



# City of Chelsea, Massachusetts

## Comprehensive Annual Financial Report



**July 1, 2004 - June 30, 2005**

**About the Cover:**

Remnants of Katrina forced a postponement of the event, but terrific weather helped to make it a great day for the 5<sup>th</sup> Annual Chelsea Waterfront Festival. More than a 1,000 people walked up and down Beacon Street, buying trinkets, eating food, sampling wine and enjoying lively entertainment. Home Depot was on hand giving "how-to-clinics" in faux painting for adults and birdhouse building for kids. Said organizer Rob Accomando: "The Waterfront Festival was a successful celebration of community and exceeded all of our expectations. A frolicsome time was had by all." Pictured is of the entrance to the Festival, at the corner of Broadway and Beacon Street.

# *City of Chelsea, Massachusetts*

## **Comprehensive Annual Financial Report**

*For the Fiscal Year Ended June 30, 2005*

Jay Ash  
*City Manager*



*Prepared by the Finance Division*

**CITY OF CHELSEA, MASSACHUSETTS**

*COMPREHENSIVE ANNUAL FINANCIAL REPORT*

*FOR THE FISCAL YEAR ENDED JUNE 30, 2005*

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# *Introductory Section*



## *Liberty Loan Company*

Downtown Chelsea has several building projects underway. Among them, the acquisition and total reconstruction - including the expansion from a one- to a two-story structure - by established Chelsea proprietors Sergio and Effie Jaramillo.



**City Of Chelsea  
Executive Office  
City Hall, 500 Broadway  
Chelsea, Massachusetts 02150**



**Jay Ash  
City Manager**

Telephone (617)889-8301  
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October 28, 2005

Dear Honorable City Council:

I am pleased to submit the City of Chelsea's *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended June 30, 2005. The City is responsible for the accuracy, completeness and fairness of the data presented in the CAFR. This letter of transmittal and management's discussion and analysis, as located in the financial section of the CAFR, provides a comprehensive financial overview of the City.

As per the City Charter and the instituted management practices of City government that you and I have implemented and overseen, a primary focus of the City continues to be an adherence to all Charter mandates and applicable ordinances, laws and practices. This CAFR meets and exceeds its legal requirements and presents itself as an informative resource for all those interested in the financial workings of the municipality.

The instituted management practices referenced above define the overall administration of City government. The leadership, cooperation and commitment that the City Council and City Administration continue to exhibit makes possible this CAFR and the reflection it provides on a successfully managed municipal government. Especially important is the opportunity we provide each other and the public at large to review and critique the City's annual performance. This CAFR, as well as the City's other financial documents, provide in-depth reporting and ensure that the financial and general operations of City government remain transparent, and therefore open for easy viewing. Time and again, local residents and municipal experts comment on the thoroughness of our reporting and far-reaching extent of our efforts. Professionalism and accountability are two important attributes that define today's City government and our joint work to make such possible.

Together, we have prioritized prudent financial management to ensure that a strong financial base allows for even greater municipal services to follow. This cornerstone of philosophy as to the workings of a municipality has allowed the City to maintain its fiscal stability, even in the face of tremendous pressure on both revenues and expenditures during this particularly troubling period for cities and towns everywhere. The City's efforts to plan and then act based upon that plan recognizes and encourages honest financial planning. Balanced budgets, solid bond ratings, material weakness-free audits and financial reporting awards reflect positively on the achievement of that latter goal and the stability in financing government that has been produced even during the most turbulent of fiscal times.

The basis for the City's financial efforts can be found in the "Fundamentals," the defining philosophy of City government and the guiding themes for financial, economic development, neighborhood enhancement, community development, public safety and governmental philosophy. The broad achievement we have been able to produce in City government owes much to our efforts to develop these Fundamentals and to remain loyal to the philosophies they announce. Rhetoric aside, the aforementioned financial management achievements, combined with burgeoning development, neighborhood advancements, community programming expansions, public safety gains and, perhaps most importantly, an open and inclusive community dialogue, are all indisputable results of our work together.

As is the case with much that has been accomplished in the decade since the City emerged from Receivership, the positive, “pro-Chelsea” vision that we have created and the stability of government that has turned the abstract into the concrete have been significant factors in the City’s recognized rejuvenation. In fact, our ability to ask ourselves tough questions and then get to the business of responding effectively and efficiently to the answers has resulted in so many gains, including our ability to address fiscal pressures from threatening areas like lower local aid revenues and exploding health insurance costs.

This CAFR, the annual Budget, the Five-Year Financial Forecast, the Three Year Budget Plan and the Five-Year Capital Improvement Plan are significant documents that require great thought and foresight. We have established an expectation that these documents will not only be factual, but the basis for informed decision making and critical reflection. By carefully considering the financial possibilities through such instruments, we remain loyal to the critical charge of managing a financially solid institution that can then accomplish so much more. You are to be congratulated for your role in supporting such.

The remainder of this transmittal letter will highlight concepts important to the overall context in which the attached CAFR places 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, 2004, which represents the fiscal reporting period for the Commonwealth of Massachusetts’ Public Employee Retirement Administration Commission.

The City provides a full range of traditional municipal services, including general government, public safety, education, public works, community development, health and human and culture and recreation services to its citizenry.

## **ECONOMIC CONDITIONS**

The depths of the recent recession have past, but the impacts on municipal governments are still being felt. The worst municipal finance period since maybe the Great Depression was hard on local budgets, as revenues plummeted in the face of ever rising costs. Most notably, overhead, in the form of health insurance, retirement, debt service and assessments, continue to strain municipal finances.

However, given that the City submitted to a relatively mild recession in the early 1990's and was thrust into Receivership from 1991-1994, escaping such a relapse, especially considering the pressures, was a significant accomplishment. The experience was more than just an escape, as the City demonstrated that prudent fiscal management is embedded into the process of managing today’s municipal government.

As local aid bounces back, the City is focused upon issues that are more in local control. An aggressive economic development plan has been implemented, with the City pinning hopes for greater fiscal stability on new growth revenues from the area’s expanding housing market. With the community’s revitalization now a decade strong, Chelsea’s greatest asset, proximity to Boston, can be and is now being leveraged. Skyrocketing residential values, including a doubling in residential values over the last five years, has provided ample evidence that the city can become a urban bedroom in support of the entire region. Thus, the combination of higher values and great demand has the City attempting to permit 1,200 new units of housing locally by the end of FY’08. The results

could be to build the tax base by some 12%, raising \$5 million in one time revenues and \$3 million or more in annual property taxes.

Getting there, though, and ensuring that once there the additional revenues are sufficient to address structure deficits is the focus of City leaders. The City, therefore, has had to continue to limit spending increases, raise non-property tax revenues and, at the end of the day, judiciously use reserves to balance budgets. Save for bad times we did, and utilizing those savings during those bad times was critical. The City's greatest need is to first climb out of the modest structural deficit that exists today, and then to start rebuilding those reserves for the next bumpy period ahead.

Perhaps the great challenge is to manage health insurance spending. Double-digit increases have become routine, with those annual increases now outpacing the growth of existing property tax charges. In FY'06, for example, health insurance is up \$1.4 million while property tax receipts, less new growth, are rising by \$892 thousand. Unfortunately, health insurance is one of the most difficult expenditures for the City to impact. Nonetheless, a seven point plan is being implemented to attempt to provide some relief. In the meantime, other "budget busters" are being directly restrained. Debt service, for example, is decreasing, as the City makes a conscious effort to reduce the account's impact on the bottom line. Much deserved pay raises were negotiated fairly, with employees receiving 2% increases for the three year contract period and management receiving favorable overtime and health insurance concessions. Retirement and assessments are almost beyond the City's ability to control.

Ample reserves and strong policies on their use promise to help the City maintain municipal services while local aid bounces back and economic development in the form of residential building takes hold. In general, the City is well positioned to continue to benefit from an expanding general economy. However, the strength and duration of that expansion will have a direct bearing on the long term health of the City.

## **FUTURE OUTLOOK**

Notwithstanding the uncontrollable, the future outlook of the City is very favorable. Stability and success is a driving force behind additional stability and success. Planning and vision have resulted in action and achievement. For sure, a focus on the bottom line, the City's finances, needs to be maintained. But, as long as attention is paid to the important budgetary issues that consume the City on a daily basis, the direction provided by the Fundamentals is likely to brighten an already glowing outlook.

Financially, the City is continuing to balance budgets and examine its financial strengths and weaknesses for years out. Central to the most immediate challenges that lie ahead is eliminating the structural deficits that have eroded the City's reserves. As noted, once those deficits are eliminated, and a plan to do so exists for FY'09, the next step needs to be to rebuild reserve balances. Both require the continued fiscal constraint that has served the City well for the last decade. Some deferment of core service issues must be addressed, like staffing levels. Until that takes place, only targeted growth can take place in other priority areas before any additional growth can occur in convenience areas. With this as a backdrop, though, the City's finances have the City positioned to be able to continue to meet existing and future challenges.

Certainly, economic development is a central part to the financial equation. The City's 1,200-unit housing goal, which includes 10% affordability as a concurrent goal, is well on the way to being achieved. In fact, more than 1,200 units of housing are currently being discussed with development officials. Other projects add to the excitement that the investment community has generated for the city, causing local officials to have great pride and even greater expectation. Home Depot, for example, is expected to complete its construction project in Parkway Plaza this upcoming April. At the same time, but in the city's other significant shopping center, Market Basket should be under construction at the Mystic Mall for a new and larger space. By January, HP Hood should break ground on its new corporate headquarters in the Everett Avenue Urban Renewal District. Also by then, State approval should have been secured to expand the EAURD and allow for other "landscape-changing" development along the City's most visible face: Route 1.

Neighborhood enhancement is aided by economic development and promotes greater financial stability. The City has been most successful in resolving many neighborhood issues, most notably “residential/industrial” conflicts that retard the growth of neighborhoods. Just recently, another example embodied the City’s planning, vision, action and achievement on the residential/industrial conflict agenda. Having envisioned a residential neighborhood in the Gerrish Avenue area following a 1997 fire at Standard Box, the then most significant industrial presence in the neighborhood, the City was able to help move another major industrial user, Atlas Bedding, to a more appropriate industrial location. Just recently, 120 residential units have been approved for the Atlas Bedding facility and adjoining properties, more than half which will be affordable. Now, pressure exists to convert that Standard Box site to residential, while smaller industrial properties are also being eyed for residential development. Whether that example or success in securing odor recovery equipment on Lower Broadway’s Chelsea Terminal, the upgrading of Chelsea’s neighborhoods is fueling property values and the overall livability of the community.

Community development impacts the livability of neighborhoods by helping individuals and families enjoy personal growth on the way to contributing more to the community. In the schools and throughout any of the city’s accomplished community-based organizations, programs and activities are achieving that broad goal. The groundbreaking this month, for example, of HarborCOVs 24-unit development supporting survivors of domestic violence is one of several significant undertakings in recent years that demonstrate the “leading-edge” of the City’s overall community development agenda. As a result, many pressing local issues continue to be identified and targeted for action.

Among issues identified and targeted are public safety issues. This month, the City turned on what is believed to be the commonwealth’s most extensive municipal use of surveillance cameras to heighten public safety. Additional advancements, from manpower to facilities, including the opening of the fully renovated Central Fire Station this past year, are affording the City’s public safety officers the opportunity to have an even greater impact on the accomplishment of their missions.

Those missions include contribution to the government philosophy that continues to permeate City government. Technology has especially allowed residents and municipal officials to interact and collaborate. Throughout City Hall and out to the community and beyond, the City’s efforts to remain open and engaging has resulted in the establishment of a better general understanding of government and an advancement of partnerships that address common agendas.

Overall, the City continues to work to improve itself. Those efforts are reflected in each of the Fundamental areas discussed above and evident in reporting documents like this CAFR.

## **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 which the City carries commercial insurance. The City participates in a premium-based health care plan for its active employees.

The City is self-insured for its retirees’ health insurance and 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 its size. Outstanding long-term debt (related to governmental funds) as of June 30, 2005, totaled \$62,405,566, of which \$52,845,000 relates to School Construction and \$5,920,000 relates to urban renewal, leaving a balance of \$3,640,566 related to CIP projects. The Commonwealth of Massachusetts reimburses the City for 95 percent of the principal and interest related to the School Construction bonds.

Since fiscal year 1997, the City had funded a portion (\$200,000 annually) of its CIP on a “pay-as-you-go” basis out of current revenues. In order to maintain this type of funding, even in difficult economic conditions, a Capital Stabilization Fund was established and has been funded with three years worth of “pay-as-you-go” reserves totaling approximately \$754,000.

## **CASH MANAGEMENT**

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

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, 2005, general fund cash and cash equivalents totaled \$12,307,098, while the balance of unrestricted cash and cash equivalents for all governmental funds totaled \$25,944,972.

## **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 Sullivan, Rogers & Company, LLC performed the City’s annual audit for the fiscal year ended June 30, 2005. The independent auditors’ report on the basic financial statements, for the fiscal year ended June 30, 2005, is included herein and contains an unqualified opinion.

## **CERTIFICATES, AFFILIATIONS AND AWARDS**

For the seventh straight year, the City has been recognized by the Government Finance Officers Association of the United States and Canada (GFOA) with a “Certificate of Achievement for Excellence in Financial Reporting” for its June 30, 2004 CAFR. The Certificate of Achievement is the most prestigious award of its kind. The award reflects the effort and emphasis that the City places in meeting and exceeding the highest standards for financial and operational reporting. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and well-organized document that conforms to accounting principles generally accepted in the United States of America and the Certificate Program requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this fiscal year 2005 CAFR continues to meet the Certificate Program’s requirements and, accordingly, we have submitted it to the GFOA to determine its eligibility for another Certificate of Achievement.

## **ACKNOWLEDGMENTS**

Chelsea works because the City and the community are together toiling. We collectively are addressing our shortcomings and building on our achievements.

At City Hall, the credit begins with you, the City Council, and extends to a loyal and dedicated staff, which is in turn supported by many volunteer boards and commissions. Our government is best characterized as an activist one, so our continuing effort to get out into the community and address every issue we see has us reaching beyond providing core municipal services. Being able to do that requires a strong financial foundation back at City Hall and an achievable economic development agenda to build upon that foundation. Fortunately, we have been equal to that challenge.

Yes, not everything is perfect. We are sometimes reminded of this by local observers or discover it ourselves as we experience happenings or self-detected realizations. Admitting that perfection is still a ways off is no condemnation, as no community can claim to be without shortfalls. Admitting the problems, though, is the first step to conquering them, and in our community, we hide nothing and have the capacity to address almost everything.

This CAFR and our variety of financial reporting documents is reflective of that openness and activism. Some dread audits; we welcome them. The opportunity to check where we are sure and explore where we are not so sure allows all of us in municipal government to embrace without equivocation a shared sense of accomplishment and advance our professional management.

While we all share in the achievement of another positive CAFR, I especially wish to recognize our financial officials for their continuing work. At City Hall, we have assembled a team that has earned distinction, from continuing bond ratings to a long string of municipal awards. This CAFR stands as a further testament to their work.

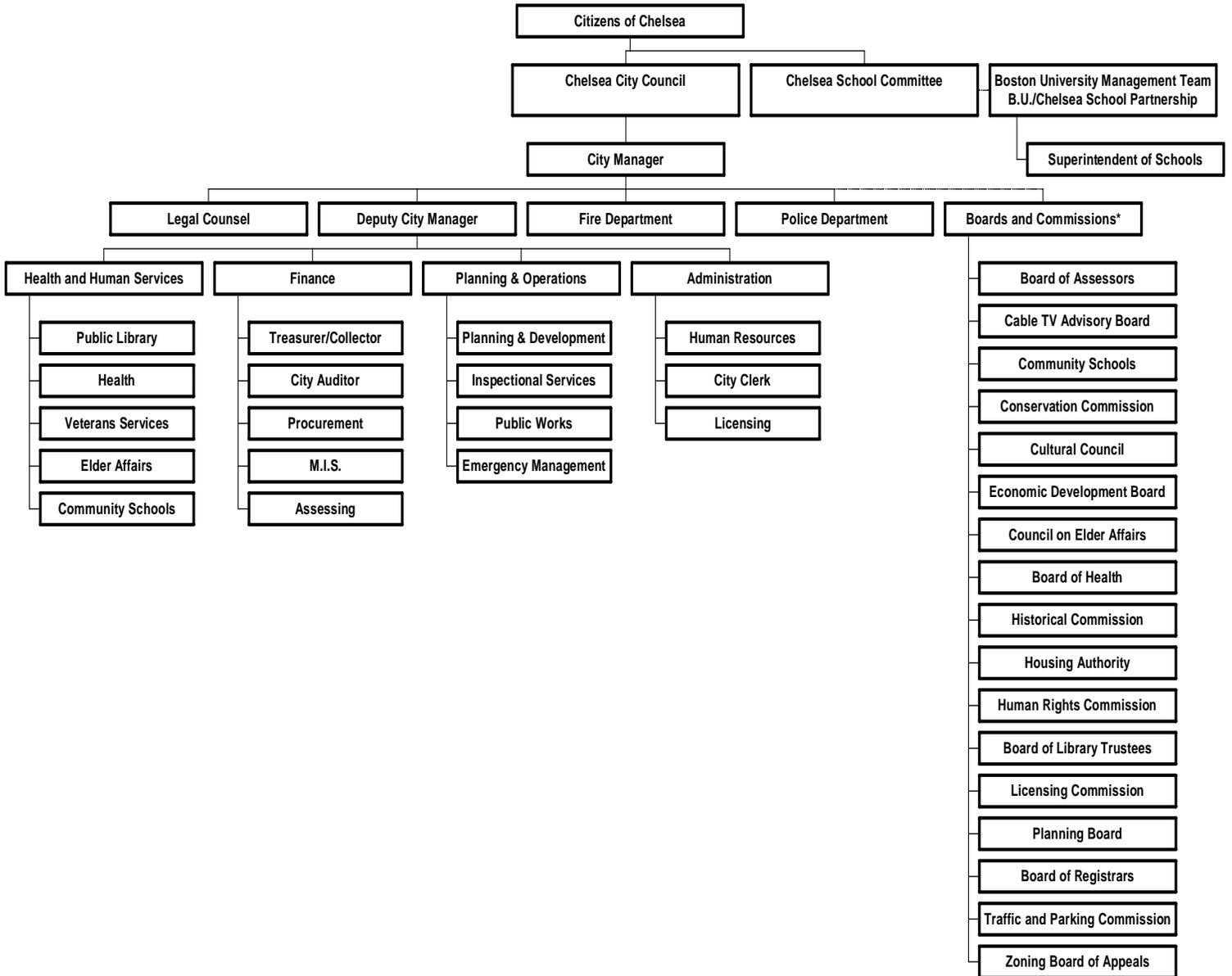
On behalf of all of us, including you, City Council, I am pleased to share with the public the City's fiscal year 2005 CAFR. Once again, municipal government is not only accurately and openly reporting on its operations, but also doing so in a manner which demonstrates why Chelsea City government is considered the role model that it is.

Very truly yours,

A handwritten signature in cursive script that reads "Jay Ash". The signature is written in black ink and is positioned to the left of the typed name and title.

Jay Ash  
City Manager

# City of Chelsea Organizational Chart



## ELECTED OFFICIALS

---

Council/Committee	Name	District
City Council	Mr. Stanley Troisi, <i>President</i>	1
	Ms. Roseann T. Bongiovanni	2
	Mr. David Cleveland	3
	Mr. Mike Mekonnen Tsegaye	4
	Ms. Paula S. Barton	5
	Ms. Dora E. Santaniello, <i>Vice President</i>	6
	Mr. Calvin T. Brown	7
	Mr. Ron D. Morgese	8
	Mr. Paul R. Nowicki	At-large
	Mr. Roy A. Avellaneda	At-large
	Mr. Leo Robinson	At-large
School Committee	Mr. Ed Ells, <i>Chairman</i>	At-large
	Ms. Rosemarie Carlisle, <i>Vice-Chairman</i>	At-large
	Mr. Michael J. Caulfield	At-large
	Ms. Elizabeth McBride, <i>Delegate to the Boston University Management Team</i>	At-large
	Mr. Morrie Seigal	At-large
	Ms. Deborah A. Washington	At-large
	Lucia H. Colon, <i>Delegate to the Chelsea City Council</i>	At-large
	Victor P. Santaniello	At-large

## PRINCIPAL OFFICIALS

Department	Official(s)	Areas
Assessors	Philip J. Waterman, <i>Chairman</i> Ken Stein, <i>Director</i>	
Auditing/Budget	Thomas Durkin, <i>Finance Director</i>	
City Clerk	Robert Bishop, <i>City Clerk</i>	Traffic & Parking
City Council	Roy Avellaneda, <i>President</i> Paul Casino, <i>Administrator</i>	
Executive	Jay Ash, <i>City Manager</i>	
Emergency Management	Allan Alpert, <i>Director</i>	
Fire	Joseph Siewko, <i>Chief</i>	
Health and Human Services	Luis Prado, <i>Director</i>	Elder Affairs, Health, Library, Veteran Services, Workforce Development, Cultural Affairs
Inspectional Services	Joseph Cooney, <i>Director</i>	
Legal	Cheryl Anne Watson, <i>Corporate Counsel</i>	
Licensing	Deborah Colombo, <i>Director</i>	Recreation
Management Information Systems	Matthew Killen, <i>Director</i>	
Human Resources	Karen Budrow, <i>Director</i>	
Planning and Development	Ned Keefe, <i>Executive Director</i>	Planning, Economic Development, Housing
Police	Frank Garvin, <i>Chief</i>	Animal Control, E-911
Procurement	Monica Ford, <i>Chief Procurement Officer</i>	
Public Works	Joseph Foti, <i>Director</i>	
Retirement Board	Joseph Siewko, <i>Chairman</i>	
School	Dr. Thomas Kingston, <i>Superintendent</i> Elizabeth McBride, <i>Chairperson</i>	
Treasurer/Collector	Anna Tenaglia, <i>Assistant Finance Director</i>	

# 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, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Zelle*

President

*Jeffrey R. Emer*

Executive Director

# *Financial Section*



## *Broadway Lofts*

One of the smaller industrial-to-residential building conversions projects, "960 Broadway" is an 18-unit project in the former AFCO Chemical complex where the nearby sister site on the Mill Creek has been permitted for a new retail/office building.



*Certified Public Accountants*

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Burlington, Massachusetts 01803

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## **Independent Auditors' Report**

To the Honorable City Council and City Manager  
City of Chelsea, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chelsea, Massachusetts, as of and for the fiscal year ended June 30, 2005 (except for the Chelsea Contributory Retirement System which is as of and for the fiscal year ended December 31, 2004), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Chelsea, Massachusetts' management. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

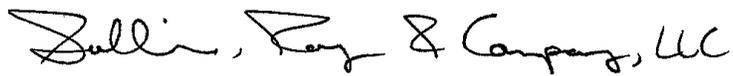
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chelsea, Massachusetts, as of June 30, 2005 (except for the Chelsea Contributory Retirement System, which is as of December 31, 2004), and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 16, the City has restated the beginning fund balance of its general fund and the beginning net assets of its governmental activities, business-type activities and water and sewer enterprise fund.

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2005 on our consideration of the City of Chelsea, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (located on pages 15 through 25) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chelsea, Massachusetts' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Sullivan, King & Company, LLC".

September 15, 2005

# **Management's Discussion and Analysis**

As management of the City of Chelsea, Massachusetts (City), we offer readers of these financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2005.

### *Financial Highlights*

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$150,953,191 (net assets). Of this amount, \$28,494,455 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$11,949,810.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances totaling \$36,792,739, an increase of \$8,076,252 in comparison with the prior year. Approximately \$32,667,000 represents unreserved fund balance of the general fund, special revenue fund, debt service fund, nonmajor capital projects fund and permanent fund. The school facilities (major fund) fund deficit totaling \$2,553,746 will be funded by intergovernmental revenues in future fiscal years.
- At the end of the fiscal year, undesignated fund balance for the general fund totaled \$5,778,792, or 5.6 percent of total general fund expenditures.
- The City's total long-term debt principal decreased by \$4,903,641 during the fiscal year. The City issued \$5,562,000 in general obligation bonds during the fiscal year.

### *Overview of the Basic Financial Statements*

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

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

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

#### Government-wide financial statements

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

The **statement of net assets** presents information on all of the City's non-fiduciary assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

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

The government-wide financial statements can be found on pages 28-30 of this report.

### Fund financial statements

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

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

### **Governmental Funds**

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

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

The City maintains 20 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, stabilization (special revenue), debt service and school facilities (capital projects) funds, each of which are considered to be major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 75-84 of this report.

The City adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided to demonstrate compliance with the fiscal year 2005 budget.

The basic governmental funds financial statements can be found on pages 31-39 of this report.

### **Proprietary funds**

The City maintains two types of proprietary funds.

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

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its retirees' health insurance and workers' compensation risk-financing activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements but are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements on pages 86-89 of this report.

The basic proprietary fund financial statements can be found on pages 40-42 of this report.

### **Fiduciary funds**

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

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

The basic fiduciary fund financial statements can be found on pages 43-44 of this report.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45-73 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the City's progress in funding its obligation to provide pension benefits to its employees. Such information can be located on page 72 of this report.

The combining statements previously referred to are presented immediately following the basic financial statements.

### ***Government-Wide Financial Analysis***

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

#### Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$150,953,191 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2005	2004*	2005	2004*	2005	2004*
<b>Assets</b>						
Current assets.....	\$ 42,883,873	\$ 46,460,674	\$ 4,798,675	\$ 3,517,803	\$ 47,682,548	\$ 49,978,477
Noncurrent assets (excluding capital assets).....	46,419,787	52,879,476	-	-	46,419,787	52,879,476
Capital assets (net).....	126,248,939	126,877,553	13,078,694	12,465,541	139,327,633	139,343,094
<b>Total assets.....</b>	<b>215,552,599</b>	<b>226,217,703</b>	<b>17,877,369</b>	<b>15,983,344</b>	<b>233,429,968</b>	<b>242,201,047</b>
<b>Liabilities</b>						
Current liabilities (excluding debt).....	4,269,264	7,672,925	697,481	543,778	4,966,745	8,216,703
Noncurrent liabilities (excluding debt).....	2,019,000	2,039,000	-	-	2,019,000	2,039,000
Current debt.....	10,422,994	22,843,507	943,712	827,134	11,366,706	23,670,641
Noncurrent debt.....	55,435,282	62,167,307	8,689,044	7,104,015	64,124,326	69,271,322
<b>Total liabilities.....</b>	<b>72,146,540</b>	<b>94,722,739</b>	<b>10,330,237</b>	<b>8,474,927</b>	<b>82,476,777</b>	<b>103,197,666</b>
<b>Net Assets</b>						
Invested in capital assets (net of related debt).....	104,156,143	87,769,262	3,445,938	4,534,392	107,602,081	92,303,654
Restricted.....	14,856,655	15,183,702	-	-	14,856,655	15,183,702
Unrestricted.....	24,393,261	28,542,000	4,101,194	2,974,025	28,494,455	31,516,025
<b>Total net assets.....</b>	<b>\$ 143,406,059</b>	<b>\$ 131,494,964</b>	<b>\$ 7,547,132</b>	<b>\$ 7,508,417</b>	<b>\$ 150,953,191</b>	<b>\$ 139,003,381</b>

\* As restated and more fully described in Note 16 on pages 72-73 of this report.

The largest portion of the City's net assets (71.3%) reflects its investment in capital assets (e.g., land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure); less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (9.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (18.9% or \$28,494,455) may be used to meet the City's ongoing obligations to citizens and creditors. Of this amount, \$24,393,261 may be used to support governmental activities and \$4,101,194 may be used to support business-type activities.

At the end of the current fiscal year, the City reports positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

#### Changes in Net Assets

For the fiscal year ended June 30, 2005, the City's total net assets increased by \$11,949,810, compared to a decrease of \$11,389,483 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2005	2004*	2005	2004*	2005	2004*
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for services.....	\$ 6,990,567	\$ 6,199,855	\$ 10,365,205	\$ 11,137,737	\$ 17,355,772	\$ 17,337,592
Operating grants and contributions.....	63,868,631	60,350,646	29,020	14,132	63,897,651	60,364,778
Capital grants and contributions.....	17,262,055	400,045	-	-	17,262,055	400,045
<i>General Revenues:</i>						
Real estate and personal property taxes.....	26,143,234	23,780,306	-	-	26,143,234	23,780,306
Motor vehicle and other excise taxes.....	2,890,852	2,331,503	-	-	2,890,852	2,331,503
Tax and trash liens.....	440,194	321,130	-	-	440,194	321,130
Penalties and interest on taxes.....	331,215	661,775	-	-	331,215	661,775
Payments in lieu of taxes.....	609,949	1,132,798	-	-	609,949	1,132,798
Grants and contributions not restricted to specific programs.....	9,035,989	8,327,219	-	-	9,035,989	8,327,219
Unrestricted investment income.....	525,769	413,762	-	-	525,769	413,762
Premium from issuance of short-term notes.....	-	1,706	-	-	-	1,706
Gain (Loss) on sale of capital assets.....	25,000	(1,636,100)	-	-	25,000	(1,636,100)
Other.....	23,717	32,612	-	-	23,717	32,612
<b>Total revenues.....</b>	<b>128,147,172</b>	<b>102,317,257</b>	<b>10,394,225</b>	<b>11,151,869</b>	<b>138,541,397</b>	<b>113,469,126</b>
<b>Expenses</b>						
General government.....	4,498,641	4,012,030	-	-	4,498,641	4,012,030
Public safety.....	23,411,640	20,951,948	-	-	23,411,640	20,951,948
Education.....	72,144,706	70,629,479	-	-	72,144,706	70,629,479
Public works.....	6,349,328	5,390,668	-	-	6,349,328	5,390,668
Health and human services.....	4,515,046	4,297,218	-	-	4,515,046	4,297,218
Culture and recreation.....	645,308	603,279	-	-	645,308	603,279
Community development.....	1,827,184	2,607,842	-	-	1,827,184	2,607,842
Debt service - interest.....	4,114,478	6,992,406	-	-	4,114,478	6,992,406
Water and sewer.....	-	-	9,085,256	9,373,739	9,085,256	9,373,739
<b>Total expenses.....</b>	<b>117,506,331</b>	<b>115,484,870</b>	<b>9,085,256</b>	<b>9,373,739</b>	<b>126,591,587</b>	<b>124,858,609</b>
Change in net assets before transfers.....	10,640,841	(13,167,613)	1,308,969	1,778,130	11,949,810	(11,389,483)
Transfers, net.....	1,270,254	991,487	(1,270,254)	(991,487)	-	-
Change in net assets.....	11,911,095	(12,176,126)	38,715	786,643	11,949,810	(11,389,483)
Net assets - beginning of year (as restated).....	131,494,964	143,671,090	7,508,417	6,721,774	139,003,381	150,392,864
Net assets - end of year.....	\$ 143,406,059	\$ 131,494,964	\$ 7,547,132	\$ 7,508,417	\$ 150,953,191	\$ 139,003,381

\* As restated and more fully described in Note 16 on pages 72-73 of this report.

Governmental activities increased the City's net assets by \$11,911,095. In the prior year, governmental activities decreased the City's net assets by \$12,176,126. The key element of this change is the recognition of school construction reimbursement revenues from the Massachusetts School Building Authority (MSBA) of approximately \$16,100,000. The increase in expenses (\$2,050,000) was consistent with projected amounts.

Business-type activities increased the City's net assets by \$38,715. In the prior year, business-type activities increased the City's net assets by \$786,643. The key element of this change is a decrease in user charges (\$772,500) that was greater than the decrease in expenses (\$288,500).

### *Fund Financial Statement Analysis*

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

#### Governmental funds

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

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$36,792,739, an increase of \$8,076,252 in comparison with the prior year. Approximately 79.8% of this total amount, or \$29,358,377, represents undesignated fund balance of the general fund, special revenue fund, debt service fund, nonmajor capital projects fund and permanent fund. The school facilities (major fund) fund deficit totaling \$2,553,746 will be funded by MSBA reimbursement revenues in future fiscal years. The remainder of fund balance is designated or reserved to indicate that it is not available for new spending because it has already been committed to:

- Liquidate contracts and purchase orders of the prior period (\$2,190,036)
- Loans (\$2,379,309)
- Perpetual permanent funds (\$22,392)
- Other specific purposes (\$2,087,662)
- Fund a portion of the fiscal year 2006 operating budget (\$3,308,709)

The general fund is the primary operating fund of the City. At the end of the current fiscal year, undesignated fund balance of the general fund totaled \$5,778,792, while total fund balance was \$11,277,537. As a measure of the general fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total general fund expenditures. Undesignated fund balance represents 5.6% of total general fund expenditures, while total fund balance represents 10.9% of that same amount.

The balance of the City's general fund increased by \$575,490 during fiscal year 2005. Although the City recognized an approximate \$4,183,000 budgetary surplus (budget vs. actual activity), approximately \$3,912,000 of reserves was utilized for spending during fiscal year 2005.

Financial highlights of the City's other major governmental funds are as follows:

The fund balance of the stabilization fund (special revenue) increased by \$105,458 during the current fiscal year. This is attributable to investment income earned by the fund.

The fund balance of the debt service fund increased by \$521,352 during the current fiscal year. This is attributable to unrealized gains on investments, which was retained in the fund.

The fund balance of the school facilities fund (capital project) increased by \$12,458,155 during the current fiscal year. This is primarily attributable to \$12,547,290 of MSBA reimbursement revenues received in fiscal year 2005.

Proprietary funds

The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer enterprise fund at the end of the year amounted to \$4,101,194. The water and sewer enterprise fund had an increase in net assets for the year of \$38,715. Other factors concerning the finances of the fund have already been addressed in the discussion of the City’s business-type activities.

General Fund Budgetary Highlights

The original general fund budget of \$101,958,580 was increased by \$1,696,532 (1.7%) during the fiscal year. The following table summarizes the increase:

<u>Purpose of Increase</u>	<u>Amount</u>	<u>Funding Source</u>
Police department salaries.....	\$ 581,000	Undesignated fund balance
Fire department overtime.....	380,000	Undesignated fund balance
Surveillance camera capital project.....	244,408	Undesignated fund balance
Various departmental salaries.....	215,424	Undesignated fund balance
Capital improvement plan.....	153,000	Undesignated fund balance
Emergency management department overtime....	115,000	Undesignated fund balance
City Council.....	<u>7,700</u>	Undesignated fund balance
Total increase.....	<u>\$ 1,696,532</u>	

During the year, general fund revenues and other financing sources exceeded budgetary estimates and expenditures were less than appropriations, resulting in an actual increase in fund balance that exceeded the final amended budget amount by approximately \$4,183,000.

***Capital Asset and Debt Administration***

Capital assets

The City’s investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$139,327,633 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure. The total decrease in the investment in capital assets for the current fiscal year totaled .01% (a 0.45% decrease for governmental activities and a 0.44% increase for business-type activities).

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

- Renovation of the central Fire Station – construction in progress (\$1,342,000)
- Playground and park improvements (\$370,000)
- Computer equipment upgrades (\$365,000)
- Continued reconstruction of roadways, sidewalks and drains (\$591,000)
- Continued upgrades of the water and sewer infrastructure (\$968,000)

The following table summarizes the City's capital assets (net of accumulated depreciation):

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2005	2004	2005	2004	2005	2004
Land.....	\$ 5,673,731	\$ 5,673,731	\$ -	\$ -	\$ 5,673,731	\$ 5,673,731
Construction in progress.....	1,624,272	-	-	-	1,624,272	-
Buildings and improvements.....	110,017,584	112,999,170	-	-	110,017,584	112,999,170
Machinery and equipment.....	3,254,977	2,907,990	-	-	3,254,977	2,907,990
Infrastructure.....	5,678,375	5,296,662	13,078,694	12,465,541	18,757,069	17,762,203
<b>Total capital assets.....</b>	<b>\$ 126,248,939</b>	<b>\$ 126,877,553</b>	<b>\$ 13,078,694</b>	<b>\$ 12,465,541</b>	<b>\$ 139,327,633</b>	<b>\$ 139,343,094</b>

Additional information on the City's capital assets can be found in Note 5 on pages 61-62 of this report.

### Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$72,038,322, which is backed by the full faith and credit of the City, and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2005	2004*	2005	2004*	2005	2004
General obligation bonds.....	\$ 61,965,318	\$ 67,951,306	\$ 9,231,678	\$ 7,798,690	\$ 71,196,996	\$ 75,749,996
State house notes.....	440,248	660,369	-	-	440,248	660,369
MWRA notes.....	-	-	401,078	531,598	401,078	531,598
<b>Total bonds and notes.....</b>	<b>\$ 62,405,566</b>	<b>\$ 68,611,675</b>	<b>\$ 9,632,756</b>	<b>\$ 8,330,288</b>	<b>\$ 72,038,322</b>	<b>\$ 76,941,963</b>

\* As restated and more fully described in Note 16 on pages 72-73 of this report.

The City's total bonded debt decreased by \$4,903,641 (or 6.4%) during the fiscal year, including issuances of \$5,562,000 of general obligation bonds.

The City has an AAA bond rating from Standard & Poor's.

State statutes limit the amount of general obligation debt the City may issue to 2 ½% of its total assessed valuation. The current debt limit is \$55,164,970. However, through various debt exclusions, the City's legal debt margin (capacity to borrow within the debt limit) totals \$51,964,652.

Additional information on the City's long-term debt can be found in Note 9 on pages 64-69 of this report.

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

Passages like these might as well be "boilerplate." After all, any description of municipal budgeting anywhere since fiscal year 2002 might very well sound like this: skyrocketing costs in non-discretionary spending and sluggish revenue growth, at best, are combining to further squeeze the local budget. What is different, though, is the response that each municipality may have in facing those all too grim realities. Here in Massachusetts, only one has succumbed and now has State involvement in its fiscal affairs. Many others, though, are only steps away from also entering a process that the City became all too familiar with a decade and a half ago.

Having now been out of Receivership for almost a decade, the City remains focused on positioning itself to outlast the financial strains that are abounding. Solid financial planning, pointed spending restraint and the benefits of a visionary economic development strategy over the last 10 years has allowed the City to continue to balance budgets while hoping for better days ahead.

Perhaps better days will soon be upon the City and its neighbors. Until then, though, certain "budget busters" continue to pressure the present and threaten even more the future. Most egregious of those "budget busters" is health insurance spending. We have budgeted \$9.7 million for fiscal year 2006 having only expended \$8.3 in fiscal year 2005. If the spiral upwards was to continue, the City projects that a fiscal year 2010 deficit of \$5.5 million will be caused entirely by a health insurance premium increase that is projected to rise by \$6.0 million by then. Other accounts also provide concern, including retirement costs and state assessments. Health insurance, however, is the bane of municipal budgeting by far.

Those budget busters are among the spending areas for which the City has the least control. Nonetheless, it is control, or more accurately stability that the City continues to seek in even the most challenging accounts. For example, many communities find increasing debt service particularly burdensome, but the City's efforts to control debt are resulting in local debt service actually decreasing. In some communities, contractual obligations are most problematic. Locally, though, both vendor and employee contracts have been managed with an eye towards their impacts on the City's fiscal health. Thus, re-bidding the trash contract and selecting a new trash hauler has saved the City money. Limiting collective bargaining increases to 2%, as the City has been successful in negotiating with its labor unions for fiscal years 2006 - 2008, means that wages will increase below inflation.

Regarding health insurance and with the same approach as has been successfully implemented to provide some level of control over other, so-called, uncontrollable costs, the City will be attempting to bring some sanity to the double-digit increases that have plagued public and private employers alike. Already, the City has successfully negotiated a reduction in premium costs with several bargaining units. That is one of seven initiatives the City is pursuing in relation to health insurance. Overall, each and every spending item remains under microscopic review. As another example, the City is formulating a "technology forecast" to better plan for equipment acquisition and to ensure that related software and other supports are affordable.

Not all of the budget pressures on municipalities relate to spending. Local aid, for many, including the City, is the single largest source of revenues. Yet, non-school local aid levels remain below their fiscal year 2002 highs. State budget troubles, even more significant than those found in most municipalities, have resulted in local aid cuts during the depths of the recently concluded recession. The modest increases that have followed have yet to make cities and towns "whole." While again a difficult issue for the City to exercise any control, City officials are among statewide leaders that are calling for a review of the State's support of municipalities.

As that debate intensifies, economic development activities on the local level have been prioritized to attempt to fill a portion of the gaps created by reduced local aid levels with new growth of the local tax base. The City has been among the more aggressive and successful in the state on an economic development agenda that is not only expanding the local tax base but also changing the City's skyline. It is somewhat ironic that, in what has been the most difficult of municipal budgeting times, the City has produced an economic development agenda that may be unparalleled in the City's history.

Almost a decade ago, the Chelsea Business Agenda was offered to jumpstart the local economy, seeking to raise the tax base, increase local employment and lead to the revitalization of the community. Still today, three of the five points of the CBA remain the centerpiece of the City's economic development agenda. The Anchor Projects Program directs intensive redevelopment activities on three prime targets: the Everett Avenue Urban Renewal District, Parkway Plaza, and the Chelsea Waterfront. The TIRE (Tax Incentive for the Retention and Expansion of business) Program has provided financial supports for projects in those areas and elsewhere in the City. The Sector Strategy focuses on five sectors of the economy for which the City has the resources and desire to attract: Airport-related, Food, Back Office, Downtown Boston Supports and Health Care. Each of these points and their component parts have been hugely successful and won the City praise and further investment recognition.

Specifically, the centerpiece project within the EAURD, the Wyndham Hotel, has replaced a former auto junkyard and other unsavory business with a gleaming development. In addition to increasing local revenues from the parcels 10-fold, the Wyndham has attracted other investment inside and out of the EAURD by demonstrating the City's resolve and abilities. For example, Phases II and III of the EAURD each expect to see significant progress in fiscal year 2006. The Emerald Block is poised for a major mixed-use redevelopment on the sites of former underperforming properties. Catamount Management, controlling entity of Gulf Oil and HP Hood, is expected to break ground shortly on a corporate headquarters, again on former underperforming properties. In fact, so successful has the 10-acres of Phases I-III been that the City is now contemplating a Phase IV acquisition and redevelopment of an additional 8-acres.

Currently, Home Depot is constructing a new retail center in what has been a dormant Parkway Plaza. That Phase I development promises to inject new life into the retailing activities of Parkway Plaza, and will likely attract additional national retailers to the site in Phase II. Also contemplated for Phase II is a major residential development.

In the Chelsea Waterfront District, commercial and residential activity has been abounding. The MWRA (Massachusetts Water Resources Authority) opened a full-taxable corporate headquarters there recently. The second phase of the Mill Creek Condominiums, first envisioned more than twenty years ago, has finally moved skyward. The City is currently negotiating with a major international company to acquire several key waterfront parcels for what could be exciting future development opportunities. Changing market and, therefore, development conditions have caused the City to reassess and re-envision its economic development priorities. Notwithstanding the Catamount development, for example, there is likely to be little or any office development opportunities for the City to capitalize upon in the near future. In assessing current market conditions, the City has decided to focus upon residential development for the next three years in an effort to further accelerate both community revitalization and tax base growth.

Thus, in January of this year, the City announced an aggressive initiative to promote the construction of 1,200 new units of housing in the community by the end of fiscal year 2008. As a goal, the City hopes to create affordable housing opportunities in 10% of those units. The 1,200 units would increase the overall local housing stock by 10%. Moreover, the creation of those units could increase the local tax base by \$3,000,000. The achievement of that goal, along with other priorities, like controlling spending, addressing the budget busters and securing higher levels of local aid, could completely eliminate the projected fiscal year 2010 deficit. In the meantime, reserves are aiding the City in addressing modest budget shortfalls and maintaining, and in some cases expanding, critical municipal services.

The basis for the above and, really, the overall administration of City government is solid planning and skillful action. Five year financial forecasts, three year budget projections and five year capital improvement programs, as well as economic development studies, technology forecasts and other non-financial initiatives, allow the City to anticipate and examine issues well in advance of the need for the development and implementation of an action agenda. Those action agendas, though, once developed and implemented, are rarely strayed from, as much a testament to the stability of the leadership as to the accuracy of the initiatives. "Plan the work and work the plan" is a mantra City officials have followed for the last decade. The City continues to remain loyal to that mantra with no change in sight.

### *Requests for Information*

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



# Basic Financial Statements

## STATEMENT OF NET ASSETS

JUNE 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents.....	\$ 26,614,935	\$ 1,156,077	\$ 27,771,012
Restricted cash and cash equivalents.....	1,299,757	810,126	2,109,883
Investments.....	2,094,085	-	2,094,085
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	730,844	-	730,844
Tax, trash and utility liens.....	854,818	162,887	1,017,705
Motor vehicle and other excise taxes.....	389,044	-	389,044
User charges.....	-	2,669,585	2,669,585
Trash.....	356,708	-	356,708
Departmental and other.....	52,968	-	52,968
Intergovernmental.....	9,868,195	-	9,868,195
Loans.....	413,127	-	413,127
Prepaid expenses.....	99,376	-	99,376
Tax foreclosures.....	110,016	-	110,016
Total current assets.....	42,883,873	4,798,675	47,682,548
Noncurrent assets:			
Restricted cash and cash equivalents.....	178,703	-	178,703
Restricted investments.....	10,100,664	-	10,100,664
Receivables, net of allowance for uncollectible amounts:			
Intergovernmental.....	34,174,238	-	34,174,238
Loans.....	1,966,182	-	1,966,182
Capital assets not being depreciated.....	7,298,003	-	7,298,003
Capital assets, net of accumulated depreciation.....	118,950,936	13,078,694	132,029,630
Total noncurrent assets.....	172,668,726	13,078,694	185,747,420
Total assets.....	215,552,599	17,877,369	233,429,968
<b>LIABILITIES</b>			
Current liabilities:			
Warrants payable.....	2,137,907	561,029	2,698,936
Accrued payroll.....	30,924	-	30,924
Tax refunds payable.....	356,000	-	356,000
Other liabilities.....	2,861	-	2,861
Abandoned property.....	330,679	-	330,679
Liabilities due depositors.....	-	41,080	41,080
Accrued interest.....	301,471	95,372	396,843
Accrued health claims payable.....	132,422	-	132,422
Workers' compensation claims.....	250,000	-	250,000
Compensated absences.....	727,000	-	727,000
Short-term notes payable.....	3,452,710	-	3,452,710
Long-term bonds and notes payable.....	6,970,284	943,712	7,913,996
Total current liabilities.....	14,692,258	1,641,193	16,333,451
Noncurrent liabilities:			
Workers' compensation claims.....	350,000	-	350,000
Compensated absences.....	1,669,000	-	1,669,000
Long-term bonds and notes payable.....	55,435,282	8,689,044	64,124,326
Total noncurrent liabilities.....	57,454,282	8,689,044	66,143,326
Total liabilities.....	72,146,540	10,330,237	82,476,777
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	104,156,143	3,445,938	107,602,081
Restricted for:			
Loans.....	2,379,309	-	2,379,309
Debt service.....	10,279,367	-	10,279,367
Permanent funds:			
Expendable.....	87,925	-	87,925
Nonexpendable.....	22,392	-	22,392
Other specific purposes.....	2,087,662	-	2,087,662
Unrestricted.....	24,393,261	4,101,194	28,494,455
Total net assets.....	\$ 143,406,059	\$ 7,547,132	\$ 150,953,191

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
Governmental activities:					
General government.....	\$ 4,498,641	\$ 801,333	\$ 233,174	\$ -	\$ (3,464,134)
Public safety.....	23,411,640	3,467,600	964,744	-	(18,979,296)
Education.....	72,144,706	894,551	56,771,012	16,081,572	1,602,429
Public works.....	6,349,328	1,207,394	15,935	1,180,483	(3,945,516)
Health and human services.....	4,515,046	85,181	1,158,963	-	(3,270,902)
Culture and recreation.....	645,308	9,628	61,269	-	(574,411)
Community development.....	1,827,184	524,880	735,558	-	(566,746)
Debt service - interest.....	4,114,478	-	3,927,976	-	(186,502)
<b>Total governmental activities.....</b>	<b>117,506,331</b>	<b>6,990,567</b>	<b>63,868,631</b>	<b>17,262,055</b>	<b>(29,385,078)</b>
Business-type activities:					
Water and sewer.....	9,085,256	10,365,205	29,020	-	1,308,969
<b>Total primary government.....</b>	<b>\$ 126,591,587</b>	<b>\$ 17,355,772</b>	<b>\$ 63,897,651</b>	<b>\$ 17,262,055</b>	<b>\$ (28,076,109)</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES (Continued)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Changes in net assets:</b>			
Net (expense)/revenue (from previous page).....	\$ (29,385,078)	\$ 1,308,969	\$ (28,076,109)
<i>General revenues:</i>			
Real estate and personal property taxes.....	26,143,234	-	26,143,234
Motor vehicle and other excise taxes.....	2,890,852	-	2,890,852
Tax and trash liens.....	440,194	-	440,194
Penalties and interest on taxes.....	331,215	-	331,215
Payments in lieu of taxes.....	609,949	-	609,949
Grants and contributions not restricted to specific programs.....	9,035,989	-	9,035,989
Unrestricted investment income.....	525,769	-	525,769
Gain (Loss) on sale of capital assets.....	25,000	-	25,000
Other.....	23,717	-	23,717
<i>Transfers, net</i> .....	1,270,254	(1,270,254)	-
Total general revenues and transfers.....	41,296,173	(1,270,254)	40,025,919
Change in net assets.....	11,911,095	38,715	11,949,810
Net assets - beginning of year (as restated).....	131,494,964	7,508,417	139,003,381
Net assets - end of year.....	\$ 143,406,059	\$ 7,547,132	\$ 150,953,191

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2005

ASSETS	General	Stabilization	Debt Service
	General	Stabilization	Debt Service
Cash and cash equivalents.....	\$ 12,307,098	\$ 2,024,951	\$ -
Investments.....	-	2,094,085	-
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	730,844	-	-
Tax and trash liens.....	854,818	-	-
Motor vehicle and other excise taxes.....	389,044	-	-
Trash.....	356,708	-	-
Departmental and other.....	-	-	-
Intergovernmental.....	39,695,950	-	-
Loans.....	-	-	-
Due from other funds.....	697,966	-	-
Prepaid expenditures.....	99,376	-	-
Tax foreclosures.....	110,016	-	-
Restricted assets:			
Cash and cash equivalents.....	-	-	178,703
Investments.....	-	-	10,100,664
<b>TOTAL ASSETS.....</b>	<b>\$ 55,241,820</b>	<b>\$ 4,119,036</b>	<b>\$ 10,279,367</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Warrants payable.....	\$ 1,215,641	\$ -	\$ -
Accrued payroll.....	30,924	-	-
Tax refunds payable.....	356,000	-	-
Other liabilities.....	2,861	-	-
Abandoned property.....	328,418	-	-
Deferred revenue.....	42,013,257	-	-
Due to other funds.....	-	-	-
Accrued short-term interest.....	17,182	-	-
Short-term notes payable.....	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>43,964,283</b>	<b>-</b>	<b>-</b>
 <b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances and continuing appropriations.....	2,190,036	-	-
Loans.....	-	-	-
Perpetual permanent funds.....	-	-	-
Other specific purposes.....	-	-	-
Unreserved:			
Designated for subsequent year's expenditures.....	3,308,709	-	-
Undesignated, reported in:			
General fund.....	5,778,792	-	-
Special revenue funds.....	-	4,119,036	-
Debt service fund.....	-	-	10,279,367
Capital projects funds.....	-	-	-
Permanent funds.....	-	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>11,277,537</b>	<b>4,119,036</b>	<b>10,279,367</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 55,241,820</b>	<b>\$ 4,119,036</b>	<b>\$ 10,279,367</b>

See notes to basic financial statements.

School Facilities	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 11,612,923	\$ 25,944,972
-	-	2,094,085
-	-	730,844
-	-	854,818
-	-	389,044
-	-	356,708
-	52,968	52,968
3,534,282	812,201	44,042,433
-	2,379,309	2,379,309
-	-	697,966
-	-	99,376
-	-	110,016
898,964	400,793	1,478,460
-	-	10,100,664
<u>\$ 4,433,246</u>	<u>\$ 15,258,194</u>	<u>\$ 89,331,663</u>

\$ -	\$ 889,683	\$ 2,105,324
-	-	30,924
-	-	356,000
-	-	2,861
-	-	328,418
3,534,282	-	45,547,539
-	697,966	697,966
-	-	17,182
<u>3,452,710</u>	<u>-</u>	<u>3,452,710</u>
<u>6,986,992</u>	<u>1,587,649</u>	<u>52,538,924</u>

-	-	2,190,036
-	2,379,309	2,379,309
-	22,392	22,392
-	2,087,662	2,087,662
-	-	3,308,709
-	-	5,778,792
-	7,813,988	11,933,024
-	-	10,279,367
(2,553,746)	1,279,269	(1,274,477)
-	87,925	87,925
<u>(2,553,746)</u>	<u>13,670,545</u>	<u>36,792,739</u>
<u>\$ 4,433,246</u>	<u>\$ 15,258,194</u>	<u>\$ 89,331,663</u>



**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Total governmental fund balances (page 32).....	\$	36,792,739
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		126,248,939
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		45,547,539
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(284,289)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable, net of unamortized premiums and deferred losses on refundings.....		(62,405,566)
Compensated absences.....		(2,396,000)
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are reported as governmental activities in the statement of net assets.....		<u>(97,303)</u>
Net assets of governmental activities (page 28).....	\$	<u><u>143,406,059</u></u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	General	Stabilization	Debt Service
<b>REVENUES</b>			
Real estate and personal property taxes.....	\$ 25,996,104	\$ -	\$ -
Motor vehicle and other excise taxes.....	2,933,506	-	-
Tax and trash liens.....	338,515	-	-
Payments in lieu of taxes.....	609,949	-	-
Charges for services.....	-	-	-
Trash disposal.....	1,120,391	-	-
Intergovernmental .....	64,558,296	-	-
Penalties and interest on taxes.....	331,215	-	-
Licenses, permits and fees.....	1,582,402	-	-
Fines and forfeitures.....	1,509,779	-	-
Departmental.....	62,754	-	-
Contributions.....	-	-	-
Investment income.....	424,156	105,458	1,088,269
<b>TOTAL REVENUES.....</b>	<b>99,467,067</b>	<b>105,458</b>	<b>1,088,269</b>
<b>EXPENDITURES</b>			
Current:			
General government.....	2,755,359	-	-
Public safety.....	15,068,035	-	-
Education.....	46,834,757	-	-
Public works.....	4,538,947	-	-
Health and human services.....	1,022,336	-	-
Culture and recreation.....	320,325	-	-
Community development.....	-	-	-
Pension benefits.....	9,203,469	-	-
Employee benefits.....	9,222,562	-	-
Property and liability insurance.....	473,443	-	-
Claims and judgments.....	20,498	-	-
State and county charges.....	2,883,357	-	-
Debt service:			
Principal.....	6,911,246	-	-
Interest.....	4,136,328	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>103,390,662</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(3,923,595)</b>	<b>105,458</b>	<b>1,088,269</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in.....	4,867,977	-	-
Proceeds of bonds and notes.....	-	-	-
Premium from issuance of bonds and notes.....	28,516	-	-
Proceeds of refunding bonds.....	-	-	-
Premium from issuance of refunding bonds.....	-	-	-
Sale of capital assets.....	-	-	-
Transfers out.....	(397,408)	-	(566,917)
Payment to refunded bonds escrow agent.....	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>4,499,085</b>	<b>-</b>	<b>(566,917)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>575,490</b>	<b>105,458</b>	<b>521,352</b>
<b>FUND BALANCES AT BEGINNING OF YEAR (AS RESTATED).....</b>	<b>10,702,047</b>	<b>4,013,578</b>	<b>9,758,015</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 11,277,537</b>	<b>\$ 4,119,036</b>	<b>\$ 10,279,367</b>

See notes to basic financial statements.

School Facilities	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 25,996,104
-	-	2,933,506
-	-	338,515
-	-	609,949
-	2,123,881	2,123,881
-	-	1,120,391
12,547,290	13,407,664	90,513,250
-	-	331,215
-	40,810	1,623,212
-	-	1,509,779
-	570,858	633,612
-	331,998	331,998
-	192,724	1,810,607
<u>12,547,290</u>	<u>16,667,935</u>	<u>129,876,019</u>
-	505,012	3,260,371
-	3,544,036	18,612,071
37,735	11,461,831	58,334,323
-	1,675,403	6,214,350
-	1,049,802	2,072,138
-	111,734	432,059
-	2,024,964	2,024,964
-	-	9,203,469
-	-	9,222,562
-	-	473,443
-	-	20,498
-	-	2,883,357
-	-	6,911,246
-	-	4,136,328
<u>37,735</u>	<u>20,372,782</u>	<u>123,801,179</u>
<u>12,509,555</u>	<u>(3,704,847)</u>	<u>6,074,840</u>
-	768,415	5,636,392
-	641,000	641,000
-	-	28,516
-	1,007,661	1,007,661
-	18,978	18,978
-	25,000	25,000
(51,400)	(3,338,790)	(4,354,515)
-	(1,001,620)	(1,001,620)
<u>(51,400)</u>	<u>(1,879,356)</u>	<u>2,001,412</u>
12,458,155	(5,584,203)	8,076,252
<u>(15,011,901)</u>	<u>19,254,748</u>	<u>28,716,487</u>
<u>\$ (2,553,746)</u>	<u>\$ 13,670,545</u>	<u>\$ 36,792,739</u>



**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds (page 36).....	\$ 8,076,252
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>	
Capital outlays.....	3,740,443
Depreciation.....	(4,369,057)
<p>Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>	
	(1,753,847)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Bond proceeds.....	(641,000)
Proceeds of refunding bonds.....	(1,007,661)
Retirement of refunded bonds.....	943,524
Bond maturities.....	6,911,246
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>	
	32,452
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. This amount represents the net change:</p>	
Compensated absences.....	(313,000)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of the internal service funds is reported with governmental activities.....</p>	
	<u>291,743</u>
Changes in net assets of governmental activities (page 30).....	<u>\$ 11,911,095</u>

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
<b>REVENUES</b>				
Real estate and personal property taxes.....	\$ 25,771,817	\$ 25,771,817	\$ 25,809,104	\$ 37,287
Motor vehicle and other excise taxes.....	2,361,400	2,361,400	2,933,506	572,106
Tax and trash liens.....	-	-	338,515	338,515
Payments in lieu of taxes.....	1,592,945	1,592,945	609,949	(982,996)
Trash disposal.....	1,153,657	1,153,657	1,120,391	(33,266)
Intergovernmental .....	59,962,473	59,962,473	61,068,227	1,105,754
Penalties and interest on taxes.....	160,000	160,000	331,215	171,215
Licenses, permits and fees.....	1,333,060	1,333,060	1,582,402	249,342
Fines and forfeitures.....	1,693,163	1,693,163	1,509,779	(183,384)
Departmental.....	-	-	62,754	62,754
Investment income.....	1,500,000	1,500,000	1,037,827	(462,173)
<b>TOTAL REVENUES.....</b>	<b>95,528,515</b>	<b>95,528,515</b>	<b>96,403,669</b>	<b>875,154</b>
<b>EXPENDITURES</b>				
Current:				
General government.....	3,062,571	3,189,491	2,755,359	434,132
Public safety.....	14,282,510	15,368,347	15,068,035	300,312
Education.....	49,048,398	49,048,398	46,834,757	2,213,641
Public works.....	4,790,274	4,816,545	4,538,947	277,598
Health and human services.....	967,345	1,031,591	1,022,336	9,255
Culture and recreation.....	312,208	323,058	320,325	2,733
Pension benefits.....	5,714,057	5,714,057	5,713,400	657
Employee benefits.....	9,268,577	9,253,577	9,222,562	31,015
Property and liability insurance.....	489,248	489,248	473,443	15,805
Claims and judgments.....	25,000	25,000	20,498	4,502
State and county charges.....	3,120,837	2,900,716	2,883,357	17,359
Debt service:				
Principal.....	6,623,387	6,843,508	6,911,246	(67,738)
Interest.....	4,254,168	4,254,168	4,254,160	8
<b>TOTAL EXPENDITURES.....</b>	<b>101,958,580</b>	<b>103,257,704</b>	<b>100,018,425</b>	<b>3,239,279</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(6,430,065)</b>	<b>(7,729,189)</b>	<b>(3,614,756)</b>	<b>4,114,433</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in.....	1,365,790	4,214,306	4,254,306	40,000
Premium from issuance of bonds and notes.....	-	-	28,516	28,516
Transfers out.....	-	(397,408)	(397,408)	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>1,365,790</b>	<b>3,816,898</b>	<b>3,885,414</b>	<b>68,516</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(5,064,275)</b>	<b>(3,912,291)</b>	<b>270,658</b>	<b>4,182,949</b>
<b>FUND BALANCE AT BEGINNING OF YEAR (AS RESTATED)....</b>	<b>11,255,061</b>	<b>11,255,061</b>	<b>11,255,061</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR.....</b>	<b>\$ 6,190,786</b>	<b>\$ 7,342,770</b>	<b>\$ 11,525,719</b>	<b>\$ 4,182,949</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF FUND NET ASSETS

JUNE 30, 2005

	Business-Type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents.....	\$ 1,156,077	\$ 669,963
Restricted cash and cash equivalents.....	810,126	-
Receivables, net of allowance for uncollectible amounts:		
User charges.....	2,669,585	-
Utility liens.....	162,887	-
Total current assets.....	4,798,675	669,963
Noncurrent assets:		
Capital assets, net of accumulated depreciation.....	13,078,694	-
Total assets.....	17,877,369	669,963
<b>LIABILITIES</b>		
Current liabilities:		
Warrants payable.....	561,029	32,583
Abandoned property.....	-	2,261
Liabilities due depositors.....	41,080	-
Accrued interest.....	95,372	-
Accrued health claims payable.....	-	132,422
Workers' compensation claims.....	-	250,000
Long-term bonds and notes payable.....	943,712	-
Total current liabilities.....	1,641,193	417,266
Noncurrent liabilities:		
Workers' compensation claims.....	-	350,000
Long-term bonds and notes payable.....	8,689,044	-
Total noncurrent liabilities.....	8,689,044	350,000
Total liabilities.....	10,330,237	767,266
<b>FUND NET ASSETS</b>		
Invested in capital assets, net of related debt.....	3,445,938	-
Unrestricted.....	4,101,194	(97,303)
Total net assets.....	\$ 7,547,132	\$ (97,303)

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Business-Type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer	
<b>OPERATING REVENUES</b>		
Charges for services.....	\$ 9,837,679	\$ -
Utility liens.....	527,526	-
Employer contributions.....	-	1,442,487
Employee contributions.....	-	183,861
	<u>10,365,205</u>	<u>1,626,348</u>
<b>OPERATING EXPENSES</b>		
Cost of service and administration.....	1,406,727	-
MWRA assessment.....	6,719,659	-
Repairs and maintenance.....	132,815	-
Depreciation.....	355,259	-
Employee benefits.....	-	1,334,605
	<u>8,614,460</u>	<u>1,334,605</u>
TOTAL OPERATING EXPENSES.....	<u>8,614,460</u>	<u>1,334,605</u>
OPERATING INCOME (LOSS).....	<u>1,750,745</u>	<u>291,743</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Intergovernmental.....	14,176	-
Investment income.....	14,844	11,623
Interest expense.....	(470,796)	-
	<u>(441,776)</u>	<u>11,623</u>
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	<u>(441,776)</u>	<u>11,623</u>
INCOME (LOSS) BEFORE TRANSFERS.....	<u>1,308,969</u>	<u>303,366</u>
<b>TRANSFERS</b>		
Transfers out.....	(1,270,254)	(11,623)
CHANGE IN FUND NET ASSETS.....	38,715	291,743
FUND NET ASSETS AT BEGINNING OF YEAR (AS RESTATED).....	<u>7,508,417</u>	<u>(389,046)</u>
FUND NET ASSETS AT END OF YEAR.....	<u>\$ 7,547,132</u>	<u>\$ (97,303)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Business-Type Activities - Enterprise Fund</u>	<u>Governmental Activities - Internal Service Funds</u>
	<u>Water and Sewer</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users.....	\$ 10,397,747	\$ 183,861
Receipts from interfund services provided.....	-	1,442,487
Payments to vendors.....	(7,956,227)	-
Payments to employees.....	(159,762)	-
Payments for interfund services used.....	-	(1,481,319)
	<u>2,281,758</u>	<u>145,029</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers out.....	(1,270,254)	(11,623)
Intergovernmental revenue.....	14,176	-
	<u>(1,256,078)</u>	<u>(11,623)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from the issuance of bonds and notes.....	1,936,000	-
Proceeds from the issuance of refunding bonds.....	1,977,339	-
Acquisition and construction of capital assets.....	(968,412)	-
Principal payments on bonds and notes.....	(2,610,871)	-
Interest expense.....	(460,305)	-
	<u>(126,249)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income.....	14,844	11,623
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	914,275	145,029
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (AS RESTATED)</b>		
(Includes \$554,569 reported as restricted in the Water and Sewer Enterprise Fund).....	<u>1,051,928</u>	<u>524,934</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		
(Includes \$810,126 reported as restricted in the Water and Sewer Enterprise Fund).....	<u>\$ 1,966,203</u>	<u>\$ 669,963</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating income (loss).....	\$ 1,750,745	\$ 291,743
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation.....	355,259	-
Changes in assets and liabilities:		
User charges.....	20,479	-
Utility liens.....	12,063	-
Warrants payable.....	138,212	32,583
Other liabilities.....	-	1,281
Liabilities due depositors.....	5,000	-
Accrued health claims payable.....	-	23,422
Workers' compensation.....	-	(204,000)
Total adjustments.....	<u>531,013</u>	<u>(146,714)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 2,281,758</u>	<u>\$ 145,029</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2005

<b>ASSETS</b>	Pension Trust Fund (As of 12/31/04)	Private Purpose Trust Funds	Agency Funds
Cash and short-term investments.....	\$ 670,643	\$ 511,221	\$ 666,611
Investments.....	45,728,722	-	-
Interest and dividends.....	174	-	-
Receivables, net of allowance for uncollectible amounts:			
Intergovernmental.....	3,355,378	-	-
Total assets.....	49,754,917	511,221	666,611
 <b>LIABILITIES</b>			
Warrants payable.....	-	4,000	252,389
Liabilities due depositors.....	-	-	414,222
Total liabilities.....	-	4,000	666,611
 <b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes.....	\$ 49,754,917	\$ 507,221	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Pension Trust Fund (As of 12/31/04)</u>	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Contributions:		
Employer.....	\$ 6,150,836	\$ -
Plan members.....	2,105,885	-
Private donations.....	<u>-</u>	<u>74,579</u>
Total contributions.....	<u>8,256,721</u>	<u>74,579</u>
Net investment income:		
Net appreciation/(depreciation) in fair value of investments.....	4,007,914	-
Interest.....	<u>1,167,242</u>	<u>9,673</u>
Total investment income (loss).....	5,175,156	9,673
Less investment expense.....	<u>(161,256)</u>	<u>-</u>
Net investment income (loss).....	<u>5,013,900</u>	<u>9,673</u>
Intergovernmental.....	<u>331,617</u>	<u>-</u>
Transfers from other systems.....	<u>379,293</u>	<u>-</u>
TOTAL ADDITIONS.....	<u>13,981,531</u>	<u>84,252</u>
<b>DEDUCTIONS</b>		
Administration.....	206,796	-
Retirement benefits and refunds.....	7,167,732	-
Transfers to other systems.....	314,770	-
Scholarships awarded.....	<u>-</u>	<u>39,900</u>
TOTAL DEDUCTIONS.....	<u>7,689,298</u>	<u>39,900</u>
CHANGE IN NET ASSETS.....	6,292,233	44,352
NET ASSETS AT BEGINNING OF YEAR.....	<u>43,462,684</u>	<u>462,869</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 49,754,917</u>	<u>\$ 507,221</u>

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. General**

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**B. Reporting Entity**

The City of Chelsea, Massachusetts (City) is a municipal corporation that is governed by a City Manager and an 11-member elected City Council (Council).

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the City.

The City has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the City (primary government) and its component units.

The City has included one entity as a component unit (blended) in the reporting entity because of the significance of its operational and financial relationship with the City. Blended component units are entities that are legally separate from the City, but are so related that they are, in substance, the same as the City or entities providing services entirely or almost entirely for the benefit of the City.

**Blended Component Unit**

The Chelsea Contributory Retirement System (System) was established to provide retirement benefits to City employees, the Chelsea Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the City Auditor (ex-officio), two members elected by the System's participants, one member appointed by the City Manager and one member appointed by the Retirement Board's members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary funds financial statements.

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 500 Broadway, Chelsea, Massachusetts 02150.

**Joint Venture**

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The City participates in one joint venture with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients. The following table identifies the City's joint venture and related information:

Name	Purpose	Address	Fiscal Year 2005 Assessment
Northeast Metropolitan Regional Vocational School District	To provide vocational education services	100 Hemlock Road Wakefield, MA 01880	\$ 1,562,958

The City is indirectly liable for the Northeast Metropolitan Regional Vocational School District's (District) debt and other expenditures and is assessed annually for its share of operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the address identified above.

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

#### Government-Wide Financial Statements

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

#### Fund Financial Statements

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

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

### D. Measurement Focus, Basis of Accounting and Basis of Presentation

#### Government-Wide and Fund Financial Statements

The government-wide and enterprise fund financial statements apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

#### Government-Wide Financial Statements

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

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

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

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

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

### Fund Financial Statements

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

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

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

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and capital reserves, and planning and development's ongoing and future operations. Use of this fund is subject to Council approval.

The *debt service fund* is used to account for the accumulation of resources and payment of school construction long-term bond principal and interest (see Note 11).

The *school facilities fund* is a capital projects fund used to account for financial resources to expand and upgrade the school facilities.

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

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than capital projects funds or permanent funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support governmental programs.

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

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

The following major proprietary fund is reported:

The *water and sewer enterprise fund* is used to account for the water and sewer activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to retirees' health insurance and workers' compensation.

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

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for various scholarship and welfare funds, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist of performance bonds and bid deposits. Agency funds do not present the results of operations or have a measurement focus.

### ***E. Deposits and Investments***

#### **Government-Wide and Fund Financial Statements**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

## ***F. Accounts Receivable***

### **Government-Wide and Fund Financial Statements**

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

### **Real Estate Taxes, Personal Property Taxes and Tax Liens**

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

### **Motor Vehicle Excise Taxes**

Motor vehicle excise taxes are assessed annually for each vehicle registered in the City and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the City. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

### **Trash**

Trash fees are levied monthly for each type of property that utilizes the collection service and are based upon a third party waste collection contract. Single-family residences are not charged a fee for the services provided. The contract is funded from multi-family residence billings, available funds and the tax levy. Trash fees are recorded as receivables in the fiscal year of the levy.

### **Water and Sewer**

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Water and sewer charges and liens are recorded as receivables in the fiscal year of the levy.

### **Departmental and Other**

Departmental and other receivables consist primarily of police and fire details and are recorded as receivables in the fiscal year accrued.

### **Intergovernmental**

Various state and federal operating and capital grants are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

## Loans

The Department of Planning and Development administers loan programs that provide housing assistance to residents and capital needs for small businesses. Loans are recorded as receivables upon issuance.

### *G. Allowance for Uncollectible Accounts*

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle excise taxes
- Departmental and other
- Loans

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts is not reported.

- Real estate taxes
- Tax and trash liens
- Water and sewer

Intergovernmental receivables are considered 100% collectible.

### *H. Inventories*

#### Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements and therefore are not reported.

### *I. Restricted Assets*

#### Government-Wide and Fund Financial Statements

The assets of the debt service fund (governmental activities) are classified as restricted since their use is limited by the terms of a Trust Agreement (see Note 11).

Certain assets of the enterprise fund are classified as restricted because their use is restricted by contract covenants.

Other assets are reported as restricted when limitations on their use change the nature and availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

### *J. Capital Assets*

#### Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

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

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

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

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

Governmental Fund Financial Statements

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

**K. Interfund Receivables and Payables**

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

**L. Interfund Transfers**

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

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

### Fund Financial Statements

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

#### *M. Deferred Revenue*

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide financial statements (full accrual).

#### *N. Net Assets and Fund Equity*

##### Government-Wide Financial Statements (Net Assets)

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

Net assets have been "restricted" for the following:

"Loans" represents outstanding community development loans receivable.

"Debt service" represents the amount accumulated for the future payment of long-term debt service costs (see Note 11).

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other specific purposes" represents restrictions placed on assets from outside parties.

##### Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been "reserved for" the following:

"Encumbrances and continuing appropriations" represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

"Loans" represents outstanding community development loans receivable.

"Perpetual permanent funds" represents amounts held in trust for which only investment earnings may be expended.

"Other specific purposes" represents restrictions placed on assets from outside parties.

Fund balances have been “designated for” the following:

“Subsequent year’s expenditures” represents amounts appropriated for the fiscal year 2006 operating budget.

***O. Long-term Debt***

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

***P. 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 Massachusetts General Law (MGL).

Investment income and realized gains/losses on investments from the debt service fund are transferred to the general fund. Unrealized gains/losses on investments are retained in the debt service fund.

Except for investment income of the workers’ compensation internal service fund, investment income from proprietary funds is voluntarily assigned and transferred to the general fund.

***Q. Compensated Absences***

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

## ***R. Post Retirement Benefits***

### Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health insurance coverage is provided (on a pay-as-you-go basis) for retired employees (eligibility requirement) and their survivors in accordance with MGL Chapter 32. These costs are recognized by recording the employer's 75% - 90% share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2005, this expenditure totaled approximately \$2,345,000. There were approximately 520 participants eligible to receive benefits at June 30, 2005.

## ***S. Use of Estimates***

### Government-Wide and Fund Financial Statements

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

## ***T. Total Column***

### Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

### Fund Financial Statements

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

## **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### ***A. Budgetary Information***

Municipal Law requires the adoption of a balanced budget that is approved by the City Manager and the Council. The City Manager presents an annual budget to the Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Council, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Council approval via a supplemental appropriation or Council Order.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Generally, expenditures may not exceed the level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the City is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2005 approved budget for the general fund authorized approximately \$101,959,000 in appropriations and other amounts to be raised. During fiscal year 2005, supplemental appropriations totaling approximately \$1,697,000 were authorized.

The Auditor’s office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

**B. Budgetary - GAAP Reconciliation**

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2005, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Budgetary basis as reported on the statement of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 96,403,669	\$ 100,018,425	\$ 3,885,414
<u>Adjustments</u>			
Net change in recording 60-day receipts.....	35,000	-	-
Net change in recording tax refunds payable.....	152,000	-	-
To reclassify investment income related to debt service fund to transfers in.....	(613,671)	-	613,671
To record activity for MTRS on-behalf payments.....	3,490,069	3,490,069	-
Net change in recording short-term interest accrual.....	-	(117,832)	-
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 99,467,067</u>	<u>\$ 103,390,662</u>	<u>\$ 4,499,085</u>

**C. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2005, expenditures exceeded appropriations for debt service - principal. This over-expenditure will be funded by available funds during fiscal year 2006.

**D. Fund Deficits**

At June 30, 2005, the following fund deficits exist:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
School facilities capital project.....	\$ 2,553,746	State grant
Highway improvement special revenue.....	60,765	State grant
Workers' compensation internal service.....	260,953	Employer contributions

**NOTE 3 - DEPOSITS AND INVESTMENTS***City (with the exception of the Pension Trust Fund)*

The municipal finance laws of the Commonwealth authorize the City to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool - the Massachusetts Municipal Depository Trust (MMDT).

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of private purpose trust funds and the pension trust fund are held separately from other City funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's policy is to rely on FDIC and DIF insurance coverage, when applicable. As of June 30, 2005, \$27,822,126 of the City's bank balance of \$28,261,510 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Investments Summary

The City's investments at June 30, 2005 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 2,026,544	\$ -	\$ -	\$ 2,026,544	\$ -
U.S. Agencies.....	10,168,205	-	2,094,085	-	8,074,120
Money market mutual funds.....	4,899,901	4,899,901	-	-	-
Total debt securities.....	17,094,650	\$ 4,899,901	\$ 2,094,085	\$ 2,026,544	\$ 8,074,120
<u>Other Investments:</u>					
External investment pools.....	352,773				
Total investments.....	\$ 17,447,423				

Investments (Debt Securities) - Interest Rate Risk

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The City's policy is to follow the guidelines prescribed by the Commonwealth, which limits the maturities of certain investments, except for those of certain permanent and private purpose trust funds.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk of investments. As of June 30, 2005, \$17,094,650 of the Town's investments of \$17,447,423 was uninsured, not registered in the name of the City and collateralized with securities held by counterparties and, therefore, exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The City's policy is to follow the guidelines prescribed by the Commonwealth, which limits the credit risk of certain investments, except for those of certain permanent and private purpose trust funds. As of June 30, 2005, the City's debt securities were unrated by a national credit quality rating organization.

Deposits and Investments - Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The City does not have a policy for foreign currency risk. As of June 30, 2005, the City was not exposed to foreign currency risk.

Investments - Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not have a policy for concentration of credit risk. As of June 30, 2005, the City did not have any investments with a single issuer that represent 5 percent or more of the City's total investments, nor did the City have any investments with a single issuer that represent 5 percent or more of the City's fund balances/net assets of governmental activities, business-type activities, individual major funds, nonmajor funds in the aggregate, or fiduciary fund types.

