

CITY OF CHELSEA, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED JUNE 30, 2011

City of Chelsea, Massachusetts

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011



Prepared by the Finance Division

and Jay Ash, City Manager

CITY OF CHELSEA, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

Introductory Section.....1

- Letter of Transmittal3
- Organizational Chart11
- Principal and Elected Officials12
- Certificate of Achievement for Excellence in Financial Reporting14

Financial Section15

- Independent Auditors' Report17
- Management's Discussion and Analysis20
- Basic Financial Statements.....29
 - Statement of Net Assets31
 - Statement of Activities32
 - Governmental Funds – Balance Sheet.....34
 - Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets.....35
 - Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances.....36
 - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....37
 - Proprietary Funds – Statement of Net Assets38
 - Proprietary Funds – Statement of Revenues, Expenses and Changes in Fund Net Assets39
 - Proprietary Funds – Statement of Cash Flows40
 - Fiduciary Funds – Statement of Fiduciary Net Assets.....41
 - Fiduciary funds – statement of changes in fiduciary net assets42
 - Notes to Basic Financial Statements43
- Required Supplementary Information75
- General Fund Budgetary Comparison Schedule76
 - Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund – Budget and Actual ..77
- Retirement System Schedules of Funding Progress and Employer Contributions80
 - Retirement System Schedules of Funding Progress and Employer Contributions81
- Postemployment Benefit Plan Schedules.....82
 - Other Postemployment Benefit Plan Schedule of Funding Progress and Employer Contributions83

Other Postemployment Benefit Plan Schedule of Actuarial Methods and Assumptions.....	84
Notes to Required Supplementary Information	85
Other Supplementary Information	89
Combining Statements.....	90
<i>Nonmajor Governmental Funds</i>	91
Nonmajor Governmental Funds – Combining Balance Sheet.....	93
Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	97
<i>Internal Service Funds</i>	100
Internal Service Funds – Combining Statement of Net Assets	101
Internal Service Funds – Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	102
Internal Service Funds – Combining Statement of Cash Flows	103
<i>Fiduciary Funds</i>	104
Agency Fund – Statement of Changes in Assets and Liabilities	105
Statistical Section.....	106
Net Assets by Components	109
Changes in Net Assets	110
Fund Balances, Governmental Funds	111
Changes in Fund Balances, Governmental Funds.....	112
Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates	113
Principal Taxpayers	114
Property Tax Levies and Collections	115
Ratios of Outstanding Debt and Net General Bonded Debt.....	116
Direct and Overlapping Governmental Activities Debt	117
Computation of Legal Debt Margin	118
Demographic and Economical Statistics	119
Principal Employers	120
Full-time Equivalent City Employees by Function	121
Operating Indicators by Function/Program.....	122
Capital Assets Statistics by Function/Program.....	123

Introductory Section



**City of Chelsea, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2011**

Introductory Section



This page left intentionally blank.



CITY OF CHELSEA

Executive Office
City Hall, Room #302, 500 Broadway
Chelsea, Massachusetts 02150
Telephone (617) 466-4100 / Fax (617) 466-4105
Email: jash@chelseama.gov



Jay Ash
City Manager

December 2, 2011

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, 2011. 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 make 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 the maintenance and enhancement of 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, increasing bond ratings, solid 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, open and inclusive governing, are all indisputable results of our work together.

As is the case with much that has been accomplished in the sixteen years 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 still depressed local aid revenues and still skyrocketing health insurance costs.

This CAFR, the annual Budget, the Five-Year Financial Forecast 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 also 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.

It should be noted that you, the City Council, as consistent with your role as stewards of government and in respect to the City’s annual audit, again made an informed decision whose resulting action exceeded the requirements of law and charter. Recently, you engaged the outside auditors in a subcommittee meeting to discuss this very audit. That action demonstrates your willingness to investigate the audit process more thoroughly to ensure that the very best review is possible. You have demonstrated a seriousness of purpose and investigative approach to overseeing all aspects of government that should continue to be impactful as we seek to lead a transparent and functioning municipal government and be reassuring to those who observe our actions and/or count on government to be open, honest, efficient and serving of the needs of our residents and businesses.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor’s report. 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, 2010, 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

Economists indicate that the recession is over. Unfortunately, the combination of a still sluggish economy and the typical lag time that naturally occurs before cities and towns feel any relief may mean that municipal finance in Chelsea and elsewhere will remain precarious for the foreseeable future. That compounds the problems that cities and towns have been experiencing for the better part of the decade. Of many measures that may confirm that contention, non-school state aid in the form of General Government Assistance (which is a combination of the former Lottery and Additional Assistance) to the City is down 40% from FY'01 highs. With that and other revenues seemingly unable to keep up with rising expenses, most notably, employee health insurance and retirement costs, the strain on the City's budget and others across the state is acute.

A salvation may be that the severity of the situation is somewhat less dire here, although it must still be a major concern. Remembering that Chelsea once suffered the ultimate indignation by being placed into Receivership in the early 1990's, City officials are carefully taking steps to ensure that history does not repeat itself. Budget management is priority one in order to maintain a balanced budget in FY'12, albeit one that required a further drawdown on reserves to avoid even deeper cuts than those that have already been made or would otherwise be required to bring the budget into structural balance. The City is benefiting from the foresight of building reserves and restraining spending. However, the insufficiency of local aid, the high costs of employee and retiree overhead and the added trouble of slowing economic development that has its direct ties to the general state of the economy are combining to place increasingly more burden on the local budget. To date and into the short-term future, that being the next year or two, the challenges, while substantial, seem to be within the City's control. Long-term, revenue stabilization and growth related to local aid and economic development are critical to the City's health, as is the need to find a way to bring health insurance and retiree pension costs under better control. Fortunately, the former may be in sight, as new State law advocated by the City provides a path to achieve some health insurance savings. In general, the prudent fiscal management that is embedded in the process of managing today's municipal government gives many hope that the City will survive this current period of increasing municipal financial stress and be in a position to thrive as the recovery takes hold. Certainly central to the City's long-term thinking is the need to recharge reserves as quickly as possible in the event that the recovery is short-lived.

As non-school local aid continues to be below FY'01 highs, unadjusted for inflation and under levels not seen locally since the mid 1980's, the City continues to be focused upon issues that are more in local control. The City's economic development agenda is paying some dividends, however long-term continued growth has to be questioned in the current economic climate. Because the City must pin hopes for greater fiscal stability on new growth revenues from economic development, City development officials continue to work diligently with the development community to identify potential projects and sources of financing. That effort has had some measurable success, but even projects that are getting underway are months if not years behind schedule. Precious new growth has been lost that would have otherwise placed the City's budget in better stead, and will therefore need to be made up by even greater attention to attracting development when conditions are more favorable.

Despite the less than favorable economic conditions, optimism is still well placed in the local potential for future growth, as the city's greatest asset, proximity to Boston, has not changed. Work on the second phase of the Mystic Mall redevelopment continues, a second hotel is now under construction and news of the FBI regional headquarters to be built here all suggests that, even in tough times, Chelsea is a place where investment wants to be. Even in what many consider to be a depressed housing market, the City has found ways to continue to promote housing development as a strategy for both revitalization and revenue growth.

If surviving to thrive is a theme, getting over the various hurdles that are confronting already approved projects and continuing to plan for the next wave of investment will help ensure that additional revenues can be generated

locally to support future budget needs. So, too, will the City's "entrepreneurial activities" which are meant to again generate more revenues locally. While government is not in the "business" of being real estate developers, entrepreneurial activities like the sale of urban renewal land can help to fill the gapping holes left in the City's budget by reduced local aid transfers. Thus, as City officials work to address structural deficits, a central focus continues to be the generation of local revenues, as well as the controlling of general spending.

For the budget to remain in balance, the City has had to continue to limit spending increases, generate new local tax revenues and, at the end of the day, judiciously use reserves. The City saved for bad times, and is continuing to utilize those savings to help relieve the pressures while solutions to yet another round of potential local aid cuts can be developed and implemented. The City was arguably out of a structural deficit despite the last round of cuts. However, more than a decade of depressed local aid receipts and other revenue losses related to a deep recession have placed the City back to an all too familiar position: the need to tighten our belts to maintain, if not expand services our residents and other stakeholders require.

Perhaps the great challenge on the expenditure side is to manage health insurance spending. Double-digit increases have become routine, with those annual increases often outpacing the growth of existing property tax charges in various years. While health insurance is one of the most difficult expenditures for the City to impact, years of lobbying and advocacy by the City and others have resulted in new state law giving the City more control. That control should provide some relief in FY'13. In the meantime, other "budget busters" are also being directly restrained. Debt service, for example, is under control, as the City makes a conscious effort to reduce the account's impact on the bottom line. Merited pay raises are being negotiated fairly, although wage freezes are also being discussed. Retirement and assessments are almost beyond the City's ability to control, with the former causing the greatest strife, as the historic underfunding of the City's pension system has the City now paying millions of dollars annually in catch-up payments in order to meet the full-funding requirement of all retirement systems by the year 2040. Stock market losses during the recession will place an even greater pressure on the pension system, and, perhaps, the operating budget. Again, though, the City is active in statewide policy discussions about how the State might relieve some of that pressure from municipalities. Additionally, the City is closely monitoring other potential impacts on the retirement system, including just recently refusing to endorse an effort by two unions to extend even greater retirement benefits to several of their members.

Ample reserves and strong policies on their use provide the likelihood that the City can maintain municipal services in the near future. Fund balance and reserve policies were initially established to protect the City from unforeseen increases in expenditures, reductions in revenues, and a combination of both or any other extraordinary events. Fund balance and reserve policies also serve to provide an additional source of funding for capital construction and replacement projects. Reserves should normally average between 5% and 10% of the City's operating budget. Even after difficult times, the City's available reserves remain within that window.

As a result of a strict adherence to financial reserve policies, the City, as authorized by the City Council, steadily built up reserves in the good years in anticipation of a time when revenue growth would slow or stop. The realities of the most recent and current economic conditions, however, continue to negatively impact the City's revenue prospects in FY'12 and likely for several additional fiscal years thereafter. Reserves, therefore, have been used in FY'12 and will be further drawn again in FY'13, in thoughtful combination with future or previously instituted budget cuts, workforce reductions and other budgeting techniques, to maintain order in the municipal budget and allow for a smooth transition through the turbulent times that still exist.

There are two classes of reserves: 1) restricted reserves which are to be utilized only for purposes designated, and 2) unrestricted reserves which can be utilized for unspecified purposes. Reserve policies cover operating reserves, which provide for unanticipated expenditures or unexpected revenue losses during the year; capital reserves, which provide for the normal replacement of existing capital plan and the financing of capital improvements; cash flow reserves, which provide sufficient cash flow for daily financial needs, and contingency reserves, which provide for unanticipated expenditures or for expenditures while anticipated are non recurring.

Realistically, the prolonged recession and the lag now that we are into a recovery can only be offset for so long. In general, the City believes that strong local management, supported, most importantly, by a responsible City Council, as well as economic development opportunities that still exist, even in a general economy in stagnation, provide optimism at a time that pessimism is at an all-time high elsewhere. That optimism is constantly being rechecked, though, as the realities of the day give City officials many reasons to be concerned.

FUTURE OUTLOOK

Notwithstanding the uncontrollable, the future outlook of the City is as favorable as one might be able to expect. Stability and success is a driving force behind additional stability and greater success, even in these most unstable times. Planning and vision have resulted in action and achievement. For sure, a focus on the bottom line needs to and will 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 what would otherwise be a very gloomy outlook.

Financially, the City is continuing to balance budgets and examine its financial strengths and weaknesses for years out. Central to the most critical challenges that lie ahead is managing revenue reductions in areas like local aid, building permits and slowing property tax growth. Fortunately, City development plans are still advancing projects, and City financial efforts are keeping projected structural deficits at manageable levels which can then be filled by reserves. The current financial plan takes into account likely “hits” to revenues, and projects a forecast which has the City able to negotiate through several more years of historically low local aid contributions and uncertain new growth in property taxes. Of course, it is impossible to predict when those and other revenues will be more robust. However, the same fiscal constraint that has served the City well for the last decade and a half provides evidence that the City has a track record of successfully addressing financial issues. Some deferment of core service issues must be addressed, like staffing levels. Positions have already been eliminated, with a plan in place for others to also be eliminated if the need arises. There is strain within City government, but, arguably, the general public has not noticed a difference in the manner in which the City provides services. In fact, the targeted growth in at least one priority area, policing, has been preserved, with the Chelsea Police Department now boasting its largest force ever. With this as a backdrop, and notwithstanding the various crises impacting all corners of the world, the City believes that manageable, albeit uncomfortable days are ahead.

Among the reasons for optimism is the city’s continuing economic development potential. The City’s 1,200-unit housing goal, which includes 10% affordability as a concurrent goal, looks like it is well in reach, and then some. 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. For example, the success that has been enjoyed at Chelsea Commons creates tremendous expectations for the City’s other shopping center: Mystic Mall. In the former, a Home Depot and numerous other national retailers and restaurants is now complemented by the successful, Parkside Commons, a 238-unit residential development. Similar to that mixed use development, City development officials hope that the hugely successful Market Basket at Mystic Mall and the redevelopment of the former Market Basket space into smaller retailing and restaurants will only be the beginning of several significant developments that bring greater strength to the City’s already burgeoning commercial district. Development elsewhere promises to continue the City’s amazing record of success, including a new Marriott Residence Inn now being built in the City’s highly successful Everett Avenue Urban Renewal District (EAURD). Lastly, and perhaps with most impact, the pending groundbreaking of the FBI regional headquarters in the City’s urban renewal district and so very visible to Route 1 should have a significant impact on new growth revenues, and, more importantly, prospects for even further confidence in investing and development here in the future.

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 embodying the City’s planning, vision,

action and achievement on the residential/industrial conflict agenda was realized. 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. Several phases in the newly established "Box District" have taken place, with the most recently concluded phase, the redevelopment of the Atlas Bedding factory, opening with great fanfare. A new park is now under construction in the Box District, as is demolition on the former Sudbury Brass building in advance of another Chelsea Neighborhood Developer's affordable housing project there. The upgrading of Chelsea's neighborhoods, including projects completed this past year on Spencer Avenue and at One Webster, is fueling 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. For example, the creation of a new afterschool program, Chelsea REACH, augments that which happens during traditional school hours and continues to 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. Many of those issues find their leadership among the City's community-based partners, a set of active and engaged advocacy and program providing agencies that collectively rival the best and most effective that can be found anywhere.

Among issues identified and targeted are public safety issues. Efforts coordinated under the Senator Charles Shannon Community Safety Initiative are promoting enforcement and prevention initiatives locally. Augmenting that is the recently secured Safe and Successful Youth Initiative funding from the State and in partnership with several local non-profits. An accomplished police chief, aided by a department whose expanded ranks are producing desired results, continues to have an even greater impact on the accomplishment of the City's policing efforts. Critical federal funding has helped spare significant cuts in Fire manpower, and provided for the affordable acquisition of new apparatus and the rehabilitation of an aging fire house.

Loyalty to the government philosophy 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. The City has used four "Occasional Forums for Public Input" to bring residents together to talk about trash, parking, economic development and general areas of interest. As a result, major initiatives have been filed about trash and parking. Those highly successful community-wide meetings and an expanded information sharing effort on email known as "The Inside Scoop" has City Hall reaching out to engaging residents in so many more aspects of their community.

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 a portion of its retirees' health insurance and all of its workers' compensation activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

CAPITAL FINANCING AND DEBT MANAGEMENT

The City's debt burden is relatively low in relation to other communities its size. Outstanding long-term debt (related to governmental funds) as of June 30, 2011, totaled approximately \$24,000,000, of which \$1,000,000 relates to school remodeling projects and \$13,200,000 relates to urban renewal, leaving a balance of \$9,800,000 related to CIP projects.

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, as of June 30, 2011, the fund totaled approximately \$980,000.

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, 2011, general fund cash and cash equivalents totaled \$28,263,614, while the balance of unrestricted cash and cash equivalents for all governmental funds totaled \$46,700,433.

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 Powers & Sullivan, LLC performed the City's annual audit for the fiscal year ended June 30, 2011. The independent auditors' report on the basic financial statements, for the fiscal year ended June 30, 2011, is included herein and contains an unqualified opinion.

CERTIFICATES, AFFILIATIONS AND AWARDS

For the twelfth 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, 2010 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 FY'11 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 committed to advancing causes and promoting even greater revitalization. Stakeholders are collectively addressing shortcomings and building on 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 those and many other tasks.

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 shortcomings. 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 are 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 confirming bond ratings to a long string of municipal awards. This CAFR stands as a further testament to their work.

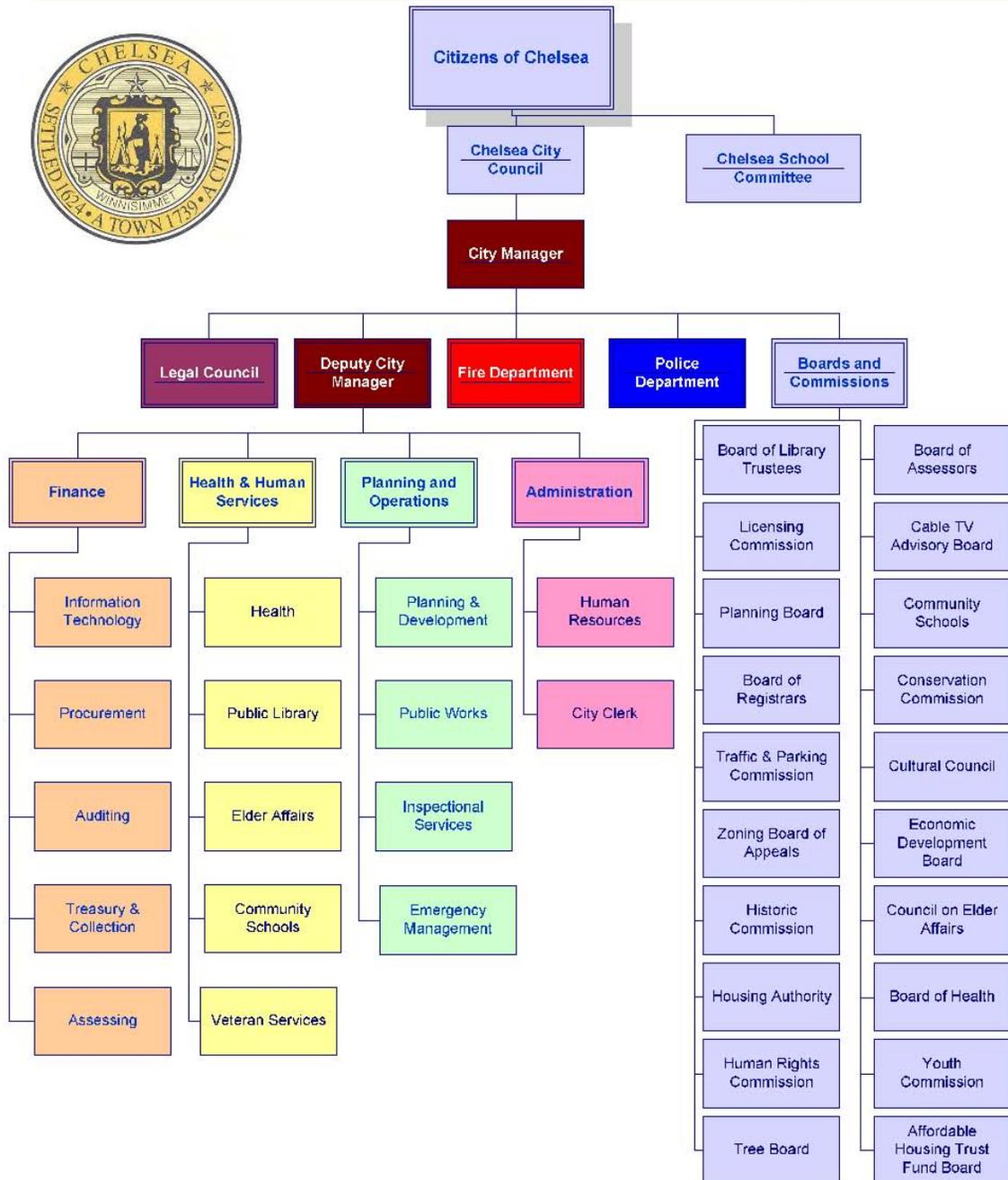
On behalf of all of us, including you, City Council, I am pleased to share with the public the City's FY'11 CAFR. Once again, municipal government is not only accurately and openly reporting on its operations, but also doing so in a manner which demonstrates why Chelsea City government is the transparent success it is.

Very truly yours,



Jay Ash
City Manager

City of Chelsea Organization



ELECTED OFFICIALS

Council/Committee	Name	District
City Council	Kathleen Bishop	1
	Vacant	2
	Richard Maronski	3
	Paula S. Barton	4
	Brian B. Hatleberg	5
	Marilyn Vega-Torres <i>President</i>	6
	Deborah Washington	7
	Dan Cortell	8
	Leo Robinson	At-large
	Calvin T. Brown	At-large
	Roseann T. Bongiovanni <i>Vice-President</i>	At-large
School Committee	Rosemarie Carlisle <i>Vice Chairman</i>	1
	Jeannette Velez	2
	Melinda M. Alvarado-Vega	3
	Lucia H. Colon	4
	Lisa Lineweaver	5
	Ana Hernandez <i>Delegate to City Council</i>	6
	Ramona Foster	7
	Edward C. Ells <i>Chairman</i>	8
Morrie Seigal	At-large	

PRINCIPAL OFFICIALS

Department	Official(s)	Areas
Assessors	Philip J. Waterman, <i>Chairman</i> Ken Stein, <i>Director</i>	
Auditing	Edward Dunn, <i>Auditor</i>	
City Clerk	Deborah Clayman, <i>City Clerk</i>	Traffic & Parking
City Council	Marilyn Vega-Torres, <i>President</i> Paul Casino, <i>Administrator</i>	
Executive	Jay Ash, <i>City Manager</i> Ned Keefe, <i>Deputy City Manager</i>	
Emergency Management	Allan Alpert, <i>Director</i>	E911
Fire Chief	David LaFond, <i>Chief</i>	
Health & Human Services	Luis Prado, <i>Director</i>	Elder Affairs, Health, Library, Veteran's Services, Community Schools
Human Resources	Karen Budrow, <i>Director</i>	
Inspectional Services	Joseph Cooney, <i>Director</i>	
Legal	Cheryl Watson, <i>Corporate Counsel</i>	
M.I.S.	John Hyland, <i>Director</i>	
Planning & Development	John DePriest, <i>Executive Director</i>	Planning Economic Development Housing
Police	Brian Kyes, <i>Chief</i>	Animal Control Harbor Master
Public Works	Joseph Foti, <i>Director</i>	
Retirement Board	Joseph Siewko, <i>Chairman</i>	
School	Edward C. Ells, <i>Chairperson</i> Mary M. Bourque, <i>Superintendent</i>	
Treasurer/Collector	Robert Boulrice, <i>Director</i>	Central Billing and Research
Veteran Services	Francisco Toro, <i>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, 2010

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.



Linda C. Danson

President

Jeffrey R. Emer

Executive Director

Financial Section



**City of Chelsea, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2011**

Financial Section



This page left intentionally blank.



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditors' Report

To the Honorable City Manager and City Council
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, 2011 (except for the Chelsea Contributory Retirement System which is as of and for the year ended December 31, 2010), 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, 2011 (except for the Chelsea Contributory Retirement System which is as of December 31, 2010), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011, on our consideration of the City of Chelsea, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining statements, as listed in the table of contents, are presented for the purpose of supplementary analysis and are not a required part of the financial statements of the City of Chelsea, Massachusetts. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financials statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis , the retirement system schedules of funding progress and employer contributions, the other postemployment benefit plan schedule of funding progress and employer contributions, and the other postemployment benefit plan schedule of actuarial methods and assumptions, located after the notes to the basic financial statements, are not a required part of the basic financial statements but is 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 required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script, appearing to read "Bowers & Sullivan LLC".

November 22, 2011

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Chelsea, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Governments must adhere to GASB pronouncements in order to issue their financial statements in conformity with GAAP. The users of financial statements also rely on the independent auditor's opinion. If the City's financial statements have significant departures from GAAP the independent auditors may issue a qualified opinion or a disclaimer (where no opinion is given). These types of opinions may have an adverse effect on the City's bond rating and our ability to borrow money at favorable interest rates. The City has enjoyed an unqualified opinion on its financial statements for many years.

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all 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 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 and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions 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*). The governmental activities include general government, public safety, education, public works, health and human services, community development, and culture and recreation. The business-type activities include the water and sewer activities.

The financial statements include not only the City of Chelsea itself (known as the *primary government*), but also a legally separate public employee retirement system for which the City of Chelsea is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and 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 statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Chelsea adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains two different 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 enterprise funds to account for its water and sewer activities.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The City uses internal service funds to account for health insurance activities of City retirees' who are eligible to participate in the Blue Cross Blue Shield MEDEX Plan and for its workers' compensation benefits. Because both of these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

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

Financial Highlights

- The government-wide assets of the City of Chelsea exceeded its liabilities at the close of the most recent fiscal year by \$86.7 million and \$20.4 million (net assets) for governmental activities and business-type activities, respectively.
- The City implemented GASB Statement 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during FY2008. The effect has been the accumulation of a governmental long-term liability of \$70.8 million at the end of FY2011. This unfunded liability has created a (\$41.8 million) deficit in unrestricted net assets in governmental activities.
- At the close of the current fiscal year, the City of Chelsea's general fund reported an ending fund balance of \$26.7 million, an increase of \$4.3 million over the prior year. Total fund balance, of which \$24.3 million is available for appropriation at the City's discretion, represents 19.13% of total general fund expenditures.
- In FY2011, the City implemented GASB 54 – Fund Balance Reporting and Governmental Fund Type Definitions. In accordance with GASB the City has reported its stabilization funds within the General Fund. At June 30, 2011, \$8.4 million of the General Fund ending fund balance of \$26.7 was comprised of stabilization funds. Please see Note 10 for more information concerning the stabilization funds.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$107 million at the close of FY2011, a decrease of (\$8.0) million from the prior year.

By far the largest portion of the net assets \$136.8 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets 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 its 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 net assets \$5.3 million represents resources that are subject to external restrictions on how they may be used. At June 30, 2011 the City's total *unrestricted net assets* was in a deficit of (\$35.0) million.

Governmental activities. The governmental activities net assets decreased by (\$12.5) million in FY2011 and (\$11.2) million in FY2010. The primary component of this decrease relates to additional expenses recognized in accordance with GASB Statement 45 which is the governmental accounting standard applicable to recording liabilities associated with providing postemployment benefits other than pensions. An actuarial valuation was used to calculate the obligation, and as a result, the City has increased its OPEB liability by \$17.2 million in FY2011.

Several other factors contribute to the change in net assets. Net assets increased by recognizing \$2.1 million from the gain on a sale of a permanent easement to a private utility company, \$409,000 in capital grants, a \$955,000 surplus in the budgetary results of the General Fund, a decrease of (\$838,000) in interest payments on long-term debt.

Condensed financial data for fiscal years 2011 and 2010 is presented below:

Governmental Activities Condensed Statement of Net Assets

	2011	2010
Assets:		
Current Assets.....	\$ 57,049,368	\$ 62,103,886
Noncurrent Assets (Excluding Capital).....	1,239,664	11,934,710
Capital Assets, Non Depreciable.....	17,571,804	18,053,379
Capital Assets, Net of Accumulated Depreciation.....	113,425,097	114,091,366
Total Assets.....	189,285,933	206,183,341
Liabilities:		
Current Liabilities (Excluding Debt).....	5,478,021	6,362,170
Other Postemployment Liabilities - Noncurrent.....	70,798,000	53,635,089
Noncurrent Liabilities (Excluding Debt).....	2,226,678	2,340,899
Current Debt.....	2,761,359	25,696,312
Noncurrent Debt.....	21,282,482	18,907,685
Total Liabilities.....	102,546,540	106,942,155
Net Assets:		
Invested in Capital Assets, Net of Related Debt.....	123,198,732	115,802,386
Restricted.....	5,330,361	16,877,352
Unrestricted.....	(41,789,700)	(33,438,552)
Total Net Assets.....	\$ 86,739,393	\$ 99,241,186

	2011	2010
Program Revenues:		
Charges for Services.....	\$ 8,596,711	\$ 8,517,210
Operating Grants and Contributions.....	78,148,183	77,955,416
Capital Grants and Contributions.....	408,766	2,389,700
General Revenues:		
Real Estate and Personal Property Taxes.....	36,111,718	33,580,120
Rooms and Meals Tax.....	556,526	259,160
Motor Vehicle and Other Excise Taxes.....	7,001,354	7,467,078
Tax Liens.....	937,690	1,005,405
Penalties and Interest on Taxes.....	457,401	576,893
Payments in Lieu of Taxes.....	1,483,189	1,738,295
Grants and Contributions not Restricted to Specific Programs.....	7,698,509	8,453,425
Gain From Sale of Permanent Easement.....	2,115,000	-
Unrestricted Investment Income.....	940,588	1,352,951
Total Revenues.....	144,455,635	143,295,653
Expenses:		
General Government.....	8,878,505	8,584,122
Public Safety.....	38,057,558	36,002,662
Public Education.....	97,529,142	97,560,358
Public Works.....	6,888,278	6,187,990
Health and Human Services.....	1,845,688	1,854,061
Culture and Recreation.....	990,915	916,324
Community Development.....	1,345,920	1,546,870
Debt Service - Interest.....	1,918,692	2,756,957
Total Expenses.....	157,454,698	155,409,344
Excess (Deficiency) Before Transfers.....	(12,999,063)	(12,113,691)
Transfers.....	497,270	867,506
Change in Net Assets.....	\$ (12,501,793)	\$ (11,246,185)

Business-type activities. Nets assets of the City's business-type activities increased by \$4.6 million which compares to an increase of \$3.3 million during the previous fiscal year. The key factors contributed to the change are: 1) user rates were set to recover \$1.8 million of debt service principal payments and not depreciation expense of \$612,000; 2) rate increases during the year; and 3) the receipt of a \$329,750 capital grant from the MWRA. The grant will be used to fund existing infrastructure upgrades to the inflow and outflow processes of the water and sewer activities.

As shown below, business-type activities assets exceeded liabilities by \$20.4 million at the close of fiscal year 2011. Capital assets net of related debt was \$13.6 million (67%) while unrestricted net assets were \$6.8 million (33%).

	2011	2010
Assets:		
Current Assets.....	\$ 14,362,579	\$ 7,468,153
Noncurrent Assets (Excluding Capital).....	10,146	14,146
Capital Assets, Non Depreciable.....	245,000	-
Capital Assets, Net of Accumulated Depreciation.....	21,309,830	21,416,850
Total Assets.....	35,927,555	28,899,149
Liabilities:		
Current Liabilities (Excluding Debt).....	180,598	214,141
Noncurrent Liabilities (Excluding Debt).....	894,146	592,238
Current Debt.....	2,068,884	1,738,985
Noncurrent Debt.....	12,386,694	10,548,607
Total Liabilities.....	15,530,322	13,093,971
Net Assets:		
Invested in Capital Assets, Net of Related Debt.....	13,645,212	10,970,845
Unrestricted.....	6,752,021	4,834,333
Total Net Assets.....	\$ 20,397,233	\$ 15,805,178
	June 30, 2011	June 30, 2010
Program Revenues:		
Charges for Services.....	\$ 17,304,563	\$ 16,012,276
Capital Grants and Contributions.....	404,724	75,909
Total Revenues.....	17,709,287	16,088,185
Expenses:		
Water and Sewer.....	12,619,962	11,932,616
Excess (Deficiency) Before Transfers.....	5,089,325	4,155,569
Transfers.....	(497,270)	(867,506)
Change in Net Assets.....	\$ 4,592,055	\$ 3,288,063

Financial Analysis of the Government's Funds

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

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

Fiscal year 2011 was the City's initial year of implementation of GASB #54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The implementation of this standard has changed the fund balance components into nonspendable, restricted, committed, assigned and unassigned. Additionally, under the new standard, the City's stabilization funds are reported within the general fund as unassigned.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$48.4 million, an increase of \$3.6 million for the year. The increase in fund balance relates to an increase in the fund balance of the general fund and a decreased fund balance of the debt service fund. These two funds decreased total governmental funds fund balance by an aggregate amount of (\$6.4) million both of which are discussed in the paragraphs that follow.

The other significant component of the overall increase to fund balance of the governmental funds relates to the nonmajor governmental funds which increased total governmental funds fund balance by \$10 million. This increase was mainly caused by increases in other financing sources and capital spending that is offset by a decrease in funds transferred out. The increase to funds transferred in relates to the debt service fund activity that is discussed in the paragraphs that follow.

General Fund

At the end of the current fiscal year, unassigned fund balance of the general fund was \$24.3 million, while total fund balance was \$26.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17.42% of total general fund expenditures, while total fund balance represents 19.13% of that same amount.

Fund balance of the general fund experienced a net increase of \$4.3 million. This figure is the result of the following:

- Higher than expected motor vehicle excise tax collections that are \$2.4 million higher than budget. The higher collections are the result of an agreement between the City and a national car rental company. Under the agreement, the City bills the company a contractually agreed to base fee at the beginning of each fiscal year. At fiscal year end this fee is then adjusted based on an actual count of cars registered being in the City;
- Budgeted expenditures being \$3.5 million less than budget due debt service expenditures being lower than budget by \$1.2 million. The variance relative to debt service relates to the early payoff of school construction debt which is further discussed in the paragraphs that follow. Also contributing to the actual expenditure being lower than budget are employee benefit expenditures which were \$600,000 less than budget due and School Department expenditures which were \$975,000 less than budget;
- Use of \$7.3 million of free cash to fund anticipated spending.

Highway Improvement Fund

This is a special revenue fund that accounts for and accumulates resources primarily for road and sidewalk repair and reconstruction projects that are funded only through grants from the Commonwealth of Massachusetts. At June 30, 2011, fund assets consist of \$1.8 million in receivables due from the Commonwealth. Current year revenues were equal to current year expenditures and at the end of the year the ending fund balance was zero.

State Fiscal Stabilization Fund

The state fiscal stabilization grant fund is used to account for federal education funds that were received through the American Recovery and Reinvestment Act. The off-setting revenue and expenditures of \$636,000 represent funds that typically would have been budgeted and recorded in the General Fund if ARRA had not been enacted. Please refer to Note 1 for further information concerning this fund.

Debt Service Fund

In fiscal year 1995, the City issued \$109,975,000 in School Construction general obligation bonds (the Bonds). Simultaneously with the issuance of the Bonds, the City entered into a Trust Agreement (the Agreement) to further secure the City's obligation on the Bonds. The Agreement provided that the City establish a Debt Service Fund (the Fund) in the amount of the School Building Assistance Bureau's first payment to the City. This payment was received in fiscal year 1995 in the amount of \$8,433,000. The purpose of the Fund was 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.

In fiscal year 2011, the Debt Service Fund was fully liquidated by the City use of the \$10.6 million fund balance in hand at the beginning of the fiscal year, current period interest earnings and an accelerated capital grant payment from the Massachusetts School Building Authority. The City used the fund to 1) redeem, in full, the underlying school construction general obligation bonds and 2) to create new funds to provide for future general operating needs of the City and to provide for future capital needs of the school department. The new funds have been recorded as components of the General Fund and the nonmajor governmental funds.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget relates to the use other financing sources to fund an accelerated principal payment of approximately \$17 million on school construction debt. Other significant increases and decreases relate to increases in the police and fire departments, veterans services, buildings and grounds and transfers out for other purposes. Total significant increases including the increase to the debt service budget totaled \$19.3 million and this was offset by decrease to the education department budget in the amount of (\$1.6 million).

Capital Asset and Debt Administration

Highlights of the City's major capital asset acquisitions relate to the following items:

- \$421,000 towards the acquisition of a new fire truck for the Fire Department;
- \$227,000 spent on the Crescent Avenue water and sewer infrastructure project;
- \$251,000 in improvements to Jefferson Avenue infrastructure;
- \$674,000 in improvements to Highland park soccer field;
- \$413,000 in improvements to Chester Avenue;
- \$1.1 million spent on various equipment, security system and building improvements within the School Department;

Additional information on the City's capital assets can be found in Note 4 of this report.

Outstanding debt, as of June 30, 2011, totaled \$38.5 million, a net decrease of \$17.9 million over the prior year and breaks down into the following categories:

- \$1 million for school remodeling;
- \$13.2 million in urban renewal projects;
- \$9.8 million in other governmental projects;
- \$14.5 million for water & sewer projects.

Additional information on the City's short and long-term debt can be found in Notes 5, 7 and 8 of this report.

Requests for Information

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

Basic Financial Statements



This page left intentionally blank.

STATEMENT OF NET ASSETS

JUNE 30, 2011

	<i>Primary Government</i>		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents.....	\$ 36,858,610	\$ 10,307,147	\$ 47,165,757
Investments.....	10,609,813	-	10,609,813
Receivables, Net of Allowance for Uncollectibles:			
Real Estate and Personal Property Taxes.....	1,498,937	-	1,498,937
Tax Liens.....	1,383,844	-	1,383,844
Motor Vehicle Excise Taxes.....	656,294	-	656,294
Trash.....	292,404	-	292,404
User Charges.....	-	3,698,173	3,698,173
Utility Liens.....	-	357,259	357,259
Departmental and Other.....	1,367,611	-	1,367,611
Intergovernmental.....	2,611,806	-	2,611,806
Tax Foreclosures.....	197,220	-	197,220
Loans.....	1,565,000	-	1,565,000
Prepaid Items.....	7,829	-	7,829
Total Current Assets.....	<u>57,049,368</u>	<u>14,362,579</u>	<u>71,411,947</u>
NONCURRENT:			
Restricted Cash and Cash Equivalents.....	-	10,146	10,146
Receivables, Net of Allowance for Uncollectibles:			
Loans.....	1,239,664	-	1,239,664
Capital Assets, Non Depreciable.....	17,571,804	245,000	17,816,804
Capital Assets, Net of Accumulated Depreciation.....	<u>113,425,097</u>	<u>21,309,830</u>	<u>134,734,927</u>
Total Noncurrent Assets.....	<u>132,236,565</u>	<u>21,564,976</u>	<u>153,801,541</u>
TOTAL ASSETS.....	<u>189,285,933</u>	<u>35,927,555</u>	<u>225,213,488</u>
LIABILITIES			
CURRENT:			
Warrants Payable.....	2,481,488	70,073	2,551,561
Accrued Payroll.....	87,543	-	87,543
Health Claims Payable.....	58,000	-	58,000
Tax Refunds Payable.....	224,002	-	224,002
Accrued Interest.....	783,695	110,525	894,220
Abandoned Property.....	133,072	-	133,072
Capital Lease Obligations.....	49,221	-	49,221
Compensated Absences.....	1,565,000	-	1,565,000
Workers' Compensation.....	96,000	-	96,000
Bonds Payable.....	<u>2,761,359</u>	<u>2,068,884</u>	<u>4,830,243</u>
Total Current Liabilities.....	<u>8,239,380</u>	<u>2,249,482</u>	<u>10,488,862</u>
NONCURRENT:			
Capital Lease Obligations.....	29,678	-	29,678
Compensated Absences.....	1,975,000	-	1,975,000
Workers' Compensation.....	222,000	-	222,000
Customer Deposits.....	-	10,146	10,146
Other Postemployment Benefits.....	70,798,000	884,000	71,682,000
Bonds Payable.....	<u>21,282,482</u>	<u>12,386,694</u>	<u>33,669,176</u>
Total Noncurrent Liabilities.....	<u>94,307,160</u>	<u>13,280,840</u>	<u>107,588,000</u>
TOTAL LIABILITIES.....	<u>102,546,540</u>	<u>15,530,322</u>	<u>118,076,862</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt.....	123,198,732	13,645,212	136,843,944
Restricted for:			
Permanent Funds:			
Expendable.....	122,345	-	122,345
Nonexpendable.....	22,392	-	22,392
Gifts and Grants.....	5,185,624	-	5,185,624
Unrestricted.....	<u>(41,789,700)</u>	<u>6,752,021</u>	<u>(35,037,679)</u>
TOTAL NET ASSETS.....	<u>\$ 86,739,393</u>	<u>\$ 20,397,233</u>	<u>\$ 107,136,626</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
<i>Governmental Activities:</i>					
General Government.....	\$ 8,878,505	\$ 1,502,604	\$ 356,936	\$ -	\$ (7,018,965)
Public Safety.....	38,057,558	4,377,770	2,431,956	-	(31,247,832)
Public Education.....	97,529,142	1,160,904	73,234,400	-	(23,133,838)
Public Works.....	6,888,278	1,346,420	-	375,636	(5,166,222)
Health and Human Services.....	1,845,688	103,767	350,957	-	(1,390,964)
Culture and Recreation.....	990,915	28,689	56,027	-	(906,199)
Community Development.....	1,345,920	76,557	977,901	33,130	(258,332)
Interest.....	1,918,692	-	740,006	-	(1,178,686)
Total Governmental Activities.....	<u>157,454,698</u>	<u>8,596,711</u>	<u>78,148,183</u>	<u>408,766</u>	<u>(70,301,038)</u>
<i>Business-Type Activities:</i>					
Water and Sewer.....	<u>12,619,962</u>	<u>17,304,563</u>	<u>-</u>	<u>404,724</u>	<u>5,089,325</u>
Total Primary Government.....	<u>\$ 170,074,660</u>	<u>\$ 25,901,274</u>	<u>\$ 78,148,183</u>	<u>\$ 813,490</u>	<u>\$ (65,211,713)</u>

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (Expense) Revenue from Previous Page.....	\$ (70,301,038)	\$ 5,089,325	\$ (65,211,713)
<i>General Revenues:</i>			
Real Estate and Personal Property Taxes, Net of Tax Refunds.....	36,111,718	-	36,111,718
Meals and Room Taxes.....	556,526	-	556,526
Motor Vehicle and Other Excise Taxes.....	7,001,354	-	7,001,354
Tax Liens.....	937,690	-	937,690
Penalties and Interest on Taxes.....	457,401	-	457,401
Payments in Lieu of Taxes.....	1,483,189	-	1,483,189
Grants and Contributions not Restricted to Specific Programs.....	7,698,509	-	7,698,509
Unrestricted Interest Income.....	940,588	-	940,588
Gain from Sale of Permanent Easement.....	2,115,000	-	2,115,000
<i>Transfers, Net</i>	497,270	(497,270)	-
Total General Revenues and Transfers.....	57,799,245	(497,270)	57,301,975
Change in Net Assets.....	(12,501,793)	4,592,055	(7,909,738)
<i>Net Assets:</i>			
Beginning of Year.....	99,241,186	15,805,178	115,046,364
End of Year.....	\$ <u>86,739,393</u>	\$ <u>20,397,233</u>	\$ <u>107,136,626</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2011

ASSETS	<u>General</u>	<u>Highway Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents.....	\$ 20,702,608	\$ -	\$ 15,388,012	\$ 36,090,620
Investments.....	7,561,006	-	3,048,807	10,609,813
Receivables, Net of Uncollectibles:				
Real Estate and Personal Property Taxes	1,498,937	-	-	1,498,937
Tax Liens.....	1,383,844	-	-	1,383,844
Motor Vehicle Excise Taxes.....	656,294	-	-	656,294
Trash.....	292,404	-	-	292,404
Departmental and Other.....	865,665	-	501,946	1,367,611
Loans.....	-	-	2,804,664	2,804,664
Intergovernmental.....	-	1,781,251	830,555	2,611,806
Tax Foreclosures.....	197,220	-	-	197,220
Due from Other Funds.....	579,768	-	-	579,768
Prepaid Items.....	7,829	-	-	7,829
TOTAL ASSETS.....	\$ 33,745,575	\$ 1,781,251	\$ 22,573,984	\$ 58,100,810
LIABILITIES				
LIABILITIES:				
Warrants Payable.....	\$ 1,899,555	\$ -	\$ 581,933	\$ 2,481,488
Accrued Payroll.....	87,543	-	-	87,543
Tax refunds payable.....	224,002	-	-	224,002
Abandoned Property.....	130,724	-	-	130,724
Deferred Revenues.....	4,672,698	1,435,698	51,946	6,160,342
Due to Other Funds.....	-	345,553	234,215	579,768
TOTAL LIABILITIES.....	7,014,522	1,781,251	868,094	9,663,867
FUND BALANCES:				
Nonspendable.....	-	-	22,392	22,392
Restricted.....	-	-	21,683,498	21,683,498
Assigned.....	2,385,892	-	-	2,385,892
Unassigned.....	24,345,161	-	-	24,345,161
TOTAL FUND BALANCES.....	26,731,053	-	21,705,890	48,436,943
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 33,745,575	\$ 1,781,251	\$ 22,573,984	\$ 58,100,810

See notes to basic financial statements.

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

JUNE 30, 2011

Total governmental fund balances.....		\$ 48,436,943
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources, therefore, are not reported in the governmental funds.....		130,996,901
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		6,160,342
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(783,695)
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.....	(24,043,841)	
Capital lease obligations.....	(78,899)	
Other postemployment benefit obligation.....	(70,798,000)	
Compensated absences.....	<u>(3,540,000)</u>	
		(98,460,740)
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>389,642</u>
Net assets of governmental activities.....		<u>\$ 86,739,393</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2011

	General	Highway Improvement	State Fiscal Stabilization Fund - ARRA	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real Estate and Personal Property Taxes, Net of Tax Refunds.....	\$ 35,997,749	\$ -	\$ -	\$ -	\$ -	\$ 35,997,749
Tax Liens.....	907,060	-	-	-	-	907,060
Meals and Room Taxes.....	556,526	-	-	-	-	556,526
Motor Vehicle Excise Taxes.....	7,111,447	-	-	-	-	7,111,447
Payments in Lieu of Taxes.....	1,483,189	-	-	-	-	1,483,189
Penalties and Interest on Taxes.....	457,401	-	-	-	-	457,401
Charges for Services.....	-	-	-	-	3,142,666	3,142,666
Trash Disposal.....	1,509,421	-	-	-	-	1,509,421
Licenses, Permits, and Fees.....	1,652,606	-	-	-	33,800	1,686,406
Fines and Forfeitures.....	1,811,801	-	-	-	-	1,811,801
Intergovernmental.....	71,411,606	574,093	636,498	11,545,800	18,293,527	102,461,524
Departmental.....	-	-	-	-	371,243	371,243
Contributions.....	-	-	-	-	976,743	976,743
Interest Income.....	590,552	-	-	273,835	71,622	936,009
TOTAL REVENUES.....	123,489,358	574,093	636,498	11,819,635	22,889,601	159,409,185
EXPENDITURES:						
Current:						
General Government.....	3,150,508	-	-	-	966,477	4,116,985
Public Safety.....	17,827,982	-	-	-	4,029,285	21,857,267
Public Education.....	62,489,798	-	636,498	-	14,922,760	78,049,056
Public Works.....	4,835,709	574,093	-	-	796,119	6,205,921
Health and Human Services.....	929,697	-	-	-	317,606	1,247,303
Culture and Recreation.....	424,419	-	-	-	106,105	530,524
Community Development.....	-	-	-	-	1,762,797	1,762,797
Pension Benefits.....	11,459,731	-	-	-	-	11,459,731
Property and Liability Insurance.....	450,000	-	-	-	-	450,000
Employee Benefits.....	6,259,620	-	-	-	-	6,259,620
Claims and Judgments.....	46,059	-	-	-	-	46,059
State and County Charges.....	5,032,659	-	-	-	-	5,032,659
Debt Service:						
Principal.....	25,196,312	-	-	-	-	25,196,312
Interest.....	1,619,804	-	-	-	-	1,619,804
TOTAL EXPENDITURES.....	139,722,298	574,093	636,498	-	22,901,149	163,834,038
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(16,232,940)	-	-	11,819,635	(11,548)	(4,424,853)
OTHER FINANCING SOURCES (USES):						
Issuance of Long-Term Bonds.....	-	-	-	-	5,136,656	5,136,656
Issuance of Refunding Bonds.....	99,500	-	-	-	-	99,500
Principal Payment on Refunded Bonds.....	(102,834)	-	-	-	-	(102,834)
Premium from Issuance of Bonds.....	239,006	-	-	-	-	239,006
Premium from Issuance of Refunding Bonds.....	4,991	-	-	-	-	4,991
Proceeds from Sale of Permanent Easement.....	-	-	-	-	2,115,000	2,115,000
Transfers In.....	22,565,931	-	-	-	4,468,408	27,034,339
Transfers Out.....	(2,318,086)	-	-	(22,467,981)	(1,751,002)	(26,537,069)
TOTAL OTHER FINANCING SOURCES (USES).....	20,488,508	-	-	(22,467,981)	9,969,062	7,989,589
NET CHANGE IN FUND BALANCES.....	4,255,568	-	-	(10,648,346)	9,957,514	3,564,736
FUND BALANCES AT BEGINNING OF YEAR (as revised).....	22,475,485	-	-	10,648,346	11,748,376	44,872,207
FUND BALANCES AT END OF YEAR.....	\$ 26,731,053	\$ -	\$ -	\$ -	\$ 21,705,890	\$ 48,436,943

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds..... \$ 3,564,736

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.

Capital outlay.....	4,418,867	
Depreciation expense.....	(5,566,711)	
Net effect of reporting capital assets.....		(1,147,844)

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..... (17,310,909)

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 effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Issuance of long term bonds.....	(5,136,656)	
Issuance of refunding bonds.....	(99,500)	
Debt service principal payments.....	25,196,312	
Payments to refunded bonds escrow agent.....	102,834	
Capital lease maturities.....	47,205	
Net effect of reporting long-term debt.....		20,110,195

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	(106,000)	
Net change in other postemployment benefits accrual.....	(17,162,911)	
Net change in accrued interest on long-term debt.....	(298,888)	
Net effect of recording long-term liabilities.....		(17,567,799)

Internal service funds are used by management to account for retiree health insurance activities and workers' compensation activities.

The net activity of internal service funds is reported with Governmental Activities.....		(150,172)
--	--	-----------

Change in net assets of governmental activities..... \$ (12,501,793)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-Type Activities Water & Sewer Enterprise Fund	Governmental Activities - Internal Service Funds
ASSETS		
CURRENT:		
Cash and Cash Equivalents.....	\$ 10,307,147	\$ 767,990
Receivables, Net of Allowance for Uncollectibles:		
User Charges.....	3,698,173	-
Utility Liens.....	357,259	-
Total Current Assets.....	<u>14,362,579</u>	<u>767,990</u>
NONCURRENT:		
Restricted Cash and Cash Equivalents.....	10,146	-
Capital Assets, Net of Accumulated Depreciation.....	21,554,830	-
Total Noncurrent Assets.....	<u>21,564,976</u>	<u>-</u>
TOTAL ASSETS.....	<u>35,927,555</u>	<u>767,990</u>
LIABILITIES		
CURRENT:		
Warrants Payable.....	70,073	-
Abandoned Property.....	-	2,348
Accrued Interest.....	110,525	-
Accrued Health Claims Payable.....	-	58,000
Workers' Compensation.....	-	96,000
Bonds Payable.....	2,068,884	-
Total Current Liabilities.....	<u>2,249,482</u>	<u>156,348</u>
NONCURRENT:		
Customer Deposits.....	10,146	-
Workers' Compensation.....	-	222,000
Other Postemployment Benefits.....	884,000	-
Bonds Payable.....	12,386,694	-
Total Noncurrent Liabilities.....	<u>13,280,840</u>	<u>222,000</u>
TOTAL LIABILITIES.....	<u>15,530,322</u>	<u>378,348</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt.....	13,645,212	-
Unrestricted.....	6,752,021	389,642
TOTAL NET ASSETS.....	<u>\$ 20,397,233</u>	<u>\$ 389,642</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities Water & Sewer Enterprise Fund	Governmental Activities - Internal Service Funds
OPERATING REVENUES:		
Charges for Services	\$ 17,304,563	\$ -
Employer Contributions.....	-	639,103
Other.....	-	180,452
TOTAL OPERATING REVENUES	17,304,563	819,555
OPERATING EXPENSES:		
Cost of Service and Administration.....	2,241,761	-
MWRA Assessment.....	9,276,259	-
Employee Benefits.....	-	970,246
Depreciation.....	611,943	-
TOTAL OPERATING EXPENSES	12,129,963	970,246
OPERATING INCOME (LOSS).....	5,174,600	(150,691)
NONOPERATING REVENUES (EXPENSES):		
Investment Income.....	-	519
Interest Expense.....	(489,999)	-
Intergovernmental.....	404,724	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(85,275)	519
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS.....	5,089,325	(150,172)
TRANSFERS:		
Transfers In.....	1,130,430	-
Transfers Out.....	(1,627,700)	-
TOTAL TRANSFERS.....	(497,270)	-
CHANGE IN NET ASSETS.....	4,592,055	(150,172)
NET ASSETS AT BEGINNING OF YEAR.....	15,805,178	539,814
NET ASSETS AT END OF YEAR.....	\$ 20,397,233	\$ 389,642

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2011

	Business-Type Activities Water & Sewer Enterprise Fund	Governmental Activities - Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from Customers and Users.....	\$ 17,146,248	\$ -
Receipts from Interfund Services Provided.....	-	819,555
Payments to Vendors.....	(10,694,401)	-
Payments to Employees.....	(554,411)	-
Payments for Interfund Services Used.....	-	(1,020,246)
	5,897,436	(200,691)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Transfers In.....	1,130,430	-
Transfers Out.....	(1,627,700)	-
	(497,270)	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Proceeds from the Issuance of Bonds and Notes.....	3,911,467	-
Proceeds from the Issuance of Refunding Bonds.....	895,500	-
Receipt of Capital Grant.....	404,724	-
Acquisition and Construction of Capital Assets.....	(749,923)	-
Principal Payments on Bonds and Notes.....	(1,738,981)	-
Principal Payments on Refunded Bonds.....	(900,000)	-
Interest Expense.....	(409,268)	-
	1,335,945	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment Income.....	-	519
	6,736,111	(200,172)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....		
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	3,581,182	968,162
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ 10,317,293	\$ 767,990
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>		
<u>FROM OPERATING ACTIVITIES:</u>		
Operating Income (Loss).....	\$ 5,174,600	\$ (150,691)
Adjustments to Reconcile Operating Income (Loss) to Net		
Cash from Operating Activities:		
Depreciation.....	611,943	-
Changes in Assets and Liabilities:		
User Charges.....	(281,663)	-
Utility Liens.....	127,348	-
Warrants Payable.....	(36,700)	-
Accrued Health Claims Payable.....	-	21,000
Customer Deposits.....	(4,000)	-
Workers' Compensation.....	-	(71,000)
Other Postemployment Benefits.....	305,908	-
Total Adjustments.....	722,836	(50,000)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 5,897,436	\$ (200,691)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Pension Trust Fund (as of December 31, 2010)	Private Purpose Trust Funds	Agency Fund
ASSETS			
Cash and Cash Equivalents.....	\$ 383,279	\$ 530,834	\$ 622,534
Investments:			
PRIT Funds.....	74,440,912	-	-
Receivables, Net of Allowance for Uncollectibles:			
Intergovernmental.....	4,190,173	-	-
TOTAL ASSETS.....	79,014,364	530,834	622,534
LIABILITIES			
Warrants Payable.....	166	-	-
Liabilities Due Depositors.....	-	-	622,534
TOTAL LIABILITIES.....	166	-	622,534
NET ASSETS			
Held in Trust for Pension Benefits and and Other Purposes.....	\$ 79,014,198	\$ 530,834	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	Pension Trust Fund (as of December 31, 2010)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 8,168,182	\$ -
Plan Members.....	2,688,563	-
Private Donations.....	-	41,243
Total Contributions.....	<u>10,856,745</u>	<u>41,243</u>
Net Investment Income:		
Net Change in Fair Value of Investments.....	7,116,323	-
Interest.....	1,964,930	6,591
Total Investment Income.....	9,081,253	6,591
Less: Investment Expense.....	(320,112)	-
Net Investment Income.....	<u>8,761,141</u>	<u>6,591</u>
Intergovernmental.....	208,987	-
Transfers from Other Systems.....	292,914	-
TOTAL ADDITIONS.....	<u>20,119,787</u>	<u>47,834</u>
DEDUCTIONS:		
Administration.....	186,543	-
Transfers to Other Systems.....	198,961	-
Retirement Benefits and Refunds.....	8,810,412	-
Educational Scholarships.....	-	45,344
TOTAL DEDUCTIONS.....	<u>9,195,916</u>	<u>45,344</u>
CHANGE IN NET ASSETS.....	10,923,871	2,490
NET ASSETS AT BEGINNING OF YEAR.....	<u>68,090,327</u>	<u>528,344</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 79,014,198</u>	<u>\$ 530,834</u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the City of Chelsea, Massachusetts (the City) have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting practices and policies of the City are described herein.

A. