

City of Chelsea, Massachusetts
Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2020



CITY OF CHELSEA, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020

Thomas G. Ambrosino, City Manager

Prepared by the Finance Division

**CITY OF CHELSEA, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020**

TABLE OF CONTENTS

	<u>Page(s)</u>
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal.....	1-5
Certificate of Achievement for Excellence in Financial Reporting.....	6
Principal City Officials.....	8-9
Organizational Chart	10
<u>FINANCIAL SECTION</u>	
Independent Auditor’s Report	13-15
Management’s Discussion and Analysis	17-28
Basic Financial Statements:	
Statement of Net Position	31
Statement of Activities.....	32
Balance Sheet – Governmental Funds	33
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	34
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	35
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	36
Statement of Net Position – Proprietary Funds.....	37
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	38
Statement of Cash Flows – Proprietary Funds.....	39
Statement of Fiduciary Net Position	40
Statement of Changes in Fiduciary Net Position	41
Notes to Basic Financial Statements.....	42-78
Required Supplementary Information:	
Schedule of Changes in Employers’ Net Pension Liability and Related Ratios (System).....	81
Schedule of Employer Contributions (System)	82
Schedule of Investment Returns (System).....	82
Schedule of the City’s Proportionate Share of the Net Pension Liability	83
Schedule of the City’s Contributions to Pension Plan	83
Schedule of the Commonwealth’s Collective Share of Net Pension Liability – Massachusetts Teachers’ Retirement System.....	84
Schedule of Changes in Net OPEB Liability and Related Ratios	85
Schedule of Contributions to OPEB Plan	86
Schedule of Investment Returns – OPEB Plan	86
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	87-91
Notes to Required Supplementary Information	92-93

**CITY OF CHELSEA, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020**

TABLE OF CONTENTS

	<u>Page(s)</u>
<u>FINANCIAL SECTION (continued)</u>	
Combining Statements:	
<i>Nonmajor Governmental Funds</i>	95-97
Combining Balance Sheet – Nonmajor Governmental Funds	98-101
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	102-105
<i>Internal Service Funds</i>	107
Combining Statement of Net Position – Internal Service Funds	108
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds	109
Combining Statement of Cash Flows – Internal Service Funds	110
<i>Fiduciary Funds</i>	111
Statement of Changes in Assets and Liabilities – Agency Fund	112
 <u>STATISTICAL SECTION</u>	
Narrative	115
Net Position by Component – Last Ten Fiscal Years.....	116
Changes in Net Position – Last Ten Fiscal Years	117-118
Fund Balances, Governmental Funds – Last Ten Fiscal Years	119
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years	120
Assessed Value and Estimated Actual Value of Taxable Property By Classification – Last Ten Fiscal Years	121
Direct Property Tax Rates – Last Ten Fiscal Years	122
Principal Taxpayers – Current Year and Nine Years Ago	123
Property Tax Levies and Collections – Last Ten Fiscal Years.....	124
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	125
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	126
Computation of Legal Debt Margin – Last Ten Fiscal Years	127
Direct and Overlapping Governmental Activities Debt	128
Demographic and Economic Statistics – Last Ten Calendar Years	129
Principal Employers – Current Year and Nine Years Ago.....	130
Full-time Equivalent City Employees by Function – Last Ten Fiscal Years	131
Operating Indicators by Function/Program – Last Ten Fiscal Years	132
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	133



This page intentionally left blank.

INTRODUCTORY SECTION



The Sirens Crew (Fernanda Lopez, Jenna Feldman, Laura Smith, Alison Miller, Melissa Clark & Ruth Henry) is a collective of female identified artists who create socially-engaged public art as expressive art therapists, educators, and activists. Their approach uses nature imagery as a metaphor for imagining a better, co-created world. For the rear entrance to North Suffolk Mental Health, they used the metaphor of a lotus flower to explore the strength and resilience of the Chelsea community.

This work was one of a set of murals installed on Division Street to advance the creation of our Neighborway, a shared street that welcomes safe movement of all modes of transport including by foot, bike and car.

Photo credit: Matt Frank



This page intentionally left blank.



CITY OF CHELSEA, MA
Office of the City Manager

Thomas G. Ambrosino

City Manager

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

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

May 21, 2021

Dear Councilors:

I am pleased to submit the City of Chelsea's *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2020. This letter of transmittal, and management's discussion and analysis as located in the financial section of the Comprehensive Annual Financial Report, provides a comprehensive financial overview of the City.

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

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

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

REPORTING ENTITY AND SERVICES PROVIDED

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

The City has included the Chelsea Contributory Retirement System (System) as a component unit (blended) in the basic financial statements. The financial statements of the System are presented for the year ended December 31, 2019, which represents the fiscal reporting period for the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission.

PROFILE OF THE CITY

The City of Chelsea, Massachusetts is located in Suffolk County directly across the Mystic River from the City of Boston. The City was first settled in 1624, established itself as a Town in 1739 and was incorporated as a City in 1857. The City has an estimated population of approximately 40,000 and occupies a land area of 1.8 square miles. It is one of the most densely populated municipalities in the Commonwealth.

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

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

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

ECONOMIC CONDITIONS

Economic conditions in Chelsea, similar to those in the entire nation, have been severely impacted by COVID-19. The shutdown of business and the dramatic reduction in travel have led to significant revenue losses in hotel and motel room tax, meals tax and motor vehicle excise tax. These began in the last quarter of FY20 and continue into FY21.

Thankfully, Chelsea had previously taken preemptive steps to minimize the impact of the kind of economic downturn caused by COVID-19. Due to conservative fiscal management over the past decade, Chelsea created healthy reserves. This allowed the City not only to balance its budget in FY21, but also to address the myriad of social impacts caused by the pandemic's disproportionate impact in this majority-minority community.

Despite the pandemic, Chelsea's economic development potential, and its ability to restore surpluses and robust reserves, remains extremely positive due to three major assets: proximity to the Airport; proximity to Downtown Boston; and a robust public transportation network. These attributes continue to make Chelsea an incredibly attractive community for both residential and commercial development. We expect economic development to rebound strongly once the pandemic subsides.

LONG TERM FINANCIAL PLAN

Years ago, 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 and expenditure projections and reflects challenges associated with Covid-19:

Five Year Financial Projection					
	Fiscal Year Ended June 30				
Revenues	2021	2022	2023	2024	2025
Real and personal property taxes	64,038,178	66,616,827	69,269,748	71,988,992	74,776,217
Intergovernmental	97,447,885	107,050,846	109,072,472	111,133,854	113,235,777
Motor vehicle excise	5,613,866	8,500,000	8,712,500	8,930,313	9,153,570
Hotel and meals tax	1,000,000	1,100,000	1,127,500	1,155,688	1,184,580
Charges for services	2,386,800	2,543,880	2,713,526	2,896,745	3,094,620
PILOT payments	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Other receipts	7,265,897	7,148,712	7,265,755	7,386,050	7,509,693
Investment income	900,000	900,000	900,000	900,000	900,000
Total revenues	180,452,626	195,660,265	200,861,501	206,191,642	211,654,457
Expenditures					
General government	5,785,193	6,418,715	6,694,209	6,981,734	7,281,824
Public safety	27,479,218	26,959,952	28,000,926	29,082,602	30,206,587
Education	101,850,191	108,506,145	111,218,799	113,999,269	116,849,250
Public works	7,423,019	7,773,351	8,192,651	8,635,331	9,102,727
Health and human services	2,536,957	2,576,537	2,692,860	2,814,502	2,941,711
Employee benefits	17,649,830	19,154,054	20,310,146	21,367,585	22,581,975
State assessments	18,574,879	20,251,912	20,758,210	21,277,165	21,809,094
Other	1,590,000	2,390,000	2,510,124	2,530,755	2,551,898
Debt service	2,529,158	2,521,691	2,480,093	2,696,316	2,973,914
Total expenditures	185,418,445	196,552,357	202,858,018	209,385,259	216,298,980
Surplus (deficit)	(4,965,819)	(892,092)	(1,996,517)	(3,193,617)	(4,644,523)

The above forecasts are fluid and are revised as information becomes more reflective of imminent situations. Historically, the City's actual revenues have outpaced forecasted revenues, and through aggressive budget management, actual expenditures have beat budget. These favorable operating results have eliminated deficits identified in forecasts in almost all situations and this is anticipated to continue. In the unlikely event this does not prevail, the City has sufficient unassigned fund balance to subsidize any possible deficits for multiple years.

RISK MANAGEMENT

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

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

CAPITAL FINANCING AND DEBT MANAGEMENT

The City's debt burden is relatively low in relation to other communities. Outstanding long-term debt (related to governmental funds) as of June 30, 2020, totaled approximately \$18,575,189, of which \$10,400,000 relates to school remodeling projects and \$150,000 relates to urban renewal, leaving a balance of approximately \$8,025,189 in CIP projects.

Since fiscal year 1997, the City had funded a portion of its CIP on a "pay-as-you-go" basis out of current revenues (\$665,580 for FY20). In order to maintain this type of funding, even in difficult economic conditions, various Stabilization Funds have been established and, as of June 30, 2020, these funds totaled approximately \$27,716,294.

CASH MANAGEMENT

The municipal finance laws of the Commonwealth authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool. In addition, there are various restrictions limiting the amount and length of deposits and investments.

In Chelsea, idle cash is invested. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City does not require collateral for its certificates of deposit, money market accounts, checking or savings accounts when dealing with major banking institutions in the Boston area. However, City officials reserve the right to require collateral when it is in the best interest of the City to do so. At June 30, 2020, general fund cash and cash equivalents totaled \$33,604,557.

INDEPENDENT AUDIT

The City's financial records, books of accounts and financial transactions are audited each fiscal year by an independent firm of certified public accountants. The independent public accounting firm of Roselli, Clark & Associates performed the City's annual audit for the fiscal year ended June 30, 2020. The independent auditors' report on the basic financial statements, for the fiscal year ended June 30, 2020, is included herein and contains an unmodified opinion.

CERTIFICATES, AFFILIATIONS AND AWARDS

For the twenty second straight year, the City has been recognized by the Government Finance Officers Association (GFOA) of the United States and Canada with a "Certificate of Achievement for Excellence in Financial Reporting" for its June 30, 2019 Comprehensive Annual Financial Report. The Certificate of Achievement is the most prestigious award of its kind. The award reflects the effort and emphasis that the City places in meeting and exceeding the highest standards for financial and operational reporting. In order to be awarded the Certificate of Achievement, a government must publish an easily

readable and well-organized document that conforms to accounting principles generally accepted in the United States of America and the Certificate Program requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this fiscal year 2020 Comprehensive Annual Financial Report continues to meet the Certificate Program's requirements and, accordingly, we have submitted it to the GFOA to determine its eligibility for another Certificate of Achievement.

ACKNOWLEDGMENTS

Chelsea works because the City and the community are both committed and collaborative. Never was this more evident than during this COVID-19 pandemic, when the City banded together to successfully meet the extraordinary challenges cause by COVID's disproportionate impact on Chelsea. All of our successes in the City are due to the combined hard work of elected officials, City Hall employees and engaged residents.

While we all share in the achievement of another positive Comprehensive Annual Financial Report, I especially wish to recognize our financial officials for their diligent work, even in the midst of COVID-19. The City has assembled an extraordinary financial team that has earned distinction, including receipt of a long string of municipal awards. This Comprehensive Annual Financial Report stands as a further testament to their work.

On behalf of the entire City, I am pleased to share with the City Council and the entire Chelsea community the City's fiscal year 2020 Comprehensive Annual Financial Report. Once again, our municipal government is not only accurately and openly reporting its operations, but it is doing so in a transparent manner consistent with Chelsea's revitalized City government.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas G. Ambrosino". The signature is fluid and cursive, with the first name "Thomas" being more prominent.

Thomas G. Ambrosino
City Manager



Government Finance Officers Association

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

Presented to

**City of Chelsea
Massachusetts**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO



This page intentionally left blank.

Principal Officials

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

City Council

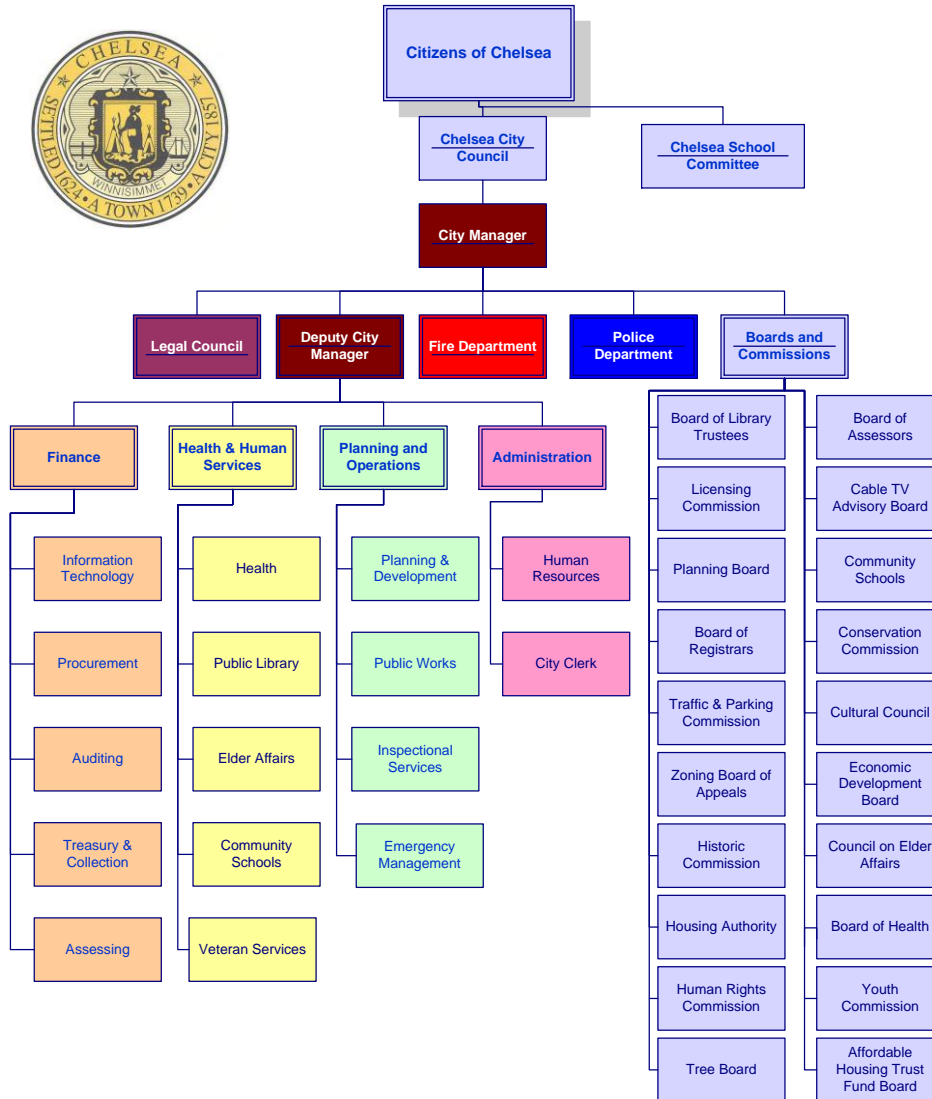
At Large	Roy Avellaneda, <i>President</i>
At Large	Damali Vidot
At Large	Leo Robinson
District One	Todd B. Taylor
District Two	Melinda Vega Maldonado
District Three	Naomi Zobot
District Four	Enio A. Lopez
District Five	Judith Garcia, <i>Vice President</i>
District Six	Giovanni A. Recupero
District Seven	Yamir Rodriguez
District Eight	Calvin T. Brown

School Committee

The committee members are:

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

City of Chelsea Organization



FINANCIAL SECTION



ChalkArtSaturdays was a city-wide public art initiative in response to the COVID-19 pandemic. Over six weeks a series of Art Prompts such as Imagine Racial Justice, Imagine a Better Normal, and Embrace New Rituals aimed to bring out some of our private thoughts and feelings about the COVID-19 pandemic into public space where we can process together through the lens of art. Community members across the city of Chelsea were invited to make chalk art in public spaces safely near their home. To provide inspiration and a showpiece, a team of local artists created larger chalk art murals in a prominent location each Saturday morning.

Chelsea artist Max Pro created his design for the art prompt Joy to All Generations, taking inspiration from his toddler daughter.

Photo credit: Katy Rogers



This page intentionally left blank.



INDEPENDENT AUDITOR'S REPORT

Honorable City Council and City Manager
City of Chelsea, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Chelsea, Massachusetts, (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents, (except for the Chelsea Contributory Retirement System, (the "System" or "Retirement System") which is as of December 31, 2019).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of June 30, 2020, (except for the System which is as of December 31, 2019) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement of Prior Year Ending Balances

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

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and statistical sections have not

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

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 21, 2021 on our consideration of the City of Chelsea, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Chelsea, Massachusetts' internal control over financial reporting and compliance.

Roselli Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts 01801
May 21, 2021



This page intentionally left blank.

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the City, we offer readers of the accompanying financial statements this narrative overview and analysis of the financial activities of the City and its component unit for the fiscal year ended June 30, 2020.

Financial Highlights

- Fiscal 2020 can be characterized as a year that was dealt many financial challenges due to the emergence of the novel coronavirus, Covid-19. Reaching the United States west coast in January of 2020, the virus spread to pandemic proportions nationally; quickly spreading and reaching Massachusetts in late February. The strength in transmission of the virus forced lock downs of businesses, schools, restaurants and all non-essential activity in many states including Massachusetts. These lockdowns essentially brought most economic activity to a halt as its impact was felt globally. Despite this, the City was able to navigate through these challenges and end up with a relatively positive outcome. This was leveraged mostly in part to a strong first three quarters of the year bolstered by reserves the City has accumulated. In addition, the City was the beneficiary of numerous grants created to assist communities during this very challenging time.
- The City's assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by over \$85.9 million.
- The government's total net position increased by almost \$23.4 million. This consisted of an increase in governmental activities' net position by nearly \$20.0 million combined with an increase in business - type activities' net position by almost \$3.4 million.
- The City's Unassigned Fund Balance reported in the General Fund was over \$43.4 million (22.2% of General Fund expenditures). Total Fund Balance in the General Fund was almost \$58.6 million (30.0% of General Fund expenditures).
- The City's total debt decreased by over \$3.6 million to about \$34.7 million during the fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

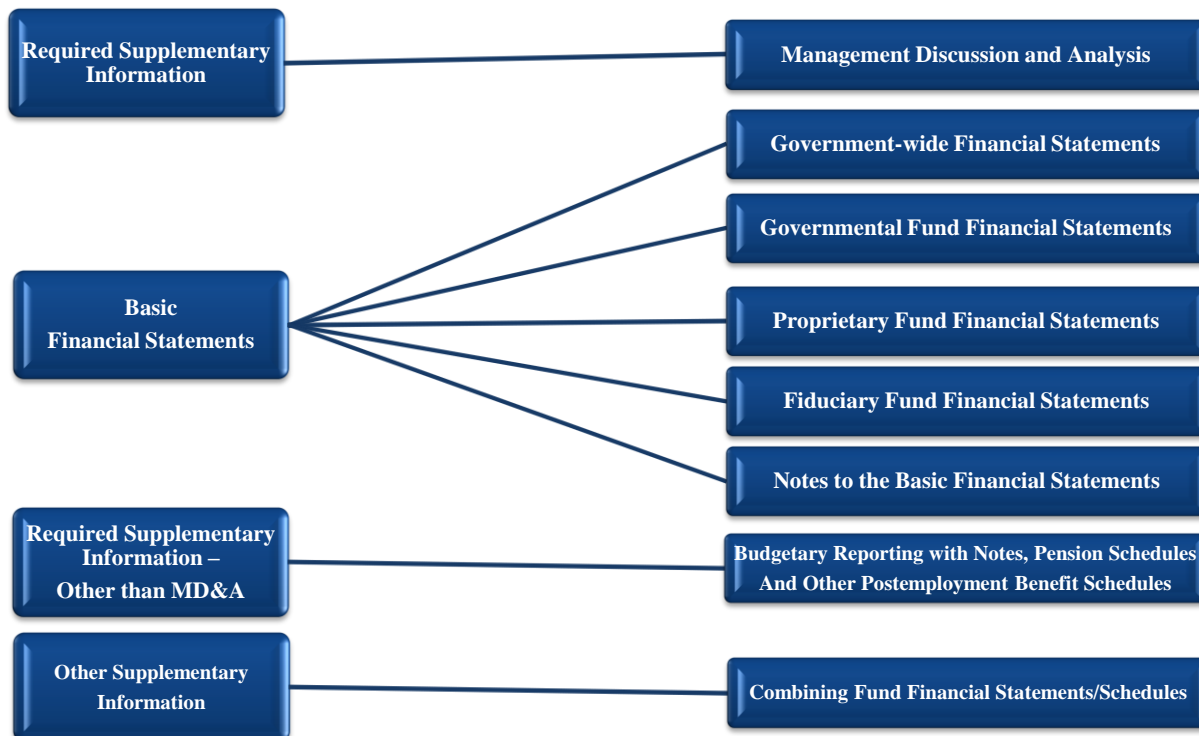
Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary funds include a combined fund to account for the City’s Pension and OPEB trusts in addition to Private Purpose trust funds and Agency funds. The Pension System is a legally separate entity reported as a fiduciary fund. Because the Pension System services almost entirely the City, it is presented as a blended component unit as if it were part of the primary government as a fiduciary fund due to the significance of its operations.

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

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

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

Illustration 1 – Relationship of Financial Statement information



Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, its assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by over \$85.9 million. Condensed net position data is presented as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<u>Assets</u>						
Current and other assets	\$ 133,547,444	\$ 119,570,424	\$ 25,598,437	\$ 23,187,427	\$ 159,145,881	\$ 142,757,851
Capital assets, net	<u>200,756,078</u>	<u>201,532,701</u>	<u>42,311,108</u>	<u>38,193,852</u>	<u>243,067,186</u>	<u>239,726,553</u>
Total Assets	334,303,522	321,103,125	67,909,545	61,381,279	402,213,067	382,484,404
Deferred outflows of resources	<u>7,654,664</u>	<u>15,382,796</u>	<u>43,384</u>	<u>88,185</u>	<u>7,698,048</u>	<u>15,470,981</u>
<u>Liabilities</u>						
Current liabilities	10,992,187	9,568,355	1,884,242	332,100	12,876,429	9,900,455
Long-term liabilities	<u>241,383,845</u>	<u>307,962,989</u>	<u>17,281,365</u>	<u>16,007,378</u>	<u>258,665,210</u>	<u>323,970,367</u>
Total Liabilities	252,376,032	317,531,344	19,165,607	16,339,478	271,541,639	333,870,822
Deferred inflows of resources	<u>52,149,047</u>	<u>26,673,366</u>	<u>286,774</u>	<u>146,406</u>	<u>52,435,821</u>	<u>26,819,772</u>
<u>Net Position</u>						
Net investment in capital assets	187,915,377	186,637,819	36,307,097	27,575,431	224,222,474	214,213,250
Restricted	34,535,623	30,279,296	-	-	34,535,623	30,279,296
Unrestricted	<u>(185,017,893)</u>	<u>(224,635,904)</u>	<u>12,193,451</u>	<u>17,408,149</u>	<u>(172,824,442)</u>	<u>(207,227,755)</u>
Total Net Position	\$ 37,433,107	\$ (7,718,789)	\$ 48,500,548	\$ 44,983,580	\$ 85,933,655	\$ 37,264,791

By far, the largest portion (approximately \$224.2 million) of the City's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion, approximately \$34.5 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 \$172.8 million. This is due to the recognition of significant net pension and net other postemployment benefit liabilities reported under GASB 68 and GASB 75. These deficits are expected to continue into the future until these liabilities become fully funded.

Condensed changes in net position data is presented as follows:

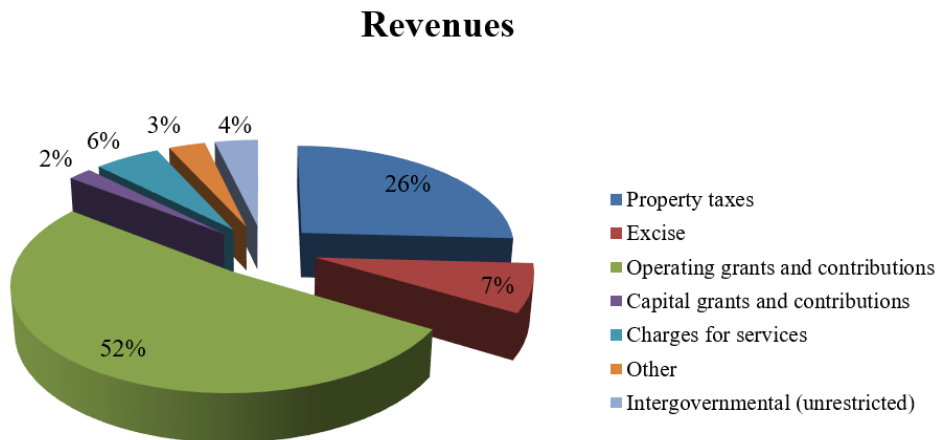
	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 13,532,245	\$ 13,652,798	\$ 22,672,105	\$ 22,270,490	\$ 36,204,350	\$ 35,923,288
Operating grants and contributions	124,218,346	115,010,624	-	155,000	124,218,346	115,165,624
Capital grants and contributions	4,947,006	8,390,138	2,755,497	619,400	7,702,503	9,009,538
General revenues:						
Property taxes	61,865,051	57,596,190	-	-	61,865,051	57,596,190
Excise and other taxes	18,250,997	17,555,212	-	-	18,250,997	17,555,212
Grants and contributions not restricted	8,858,851	8,590,509	-	-	8,858,851	8,590,509
Other	7,546,092	8,568,176	-	-	7,546,092	8,568,176
Total Revenues	239,218,588	229,363,647	25,427,602	23,044,890	264,646,190	252,408,537
<u>Expenses</u>						
General government	18,210,284	11,593,140	-	-	18,210,284	11,593,140
Public safety	42,319,904	45,983,955	-	-	42,319,904	45,983,955
Education	143,821,036	135,384,643	-	-	143,821,036	135,384,643
Public works	10,756,794	11,831,133	-	-	10,756,794	11,831,133
Health and human services	2,315,653	2,177,795	-	-	2,315,653	2,177,795
Culture and recreation	1,276,297	1,192,222	-	-	1,276,297	1,192,222
Community development	1,794,568	2,102,001	-	-	1,794,568	2,102,001
Interest expense	842,478	965,162	-	-	842,478	965,162
Water and sewer	-	-	19,947,755	17,963,654	19,947,755	17,963,654
Total Expenses	221,337,014	211,230,051	19,947,755	17,963,654	241,284,769	229,193,705
Increase (decrease) in net position before transfers	17,881,574	18,133,596	5,479,847	5,081,236	23,361,421	23,214,832
Transfers	2,099,940	2,872,035	(2,099,940)	(2,872,035)	-	-
Increase (decrease) in net position	19,981,514	21,005,631	3,379,907	2,209,201	23,361,421	23,214,832
Net position, beginning of year	(7,718,789)	(17,382,093)	44,983,580	43,114,761	37,264,791	25,732,668
Restatement for capital project funds	-	339,959	-	(339,959)	-	-
Restatement for capital assets	-	(4,399,685)	-	49,857	-	(4,349,828)
Restatement for compensated absences	-	1,951,000	-	-	-	1,951,000
Restatement for net OPEB liability	25,170,382	(9,233,601)	137,061	(50,280)	25,307,443	(9,283,881)
Net position, beginning of year, as restated	17,451,593	(28,724,420)	45,120,641	42,774,379	62,572,234	14,049,959
Net position, end of year	\$ 37,433,107	\$ (7,718,789)	\$ 48,500,548	\$ 44,983,580	\$ 85,933,655	\$ 37,264,791

Governmental Activities – The governmental activities increased net position by approximately \$20.0 million. This was consistent with the increase in the prior year.

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

Major sources of revenue for governmental activities consist of:

(1) Property taxes which represented 25.9% of total revenues or an increase of nearly \$4.3 million over the prior year; under Massachusetts General Laws, communities are allowed to assess taxes at 2 ½% of the prior year (added \$1.5 million) plus any new growth (added \$2.2 million); in addition, tax liens which



are collected for delinquent outstanding taxes of prior years, make up the majority of the difference. Therefore, this net increase met a net increase that was expected from year to year.

(2) Operating grants make up 51.9% of the City's total revenues. These are made up of

local distributions from the State for general and school operating purposes as well as amounts contributed to teacher pensions under a special funding situation. The dollar amount that increased from year to year is \$9.2 million. Approximately \$7.6 million of this amount is made up of a significant increase in the amount contributed by the Commonwealth in the special funding situation described above, combined with a large increase in Chapter 70 contributions from the Commonwealth for educational purposes. The remainder is due to minor increases across the board in most grants and timing between years.

(3) Charges for services represent fees the City receives from various services it provides to its constituents. Representing 5.7% of total revenues, the amount is consistent with the prior year.

(4) Excise and other taxes represent motor vehicle, meals and hotel excise. Representing 7.6% of total revenue, this amount is consistent with the prior year.

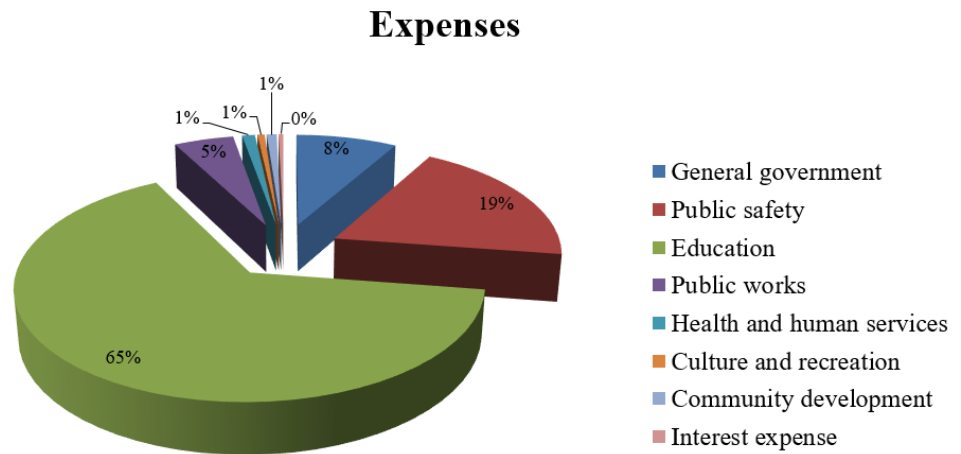
(5) Capital grants and contributions represents a modest (2.1%) of total revenue, however it is identified due to the reduction from the prior year of \$2.4 million. This is directly related to the Clark Avenue School construction project. The School, which qualified for reimbursements from the Massachusetts School Building Authority, is now complete and no further reimbursements were earned with respect to this project during fiscal 2020.

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

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

Expenses in total were up almost 5% year to year; an increase of \$10.1 million. The majority of this is explained as the collateral impact of the revenue increases noted above in the special funding situation and the Chapter 70 increases.

With the expense increase matching the revenue increase, it resulted in a relatively consistent result from operations.

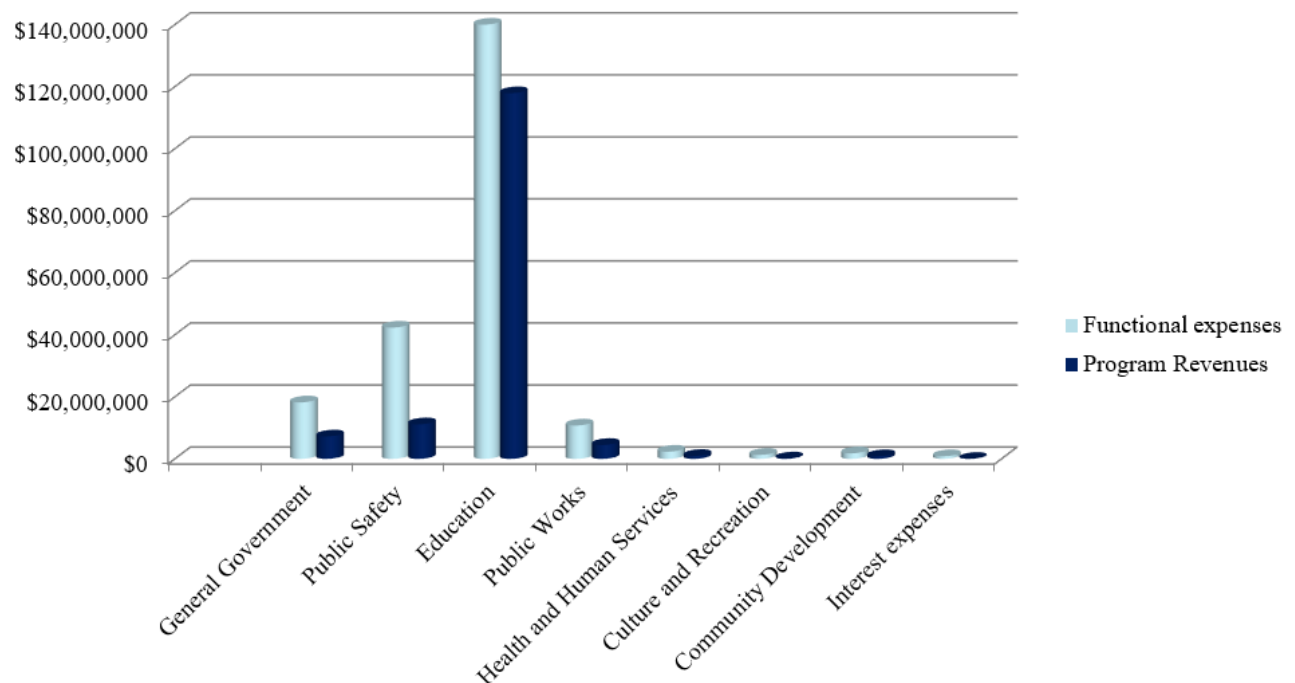


The following expenses are the largest expenses in City Government:

- (1) General – Representing 8.2% of total expenses, general expenses as presented reflect an increase of \$6.6 million over the prior year. This was primarily due to the recognition of a loss on the disposition of a capital asset.
- (2) Education – Representing 65% of total expenses, the City continues to devote significant resources to the quality of its education. The increase in expense amount when compared to the prior year is primarily due to the collateral, or offsetting, impact to the increases in two specific revenue items identified under operating grants. More specifically, the special funding situation related to the Teacher’s Retirement System and Chapter 70 operating grants received from the Commonwealth make up over 90% of the \$8.4 million increase. In addition, Massachusetts requires School Districts to meet a net cost per student spending mandate. The City has once again achieved this level.
- (3) Public Safety is another significant expense, representing 19.1% of total expenses. Protecting the City’s streets and residents is a priority to City Management and thus why a moderate level of resources are devoted to the safety of the City’s citizens. The decrease over the prior year of \$3.7 million is due primarily to the State-wide shelter in place mandates imposed by the Governor and corresponding reduction in expenses.

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

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



Business-type Activities – Net position of the business-type activities increased by approximately \$3.4 million (7.0% of business-type activities’ net position) over the prior year balances. The City typically sets its water and sewer rates to cover operating expenses, both those incurred directly in the enterprise fund and those incurred in the general fund on behalf of the enterprise fund. In addition, the rates are designed to also cover debt service. Since principal payback is not an expense under GAAP, user charges typically exceed expenses and financing uses, the difference being principal payback.

Current year operations were consistent with the prior year except for a grant of approximately \$2.8 million which increased both revenues and expenses by a similar amount.

The City receives its water and sewer services from the Massachusetts Water Resources Authority. This is the State agency that provides water and sewer services to many communities in Massachusetts.

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 \$104.8 million, an increase of approximately \$8.8 million over the prior year.

The net causes for this were:

1. An increase in the general fund of \$5.4 million. Despite the shelter in place mandates imposed by the Governor, the City still experienced strong revenue from motor vehicle excise due to revenues from rental car activities. These revenues exceeded forecasts by \$6.1 million. Other positive operations were offset by appropriations of free cash (surplus). The majority of the free cash appropriation was a transfer to the capital projects fund to subsidize city-wide capital activity. The City typically exceeds conservative forecasts in other revenues such as building permits, meals, hotel excise and other local receipts however, the shelter in place mandates that essentially locked down all activity in the fourth quarter, capped this revenue.
2. An increase to nonmajor funds of \$4.1 million, which was mostly related to the timing of receipts and expenditures in a very active federal and state grant year due to Covid-19.
3. Both the City Capital Projects fund and the Clark Avenue School Construction Fund fluctuated by minor amounts due to the timing of revenues and expenditures and the completion of the Clark Avenue School.

The City's Unassigned Fund Balance reported in the General Fund was approximately \$43.4 million (22.2% of General Fund expenditures). Total Fund Balance in the General Fund was approximately \$58.6 million (30.0% of General Fund expenditures). The City reported combined restricted fund balances of about \$46.4 million in its Clark Avenue School Construction Fund, City Capital Projects Fund and Nonmajor funds. The remainder of governmental fund balances are minor amounts and are reflected as unassigned and nonspendable in the nonmajor funds.

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

Fiduciary Fund – The City's fiduciary fund is comprised of three fund types. The significant fund is a fund which combines the City's Retirement System and its OPEB fund. The Retirement System had over \$196.6 million in net position and the OPEB fund had nearly \$2.4 in net position.

The Retirement System net position increased by over \$31.0 million due to favorable market conditions at the end of calendar year 2019 and the OPEB fund net position increased by \$0.3 million due to contributions exceeding claims by approximately this amount.

The City also includes Private Purpose Trust Funds in this category of funds. These increased by a minor amount as donations from benefactors and investment income approximated expenses.

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

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were approximately \$6.7 million. These included increases to Education \$1.3 million, Public Works \$2.0 million, and debt service \$3.6 million. Other increases and decreases were not significant.

Major budget to actual differences on the revenue side in aggregate were about \$7.0 million over forecast. As discussed previously, Motor Vehicle Excise made up the majority of this as all other revenues were essentially flat.

On the expenditure side, the City beat budget by about \$5.5 million. The largest difference was in Public Safety which beat budget by over \$1.8 million. The remainder was spread ratably across all functions. These large favorable expenditure trends were primarily due to a reduction in burden due to the lockdown in the fourth quarter.

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, 2020 amounts to approximately \$244.1 million (net of accumulated depreciation) an increase from the previous year’s balance of approximately \$4.4 million. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, equipment, and software. The total increase is due to capital asset additions less disposals exceeding depreciation for the year.

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

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

Long-term Debt – At the end of the current fiscal year, the City had total debt outstanding of approximately \$34.7 million. The entire amount comprises debt backed by the full faith and credit of the government. The City’s total debt decreased by approximately \$3.7 million during the fiscal year. Detail of this decrease can be observed in the following table:

Regular Scheduled Maturities:	
Governmental Activities	\$ (6,082,313)
Business-Type Activities	(2,591,362)
Issuance of Long-term Note or Bond	
Governmental Activities	820,500
Business-Type Activities	4,206,250
	<u>\$ (3,646,925)</u>

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0 % of its total assessed valuation. The current debt limitation for the City is approximately \$211.3 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 and G.

Economic Factors and Next Year's Budget and Rates

- As previously discussed, the Covid-19 pandemic has had a catastrophic impact nation-wide. With the majority of the Country under lockdown for the entire 4th quarter, the impacts have caused reductions in revenue and thus an adverse impact on operations. The City survived fiscal 2020 due to a strong first three quarters and conservative revenue estimates. However, the impact to fiscal year 2021 is ongoing and thus, the City has taken a very conservative approach in estimating revenues for fiscal year 2021.
- Unemployment rates across the Commonwealth continue to be among the highest in the country as the effects of the Covid-19 pandemic has hit states with higher pre-pandemic employment rates the hardest.
- The City's real estate tax base is made up of residential, commercial, industrial and personal taxes. Just over ½ is residential as the City relies heavily on its commercial and industrial base which represents the majority of the other ½. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the City's ability to increase taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy.
- Consistent with both State and National indices, the City's housing market has experienced a significant positive trend since the end of the recession in 2011 and continues to increase due to the continued robust real estate market in the Greater Boston area.
- The City has responded well to the recent economic challenges. Reductions in local revenue, primarily interest income and other reductions in revenue have caused the City to aggressively seek other revenue producing initiatives in order to maintain appropriations in ways that preserve local service levels.

All of the above items were considered when the City developed its budget for fiscal year 2021. The budget was adopted in June of 2020 and the City's tax rate was certified in December 2020.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the City Manager, City Hall, 500 Broadway Chelsea, MA 02150.

BASIC FINANCIAL STATEMENTS



Chelsea artist Nelson Saldana, inspired by the grace and rich meaning of Renaissance art and mythology as well as the dynamic color and boldness of contemporary graphic novels and street artists created a number of murals in downtown Chelsea in 2020. As part of ChalkArtSaturdays he created two large scale temporary murals in Bellingham Square. On Everett Street under the Route One overpass his design celebrated education as a way to wisdom. To further the year-over-year artmaking on Division Street he completed his largest work yet with a tribute to the sustaining power of creativity to overcome adversity.

Photo credit: Nelson Saldana



This page intentionally left blank.

CITY OF CHELSEA, MASSACHUSETTS

STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activity	Total
Assets			
Cash and cash equivalents	\$ 89,083,497	\$ 19,319,007	\$ 108,402,504
Investments	35,496,386	-	35,496,386
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	1,053,634	-	1,053,634
Tax, utility and other liens	559,943	288,879	848,822
Motor vehicle and other excise taxes	933,190	-	933,190
User charges	-	4,923,568	4,923,568
Trash	367,419	-	367,419
Departmental and other	3,160,817	-	3,160,817
Intergovernmental	1,695,697	-	1,695,697
Prepaid items	1,082,235	-	1,082,235
Tax foreclosures	114,626	-	114,626
Capital assets not being depreciated	22,616,057	1,066,983	23,683,040
Capital assets, net of accumulated depreciation	178,140,021	42,311,108	220,451,129
Total Assets	334,303,522	67,909,545	402,213,067
Deferred Outflows of Resources			
Related to net other postemployment benefits liability	1,732,315	9,433	1,741,748
Related to net pension liability	5,922,349	33,951	5,956,300
Total Deferred Outflows of Resources	7,654,664	43,384	7,698,048
Liabilities			
Warrants and accounts payable	6,741,699	1,704,610	8,446,309
Accrued payroll and withholdings	1,716,217	26,030	1,742,247
Retainage payable	157,478	-	157,478
Tax refunds payable	1,082,432	-	1,082,432
Accrued interest expense	215,642	126,619	342,261
Health claims incurred but not reported	891,784	-	891,784
Other liabilities	186,935	26,983	213,918
Noncurrent liabilities:			
Due in one year or less	3,695,116	2,911,633	6,606,749
Due in more than one year	237,688,729	14,369,732	252,058,461
Total Liabilities	252,376,032	19,165,607	271,541,639
Deferred Inflows of Resources			
Related to net other postemployment benefits liability	42,388,024	230,817	42,618,841
Related to net pension liability	9,761,023	55,957	9,816,980
Total Deferred Inflows of Resources	52,149,047	286,774	52,435,821
Net Position			
Net investment in capital assets	187,915,377	36,307,097	224,222,474
Restricted:			
Nonexpendable permanent funds	22,392	-	22,392
Expendable permanent funds	113,027	-	113,027
Community development and redevelopment	11,546,941	-	11,546,941
Receipts reserved	2,833,964	-	2,833,964
Gifts and grants	8,101,074	-	8,101,074
Capital	7,009,977	-	7,009,977
Other specific purposes	4,908,248	-	4,908,248
Unrestricted	(185,017,893)	12,193,451	(172,824,442)
Total Net Position	\$ 37,433,107	\$ 48,500,548	\$ 85,933,655

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
<u>Primary Government:</u>							
<i>Governmental Activities:</i>							
General government	\$ 18,210,284	\$ 1,875,476	\$ 2,583,730	\$ 2,776,213	\$ (10,974,865)	\$ -	\$ (10,974,865)
Public safety	42,319,904	8,664,532	2,218,896	259,050	(31,177,426)	-	(31,177,426)
Education	143,821,036	575,538	117,228,938	94,455	(25,922,105)	-	(25,922,105)
Public works	10,756,794	2,302,624	524,319	1,660,965	(6,268,886)	-	(6,268,886)
Health and human services	2,315,653	4,310	935,587	-	(1,375,756)	-	(1,375,756)
Culture and recreation	1,276,297	51,817	88,696	-	(1,135,784)	-	(1,135,784)
Community development	1,794,568	57,948	638,180	156,323	(942,117)	-	(942,117)
Interest expense	842,478	-	-	-	(842,478)	-	(842,478)
Total Governmental Activities	<u>221,337,014</u>	<u>13,532,245</u>	<u>124,218,346</u>	<u>4,947,006</u>	<u>(78,639,417)</u>	<u>-</u>	<u>(78,639,417)</u>
<i>Business-Type Activity:</i>							
Water and sewer	<u>19,947,755</u>	<u>22,672,105</u>	<u>-</u>	<u>2,755,497</u>	<u>-</u>	<u>5,479,847</u>	<u>5,479,847</u>
Total Business Type Activity	<u>19,947,755</u>	<u>22,672,105</u>	<u>-</u>	<u>2,755,497</u>	<u>-</u>	<u>5,479,847</u>	<u>5,479,847</u>
Total Primary Government	<u>\$ 241,284,769</u>	<u>\$ 36,204,350</u>	<u>\$ 124,218,346</u>	<u>\$ 7,702,503</u>	<u>(78,639,417)</u>	<u>5,479,847</u>	<u>(73,159,570)</u>
<u>General Revenues:</u>							
					61,865,051	-	61,865,051
					18,250,997	-	18,250,997
					2,311,685	-	2,311,685
					268,633	-	268,633
					1,857,822	-	1,857,822
					722,131	-	722,131
					8,858,851	-	8,858,851
					2,385,821	-	2,385,821
					<u>2,099,940</u>	<u>(2,099,940)</u>	<u>-</u>
					<u>98,620,931</u>	<u>(2,099,940)</u>	<u>96,520,991</u>
					19,981,514	3,379,907	23,361,421
<u>Net Position:</u>							
					<u>17,451,593</u>	<u>45,120,641</u>	<u>62,572,234</u>
					<u>\$ 37,433,107</u>	<u>\$ 48,500,548</u>	<u>\$ 85,933,655</u>

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Clark Avenue School Construction	City Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and short-term investments	\$ 33,604,557	\$ 936,298	\$ 12,113,386	\$ 28,966,414	\$ 75,620,655
Investments	30,687,539	-	-	4,808,847	35,496,386
Receivables, net of allowance for uncollectibles:					
Real estate and personal property taxes	1,036,312	-	-	17,322	1,053,634
Tax, utility and other liens	559,943	-	-	-	559,943
Motor vehicle and other excise taxes	933,190	-	-	-	933,190
Trash	367,419	-	-	-	367,419
Departmental and other	1,482,171	-	-	1,678,646	3,160,817
Intergovernmental	-	-	-	1,695,697	1,695,697
Due from other funds	1,880,902	-	-	-	1,880,902
Tax foreclosures	114,626	-	-	-	114,626
Total Assets	<u>70,666,659</u>	<u>936,298</u>	<u>12,113,386</u>	<u>37,166,926</u>	<u>120,883,269</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 70,666,659</u>	<u>\$ 936,298</u>	<u>\$ 12,113,386</u>	<u>\$ 37,166,926</u>	<u>\$ 120,883,269</u>
Liabilities:					
Warrants and accounts payable	\$ 4,918,126	\$ -	\$ 961,722	\$ 856,195	\$ 6,736,043
Accrued payroll and withholdings	1,620,666	-	-	95,551	1,716,217
Retainage payable	-	-	157,478	-	157,478
Tax refunds payable	1,082,432	-	-	-	1,082,432
Other liabilities	183,960	-	-	-	183,960
Due to other funds	-	-	-	1,880,902	1,880,902
Total Liabilities	<u>7,805,184</u>	<u>-</u>	<u>1,119,200</u>	<u>2,832,648</u>	<u>11,757,032</u>
Deferred Inflows of Resources:					
Unavailable revenues - property taxes	1,382,894	-	-	17,322	1,400,216
Unavailable revenues - excise	933,190	-	-	-	933,190
Unavailable revenues - other	1,964,216	-	-	-	1,964,216
Total Deferred Inflows of Resources	<u>4,280,300</u>	<u>-</u>	<u>-</u>	<u>17,322</u>	<u>4,297,622</u>
Fund Balances:					
Nonspendable	-	-	-	22,392	22,392
Restricted	-	936,298	10,994,186	34,503,702	46,434,186
Committed	4,250,459	-	-	-	4,250,459
Assigned	10,897,959	-	-	-	10,897,959
Unassigned	43,432,757	-	-	(209,138)	43,223,619
Total Fund Balances	<u>58,581,175</u>	<u>936,298</u>	<u>10,994,186</u>	<u>34,316,956</u>	<u>104,828,615</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 70,666,659</u>	<u>\$ 936,298</u>	<u>\$ 12,113,386</u>	<u>\$ 37,166,926</u>	<u>\$ 120,883,269</u>

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

	<u>Total</u>
Total Governmental Fund Balances	\$ 104,828,615
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	200,756,078
Assets and liabilities of the City's internal service funds are included in the Statement of Net Position, but are not reported in the governmental funds.	13,127,148
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	4,297,622
Deferred outflows and inflows of resources to be recognized in future years' expense are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to net other postemployment benefits liability	1,732,315
Deferred outflows related to net pension liability	5,922,349
Deferred inflows related to net other postemployment benefits liability	(42,388,024)
Deferred inflows related to net pension liability	<u>(9,761,023)</u>
Net effect of reporting deferred outflows and inflows of resources	(44,494,383)
In the Statement of Net Position, interest is accrued on outstanding long-term debt whereas in governmental funds interest is not reported until due.	(215,642)
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	(18,575,190)
Compensated absences	(6,303,612)
Net pension liability	(56,344,781)
Net other postemployment benefits liability	<u>(159,642,748)</u>
Net effect of reporting long-term liabilities	<u>(240,866,331)</u>
Net Position of Governmental Activities	<u>\$ 37,433,107</u>

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2020**

	<u>General</u>	<u>Clark Avenue School Construction</u>	<u>City Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Real estate and personal property taxes, net	\$ 61,031,188	\$ -	\$ -	\$ -	\$ 61,031,188
Intergovernmental	111,676,044	-	-	25,116,058	136,792,102
Motor vehicle and other excise	18,670,715	-	-	-	18,670,715
Meals and room taxes	2,311,685	-	-	-	2,311,685
Tax and trash liens	466,293	-	-	-	466,293
Payments in lieu of taxes	1,857,822	-	-	-	1,857,822
Community preservation surcharges	-	-	-	714,338	714,338
Charges for services	-	-	-	4,392,564	4,392,564
Trash disposal	1,973,782	-	-	-	1,973,782
Licenses and permits	2,207,021	-	-	-	2,207,021
Departmental and other	1,323,964	-	-	1,223,819	2,547,783
Penalties and interest on taxes	268,633	-	-	-	268,633
Fines and forfeitures	2,299,344	-	-	-	2,299,344
Interest and investment income	1,919,555	-	-	355,224	2,274,779
Contributions and donations	-	-	-	1,137,646	1,137,646
Total Revenues	<u>206,006,046</u>	<u>-</u>	<u>-</u>	<u>32,939,649</u>	<u>238,945,695</u>
Expenditures:					
Current:					
General government	5,494,281	-	3,899,056	4,328,826	13,722,163
Public safety	25,190,470	-	1,413,763	6,651,295	33,255,528
Education	81,876,151	159,510	3,323,472	14,883,298	100,242,431
Public works	7,492,598	-	1,635,422	3,417,671	12,545,691
Health and human services	1,499,103	-	-	580,264	2,079,367
Culture and recreation	856,414	-	9,600	99,970	965,984
Community development	-	-	-	1,128,789	1,128,789
Pension benefits	29,169,397	-	-	-	29,169,397
Employee benefits	18,196,636	-	-	-	18,196,636
Property and liability insurance	1,073,793	-	-	-	1,073,793
Claims and judgements	68,821	-	-	-	68,821
State and county tax assessments	17,328,217	-	-	-	17,328,217
Debt service:					
Principal	6,082,313	-	-	-	6,082,313
Interest expense	996,216	-	-	-	996,216
Total Expenditures	<u>195,324,410</u>	<u>159,510</u>	<u>10,281,313</u>	<u>31,090,113</u>	<u>236,855,346</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,681,636</u>	<u>(159,510)</u>	<u>(10,281,313)</u>	<u>1,849,536</u>	<u>2,090,349</u>
Other Financing Sources (Uses):					
Transfers in	6,094,777	-	8,815,459	8,389,837	23,300,073
Transfers out	(11,330,221)	-	-	(9,869,912)	(21,200,133)
Issuance of bonds	-	-	820,500	-	820,500
Premiums from issuance of bonds and notes	-	-	44,500	-	44,500
Sale of land	-	-	-	3,770,068	3,770,068
Total Other Financing Sources (Uses)	<u>(5,235,444)</u>	<u>-</u>	<u>9,680,459</u>	<u>2,289,993</u>	<u>6,735,008</u>
Net Change in Fund Balance	5,446,192	(159,510)	(600,854)	4,139,529	8,825,357
Fund Balances - Beginning	<u>53,134,983</u>	<u>1,095,808</u>	<u>11,595,040</u>	<u>30,177,427</u>	<u>96,003,258</u>
Fund Balances - Ending	<u>\$ 58,581,175</u>	<u>\$ 936,298</u>	<u>\$ 10,994,186</u>	<u>\$ 34,316,956</u>	<u>\$ 104,828,615</u>

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Total</u>
Net Change in Fund Balances - Total Governmental Fund Balances	\$ 8,825,357
<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	\$ 16,294,526
Disposal of assets	(8,152,900)
Depreciation expense	<u>(8,918,249)</u>
Net effect of reporting capital assets	(776,623)
<p>In the Statement of Activities, Internal Service Funds established to administer the City's health insurance costs are included within the activity; whereas, these activities are not presented in the Statement of Revenues, Expenditures and Changes in Fund Balances.</p>	
	3,500,603
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:</p>	
Proceeds from bond issuances	(820,500)
Repayments of debt	<u>6,082,313</u>
Net effect of reporting long-term debt	5,261,813
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	67,396
<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>	
	109,238
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:</p>	
Compensated absences	(270,700)
Other postemployment benefits	148,216
Pension benefits	<u>3,116,214</u>
Net effect of reporting long-term liabilities	<u>2,993,730</u>
Change in Net Position of Governmental Activities	<u>\$ 19,981,514</u>

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020

	Business-Type Activity Water and Sewer Enterprise Fund	Governmental Activity Internal Service Funds
Assets:		
Current assets:		
Cash and cash equivalents	\$ 19,319,007	\$ 13,462,842
User fees, net of allowance for uncollectibles	4,923,568	-
Prepaid items	-	1,082,235
Total current assets	24,242,575	14,545,077
Noncurrent assets:		
Utility liens	288,879	-
Capital assets not being depreciated	1,066,983	-
Capital assets, net of depreciation	42,311,108	-
Total noncurrent assets	43,666,970	-
Total Assets	67,909,545	14,545,077
Deferred Outflows of Resources:		
Related to net other postemployment benefits liability	9,433	-
Related to net pension liability	33,951	-
Total Deferred Outflows of Resources	43,384	-
Liabilities:		
Current liabilities:		
Warrants and accounts payable	1,704,610	5,656
Accrued payroll and withholdings	26,030	-
Accrued interest expense	126,619	-
Health claims incurred but not reported	-	891,784
Other liabilities	26,983	2,975
Workers' compensation claims	-	258,757
Current portion of debt	2,911,633	-
Total current liabilities	4,795,875	1,159,172
Noncurrent liabilities:		
Workers' compensation claims	-	258,757
Net other postemployment benefits liability	869,309	-
Net pension liability	323,006	-
Noncurrent portion of debt	13,177,417	-
Total noncurrent liabilities	14,369,732	258,757
Total Liabilities	19,165,607	1,417,929
Total Deferred Inflows of Resources:		
Related to net other postemployment benefits liability	230,817	-
Related to net pension liability	55,957	-
Total Deferred Inflows of Resources	286,774	-
Net Position:		
Net investment in capital assets	36,307,097	-
Unrestricted	12,193,451	13,127,148
Total Net Position	\$ 48,500,548	\$ 13,127,148

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Business-Type Activity Water and Sewer Enterprise Fund</u>	<u>Governmental Activities Internal Service Funds</u>
Operating Revenues:		
Charges for services	\$ 22,672,105	\$ -
Employee contributions	-	4,965,094
Employer contributions	-	19,351,651
Stop loss receipts	-	844,870
Total Operating Revenues	<u>22,672,105</u>	<u>25,161,615</u>
Operating Expenses:		
Operating costs	4,491,932	-
Water and sewer assessment	13,550,342	-
Employee benefits	-	21,866,509
Depreciation	1,518,560	-
Total Operating Expenses	<u>19,560,834</u>	<u>21,866,509</u>
Operating Income	<u>3,111,271</u>	<u>3,295,106</u>
Nonoperating Revenues (Expenses):		
Interest income	-	205,497
Interest expense	(386,921)	-
Total Nonoperating Revenues (Expenses)	<u>(386,921)</u>	<u>205,497</u>
Income Before Capital Contributions and Transfers	2,724,350	3,500,603
Capital contributions	2,755,497	-
Transfers in	23,196	-
Transfers out	<u>(2,123,136)</u>	<u>-</u>
Change in Net Position	<u>3,379,907</u>	<u>3,500,603</u>
Total Net Position - Beginning, as restated (See Note IV)	45,120,641	9,626,545
Total Net Position - Ending	<u><u>\$ 48,500,548</u></u>	<u><u>\$ 13,127,148</u></u>

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2020**

	Business-Type Activity Water and Sewer Enterprise Fund	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities:		
Receipts from users	\$ 22,083,523	\$ -
Employee contributions	-	4,965,094
Employer contributions	-	19,351,651
Other revenues	-	844,870
Payments to vendors	(15,801,428)	-
Payments to employees	(713,443)	-
Payments for interfund services used	-	(23,438,135)
	<u>5,568,652</u>	<u>1,723,480</u>
Net Cash Provided by (Used for) Operating Activities	<u>5,568,652</u>	<u>1,723,480</u>
Cash Flows from Noncapital Financing Activities:		
Transfers in	23,196	-
Transfers out	(2,123,136)	-
	<u>(2,099,940)</u>	<u>-</u>
Net Cash Provided By (Used for) Noncapital Financing Activities	<u>(2,099,940)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:		
Capital contributions	2,755,497	-
Proceeds from issuance of bonds	4,206,250	-
Acquisition and construction of capital assets	(6,702,799)	-
Principal payments on bonds and notes	(2,591,362)	-
Interest expense	(380,853)	-
	<u>(2,713,267)</u>	<u>-</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(2,713,267)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest income	-	205,497
	<u>-</u>	<u>205,497</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>205,497</u>
Net Change in Cash and Cash Equivalents	755,445	1,928,977
Cash and Cash Equivalents:		
Beginning of year	<u>18,563,562</u>	<u>11,533,865</u>
End of year	<u><u>\$ 19,319,007</u></u>	<u><u>\$ 13,462,842</u></u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating income	\$ 3,111,271	\$ 3,295,106
Depreciation	1,518,560	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Receivables	(588,582)	-
Prepaid items	-	(1,082,235)
Deferred outflows of resources	44,801	-
Warrants and accounts payable	1,523,003	5,656
Accrued payroll and withholdings	18,234	(3,614)
Other liabilities	4,837	-
Health claims incurred but not reported	-	(542,027)
Workers' compensation claims	-	50,594
Net other postemployment benefits liability	(98,945)	-
Net pension liability	(104,895)	-
Deferred inflows of resources	140,368	-
	<u>\$ 5,568,652</u>	<u>\$ 1,723,480</u>
Net Cash Provided by Operating Activities	<u><u>\$ 5,568,652</u></u>	<u><u>\$ 1,723,480</u></u>

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets:			
Cash and cash equivalents	\$ 575,855	\$ 839,806	\$ 789,007
Investments at fair value:			
Equity income mutual funds	1,392,203	-	-
Fixed income mutual funds	874,209	-	-
Private equity funds	81,336	-	-
State Treasurer investment pool - PRIT	195,903,421	-	-
Total Investments	198,251,169	-	-
Receivables:			
Other	139,008	-	-
Total Receivables	139,008	-	-
Total Assets	198,966,032	839,806	789,007
Liabilities:			
Warrants and accounts payable	5,012	-	1,800
Agency liabilities	-	-	787,207
Total Liabilities	5,012	-	\$ 789,007
Net Position:			
Restricted for pensions	196,552,581	-	
Restricted for other postemployment benefits	2,408,439	-	
Held in trust for private purposes	-	839,806	
Total Net Position	\$ 198,961,020	\$ 839,806	

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FISCAL YEAR ENDED JUNE 30, 2020**

	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 17,528,637	\$ -
Employee	4,271,512	-
Other contributions	788,009	232,982
Total contributions	<u>22,588,158</u>	<u>232,982</u>
Investment earnings:		
Interest and dividends	4,883,786	2,419
Net appreciation in fair value of investments	22,908,992	-
Less - management fees	(936,685)	-
Net investment income	<u>26,856,093</u>	<u>2,419</u>
Other income	<u>11,166</u>	<u>-</u>
Total Additions	<u>49,455,417</u>	<u>235,401</u>
Deductions		
Benefit payments to retirees and beneficiaries	16,676,474	-
Member refunds	141,014	-
Transfers and reimbursements to other systems	851,576	-
Payroll expenses of the System	178,764	-
Other administrative expenses	130,299	-
Scholarships	-	211,800
Total Deductions	<u>17,978,127</u>	<u>211,800</u>
Change in Net Position	31,477,290	23,601
Net Position - Beginning of Year	<u>167,483,730</u>	<u>816,205</u>
Net Position - End of Year	<u>\$ 198,961,020</u>	<u>\$ 839,806</u>

See accompanying notes to basic financial statements.

CITY OF CHELSEA, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

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

The City is a member community of the Northeast Metropolitan Regional Vocational School District that provides educational services to twelve area communities. This joint venture assesses each community its share of operational and debt service costs based on student population and other factors. In fiscal year 2020, the City's share of the operating and debt service expenses was \$1,533,742. There is no equity interest reported in these financial statements. Complete audited financial statements can be obtained directly from the District's administrative office located at 100 Hemlock Road, Wakefield, Massachusetts 01880.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

The government reports the following major Governmental Funds:

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

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

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

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

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

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

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

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

The government reports the following major proprietary fund:

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

Additionally, the following proprietary fund type is reported:

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

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

The government reports the following fiduciary funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has 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 other postemployment benefits liability. The deferred pensions will be recognized in pension expense in future years as more fully described in Note III, subsection A and the deferred other postemployment benefits will be recognized in employee benefits expense in future years as more fully described in Note III, subsection C.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Stabilization Fund – The City maintains a general stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for any municipal purpose upon a two-thirds vote of the City Council. Additions to the fund require a majority vote of the City Council. The balance of the fund totals \$23,611,919 at June 30, 2020 and is reported as unassigned fund balance in the General Fund.

The City maintains a school capital stabilization fund, in accordance with Massachusetts General Law Chapter 40, Section 5B, which may be used for any school capital outlay purpose upon a two-thirds vote of the City Council. Additions to the fund require a majority vote of the City Council. The balance of the fund totals \$4,105,390 at June 30, 2020 and is reported as a capital projects fund.

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

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

	General	Clark Avenue School Construction	City Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable:					
Nonexpendable trust funds	\$ -	\$ -	\$ -	\$ 22,392	\$ 22,392
Restricted:					
Redevelopment	-	-	-	2,714,181	2,714,181
Other community development	-	-	-	8,815,438	8,815,438
City federal grants	-	-	-	2,937,598	2,937,598
City state grants	-	-	-	1,165,754	1,165,754
School lunch	-	-	-	3,522,672	3,522,672
School revolving funds	-	-	-	965,595	965,595
School gifts	-	-	-	1,055,406	1,055,406
School federal grants	-	-	-	100,498	100,498
School state grants	-	-	-	2,724,356	2,724,356
Receipts reserved for appropriation	-	-	-	2,833,964	2,833,964
City revolving funds	-	-	-	427,774	427,774
City gifts	-	-	-	117,462	117,462
Urban I & II renewal	-	-	-	191,822	191,822
Capital outlay - schools	-	936,298	-	-	936,298
Capital outlay - other	-	-	10,994,186	2,712,765	13,706,951
School capital reserve	-	-	-	4,105,390	4,105,390
Other trust funds	-	-	-	113,027	113,027
Committed:					
Subsequent years' budget	4,250,459	-	-	-	4,250,459
Assigned:					
Encumbrances - education	7,166,613	-	-	-	7,166,613
Encumbrances - public works	2,354,974	-	-	-	2,354,974
Encumbrances - other	1,376,372	-	-	-	1,376,372
Unassigned	43,432,757	-	-	(209,138)	43,223,619
	<u>\$58,581,175</u>	<u>\$ 936,298</u>	<u>\$10,994,186</u>	<u>\$34,316,956</u>	<u>\$104,828,615</u>

E. Excess of Expenditures Over Appropriations and Deficits

The City incurred a fund deficit of \$209,138 in the City gifts fund which is reported in the nonmajor governmental funds. The deficit will be funded in future fiscal years with contributions or available funds.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

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

Primary Government (City)

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy for mitigating custodial credit risk is to limit deposit amounts in any institution to no more than 5% of assets. In addition, no more than 25% of deposits may be comprised of unsecured bank deposits. This percentage may be increased no more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the City in the future. At year-end, of the City's \$81,956,519 bank balance, \$8,742,509 was uninsured and uncollateralized and exposed to custodial credit risk.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the City may not be able to recover the full amount of its principal investment and/or investment earnings. The City's policy is to maintain investments held directly by the City or held in the City's name and tax identification number by a third-party custodian approved by the Treasurer. As of June 30, 2020, the City's investments were not exposed to custodial credit risk.