*Pension Trust Fund (The System)*

The System has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of June 30, 2005, \$568,025 of the System's bank balance of \$668,025 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Investments Summary

The System's investments at June 30, 2005 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) Less Than 1</u>
<u>Debt Securities:</u>		
Mutual bond funds.....	\$ 11,387,729	\$ <u>11,387,729</u>
<u>Other Investments:</u>		
Equity securities.....	4,760,407	
Equity mutual funds.....	25,817,082	
Real estate investments.....	<u>3,763,504</u>	
Total other investments.....	<u>34,340,993</u>	
Total investments.....	\$ <u>45,728,722</u>	

Investments (Debt Securities) - Interest Rate Risk

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System does not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's policy for custodial credit risk is to insure all of their investments. As of June 30, 2005, the System's investments were insured and, therefore, not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System does not have a policy for credit risk of debt securities. As of June 30, 2005, the City's debt securities were unrated by a national credit quality rating organization.

Deposits and Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The System does not have a policy for foreign currency risk. As of June 30, 2005, the System's exposure to foreign currency risk is as follows:

Deposit/Investment Type	U.S. Dollar Balances	Currency
Equity mutual funds.....	\$ 2,481,584	Japanese Yen
Equity mutual funds.....	1,081,015	British Pound
Equity mutual funds.....	434,282	Hong Kong Dollar
Equity mutual funds.....	335,103	Netherlands Guilder
Equity mutual funds.....	314,429	Swedish Krone
Equity mutual funds.....	273,656	Euro
Equity mutual funds.....	267,182	Australian Dollar
Equity mutual funds.....	223,402	German Mark
Equity mutual funds.....	214,421	Canadian Dollar
Equity mutual funds.....	170,717	Swiss Franc
Equity mutual funds.....	169,321	French Franc
Equity mutual funds.....	159,498	Belgium Franc
Equity mutual funds.....	157,466	Norwegian Krone
Equity mutual funds.....	147,078	Italian Lira
Equity mutual funds.....	95,217	Spanish Peseta
Equity mutual funds.....	85,733	Austrian Schilling
Equity mutual funds.....	84,074	Danish Krone
Equity mutual funds.....	83,926	Singapore Dollar
Equity mutual funds.....	57,883	Finnish Markka
Equity mutual funds.....	51,748	Irish Pound
Equity mutual funds.....	753	New Zealand Dollar
Equity mutual funds.....	75	Malaysian Ringgit
Total.....	\$ 6,888,563	

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System does not have a policy for concentration of credit risk. As of June 30, 2005, the System did not have any investments with a single issuer that represent 5 percent or more of the System's total investments, nor did the System have any investments with a single issuer that represent 5 percent or more of the System's net assets.

**NOTE 4 - ACCOUNTS RECEIVABLE**

At June 30, 2005, receivables for the individual major governmental funds and nonmajor governmental, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 831,023	\$ (100,179)	\$ 730,844
Tax and trash liens.....	854,818	-	854,818
Motor vehicle and other excise taxes.....	1,043,052	(654,008)	389,044
Trash.....	356,708	-	356,708
Departmental and other.....	52,968	-	52,968
Intergovernmental.....	47,397,811	-	47,397,811
Loans.....	2,379,309	-	2,379,309
	<u>\$ 52,915,689</u>	<u>\$ (754,187)</u>	<u>\$ 52,161,502</u>

At June 30, 2005, receivables for the water and sewer enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 2,669,585	\$ -	\$ 2,669,585
Utility liens.....	162,887	-	162,887
	<u>\$ 2,832,472</u>	<u>\$ -</u>	<u>\$ 2,832,472</u>

Governmental funds report *deferred revenue* in connection with receivables and other assets (tax foreclosures) for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the various components of *deferred revenue* reported in the governmental funds:

	General Fund	School Facilities (Major Fund)	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 606,721	\$ -	\$ 606,721
Tax and trash liens.....	854,818	-	854,818
Motor vehicle and other excise taxes.....	389,044	-	389,044
Trash.....	356,708	-	356,708
Intergovernmental (state school construction).....	39,695,950	3,534,282	43,230,232
Tax foreclosures.....	110,016	-	110,016
Total.....	<u>\$ 42,013,257</u>	<u>\$ 3,534,282</u>	<u>\$ 45,547,539</u>

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2005, approximately \$20,933,000 of such assistance was received. Approximately \$57,145,000 will be received in future fiscal years. Of this amount, approximately \$13,915,000 represents reimbursement of long-term interest costs, and approximately \$43,230,000 represents reimbursement of approved construction costs. Accordingly, a \$43,230,232 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

## NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 5,673,731	\$ -	\$ -	\$ 5,673,731
Construction in progress.....	-	1,624,272	-	1,624,272
Total capital assets not being depreciated.....	5,673,731	1,624,272	-	7,298,003
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	139,988,331	495,564	-	140,483,895
Machinery and equipment.....	7,524,935	1,029,503	(22,250)	8,532,188
Infrastructure.....	8,798,785	591,104	-	9,389,889
Total capital assets being depreciated.....	156,312,051	2,116,171	(22,250)	158,405,972
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(26,989,161)	(3,477,150)	-	(30,466,311)
Machinery and equipment.....	(4,616,945)	(682,516)	22,250	(5,277,211)
Infrastructure.....	(3,502,123)	(209,391)	-	(3,711,514)
Total accumulated depreciation.....	(35,108,229)	(4,369,057)	22,250	(39,455,036)
Total capital assets being depreciated, net.....	121,203,822	(2,252,886)	-	118,950,936
Total governmental activities capital assets, net.....	\$ 126,877,553	\$ (628,614)	\$ -	\$ 126,248,939
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<u>Capital assets being depreciated:</u>				
Infrastructure.....	\$ 18,199,169	\$ 968,412	\$ -	\$ 19,167,581
<u>Less accumulated depreciation for:</u>				
Infrastructure.....	(5,733,628)	(355,259)	-	(6,088,887)
Total business-type activities capital assets, net.....	\$ 12,465,541	\$ 613,153	\$ -	\$ 13,078,694

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

**Governmental Activities:**

General government.....	\$	216,932
Public safety.....		339,570
Education.....		3,329,693
Public works.....		344,079
Health and human services.....		42,965
Culture and recreation.....		<u>95,818</u>
Total depreciation expense - governmental activities.....	\$	<u><u>4,369,057</u></u>

**Business-Type Activities:**

Water and sewer.....	\$	<u><u>355,259</u></u>
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**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Receivables and payables between funds at June 30, 2005, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds (Highway Improvement)	\$ <u><u>697,966</u></u> (1)

(1) Represents advance-funding of a state grant

Interfund transfers for the fiscal year ended June 30, 2005, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 397,408	\$ 397,408 (1)
Debt Service Fund.....	566,917	-	566,917 (2)
School Facilities Fund.....	-	51,400	51,400 (3)
Nonmajor Governmental Funds.....	3,148,516	190,274	3,338,790 (4)
Water and Sewer Enterprise Fund.....	1,140,921	129,333	1,270,254 (5)
Internal Service Fund.....	11,623	-	11,623 (6)
	<u>\$ 4,867,977</u>	<u>\$ 768,415</u>	<u>\$ 5,636,392</u>

- (1) Represents funding for surveillance cameras (\$244,408) and various capital improvements (\$153,000)
- (2) Represents transfer of realized investment income
- (3) Represents funding of the Highland Park (\$21,400) and buildings and facilities (\$30,000) capital projects funds
- (4) Represents the close-out of the Fire Station capital projects fund (\$2,848,516); funding of the fiscal year 2005 operating budget (\$125,000); transfer of indirect costs from various federal education grants (\$175,000); transfer from the water and sewer enterprise fund (\$129,333); and programmatic transfers between various capital projects funds (\$60,941)
- (5) Represents transfer of indirect costs (\$1,126,077); voluntary transfer of investment income (\$14,844); and transfer to nonmajor governmental funds (\$129,333)
- (6) Represents voluntary transfer of investment income

**NOTE 7 - CONDUIT DEBT**

In fiscal year 1994, the City, acting by and through its Industrial Development Financing Authority, issued \$95,750,000 in Lease Revenue Bonds (Bonds) as part of a loan and trust agreement with the Massachusetts Industrial Finance Agency (MIFA) for the construction of the *Massachusetts Information Technology Center* (MITC). The proceeds of the Bonds were loaned to the MITC. Simultaneously with the issuance of the Bonds, the Commonwealth entered into a 30-year lease with MIFA that provides for the payment of debt service and other costs associated with the project to a bond trustee. The Commonwealth has pledged its full faith and credit as security for the Bonds. The Bonds are limited obligations of the City and do not represent debt or a pledge of the full faith and credit of the City. At June 30, 2005, the outstanding principal amount of the Bonds totaled \$75,450,000. The land and buildings are owned by MITC until the end of the lease term, at which time ownership is transferred to the Commonwealth.

**NOTE 8 - SHORT-TERM FINANCING**

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2005, is as follows:

*Notes Payable - Governmental Funds*

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2004	Increases	Decreases	Balance at 6/30/2005
BAN	School Construction.....	4/15/03	4/15/05	4.00%	\$ 16,000,000	\$ -	\$ (16,000,000)	\$ -
BAN	School Construction.....	4/15/05	10/15/05	2.39%	-	3,452,710	-	3,452,710
Total.....					\$ 16,000,000	\$ 3,452,710	\$ (16,000,000)	\$ 3,452,710

**NOTE 9 - LONG-TERM OBLIGATIONS**

Chapter 44, Section 10, of the MGL authorizes indebtedness up to a limit of 2 ½% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit”. However, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

Details related to the outstanding indebtedness at June 30, 2005, and the debt service requirements are as follows:

***Bonds and Notes Payable - Governmental Funds***

Project	Interest Rate	Outstanding at June 30, 2004 **	Additions	Reductions	Outstanding at June 30, 2005
State loan.....	0.00%	\$ 660,369	\$ -	\$ (220,121)	\$ 440,248
Consolidation/Receivership.....	5.90 - 6.00%	195,000	-	(100,000)	95,000
Municipal purpose.....	4.30 - 5.75%	1,368,870	-	(1,095,433)	273,437
School buildings refunding.....	3.65 - 5.13%	40,550,000	-	(165,000)	40,385,000
Urban renewal*.....	6.15 - 6.35%	6,250,000	-	(420,000)	5,830,000
Urban renewal.....	4.50 - 4.70%	100,000	-	(10,000)	90,000
Municipal purpose.....	4.50 - 4.70%	524,950	-	(89,990)	434,960
Municipal purpose.....	4.10 - 5.00%	922,486	-	(174,226)	748,260
School buildings refunding.....	2.00 - 5.00%	16,440,000	-	(5,500,000)	10,940,000
School building remodeling.....	2.37 - 4.75%	1,600,000	-	(80,000)	1,520,000
Municipal purpose.....	3.00 - 4.00%	-	641,000	-	641,000
Municipal purpose refunding....	3.00 - 4.50%	-	1,007,661	-	1,007,661
Total.....		\$ 68,611,675	\$ 1,648,661	\$ (7,854,770)	\$ 62,405,566

\* Federally taxable general obligation bonds

\*\* As restated and more fully described in Note 16 on pages 72-73 of this report

Debt service requirements for principal and interest for governmental bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006.....	\$ 6,970,284	\$ 3,270,717	\$ 10,241,001
2007.....	6,750,491	2,937,421	9,687,912
2008.....	6,598,357	2,611,509	9,209,866
2009.....	6,601,670	2,253,541	8,855,211
2010.....	6,512,492	1,895,137	8,407,629
2011.....	6,504,492	1,540,318	8,044,810
2012.....	6,411,309	1,187,488	7,598,797
2013.....	3,564,621	835,962	4,400,583
2014.....	1,717,933	655,307	2,373,240
2015.....	2,736,245	565,533	3,301,778
2016.....	5,943,645	423,218	6,366,863
2017.....	605,270	113,760	719,030
2018.....	551,257	79,271	630,528
2019.....	517,500	47,110	564,610
2020.....	90,000	16,470	106,470
2021.....	90,000	12,770	102,770
2022.....	80,000	9,260	89,260
2023.....	80,000	5,700	85,700
2024.....	80,000	3,800	83,800
Total.....	\$ <u>62,405,566</u>	\$ <u>18,464,292</u>	\$ <u>80,869,858</u>

During fiscal year 2005, the City issued \$641,000 of general obligation bonds for equipment and building remodeling.

During fiscal year 1986, the Commonwealth issued an interest free loan to help finance general operating and maintenance costs. At June 30, 2005, the outstanding principal amount of this loan totaled \$440,248. All other outstanding governmental long-term debt represents general obligation bonds.

**Bonds and Notes Payable - Enterprise Fund**

Project	Interest Rate	Outstanding at June 30, 2004 *	Additions	Reductions	Outstanding at June 30, 2005
Sewer notes (MWRA).....	0.00%	18,645	-	(18,645)	-
Sewer notes (MWRA).....	0.00%	169,136	-	(42,284)	126,852
Sewer notes (MWRA).....	0.00%	150,897	-	(50,299)	100,598
Water notes (MWRA).....	0.00%	192,920	-	(19,292)	173,628
Water and sewer bonds.....	4.30 - 5.75%	2,686,129	-	(2,149,567)	536,562
Water and sewer bonds.....	4.50 - 4.70%	1,205,050	-	(70,010)	1,135,040
Water and sewer bonds.....	4.10 - 5.00%	1,517,511	-	(110,774)	1,406,737
Water and sewer bonds.....	4.80 - 5.20%	1,150,000	-	(85,000)	1,065,000
Water.....	2.37 - 4.75%	310,000	-	(17,500)	292,500
Sewer.....	2.37 - 4.75%	930,000	-	(47,500)	882,500
Water and sewer bonds.....	3.00 - 4.00%	-	1,936,000	-	1,936,000
Water and sewer refunding....	3.00 - 4.50%	-	1,977,339	-	1,977,339
Total.....		\$ 8,330,288	\$ 3,913,339	\$ (2,610,871)	\$ 9,632,756

\* As restated and more fully described in Note 16 on pages 72-73 of this report

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2006.....	\$ 943,712	\$ 379,642	\$ 1,323,354
2007.....	856,510	346,380	1,202,890
2008.....	733,219	316,966	1,050,185
2009.....	687,623	292,265	979,888
2010.....	706,800	267,509	974,309
2011.....	704,800	241,669	946,469
2012.....	707,983	215,406	923,389
2013.....	694,671	187,000	881,671
2014.....	691,359	158,858	850,217
2015.....	668,755	130,570	799,325
2016.....	476,355	102,123	578,478
2017.....	464,731	80,272	545,003
2018.....	358,741	58,908	417,649
2019.....	292,500	42,110	334,610
2020.....	205,000	28,278	233,278
2021.....	204,997	18,560	223,557
2022.....	115,000	11,050	126,050
2023.....	60,000	5,702	65,702
2024.....	60,000	2,850	62,850
Total.....	\$ 9,632,756	\$ 2,886,118	\$ 12,518,874

During fiscal year 2005, the City issued \$1,936,000 of general obligation bonds to finance water and sewer improvements.

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA typically consists of a grant and non-interest bearing loan (payable in five or ten equal annual installments). At June 30, 2005, the outstanding principal amount of these loans totaled \$401,078. All other outstanding enterprise long-term debt represents general obligation bonds.

Advanced Refunding - April 1, 2005

The City issued \$2,985,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$2,795,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$115,885. This amount is being netted against the new debt and amortized in the current fiscal year. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$83,244 and resulted in an economic gain of \$83,780.

Details of the advanced refunding by major fund are as follows:

<u>Description</u>	<u>General Fund</u>	<u>Water/Sewer Enterprise</u>	<u>Total</u>
Refunding bonds issued.....	\$ 1,007,661	\$ 1,977,339	\$ 2,985,000
Refunded bonds defeased.....	(943,524)	(1,851,476)	(2,795,000)
Bond issuance costs.....	<u>(25,019)</u>	<u>(49,096)</u>	<u>(74,115)</u>
Net loss on refunding.....	<u>\$ 39,118</u>	<u>\$ 76,767</u>	<u>\$ 115,885</u>

<u>Description</u>	<u>General Fund</u>	<u>Water/Sewer Enterprise</u>	<u>Total</u>
Net change in debt service payments.....	<u>\$ 28,104</u>	<u>\$ 55,140</u>	<u>\$ 83,244</u>

<u>Description</u>	<u>General Fund</u>	<u>Water/Sewer Enterprise</u>	<u>Total</u>
Economic gain.....	<u>\$ 28,282</u>	<u>\$ 55,498</u>	<u>\$ 83,780</u>

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2005, the City had the following authorized and unissued debt:

Purpose	Amount
Unfunded pension liability.....	\$ 47,000,000
High school extension.....	13,697,290
Funding of Capital Improvement Plan (CIP).....	2,877,140
Refunding of previously issued debt.....	<u>265,000</u>
Total.....	<u>\$ 63,839,430</u>

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2005, the following changes occurred in long-term liabilities:

	Balance June 30, 2004	Increases	Decreases	Balance June 30, 2005	Current Portion
<b>Governmental Activities:</b>					
Bonds and notes payable *.....	\$ 68,611,675	\$ 1,648,661	\$ (7,854,770)	\$ 62,405,566	\$ 6,970,284
Workers' compensation claims.....	804,000	169,454	(373,454)	600,000	250,000
Compensated absences.....	<u>2,083,000</u>	<u>389,000</u>	<u>(76,000)</u>	<u>2,396,000</u>	<u>727,000</u>
Total.....	<u>\$ 71,498,675</u>	<u>\$ 2,207,115</u>	<u>\$ (8,304,224)</u>	<u>\$ 65,401,566</u>	<u>\$ 7,947,284</u>
<b>Business-type Activities:</b>					
Bonds and notes payable *.....	<u>\$ 8,330,288</u>	<u>\$ 3,913,339</u>	<u>\$ (2,610,871)</u>	<u>\$ 9,632,756</u>	<u>\$ 943,712</u>

\* As restated and more fully described in Note 16 on pages 72-73 of this report

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund’s long-term liabilities are included as part of the governmental activities totals above. At fiscal year-end, \$600,000 of the internal service funds accrued liabilities (workers’ compensation claims) is included above. Except for the amounts related to the internal service funds, the governmental activities long-term liabilities are generally liquidated by the general fund.

**NOTE 10 - STABILIZATION FUND**

At June 30, 2005, \$4,119,036 has been set aside in a stabilization fund, which is classified as a major fund in the governmental funds financial statements. Of the total stabilization fund balance, \$3,239,836 can be used for general and/or capital purposes, \$753,605 for capital purposes, and \$125,595 for the Department of Planning and Development’s ongoing and future operations, upon Council approval.

**NOTE 11 – DEBT SERVICE FUND**

During fiscal year 1995, the City issued \$109,975,000 in school construction general obligation bonds (Bonds). Simultaneously with the issuance of the Bonds, the City entered into a Trust Agreement (Agreement) to further secure the City's obligation related to the repayment of the Bonds. The Agreement provided that the City establish a Debt Service Fund (Fund) in the amount of the MSBA's (formerly the School Building Assistance Bureau) first payment to the City. This payment was received during fiscal year 1995 in the amount of \$8,433,352. The purpose of the Fund is to provide for any deficiencies on bond principal and interest payments throughout the loan period and to make final payment on the Bonds in fiscal year 2016. Investment income and realized gains (losses) on investments of the Fund are transferred to the general fund. Unrealized gains (losses) on investments are reported in the Fund.

**NOTE 12 – RISK FINANCING**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City participates in a premium-based health care plan for its active employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The City is self-insured for its retirees' health insurance and 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.

