	18,023	17,560	12,490	27,902
Net change in plan fiduciary net position	(3,556,212)	14,738,453	5,607,380	(684,669)	5,248,295
Plan fiduciary net position - beginning of year	107,379,244	92,640,791	87,033,411	87,718,080	82,469,785
Plan fiduciary net position - end of year (b)	<u>\$103,823,032</u>	<u>\$107,379,244</u>	<u>\$ 92,640,791</u>	<u>\$ 87,033,411</u>	<u>\$ 87,718,080</u>
Net pension liability - end of year (a) - (b)	<u>\$122,807,054</u>	<u>\$111,641,199</u>	<u>\$114,007,885</u>	<u>\$102,887,118</u>	<u>\$ 95,494,755</u>
Plan fiduciary net position as a percentage of the total pension liability	45.81%	49.03%	44.83%	45.83%	47.88%
Covered payroll	\$ 30,838,224	\$ 29,702,846	\$ 29,012,372	\$ 27,561,119	\$ 26,629,102
Net pension liability as a percentage of covered payroll	398.23%	375.86%	392.96%	373.31%	358.61%

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.

See accompanying independent auditor's report.

CITY OF GLOUCESTER, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS  
YEAR ENDED JUNE 30, 2019

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Actuarially-determined contribution	\$ 9,524,879	\$ 8,922,604	\$ 8,211,530	\$ 7,736,730	\$ 7,331,948
Contributions in relation to the actuarially-determined contribution	(9,524,879)	(8,922,604)	(8,211,530)	(7,736,730)	(7,331,948)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$30,838,224	\$29,702,846	\$ 29,012,372	\$ 27,561,119	\$26,629,102
Contribution as a percentage of covered payroll	30.89%	30.04%	28.30%	28.07%	27.53%

SCHEDULE OF INVESTMENT RETURNS (SYSTEM)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	-2.29%	17.14%	7.51%	0.62%	7.57%

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**

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

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

*(dollar amounts are in thousands)*

	Year Ended June 30,				
	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	94.91%	94.90%	94.96%	94.42%	94.14%
City's proportionate share of the net pension liability (asset)	\$ 116,556	\$ 105,946	\$ 108,365	\$ 97,248	\$ 89,895
City's covered payroll **	\$ 27,576	\$ 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	422.7%	384.2%	395.1%	375.9%	337.6%
Plan fiduciary net position as a percentage of the total pension liability	45.8%	49.0%	44.8%	45.8%	47.9%

**SCHEDULE OF THE CITY CONTRIBUTIONS TO PENSION PLAN**

*(dollar amounts are in thousands)*

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 9,040	\$ 8,467	\$ 7,798	\$ 7,305	\$ 6,897
Contributions in relation to the actuarially determined contribution	9,040	8,467	7,798	7,305	6,897
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll *	\$ 27,907	\$ 27,420	\$ 27,005	\$ 25,369	\$ 26,123
Contributions as a percentage of covered payroll	32.4%	30.9%	28.9%	28.8%	26.4%

\* 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, 2019**

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**SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY**  
**MASSACHUSETTS TEACHER'S RETIREMENT SYSTEM**  
*(dollar amounts are in thousands)*

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

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

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

See accompanying independent auditor's report.

**CITY OF GLOUCESTER, MASSACHUSETTS**

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

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**

	2019	2018	2017
Total OPEB liability:			
Service cost	\$ 6,959,109	\$ 5,349,516	\$ 6,840,214
Interest	7,147,657	6,460,937	5,604,137
Differences between expected and actual experience	-	13,380,723	-
Changes in assumptions	11,005,627	(16,724,618)	(21,164,291)
Benefit payments	(5,599,594)	(6,110,373)	(5,807,861)
Net change in total OPEB liability	19,512,799	2,356,185	(14,527,801)
Total OPEB liability - beginning of year	180,508,090	178,151,905	192,679,706
Total OPEB liability - end of year (a)	<u>\$ 200,020,889</u>	<u>\$ 180,508,090</u>	<u>\$ 178,151,905</u>
Plan fiduciary net position:			
Contributions - employer	\$ 5,649,594	\$ 6,160,373	\$ 5,807,861
Net investment income	19,800	12,512	18,214
Benefit payments	(5,599,594)	(6,110,373)	(5,807,861)
Net change in Plan fiduciary net position	69,800	62,512	18,214
Plan fiduciary net position - beginning of year	302,377	239,865	221,651
Plan fiduciary net position - end of year (b)	<u>\$ 372,177</u>	<u>\$ 302,377</u>	<u>\$ 239,865</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 199,648,712</u>	<u>\$ 180,205,713</u>	<u>\$ 177,912,040</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.19%	0.17%	0.13%
Covered payroll	\$ 54,948,287	\$ 53,678,328	\$ 62,478,064
Net OPEB liability as a percentage of covered payroll	363.34%	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, 2019**

**SCHEDULE OF CONTRIBUTIONS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially-determined contribution	\$ 9,918,728	\$ 9,384,398	\$ 11,960,493
Contributions in relation to the actuarially-determined contribution	<u>(5,649,594)</u>	<u>(6,160,373)</u>	<u>(5,807,861)</u>
Contribution deficiency (excess)	<u>\$ 4,269,134</u>	<u>\$ 3,224,025</u>	<u>\$ 6,152,632</u>
Covered payroll	\$ 54,948,287	\$ 53,678,328	\$ 62,478,064
Contribution as a percentage of covered payroll	10.28%	11.48%	9.30%
Valuation Date	June 30, 2017	June 30, 2017	June 30, 2017
Amortization Period	29 years	30 years	30 years
Investment rate of return	7.00%	7.00%	7.00%
Municipal bond rate	3.50%	3.45%	3.13%
Single Equivalent Discount Rate	3.50%	3.87%	3.50%
Inflation	3.25%	3.75%	3.75%
Healthcare cost trend rates	8.0% > 5.0%	8.0% > 5.0%	6.0% > 5.0%
Salary increases	7.5% > 4.0%	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>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	5.57%	5.21%	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, 2019

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<b>Revenues:</b>						
<i>Taxes:</i>						
Real estate taxes	\$ 82,286,103	\$ 82,286,103	\$ 82,198,098	\$ -	82,198,098	(88,005)
Personal property taxes	1,512,991	1,512,991	1,504,677	-	1,504,677	(8,314)
Tax title	-	-	203,897	-	203,897	203,897
Motor vehicle excise	3,518,674	3,518,674	3,800,850	-	3,800,850	282,176
Meals excise	670,000	670,000	698,787	-	698,787	28,787
Room occupancy excise	825,000	825,000	894,138	-	894,138	69,138
	<u>88,812,768</u>	<u>88,812,768</u>	<u>89,300,447</u>	<u>-</u>	<u>89,300,447</u>	<u>487,679</u>
<i>Intergovernmental:</i>						
State aid - chapter 70	6,605,077	6,605,077	6,605,077	-	6,605,077	-
State aid - unrestricted	4,150,452	4,150,452	4,150,452	-	4,150,452	-
State aid - veterans & elderly	411,642	411,642	429,258	-	429,258	17,616
State aid - other	-	-	28,190	-	28,190	28,190
Medicaid reimbursements	225,000	225,000	119,462	-	119,462	(105,538)
	<u>11,392,171</u>	<u>11,392,171</u>	<u>11,332,439</u>	<u>-</u>	<u>11,332,439</u>	<u>(59,732)</u>
<i>Departmental fees, charges, and other:</i>						
Solid waste revenue	1,050,000	1,050,000	1,085,684	-	1,085,684	35,684
Parking revenues	2,060,000	2,060,000	2,204,533	-	2,204,533	144,533
Wind turbine revenues	275,000	275,000	341,008	-	341,008	66,008
Treasurer/Collector fees	205,000	205,000	190,125	-	190,125	(14,875)
City clerk fees	62,000	62,000	100,385	-	100,385	38,385
Police fees	457,050	457,050	563,403	-	563,403	106,353
Ambulance charges	1,295,000	1,295,000	1,354,326	-	1,354,326	59,326
Rental of municipal property	188,717	188,717	191,820	-	191,820	3,103
Other miscellaneous	269,567	269,567	394,656	-	394,656	125,089
	<u>5,862,334</u>	<u>5,862,334</u>	<u>6,425,940</u>	<u>-</u>	<u>6,425,940</u>	<u>563,606</u>
<i>Licenses and permits:</i>						
Liquor licenses	145,000	145,000	154,070	-	154,070	9,070
Other licenses	83,000	83,000	136,006	-	136,006	53,006
Inspectional services permits	946,000	946,000	1,422,264	-	1,422,264	476,264
Fire permits	82,500	82,500	130,560	-	130,560	48,060
Health permits	140,000	140,000	172,828	-	172,828	32,828
Other permits	12,000	12,000	24,000	-	24,000	12,000
	<u>1,408,500</u>	<u>1,408,500</u>	<u>2,039,728</u>	<u>-</u>	<u>2,039,728</u>	<u>631,228</u>
<i>Fines and forfeitures:</i>						
Parking fines	275,000	275,000	262,796	-	262,796	(12,204)
Court fines	25,000	25,000	16,528	-	16,528	(8,472)
Other fines	5,000	5,000	5,960	-	5,960	960
	<u>305,000</u>	<u>305,000</u>	<u>285,284</u>	<u>-</u>	<u>285,284</u>	<u>(19,716)</u>
<i>Penalties and interest on taxes</i>						
	<u>425,000</u>	<u>425,000</u>	<u>431,899</u>	<u>-</u>	<u>431,899</u>	<u>6,899</u>
<i>Interest and investment income</i>						
	<u>55,000</u>	<u>55,000</u>	<u>187,996</u>	<u>-</u>	<u>187,996</u>	<u>132,996</u>
Total Revenues	<u>108,260,773</u>	<u>108,260,773</u>	<u>110,003,733</u>	<u>-</u>	<u>110,003,733</u>	<u>1,742,960</u>

CITY OF GLOUCESTER, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<b>Expenditures:</b>						
<i>General Government:</i>						
City Council:						
Personal services	103,500	103,500	103,500	-	103,500	-
Ordinary maintenance	4,500	4,500	861	-	861	3,639
	<u>108,000</u>	<u>108,000</u>	<u>104,361</u>	<u>-</u>	<u>104,361</u>	<u>3,639</u>
Mayor:						
Personal services	323,779	316,779	316,183	-	316,183	596
Ordinary maintenance	51,570	73,524	62,146	4,090	66,236	7,288
	<u>375,349</u>	<u>390,303</u>	<u>378,329</u>	<u>4,090</u>	<u>382,419</u>	<u>7,884</u>
Auditor:						
Personal services	318,679	318,679	315,439	-	315,439	3,240
Ordinary maintenance	76,080	76,036	75,153	245	75,398	638
	<u>394,759</u>	<u>394,715</u>	<u>390,592</u>	<u>245</u>	<u>390,837</u>	<u>3,878</u>
Purchasing:						
Personal services	158,961	158,961	157,886	-	157,886	1,075
Ordinary maintenance	203,615	190,689	159,122	27,070	186,192	4,497
	<u>362,576</u>	<u>349,650</u>	<u>317,008</u>	<u>27,070</u>	<u>344,078</u>	<u>5,572</u>
Assessors:						
Personal services	416,490	416,490	413,697	-	413,697	2,793
Ordinary maintenance	46,578	44,548	34,086	5,050	39,136	5,412
	<u>463,068</u>	<u>461,038</u>	<u>447,783</u>	<u>5,050</u>	<u>452,833</u>	<u>8,205</u>
Treasurer-Collector:						
Personal services	648,542	644,542	642,981	-	642,981	1,561
Ordinary maintenance	325,691	290,440	243,884	42,460	286,344	4,096
Liability insurance	653,450	633,450	628,090	1,000	629,090	4,360
Capital outlay	2,000	2,000	-	-	-	2,000
	<u>1,629,683</u>	<u>1,570,432</u>	<u>1,514,955</u>	<u>43,460</u>	<u>1,558,415</u>	<u>12,017</u>
Legal:						
Personal services	254,426	254,426	253,458	-	253,458	968
Ordinary maintenance	119,266	152,947	146,772	5,335	152,107	840
	<u>373,692</u>	<u>407,373</u>	<u>400,230</u>	<u>5,335</u>	<u>405,565</u>	<u>1,808</u>
Personnel:						
Personal services	310,852	301,963	296,607	200	296,807	5,156
Ordinary maintenance	56,324	49,290	48,357	100	48,457	833
	<u>367,176</u>	<u>351,253</u>	<u>344,964</u>	<u>300</u>	<u>345,264</u>	<u>5,989</u>
Information Technology:						
Personal services	355,969	340,969	332,556	-	332,556	8,413
Ordinary maintenance	823,947	797,683	713,185	81,147	794,332	3,351
Capital outlay	35,000	35,000	34,832	-	34,832	168
	<u>1,214,916</u>	<u>1,173,652</u>	<u>1,080,573</u>	<u>81,147</u>	<u>1,161,720</u>	<u>11,932</u>
City Clerk:						
Personal services	290,149	288,549	284,125	-	284,125	4,424
Ordinary maintenance	6,317	8,821	7,059	171	7,230	1,591
	<u>296,466</u>	<u>297,370</u>	<u>291,184</u>	<u>171</u>	<u>291,355</u>	<u>6,015</u>
Registration:						
Personal services	59,461	59,461	57,553	-	57,553	1,908
Ordinary maintenance	51,014	52,614	41,761	7,658	49,419	3,195
	<u>110,475</u>	<u>112,075</u>	<u>99,314</u>	<u>7,658</u>	<u>106,972</u>	<u>5,103</u>

(continued)

CITY OF GLOUCESTER, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Conservation Commission:						
Personal services	81,814	81,814	68,275	-	68,275	13,539
Ordinary maintenance	3,000	3,000	2,399	313	2,712	288
	<u>84,814</u>	<u>84,814</u>	<u>70,674</u>	<u>313</u>	<u>70,987</u>	<u>13,827</u>
Community Development:						
Personal services	496,729	456,729	443,800	-	443,800	12,929
Ordinary maintenance	79,396	78,566	61,261	14,044	75,305	3,261
	<u>576,125</u>	<u>535,295</u>	<u>505,061</u>	<u>14,044</u>	<u>519,105</u>	<u>16,190</u>
<i>Total General Government</i>	<u>6,357,099</u>	<u>6,235,970</u>	<u>5,945,028</u>	<u>188,883</u>	<u>6,133,911</u>	<u>102,059</u>
<i>Public Safety:</i>						
Police Administration:						
Personal services	383,077	456,077	453,129	-	453,129	2,948
Ordinary maintenance	63,127	62,717	52,301	7,341	59,642	3,075
	<u>446,204</u>	<u>518,794</u>	<u>505,430</u>	<u>7,341</u>	<u>512,771</u>	<u>6,023</u>
Police Uniform:						
Personal services	5,424,438	5,376,976	5,330,962	-	5,330,962	46,014
Ordinary maintenance	238,533	206,344	150,070	49,852	199,922	6,422
Capital outlay	113,005	170,831	170,830	-	170,830	1
	<u>5,775,976</u>	<u>5,754,151</u>	<u>5,651,862</u>	<u>49,852</u>	<u>5,701,714</u>	<u>52,437</u>
Police Investigations:						
Personal services	409,084	406,546	404,078	-	404,078	2,468
Ordinary maintenance	2,626	2,621	683	1,250	1,933	688
	<u>411,710</u>	<u>409,167</u>	<u>404,761</u>	<u>1,250</u>	<u>406,011</u>	<u>3,156</u>
Police Harbor Patrol:						
Personal services	16,973	21,473	20,376	-	20,376	1,097
Ordinary maintenance	18,560	15,863	9,359	3,752	13,111	2,752
	<u>35,533</u>	<u>37,336</u>	<u>29,735</u>	<u>3,752</u>	<u>33,487</u>	<u>3,849</u>
Police Parking:						
Personal services	75,948	75,948	75,601	-	75,601	347
Ordinary maintenance	400	400	400	-	400	-
	<u>76,348</u>	<u>76,348</u>	<u>76,001</u>	<u>-</u>	<u>76,001</u>	<u>347</u>
Fire Prevention and Suppression:						
Personal services	8,253,507	8,253,507	8,187,427	-	8,187,427	66,080
Ordinary maintenance	671,667	637,468	550,969	74,773	625,742	11,726
Capital outlay	43,000	67,000	60,720	3,225	63,945	3,055
	<u>8,968,174</u>	<u>8,957,975</u>	<u>8,799,116</u>	<u>77,998</u>	<u>8,877,114</u>	<u>80,861</u>

CITY OF GLOUCESTER, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Civil Defense:						
Ordinary maintenance	50,262	50,262	38,749	4,644	43,393	6,869
Capital outlay	2,500	2,500	-	-	-	2,500
	<u>52,762</u>	<u>52,762</u>	<u>38,749</u>	<u>4,644</u>	<u>43,393</u>	<u>9,369</u>
Animal Control:						
Personal services	112,392	112,392	110,808	-	110,808	1,584
Ordinary maintenance	11,126	9,105	2,121	3,485	5,606	3,499
	<u>123,518</u>	<u>121,497</u>	<u>112,929</u>	<u>3,485</u>	<u>116,414</u>	<u>5,083</u>
Shellfish Control:						
Personal services	74,636	74,636	71,788	-	71,788	2,848
Ordinary maintenance	3,750	3,750	719	1,981	2,700	1,050
	<u>78,386</u>	<u>78,386</u>	<u>72,507</u>	<u>1,981</u>	<u>74,488</u>	<u>3,898</u>
<i>Total Public Safety</i>	<u>16,515,404</u>	<u>16,528,011</u>	<u>16,202,954</u>	<u>151,303</u>	<u>16,354,257</u>	<u>173,754</u>
Education:						
Public schools	43,110,925	42,694,388	41,375,075	1,278,017	42,653,092	41,296
Regional School Assessment: Ordinary maintenance	1,765,703	1,731,703	1,731,496	-	1,731,496	207
<i>Total Education</i>	<u>44,876,628</u>	<u>44,426,091</u>	<u>43,106,571</u>	<u>1,278,017</u>	<u>44,384,588</u>	<u>41,503</u>
Public Works:						
Solid Waste:						
Personal services	20,000	20,000	18,185	-	18,185	1,815
Ordinary maintenance	2,067,004	1,986,871	1,897,219	83,257	1,980,476	6,395
	<u>2,087,004</u>	<u>2,006,871</u>	<u>1,915,404</u>	<u>83,257</u>	<u>1,998,661</u>	<u>8,210</u>
Engineering:						
Personal services	35,249	35,249	32,572	-	32,572	2,677
Ordinary maintenance	10,278	9,560	7,431	191	7,622	1,938
	<u>45,527</u>	<u>44,809</u>	<u>40,003</u>	<u>191</u>	<u>40,194</u>	<u>4,615</u>
Highway Administration:						
Personal services	109,772	113,772	111,948	-	111,948	1,824
Ordinary maintenance	17,274	12,651	10,859	1,303	12,162	489
	<u>127,046</u>	<u>126,423</u>	<u>122,807</u>	<u>1,303</u>	<u>124,110</u>	<u>2,313</u>
Snow and Ice:						
Personal services	141,500	177,500	176,897	-	176,897	603
Ordinary maintenance	590,100	1,081,100	1,074,006	-	1,074,006	7,094
Capital outlay	35,000	16,000	15,896	-	15,896	104
	<u>766,600</u>	<u>1,274,600</u>	<u>1,266,799</u>	<u>-</u>	<u>1,266,799</u>	<u>7,801</u>
Public Properties - Maintenance:						
Personal services	1,425,343	1,425,343	1,417,681	-	1,417,681	7,662
Ordinary maintenance	421,694	537,893	469,661	62,602	532,263	5,630
Capital outlay	80,000	85,146	55,447	29,656	85,103	43
	<u>1,927,037</u>	<u>2,048,382</u>	<u>1,942,789</u>	<u>92,258</u>	<u>2,035,047</u>	<u>13,335</u>

(continued)

CITY OF GLOUCESTER, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<b>Public Properties - Facilities:</b>						
Personal services	2,227,832	2,312,832	2,240,284	-	2,240,284	72,548
Ordinary maintenance	3,227,421	2,968,766	2,675,775	246,985	2,922,760	46,006
	5,455,253	5,281,598	4,916,059	246,985	5,163,044	118,554
<b>DPW Central Services:</b>						
Personal services	140,024	144,024	133,667	-	133,667	10,357
Ordinary maintenance	984,630	834,135	648,220	136,750	784,970	49,165
Capital outlay	7,025	7,025	7,025	-	7,025	-
	1,131,679	985,184	788,912	136,750	925,662	59,522
<b>Total Public Works</b>	<b>11,540,146</b>	<b>11,767,867</b>	<b>10,992,773</b>	<b>560,744</b>	<b>11,553,517</b>	<b>214,350</b>
<b>Health and Human Services:</b>						
<b>Public Health:</b>						
Personal services	478,960	482,960	482,960	-	482,960	-
Ordinary maintenance	10,573	10,375	9,421	954	10,375	-
	489,533	493,335	492,381	954	493,335	-
<b>Council on Aging:</b>						
Personal services	124,759	124,759	122,734	-	122,734	2,025
Ordinary maintenance	7,663	7,654	6,942	614	7,556	98
	132,422	132,413	129,676	614	130,290	2,123
<b>Veterans Services:</b>						
Personal services	130,750	130,750	130,224	-	130,224	526
Ordinary maintenance	400,165	340,165	335,264	-	335,264	4,901
	530,915	470,915	465,488	-	465,488	5,427
<b>Tourism:</b>						
Personal services	16,500	16,500	13,533	-	13,533	2,967
Ordinary maintenance	131,850	129,350	123,817	1,520	125,337	4,013
	148,350	145,850	137,350	1,520	138,870	6,980
<b>Total Health and Human Services</b>	<b>1,301,220</b>	<b>1,242,513</b>	<b>1,224,895</b>	<b>3,088</b>	<b>1,227,983</b>	<b>14,530</b>
<b>Culture and Recreation:</b>						
<b>Sawyer Free Library:</b>						
Personal services	868,764	830,764	801,592	-	801,592	29,172
Ordinary maintenance	139,979	139,771	132,995	6,776	139,771	-
<b>Total Culture and Recreation</b>	<b>1,008,743</b>	<b>970,535</b>	<b>934,587</b>	<b>6,776</b>	<b>941,363</b>	<b>29,172</b>
<b>State and County Assessments:</b>						
State assessments and charges	88,769	88,769	88,769	-	88,769	-
Transportation authorities assessments	360,527	360,527	360,527	-	360,527	-
Annual charges against receipts	9,835	9,958	9,958	-	9,958	-
Tuition assessments	2,174,156	2,465,582	2,177,002	-	2,177,002	288,580
<b>Total State and County Assessments</b>	<b>2,633,287</b>	<b>2,924,836</b>	<b>2,636,256</b>	<b>-</b>	<b>2,636,256</b>	<b>288,580</b>
<b>Pension and Fringe Benefits:</b>						
<b>Pension Services:</b>						
Personal services	8,326,596	8,326,596	8,326,596	-	8,326,596	-
	8,326,596	8,326,596	8,326,596	-	8,326,596	-

CITY OF GLOUCESTER, MASSACHUSETTS

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

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<b>Employee Benefits:</b>						
Personal services - workers' compensation	349,302	394,302	390,130	-	390,130	4,172
Personal services - unemployment compensation	56,336	66,336	52,464	2,912	55,376	10,960
Personal services - group health insurance	7,698,358	7,551,358	7,543,679	-	7,543,679	7,679
Personal services - life insurance	16,600	13,600	12,716	-	12,716	884
Personal services - medicare	707,974	760,974	754,003	-	754,003	6,971
	<u>8,828,570</u>	<u>8,786,570</u>	<u>8,752,992</u>	<u>2,912</u>	<u>8,755,904</u>	<u>30,666</u>
<i>Total Pension and Fringe Benefits</i>	<u>17,155,166</u>	<u>17,113,166</u>	<u>17,079,588</u>	<u>2,912</u>	<u>17,082,500</u>	<u>30,666</u>
<b>Debt Service:</b>						
Ordinary maintenance - long-term debt principal	9,240,888	8,962,132	8,962,132	-	8,962,132	-
Ordinary maintenance - long-term debt interest	2,599,874	2,936,630	2,930,325	-	2,930,325	6,305
Ordinary maintenance - temporary debt interest	45,900	45,900	43,302	-	43,302	2,598
	<u>11,886,662</u>	<u>11,944,662</u>	<u>11,935,759</u>	<u>-</u>	<u>11,935,759</u>	<u>8,903</u>
<i>Total Debt Service</i>	<u>11,886,662</u>	<u>11,944,662</u>	<u>11,935,759</u>	<u>-</u>	<u>11,935,759</u>	<u>8,903</u>
<b>Total Expenditures</b>	<u>113,274,355</u>	<u>113,153,651</u>	<u>110,058,411</u>	<u>2,191,723</u>	<u>112,250,134</u>	<u>903,517</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	2,621,222	3,116,948	2,886,365		2,886,365	(230,583)
Transfers out	(153,574)	(1,869,676)	(1,859,676)		(1,859,676)	10,000
	<u>2,467,648</u>	<u>1,247,272</u>	<u>1,026,689</u>		<u>\$ 1,026,689</u>	<u>(220,583)</u>
<i>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Uses Of Prior Year Budgetary Fund Balance</i>	<u>(2,545,934)</u>	<u>(3,645,606)</u>	<u>\$ 972,011</u>			<u>\$ 2,425,894</u>
<b>Other Budgetary Items</b>						
Use of unassigned fund balance (free cash)	\$ 350,000	\$ 1,794,660				
Prior year encumbrances	2,195,934	2,195,934				
Encumbrance reversions	-	(344,988)				
	<u>2,545,934</u>	<u>3,645,606</u>				
<b>Total Other Budgetary Items</b>	<u>2,545,934</u>	<u>3,645,606</u>				
<b>Net budget and actual</b>	<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, 2019

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#### **I. Pension Plan**

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

*Changes in Assumptions* – The mortality assumption for non-disabled participants was updated from the PR-2000 Employee and Healthy Annuitant Mortality Tables projected generally from 2009 with Scale BB2D to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables set forward one year for female participants projected generationally with Scale MP-2017. The mortality assumption for disabled participants was updated from the PR-2000 Healthy Annuitant Mortality Tables projected generally from 2015 with Scale BB2D to the RP-2014 Blue Collar Healthy Annuitant Mortality Tables set forward one year projected generationally with Scale MP-2017.

The administrative expense assumption was changed from \$385,000 for calendar year 2016, increasing 2.5% per year, to \$400,000 for calendar year 2018, increasing 3.5% per year.

#### **II. Other Postemployment Benefit Plan**

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

Significant methods and assumptions used to determine contribution rates are as follows:

Investment rate of return	7.00%
Municipal bond rate	3.50%
Discount rate	3.50%
Inflation	3.25%
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%

Changes in Assumptions – The discount rate decreased from 3.87% to 3.50%, inflation decreased from 3.75% to 3.25%, the health care trend rate decreased from 8.0% to 7.5% and the municipal bond rate increased from 3.45% to 3.50%.

### III. 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 Council approved approximately \$1.6 million in supplemental appropriations that increased the original budget. These appropriations were primarily for stabilization reserve funding. The City Auditor has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted by City Council. Budgetary control is exercised through the City’s accounting system.

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

	Basis of Accounting Differences	Fund Perspective Differences	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues on a budgetary basis			\$ 110,003,733
Stabilization revenue	\$ -	\$ 50,635	50,635
Debt subsidies	6,480	-	6,480
Agency fund contributions	-	54,591	54,591
On behalf payments	8,217,341	-	8,217,341
Revenues on a GAAP basis	<u>\$ 8,223,821</u>	<u>\$ 105,226</u>	<u>\$ 118,332,780</u>

	Basis of Accounting Differences	Fund Perspective Differences	Total
Expenditures on a budgetary basis			\$ 110,058,411
Reclass of enterprise indirects cost to expenditures	\$ -	\$ (419,836)	(419,836)
Transfer for enterprise debt service	-	(6,878,602)	(6,878,602)
Debt subsidies	6,480	-	6,480
Change in expenditure accruals	7,216	-	7,216
OPEB contributions	-	50,000	50,000
On behalf payments	8,217,341	-	8,217,341
Stabilization expenditures	-	674,588	674,588
Expenditures on a GAAP basis	<u>\$ 8,231,037</u>	<u>\$ (6,573,850)</u>	<u>\$ 111,715,598</u>
Other financing sources (uses) on a budgetary basis			\$ 1,026,689
Reclass of enterprise indirects cost to expenditures	\$ -	\$ (419,836)	(419,836)
Transfer for enterprise debt service	-	(6,878,602)	(6,878,602)
Agency fund contributions	-	(54,591)	(54,591)
OPEB contributions	-	50,000	50,000
Stabilization - gain on sale of assets	-	4,039,313	4,039,313
Stabilization transfers	-	1,202,880	1,202,880
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ (2,060,836)</u>	<u>\$ (1,034,147)</u>

## **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, 2019

	<b>Special Revenue Funds</b>				
	City Federal Grants	School Federal Grants	City State Grants	School State Grants	Receipts Reserved for Appropriation
<b>Assets:</b>					
Cash and cash equivalents	\$ 887,639	\$ 82,819	\$ 431,166	\$ 2,434	\$ 425,680
Investments	-	-	-	-	-
Receivables, net of allowance for uncollectibles:					
Property taxes	-	-	-	-	-
Departmental and other	-	-	-	-	179,507
Intergovernmental	54,252	312,433	16,051	290,329	-
Loans	5,010,440	-	-	-	-
<b>Total Assets</b>	<b>\$ 5,952,331</b>	<b>\$ 395,252</b>	<b>\$ 447,217</b>	<b>\$ 292,763</b>	<b>\$ 605,187</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>					
<b>Liabilities:</b>					
Accrued payroll and withholdings	\$ 10,784	\$ 140,077	\$ 12,302	\$ 9,909	\$ -
Other liabilities	10,674	-	-	-	-
Due to other funds	-	-	-	-	-
<b>Total Liabilities</b>	<b>21,458</b>	<b>140,077</b>	<b>12,302</b>	<b>9,909</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenues - taxes paid in advance	-	-	-	-	-
Unavailable revenues - property taxes	-	-	-	-	-
Unavailable revenues - other	-	-	-	-	179,507
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179,507</b>
<b>Fund Balances:</b>					
Restricted	6,043,094	255,175	530,547	282,854	425,680
Unassigned	(112,221)	-	(95,632)	-	-
<b>Total Fund Balances</b>	<b>5,930,873</b>	<b>255,175</b>	<b>434,915</b>	<b>282,854</b>	<b>425,680</b>
<b>Total Liabilities, Deferred Inflow of Resources, and Fund Balances</b>	<b>\$ 5,952,331</b>	<b>\$ 395,252</b>	<b>\$ 447,217</b>	<b>\$ 292,763</b>	<b>\$ 605,187</b>

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
\$ 1,399,162	\$ 492,575	\$ 113,008	\$ 970,473	\$ 501,818	\$ 1,819,263	\$ -	\$ 7,126,037
-	-	-	-	-	-	-	-
-	-	-	-	-	27,562	-	27,562
207,705	-	-	-	-	-	-	387,212
-	-	42,109	-	-	-	140,607	855,781
-	-	-	-	-	-	-	5,010,440
<u>\$ 1,606,867</u>	<u>\$ 492,575</u>	<u>\$ 155,117</u>	<u>\$ 970,473</u>	<u>\$ 501,818</u>	<u>\$ 1,846,825</u>	<u>\$ 140,607</u>	<u>\$ 13,407,032</u>
\$ 95,120	\$ 41,563	\$ 158	\$ -	\$ -	\$ 1,246	\$ -	\$ 311,159
-	-	-	-	-	-	-	10,674
-	-	-	-	-	-	140,607	140,607
<u>95,120</u>	<u>41,563</u>	<u>158</u>	<u>-</u>	<u>-</u>	<u>1,246</u>	<u>140,607</u>	<u>462,440</u>
-	-	-	-	-	10,174	-	10,174
-	-	-	-	-	27,562	-	27,562
-	-	-	-	-	-	-	179,507
-	-	-	-	-	37,736	-	217,243
1,537,374	451,012	154,959	970,473	501,818	1,807,843	-	12,960,829
(25,627)	-	-	-	-	-	-	(233,480)
<u>1,511,747</u>	<u>451,012</u>	<u>154,959</u>	<u>970,473</u>	<u>501,818</u>	<u>1,807,843</u>	<u>-</u>	<u>12,727,349</u>
<u>\$ 1,606,867</u>	<u>\$ 492,575</u>	<u>\$ 155,117</u>	<u>\$ 970,473</u>	<u>\$ 501,818</u>	<u>\$ 1,846,825</u>	<u>\$ 140,607</u>	<u>\$ 13,407,032</u>

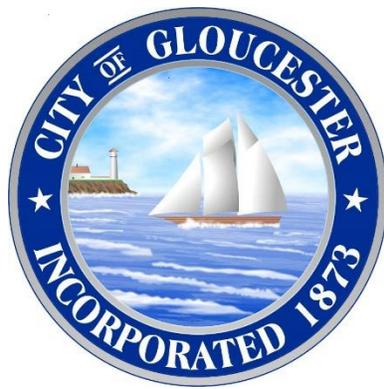
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**NONMAJOR GOVERNMENTAL FUNDS**