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

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

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

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

The following table presents the City’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2020:

		Fair Value Measurements Using		
	Fair value	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Treasuries	\$ 4,080,293	\$ 4,080,293	\$ -	\$ -
U.S. Agencies	5,260,322	-	5,260,322	-
Corporate bonds	16,285,686	-	16,285,686	-
Negotiable certificates of deposit	4,552,133	-	4,552,133	-
Fixed income mutual funds	874,209	-	874,209	-
Total debt securities	31,052,643	4,080,293	26,972,350	-
Equity securities:				
Common stock	5,327,106	5,327,106	-	-
Equity mutual funds	1,383,049	1,383,049	-	-
Private equity funds	81,336	-	81,336	-
Total equity securities	6,791,491	6,710,155	81,336	-
Total investments by fair value level	\$ 37,844,134	\$ 10,790,448	\$ 27,053,686	\$ -

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

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

At June 30, 2020, the City's investments had the following maturities:

Investments	Fair value	Maturities in Years		
		Less than 1	1 - 5	6 - 10
U.S. Treasuries	\$ 4,080,293	\$ 700,756	\$ 3,379,537	\$ -
U.S. Agencies	5,260,322	-	5,260,322	-
Corporate bonds	16,285,686	5,756,205	10,529,481	-
Negotiable certificates of deposit	4,552,133	4,552,133	-	-
Fixed income mutual funds	874,209	874,209	-	-
Money market mutual funds	4,466,582	4,466,582	-	-
MMDT	30,763,588	30,763,588	-	-
Total investments with maturities	<u>\$ 66,282,813</u>	<u>\$ 47,113,473</u>	<u>\$ 19,169,340</u>	<u>\$ -</u>

Concentration of Credit Risk – The City's policy is to place no limit on the amount of investments in U.S. Government Agencies and the MMDT external investment pool, and to purchase other debt securities with a high concentration of 'A' credit ratings or better. At June 30, 2020, the City had 14% of its investments in U.S. Government Treasuries and Agencies and 46% of its investments in MMDT.

At June 30, 2020, the credit quality ratings of investments were as follows:

Quality Ratings (S & P)	U.S. Agencies	U.S. Agencies	Corporate Bonds	Totals
AAA	\$ 4,080,293	\$ -	\$ -	\$ 4,080,293
AA+	-	5,260,322	-	\$ 5,260,322
AA-	-	-	440,044	440,044
A+	-	-	3,639,326	3,639,326
A	-	-	2,608,647	2,608,647
A-	-	-	5,340,418	5,340,418
BBB+	-	-	3,215,402	3,215,402
BBB	-	-	1,041,849	1,041,849
Totals - All	<u>\$ 4,080,293</u>	<u>\$ 5,260,322</u>	<u>\$ 16,285,686</u>	<u>\$25,626,301</u>

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

The System

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

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

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System's policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation ("FDIC") insurance coverage for the first \$250,000 of deposits held at each financial institution. At December 31, 2019, \$292,785 of the System's bank deposits was not covered by FDIC or other depository insurance.

Investments Summary – The System's investments at December 31, 2019 consisted entirely of PRIT.

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

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System's policy for custodial credit risk of investments is to insure all of their investments. At December 31, 2019, the System was not exposed to custodial credit risk on its investments.

Credit Risk of Debt Securities: Investments – Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System does not have a policy for credit risk of debt securities. As of December 31, 2019, the System's investment in PRIT was unrated by a national credit rating organization.

B. Receivables

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes	\$ 1,225,151	\$ (188,839)	\$ 1,036,312
Community preservation surcharges	17,322	-	17,322
Tax, utility and other liens	559,943	-	559,943
Motor vehicle and other excise	1,977,374	(1,044,184)	933,190
Trash collection	367,419	-	367,419
Parking fines	2,570,473	(1,238,925)	1,331,548
Public safety detail charges	1,678,646	-	1,678,646
Other	150,623	-	150,623
Intergovernmental	1,695,697	-	1,695,697
Total	<u>\$ 10,242,648</u>	<u>\$ (2,471,948)</u>	<u>\$ 7,770,700</u>

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
User fees	\$ 4,923,568	\$ -	\$ 4,923,568
Utility liens	288,879	-	288,879
Total	<u>\$ 5,212,447</u>	<u>\$ -</u>	<u>\$ 5,212,447</u>

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

	General Fund	Other Governmental Funds	Total
Receivable and other asset type:			
Real estate and personal property taxes	\$ 822,951	\$ 17,322	\$ 840,273
Tax, utility and other liens	559,943	-	559,943
Motor vehicle and other excise	933,190	-	933,190
Trash collection	367,419	-	367,419
Parking fines	1,331,548	-	1,331,548
Other	150,623	-	150,623
Tax foreclosures	114,626	-	114,626
Total	<u>\$ 4,280,300</u>	<u>\$ 17,322</u>	<u>\$ 4,297,622</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances at June 30, 2020 is as follows:

Receivable Fund	Payable Funds	Amount
General Fund	Nonmajor Governmental Funds -	
	School Federal Grants	\$ 635,284
	City Revolving	1,153,942
	City Gifts	91,676
Total		<u>\$1,880,902</u>

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

The composition of interfund transfers for the fiscal year ended June 30, 2020 is as follows:

Transfers Out	Transfers In				Total
	General Fund	City Capital Projects	Nonmajor Governmental Funds	Water and Sewer Enterprise Fund	
General Fund	\$ -	\$ 5,365,459	\$ 5,941,566	\$ 23,196	\$ 11,330,221 (1)
Nonmajor Governmental Funds	3,971,641	3,450,000	2,448,271	-	9,869,912 (2)
Water and Sewer Enterprise Fund	2,123,136	-	-	-	2,123,136 (3)
Total	<u>\$ 6,094,777</u>	<u>\$ 8,815,459</u>	<u>\$ 8,389,837</u>	<u>\$ 23,196</u>	<u>\$ 23,323,269</u>

- (1) Transfers to city capital projects for capital outlays; transfers to nonmajor governmental funds for pandemic costs, capital outlays and to supplement federal grants; and transfers to water and sewer enterprise funds to supplement operations.
- (2) Transfers to general fund to supplement operating budgets; transfers to city capital projects and nonmajor governmental funds for capital outlays.
- (3) Transfers to general fund for indirect costs.

D. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 19,308,663	\$ -	\$ (8,152,900)	\$ 11,155,763
Construction in progress	6,613,760	6,153,050	(1,306,516)	11,460,294
Total capital assets not being depreciated	25,922,423	6,153,050	(9,459,416)	22,616,057
Capital assets being depreciated:				
Buildings and improvements	226,221,929	4,895,477	-	231,117,406
Machinery and equipment	19,012,400	1,574,585	(42,288)	20,544,697
Infrastructure	40,844,234	4,977,930	-	45,822,164
Total capital assets being depreciated	286,078,563	11,447,992	(42,288)	297,484,267
Less accumulated depreciation for:				
Buildings and improvements	(85,992,966)	(6,040,232)	-	(92,033,198)
Machinery and equipment	(13,900,724)	(1,298,911)	42,288	(15,157,347)
Infrastructure	(10,574,595)	(1,579,106)	-	(12,153,701)
Total accumulated depreciation	(110,468,285)	(8,918,249)	42,288	(119,344,246)
Total capital assets being depreciated, net	175,610,278	2,529,743	-	178,140,021
Total governmental activities capital assets, net	<u>\$ 201,532,701</u>	<u>\$ 8,682,793</u>	<u>\$ (9,459,416)</u>	<u>\$ 200,756,078</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-Type Activities: Water and Sewer</u></i>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 1,066,983	\$ -	\$ 1,066,983
Total capital assets not being depreciated	-	1,066,983	-	1,066,983
Capital assets being depreciated:				
Machinery and equipment	34,026	65,835	-	99,861
Vehicles	-	605,000	-	605,000
Infrastructure	52,275,610	4,964,981	-	57,240,591
Total capital assets being depreciated	52,309,636	5,635,816	-	57,945,452
Less accumulated depreciation for:				
Machinery and equipment	(3,403)	(10,097)	-	(13,500)
Vehicles	-	(60,500)	-	(60,500)
Infrastructure	(14,112,381)	(1,447,963)	-	(15,560,344)
Total accumulated depreciation	(14,115,784)	(1,518,560)	-	(15,634,344)
Total capital assets being depreciated, net	38,193,852	4,117,256	-	42,311,108
Total business-type activities capital assets, net	<u>\$ 38,193,852</u>	<u>\$ 5,184,239</u>	<u>\$ -</u>	<u>\$ 43,378,091</u>

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

Governmental Activities:

General government	\$ 261,696
Public safety	1,080,641
Education	5,214,786
Public works	1,553,484
Health and human services	6,793
Culture and recreation	135,070
Community development	665,779
	<u>\$ 8,918,249</u>

Business-Type Activities:

Water and sewer	<u>\$ 1,518,560</u>
-----------------	---------------------

E. Temporary Debt

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

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

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

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

The City did not have any temporary notes payable at June 30, 2020.

F. Long-Term Obligations

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 23,837,003	\$ 820,500	\$ (6,082,313)	\$ 18,575,190	\$ 1,860,456
Workers' compensation	466,920	284,054	(233,460)	517,514	258,757
Compensated absences	6,032,912	1,778,928	(1,508,228)	6,303,612	1,575,903
Net pension liability	74,642,387	14,874,654	(33,172,260)	56,344,781	-
Net other postemployment benefits liability (a)	200,446,673	6,151,240	(46,955,165)	159,642,748	-
Total Governmental Activities	<u>\$305,425,895</u>	<u>\$ 23,909,376</u>	<u>\$ (87,951,426)</u>	<u>\$241,383,845</u>	<u>\$ 3,695,116</u>
<i>Business-Type Activities - Water and Sewer:</i>					
General obligation bonds	\$ 10,427,998	\$ 1,549,500	\$ (1,847,687)	\$ 10,129,811	\$ 1,934,544
Notes from direct borrowings and placements	4,046,164	2,656,750	(743,675)	5,959,239	977,089
Net pension liability	427,901	85,272	(190,167)	323,006	-
Net other postemployment benefits liability (a)	1,091,500	33,496	(255,687)	869,309	-
Total Business-Type Activities	<u>\$ 15,993,563</u>	<u>\$ 4,325,018</u>	<u>\$ (3,037,216)</u>	<u>\$ 17,281,365</u>	<u>\$ 2,911,633</u>

(a) As restated. See Note IV.

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term obligations are included as part of the governmental activities totals above. At fiscal year-end, \$517,514 of internal service funds accrued workers' compensation claims is included above. Except for the amounts related to the internal service funds, the governmental activities long-term obligations are generally liquidated by the general fund. The business-type liabilities are generally liquidated by the water and sewer enterprise fund.

G. Long-Term Debt

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

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

On March 26, 2020, the City issued general obligation bonds totaling \$2,370,000 paying interest at 4% per annum and maturing on various dates through February 15, 2030. Bonds were issued for a fire engine pumper, communication consoles for dispatch and water capital improvements.

The following is a summary of outstanding long-term debt obligations as of June 30, 2020:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities:</i>					
General Obligation Bonds	1.00 - 6.06%	\$ 23,438,002	\$ 820,500	\$ (5,992,813)	\$ 18,265,689
General Obligation Refunding Bonds	2.00 - 5.75%	399,001	-	(89,500)	309,501
Total General Obligation Bonds		<u>\$ 23,837,003</u>	<u>\$ 820,500</u>	<u>\$ (6,082,313)</u>	<u>\$ 18,575,190</u>
<i>Business-Type Activities - Water and Sewer:</i>					
General Obligation Bonds	1.00 - 5.75%	\$ 9,821,998	\$ 1,549,500	\$ (1,652,187)	\$ 9,719,311
General Obligation Refunding Bonds	2.00 - 4.00%	606,000	-	(195,500)	410,500
Total General Obligation Bonds		10,427,998	1,549,500	(1,847,687)	10,129,811
Massachusetts Clean Water Trust	2.00%	158,566	-	(11,809)	146,757
Massachusetts Water Resources Authority	0.00%	3,887,598	2,656,750	(731,866)	5,812,482
Total notes from direct borrowings and placements		4,046,164	2,656,750	(743,675)	5,959,239
Total Business-Type Activities debt		<u>\$ 14,474,162</u>	<u>\$ 4,206,250</u>	<u>\$ (2,591,362)</u>	<u>\$ 16,089,050</u>

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

Year Ending June 30,	<i>Governmental Activities</i>			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2021	\$ 1,860,456	\$ 668,702	\$ -	\$ -
2022	1,583,081	601,510	-	-
2023	1,433,724	535,620	-	-
2024	1,365,929	476,843	-	-
2025	1,304,500	418,964	-	-
2026-2030	4,552,500	1,423,366	-	-
2031-2035	1,650,000	996,072	-	-
2036-2040	1,910,000	729,558	-	-
2041-2045	2,250,000	374,258	-	-
2046-2048	665,000	30,344	-	-
Total	<u>\$ 18,575,190</u>	<u>\$ 6,255,237</u>	<u>\$ -</u>	<u>\$ -</u>
Year Ending June 30,	<i>Business-Type Activities: Water and Sewer</i>			
	General Obligation Bonds		Direct Borrowings and Placements	
	Principal	Interest	Principal	Interest
2021	\$ 1,934,544	\$ 382,062	\$ 977,089	\$ 2,815
2022	1,571,919	318,722	856,796	2,571
2023	1,576,277	255,754	810,206	2,323
2024	1,354,071	191,888	692,063	2,070
2025	945,500	136,740	618,201	1,811
2026-2030	2,747,500	218,739	1,990,169	4,994
2031-2035	-	-	14,715	147
Total	<u>\$ 10,129,811</u>	<u>\$ 1,503,905</u>	<u>\$ 5,959,239</u>	<u>\$ 16,731</u>

Massachusetts Clean Water Trust (MCWT)

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

Massachusetts Water Resource Authority (MWRA)

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

Date of Issue	Date of Maturity	Original Amount
11/22/10	05/15/21	\$ 1,205,365
06/12/12	05/13/22	468,390
08/15/12	08/15/22	1,183,959
08/15/13	08/15/23	350,000
03/03/14	02/15/24	391,200
06/15/15	05/15/25	700,000
05/15/16	05/15/26	725,000
05/15/16	05/15/26	329,750
10/17/16	11/15/26	845,000
12/03/18	11/15/28	100,000
05/13/19	05/15/29	695,000
08/12/19	08/15/29	300,000
02/24/20	02/15/30	1,619,500
02/24/20	02/15/30	737,250
		<u>\$ 9,650,414</u>

The following represents authorized and unissued debt as of June 30, 2020:

Project	Amount
Pension obligation bonds	\$ 47,000,000
Capital improvement program	13,194,734
Parks construction	3,636,915
School construction	47,347,407
Other	693,672
Total Authorized and Unissued	<u><u>\$111,872,728</u></u>

III. Other Information

A. Retirement System

Retirement System Description – The City contributes to the Chelsea Contributory Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan for the City and Chelsea Housing Authority. The System was established under Chapter 32 of the General Laws of the Commonwealth of Massachusetts. The System is administered by the Chelsea Contributory Retirement Board and is part of the reporting entity. Standalone audited financial statements for the year ended December 31, 2019 were not issued. Disclosures applicable to the Chelsea Housing Authority are not material.

Membership – Membership in the System as of December 31, 2019, was as follows:

Retirees and beneficiaries receiving benefits	395
Active plan members	715
Inactive plan members	245
	<u>1,355</u>

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

Massachusetts contributory retirement system benefits are uniform from retirement system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

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

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

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

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

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

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

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

Employer contributions totaled \$12,936,626 for the year ended December 31, 2019. The City contributed \$12,136,704 to the System in fiscal year 2020, which equaled the actuarially-determined contribution requirement for the fiscal year. The City's contributions as a percentage of covered payroll was approximately 32.6% in fiscal year 2020.

Net Pension Liability – The components of the net pension liability of the System at December 31, 2019 were as follows:

Total pension liability	\$ 256,966,000
Plan fiduciary net position	<u>(196,552,581)</u>
Net pension liability	<u><u>\$ 60,413,419</u></u>
Plan fiduciary net position as a percentage of the total pension liability	76.5%

At June 30, 2020, the City reported a liability of \$56,667,787 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The system adopted a decrease in the assumed investment rate of return, or discount rate, from 7.35% to 7.25%. There were not any material changes to the System's benefit terms since the actuarial valuation.

The City's proportion of the net pension liability is based on a projection of the City's long-term share of contributions to the System relative to the projected contributions of all employers. The City's proportion was approximately 93.8% at December 31, 2019.

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

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

Pension Expense – The City recognized \$9,003,626 in pension expense in the statement of activities in fiscal year 2020.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 5,956,300	\$ -
Net differences between projected and actual earnings on pension plan investments	-	6,758,290
Changes in proportion differences	-	240,000
Differences between expected and actual experience	-	2,818,690
	<u>\$ 5,956,300</u>	<u>\$ 9,816,980</u>

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

June 30,	
2021	\$ (688,460)
2022	(1,693,058)
2023	851,736
2024	(2,330,898)
	<u>\$ (3,860,680)</u>

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

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

Investment Policy and Rates of Return – For the year ended December 31, 2019, the annual money-weighted rate of return on System investments net of investment expense, was 16.13%. 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
Equities	34% to 44%	6.9% to 9.2%
Core fixed income	12% to 18%	2.5% to 3.4%
Value-added fixed income	5% to 11%	6.8%
Private equity	10% to 16%	10.9%
Real estate	7% to 13%	6.1%
Timberland	1% to 7%	6.7%
Portfolio completion	8% to 14%	5.8%

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

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

	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Net Pension Liability	7.25%	\$ 90,062,625	\$ 60,413,419	\$ 35,312,245

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

	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Net Pension Liability	7.25%	\$ 84,478,742	\$ 56,667,787	\$ 33,122,886

B. Massachusetts Teachers’ Retirement System

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

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

For the year ended June 30, 2020, the Commonwealth contributed \$8,091,647 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 0.560476%, 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	\$ 141,318,508	\$ (141,318,508)	\$ -
Pension expense	17,137,322	(17,137,322)	-

The City has recognized intergovernmental revenue and pension expense of \$17,137,322 associated with this arrangement.

C. Other Postemployment Benefits

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

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

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

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

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

OPEB Plan disclosures that impact the City's net OPEB liability using a measurement date of June 30, 2020 are summarized as follows:

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2020:

Active employees	1,167
Inactives currently receiving benefits	<u>713</u>
Total	<u><u>1,880</u></u>

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

For the year ended June 30, 2020, the City's average contribution rate was 5.5% of covered-employee payroll.

Net OPEB Liability – The City's net OPEB liability was measured as of June 30, 2020 using an actuarial valuation as of July 1, 2019. The components of the net OPEB liability of the City were as follows:

Total OPEB Liability	\$ 162,920,496
Plan fiduciary net position	<u>(2,408,439)</u>
Net OPEB liability	<u><u>\$ 160,512,057</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.5%

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

Investment rate of return	6.43%, net of OPEB plan investment expense including inflation.
Municipal bond rate	2.66% as of June 30, 2020
Single Equivalent Discount Rate	3.25% net of OPEB plan investment expense including inflation.
Inflation	2.5% annually as of June 30, 2020 and for future periods
Salary increases	3.0% annually as of June 30, 2020 and for future periods
Health Care Trend Rate	4.5%
Pre-Retirement Mortality	RP-2014 Employees Mortality Table projected generationally with scale MP-2016 for males and females, set forward one year for females
Post-Retirement and Disabled Mortality:	RP-2014 Healthy Annuitant Table projected generationally with scale MP-2016 for males and females, set forward one year for females
Actuarial Cost Method	Individual entry age normal

Key assumption changes effective Fiscal Year ending June 30, 2020

Health care trend rate was decreased from 5.0% to 4.5%.

Mortality table has been updated from the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.25% which was based on the high-quality municipal bond rate for 20-year maturities as of June 30, 2020.

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

	Discount Rate			
	Current Rate	1% lower	Current	1% greater
Net OPEB Liability	3.25%	\$ 189,538,223	\$ 160,512,057	\$ 137,645,105

	Health Care Trend Rate			
	Current Rate	1% lower	Current	1% greater
Net OPEB Liability	4.50%	\$ 134,931,089	\$ 160,512,057	\$ 193,862,248

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2020:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019, as restated	\$ 180,841,508	\$ 2,059,869	\$ 178,781,639
Changes for the year:			
Service cost	6,888,660	-	6,888,660
Interest	6,032,043	-	6,032,043
Difference between expected and actual plan experience	(28,515,838)	-	(28,515,838)
Changes in assumptions	1,966,134		1,966,134
Employer contributions	-	4,592,011	(4,592,011)
Benefit payments withdrawn from trust	-	(4,292,011)	4,292,011
Net investment income	-	48,570	(48,570)
Benefit payments	(4,292,011)	-	(4,292,011)
Net changes	(17,921,012)	348,570	(18,269,582)
Balances at June 30, 2020	<u>\$ 162,920,496</u>	<u>\$ 2,408,439</u>	<u>\$ 160,512,057</u>

Prior Period Restatement – As more fully described in Note IV, the City restated its Net OPEB Liability at June 30, 2019 from \$204,089,082 to \$178,781,639.

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

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

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

Asset Class	Target Allocation	Expected Investment Rate of Return
Domestic equity - large cap	25.00%	4.80%
Domestic equity - small/mid cap	11.25%	5.29%
International equity - developed market	10.00%	5.45%
International equity - emerging market	3.75%	6.42%
Domestic fixed income	26.67%	2.05%
International fixed income	13.33%	3.00%
Alternative investments	10.00%	6.50%
Real estate	0.00%	6.25%
Cash and cash equivalents	0.00%	0.00%
	<u>100.00%</u>	
Real rate of return		4.18%
Inflation assumption		2.50%
Total nominal rate of return		6.68%
Investment expense		<u>0.25%</u>
Net investment return		<u>6.43%</u>

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the City recognized OPEB expense of \$4,442,988. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2020 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 42,618,841
Changes of assumptions	1,685,258	-
Net difference between projected and actual earnings on OPEB plan investments	<u>56,490</u>	<u>-</u>
	<u>\$ 1,741,748</u>	<u>\$ 42,618,841</u>

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

<u>June 30,</u>	
2021	\$ (8,335,771)
2022	(8,335,771)
2023	(8,335,773)
2024	(8,284,149)
2025	(3,792,815)
Thereafter	<u>(3,792,814)</u>
	<u><u>\$ (40,877,093)</u></u>

GASB Statement No. 74

OPEB Plan disclosures that impact the City's net OPEB liability using a reporting date of June 30, 2020 are summarized in this section except disclosures under GASB 74 that are identical to GASB 75 are not repeated.

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

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

Investment Rate of Return – For the year ended June 30, 2020 the annual money-weighted rate of return on investments, net of investment expense, was 2.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Pension and Other Employee Benefit Trust Funds

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

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

	Pension Trust Fund (December 31, 2019)	Other Postemployment Benefits Trust Fund	Total
Assets:			
Cash and Cash Equivalents	\$ 515,164	\$ 60,691	\$ 575,855
Investments (at fair value):			
Equity mutual funds	-	1,392,203	1,392,203
Fixed income mutual funds	-	874,209	874,209
Private equity funds	-	81,336	81,336
State Treasurer investment pool - PRIT	195,903,421	-	195,903,421
Total Investments	195,903,421	2,347,748	198,251,169
Receivables:			
Other	139,008	-	139,008
Total Receivables	139,008	-	139,008
Total Assets	196,557,593	2,408,439	198,966,032
Liabilities:			
Warrants and accounts payable	5,012	-	5,012
Total Liabilities	5,012	-	5,012
Net Position:			
Restricted for pensions	196,552,581	-	196,552,581
Restricted for other postemployment benefits	-	2,408,439	2,408,439
Total Net Position	\$ 196,552,581	\$ 2,408,439	\$ 198,961,020

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, 2019)	Other Postemployment Benefits Trust Fund	Total
Additions			
Contributions:			
Employer	\$ 12,936,626	\$ 4,592,011	\$ 17,528,637
Employee	4,271,512	-	4,271,512
Other contributions	788,009	-	788,009
Total Contributions	17,996,147	4,592,011	22,588,158
Investment income:			
Interest and dividends	4,843,547	40,239	4,883,786
Net appreciation in fair value of investments	22,896,288	12,704	22,908,992
Less - investment management fees	(932,312)	(4,373)	(936,685)
Net investment earnings	26,807,523	48,570	26,856,093
Other income	11,166	-	11,166
Total Additions (net)	44,814,836	4,640,581	49,455,417
Deductions			
Benefit payments to retirees and beneficiaries	12,384,463	4,292,011	16,676,474
Member refunds	141,014	-	141,014
Transfers and reimbursements to other systems	851,576	-	851,576
Payroll expenses of the System	178,764	-	178,764
Other administrative expenses	130,299	-	130,299
Total Deductions	13,686,116	4,292,011	17,978,127
CHANGE IN NET POSITION	31,128,720	348,570	31,477,290
NET POSITION AT BEGINNING OF YEAR	165,423,861	2,059,869	167,483,730
NET POSITION AT END OF YEAR	\$ 196,552,581	\$ 2,408,439	\$ 198,961,020

E. Risk Financing

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

Group Health Insurance Plan – The City is self-insured for health insurance activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when incurred. Claims are administered by a third-party administrator and are funded on a pay-as-you -go basis from annual appropriations. The estimated future liability is based on actual and historical lag claims. At June 30, 2020, the amount of the liability for health claims totaled \$891,784.

Changes in the reported liability since July 1, 2019, are as follows:

	<u>Balance at Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>	<u>Current Portion</u>
Fiscal Year 2020	\$ 1,433,811	\$ 21,567,441	\$(22,109,468)	\$ 891,784	\$ 891,784
Fiscal Year 2019	980,760	21,457,324	(21,004,273)	1,433,811	1,433,811

Workers' Compensation – The City is also self-insured for their workers' compensation activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when incurred. Claims are administered by a third-party administrator and are funded on a pay-as-you -go basis from annual appropriations. The estimated future workers' compensation liability is based on history and injury type. At June 30, 2020, the amount of the liability for workers' compensation claims totaled \$517,514.

Changes in the reported liability since July 1, 2019, are as follows:

	<u>Balance at Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>	<u>Current Portion</u>
Fiscal Year 2020	\$ 466,920	\$ 302,682	\$(252,088)	\$ 517,517	\$ 258,757
Fiscal Year 2019	346,196	292,111	(171,387)	466,920	233,460

F. Commitments

The City has entered into or is planning to enter into contracts to expend approximately \$13,000,000 in accordance with its five-year capital plan.

G. Contingencies

The City is party to other certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters in these situations cannot be reasonably estimated. Although the amount of liability, if any, in these situations at June 30, 2020, 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, 2020. Other amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

H. Implementation of GASB pronouncements

Current Year Implementations –

None.

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. As amended, 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 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). 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. As amended, 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.

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. As amended, 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 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. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The City is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2023). The City is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issued related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2024). The City is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2024). The City is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2023). The City is currently evaluating whether adoption will have a material impact on the financial statements.

IV. Prior Period Restatements

The City restated its beginning net OPEB liability which caused an increase in the City's governmental, business-type activities and Water and Sewer Enterprise Fund beginning net position.

The impact is illustrated in the table below:

	Governmental Activities	Business-type Activities	Water and Sewer
Prior year as presented	\$ (7,718,789)	\$ 44,983,580	\$ 44,983,580
Restate net OPEB liability	25,170,382	137,061	137,061
As restated	<u>\$ 17,451,593</u>	<u>\$ 45,120,641</u>	<u>\$ 45,120,641</u>

REQUIRED SUPPLEMENTARY INFORMATION



On the left: The summer youth jobs' program funded by the City of Chelsea and administered by the Chelsea Collaborative (now renamed La Colaborativa) looked very different this year.

The young people worked almost exclusively remotely with a focus on leadership development.

One group of teens, cognizant of the political upheavals sparked by the Black Lives Matter protests and immigrant struggles, studied the history of civil rights and the role.

Photo credit: Matt Frank

The medium of wheatpaste allowed for the safe creation of many works of public art despite the restrictions of the pandemic. Working remotely, members of the public and artists worked together and with just a small crew needed to install the completed works in person.

For this work artist Sophy Tuttle asked members of the Chelsea community to remember the places where they *grew up and then* drawings of the responses she received — memories of plants, animals, and nature that remind Chelsea residents of home.

The Lowell-based artist took a carefully researched, scientific approach to render in detail the beauty and color of the real world to inspire in the viewer a sense of awe and reverence. Co-coordinators of the 2020 Mural Program Amanda Hill and Carolyn Lewenberg installed the designs on Cherry Street.



Photo credit: Matt Frank



This page intentionally left blank.

CITY OF CHELSEA, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2020SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS
(SYSTEM)

(dollar amounts are in thousands)

	2019	2018	Year Ended December 31,		2015	2014
			2017	2016		
Total pension liability:						
Service cost	\$ 6,476	\$ 6,095	\$ 5,833	\$ 5,478	\$ 5,242	\$ 4,822
Interest	17,793	16,998	16,211	15,752	14,481	14,245
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	(1,603)	(3,062)	-	(3,065)	-
Changes in assumptions	-	4,800	3,460	-	10,500	-
Benefit payments, including refunds	(12,504)	(12,520)	(11,459)	(10,657)	(10,229)	(10,211)
Net change in total pension liability	11,765	13,770	10,983	10,573	16,929	8,856
Total pension liability - beginning of year	245,201	231,431	220,448	209,875	192,946	184,090
Total pension liability - end of year (a)	<u>\$ 256,966</u>	<u>\$ 245,201</u>	<u>\$ 231,431</u>	<u>\$ 220,448</u>	<u>\$ 209,875</u>	<u>\$ 192,946</u>
Plan fiduciary net position:						
Contributions - employer	\$ 12,937	\$ 12,239	\$ 11,579	\$ 10,956	\$ 10,664	\$ 9,626
Contributions - employee	4,271	3,855	3,638	3,265	2,871	3,028
Contributions - nonemployer contributing entities	788	543	-	-	-	-
Net investment income	26,808	(4,163)	23,927	9,368	617	8,519
Benefit payments, including refunds	(13,377)	(13,231)	(11,459)	(10,657)	(10,229)	(10,211)
Administrative expenses	(309)	(292)	(277)	(215)	(249)	(261)
Other	11	17	23	10	15	28
Net change in plan fiduciary net position	31,129	(1,032)	27,431	12,727	3,689	10,729
Plan fiduciary net position - beginning of year	165,424	166,456	139,025	126,298	122,609	111,880
Plan fiduciary net position - end of year (b)	<u>\$ 196,553</u>	<u>\$ 165,424</u>	<u>\$ 166,456</u>	<u>\$ 139,025</u>	<u>\$ 126,298</u>	<u>\$ 122,609</u>
Net pension liability - end of year (a) - (b)	<u>\$ 60,413</u>	<u>\$ 79,777</u>	<u>\$ 64,975</u>	<u>\$ 81,423</u>	<u>\$ 83,577</u>	<u>\$ 70,337</u>
Plan fiduciary net position as a percentage of the total pension liability	76.5%	67.5%	71.9%	63.1%	60.2%	63.5%
Covered payroll	39,748	39,748	35,888	33,007	33,007	31,121
Net pension liability as a percentage of covered payroll	152.0%	200.7%	181.0%	246.7%	253.2%	226.0%

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

See accompanying independent auditor's report.

CITY OF CHELSEA, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2020

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

(dollar amounts are in thousands)

	2019	Year Ended December 31,			2015
		2018	2017	2016	
Actuarially-determined contribution	\$ 12,937	\$ 12,239	\$ 11,579	\$ 10,955	\$ 10,664
Contributions in relation to the actuarially-determined contribution	12,937	12,239	11,579	10,955	10,664
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	39,748	39,748	35,888	33,007	33,007
Contribution as a percentage of covered payroll	32.5%	30.8%	32.3%	33.2%	32.3%

(continued)

	2014	Year Ended December 31,			2010
		2013	2012	2011	
Actuarially-determined contribution	\$ 9,626	\$ 9,656	\$ 9,381	\$ 9,339	\$ 8,168
Contributions in relation to the actuarially-determined contribution	9,626	9,656	9,381	9,339	8,168
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	31,121	31,121	29,750	29,750	29,412
Contribution as a percentage of covered payroll	30.9%	31.0%	31.5%	31.4%	27.8%

(concluded)

SCHEDULE OF INVESTMENT RETURNS (SYSTEM)

	2019	Year Ended December 31,			2015
		2018	2017	2016	
Annual money-weighted rate of return, net of investment expense	16.13%	-2.48%	17.09%	7.06%	1.02%

(continued)

	2014	Year Ended December 31,			
		2013	2012	2011	
Annual money-weighted rate of return, net of investment expense	7.59%				

(concluded)

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

See accompanying independent auditor's report.

CITY OF CHELSEA, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2020

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(dollar amounts are in thousands)

	2020	2019	Year Ended June 30,		2016	2015
			2018	2017		
City's proportion of the net pension liability (asset)	93.8%	94.1%	94.1%	93.8%	91.5%	94.6%
City's proportionate share of the net pension liability (asset)	\$ 56,668	\$ 75,070	\$ 61,133	\$ 76,347	\$ 76,448	\$ 66,525
City's covered payroll	\$ 37,403	\$ 37,403	\$ 33,616	\$ 30,191	\$ 30,191	\$ 29,435
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	151.5%	200.7%	181.9%	252.9%	253.2%	226.0%
Plan fiduciary net position as a percentage of the total pension liability	76.5%	67.5%	71.9%	63.1%	60.2%	63.6%

SCHEDULE OF THE CITY'S CONTRIBUTIONS TO PENSION PLAN
(dollar amounts are in thousands)

	2020	2019	Year Ended June 30,		2016	2015
			2018	2017		
Actuarially determined contribution	\$ 12,137	\$ 11,520	\$ 10,894	\$ 10,272	\$ 9,755	\$ 9,326
Contributions in relation to the actuarially determined contribution	<u>12,137</u>	<u>11,520</u>	<u>10,894</u>	<u>10,272</u>	<u>9,755</u>	<u>9,326</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 35,892	\$ 35,892	\$ 34,457	\$ 32,493	\$ 30,946	\$ 30,171
Contributions as a percentage of covered payroll	33.8%	32.1%	31.6%	31.6%	31.5%	30.9%

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

See accompanying independent auditor's report.

CITY OF CHELSEA, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2020

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

(dollar amounts are in thousands)

	2019	2018	Year Ended June 30,		2015	2014
			2017	2016		
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	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%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 25,214,020	\$ 23,711,289	\$22,885,391	\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 1,443,710	\$ 1,314,783	\$ 1,235,515	\$ 1,124,583	\$ 1,021,930	\$ 937,379

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

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

See accompanying independent auditor's report.

CITY OF CHELSEA, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2020

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	2020	2019	2018	2017
Total OPEB liability:				
Service cost	\$ 6,888,660	\$ 9,323,439	\$ 8,189,017	\$ 10,055,684
Interest	6,032,043	6,575,170	6,241,225	6,955,739
Differences between expected and actual experience	(28,515,838)	-	-	(31,843,380)
Changes in assumptions	1,966,134	-	-	-
Benefit payments, including refunds	(4,292,011)	(5,434,827)	(5,146,361)	(5,424,277)
Net change in total OPEB liability	(17,921,012)	10,463,782	9,283,881	(20,256,234)
Total OPEB liability - beginning of year, as restated	180,841,508	195,685,169	186,401,288	206,657,522
Total OPEB liability - end of year (a)	<u>\$ 162,920,496</u>	<u>\$ 206,148,951</u>	<u>\$ 195,685,169</u>	<u>\$ 186,401,288</u>
Plan fiduciary net position:				
Contributions - employer	\$ 4,592,011	\$ 7,398,400	\$ 5,146,361	\$ 5,424,277
Net investment income	48,570	96,296	-	-
Benefit payments, including refunds	(4,292,011)	(5,434,827)	(5,146,361)	(5,424,277)
Net change in plan fiduciary net position	348,570	2,059,869	-	-
Plan fiduciary net position - beginning of year	2,059,869	-	-	-
Plan fiduciary net position - end of year (b)	<u>\$ 2,408,439</u>	<u>\$ 2,059,869</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 160,512,057</u>	<u>\$ 204,089,082</u>	<u>\$ 195,685,169</u>	<u>\$ 186,401,288</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.5%	1.0%	0.0%	0.0%
Covered payroll	83,581,262	81,096,580	76,441,305	76,441,305
Net OPEB liability as a percentage of covered payroll	192.0%	251.7%	256.0%	243.8%

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

See accompanying independent auditor's report.

CITY OF CHELSEA, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2020**

SCHEDULE OF CONTRIBUTIONS

	<u>2020</u>	<u>2019</u>
Actuarially-determined contribution	\$ 12,429,262	\$ 19,736,769
Contributions in relation to the actuarially-determined contribution	<u>4,592,011</u>	<u>7,398,400</u>
Contribution deficiency (excess)	<u><u>\$ 7,837,251</u></u>	<u><u>\$ 12,338,369</u></u>
Covered payroll	83,581,262	81,096,580
Contribution as a percentage of covered payroll	5.5%	9.1%
Valuation Date	July 1, 2019	
Amortization Period	30 years	
Investment rate of return	6.43%	
Municipal Bond Rate	2.66%	
Single Equivalent Discount Rate	3.25%	
Inflation	2.50%	
Healthcare cost trend rates	4.50%	
Salary increases	3.00%	
Actuarial Cost Method	Individual Entry Age Normal	
Asset Valuation Method	Market Value of Assets as of Reporting Date	

SCHEDULE OF INVESTMENT RETURNS

	<u>2020</u>	<u>2019</u>
Annual money-weighted rate of return, net of investment expense	2.08%	6.13%

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

CITY OF CHELSEA, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary		Budgetary	Positive
	Budget	Budget	Amounts	Encumbrances	Adjusted	(Negative)
Revenues:						
Real estate and personal property taxes	\$ 59,065,784	\$ 60,769,574	\$ 60,565,391	\$ -	60,565,391	(204,183)
Motor vehicle and other excise	12,100,000	12,100,000	18,213,274	-	18,213,274	6,113,274
Meals and room excise	2,450,000	2,450,000	2,311,685	-	2,311,685	(138,315)
Tax and trash liens	-	-	466,293	-	466,293	466,293
Payments in lieu of taxes	1,800,000	1,800,000	1,857,822	-	1,857,822	57,822
Trash disposal	1,963,500	1,963,500	1,973,782	-	1,973,782	10,282
Intergovernmental	93,594,693	93,594,693	94,538,722	-	94,538,722	944,029
Penalties and interest on taxes	358,750	358,750	268,633	-	268,633	(90,117)
Licenses and permits	1,830,000	1,830,000	2,207,021	-	2,207,021	377,021
Fines and forfeitures	2,752,500	2,752,500	2,299,344	-	2,299,344	(453,156)
Departmental and other	1,420,795	1,420,795	1,323,964	-	1,323,964	(96,831)
Investment income	1,300,000	1,300,000	1,301,080	-	1,301,080	1,080
Total Revenues	178,636,022	180,339,812	187,327,011	-	187,327,011	6,987,199
Expenditures:						
<i>General Government:</i>						
Legislative:						
Personal services	237,574	237,574	232,004	-	232,004	5,570
Expenditures	88,611	88,612	6,535	60,568	67,103	21,509
	<u>326,185</u>	<u>326,186</u>	<u>238,539</u>	<u>60,568</u>	<u>299,107</u>	<u>27,079</u>
Executive Office:						
Personal services	491,761	491,761	473,804	-	473,804	17,957
Expenditures	47,050	47,050	32,596	2,882	35,478	11,572
	<u>538,811</u>	<u>538,811</u>	<u>506,400</u>	<u>2,882</u>	<u>509,282</u>	<u>29,529</u>
Auditor's Office:						
Personal services	367,378	394,632	391,792	-	391,792	2,840
Expenditures	128,006	128,006	54,859	60,918	115,777	12,229
	<u>495,384</u>	<u>522,638</u>	<u>446,651</u>	<u>60,918</u>	<u>507,569</u>	<u>15,069</u>
Treasurer/Collector's Office:						
Personal services	416,743	428,495	427,594	-	427,594	901
Expenditures	266,062	266,062	144,873	20,319	165,192	100,870
	<u>682,805</u>	<u>694,557</u>	<u>572,467</u>	<u>20,319</u>	<u>592,786</u>	<u>101,771</u>
Assessing:						
Personal services	317,298	325,772	315,315	-	315,315	10,457
Expenditures	181,017	181,017	111,021	49,397	160,418	20,599
Capital outlay	21,100	21,100	21,000	-	21,000	100
	<u>519,415</u>	<u>527,889</u>	<u>447,336</u>	<u>49,397</u>	<u>496,733</u>	<u>31,156</u>
Procurement:						
Personal services	174,352	179,691	179,468	-	179,468	223
Expenditures	83,749	83,749	67,904	5,636	73,540	10,209
	<u>258,101</u>	<u>263,440</u>	<u>247,372</u>	<u>5,636</u>	<u>253,008</u>	<u>10,432</u>
Central Billing:						
Personal services	155,927	157,856	154,712	-	154,712	3,144
Expenditures	114,507	114,507	76,284	22,218	98,502	16,005
	<u>270,434</u>	<u>272,363</u>	<u>230,996</u>	<u>22,218</u>	<u>253,214</u>	<u>19,149</u>
Law Department:						
Personal services	329,018	329,018	303,735	-	303,735	25,283
Expenditures	108,471	211,471	192,554	2,811	195,365	16,106
	<u>437,489</u>	<u>540,489</u>	<u>496,289</u>	<u>2,811</u>	<u>499,100</u>	<u>41,389</u>

CITY OF CHELSEA, MASSACHUSETTS

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

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary	Encumbrances	Budgetary	Positive
	Budget	Budget	Amounts		Adjusted	(Negative)
Personnel Department:						
Personal services	374,074	374,074	327,475	30,382	357,857	16,217
Expenditures	133,800	133,800	64,629	7,240	71,869	61,931
	507,874	507,874	392,104	37,622	429,726	78,148
Information Systems:						
Personal services	355,337	360,283	327,078	-	327,078	33,205
Expenditures	775,324	775,324	605,769	153,230	758,999	16,325
Capital outlay	243,779	243,779	188,861	40,331	229,192	14,587
	1,374,440	1,379,386	1,121,708	193,561	1,315,269	64,117
City Clerk:						
Personal services	350,332	363,076	338,659	-	338,659	24,417
Expenditures	67,735	67,735	36,265	13,187	49,452	18,283
Capital outlay	49,580	20,000	11,367	8,000	19,367	633
	467,647	450,811	386,291	21,187	407,478	43,333
Office of Planning and Development:						
Personal services	340,429	352,597	273,592	-	273,592	79,005
Expenditures	239,368	414,368	104,423	301,116	405,539	8,829
Capital outlay	15,000	15,000	-	-	-	15,000
	594,797	781,965	378,015	301,116	679,131	102,834
Salary Reserve:						
Personal services	300,000	-	-	-	-	-
	300,000	-	-	-	-	-
<i>Total General Government</i>	<i>6,773,382</i>	<i>6,806,409</i>	<i>5,464,168</i>	<i>778,235</i>	<i>6,242,403</i>	<i>564,006</i>
<i>Public Safety:</i>						
Police Department:						
Personal services	11,583,404	11,597,851	10,925,358	-	10,925,358	672,493
Expenditures	846,423	846,423	597,648	71,655	669,303	177,120
Capital outlay	30,000	30,000	5,609	-	5,609	24,391
	12,459,827	12,474,274	11,528,615	71,655	11,600,270	874,004
Fire Department:						
Personal services	10,582,600	10,265,532	9,582,034	-	9,582,034	683,498
Expenditures	581,097	555,187	506,566	2,030	508,596	46,591
Capital outlay	96,000	96,000	60,488	33,804	94,292	1,708
	11,259,697	10,916,719	10,149,088	35,834	10,184,922	731,797
Inspectional Services:						
Personal services	973,786	1,011,144	1,001,919	-	1,001,919	9,225
Expenditures	61,074	61,074	17,269	629	17,898	43,176
	1,034,860	1,072,218	1,019,188	629	1,019,817	52,401
Traffic and Parking:						
Personal services	101,116	104,792	104,693	-	104,693	99
Operating expenses	958,873	958,873	810,905	79,745	890,650	68,223
Capital outlay	5,000	34,580	4,995	27,039	32,034	2,546
	1,064,989	1,098,245	920,593	106,784	1,027,377	70,868
Emergency Management:						
Personal services	1,393,137	1,393,137	1,334,502	-	1,334,502	58,635
Expenditures	169,132	169,132	105,257	22,913	128,170	40,962
	1,562,269	1,562,269	1,439,759	22,913	1,462,672	99,597
<i>Total Public Safety</i>	<i>27,381,642</i>	<i>27,123,725</i>	<i>25,057,243</i>	<i>237,815</i>	<i>25,295,058</i>	<i>1,828,667</i>