**A. Retiree Health Insurance**

The estimated "Incurred But Not Reported (IBNR)" claims are based on a three month claims paid average. The liability at June 30, 2005 totaled \$132,422. Changes in the reported liability since July 1, 2003, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-end
Fiscal year 2004.....	\$ 120,000	\$ 772,941	\$ (783,941)	\$ 109,000
Fiscal year 2005.....	109,000	1,165,078	(1,141,656)	132,422

**B. Workers' Compensation**

Workers' compensation claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future liability is based on history and injury type.

The liability at June 30, 2005, totaled \$600,000. Changes in the reported liability since July 1, 2003, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-end
Fiscal year 2004.....	\$ 505,000	\$ 599,263	\$ (300,263)	\$ 804,000
Fiscal year 2005.....	804,000	169,454	(373,454)	600,000

**NOTE 13 - PENSION PLAN**

*Plan Description* - The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Chelsea Contributory Retirement Board. Substantially all employees of the City are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts’s Teachers Retirement System (MTRS), to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$3,490,000 for the fiscal year ended June 30, 2005, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be authorized by the Chelsea Contributory Retirement Board and are borne by the System. The System issues a publicly available report in accordance with guidelines established by the Commonwealth’s PERAC. That report may be obtained by contacting the System located at 500 Broadway, Chelsea, Massachusetts 02150.

At December 31, 2004, the System’s membership consists of the following:

Active members.....	689
Inactive members.....	111
Disabled members.....	97
Retirees and beneficiaries currently receiving benefits.....	<u>345</u>
 Total.....	 <u><u>1,242</u></u>

*Funding Policy* - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of MGL governs the contributions of plan members. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the City to contribute 91%, 91% and 92%, respectively, of the total.

*Annual Pension Cost* - The City’s contributions to the System for the fiscal years ended June 30, 2005, 2004, and 2003 were \$5,597,912, \$5,271,131, and \$5,686,370, respectively. At June 30, 2005, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.25% rate of return and projected salary increases ranging from 4.75% to 8.00% per year. The actuarial value of the System’s assets was determined using the fair value of the assets. The System’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining amortization period at January 1, 2005, was 23 years. This remaining amortization period is closed.

**SCHEDULE OF FUNDING PROGRESS**  
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/05	\$ 50,307	\$ 114,626	\$ 64,319	43.9%	\$ 24,443	263.1%
01/01/03	40,964	105,624	64,660	38.8%	23,843	271.2%
01/01/01	39,748	88,940	49,192	44.7%	20,266	242.7%
01/01/99	39,899	84,532	44,633	47.2%	17,364	257.0%
01/01/97	31,509	67,398	35,889	46.8%	16,135	222.4%
01/01/95	23,417	59,902	36,485	39.1%	14,254	256.0%

Funding progress is reported based on the biennial actuarial valuation performed by the System and is being accumulated on a biennial basis. The City is responsible for approximately 91% of the unfunded liability.

**Noncontributory Retirement Allowance** - The City pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for fiscal year 2005 totaled approximately \$115,000.

**NOTE 14 - COMMITMENTS**

The City has entered into, or is planning to enter into, contracts totaling approximately \$14,829,000 for equipment acquisition, parks and open space, public buildings and facilities, public safety, roadway, water distribution and sewer collection system improvements in accordance with its five-year capital improvement plan for fiscal years 2006 through 2010.

**NOTE 15 - CONTINGENCIES**

Various legal actions and claims are pending against the City. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2005, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2005.

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2005, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**NOTE 16 - IMPLEMENTATION OF GASB PRONOUNCEMENTS/PRIOR PERIOD ADJUSTMENT**

During fiscal year 2005, the City implemented GASB Statement # 40 - *Deposit and Investment Risk Disclosures*, an amendment to GASB Statement No. 3, which established and modified disclosure requirements for deposit and investment risks (see Note 3).

The following changes have been made to beginning fund balances and net assets:

	General Fund	Governmental Activities	Water/Sewer Enterprise Fund and Business-Type Activities
Fund balances/net assets at June 30, 2004, as previously reported.....	\$ 11,059,790	\$ 131,453,568	\$ 7,549,813
To reclassify prior periods' debt principal payments.....	(399,139)	-	-
To reclassify prior periods' debt interest payments.....	41,396	41,396	(41,396)
Fund balances/net assets at June 30, 2004, as restated.....	<u>\$ 10,702,047</u>	<u>\$ 131,494,964</u>	<u>\$ 7,508,417</u>

The beginning budgetary fund balance of the general fund, per the statement of revenues, expenditures and changes in fund balance - budget and actual, has been restated from \$11,612,804 to \$11,255,061 to reclassify prior periods' debt service payments.

**NOTE 17 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The GASB has issued the following statements:

- Statement #42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which is required to be implemented during fiscal year 2006.
- Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented during fiscal year 2007.
- Statement #44, *Economic Condition Reporting: The Statistical Section*, which is required to be implemented during fiscal year 2006.
- Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented during fiscal year 2008.
- Statement #46, *Net Assets Restricted by Enabling Legislation, an amendment of GASB Statement No. 34*, which is required to be implemented during fiscal year 2006.
- Statement #47, *Accounting for Termination Benefits*, which is required to be implemented during fiscal year 2006.

These pronouncements will be implemented by their respective due dates.

# Combining and Individual Fund Statements and Schedules

# *Nonmajor Governmental Funds*

## **Narrative**

### *Special Revenue Funds*

Special revenue funds are used to account for the proceeds of specific revenue sources (other than capital projects funds or permanent funds) that are restricted by law or administrative action to expenditures for specified purposes.

*Highway Improvement* – accounts for roadway improvements for which expenditures are reimbursed 100% by the Commonwealth.

*Community Development* – accounts for all federal, state and locally funded community development projects.

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

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

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

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

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

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

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

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

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

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

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

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds). The capital projects funds are grouped into the following categories:

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

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

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

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

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2005

*Special Revenue Funds*

ASSETS	Highway Improvement	Community Development	City Revolving	Receipts Reserved
Cash and short-term investments.....	\$ -	\$ 3,603,423	\$ 41,309	\$ 3,256,953
Receivables, net of allowance for uncollectible amounts:				
Departmental and other.....	-	-	52,968	-
Intergovernmental.....	637,201	-	-	-
Loans.....	-	2,379,309	-	-
Restricted assets:				
Cash and short-term investments.....	-	140,000	-	-
<b>TOTAL ASSETS.....</b>	<b><u>\$ 637,201</u></b>	<b><u>\$ 6,122,732</u></b>	<b><u>\$ 94,277</u></b>	<b><u>\$ 3,256,953</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Warrants payable.....	\$ -	\$ 319,930	\$ 1,327	\$ 6,507
Due to other funds.....	697,966	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b><u>697,966</u></b>	<b><u>319,930</u></b>	<b><u>1,327</u></b>	<b><u>6,507</u></b>
 <b>FUND BALANCES:</b>				
Reserved for:				
Loans.....	-	2,379,309	-	-
Perpetual permanent funds.....	-	-	-	-
Other specific purposes.....	-	-	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds.....	(60,765)	3,423,493	92,950	3,250,446
Capital projects funds.....	-	-	-	-
Permanent funds.....	-	-	-	-
<b>TOTAL FUND BALANCES.....</b>	<b><u>(60,765)</u></b>	<b><u>5,802,802</u></b>	<b><u>92,950</u></b>	<b><u>3,250,446</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b><u>\$ 637,201</u></b>	<b><u>\$ 6,122,732</u></b>	<b><u>\$ 94,277</u></b>	<b><u>\$ 3,256,953</u></b>

*Special Revenue Funds*

City Gifts	City State Grants	City Federal Grants	School Lunch	School Revolving	School Gifts	School State Grants
\$ 50,783	\$ 573,934	\$ 121,344	\$ 264,505	\$ 316,554	\$ 564,445	\$ 659,127
-	-	-	-	-	-	-
-	-	-	175,000	-	-	-
-	-	-	-	-	-	-
<u>50,783</u>	<u>573,934</u>	<u>121,344</u>	<u>439,505</u>	<u>316,554</u>	<u>564,445</u>	<u>659,127</u>
\$ 211	\$ 67,732	\$ 7,488	\$ 221,761	\$ 40,351	\$ 1,100	\$ 91,468
-	-	-	-	-	-	-
211	67,732	7,488	221,761	40,351	1,100	91,468
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	506,202	113,856	-	-	-	567,659
50,572	-	-	217,744	276,203	563,345	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>50,572</u>	<u>506,202</u>	<u>113,856</u>	<u>217,744</u>	<u>276,203</u>	<u>563,345</u>	<u>567,659</u>
<u>\$ 50,783</u>	<u>\$ 573,934</u>	<u>\$ 121,344</u>	<u>\$ 439,505</u>	<u>\$ 316,554</u>	<u>\$ 564,445</u>	<u>\$ 659,127</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2005

	<i>Special Revenue Funds</i>		<i>Capital Projects Funds</i>	
ASSETS	School Federal Grants	Sub-total	Urban Renewal	Other Capital
Cash and short-term investments.....	\$ 946,850	\$ 10,399,227	\$ 262,742	\$ 950,954
Receivables, net of allowance for uncollectible amounts:				
Departmental and other.....	-	52,968	-	-
Intergovernmental.....	-	812,201	-	-
Loans.....	-	2,379,309	-	-
Restricted assets:				
Cash and short-term investments.....	-	140,000	-	150,476
<b>TOTAL ASSETS.....</b>	<b>\$ 946,850</b>	<b>\$ 13,783,705</b>	<b>\$ 262,742</b>	<b>\$ 1,101,430</b>
 <b>LIABILITIES AND FUND BALANCES</b>				
LIABILITIES:				
Warrants payable.....	\$ 46,905	\$ 804,780	\$ 3,240	\$ 81,663
Due to other funds.....	-	697,966	-	-
<b>TOTAL LIABILITIES.....</b>	<b>46,905</b>	<b>1,502,746</b>	<b>3,240</b>	<b>81,663</b>
 FUND BALANCES:				
Reserved for:				
Loans.....	-	2,379,309	-	-
Perpetual permanent funds.....	-	-	-	-
Other specific purposes.....	899,945	2,087,662	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds.....	-	7,813,988	-	-
Capital projects funds.....	-	-	259,502	1,019,767
Permanent funds.....	-	-	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>899,945</b>	<b>12,280,959</b>	<b>259,502</b>	<b>1,019,767</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 946,850</b>	<b>\$ 13,783,705</b>	<b>\$ 262,742</b>	<b>\$ 1,101,430</b>

<i>Capital Projects Funds</i>		<i>Permanent Funds</i>			Total Nonmajor Governmental Funds
Sub-total	Health and Human Services	Culture and Recreation	Sub-total		
\$ 1,213,696	\$ -	\$ -	\$ -	\$ -	\$ 11,612,923
-	-	-	-	-	52,968
-	-	-	-	-	812,201
-	-	-	-	-	2,379,309
150,476	12,745	97,572	110,317	-	400,793
<u>\$ 1,364,172</u>	<u>\$ 12,745</u>	<u>\$ 97,572</u>	<u>\$ 110,317</u>	<u>\$ -</u>	<u>\$ 15,258,194</u>
\$ 84,903	\$ -	\$ -	\$ -	\$ -	\$ 889,683
-	-	-	-	-	697,966
84,903	-	-	-	-	1,587,649
-	-	-	-	-	2,379,309
-	11,996	10,396	22,392	-	22,392
-	-	-	-	-	2,087,662
-	-	-	-	-	7,813,988
1,279,269	-	-	-	-	1,279,269
-	749	87,176	87,925	-	87,925
1,279,269	12,745	97,572	110,317	-	13,670,545
<u>\$ 1,364,172</u>	<u>\$ 12,745</u>	<u>\$ 97,572</u>	<u>\$ 110,317</u>	<u>\$ -</u>	<u>\$ 15,258,194</u>

(Concluded)

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<i>Special Revenue Funds</i>			
	Highway Improvement	Community Development	City Revolving	Receipts Reserved
<b>REVENUES</b>				
Charges for services.....	\$ -	\$ -	\$ 1,067,142	\$ 155,981
Intergovernmental .....	1,180,483	506,864	15,205	-
Licenses, permits and fees.....	-	-	-	40,810
Departmental.....	-	524,880	36,402	-
Contributions.....	-	140,000	-	-
Investment income.....	-	177,282	-	-
<b>TOTAL REVENUES.....</b>	<b>1,180,483</b>	<b>1,349,026</b>	<b>1,118,749</b>	<b>196,791</b>
<b>EXPENDITURES</b>				
Current:				
General government.....	-	-	213	73,395
Public safety.....	-	-	1,067,350	-
Education.....	-	-	-	-
Public works.....	1,166,825	-	-	-
Health and human services.....	-	-	36,477	-
Culture and recreation.....	-	-	44,902	-
Community development.....	-	1,589,579	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>1,166,825</b>	<b>1,589,579</b>	<b>1,148,942</b>	<b>73,395</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>13,658</b>	<b>(240,553)</b>	<b>(30,193)</b>	<b>123,396</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in.....	-	-	-	-
Proceeds of bonds and notes.....	-	-	-	-
Proceeds of refunding bonds.....	-	-	-	-
Premium from issuance of refunding bonds.....	-	-	-	-
Sale of capital assets.....	-	-	-	25,000
Transfers out.....	-	-	-	(125,000)
Payments to refunding bond escrow agent.....	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100,000)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>13,658</b>	<b>(240,553)</b>	<b>(30,193)</b>	<b>23,396</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>(74,423)</b>	<b>6,043,355</b>	<b>123,143</b>	<b>3,227,050</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ (60,765)</b>	<b>\$ 5,802,802</b>	<b>\$ 92,950</b>	<b>\$ 3,250,446</b>

*Special Revenue Funds*

City Gifts	City State Grants	City Federal Grants	School Lunch	School Revolving	School Gifts	School State Grants
\$ -	\$ -	\$ -	\$ 640,894	\$ 249,864	\$ -	\$ -
5,628	1,043,056	734,874	1,766,313	-	-	2,024,600
-	-	-	-	-	-	-
-	-	-	-	-	-	-
6,924	-	-	-	-	184,524	-
-	-	3,289	-	-	-	-
<u>12,552</u>	<u>1,043,056</u>	<u>738,163</u>	<u>2,407,207</u>	<u>249,864</u>	<u>184,524</u>	<u>2,024,600</u>
604	-	-	-	-	-	-
560	586,615	218,646	-	-	-	-
4,350	-	-	2,831,711	227,817	286,395	1,854,983
-	9,851	-	-	-	-	-
12,846	516,745	483,734	-	-	-	-
5,513	59,748	-	-	-	-	-
-	-	-	-	-	-	-
<u>23,873</u>	<u>1,172,959</u>	<u>702,380</u>	<u>2,831,711</u>	<u>227,817</u>	<u>286,395</u>	<u>1,854,983</u>
<u>(11,321)</u>	<u>(129,903)</u>	<u>35,783</u>	<u>(424,504)</u>	<u>22,047</u>	<u>(101,871)</u>	<u>169,617</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(1,879)
-	-	-	-	-	-	-
-	-	-	-	-	-	(1,879)
<u>(11,321)</u>	<u>(129,903)</u>	<u>35,783</u>	<u>(424,504)</u>	<u>22,047</u>	<u>(101,871)</u>	<u>167,738</u>
<u>61,893</u>	<u>636,105</u>	<u>78,073</u>	<u>642,248</u>	<u>254,156</u>	<u>665,216</u>	<u>399,921</u>
<u>\$ 50,572</u>	<u>\$ 506,202</u>	<u>\$ 113,856</u>	<u>\$ 217,744</u>	<u>\$ 276,203</u>	<u>\$ 563,345</u>	<u>\$ 567,659</u>

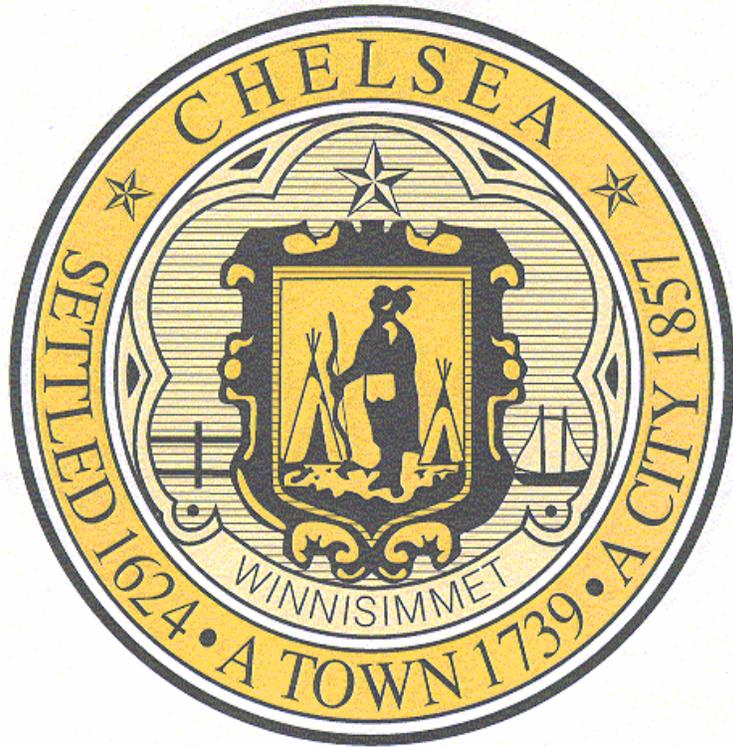
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**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<i>Special Revenue Funds</i>		<i>Capital Projects Funds</i>	
	School Federal Grants	Sub-total	Urban Renewal	Other Capital
<b>REVENUES</b>				
Charges for services.....	\$ -	\$ 2,113,881	\$ -	\$ 10,000
Intergovernmental .....	6,130,641	13,407,664	-	-
Licenses, permits and fees.....	-	40,810	-	-
Departmental.....	-	561,282	-	9,576
Contributions.....	-	331,448	-	-
Investment income.....	-	180,571	10,196	-
<b>TOTAL REVENUES.....</b>	<b>6,130,641</b>	<b>16,635,656</b>	<b>10,196</b>	<b>19,576</b>
<b>EXPENDITURES</b>				
Current:				
General government.....	-	74,212	-	430,800
Public safety.....	-	1,873,171	-	1,670,865
Education.....	6,256,575	11,461,831	-	-
Public works.....	-	1,176,676	-	498,727
Health and human services.....	-	1,049,802	-	-
Culture and recreation.....	-	110,163	-	-
Community development.....	-	1,589,579	66,032	369,353
<b>TOTAL EXPENDITURES.....</b>	<b>6,256,575</b>	<b>17,335,434</b>	<b>66,032</b>	<b>2,969,745</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(125,934)</b>	<b>(699,778)</b>	<b>(55,836)</b>	<b>(2,950,169)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in.....	13,775	13,775	-	754,640
Proceeds of bonds and notes.....	-	-	-	641,000
Proceeds of refunding bonds.....	-	-	-	1,007,661
Premium from issuance of refunding bonds.....	-	-	-	18,978
Sale of capital assets.....	-	25,000	-	-
Transfers out.....	(186,896)	(313,775)	-	(3,025,015)
Payments to refunding bond escrow agent.....	-	-	-	(1,001,620)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(173,121)</b>	<b>(275,000)</b>	<b>-</b>	<b>(1,604,356)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(299,055)</b>	<b>(974,778)</b>	<b>(55,836)</b>	<b>(4,554,525)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>1,199,000</b>	<b>13,255,737</b>	<b>315,338</b>	<b>5,574,292</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 899,945</b>	<b>\$ 12,280,959</b>	<b>\$ 259,502</b>	<b>\$ 1,019,767</b>

<i>Capital Projects Funds</i>		<i>Permanent Funds</i>		Total Nonmajor Governmental Funds
Sub-total	Health and Human Services	Culture and Recreation	Sub-total	
\$ 10,000	\$ -	\$ -	\$ -	\$ 2,123,881
-	-	-	-	13,407,664
-	-	-	-	40,810
9,576	-	-	-	570,858
-	-	550	550	331,998
<u>10,196</u>	<u>-</u>	<u>1,957</u>	<u>1,957</u>	<u>192,724</u>
<u>29,772</u>	<u>-</u>	<u>2,507</u>	<u>2,507</u>	<u>16,667,935</u>
430,800	-	-	-	505,012
1,670,865	-	-	-	3,544,036
-	-	-	-	11,461,831
498,727	-	-	-	1,675,403
-	-	-	-	1,049,802
-	-	1,571	1,571	111,734
<u>435,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,024,964</u>
<u>3,035,777</u>	<u>-</u>	<u>1,571</u>	<u>1,571</u>	<u>20,372,782</u>
<u>(3,006,005)</u>	<u>-</u>	<u>936</u>	<u>936</u>	<u>(3,704,847)</u>
754,640	-	-	-	768,415
641,000	-	-	-	641,000
1,007,661	-	-	-	1,007,661
18,978	-	-	-	18,978
-	-	-	-	25,000
(3,025,015)	-	-	-	(3,338,790)
<u>(1,001,620)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,001,620)</u>
<u>(1,604,356)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,879,356)</u>
(4,610,361)	-	936	936	(5,584,203)
<u>5,889,630</u>	<u>12,745</u>	<u>96,636</u>	<u>109,381</u>	<u>19,254,748</u>
<u>\$ 1,279,269</u>	<u>\$ 12,745</u>	<u>\$ 97,572</u>	<u>\$ 110,317</u>	<u>\$ 13,670,545</u>

(Concluded)



## *Internal Service Funds*

### **Narrative**

Internal service funds are used to account for the financing of services provided by one department to other departments or governmental units. The risk financing activities related to retirees' health insurance and workers' compensation are accounted for in the internal service fund and are categorized as follows:

*Retirees' Health Insurance* – accounts for the health insurance activities of retirees' who are eligible to participate in the Blue Cross Blue Shield MEDEX plan.

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

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF FUND NET ASSETS**

JUNE 30, 2005

<b>ASSETS</b>	<u>Retirees' Health Insurance</u>	<u>Workers' Compensation</u>	<u>Total</u>
Current assets:			
Cash and short-term investments.....	\$ 296,072	\$ 373,891	\$ 669,963
 <b>LIABILITIES</b>			
Current liabilities:			
Warrants payable.....	-	32,583	32,583
Abandoned property.....	-	2,261	2,261
Accrued health claims payable.....	132,422	-	132,422
Workers' compensation claims.....	-	250,000	250,000
Total current liabilities.....	<u>132,422</u>	<u>284,844</u>	<u>417,266</u>
Noncurrent liabilities:			
Workers' compensation claims.....	-	350,000	350,000
Total liabilities.....	<u>132,422</u>	<u>634,844</u>	<u>767,266</u>
 <b>FUND NET ASSETS</b>			
Unrestricted.....	<u>\$ 163,650</u>	<u>\$ (260,953)</u>	<u>\$ (97,303)</u>

**INTERNAL SERVICE FUNDS**  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Retirees' Health Insurance	Workers' Compensation	Total
<b>OPERATING REVENUES</b>			
Employer contributions.....	\$ 1,000,000	\$ 442,487	\$ 1,442,487
Employee contributions.....	183,861	-	183,861
<b>TOTAL OPERATING REVENUES.....</b>	<b>1,183,861</b>	<b>442,487</b>	<b>1,626,348</b>
<b>OPERATING EXPENSES</b>			
Employee benefits.....	1,164,864	169,741	1,334,605
<b>OPERATING INCOME (LOSS).....</b>	<b>18,997</b>	<b>272,746</b>	<b>291,743</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income.....	11,409	214	11,623
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>30,406</b>	<b>272,960</b>	<b>303,366</b>
<b>TRANSFERS</b>			
Transfers out.....	(11,623)	-	(11,623)
<b>CHANGE IN FUND NET ASSETS.....</b>	<b>18,783</b>	<b>272,960</b>	<b>291,743</b>
<b>FUND NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>144,867</b>	<b>(533,913)</b>	<b>(389,046)</b>
<b>FUND NET ASSETS AT END OF YEAR.....</b>	<b>\$ 163,650</b>	<b>\$ (260,953)</b>	<b>\$ (97,303)</b>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Retirees' Health Insurance	Workers' Compensation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users.....	\$ 183,861	\$ -	\$ 183,861
Receipts from interfund services provided.....	1,000,000	442,487	1,442,487
Payments for interfund services used.....	(1,141,441)	(339,878)	(1,481,319)
	42,420	102,609	145,029
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers out.....	(11,623)	-	(11,623)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income.....	11,409	214	11,623
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	42,206	102,823	145,029
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	253,866	271,068	524,934
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 296,072	\$ 373,891	\$ 669,963
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating income (loss).....	\$ 18,997	\$ 272,746	\$ 291,743
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Changes in assets and liabilities:			
Warrants payable.....	1	32,582	32,583
Other liabilities.....	-	1,281	1,281
Accrued health claims payable.....	23,422	-	23,422
Workers' compensation.....	-	(204,000)	(204,000)
Total adjustments.....	23,423	(170,137)	(146,714)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 42,420	\$ 102,609	\$ 145,029

## *Agency Funds*

### **Narrative**

The agency fund is a fiduciary fund used to account for assets held in a custodial capacity.

**AGENCY FUNDS**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
<b>ASSETS</b>				
Cash and short-term investments.....	\$ 285,895	\$ 720,118	\$ (339,402)	\$ 666,611
<b>LIABILITIES</b>				
Warrants payable.....	\$ 500	\$ 337,287	\$ (85,398)	\$ 252,389
Liabilities due depositors.....	285,395	382,831	(254,004)	414,222
Total liabilities.....	\$ 285,895	\$ 720,118	\$ (339,402)	\$ 666,611

## *General Fund*

### **Narrative**

The general fund is the general operating fund. It is used to account for all financial resources, except those required to be accounted for in another fund.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
<b>REVENUES</b>				
Real estate and personal property taxes.....	\$ 25,771,817	\$ 25,771,817	\$ 25,809,104	\$ 37,287
Motor vehicle and other excise taxes.....	2,361,400	2,361,400	2,933,506	572,106
Tax and trash liens.....	-	-	338,515	338,515
Payments in lieu of taxes.....	1,592,945	1,592,945	609,949	(982,996)
Trash disposal.....	1,153,657	1,153,657	1,120,391	(33,266)
Intergovernmental.....	59,962,473	59,962,473	61,068,227	1,105,754
Penalties and interest on taxes.....	160,000	160,000	331,215	171,215
Licenses, permits and fees.....	1,333,060	1,333,060	1,582,402	249,342
Fines and forfeitures.....	1,693,163	1,693,163	1,509,779	(183,384)
Departmental.....	-	-	62,754	62,754
Investment income.....	1,500,000	1,500,000	1,037,827	(462,173)
<b>TOTAL REVENUES.....</b>	<b>95,528,515</b>	<b>95,528,515</b>	<b>96,403,669</b>	<b>875,154</b>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
<b>LEGISLATIVE</b>				
Salaries.....	138,752	146,452	146,452	-
Expenses.....	61,685	61,685	50,071	11,614
<b>TOTAL.....</b>	<b>200,437</b>	<b>208,137</b>	<b>196,523</b>	<b>11,614</b>
<b>EXECUTIVE OFFICE</b>				
Salaries.....	228,826	228,826	228,825	1
Expenses.....	28,384	28,384	22,129	6,255
<b>TOTAL.....</b>	<b>257,210</b>	<b>257,210</b>	<b>250,954</b>	<b>6,256</b>
<b>AUDITOR'S OFFICE</b>				
Salaries.....	211,298	215,665	214,300	1,365
Expenses.....	8,773	8,773	7,561	1,212
<b>TOTAL.....</b>	<b>220,071</b>	<b>224,438</b>	<b>221,861</b>	<b>2,577</b>
<b>TREASURER'S/COLLECTOR'S OFFICE</b>				
Salaries.....	408,963	415,247	404,288	10,959
Expenses.....	290,603	318,129	212,419	105,710
<b>TOTAL.....</b>	<b>699,566</b>	<b>733,376</b>	<b>616,707</b>	<b>116,669</b>
<b>ASSESSING</b>				
Salaries.....	160,822	168,884	169,160	(276)
Expenses.....	55,331	55,331	31,663	23,668
<b>TOTAL.....</b>	<b>216,153</b>	<b>224,215</b>	<b>200,823</b>	<b>23,392</b>
<b>PROCUREMENT</b>				
Salaries.....	92,936	97,514	94,044	3,470
Expenses.....	1,050	1,050	542	508
Capital.....	2,608	2,608	2,607	1
<b>TOTAL.....</b>	<b>96,594</b>	<b>101,172</b>	<b>97,193</b>	<b>3,979</b>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
<b>CENTRAL BILLING</b>				
Salaries.....	91,360	94,364	93,975	389
Expenses.....	106,543	106,543	74,867	31,676
<b>TOTAL.....</b>	<b>197,903</b>	<b>200,907</b>	<b>168,842</b>	<b>32,065</b>
<b>LAW DEPARTMENT</b>				
Salaries.....	149,768	149,768	144,334	5,434
Expenses.....	60,550	60,550	37,004	23,546
<b>TOTAL.....</b>	<b>210,318</b>	<b>210,318</b>	<b>181,338</b>	<b>28,980</b>
<b>PERSONNEL DEPARTMENT</b>				
Salaries.....	113,582	113,582	112,682	900
Expenses.....	44,524	44,524	22,248	22,276
<b>TOTAL.....</b>	<b>158,106</b>	<b>158,106</b>	<b>134,930</b>	<b>23,176</b>
<b>INFORMATION SYSTEMS</b>				
Salaries.....	158,439	164,442	159,521	4,921
Expenses.....	146,189	146,189	145,658	531
Capital.....	21,278	21,278	21,278	-
<b>TOTAL.....</b>	<b>325,906</b>	<b>331,909</b>	<b>326,457</b>	<b>5,452</b>
<b>CITY CLERK</b>				
Salaries.....	228,839	237,411	232,783	4,628
Expenses.....	41,519	41,519	37,718	3,801
Capital.....	3,198	3,198	3,198	-
<b>TOTAL.....</b>	<b>273,556</b>	<b>282,128</b>	<b>273,699</b>	<b>8,429</b>
<b>OFFICE OF PLANNING AND DEVELOPMENT</b>				
Expenses.....	24,090	24,090	23,588	502
<b>LICENSING</b>				
Salaries.....	57,661	62,444	62,444	-
Expenses.....	-	-	-	-
<b>TOTAL.....</b>	<b>57,661</b>	<b>62,444</b>	<b>62,444</b>	<b>-</b>
<b>SALARY RESERVE.....</b>	<b>125,000</b>	<b>171,041</b>	<b>-</b>	<b>171,041</b>
<b>TOTAL GENERAL GOVERNMENT.....</b>	<b>3,062,571</b>	<b>3,189,491</b>	<b>2,755,359</b>	<b>434,132</b>
<b>PUBLIC SAFETY</b>				
<b>POLICE DEPARTMENT</b>				
Salaries.....	5,815,212	6,402,619	6,236,527	166,092
Expenses.....	414,301	414,301	378,659	35,642
Capital.....	120,000	120,000	120,000	-
<b>TOTAL.....</b>	<b>6,349,513</b>	<b>6,936,920</b>	<b>6,735,186</b>	<b>201,734</b>

(Continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
<b>FIRE DEPARTMENT</b>				
Salaries.....	5,857,074	6,237,074	6,197,956	39,118
Expenses.....	318,296	318,296	298,334	19,962
Capital.....	18,000	18,000	17,999	1
<b>TOTAL.....</b>	<b>6,193,370</b>	<b>6,573,370</b>	<b>6,514,289</b>	<b>59,081</b>
<b>INSPECTIONAL SERVICES</b>				
Salaries.....	495,536	495,536	495,738	(202)
Expenses.....	21,465	21,465	17,500	3,965
<b>TOTAL.....</b>	<b>517,001</b>	<b>517,001</b>	<b>513,238</b>	<b>3,763</b>
<b>TRAFFIC AND PARKING</b>				
Salaries.....	42,399	45,829	43,346	2,483
Expenses.....	530,700	530,700	519,543	11,157
<b>TOTAL.....</b>	<b>573,099</b>	<b>576,529</b>	<b>562,889</b>	<b>13,640</b>
<b>EMERGENCY MANAGEMENT</b>				
Salaries.....	610,941	725,941	712,030	13,911
Expenses.....	38,586	38,586	30,403	8,183
<b>TOTAL.....</b>	<b>649,527</b>	<b>764,527</b>	<b>742,433</b>	<b>22,094</b>
<b>TOTAL PUBLIC SAFETY.....</b>	<b>14,282,510</b>	<b>15,368,347</b>	<b>15,068,035</b>	<b>300,312</b>
<b>EDUCATION</b>				
Operational.....	47,443,764	47,443,764	45,271,799	2,171,965
Northeast Regional Vocational High School Assessment.....	1,604,634	1,604,634	1,562,958	41,676
<b>TOTAL EDUCATION.....</b>	<b>49,048,398</b>	<b>49,048,398</b>	<b>46,834,757</b>	<b>2,213,641</b>
<b>PUBLIC WORKS</b>				
<b>ADMINISTRATION</b>				
Salaries.....	202,898	224,386	213,926	10,460
Expenses.....	10,726	10,726	10,588	138
<b>TOTAL.....</b>	<b>213,624</b>	<b>235,112</b>	<b>224,514</b>	<b>10,598</b>
<b>STREETS AND SIDEWALKS</b>				
Salaries.....	581,694	581,694	570,306	11,388
Expenses.....	926,429	926,429	823,184	103,245
<b>TOTAL.....</b>	<b>1,508,123</b>	<b>1,508,123</b>	<b>1,393,490</b>	<b>114,633</b>
<b>SOLID WASTE/RECYCLING</b>				
Expenses.....	1,886,865	1,886,865	1,795,425	91,440
<b>TOTAL.....</b>	<b>1,886,865</b>	<b>1,886,865</b>	<b>1,795,425</b>	<b>91,440</b>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
<b>STRUCTURES AND GROUNDS</b>				
Salaries.....	278,236	283,019	237,229	45,790
Expenses.....	802,166	802,166	701,113	101,053
<b>TOTAL.....</b>	<b>1,080,402</b>	<b>1,085,185</b>	<b>938,342</b>	<b>146,843</b>
<b>SNOW AND ICE REMOVAL</b>				
Salaries.....	25,000	25,000	46,272	(21,272)
Expenses.....	66,260	66,260	137,704	(71,444)
Capital.....	10,000	10,000	3,200	6,800
<b>TOTAL.....</b>	<b>101,260</b>	<b>101,260</b>	<b>187,176</b>	<b>(85,916)</b>
<b>TOTAL PUBLIC WORKS.....</b>	<b>4,790,274</b>	<b>4,816,545</b>	<b>4,538,947</b>	<b>277,598</b>
<b>HEALTH AND HUMAN SERVICES</b>				
<b>ADMINISTRATION</b>				
Salaries.....	128,270	138,274	138,274	-
Expenses.....	7,509	7,509	6,917	592
<b>TOTAL.....</b>	<b>135,779</b>	<b>145,783</b>	<b>145,191</b>	<b>592</b>
<b>HEALTH DIVISION</b>				
Salaries.....	369,932	410,964	404,907	6,057
<b>VETERAN'S SERVICE</b>				
Salaries.....	70,841	76,648	76,649	(1)
Expenses.....	199,782	199,782	199,237	545
<b>TOTAL.....</b>	<b>270,623</b>	<b>276,430</b>	<b>275,886</b>	<b>544</b>
<b>ELDER AFFAIRS</b>				
Salaries.....	173,352	180,755	179,665	1,090
Expenses.....	17,659	17,659	16,687	972
<b>TOTAL.....</b>	<b>191,011</b>	<b>198,414</b>	<b>196,352</b>	<b>2,062</b>
<b>TOTAL HEALTH AND HUMAN SERVICES.....</b>	<b>967,345</b>	<b>1,031,591</b>	<b>1,022,336</b>	<b>9,255</b>
<b>CULTURE AND RECREATION</b>				
<b>RECREATION AND CULTURAL AFFAIRS</b>				
Salaries.....	24,661	24,661	24,661	-
Expenses.....	30,979	30,979	30,979	-
<b>TOTAL.....</b>	<b>55,640</b>	<b>55,640</b>	<b>55,640</b>	<b>-</b>
<b>PUBLIC LIBRARY</b>				
Salaries.....	233,384	244,234	242,702	1,532
Expenses.....	23,184	23,184	21,983	1,201
<b>TOTAL.....</b>	<b>256,568</b>	<b>267,418</b>	<b>264,685</b>	<b>2,733</b>
<b>TOTAL CULTURE AND RECREATION.....</b>	<b>312,208</b>	<b>323,058</b>	<b>320,325</b>	<b>2,733</b>

(Continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance Positive/ (Negative)
<b>PENSION BENEFITS</b>				
CONTRIBUTORY RETIREMENT SYSTEM				
Expenses.....	5,597,912	5,597,912	5,597,912	-
NON-CONTRIBUTORY PENSION BENEFITS				
Expenses.....	116,145	116,145	115,488	657
<b>TOTAL PENSION BENEFITS.....</b>	<b>5,714,057</b>	<b>5,714,057</b>	<b>5,713,400</b>	<b>657</b>
<b>EMPLOYEE BENEFITS</b>				
UNEMPLOYMENT COMPENSATION				
Expenses.....	75,533	75,533	29,012	46,521
HEALTH INSURANCE				
Expenses.....	8,358,922	8,343,922	8,323,179	20,743
WORKER'S COMPENSATION				
Expenses.....	313,000	313,000	313,000	-
PAYROLL TAXES				
Expenses.....	474,122	474,122	527,879	(53,757)
LIFE INSURANCE				
Expenses.....	47,000	47,000	29,492	17,508
<b>TOTAL EMPLOYEE BENEFITS.....</b>	<b>9,268,577</b>	<b>9,253,577</b>	<b>9,222,562</b>	<b>31,015</b>
<b>PROPERTY AND LIABILITY INSURANCE</b>				
Expenses.....	489,248	489,248	473,443	15,805
<b>CLAIMS AND JUDGMENTS</b>				
Expenses.....	25,000	25,000	20,498	4,502
<b>STATE AND COUNTY CHARGES</b>				
Expenses.....	2,900,716	2,900,716	2,883,357	17,359
<b>DEBT SERVICE PRINCIPAL</b>				
Expenses.....	6,843,508	6,843,508	6,911,246	(67,738)
<b>DEBT SERVICE INTEREST</b>				
Expenses.....	4,254,168	4,254,168	4,254,160	8
<b>TOTAL EXPENDITURES.....</b>	<b>101,958,580</b>	<b>103,257,704</b>	<b>100,018,425</b>	<b>3,239,279</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER EXPENDITURES.....</b>	<b>(6,430,065)</b>	<b>(7,729,189)</b>	<b>(3,614,756)</b>	<b>4,114,433</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	1,365,790	4,214,306	4,254,306	40,000
Premium from issuance of short-term notes.....	-	-	28,516	28,516
Transfers out.....	-	(397,408)	(397,408)	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>1,365,790</b>	<b>3,816,898</b>	<b>3,885,414</b>	<b>68,516</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(5,064,275)</b>	<b>(3,912,291)</b>	<b>270,658</b>	<b>4,182,949</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>11,255,061</b>	<b>11,255,061</b>	<b>11,255,061</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 6,190,786</b>	<b>\$ 7,342,770</b>	<b>\$ 11,525,719</b>	<b>\$ 4,182,949</b>

(Concluded)

# Statistical Section

Statistical tables differ from financial statements since they cover more than one fiscal year and may present non-accounting data. The following tables reflect social and economic data, financial trends and fiscal capacity.



*Voke Park*

The City achieved a milestone with the completion of this park project in that it concludes a ten-year capital improvement initiative. In total, the open space initiative provided for the renovation of existing parks and a modest expansion of the system with two new parks, a new soccer field and little league field and the introduction of such innovations as an artificial turf stadium field and child-safe rubber-surfaced play areas.

**GENERAL FUND REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**

**LAST TEN FISCAL YEARS**

	2005	2004	2003	2002
<b>REVENUES:</b>				
Real estate and personal property taxes (7)(9).....	\$ 25,996,104	\$ 24,656,790	\$ 22,669,580	\$ 21,728,833
Motor vehicle and other excise taxes (1).....	2,933,506	2,431,353	3,251,518	2,170,362
Tax and trash liens (7)(9).....	338,515	899,262	489,714	457,252
Payments in lieu of taxes (5)(11)(16).....	609,949	1,099,111	1,597,415	1,080,738
Charges for services (10)(13).....	-	-	-	359,359
Trash disposal (10).....	1,120,391	1,034,814	907,205	866,277
Intergovernmental (2)(4).....	64,558,296	62,167,537	64,125,429	62,640,026
Penalties and interest on taxes (7).....	331,215	661,775	272,770	371,265
Licenses, permits and fees (6)(13).....	1,582,402	1,413,425	1,240,984	813,695
Fines and forfeitures.....	1,509,779	1,417,772	1,578,661	1,764,984
Departmental.....	62,754	117,465	179,829	231,689
Investment income (12).....	424,156	392,026	790,470	748,709
<b>TOTAL REVENUES</b>	<b>\$ 99,467,067</b>	<b>\$ 96,291,330</b>	<b>\$ 97,103,575</b>	<b>\$ 93,233,189</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government.....	\$ 2,755,359	\$ 2,616,555	\$ 2,771,088	\$ 2,699,294
Public safety (17).....	15,068,035	13,402,063	13,564,766	13,389,663
Education (2).....	46,834,757	46,344,508	46,489,174	46,233,585
Public works .....	4,538,947	4,359,728	4,709,250	4,218,241
Health and human services.....	1,022,336	983,426	1,031,065	923,385
Culture and recreation.....	320,325	311,609	326,690	352,032
Community development (3).....	-	-	-	-
Pension (4)(8)(14)(15).....	9,203,469	8,357,720	7,897,955	12,222,896
Employee benefits(14).....	9,222,562	8,801,256	7,401,070	-
Property and liability insurance.....	473,443	457,240	369,692	305,040
Claims and judgments.....	20,498	15,835	18,377	9,699
State and county charges.....	2,883,357	2,552,188	2,208,706	1,775,003
Debt service.....	11,047,574	11,359,273	11,572,256	11,806,613
<b>TOTAL EXPENDITURES</b>	<b>\$ 103,390,662</b>	<b>\$ 99,561,401</b>	<b>\$ 98,360,089</b>	<b>\$ 93,935,451</b>

- (1) Changes between fiscal years 1996 through 2005 are primarily the result of the number of rental cars registered in the City.
- (2) Large annual increases are due to the passage of the Commonwealth's Education Reform Act.
- (3) Beginning in fiscal year 1997 the expenditure is being funded by Special Revenue revenues.
- (4) Large increase beginning in fiscal year 2000 is the availability and recognition of on-behalf pension payments from the Commonwealth.
- (5) Large increase in fiscal year 2000 and fiscal year 2003 is the result of an increase in Massport's payment.
- (6) Large increase in fiscal year 2000 is the result of increased building activity associated with the construction of Wyndham Hotel and revitalization of Everett Avenue.
- (7) Large increase in fiscal year 2001 and fiscal year 2004 is the result of increased collections of tax liens.
- (8) Large increase in fiscal year 2001 is the result of increased health insurance premiums.
- (9) The City began reporting trash and tax liens separately from real estate and personal property taxes in fiscal year 2002.
- (10) The City began reporting trash disposal charges separately from other charges for services in fiscal year 2002.
- (11) Large decrease in fiscal year 2002 and fiscal year 2004 is the result of a decrease in Massport's payment.
- (12) Large decrease in fiscal year 2002 and fiscal year 2004 is the result of poor market conditions.
- (13) The City combined licenses, permits and fees in fiscal year 2003.
- (14) The City began reporting employee benefits separately from pension benefits in fiscal year 2003.
- (15) Large decrease beginning in fiscal year 2003 is the result of decreases in the City's required annual contribution to the System.
- (16) Large decrease in fiscal year 2005 is due to payments in arrears from Off Airport Properties.
- (17) Large increase in fiscal year 2005 is due to increased salaries and overtime in the Police and Fire departments.

	2001	2000	1999	1998	1997	1996
\$	23,686,270	\$ 19,464,358	\$ 19,645,555	\$ 17,729,437	\$ 17,944,204	\$ 16,203,328
	1,905,700	2,307,286	1,422,042	2,538,763	1,344,464	1,157,965
	-	-	-	-	-	-
	1,591,385	1,549,819	1,075,828	1,058,633	1,022,227	869,465
	1,273,282	1,360,921	1,380,367	1,337,389	1,282,267	1,212,077
	-	-	-	-	-	-
	62,482,138	58,315,883	52,953,149	48,807,370	43,325,710	38,951,760
	1,520,929	414,379	546,923	335,862	674,305	319,101
	830,130	1,056,159	697,589	674,166	657,218	696,025
	1,483,634	1,319,264	1,247,149	1,081,955	1,028,138	940,708
	297,413	29,500	202,441	24,460	23,497	65,463
	1,535,568	1,318,625	1,287,492	1,048,530	2,197,352	3,751,615
\$	<u>96,606,449</u>	<u>\$ 87,136,194</u>	<u>\$ 80,458,535</u>	<u>\$ 74,636,565</u>	<u>\$ 69,499,382</u>	<u>\$ 64,167,507</u>
\$	2,601,668	\$ 2,397,043	\$ 2,078,627	\$ 2,483,691	\$ 1,509,808	\$ 2,019,147
	12,634,136	11,356,277	10,731,029	10,432,808	9,611,805	9,450,254
	41,874,221	39,575,510	36,644,689	32,662,995	28,025,309	25,485,883
	3,914,886	3,825,959	3,431,681	3,676,887	3,939,166	3,823,912
	792,497	748,104	694,330	665,556	633,220	589,548
	370,650	294,139	292,502	329,527	325,613	267,809
	-	-	-	-	-	215,342
	13,315,994	12,004,836	9,855,481	9,039,205	8,421,238	8,495,964
	-	-	-	-	-	-
	217,579	183,357	197,233	244,485	256,015	219,239
	22,421	6,831	11,303	76,500	38,659	34,670
	1,807,938	1,718,175	1,713,285	1,652,526	1,550,405	1,494,606
	11,665,868	12,050,543	11,381,191	12,011,829	11,755,331	11,693,431
\$	<u>89,217,858</u>	<u>\$ 84,160,774</u>	<u>\$ 77,031,351</u>	<u>\$ 73,276,009</u>	<u>\$ 66,066,569</u>	<u>\$ 63,789,805</u>

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year	Net Tax Levy	Current Tax Collections	Percent of Net Levy Collected	Actual Subsequent Collections	Total Tax Collections	Total Collections as a % of Net Levy	Transfers to Tax Title	Remaining Accounts Receivable
1996	16,489,492	15,597,811	94.59%	188,164	15,785,975	95.73%	703,517	-
1997	17,128,156	16,283,716	95.07%	72,650	16,356,366	95.49%	771,790	-
1998	18,036,139	17,102,086	94.82%	285,630	17,387,716	96.40%	648,423	-
1999	19,332,172	18,246,989	94.39%	179,967	18,426,956	95.32%	905,216	-
2000	20,297,536	18,960,365	93.41%	476,911	19,437,276	95.76%	860,260	-
2001	20,700,340	20,480,271	98.94%	28,082	20,508,353	99.07%	179,428	12,559
2002	21,990,260	20,450,338	93.00%	266,906	20,717,244	94.21%	1,259,587	13,429
2003	22,700,619	22,378,670	98.58%	85,487	22,464,157	98.96%	229,977	6,485
2004	25,183,741	24,745,235	98.26%	335,005	25,080,240	99.59%	96,777	6,724
2005	26,636,962	25,919,327	97.31%	-	25,919,327	97.31%	-	717,635

**ASSESSED VALUE AND EQUALIZED VALUATION OF TAXABLE PROPERTY (1)**

**LAST TEN FISCAL YEARS**

Fiscal Year	Assessed Value (2)		Total Assessed Value	Equalized Valuation (3)	% of Total Assessed Value to Equalized
	Real Property	Personal Property			
1996	728,823,050	32,539,140	761,362,190	897,761,300	84.81%
1997	723,709,450	32,710,050	756,419,500	812,415,200	93.11%
1998	711,750,900	38,791,342	750,542,242	812,415,200	92.38%
1999	712,047,100	37,507,061	749,554,161	839,088,700	89.33%
2000	789,211,160	38,369,380	827,580,540	1,038,467,300	79.69%
2001	974,543,890	39,465,410	1,014,009,300	1,038,467,300	97.64%
2002	1,045,322,055	40,520,720	1,085,842,775	1,387,408,500	78.26%
2003	1,619,610,316	47,763,890	1,667,374,206	1,387,408,500	120.18%
2004	1,909,128,966	53,601,470	1,962,730,436	2,206,598,800	88.95%
2005	2,030,323,039	53,696,950	2,084,019,989	2,206,598,800	94.44%

(1) Does not include valuation affected by residential exemption.

(2) As of January 1st.

(3) Equalized valuations are determined biennially by the Commissioner of Revenue.

PROPERTY AND MOTOR VEHICLE EXCISE TAX RATES (1)

LAST TEN FISCAL YEARS

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<u>Fiscal Year</u>	<u>Residential Real Property</u>	<u>Commercial and Industrial Real Property</u>	<u>Personal Property</u>	<u>Motor Vehicle</u>
1996	13.57	36.25	36.25	25.00
1997	14.23	37.50	37.50	25.00
1998	14.58	39.97	39.97	25.00
1999	15.39	41.78	41.78	25.00
2000	14.65	39.73	39.73	25.00
2001	14.39	33.53	33.53	25.00
2002	14.52	33.18	33.18	25.00
2003	10.04	22.41	22.41	25.00
2004	9.28	20.72	20.72	25.00
2005	9.54	20.60	20.60	25.00

- (1) Real and personal property tax rate applicable to each \$1,000 of assessed value. Motor vehicle excise tax is assessed on a calendar year, applicable to each \$1,000 of assessed value.

COMPUTATION OF LEGAL DEBT MARGIN

JUNE 30, 2005

The following schedule presents the City's legal debt margin:

Fiscal Year 2005 equalized valuation.....	\$	<u>2,206,598,800</u>
Normal debt limit (2 1/2% of equalized valuation).....	\$	55,164,970
Amount of debt applicable to debt limit:		
Total bonded debt.....	\$	62,405,566
Less:		
General obligation bonds exempted by authority of state legislature.....		<u>59,205,248</u>
Amount within the debt limit.....		<u>3,200,318</u>
Legal debt margin.....	\$	<u>51,964,652</u>

**RATIO OF NET BONDED DEBT TO ASSESSED VALUATION AND NET BONDED DEBT PER CAPITA**

**LAST TEN FISCAL YEARS**

Fiscal Year	Population (1)	Assessed Value	Including School Debt			Excluding School Debt (2)		
			Net Bonded Debt Including School Debt	Ratio of Bonded Debt to Assessed Valuation	Net Bonded Debt per Capita	Net Bonded Debt Excluding School Debt	Ratio of Bonded Debt to Assessed Valuation	Net Bonded Debt per Capita
1996	27,608	761,362,190	102,831,337	13.51%	3,725	4,166,337	0.55%	151
1997	27,608	756,419,500	96,921,216	12.81%	3,511	3,596,216	0.48%	130
1998	27,608	750,542,242	95,467,659	12.72%	3,458	5,537,659	0.74%	201
1999	28,710	749,554,161	99,109,746	13.22%	3,452	14,574,746	1.94%	508
2000	28,710	827,580,540	92,629,941	11.19%	3,226	13,499,941	1.63%	470
2001	35,080	1,014,009,300	87,555,092	8.63%	2,496	13,880,092	1.37%	396
2002	35,080	1,085,842,775	80,904,226	7.45%	2,306	12,694,226	1.17%	362
2003	35,080	1,667,374,206	74,162,520	4.45%	2,114	11,557,520	0.69%	329
2004	35,080	1,962,730,436	69,010,814	3.52%	1,967	10,420,814	0.53%	297
2005	35,080	2,084,019,989	62,405,566	2.99%	1,779	9,560,566	0.46%	273

(1) Population estimates are from U.S. Department of Commerce, Bureau of Census, Current Population Reports and Local Population Estimates.

(2) The Commonwealth of Massachusetts is funding 95% of School debt principal and interest.

**RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT TO  
GENERAL FUND EXPENDITURES**

LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest	Total Debt Service	Total Expenditures	Ratio of Debt Service to Total Expenditures
1996	5,640,761	6,052,670	11,693,431	63,789,805	18.33%
1997	5,910,121	5,845,210	11,755,331	66,066,569	17.79%
1998	6,891,457	5,120,372	12,011,829	73,276,009	16.39%
1999	6,179,482	5,201,709	11,381,191	77,031,351	14.77%
2000	6,479,805	5,570,738	12,050,543	84,160,774	14.32%
2001	6,528,849	5,137,019	11,665,868	89,217,858	13.08%
2002	6,650,866	5,155,747	11,806,613	93,935,451	12.57%
2003	6,871,706	4,700,550	11,572,256	98,360,089	11.77%
2004	6,751,706	4,607,567	11,359,273	99,561,401	11.41%
2005	6,911,246	4,136,328	11,047,574	103,390,662	10.69%

(1) The Commonwealth is obligated to reimburse the City for 95% of all school construction bonds issued. The outstanding amount of these bonds at June 30, 2005 is \$52,845,000.

**COMPUTATION OF OVERLAPPING DEBT**

JUNE 30, 2005

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	Outstanding Overlapping Debt	Overlapping City Share (%)	Overlapping City Share (\$)	Assessment
Massachusetts Water Resources Authority.....	\$ 5,303,217,000	1.60%	\$ 84,851,472	\$ 6,719,659
Northeast Metropolitan Regional Vocational School District.....	143,500	22.59%	32,417	1,562,958
Total overlapping debt.....	\$ 5,303,360,500		\$ 84,883,889	\$ 8,282,617

**PRINCIPAL TAXPAYERS**

JUNE 30, 2005 (1)

Name	Nature of Business	Assessed Valuation	Amount of Tax	% of Total Tax Levy
1 Anthony Simboli.....	Commercial	\$ 39,739,200	\$ 818,628	3.07%
2 Chelsea Development Associates.....	Commercial	35,118,500	723,441	2.72%
3 Griffin Way LLC / Howland Development.....	Utility	28,675,600	590,717	2.22%
4 NSTAR Services (Boston Edison).....	Commercial	27,163,190	559,562	2.10%
5 Darman Sumner, Trustee.....	Commercial	22,859,800	470,912	1.77%
6 New England Produce Center.....	Commercial	16,224,200	334,219	1.25%
7 Stanton Black.....	Commercial	15,664,100	322,680	1.21%
8 Catamount Petroleum L.P.....	Manufacturing	14,604,400	300,851	1.13%
9 Pillsbury.....	Manufacturing	9,976,400	205,514	0.77%
10 Patrick Glynn, Trustee.....	Commercial	9,754,800	200,949	0.75%
		\$ 219,780,190	\$ 4,527,473	16.99%

(1) Assessed valuations are as of January 1, 2005, for commercial entities and January 1, 2004, for utility entities.

## SALARIES OF PRINCIPAL OFFICIALS

JUNE 30, 2005

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City Council:		
President	\$	8,000
Members		8,000
Executive:		
City Manager		109,775
Director of Administration		66,977
Director of Planning and Development		71,264
Inspectional Services Director		81,599
Director of Public Works		81,599
Corporate Counsel		78,540
Deputy City Manager		87,000
City Auditor		78,000
City Treasurer/Collector		70,728
Director of Health and Human Services		79,978
Superintendent of Schools *		
Police Chief		119,340
Fire Chief		104,040
City Clerk		65,374

\* The Superintendent position is partially funded by Boston University under a partnership agreement.

MISCELLANEOUS STATISTICS

JUNE 30, 2005

Characteristic	Chelsea	Boston PMSA	Massachusetts	United States
Population (1):	35,080	589,141	6,349,097	297,525,316
Median age:				
2005	31.3	31.1	36.5	35.3
2003	31.3	37.3	36.5	36.0
2000	31.3	31.1	36.5	35.3
1990	29.9	33.4	33.6	32.9
Median family income (2):				
2005	\$ 30,161	\$ 59,300	\$ 58,701	\$ 50,200
2004	32,430	58,971	50,502	43,564
2003	37,039	60,009	50,502	49,600
2001	34,849	57,749	49,367	41,944
1999	33,088	54,289	48,740	40,800
1997	31,699	45,204	42,017	35,172
1989	29,039	49,266	44,367	37,919
1979	14,481	22,848	21,166	19,917
1969	8,973	11,485	10,833	9,586
1989	11,559	23,746	22,236	17,592
1987	9,728	20,355	18,296	15,472
1985	8,259	17,391	16,324	13,908
Unemployment rates (3):				
2005	6.4%	5.5%	4.7%	5.0%
2004	6.4%	5.9%	5.3%	5.4%
2003	5.5%	4.1%	5.8%	6.1%
2002	3.9%	2.9%	2.6%	5.9%
2001	4.6%	3.1%	3.4%	4.6%
2000	4.1%	2.4%	2.6%	4.0%
1999	5.3%	3.0%	3.1%	4.5%
1998	5.2%	3.4%	3.4%	4.5%
1997	6.3%	4.5%	3.9%	5.0%
1996	7.6%	4.5%	4.3%	5.4%
1995	8.0%	5.4%	5.4%	5.6%
1994	7.9%	6.0%	6.0%	6.1%
Public school enrollments (4):	PreK - K	1 - 8	9 - 12	Total
<i>Projected for 2006</i>				
2006	773	3,225	1,502	5,500
2005	853	3,519	1,501	5,873
2004	779	3,640	1,366	5,785
2003	780	3,646	1,379	5,805
2002	769	3,869	1,238	5,876
2001	833	3,841	1,174	5,848
2000	694	3,931	1,134	5,759
1999	861	3,831	1,144	5,836
1998	804	3,607	1,112	5,523
1997	870	3,408	1,010	5,288
1996	893	3,073	888	4,854
1995	865	2,807	903	4,575
1994	848	2,641	834	4,323

(1) Source: U.S. Department of Commerce, Bureau of Census, Current Population Reports and Local Population Estimates.

(2) Source: U.S. Department of Commerce, Bureau of Census and the Bureau of Economic Analysis.

(3) Source: Department of Labor, Bureau of Labor Statistics and Massachusetts Division of Employment Security, Mass.DET.

(4) Enrollments are as of October 1st for the given fiscal year.