COMBINING BALANCE SHEET  
JUNE 30, 2019

	<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>
<b>Assets:</b>				
Cash and cash equivalents	\$ 217,822	\$ 264,825	\$ 482,647	\$ 7,608,684
Investments	851,084	280,778	1,131,862	1,131,862
Receivables, net of allowance for uncollectibles:				
Property taxes	-	-	-	27,562
Departmental and other	-	-	-	387,212
Intergovernmental	-	-	-	855,781
Loans	-	-	-	5,010,440
<b>Total Assets</b>	<u>\$ 1,068,906</u>	<u>\$ 545,603</u>	<u>\$ 1,614,509</u>	<u>\$ 15,021,541</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
Liabilities:				
Accrued payroll and withholdings	\$ -	\$ -	\$ -	\$ 311,159
Other liabilities	-	-	-	10,674
Due to other funds	-	-	-	140,607
<b>Total Liabilities</b>	-	-	-	462,440
Deferred Inflows of Resources:				
Unavailable revenues - taxes paid in advance	-	-	-	10,174
Unavailable revenues - property taxes	-	-	-	27,562
Unavailable revenues - other	-	-	-	179,507
<b>Total Deferred Inflows of Resources</b>	-	-	-	217,243
Fund Balances:				
Restricted	1,068,906	545,603	1,614,509	14,575,338
Unassigned	-	-	-	(233,480)
<b>Total Fund Balances</b>	<u>1,068,906</u>	<u>545,603</u>	<u>1,614,509</u>	<u>14,341,858</u>
<b>Total Liabilities, Deferred Inflow of Resources, and Fund Balances</b>	<u>\$ 1,068,906</u>	<u>\$ 545,603</u>	<u>\$ 1,614,509</u>	<u>\$ 15,021,541</u>

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**NONMAJOR GOVERNMENTAL FUNDS**

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

	<b>Special Revenue Funds</b>				
	City Federal Grants	School Federal Grants	City State Grants	School State Grants	Receipts Reserved for Appropriation
<b>Revenues:</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,388,793	1,994,811	771,375	1,188,135	-
Departmental and other revenue	9,645	-	-	-	152,883
Investment income	-	-	-	-	-
Contributions and donations	-	-	-	-	-
<b>Total Revenues</b>	<u>1,398,438</u>	<u>1,994,811</u>	<u>771,375</u>	<u>1,188,135</u>	<u>152,883</u>
<b>Expenditures:</b>					
Current:					
General government	-	-	177,304	-	111,176
Public safety	529,372	-	263,737	-	-
Education	-	1,784,477	-	1,277,139	-
Public works	-	-	160,228	-	-
Health and human services	261,071	-	89,381	-	-
Culture and recreation	6,700	-	26,208	-	-
Community development	1,210,677	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total Expenditures</b>	<u>2,007,820</u>	<u>1,784,477</u>	<u>716,858</u>	<u>1,277,139</u>	<u>111,176</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(609,382)	210,334	54,517	(89,004)	41,707
<b>Other Financing Sources (Uses):</b>					
Premiums from bonds and notes	-	-	-	-	42,339
Transfers in	-	-	38,465	-	-
Transfers out	(2,919)	-	(3,458)	-	(2,504)
<b>Total Other Financing Sources (Uses)</b>	<u>(2,919)</u>	<u>-</u>	<u>35,007</u>	<u>-</u>	<u>39,835</u>
<b>Net Change in Fund Balance</b>	(612,301)	210,334	89,524	(89,004)	81,542
Fund Balances - Beginning of Year	6,543,174	44,841	345,391	371,858	344,138
Fund Balances - End of Year	<u>\$ 5,930,873</u>	<u>\$ 255,175</u>	<u>\$ 434,915</u>	<u>\$ 282,854</u>	<u>\$ 425,680</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 673,645	\$ -	\$ 673,645
-	-	688,965	-	-	122,927	720,907	6,875,913
1,880,718	787,926	279,537	-	55,936	-	-	3,166,645
-	-	-	-	-	4,949	-	4,949
-	-	-	435,265	246,824	-	-	682,089
<u>1,880,718</u>	<u>787,926</u>	<u>968,502</u>	<u>435,265</u>	<u>302,760</u>	<u>801,521</u>	<u>720,907</u>	<u>11,403,241</u>
123,067	-	-	134,445	-	-	-	545,992
1,269,390	-	-	1,240	-	-	-	2,063,739
-	812,866	992,250	1,540	226,650	-	-	5,094,922
525	-	-	2,295	-	18,000	631,207	812,255
318,536	-	-	113,343	-	-	-	782,331
-	-	-	96,887	-	287,674	-	417,469
-	-	-	-	-	-	-	1,210,677
-	-	-	-	-	165,000	-	165,000
-	-	-	-	-	37,400	-	37,400
<u>1,711,518</u>	<u>812,866</u>	<u>992,250</u>	<u>349,750</u>	<u>226,650</u>	<u>508,074</u>	<u>631,207</u>	<u>11,129,785</u>
169,200	(24,940)	(23,748)	85,515	76,110	293,447	89,700	273,456
-	-	-	-	-	-	-	42,339
30,000	75,000	-	109	-	698,507	-	842,081
(178,932)	(179)	-	-	(23,724)	(653,000)	-	(864,716)
<u>(148,932)</u>	<u>74,821</u>	<u>-</u>	<u>109</u>	<u>(23,724)</u>	<u>45,507</u>	<u>-</u>	<u>19,704</u>
20,268	49,881	(23,748)	85,624	52,386	338,954	89,700	293,160
1,491,479	401,131	178,707	884,849	449,432	1,468,889	(89,700)	12,434,189
<u>\$ 1,511,747</u>	<u>\$ 451,012</u>	<u>\$ 154,959</u>	<u>\$ 970,473</u>	<u>\$ 501,818</u>	<u>\$ 1,807,843</u>	<u>\$ -</u>	<u>\$ 12,727,349</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS**

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

	<b>Permanent Funds</b>			<b>Total</b>
	Cemetery Trust Funds	Other Trust Funds	Sub-total Permanent Funds	Nonmajor Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 673,645
Intergovernmental	-	-	-	6,875,913
Departmental and other revenue	-	-	-	3,166,645
Investment income	49,795	11,857	61,652	66,601
Contributions and donations	6,500	-	6,500	688,589
<b>Total Revenues</b>	<b>56,295</b>	<b>11,857</b>	<b>68,152</b>	<b>11,471,393</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	545,992
Public safety	-	-	-	2,063,739
Education	-	-	-	5,094,922
Public works	-	-	-	812,255
Health and human services	5,060	-	5,060	787,391
Culture and recreation	-	-	-	417,469
Community development	-	-	-	1,210,677
Debt service:				
Principal	-	-	-	165,000
Interest	-	-	-	37,400
<b>Total Expenditures</b>	<b>5,060</b>	<b>-</b>	<b>5,060</b>	<b>11,134,845</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>51,235</b>	<b>11,857</b>	<b>63,092</b>	<b>336,548</b>
<b>Other Financing Sources (Uses):</b>				
Premiums from bonds and notes	-	-	-	42,339
Transfers in	-	-	-	842,081
Transfers out	-	-	-	(864,716)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,704</b>
<b>Net Change in Fund Balance</b>	<b>51,235</b>	<b>11,857</b>	<b>63,092</b>	<b>356,252</b>
Fund Balances - Beginning of Year	1,017,671	533,746	1,551,417	13,985,606
Fund Balances - End of Year	<u>\$ 1,068,906</u>	<u>\$ 545,603</u>	<u>\$ 1,614,509</u>	<u>\$ 14,341,858</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, 2019

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	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 540,445	\$ 1,601,161	\$ (1,830,101)	\$ 311,505
<b>Liabilities:</b>				
Accrued payroll	\$ 413	\$ -	\$ (413)	\$ -
Agency liabilities	540,032	1,601,161	(1,829,688)	311,505
Total Liabilities	<u>\$ 540,445</u>	<u>\$ 1,601,161</u>	<u>\$ (1,830,101)</u>	<u>\$ 311,505</u>

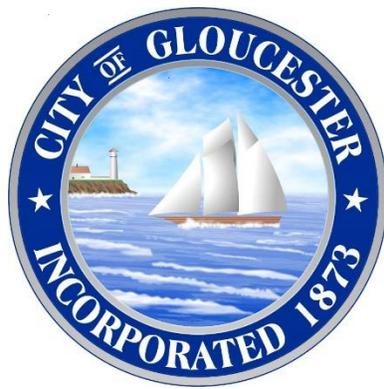


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# STATISTICAL SECTION



**Above:** Gloucester Harbor is one of the most important fishing ports in the United States, an increasingly popular destination for private charters, harbor tours and recreational boaters. The City has been active in revitalizing the downtown and the harbor area to appeal to recreational boaters and all travelers.



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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**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 (1)</u>	<u>2016</u>	<u>2017</u>	<u>2018 (2)</u>	<u>2019</u>
<b>Governmental activities:</b>										
Net investment in capital assets.....	\$ 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	\$ 83,515,738
Restricted.....	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	15,857,729
Unrestricted.....	<u>(8,089,584)</u>	<u>(13,458,533)</u>	<u>(23,443,933)</u>	<u>(30,400,280)</u>	<u>(42,372,213)</u>	<u>(136,510,465)</u>	<u>(138,365,215)</u>	<u>(146,679,539)</u>	<u>(250,160,272)</u>	<u>(256,726,776)</u>
<b>Total governmental activities net position.....</b>	<b><u>\$ 39,148,693</u></b>	<b><u>\$ 34,052,283</u></b>	<b><u>\$ 33,319,037</u></b>	<b><u>\$ 26,758,638</u></b>	<b><u>\$ 26,361,003</u></b>	<b><u>\$ (53,887,447)</u></b>	<b><u>\$ (44,585,743)</u></b>	<b><u>\$ (48,021,433)</u></b>	<b><u>\$ (148,015,624)</u></b>	<b><u>\$ (157,353,309)</u></b>
<b>Business-type activities:</b>										
Net investment in capital assets.....	\$ 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	\$ 109,380,754
Restricted.....	25,228,594	3,799,714	-	-	-	-	10,579,756	8,632,529	7,348,753	7,372,331
Unrestricted.....	<u>6,431,737</u>	<u>24,528,662</u>	<u>23,299,662</u>	<u>18,353,667</u>	<u>12,626,726</u>	<u>7,797,868</u>	<u>458,599</u>	<u>(3,909,467)</u>	<u>(16,146,027)</u>	<u>(19,719,491)</u>
<b>Total business-type activities net position.....</b>	<b><u>\$ 109,799,204</u></b>	<b><u>\$ 110,804,660</u></b>	<b><u>\$ 111,327,443</u></b>	<b><u>\$ 111,238,562</u></b>	<b><u>\$ 111,800,531</u></b>	<b><u>\$ 107,823,757</u></b>	<b><u>\$ 110,676,760</u></b>	<b><u>\$ 111,763,156</u></b>	<b><u>\$ 97,213,957</u></b>	<b><u>\$ 97,033,594</u></b>
<b>Primary government:</b>										
Net investment in capital assets.....	\$ 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	\$ 192,896,492
Restricted.....	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	23,230,060
Unrestricted.....	<u>(1,657,847)</u>	<u>11,070,129</u>	<u>(144,271)</u>	<u>(12,046,613)</u>	<u>(29,745,487)</u>	<u>(128,712,597)</u>	<u>(137,906,616)</u>	<u>(150,589,006)</u>	<u>(266,306,299)</u>	<u>(276,446,267)</u>
<b>Total primary government net position.....</b>	<b><u>\$ 148,947,897</u></b>	<b><u>\$ 144,856,943</u></b>	<b><u>\$ 144,646,480</u></b>	<b><u>\$ 137,997,200</u></b>	<b><u>\$ 138,161,534</u></b>	<b><u>\$ 53,936,310</u></b>	<b><u>\$ 66,091,017</u></b>	<b><u>\$ 63,741,723</u></b>	<b><u>\$ (50,801,667)</u></b>	<b><u>\$ (60,319,715)</u></b>

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

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

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses -										
Governmental activities:										
General government.....	\$ 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	\$ 9,542,071
Public safety.....	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	30,578,634
Education.....	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	73,271,241
Public works.....	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	18,377,820
Human services.....	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	3,599,903
Culture and recreation.....	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	2,503,980
Community development.....	-	-	-	743,152	433,472	283,559	1,027,976	1,319,911	958,622	1,349,645
Interest.....	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	1,603,797
Total government activities expenses.....	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	140,827,091
Business-type activities:										
Waterways operations.....	351,991	415,062	379,238	433,976	458,485	481,211	540,878	519,099	594,448	617,934
Talbot rink operations.....	-	215,488	256,093	340,235	353,949	364,877	414,350	414,163	377,209	384,991
Water operations.....	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	8,275,458
Sewer operations.....	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	11,731,064
Total business-type activities expenses.....	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	21,009,447
Total primary government expenses.....	\$ 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	\$ 161,836,538
Program Revenues -										
Governmental activities:										
Charges for services:										
General government.....	\$ 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	\$ 1,484,625
Public safety.....	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	5,474,337
Education.....	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	1,123,399
Public works.....	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	1,260,274
Human services.....	498,203	417,484	442,633	409,567	454,490	463,970	1,426,179	439,774	271,308	402,632
Culture and recreation.....	-	-	-	-	-	-	2,471,843	2,260,209	2,381,350	2,401,733
Community development.....	-	-	-	153,887	-	590,774	54,030	486,098	126,307	9,645
Interest expense.....	-	-	-	-	-	-	-	-	87,485	127,777
Operating grants and contributions.....	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	21,508,203
Capital grants and contributions.....	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	3,875,792
Total government activities program revenues.....	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	37,668,417
Business-type activities:										
Charges for services.....	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	15,078,094
Operating grants and contributions.....	470,519	580,041	133,507	796,589	313,063	313,201	1,204,530	211,525	-	138,939
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	533,449
Total business-type activities program revenues.....	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	15,750,482
Total primary government program revenues.....	\$ 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	\$ 53,418,899
Net (Expense)/Program Revenue										
Governmental activities.....	\$ (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)	\$ (103,158,674)
Business-type activities.....	(528,265)	172,335	(562,357)	(1,454,447)	(1,001,627)	(2,664,810)	(2,543,822)	(4,123,722)	(5,039,634)	(5,258,965)
Total primary government net (expense)/program revenue.....	\$ (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)	\$ (108,417,639)

(continued)

**CHANGES IN NET POSITION**

**LAST TEN FISCAL YEARS**

	<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>	<u>2019</u>
General Revenues, Transfers and Other Changes in Net Position -										
Governmental activities:										
Real estate and personal property taxes,										
net of tax refunds payable.....	\$ 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	\$ 84,569,085
Motor vehicle and other excise taxes.....	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	5,421,437
Penalties and interest on taxes.....	771,830	580,182	605,280	482,536	574,470	579,891	472,492	451,354	424,548	431,899
Grants and contributions not restricted to specific programs.....	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	4,150,452
Unrestricted investment income.....	177,915	81,153	78,204	92,508	105,615	84,034	144,636	178,644	189,867	305,232
Gain on sale of capital assets.....	8,026	-	-	-	3,000	2,300	-	-	-	4,021,486
Miscellaneous.....	182,918	18,790	29,294	32,471	41,905	-	-	-	-	-
Transfers.....	(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)	(5,078,602)
Total governmental activities.....	<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>	<u>93,820,989</u>
Business-type activities:										
Motor vehicle and other excise taxes.....	-	-	-	-	76,722	98,683	-	-	-	-
Unrestricted investment income.....	202,502	-	-	-	-	-	-	-	-	-
Transfers.....	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	5,078,602
Total business-type activities.....	<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>	<u>5,078,602</u>
Total primary government general revenues, transfers and other changes in net position.....	<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>	<u>\$ 98,899,591</u>
<b>Changes in Net Position</b>										
Governmental activities.....	\$ (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)	\$ (9,337,685)
Business-type activities.....	(235,999)	1,005,456	522,783	(88,881)	561,969	3,047,462	2,853,003	1,086,396	(16,273)	(180,363)
Total primary government changes in net position.....	<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>	<u>\$ (9,518,048)</u>

(concluded)

**FUND BALANCES - GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**

	<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>	<u>2019</u>
<b>General Fund:</b>										
Restricted.....	\$ -	\$ 10,000	\$ 20,017	\$ 99,139	\$ 559,229	\$ 314,964	\$ 282,025	\$ 250,809	\$ 221,745	\$ 194,834
Committed.....	-	109,793	762,351	860,215	1,991,952	-	-	-	-	-
Assigned.....	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	2,541,723
Unassigned.....	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	14,131,846
<b>Total general fund.....</b>	<b>\$ 5,630,609</b>	<b>\$ 7,176,882</b>	<b>\$ 10,582,572</b>	<b>\$ 10,280,321</b>	<b>\$ 10,100,012</b>	<b>\$ 7,281,242</b>	<b>\$ 8,681,648</b>	<b>\$ 10,694,221</b>	<b>\$ 11,285,368</b>	<b>\$ 16,868,403</b>
<b>All Other Governmental Funds:</b>										
Nonspendable.....	\$ 2,455,422	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted.....	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	15,662,895
Committed.....	-	-	-	-	-	-	-	-	-	-
Unassigned.....	(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)	(4,786,564)
<b>Total all other governmental funds.....</b>	<b>\$ 5,833,237</b>	<b>\$ 6,555,763</b>	<b>\$ 5,271,191</b>	<b>\$ 8,861,685</b>	<b>\$ 14,189,854</b>	<b>\$ (4,703,456)</b>	<b>\$ (6,172,835)</b>	<b>\$ (2,643,682)</b>	<b>\$ 6,161,558</b>	<b>\$ 10,876,331</b>

Note: The City implemented GASB 54 in fiscal year 2011. The 2010 data presented was restated to conform to the GASB 54 presentation.

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues:</b>										
Real estate and personal property taxes, net of tax refunds.....	\$ 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	\$ 84,580,317
Motor vehicle and other excise taxes.....	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	5,393,775
Penalties and interest on taxes.....	771,830	582,442	610,806	482,536	574,469	579,891	472,492	451,354	424,548	431,899
Intergovernmental.....	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	28,845,858
Departmental and other.....	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	9,647,176
Licenses and permits.....	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	2,039,728
Fines and forfeitures.....	393,422	394,975	606,414	593,931	635,315	359,724	349,429	282,197	336,390	285,284
Contributions.....	643,614	475,130	582,757	1,649,316	439,650	490,332	540,184	1,025,693	674,281	688,589
Investment income.....	251,782	211,432	78,395	167,848	213,693	84,034	144,636	178,644	189,867	305,232
<b>Total Revenue.....</b>	<b>100,997,255</b>	<b>104,804,513</b>	<b>109,743,254</b>	<b>110,206,653</b>	<b>114,327,689</b>	<b>122,964,959</b>	<b>129,642,629</b>	<b>127,522,936</b>	<b>128,316,648</b>	<b>132,217,858</b>
<b>Expenditures:</b>										
General government.....	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	6,002,742
Public safety.....	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	18,147,667
Education.....	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	42,617,937
Public works.....	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	10,903,607
Health and human services.....	2,243,951	2,351,678	2,147,534	2,218,459	2,188,146	1,954,080	2,107,184	2,255,745	2,505,263	2,512,865
Culture and recreation.....	719,011	722,469	737,745	833,284	851,535	1,728,756	1,274,780	1,327,007	1,248,002	1,684,234
Community development.....	-	-	-	469,147	429,525	207,477	1,024,150	1,315,993	958,622	1,210,677
Pension and fringe benefits.....	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	30,925,193
State and county charges.....	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	2,636,256
Capital outlay.....	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	6,767,081
Debt service:										
Principal.....	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	3,710,316
Interest.....	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	1,555,721
<b>Total Expenditures.....</b>	<b>97,842,836</b>	<b>103,404,013</b>	<b>109,726,044</b>	<b>114,947,711</b>	<b>116,910,881</b>	<b>132,707,696</b>	<b>138,057,830</b>	<b>125,068,629</b>	<b>129,425,655</b>	<b>128,674,296</b>
Excess of revenues over (under) expenditures.....	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)	3,543,562
<b>Other Financing Sources (Uses):</b>										
Issuance of bonds and notes.....	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	7,552,500
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	49,696
Premiums from bonds and notes.....	164,346	216,495	169,048	435,459	526,168	380,340	457,418	1,490,859	486,176	191,339
Sale of capital assets.....	-	3,600	-	16,205	3,000	2,300	-	-	-	4,039,313
Transfers in.....	2,519,685	828,835	916,868	995,635	1,162,999	458,764	399,397	1,364,004	667,194	1,213,471
Transfers out.....	(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)	(6,292,073)
<b>Total other financing sources (uses).....</b>	<b>4,292,956</b>	<b>868,299</b>	<b>2,103,908</b>	<b>8,029,301</b>	<b>2,297,294</b>	<b>(4,941,995)</b>	<b>8,346,228</b>	<b>3,087,419</b>	<b>4,643,592</b>	<b>6,754,246</b>
<b>Net change in fund balance.....</b>	<b>\$ 7,447,375</b>	<b>\$ 2,268,799</b>	<b>\$ 2,121,118</b>	<b>\$ 3,288,243</b>	<b>\$ (285,898)</b>	<b>\$ (14,684,732)</b>	<b>\$ (68,973)</b>	<b>\$ 5,541,726</b>	<b>\$ 3,534,585</b>	<b>\$ 10,297,808</b>
Debt service as a percentage of noncapital expenditures.....	6.03%	6.02%	6.23%	6.38%	6.35%	5.27%	5.41%	4.83%	4.24%	4.32%

**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
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
2019	5,970,388,157	359,687,243	168,574,400	115,407,390	643,669,033	6,614,057,190	6,746,082,000	98.04%	12.69	13.11	12.73

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	2019			2010		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Massachusetts Electric Co.	Utility	\$ 48,569,620	1	0.73%	\$ 37,729,080	1	0.70%
Boston Gas Co.	Utility	28,797,530	2	0.44%	15,043,530	4	0.28%
Beauport Gloucester LLC	Hotel	22,770,800	3	0.34%			
Varian Semiconductor Equipment	Semiconductors	22,007,310	4	0.33%	22,923,800	2	0.43%
Gloucester Commons LLC	Retail Shopping Center	16,983,000	5	0.26%			
NGP Gloucester Mall	Office Building	14,177,600	6	0.21%			
Blackburn Center LLC	Real Estate	14,103,200	7	0.21%	12,456,500	7	0.23%
Gorton's Inc.	Fish Processing	13,821,100	8	0.21%	10,440,700	9	0.19%
Heights at Cape Ann II LLC	Residential	13,485,400	9	0.20%	12,639,400	6	0.23%
ART Mortgage Borrower Propco	Freezer Storage	11,418,900	10	0.17%			
Americold Real Estate LP	Freezer Storage			0.00%	21,542,500	3	0.40%
Verizon New England	Utility			0.00%	14,721,100	5	0.27%
JDL Gloucester LLC	Masonry			0.00%	11,524,100	8	0.21%
Traves William Hetux TRS	Real Estate			0.00%	10,491,200	10	0.19%
		<u>\$ 206,134,460</u>		<u>3.12%</u>	<u>\$ 169,511,910</u>		<u>3.15%</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	
2010	\$ 56,847,363	\$ 451,068	\$ 56,396,295	\$ 54,898,487	97.34%	\$ 1,204,205	\$ 56,102,692	99.48%
2011	60,243,937	399,096	59,844,841	58,328,499	97.47%	1,147,630	59,476,129	99.38%
2012	63,027,048	400,000	62,627,048	61,592,946	98.35%	616,834	62,209,780	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%	613,018	72,496,539	99.48%
2016	75,892,903	390,222	75,502,681	74,541,095	98.73%	531,507	75,072,602	99.43%
2017	78,489,679	384,430	78,105,249	77,197,819	98.84%	534,226	77,732,045	99.52%
2018	81,310,484	429,019	80,881,465	79,715,323	98.56%	1,166,142	80,881,465	100.00%
2019	84,202,727	403,633	83,799,094	82,364,954	98.29%	-	82,364,954	98.29%

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)	Direct Borrowings and Placements	General Obligation Bonds (1)	Direct Borrowings and Placements					
2010	\$ 32,126,613	\$ 8,664,496	\$ 26,408,387	\$ 28,488,254	\$ 95,687,750	\$ 984,698,956	9.72%	28,789	\$ 3,324
2011	29,619,813	8,029,194	30,664,187	44,830,383	113,143,577	984,698,956	11.49%	28,789	3,930
2012	27,622,204	8,381,952	40,620,797	41,897,763	118,522,716	984,698,956	12.04%	28,789	4,117
2013	30,788,116	9,207,747	48,144,994	52,553,536	140,694,393	984,698,956	14.29%	28,789	4,887
2014 (2)	28,710,741	5,333,920	46,243,216	68,125,102	148,412,979	984,698,956	15.07%	28,789	5,155
2015	25,036,013	5,124,239	42,576,155	64,807,214	137,543,621	984,698,956	13.97%	28,789	4,778
2016	32,896,673	4,741,634	40,799,315	60,865,620	139,303,242	984,698,956	14.15%	28,789	4,839
2017	37,462,814	4,358,926	39,575,983	56,329,607	137,727,330	984,698,956	13.99%	28,789	4,784
2018	43,110,696	4,476,114	48,068,738	52,909,893	148,565,441	984,698,956	15.09%	28,789	5,160
2019	46,352,819	5,072,638	47,770,900	56,008,519	155,204,876	984,698,956	15.76%	28,789	5,391