CITY OF MALDEN, MASSACHUSETTS

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

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary	Encumbrances	Budgetary	Positive
	Budget	Budget	Amounts		Adjusted	(Negative)
<i>Education:</i>						
Operational	100,276,361	101,572,352	93,782,486	7,166,613	100,949,099	623,253
Northeast regional school district:						
Assessment	1,539,755	1,539,755	1,533,742	-	1,533,742	6,013
<i>Total Education</i>	<u>101,816,116</u>	<u>103,112,107</u>	<u>95,316,228</u>	<u>7,166,613</u>	<u>102,482,841</u>	<u>629,266</u>
<i>Public Works:</i>						
Administration:						
Personal services	360,152	388,613	358,408	-	358,408	30,205
Expenditures	20,570	20,570	7,274	10,496	17,770	2,800
	<u>380,722</u>	<u>409,183</u>	<u>365,682</u>	<u>10,496</u>	<u>376,178</u>	<u>33,005</u>
Streets and Sidewalks:						
Personal services	1,164,738	1,232,618	1,151,981	-	1,151,981	80,637
Expenditures	2,203,043	2,654,543	1,561,587	801,220	2,362,807	291,736
Capital outlay	472,253	1,182,088	365,845	767,676	1,133,521	48,567
	<u>3,840,034</u>	<u>5,069,249</u>	<u>3,079,413</u>	<u>1,568,896</u>	<u>4,648,309</u>	<u>420,940</u>
Solid Waste/Recycling:						
Personal services	58,242	64,304	63,990	-	63,990	314
Expenditures	2,218,109	2,668,109	2,208,447	433,473	2,641,920	26,189
	<u>2,276,351</u>	<u>2,732,413</u>	<u>2,272,437</u>	<u>433,473</u>	<u>2,705,910</u>	<u>26,503</u>
Structure and Grounds:						
Personal services	301,713	325,421	318,864	-	318,864	6,557
Expenditures	1,621,794	1,810,047	1,276,435	335,043	1,611,478	198,569
Capital outlay	27,639	27,639	24,825	2,623	27,448	191
	<u>1,951,146</u>	<u>2,163,107</u>	<u>1,620,124</u>	<u>337,666</u>	<u>1,957,790</u>	<u>205,317</u>
Snow and Ice Removal:						
Personal services	25,000	31,140	31,140	-	31,140	-
Expenditures	78,555	150,698	113,602	4,443	118,045	32,653
	<u>103,555</u>	<u>181,838</u>	<u>144,742</u>	<u>4,443</u>	<u>149,185</u>	<u>32,653</u>
<i>Total Public Works</i>	<u>8,551,808</u>	<u>10,555,790</u>	<u>7,482,398</u>	<u>2,354,974</u>	<u>9,837,372</u>	<u>718,418</u>
<i>Health and Human Services:</i>						
Administration:						
Personal services	65,805	67,890	67,658	-	67,658	232
Expenditures	7,200	7,200	6,378	166	6,544	656
	<u>73,005</u>	<u>75,090</u>	<u>74,036</u>	<u>166</u>	<u>74,202</u>	<u>888</u>
Health Division:						
Personal services	220,633	229,104	229,009	-	229,009	95
Expenditures	630,436	630,436	544,374	61,544	605,918	24,518
	<u>851,069</u>	<u>859,540</u>	<u>773,383</u>	<u>61,544</u>	<u>834,927</u>	<u>24,613</u>
Veteran's Services:						
Personal services	68,855	71,108	70,878	-	70,878	230
Expenditures	627,919	627,919	280,952	-	280,952	346,967
	<u>696,774</u>	<u>699,027</u>	<u>351,830</u>	<u>-</u>	<u>351,830</u>	<u>347,197</u>

(Continued)

CITY OF CHELSEA, MASSACHUSETTS

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

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary	Encumbrances	Budgetary	Positive
	Budget	Budget	Amounts		Adjusted	(Negative)
Elder Affairs:						
Personal services	199,824	206,318	201,767	-	201,767	4,551
Expenditures	101,763	101,763	80,120	642	80,762	21,001
	301,587	308,081	281,887	642	282,529	25,552
<i>Total Health and Human Services</i>	<u>1,922,435</u>	<u>1,941,738</u>	<u>1,481,136</u>	<u>62,352</u>	<u>1,543,488</u>	<u>398,250</u>
Culture and Recreation:						
Recreation and Cultural Affairs:						
Personal services	249,031	259,891	241,750	-	241,750	18,141
Expenditures	328,150	428,150	248,959	100,597	349,556	78,594
	577,181	688,041	490,709	100,597	591,306	96,735
Public Library:						
Personal services	332,627	339,483	339,483	-	339,483	-
Expenditures	27,889	27,889	22,811	-	22,811	5,078
Capital outlay	22,703	22,703	7,703	-	7,703	15,000
	383,219	390,075	369,997	-	369,997	20,078
<i>Total Culture and Recreation</i>	<u>960,400</u>	<u>1,078,116</u>	<u>860,706</u>	<u>100,597</u>	<u>961,303</u>	<u>116,813</u>
Pension Benefits:						
Contributory Retirement:						
Expenditures	8,534,994	8,471,569	8,420,014	-	8,420,014	51,555
	8,534,994	8,471,569	8,420,014	-	8,420,014	51,555
Non-Contributory Retirement:						
Expenditures	11,190	11,190	10,351	-	10,351	839
	11,190	11,190	10,351	-	10,351	839
<i>Total Pension Benefits</i>	<u>8,546,184</u>	<u>8,482,759</u>	<u>8,430,365</u>	<u>-</u>	<u>8,430,365</u>	<u>52,394</u>
Employee Benefits:						
Unemployment Compensation:						
Expenditures	42,869	42,869	16,870	25,999	42,869	-
	42,869	42,869	16,870	25,999	42,869	-
Health Insurance:						
Operating expenses	7,873,377	7,792,309	7,528,476	4,900	7,533,376	258,933
	7,873,377	7,792,309	7,528,476	4,900	7,533,376	258,933
Workers' Compensation:						
Operating expenses	415,888	415,888	237,551	-	237,551	178,337
	415,888	415,888	237,551	-	237,551	178,337
Payroll Taxes:						
Operating expenses	490,000	491,600	488,652	-	488,652	2,948
	490,000	491,600	488,652	-	488,652	2,948
Life Insurance:						
Operating expenses	45,060	45,060	17,832	8,512	26,344	18,716
	45,060	45,060	17,832	8,512	26,344	18,716
<i>Total Employee Benefits</i>	<u>8,867,194</u>	<u>8,787,726</u>	<u>8,289,381</u>	<u>39,411</u>	<u>8,328,792</u>	<u>458,934</u>
Property and Liability Insurance:						
Expenditures	755,012	755,012	593,579	156,422	750,001	5,011
<i>Total Property and Liability Insurance</i>	<u>755,012</u>	<u>755,012</u>	<u>593,579</u>	<u>156,422</u>	<u>750,001</u>	<u>5,011</u>

CITY OF CHELSEA, MASSACHUSETTS

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

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary		Budgetary	Positive
	Budget	Budget	Amounts	Encumbrances	Adjusted	(Negative)
<i>Claims and Judgments:</i>						
Expenditures	50,000	76,000	68,821	1,540	70,361	5,639
<i>Total Claims and Judgements</i>	<u>50,000</u>	<u>76,000</u>	<u>68,821</u>	<u>1,540</u>	<u>70,361</u>	<u>5,639</u>
<i>State and County Assessments:</i>						
State assessments and charges	384,669	384,669	354,700	-	354,700	29,969
Transportation authorities assessments	2,677,378	2,677,378	2,677,378	-	2,677,378	-
Annual charges against receipts	29,246	29,246	21,478	-	21,478	7,768
Tuition assessments	14,931,412	14,931,412	14,274,661	-	14,274,661	656,751
<i>Total State and County Assessments</i>	<u>18,022,705</u>	<u>18,022,705</u>	<u>17,328,217</u>	<u>-</u>	<u>17,328,217</u>	<u>694,488</u>
<i>Debt Service Principal:</i>						
Expenditures	2,582,313	6,098,313	6,082,313	-	6,082,313	16,000
<i>Total Debt Service Principal</i>	<u>2,582,313</u>	<u>6,098,313</u>	<u>6,082,313</u>	<u>-</u>	<u>6,082,313</u>	<u>16,000</u>
<i>Debt Service Interest:</i>						
Expenditures	925,410	996,216	996,216	-	996,216	-
<i>Total Debt Service Interest</i>	<u>925,410</u>	<u>996,216</u>	<u>996,216</u>	<u>-</u>	<u>996,216</u>	<u>-</u>
Total Expenditures	<u>187,154,601</u>	<u>193,836,616</u>	<u>177,450,771</u>	<u>10,897,959</u>	<u>188,348,730</u>	<u>5,487,886</u>
Other Financing Sources (Uses)						
Transfers in	2,423,136	6,094,777	6,094,777		6,094,777	-
Transfers out	(6,350,459)	(10,321,471)	(10,321,471)		(10,321,471)	-
Total Other Financing Sources (Uses)	<u>(3,927,323)</u>	<u>(4,226,694)</u>	<u>(4,226,694)</u>		<u>\$ (4,226,694)</u>	<u>-</u>
<i>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Uses Of Prior Year Budgetary Fund Balance</i>	<u>(12,445,902)</u>	<u>(17,723,498)</u>	<u>5,649,546</u>			<u>\$ 12,475,085</u>
Other Budgetary Items						
Use of unassigned fund balance (free cash)	\$ 5,459,877	\$ 10,752,430				
Prior year encumbrances	6,986,025	6,986,025				
Other	-	(14,957)				
Total Other Budgetary Items	<u>12,445,902</u>	<u>17,723,498</u>				
Net budget and actual	<u>\$ -</u>	<u>\$ -</u>				

(Concluded)

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

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

CITY OF CHELSEA, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2020

I. Pension Plan

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

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

II. Other Postemployment Benefit Plan

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

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

Investment rate of return	6.43%, net of OPEB plan investment expense including inflation.
Municipal bond rate	2.66% as of June 30, 2020
Single Equivalent Discount Rate	3.25% net of OPEB plan investment expense including inflation.
Inflation	2.5% annually as of June 30, 2020 and for future periods
Salary increases	3.0% annually as of June 30, 2020 and for future periods
Health Care Trend Rate	4.5%
Pre-Retirement Mortality	RP-2014 Employees Mortality Table projected generationally with scale MP-2016 for males and females, set forward one year for females
Post-Retirement and Disabled Mortality:	RP-2014 Healthy Annuitant Table projected generationally with scale MP-2016 for males and females, set forward one year for females
Actuarial Cost Method	Individual entry age normal

Changes in Assumptions – Health care trend rate was decreased from 5.0% to 4.5%. Mortality table has been updated from the RP-2000 Employee Mortality Table projected generationally with scale BB and a base year 2009 to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females.

III. Budgetary Basis of Accounting

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

The City adopts an annual budget for the general fund in conformity with the guidelines described above, with appropriations totaling approximately \$193.5 million. During fiscal year 2020, City Council approved various supplemental budgetary appropriations which resulted in a net increase of approximately \$10.7 million from the original voted budget, which was primarily utilized for education (\$1.3 million), public works (\$2.0 million), debt service (\$3.6 million) and transfers to other funds (\$4.0 million).

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

Budgetary-to-GAAP Reconciliation – The City's general fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2020, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 187,327,011
Change in revenue accruals	\$ 923,238	\$ -	923,238
Stabilization activity	-	618,475	618,475
On behalf payments	17,137,322	-	17,137,322
Revenues on a GAAP basis	<u>\$ 17,137,322</u>	<u>\$ -</u>	<u>\$ 206,006,046</u>
Expenditures on a budgetary basis			\$ 177,450,771
Fiduciary fund activity	\$ -	\$ 191,250	191,250
Change in expenditure accruals	245,067	-	245,067
On behalf payments	17,137,322	-	17,137,322
Contributions to OPEB trust	-	300,000	300,000
Expenditures on a GAAP basis	<u>\$ 17,382,389</u>	<u>\$ 491,250</u>	<u>\$ 195,324,410</u>
Other financing sources (uses) on a budgetary basis			\$ (4,226,694)
Stabilization transfers	\$ -	\$ (1,500,000)	(1,500,000)
Fiduciary fund activity	-	191,250	191,250
Transfers to OPEB trust	-	300,000	300,000
Other financing sources (uses) on a GAAP basis	<u>\$ -</u>	<u>\$ (1,008,750)</u>	<u>\$ (5,235,444)</u>



This page intentionally left blank.

Combining Statements

Nonmajor Governmental Funds

Special Revenue Funds –

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Project Funds –

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

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

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

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

Permanent Funds –

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

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

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

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2020

	Special Revenue Funds					
	<u>Redevelopment</u>	<u>Other Community Development</u>	<u>City Revolving</u>	<u>Receipts Reserved</u>	<u>City Gifts</u>	<u>City State Grants</u>
Assets:						
Cash and short-term investments	\$ 3,076	\$ 6,943,384	\$ -	\$ 2,916,602	\$ -	\$ 1,009,827
Investments	2,714,181	1,979,565	-	-	-	-
Receivables, net of allowance for uncollectibles						
Real estate and personal property taxes	-	17,322	-	-	-	-
Departmental and other	-	-	1,678,646	-	-	-
Intergovernmental	-	-	-	-	-	191,110
Total Assets	<u>\$ 2,717,257</u>	<u>\$ 8,940,271</u>	<u>\$ 1,678,646</u>	<u>\$ 2,916,602</u>	<u>\$ -</u>	<u>\$ 1,200,937</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities:						
Warrants and accounts payable	\$ 3,076	\$ 107,511	\$ 1,379	\$ 82,638	\$ -	\$ 35,183
Accrued payroll and withholdings	-	-	95,551	-	-	-
Due to other funds	-	-	1,153,942	-	91,676	-
Total Liabilities	<u>3,076</u>	<u>107,511</u>	<u>1,250,872</u>	<u>82,638</u>	<u>91,676</u>	<u>35,183</u>
Deferred Inflows of Resources:						
Unavailable revenues - property taxes	-	17,322	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>17,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	2,714,181	8,815,438	427,774	2,833,964	117,462	1,165,754
Unassigned	-	-	-	-	(209,138)	-
Total Fund Balances	<u>2,714,181</u>	<u>8,815,438</u>	<u>427,774</u>	<u>2,833,964</u>	<u>(91,676)</u>	<u>1,165,754</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 2,717,257</u>	<u>\$ 8,940,271</u>	<u>\$ 1,678,646</u>	<u>\$ 2,916,602</u>	<u>\$ -</u>	<u>\$ 1,200,937</u>

City Federal Grants	School Lunch	School Revolving	School Gifts	School State Grants	School Federal Grants	Sub-total Special Revenue Funds
\$ 3,088,106	\$ 3,039,647	\$ 969,315	\$ 1,088,924	\$ 2,739,274	\$ -	\$ 21,798,155
-	-	-	-	-	-	4,693,746
-	-	-	-	-	-	17,322
-	-	-	-	-	-	1,678,646
-	759,068	-	-	-	745,519	1,695,697
<u>\$ 3,088,106</u>	<u>\$ 3,798,715</u>	<u>\$ 969,315</u>	<u>\$ 1,088,924</u>	<u>\$ 2,739,274</u>	<u>\$ 745,519</u>	<u>\$ 29,883,566</u>
\$ 150,508	\$ 276,043	\$ 3,720	\$ 33,518	\$ 14,918	\$ 9,737	\$ 718,231
-	-	-	-	-	-	95,551
-	-	-	-	-	635,284	1,880,902
<u>150,508</u>	<u>276,043</u>	<u>3,720</u>	<u>33,518</u>	<u>14,918</u>	<u>645,021</u>	<u>2,694,684</u>
-	-	-	-	-	-	17,322
-	-	-	-	-	-	17,322
-	-	-	-	-	-	-
2,937,598	3,522,672	965,595	1,055,406	2,724,356	100,498	27,380,698
-	-	-	-	-	-	(209,138)
<u>2,937,598</u>	<u>3,522,672</u>	<u>965,595</u>	<u>1,055,406</u>	<u>2,724,356</u>	<u>100,498</u>	<u>27,171,560</u>
<u>\$ 3,088,106</u>	<u>\$ 3,798,715</u>	<u>\$ 969,315</u>	<u>\$ 1,088,924</u>	<u>\$ 2,739,274</u>	<u>\$ 745,519</u>	<u>\$ 29,883,566</u>

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2020

	Capital Project Funds			
	Urban I & II Renewal	Other Capital	School Capital Reserve	Sub-total Capital Project Funds
Assets:				
Cash and short-term investments	\$ 191,822	\$ 2,850,729	\$ 4,105,390	\$ 7,147,941
Investments	-	-	-	-
Receivables, net of allowance for uncollectibles				
Real estate and personal property taxes	-	-	-	-
Departmental and other	-	-	-	-
Intergovernmental	-	-	-	-
Total Assets	<u>\$ 191,822</u>	<u>\$ 2,850,729</u>	<u>\$ 4,105,390</u>	<u>\$ 7,147,941</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Warrants and accounts payable	\$ -	\$ 137,964	\$ -	\$ 137,964
Accrued payroll and withholdings	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	137,964	-	137,964
Deferred Inflows of Resources:				
Unavailable revenues - property taxes	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	191,822	2,712,765	4,105,390	7,009,977
Unassigned	-	-	-	-
Total Fund Balances	<u>191,822</u>	<u>2,712,765</u>	<u>4,105,390</u>	<u>7,009,977</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 191,822</u>	<u>\$ 2,850,729</u>	<u>\$ 4,105,390</u>	<u>\$ 7,147,941</u>

Permanent Funds			Total
Health and Human Services	Culture and Recreation	Sub-total Permanent Funds	Nonmajor Governmental Funds
\$ 12,745	\$ 7,573	\$ 20,318	\$ 28,966,414
-	115,101	115,101	4,808,847
-	-	-	17,322
-	-	-	1,678,646
-	-	-	1,695,697
<u>\$ 12,745</u>	<u>\$ 122,674</u>	<u>\$ 135,419</u>	<u>\$ 37,166,926</u>
\$ -	\$ -	\$ -	\$ 856,195
-	-	-	95,551
-	-	-	1,880,902
-	-	-	2,832,648
-	-	-	17,322
-	-	-	17,322
11,996	10,396	22,392	22,392
749	112,278	113,027	34,503,702
-	-	-	(209,138)
<u>12,745</u>	<u>122,674</u>	<u>135,419</u>	<u>34,316,956</u>
<u>\$ 12,745</u>	<u>\$ 122,674</u>	<u>\$ 135,419</u>	<u>\$ 37,166,926</u>

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2020

	Special Revenue Funds					
	<u>Redevelopment</u>	<u>Other Community Development</u>	<u>City Revolving</u>	<u>Receipts Reserved</u>	<u>City Gifts</u>	<u>City State Grants</u>
Revenues:						
Community preservation surcharges	\$ -	\$ 714,338	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	2,914,897	-	-	-	2,824,616
Charges for services	-	-	3,948,314	-	-	-
Departmental and other	2,296	55,653	269,258	765,324	-	-
Interest and investment income	143,396	100,810	-	-	-	-
Contributions and donations	-	248,818	-	-	469,701	-
Total Revenues	<u>145,692</u>	<u>4,034,516</u>	<u>4,217,572</u>	<u>765,324</u>	<u>469,701</u>	<u>2,824,616</u>
Expenditures:						
General government	-	1,698,250	259	358,946	15,012	68,767
Public safety	-	-	3,942,501	-	8,930	553,608
Education	-	-	-	-	-	-
Public works	-	191,043	11,077	-	298,150	1,689,690
Health and human services	-	-	-	-	261,394	74,001
Culture and recreation	-	-	22,330	-	900	76,740
Community development	313,678	736,358	-	-	-	-
Total Expenditures	<u>313,678</u>	<u>2,625,651</u>	<u>3,976,167</u>	<u>358,946</u>	<u>584,386</u>	<u>2,462,806</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(167,986)	1,408,865	241,405	406,378	(114,685)	361,810
Other Financing Sources (Uses):						
Sale of capital assets	-	-	-	3,770,068	-	-
Transfers in	-	1,600,000	-	-	-	-
Transfers out	-	-	-	(7,435,077)	-	(84,835)
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,600,000</u>	<u>-</u>	<u>(3,665,009)</u>	<u>-</u>	<u>(84,835)</u>
Net Change in Fund Balance	(167,986)	3,008,865	241,405	(3,258,631)	(114,685)	276,975
Fund Balances - Beginning of Year	<u>2,882,167</u>	<u>5,806,573</u>	<u>186,369</u>	<u>6,092,595</u>	<u>23,009</u>	<u>888,779</u>
Fund Balances - End of Year	<u>\$ 2,714,181</u>	<u>\$ 8,815,438</u>	<u>\$ 427,774</u>	<u>\$ 2,833,964</u>	<u>\$ (91,676)</u>	<u>\$ 1,165,754</u>

City Federal Grants	School Lunch	School Revolving	School Gifts	School State Grants	School Federal Grants	Sub-total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 714,338
4,580,266	4,026,675	-	-	3,845,004	6,517,600	24,709,058
-	248,895	195,355	-	-	-	4,392,564
-	-	131,288	-	-	-	1,223,819
11,058	-	-	-	-	-	255,264
-	-	-	419,127	-	-	1,137,646
<u>4,591,324</u>	<u>4,275,570</u>	<u>326,643</u>	<u>419,127</u>	<u>3,845,004</u>	<u>6,517,600</u>	<u>32,432,689</u>
1,736,827	-	-	-	-	-	3,878,061
2,146,256	-	-	-	-	-	6,651,295
-	4,390,915	289,750	283,066	3,447,043	6,472,524	14,883,298
-	-	-	-	-	-	2,189,960
244,869	-	-	-	-	-	580,264
-	-	-	-	-	-	99,970
-	-	-	-	-	-	1,050,036
<u>4,127,952</u>	<u>4,390,915</u>	<u>289,750</u>	<u>283,066</u>	<u>3,447,043</u>	<u>6,472,524</u>	<u>29,332,884</u>
463,372	(115,345)	36,893	136,061	397,961	45,076	3,099,805
-	-	-	-	-	-	3,770,068
2,566,566	-	-	-	-	-	4,166,566
-	-	-	-	-	-	(7,519,912)
<u>2,566,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>416,722</u>
3,029,938	(115,345)	36,893	136,061	397,961	45,076	3,516,527
<u>(92,340)</u>	<u>3,638,017</u>	<u>928,702</u>	<u>919,345</u>	<u>2,326,395</u>	<u>55,422</u>	<u>23,655,033</u>
<u>\$ 2,937,598</u>	<u>\$ 3,522,672</u>	<u>\$ 965,595</u>	<u>\$ 1,055,406</u>	<u>\$ 2,724,356</u>	<u>\$ 100,498</u>	<u>\$ 27,171,560</u>

(Continued)

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2020

	Capital Project Funds			
	Urban I & II Renewal	Other Capital	School Capital Reserve	Sub-total Capital Project Funds
Revenues:				
Community preservation surcharges	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	407,000	-	407,000
Charges for services	-	-	-	-
Departmental and other	-	-	-	-
Interest and investment income	-	-	94,456	94,456
Contributions and donations	-	-	-	-
Total Revenues	<u>-</u>	<u>407,000</u>	<u>94,456</u>	<u>501,456</u>
Expenditures:				
General government	-	450,765	-	450,765
Public safety	-	-	-	-
Education	-	-	-	-
Public works	-	1,227,711	-	1,227,711
Health and human services	-	-	-	-
Culture and recreation	-	-	-	-
Community development	78,753	-	-	78,753
Total Expenditures	<u>78,753</u>	<u>1,678,476</u>	<u>-</u>	<u>1,757,229</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(78,753)	(1,271,476)	94,456	(1,255,773)
Other Financing Sources (Uses):				
Sale of capital assets	-	-	-	-
Transfers in	-	1,775,000	2,448,271	4,223,271
Transfers out	-	-	(2,350,000)	(2,350,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,775,000</u>	<u>98,271</u>	<u>1,873,271</u>
Net Change in Fund Balance	(78,753)	503,524	192,727	617,498
Fund Balances - Beginning of Year	<u>270,575</u>	<u>2,209,241</u>	<u>3,912,663</u>	<u>6,392,479</u>
Fund Balances - End of Year	<u>\$ 191,822</u>	<u>\$ 2,712,765</u>	<u>\$ 4,105,390</u>	<u>\$ 7,009,977</u>

Permanent Funds			Total
Health and Human Services	Culture and Recreation	Sub-total Permanent Funds	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 714,338
-	-	-	25,116,058
-	-	-	4,392,564
-	-	-	1,223,819
-	5,504	5,504	355,224
-	-	-	1,137,646
-	5,504	5,504	32,939,649
-	-	-	4,328,826
-	-	-	6,651,295
-	-	-	14,883,298
-	-	-	3,417,671
-	-	-	580,264
-	-	-	99,970
-	-	-	1,128,789
-	-	-	31,090,113
-	5,504	5,504	1,849,536
-	-	-	3,770,068
-	-	-	8,389,837
-	-	-	(9,869,912)
-	-	-	2,289,993
-	5,504	5,504	4,139,529
12,745	117,170	129,915	30,177,427
<u>\$ 12,745</u>	<u>\$ 122,674</u>	<u>\$ 135,419</u>	<u>\$ 34,316,956</u>

(Concluded)



This page intentionally left blank.

Internal Service Funds

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

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

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

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

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET POSITION
JUNE 30, 2020

	Retirees' Health Insurance	Workers' Compensation	Health Insurance	Total Internal Service Funds
Assets:				
Current assets:				
Cash and cash equivalents	\$ 235,643	\$ 120,548	\$ 13,106,651	\$ 13,462,842
Prepaid items	-	-	1,082,235	1,082,235
Total Current Assets	<u>235,643</u>	<u>120,548</u>	<u>14,188,886</u>	<u>14,545,077</u>
Liabilities:				
Current liabilities:				
Warrants and accounts payable	-	-	5,656	5,656
Health claims incurred but not reported	-	-	891,784	891,784
Other liabilities	-	2,975	-	2,975
Workers' compensation claims	-	258,757	-	258,757
Total Current Liabilities	<u>-</u>	<u>261,732</u>	<u>897,440</u>	<u>1,159,172</u>
Noncurrent liabilities:				
Workers' compensation claims	-	258,757	-	258,757
Total Noncurrent Liabilities	<u>-</u>	<u>258,757</u>	<u>-</u>	<u>258,757</u>
Total Liabilities	<u>-</u>	<u>520,489</u>	<u>897,440</u>	<u>1,417,929</u>
Net Position:				
Unrestricted	<u>235,643</u>	<u>(399,941)</u>	<u>13,291,446</u>	<u>13,127,148</u>
TOTAL NET POSITION	<u><u>\$ 235,643</u></u>	<u><u>\$ (399,941)</u></u>	<u><u>\$ 13,291,446</u></u>	<u><u>\$ 13,127,148</u></u>

- - - -

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FISCAL YEAR ENDED JUNE 30, 2020

	Retirees' Health Insurance	Workers' Compensation	Health Insurance	Total Internal Service Funds
Operating Revenues:				
Employee contributions	\$ -	\$ -	\$ 4,965,094	\$ 4,965,094
Employer contributions	-	121,200	19,230,451	19,351,651
Stop loss receipts	-	40,000	804,870	844,870
Total Operating Revenues	-	161,200	25,000,415	25,161,615
Operating Expenditures:				
Employee benefits	-	299,068	21,567,441	21,866,509
Total Operating Expenditures	-	299,068	21,567,441	21,866,509
Operating Income (Loss)	-	(137,868)	3,432,974	3,295,106
Nonoperating Revenues (Expenses):				
Investment Income	-	374	205,123	205,497
Income (Loss) Before Transfers	-	(137,494)	3,638,097	3,500,603
Change in Net Position	-	(137,494)	3,638,097	3,500,603
Fund Balances - Beginning of Year	235,643	(262,447)	9,653,349	9,626,545
Fund Balances - End of Year	\$ 235,643	\$ (399,941)	\$ 13,291,446	\$ 13,127,148

INTERNAL SERVICE FUNDS

**COMBINING STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Retirees' Health Insurance</u>	<u>Workers' Compensation</u>	<u>Health Insurance</u>	<u>Total Internal Service Funds</u>
Cash Flows From Operating Activities:				
Receipts from interfund services provided	\$ -	\$ 161,200	\$ 25,000,415	\$ 25,161,615
Payments for interfund services used	<u>-</u>	<u>(252,088)</u>	<u>(23,186,047)</u>	<u>(23,438,135)</u>
Net Cash Provided by Operating Activities	<u>-</u>	<u>(90,888)</u>	<u>1,814,368</u>	<u>1,723,480</u>
Cash Flows From Investing Activities:				
Investment income	<u>-</u>	<u>374</u>	<u>205,123</u>	<u>205,497</u>
Net Cash Provided By Investing Activities	<u>-</u>	<u>374</u>	<u>205,123</u>	<u>205,497</u>
Net Change in Cash and Cash Equivalents	<u>-</u>	<u>(90,514)</u>	<u>2,019,491</u>	<u>1,928,977</u>
Cash and Cash Equivalents:				
Beginning of the Year	<u>235,643</u>	<u>211,062</u>	<u>11,087,160</u>	<u>11,533,865</u>
End of the Year	<u><u>\$ 235,643</u></u>	<u><u>\$ 120,548</u></u>	<u><u>\$ 13,106,651</u></u>	<u><u>\$ 13,462,842</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	-	(137,868)	3,432,974	3,295,106
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Changes in assets and liabilities:				
Prepaid items	-	-	(1,082,235)	(1,082,235)
Warrants and accounts payable	-	-	5,656	5,656
Accrued payroll and withholdings	-	(3,614)	-	(3,614)
Health claims incurred but not reported	-	-	(542,027)	(542,027)
Workers' compensation claims	<u>-</u>	<u>50,594</u>	<u>-</u>	<u>50,594</u>
Net Cash Provided by Operating Activities	<u><u>\$ -</u></u>	<u><u>\$ (90,888)</u></u>	<u><u>\$ 1,814,368</u></u>	<u><u>\$ 1,723,480</u></u>

Fiduciary Funds

Agency Funds –

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

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FISCAL YEAR ENDED JUNE 30, 2020

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Assets:				
Cash and cash equivalents	<u>\$ 841,712</u>	<u>\$ 23,745,925</u>	<u>\$ (23,798,630)</u>	<u>\$ 789,007</u>
Liabilities:				
Warrants payable	\$ -	\$ 23,800,430	\$ (23,798,630)	\$ 1,800
Agency liabilities	<u>841,712</u>	<u>23,745,925</u>	<u>(23,800,430)</u>	<u>787,207</u>
Total Liabilities	<u>\$ 841,712</u>	<u>\$ 47,546,355</u>	<u>\$ (47,599,060)</u>	<u>\$ 789,007</u>

STATISTICAL SECTION



Copia y Pega (Cut and Paste) is a temporary mural project that featured wheatpaste murals installed primarily along the downtown alley of Cherry Street. The designs, printed on large format paper, were painted by hand and then pasted onto the wall using a naturally dissolving glue of flour and water.

Chelsea history was celebrated by collage artist and graphic designer Molly Scannell on the side of one of its oldest businesses, the 120-years old Dillon's Russian Steam Bath. Her design is a tribute to former Chelsea resident musician Chick Corea.

Photo credit: Matt Frank



This page intentionally left blank.

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

	2011	2012	2013	2014	2015 (1)	2016	2017	2018 (2)	2019	2020 (2)
Governmental activities:										
Net investment in capital assets.....	\$ 123,198,732	\$ 110,297,865	\$ 112,646,295	\$ 113,957,937	\$ 121,592,582	\$ 146,694,947	\$ 162,050,337	\$ 180,490,997	\$ 186,637,819	\$ 187,915,377
Restricted.....	5,330,361	21,541,560	19,798,007	23,010,803	25,186,869	26,936,571	31,768,286	39,752,744	30,279,296	34,535,623
Unrestricted.....	(41,789,700)	(55,550,266)	(67,222,440)	(69,930,884)	(147,945,496)	(164,046,773)	(167,542,578)	(237,625,834)	(224,635,904)	(185,017,893)
Total governmental activities net position.....	<u>\$ 86,739,393</u>	<u>\$ 76,289,159</u>	<u>\$ 65,221,862</u>	<u>\$ 67,037,856</u>	<u>\$ (1,166,045)</u>	<u>\$ 9,584,745</u>	<u>\$ 26,276,045</u>	<u>\$ (17,382,093)</u>	<u>\$ (7,718,789)</u>	<u>\$ 37,433,107</u>
Business-type activities:										
Net investment in capital assets.....	\$ 13,645,212	\$ 15,188,269	\$ 16,948,277	\$ 18,376,165	\$ 20,591,676	\$ 18,000,489	\$ 29,291,684	\$ 28,462,797	\$ 27,575,431	\$ 36,307,097
Unrestricted.....	6,752,021	9,321,027	11,462,851	13,014,707	13,244,738	19,074,859	8,700,571	14,651,964	17,408,149	12,193,451
Total business-type activities net position.....	<u>\$ 20,397,233</u>	<u>\$ 24,509,296</u>	<u>\$ 28,411,128</u>	<u>\$ 31,390,872</u>	<u>\$ 33,836,414</u>	<u>\$ 37,075,348</u>	<u>\$ 37,992,255</u>	<u>\$ 43,114,761</u>	<u>\$ 44,983,580</u>	<u>\$ 48,500,548</u>
Primary government:										
Net investment in capital assets.....	\$ 136,843,944	\$ 125,486,134	\$ 129,594,572	\$ 132,334,102	\$ 142,184,258	\$ 164,695,436	\$ 191,342,021	\$ 208,953,794	\$ 214,213,250	\$ 224,222,474
Restricted.....	5,330,361	21,541,560	19,798,007	23,010,803	25,186,869	26,936,571	31,768,286	39,752,744	30,279,296	34,535,623
Unrestricted.....	(35,037,679)	(46,229,239)	(55,759,589)	(56,916,177)	(134,700,758)	(144,971,914)	(158,842,007)	(222,973,870)	(207,227,755)	(172,824,442)
Total primary government net position.....	<u>\$ 107,136,626</u>	<u>\$ 100,798,455</u>	<u>\$ 93,632,990</u>	<u>\$ 98,428,728</u>	<u>\$ 32,670,369</u>	<u>\$ 46,660,093</u>	<u>\$ 64,268,300</u>	<u>\$ 25,732,668</u>	<u>\$ 37,264,791</u>	<u>\$ 85,933,655</u>

Note: The City restated the 2011 - 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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses -										
Governmental activities:										
General government.....	\$ 8,878,505	\$ 6,303,492	\$ 6,753,023	\$ 6,396,204	\$ 7,180,957	\$ 6,504,975	\$ 8,252,547	\$ 7,982,911	\$ 11,593,140	\$ 18,210,284
Public safety.....	38,057,558	34,245,664	37,168,245	37,333,683	38,356,624	42,312,639	41,233,536	41,174,310	45,983,955	42,319,904
Education.....	97,529,142	101,583,304	106,039,385	108,824,624	115,114,967	124,549,859	133,951,256	132,322,671	135,384,643	143,821,036
Public works.....	6,888,278	6,392,827	7,054,957	7,330,891	6,847,690	6,649,021	6,141,699	3,285,902	11,831,133	10,756,794
Health and Human services.....	1,845,688	4,003,944	4,311,783	4,397,671	4,349,173	4,736,315	5,084,876	4,845,247	2,177,795	2,315,653
Culture and recreation.....	990,915	909,974	980,683	818,969	880,766	924,397	1,140,358	1,184,054	1,192,222	1,276,297
Community development.....	1,345,920	1,774,591	3,324,674	2,535,337	2,837,190	3,557,852	3,898,699	3,600,756	2,102,001	1,794,568
Interest.....	1,918,692	742,879	977,150	832,886	757,175	743,493	785,323	790,286	965,162	842,478
Total government activities expenses.....	157,454,698	155,956,675	166,609,900	168,470,265	176,324,542	189,978,551	200,488,294	195,186,137	211,230,051	221,337,014
Business-type activities:										
Water and sewer operations.....	12,619,962	12,587,797	13,185,746	13,942,646	14,621,709	15,028,890	16,808,671	14,956,501	17,963,654	19,947,755
Total business-type activities expenses.....	12,619,962	12,587,797	13,185,746	13,942,646	14,621,709	15,028,890	16,808,671	14,956,501	17,963,654	19,947,755
Total primary government expenses.....	\$ 170,074,660	\$ 168,544,472	\$ 179,795,646	\$ 182,412,911	\$ 190,946,251	\$ 205,007,441	\$ 217,296,965	\$ 210,142,638	\$ 229,193,705	\$ 241,284,769
Program Revenues -										
Governmental activities:										
Charges for services:										
Public safety.....	\$ 4,377,770	\$ 4,335,583	\$ 5,215,386	\$ 5,601,755	\$ 6,935,440	\$ 6,694,814	\$ 6,355,040	\$ 7,483,273	\$ 9,847,304	\$ 8,664,532
Public works.....	1,346,420	1,421,310	1,434,148	1,436,700	1,573,631	1,550,192	1,572,575	1,763,406	1,911,459	2,320,624
Other activities.....	2,872,521	3,177,176	2,781,946	2,689,908	2,719,833	2,523,973	2,456,879	2,261,060	1,894,035	2,547,089
Operating grants and contributions.....	78,148,183	78,837,387	83,700,933	91,442,874	91,452,200	101,301,162	109,842,971	106,313,816	115,010,624	124,218,346
Capital grants and contributions.....	408,766	(1,065,126)	310,844	243,646	3,669,318	11,739,950	12,086,531	6,241,881	8,390,138	4,947,006
Total government activities program revenues.....	87,153,660	86,706,330	93,443,257	101,414,883	106,350,422	123,810,091	132,313,996	124,063,436	137,053,560	142,697,597
Business-type activities:										
Charges for services.....	17,304,563	18,344,616	18,474,949	18,389,953	18,916,044	18,658,888	19,481,212	20,408,211	22,270,490	22,672,105
Operating grants and contributions.....	-	21,966	2,412	999	-	-	-	194,881	155,000	-
Capital grants and contributions.....	404,724	1,671	320,320	282,150	398,640	1,130,530	132,000	12,880	619,400	2,755,497
Total business-type activities program revenues.....	17,709,287	18,368,253	18,797,681	18,673,102	19,314,684	19,789,418	19,613,212	20,615,972	23,044,890	25,427,602
Total primary government program revenues.....	\$ 104,862,947	\$ 105,074,583	\$ 112,240,938	\$ 120,087,985	\$ 125,665,106	\$ 143,599,509	\$ 151,927,208	\$ 144,679,408	\$ 160,098,450	\$ 168,125,199
Net (Expense)/Program Revenue										
Governmental activities.....	\$ (70,301,038)	\$ (69,250,345)	\$ (73,166,643)	\$ (67,055,382)	\$ (69,974,120)	\$ (66,168,460)	\$ (68,174,298)	\$ (71,122,701)	\$ (74,176,491)	\$ (78,639,417)
Business-type activities.....	5,089,325	5,780,456	5,611,935	4,730,456	4,692,975	4,760,528	2,804,541	5,659,471	5,081,236	5,479,847
Total primary government net (expense)/program revenue.....	\$ (65,211,713)	\$ (63,469,889)	\$ (67,554,708)	\$ (62,324,926)	\$ (65,281,145)	\$ (61,407,932)	\$ (65,369,757)	\$ (65,463,230)	\$ (69,095,255)	\$ (73,159,570)

(continued)

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues, Transfers and Other Changes in Net Position -										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 37,049,408	\$ 38,375,534	\$ 42,040,017	\$ 44,226,062	\$ 45,085,165	\$ 48,999,853	\$ 51,670,468	\$ 55,252,170	\$ 57,596,190	\$ 61,865,051
Meals and rooms taxes.....	556,526	602,918	871,300	1,108,668	1,167,829	1,668,783	1,624,438	2,036,932	2,467,454	2,311,685
Motor vehicle and other excise taxes.....	7,001,354	8,253,392	8,198,951	9,945,067	10,794,088	13,037,097	17,474,882	13,186,564	17,555,212	18,250,997
Penalties and interest on taxes.....	457,401	553,029	375,953	472,452	466,224	444,350	342,704	383,098	368,237	268,633
Payments in lieu of taxes.....	1,483,189	1,221,920	1,221,631	2,139,017	1,252,908	2,084,999	1,827,288	1,348,428	2,416,020	1,857,822
Community preservation surcharges.....	-	-	-	-	-	-	558,496	707,587	678,523	722,131
Grants and contributions not restricted to specific programs.....	7,698,509	7,718,417	7,538,595	7,837,799	8,057,101	8,071,764	8,758,461	9,607,782	8,590,509	8,858,851
Unrestricted investment income.....	940,588	406,508	142,796	737,599	95,655	1,090,810	721,227	1,587,936	2,637,942	2,385,821
Gain on sale of capital assets.....	2,115,000	-	-	654,000	-	-	-	-	-	-
Sale of land.....	-	-	-	-	900,000	-	-	-	-	-
Transfers.....	497,270	1,668,393	1,710,103	1,752,855	1,796,678	1,521,594	1,887,634	1,094,263	2,872,035	2,099,940
Total governmental activities.....	57,799,245	58,800,111	62,099,346	68,873,519	69,615,648	76,919,250	84,865,598	85,204,760	95,182,122	98,620,931
Business-type activities:										
Transfers.....	(497,270)	(1,668,393)	(1,710,103)	(1,752,855)	(1,796,678)	(1,521,594)	(1,887,634)	(1,094,263)	(2,872,035)	(2,099,940)
Total business-type activities.....	(497,270)	(1,668,393)	(1,710,103)	(1,752,855)	(1,796,678)	(1,521,594)	(1,887,634)	(1,094,263)	(2,872,035)	(2,099,940)
Total primary government general revenues, transfers and other changes in net position.....	\$ 57,301,975	\$ 57,131,718	\$ 60,389,243	\$ 67,120,664	\$ 67,818,970	\$ 75,397,656	\$ 82,977,964	\$ 84,110,497	\$ 92,310,087	\$ 96,520,991
Changes in Net Position										
Governmental activities.....	\$ (12,501,793)	\$ (10,450,234)	\$ (11,067,297)	\$ 1,818,137	\$ (358,472)	\$ 10,750,790	\$ 16,691,300	\$ 14,082,059	\$ 21,005,631	\$ 19,981,514
Business-type activities.....	4,592,055	4,112,063	3,901,832	2,977,601	2,896,297	3,238,934	916,907	4,565,208	2,209,201	3,379,907
Total primary government changes in net position.....	\$ (7,909,738)	\$ (6,338,171)	\$ (7,165,465)	\$ 4,795,738	\$ 2,537,825	\$ 13,989,724	\$ 17,608,207	\$ 18,647,267	\$ 23,214,832	\$ 23,361,421

(concluded)

FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Nonspendable.....	\$ -	\$ 9,506	\$ 3,853	\$ -	# \$ -	# \$ -	# \$ -	# \$ -	\$ -	\$ -
Restricted.....	-	150,000	308,767	504,854	718,710	970,408	1,284,689	1,655,090	-	-
Committed.....	-	2,099,166	2,328,995	3,057,530	4,139,642	1,578,204	3,745,271	5,165,078	5,459,877	4,250,459
Assigned.....	2,385,892	3,049,473	3,741,435	5,884,258	3,330,311	2,477,123	2,882,761	6,265,910	6,986,025	10,897,959
Unassigned.....	24,345,161	24,079,453	26,894,097	33,680,292	34,395,684	43,212,229	45,518,645	37,651,385	40,689,081	43,432,757
Total general fund.....	<u>\$ 26,731,053</u>	<u>\$ 29,387,598</u>	<u>\$ 33,277,147</u>	<u>\$ 43,126,934</u>	<u>\$ 42,584,347</u>	<u>\$ 48,237,964</u>	<u>\$ 53,431,366</u>	<u>\$ 50,737,463</u>	<u>\$ 53,134,983</u>	<u>\$ 58,581,175</u>
All Other Governmental Funds:										
Nonspendable.....	\$ 22,392	\$ 1,060,180	\$ 787,405	\$ 739,250	\$ 683,351	\$ 323,786	\$ 22,392	\$ 22,392	\$ 22,392	\$ 22,392
Restricted.....	21,683,498	20,481,622	21,381,784	23,830,733	25,330,694	25,642,378	31,517,310	39,803,108	42,938,223	46,434,186
Unassigned.....	-	-	(30,274)	(190,172)	(670,421)	(493,971)	(1,070,039)	(1,823,819)	(92,340)	(209,138)
Total all other governmental funds.....	<u>\$ 21,705,890</u>	<u>\$ 21,541,802</u>	<u>\$ 22,138,915</u>	<u>\$ 24,379,811</u>	<u>\$ 25,343,624</u>	<u>\$ 25,472,193</u>	<u>\$ 30,469,663</u>	<u>\$ 38,001,681</u>	<u>\$ 42,868,275</u>	<u>\$ 46,247,440</u>

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019 (1)	2020
Revenues:										
Real estate and personal property taxes,										
net of tax refunds.....	\$ 35,997,749	\$ 37,851,061	\$ 40,349,818	\$ 43,530,062	\$ 44,656,911	\$ 48,082,876	\$ 50,307,484	\$ 54,244,281	\$ 56,987,305	\$ 61,031,188
Motor vehicle and other excise taxes.....	7,111,447	7,161,510	9,340,599	10,305,740	10,643,290	13,009,026	15,673,336	14,982,538	16,632,599	18,670,715
Meals and room taxes.....	556,526	602,918	871,300	1,108,668	1,167,829	1,668,783	1,624,438	2,036,932	2,467,454	2,311,685
Tax and trash liens.....	907,060	697,979	1,836,771	1,240,594	603,960	1,692,025	1,142,958	1,242,079	689,979	466,293
Payments in lieu of taxes.....	1,483,189	1,221,920	1,221,631	2,139,017	1,252,908	2,084,999	1,827,288	1,348,428	2,416,020	1,857,822
Penalties and interest on taxes.....	457,401	553,029	375,953	472,452	466,224	444,350	342,704	383,098	368,237	268,633
Community preservation surcharges.....	-	-	-	-	-	-	544,562	729,883	660,631	714,338
Charges for services.....	3,142,666	3,403,374	3,400,408	2,824,712	3,111,715	3,452,170	3,319,396	3,738,827	4,218,198	4,392,564
Trash disposal.....	1,509,421	1,417,444	1,351,774	1,403,215	1,528,620	1,564,905	1,549,819	1,696,655	1,832,892	1,973,782
Intergovernmental.....	102,461,524	85,285,276	89,997,970	98,310,010	95,527,502	110,381,999	114,150,846	105,954,011	130,106,128	136,792,102
Departmental and other.....	371,243	1,408,644	1,133,145	1,566,193	1,726,715	1,612,755	1,492,032	1,294,723	1,828,977	2,547,783
Licenses and permits.....	1,686,406	1,217,335	1,544,748	1,342,675	2,517,342	1,473,811	1,341,405	2,047,503	3,614,339	2,207,021
Fines and forfeitures.....	1,811,801	1,660,704	2,007,744	2,348,181	2,353,081	2,400,469	2,561,169	2,464,701	2,364,682	2,299,344
Contributions.....	976,743	1,356,822	1,483,355	975,896	1,254,660	942,042	2,606,735	1,982,764	1,556,253	1,137,646
Investment income.....	936,009	677,185	201,303	901,867	185,153	1,266,567	864,282	1,546,522	2,646,206	2,274,779
Total Revenue.....	159,409,185	144,515,201	155,116,519	168,469,282	166,995,910	190,076,777	199,348,454	195,692,945	228,389,900	238,945,695
Expenditures:										
General government.....	4,116,985	3,705,904	4,521,689	4,098,380	4,807,736	4,006,300	6,630,936	6,867,067	9,756,315	13,722,163
Public safety.....	21,857,267	21,330,776	26,344,654	25,818,310	25,900,880	27,360,973	28,129,942	29,486,460	31,422,599	33,255,528
Education.....	78,049,056	78,478,431	80,609,369	84,500,020	94,834,369	114,409,040	115,044,521	111,622,605	97,624,755	100,242,431
Public works.....	6,205,921	6,974,591	6,467,158	7,768,296	8,401,759	7,737,530	7,257,534	10,057,827	14,362,644	12,545,691
Health and human services.....	1,247,303	1,250,883	1,536,981	1,721,863	1,659,475	1,848,224	1,947,404	1,901,115	1,818,622	2,079,367
Culture and recreation.....	530,524	452,279	418,499	558,400	491,973	512,727	681,108	761,911	862,827	965,984
Community development.....	1,762,797	3,117,710	5,264,289	3,923,532	5,220,518	6,623,908	4,080,978	2,658,659	1,359,106	1,128,789
Pension benefits.....	11,459,731	12,258,832	12,731,118	13,078,542	6,537,620	6,764,363	7,076,377	7,341,604	24,902,777	29,169,397
Employee benefits.....	6,259,620	6,763,964	6,022,290	6,093,715	7,064,222	7,803,805	8,709,185	8,265,141	21,897,973	18,196,636
Property and liability insurance.....	450,000	373,711	475,362	450,000	651,504	695,638	750,000	800,000	1,310,852	1,073,793
Claims and judgements.....	46,059	29,167	36,098	30,453	31,097	54,736	63,155	46,082	72,168	68,821
State and county charges.....	5,032,659	5,507,326	6,900,308	8,011,029	9,378,341	11,647,770	13,635,401	14,562,727	16,279,648	17,328,217
Debt service:										
Principal.....	25,196,312	2,761,359	2,756,573	2,627,887	3,499,461	2,986,861	2,480,222	2,808,314	3,076,685	6,082,313
Interest.....	1,619,804	1,118,855	1,007,448	926,936	792,407	685,399	780,365	755,950	1,080,809	996,216
Total Expenditures.....	163,834,038	144,123,788	155,091,836	159,607,363	169,271,362	193,137,274	197,267,128	197,935,462	225,827,780	236,855,346
Excess of revenues over (under) expenditures.....	(4,424,853)	391,413	24,683	8,861,919	(2,275,452)	(3,060,497)	2,081,326	(2,242,517)	2,562,120	2,090,349
Other Financing Sources (Uses):										
Issuance of bonds and notes.....	5,136,656	394,000	2,751,628	-	-	7,187,037	5,540,000	5,520,000	1,395,000	820,500
Issuance of refunding bonds.....	99,500	-	-	1,396,000	-	-	-	-	-	-
Refunded bonds redeemed.....	(102,834)	-	-	(800,000)	-	-	-	-	-	-
Sale of capital assets.....	2,115,000	-	-	-	-	-	-	-	-	-
Sale of land.....	-	-	-	-	900,000	-	-	-	-	3,770,068
Proceeds from capital lease.....	-	-	-	-	-	-	-	-	-	-
Premiums from issuance of bonds and notes.....	239,006	38,651	248	77,052	-	134,052	681,912	466,369	95,000	44,500
Premiums from issuance of refunding bonds.....	4,991	-	-	802,857	-	-	-	-	-	-
Transfers in.....	27,034,339	6,230,321	5,747,213	5,762,875	11,082,014	8,049,321	9,247,874	17,327,287	13,222,404	23,300,073
Transfers out.....	(26,537,069)	(4,561,928)	(4,037,110)	(4,010,020)	(9,285,336)	(6,527,727)	(7,360,240)	(16,233,024)	(10,350,369)	(21,200,133)
Total other financing sources (uses).....	7,989,589	2,101,044	4,461,979	3,228,764	2,696,678	8,842,683	8,109,546	7,080,632	4,362,035	6,735,008
Net change in fund balance.....	\$ 3,564,736	\$ 2,492,457	\$ 4,486,662	\$ 12,090,683	\$ 421,226	\$ 5,782,186	\$ 10,190,872	\$ 4,838,115	\$ 6,924,155	\$ 8,825,357
Debt service as a percentage of noncapital expenditures.....	7.06%	16.82%	2.79%	2.52%	2.30%	2.71%	1.89%	2.05%	2.01%	3.21%

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

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY BY CLASSIFICATION

LAST TEN FISCAL YEARS

Fiscal Year	Assessed Value (2)					State Equalized Value (3)	Ratio of Assessed to Equalized Value
	Residential Real Property	Commercial and Industrial Real Property	Personal Property	Total Assessed Value	Total Direct Tax Rate		
2011	\$ 1,266,881,856	\$ 573,416,736	\$ 92,734,520	\$ 1,933,033,112	17.49	\$ 2,344,168,400	82.46%
2012	(1) 1,232,708,179	556,636,461	95,916,000	1,885,260,640	20.00	2,237,742,500	84.25%
2013	1,264,203,453	571,459,665	111,145,390	1,946,808,508	20.75	2,237,742,500	87.00%
2014	1,275,660,981	567,198,165	117,035,520	1,959,894,666	21.85	2,234,376,700	87.72%
2015	(1) 1,487,308,702	612,872,638	117,761,940	2,217,943,280	20.13	2,234,376,700	99.26%
2016	1,665,190,615	631,635,662	130,843,020	2,427,669,297	19.48	2,791,398,900	86.97%
2017	1,885,509,017	673,031,713	144,279,500	2,702,820,230	18.87	2,791,398,900	96.83%
2018	2,060,509,635	716,134,235	151,637,670	2,928,281,540	18.43	3,534,210,300	82.86%
2019	2,201,608,021	758,516,820	151,439,200	3,111,564,041	18.38	3,534,210,300	88.04%
2020	(1) 2,459,313,591	898,726,223	151,432,550	3,509,472,364	17.32	4,225,152,600	83.06%

Source: Assessing Department

(1) Revaluation year

(2) As of January 1st

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

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

<u>Fiscal Year</u>	<u>Residential Real Property</u>	<u>Commercial and Industrial Real Property</u>	<u>Personal Property</u>	<u>Total Direct (3)</u>
2011	12.92	30.60	30.60	17.49
2012	13.81	32.92	32.92	20.00
2013	14.13	34.20	34.20	20.75
2014	14.88	36.04	36.04	21.85
2015	14.40	33.45	33.45	20.13
2016	14.25	32.25	32.25	19.48
2017	14.34	30.51	30.51	18.87
2018	14.10	29.74	29.74	18.43
2019	14.25	29.14	29.14	18.38
2020	13.39	27.16	27.16	17.32

Source: Assessing Department

(1) Rates are applicable to each \$1,000 of assessed value

(2) Per the initiatives of Proposition 2 1/2 adopted by the Commonwealth of Massachusetts, the City cannot levy more than 2.5 percent of the total full and fair cash value of all taxable real and personal property. The City's levy is also limited in that it cannot increase more than 2.5 percent from the prior year, with certain exceptions for new growth or through overrides and exclusions adopted by City voters.

(3) Calculated by dividing the net tax levy by total assessed value divided by 1,000

PRINCIPAL TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Nature of Business	2020			2011		
		Amount of Tax	Rank	Percentage of Net Tax Levy	Amount of Tax	Rank	Percentage of Net Tax Levy
Nstar-Eversource	For Profit Utility Company	\$ 2,479,747	1	4.08%	\$ 1,466,308	1	4.03%
UGP 270 Central LLC	Private for Profit Parking Lot	1,278,497	2	2.10%	-		
Urban Growth Property LP	Private for Profit Parking Lot	1,068,529	3	1.76%	1,249,949	2	3.44%
Griffin Way LLC	Commercial	1,000,474	4	1.65%	877,207	5	2.41%
DSM MB I LLC	Retail	978,773	5	1.61%	782,482	6	2.15%
Emerald Corporate Center LLC	Commercial	880,631	6	1.45%	-		
One North Boston II LLC	Apartments	757,119	7	1.25%	-		
National Grid	For Profit Utility Company	715,423	8	1.18%	-		
Chelsea Gateway Property LLC	Hotel	703,121	9	1.16%	-		
Parkside Commons LLC	Apartments	677,195	10	1.11%	485,494	7	1.34%
Anthony C. Simboli	Commercial				994,788	3	2.74%
FR Chelsea Commons	Retail and Apartments				879,802	4	2.42%
Catamount Petroleum	Oil and Gas Retailer				409,838	8	1.13%
New England Produce Center	Produce Wholesaler				388,620	9	1.07%
Admiral Hill Associates	Commerical				380,520	10	1.05%
Total		<u>\$ 10,539,509</u>		<u>17.34%</u>	<u>\$ 7,915,008</u>		<u>21.78%</u>

Source: Assessing Department

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Net Tax Levy		Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
			First Year Current Tax Collections	Percent of Net Levy Collected		Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
2011	\$	36,340,614	\$ 35,212,941	96.90%	\$ 786,348	\$ 35,999,289	99.06%
2012	(1)	37,698,372	37,043,761	98.26%	654,611	37,698,372	100.00%
2013		40,399,463	39,627,287	98.09%	772,176	40,399,463	100.00%
2014		42,820,454	42,549,387	99.37%	271,067	42,820,454	100.00%
2015	(1)	44,639,903	44,626,213	99.97%	13,690	44,639,903	100.00%
2016		47,289,241	46,733,354	98.82%	189,964	46,923,318	99.23%
2017		50,991,870	50,462,814	98.96%	229,129	50,691,943	99.41%
2018		53,966,079	53,496,967	99.13%	295,934	53,792,901	99.68%
2019		57,177,228	56,907,361	99.53%	269,867	57,177,228	100.00%
2020	(1)	60,769,574	60,164,078	99.00%	-	60,164,078	99.00%

Source: Assessing Department

(1) Revaluation year

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Median Family Income (2)	Debt Per Capita (2)
	General Obligation Bonds (1)	Direct Borrowings and Placements	General Obligation Bonds (1)	Direct Borrowings and Placements			
2011	\$ 23,623,841	\$ 420,000	\$ 11,299,067	\$ 3,156,511	\$ 38,499,419	3.64%	\$ 1,097
2012	21,341,482	335,000	10,252,455	3,182,629	35,111,566	2.47%	998
2013	20,021,537	1,650,000	9,273,463	4,102,147	35,047,147	2.31%	996
2014	17,481,507	1,565,000	9,588,493	4,615,206	33,250,206	2.15%	945
2015	14,967,047	580,000	7,717,953	4,618,205	27,883,205	1.68%	793
2016	19,747,224	-	7,487,814	4,905,739	32,140,777	1.88%	914
2017	22,807,022	-	8,852,999	4,967,773	36,627,794	2.18%	1,041
2018	25,518,688	-	9,900,811	4,100,086	39,519,585	2.26%	1,123
2019	23,837,003	-	10,427,998	4,046,164	38,311,165	2.10%	1,089
2020	18,575,190	-	10,129,811	5,959,239	34,664,240	1.73%	985

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

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

(2) See the 'Demographic and Economic Statistics' schedule located in this statistical section for median family income and population data. These ratios are calculated using median family income and population for the prior calendar year in which both median family income and population data exist.

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds (1)	Less: Amounts Available (2)	Total	Assessed Value	Percentage of Assessed Value	U.S Census Population	Debt Per Capita
2011	\$ 34,922,908	\$ -	\$ 34,922,908	\$ 1,933,033,112	1.81%	35,080	\$ 996
2012	31,593,937	-	31,593,937	1,885,260,640	1.68%	35,177	898
2013	29,295,000	-	29,295,000	1,946,808,508	1.50%	35,177	833
2014	27,070,000	-	27,070,000	1,959,894,666	1.38%	35,177	770
2015	22,685,000	-	22,685,000	2,217,943,280	1.02%	35,177	645
2016	27,235,038	-	27,235,038	2,427,669,297	1.12%	35,177	774
2017	31,660,021	-	31,660,021	2,702,820,230	1.17%	35,177	900
2018	35,419,499	-	35,419,499	2,928,281,540	1.21%	35,177	1,007
2019	34,265,001	-	34,265,001	3,111,564,041	1.10%	35,177	974
2020	28,705,001	-	28,705,001	3,509,472,364	0.82%	35,177	816

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

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

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

COMPUTATION OF LEGAL DEBT MARGIN

LAST TEN FISCAL YEARS

	(Amounts in Thousands)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Equalized Valuation.....	\$ 2,344,168,400	\$ 2,237,742,500	\$ 2,237,742,500	\$ 2,234,376,700	\$ 2,234,376,700	\$ 2,791,398,900	\$ 2,791,398,900	\$ 3,534,210,300	\$ 3,534,210,300	\$ 4,225,152,600
Debt Limit.....	117,208,420	111,887,125	111,887,125	111,718,835	111,718,835	139,569,945	139,569,945	176,710,515	176,710,515	211,257,630
Total outstanding debt.....	38,499,419	35,111,566	35,047,147	33,250,206	27,883,205	32,140,777	36,627,794	39,519,585	38,311,165	34,664,240
Debt not applicable to debt limit.....	(10,879,067)	(14,627,955)	(13,098,713)	(13,413,743)	(10,467,953)	(9,707,814)	(20,383,019)	(17,023,550)	(16,856,596)	(17,995,693)
Legal debt margin.....	\$ 89,588,068	\$ 91,403,514	\$ 89,938,691	\$ 91,882,372	\$ 94,303,583	\$ 117,136,982	\$ 123,325,170	\$ 154,214,480	\$ 155,255,946	\$ 194,589,083
Total debt applicable to the limit as a percentage of debt limit.....	23.57%	18.31%	19.62%	17.76%	15.59%	16.07%	11.64%	12.73%	12.14%	7.89%

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**AS OF JUNE 30, 2020**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Massachusetts Water Resources Authority (MWRA).....	\$ 5,210,459,000 (a)	1.781%	<u>\$ 92,799,337</u>
Subtotal, overlapping debt.....			92,799,337
City direct debt.....			<u>34,664,240</u>
Total direct and overlapping debt.....			<u><u>\$ 127,463,577</u></u>

Source: Massachusetts Water Resource Authority

- (1) The percentage of total overlapping debt is derived from the City's share of capital charges divided by the total MWRA debt at fiscal year end.

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

Calendar Year	Population (1)	Median Family Income (1) (3)	Unemployment Rate (%) (2)	Per Capita Income
2010	35,080	\$ 30,161 (4)	10.60%	\$ 14,628 (5)
2011	35,177	40,487	9.60%	14,628
2012	35,177	43,155	8.70%	20,214
2013	35,177	43,919	9.00%	19,625
2014	35,177	47,291	6.10%	20,617
2015	35,177	48,725	5.00%	21,523
2016	35,177	47,733	3.50%	21,722
2017	35,177	49,614	3.50%	22,369
2018	35,177	51,839	3.20%	23,340
2019	35,177	56,802	2.80%	25,284

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

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	Nature of Business	2020			2011		
		Approximate Number of Employees	Rank	Percentage of Total City Employment	Approximate Number of Employees	Rank	Percentage of Total City Employment
City of Chelsea	Government	1,407	1	6.89%	1,242	1	9.16%
Mass. Water Resources Authority	Government Agency	1,200	2 (a)	5.88%	568	4	4.19%
MITC	Government Agency	1,000	3 (a)	4.90%	1,150	2	8.48%
Market Basket	Retail Grocery	900	4 (a)	4.41%	900	3	6.64%
State Garden	Distributor - Food	800	5 (a)	3.92%			
FBI	Government Agency	750	6 (a)	3.67%			
Kayem Foods	Distributor - Food	450	7 (a)	2.20%	328	5	2.42%
North Suffolk Mental Health	Health Services	400	8 (a)	1.96%			
Mass General Hospital	Medical Center	375	9 (a)	1.84%	246	6	1.81%
Paul Revere Transportation	Transportation	375	10 (a)	1.84%	220	7	1.62%
Signature Breads	Distributor - Food				202	8	1.49%
Metropolitan Credit Union	Banking				178	9	1.31%
Stop & Shop	Retail Grocery				120	10	0.88%
Total		7,657		37.49%	5,154		38.00%

(a) 2019 data was used; 2020 data was unavailable.

Source: Department of Planning and Development

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government.....	48	48	49	50	50	51	53	57	58	58
Public safety.....	218	225	227	231	240	244	246	248	255	258
Education.....	907	910	918	894	923	960	967	969	987	1,008
Public works.....	22	24	24	26	26	26	26	27	30	31
Health and human services.....	30	30	30	31	31	18	21	20	20	21
Culture and recreation.....	7	7	7	7	7	7	7	7	7	8
Community development.....	7	7	7	7	7	8	8	9	9	9
Sub-total	1,239	1,251	1,262	1,246	1,284	1,314	1,328	1,337	1,366	1,393
Water and sewer.....	3	3	3	3	3	3	3	4	6	14
Total City employees.....	1,242	1,254	1,265	1,249	1,287	1,317	1,331	1,341	1,372	1,407

Source: Various City departments

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety										
Police										
Offenses committed.....	8,624	8,483	7,227	6,948	6,489	6,050	5,285	4,891	4,342	4,041
Crime-related incidents.....	3,244	3,406	3,296	3,134	2,862	2,782	2,632	2,396	2,091	2,068
Non-crime related incidents.....	1,857	1,789	1,865	2,092	2,285	1,451	1,348	1,406	1,302	1,079
Arrests (on view).....	1,871	1,630	1,468	1,306	1,353	1,246	941	942	771	721
Arrests (based on incident/warrants).....	500	413	390	452	407	344	264	265	207	155
Summons arrests.....	2	3	4	8	34	40	53	50	96	33
Total arrests.....	2,373	2,046	1,862	1,766	1,794	1,630	1,258	1,257	1,074	909
Juvenile arrests.....	118	70	101	106	108	100	37	37	23	32
Hearings.....	585	640	471	438	357	314	299	279	191	199
Summons.....	510	498	374	349	442	426	519	584	445	397
Restraint orders.....	379	335	407	346	391	356	281	326	283	285
Citations.....	7,799	8,188	6,371	7,126	4,986	3,654	3,446	3,925	2,264	1,551
Fire										
Fires extinguished (1).....	317	45	395	430	390	353	208	254	212	N/A
Education										
Public school enrollment.....	5,709	5,883	6,044	6,288	6,554	6,574	6,600	6,467	6,300	6,410
Culture and Recreation										
Library volumes in collection.....	71,260	72,348	66,487	72,617	64,735	59,672	57,082	48,486	54,658	52,231
Library volumes borrowed.....	68,649	67,912	64,721	63,588	60,073	71,930	71,637	52,410	56,626	39,807
Water										
Average daily consumption (1) (million gallons/day).....	3.064	3.077	3.078	3.206	3.264	3.250	3.263	3.390	3.400	N/A
Peak daily consumption (1) (million gallons/day).....	3.418	3.800	3.700	3.900	3.730	3.604	3.720	3.730	3.510	N/A
Sewer										
Average daily sewage treatment (1) (million gallons/day).....	5.080	5.490	4.350	4.870	5.200	5.210	4.240	3.800	6.140	N/A

Source: Various City departments

(1) Data is reported on a calendar year basis

N/A - Data is not available

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety										
Police										
Stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Stations.....	3	3	3	3	3	3	3	3	3	3
Trucks.....	6	6	6	6	6	6	6	6	7	7
Education										
Public school buildings.....	4	4	4	4	4	4	4	4	5	5
Public Works										
Streets (miles).....	44	44	44	44	44	44	44	44	44	44
Streetlights.....	1,771	1,771	1,771	1,771	1,771	1,821	1,821	1,821	1,821	1,821
Traffic signals.....	53	53	53	53	53	53	54	54	54	54
Culture and Recreation										
Community centers.....	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles).....	61	61	61	61	61	61	61	61	61	61
Sewer										
Sewer mains (miles).....	41	41	41	41	41	41	41	41	41	41

Source: Various City departments