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>
2010	\$ 58,535,000	\$ (7,343,237)	\$ 51,191,763	\$ 5,381,431,000	0.95%	28,789	\$ 1,778
2011	60,284,000	(6,033,989)	54,250,011	5,288,079,920	1.03%	28,789	1,884
2012	68,243,001	(5,008,927)	63,234,074	5,135,946,590	1.23%	28,789	2,196
2013	78,933,110	(3,983,865)	74,949,245	5,113,775,160	1.47%	28,789	2,603
2014	74,953,957	(3,307,576)	71,646,381	5,164,191,030	1.39%	28,789	2,489
2015	67,612,168	(2,461,952)	65,150,216	5,327,860,200	1.22%	28,789	2,263
2016	73,695,988	(1,477,860)	72,218,128	5,536,759,220	1.30%	28,789	2,509
2017	77,038,797	(250,809)	76,787,988	5,930,512,360	1.29%	28,789	2,667
2018	91,179,434	(221,745)	90,957,689	6,267,400,150	1.45%	28,789	3,159
2019	94,123,719	(194,834)	93,928,885	6,614,057,190	1.42%	28,789	3,263

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)									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Equalized Valuation.....	\$ 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	6,746,082
Debt Limit.....	312,202	296,181	296,181	279,026	279,026	274,767	274,767	301,324	301,324	337,304
Outstanding direct debt.....	95,688	113,144	118,523	140,694	148,413	137,544	139,303	137,727	148,565	155,205
Authorized and unissued debt.....	74,283	68,798	27,612	16,188	57,026	35,344	13,161	17,306	21,299	18,930
Debt not applicable to debt limit.....	(54,017)	(58,257)	(58,667)	(56,303)	(52,093)	(62,131)	(56,205)	(67,451)	(72,300)	(68,830)
Legal debt margin.....	<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>	<u>\$ 231,999</u>
Total debt applicable to the limit as a percentage of debt limit.....	37.14%	41.76%	29.53%	36.05%	54.96%	40.31%	35.03%	29.07%	32.38%	31.22%

Source: State Division of Local Services, Accounting Records

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

**AS OF JUNE 30, 2019**

	<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.....	\$ 28,335,000	9.970%	<u>\$ 2,825,000</u>
Subtotal, overlapping debt.....			2,825,000
City direct debt.....			<u>51,425,457</u>
Total direct and overlapping debt.....			<u><u>\$ 54,250,457</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
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%
2019	28,789	984,698,956	34,204	46.4	2,851	3.50%

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	2019			2010		
		Approximate Number of Employees	Rank	Percentage of Total City Employment	Approximate Number of Employees	Rank	Percentage of Total City Employment
Applied Materials Inc.	Semiconductors	500-999	1	6.36%			
Addision Gilbert Hospital	Hospital	250-500	2	3.18%			
Seaport Grille	Food Industry	250-500	3	3.18%			
Action Inc.	Human Services	100-249	4	1.58%	100-249	2	1.67%
Gorton's	Seafood processing	100-249	5	1.58%			
Bomco Inc.	Metal Forming	100-249	6	1.58%	100-249	3	1.67%
Gloucester Engineering Co Inc.	Engineering	100-249	7	1.58%	100-249	6	1.67%
Head Start-Emerson	Day Care	100-249	8	1.58%	100-249	7	1.67%
North Shore Prenatal	Nursing	100-249	9	1.58%	100-249	9	1.67%
Pathways for Children	Day Care	100-249	10	1.58%	100-249	10	1.67%
Varian Semiconductor Equipment	Semiconductors				500-999	1	6.71%
Comdel, Inc.	Manufacturing				100-249	4	1.67%
First Boston Pharma	Pharmaceuticals				100-249	5	1.67%
ITT Marine & Leisure	Marine and special hardware				100-249	8	1.67%

Source: Official Statements

**FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION**

**LAST TEN FISCAL YEARS**

<u>Function</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>	<u>2019</u>
General government.....	42	38	42	44	44	42	41	44	48	61
Public safety.....	155	153	154	152	153	155	155	159	165	154
Education.....	704	650	652	663	665	652	659	663	679	685
Public works.....	28	65	65	67	63	62	65	69	70	75
Health and human services.....	15	14	13	13	13	14	13	13	12	22
Culture and recreation.....	18	16	17	17	17	17	17	17	16	18
Sub-total .....	961	936	942	955	954	941	950	964	990	1,015
Water, sewer, waterways and rink.....	40	36	37	36	35	36	37	31	29	26
Total City employees.....	<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>	<u>1,041</u>

Source: City personnel records

**OPERATING INDICATORS BY FUNCTION/PROGRAM**

**LAST TEN FISCAL YEARS**

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Government:</b>										
City Clerk										
Registered voters.....	13,961	14,381	15,706	16,386	17,189	18,130	20,487	21,529	21,966	20,577
<b>Public Safety:</b>										
<b>Police</b>										
<b>Criminal offenses</b>										
Homicide.....	-	-	-	-	-	-	-	-	-	-
Rape.....	3	6	4	9	4	2	4	5	9	10
Robbery.....	4	1	1	1	6	6	4	5	4	1
Aggravated assault.....	28	15	23	13	12	23	16	28	22	24
Burglary.....	26	32	20	23	21	23	22	27	34	18
Larceny.....	39	24	32	31	37	21	22	33	56	61
Motor vehicle theft.....	4	5	4	5	13	16	15	8	10	6
Total criminal offenses.....	<u>104</u>	<u>83</u>	<u>84</u>	<u>82</u>	<u>93</u>	<u>91</u>	<u>83</u>	<u>106</u>	<u>135</u>	<u>120</u>
Adult arrests.....	530	448	585	554	854	979	867	473	355	348
Juvenile arrests.....	26	29	15	21	63	57	59	22	5	-
Incident reports.....	3,735	3,570	4,020	4,336	2,924	2,815	2,711	7,875	9,518	9,583
Citations issued.....	992	1,160	1,870	1,968	1,529	2,613	1,776	1,193	844	943
<b>Fire</b>										
<b>Incidents</b>										
Fires.....	699	633	739	678	647	733	719	694	761	726
Non-fire incidents.....	4,539	3,950	3,830	3,953	4,149	4,347	4,350	4,636	4,752	4,658
Total fire calls.....	<u>5,238</u>	<u>4,583</u>	<u>4,569</u>	<u>4,631</u>	<u>4,796</u>	<u>5,080</u>	<u>5,069</u>	<u>5,330</u>	<u>5,513</u>	<u>5,384</u>
<b>Inspectional Services</b>										
Number of Building permits	793	1,087	1,028	1,124	1,125	1,451	1,348	1,293	2,618	1,327
Estimated dollar value of new construction	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	76,438,521
<b>Education:</b>										
Number of students.....	3,246	3,098	3,067	3,078	2,863	2,986	2,930	2,904	2,930	2,851
<b>Public Works:</b>										
<b>Highway</b>										
Roads paved (miles).....	0.90	1.30	6.30	0.80	2.20	1.40	0.69	1.10	1.00	1.50
<b>Water</b>										
Water mains replaced (miles).....	-	1.40	-	3.13	3.99	0.56	0.07	6.90	-	0.25
<b>Sewer</b>										
Sanitary sewers replaced (miles).....	0.49	0.44	0.44	-	0.29	0.77	0.15	1.40	-	0.50
<b>Health and Human Services:</b>										
<b>Board of Health</b>										
<b>Permits issued</b>										
Food permits.....	N/A	N/A	N/A	407	375	378	364	291	300	321
Other.....	N/A	N/A	N/A	589	593	846	850	1,219	651	1,466
Total permits.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>996</u>	<u>968</u>	<u>1,224</u>	<u>1,214</u>	<u>1,510</u>	<u>951</u>	<u>1,787</u>
<b>Culture and Recreation:</b>										
<b>Libraries</b>										
Circulation.....	158,697	155,208	154,935	137,966	138,860	146,061	163,445	162,986	163,776	167,871
Holdings.....	136,940	139,313	144,754	153,305	148,865	136,044	121,627	112,491	111,922	112,213
Number of visits.....	154,763	152,485	151,771	142,252	135,078	73,948	160,419	233,569	244,579	194,407

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Government:</b>										
Number of buildings.....	4	4	4	4	4	4	4	4	4	4
<b>Public Safety:</b>										
<b>Police</b>										
Number of stations.....	1	1	1	1	1	1	1	1	1	1
<b>Fire</b>										
Number of stations.....	4	4	4	4	4	4	4	4	4	4
<b>Education:</b>										
Number of Pre-K schools.....	1	1	1	1	1	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
<b>Public Works:</b>										
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	133	133	133	133	133	133	133	133	133
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
<b>Culture and Recreation:</b>										
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.



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**Above:** The Tarr and Wonson Paint Factory on Rocky Neck began manufacturing the first copper, bottom paint for boats in 1863. The paint was so successful, the Tarr and Wonson Paint Factory made copper paint for the maritime industry for over a hundred years, sending paint to ship owners all over the world. When the factory closed in 1980, it remained vacant for almost thirty years until Ocean Alliance, an oceanographic research organization, bought it to house its headquarters.

**Photo credit:** Melissa Cox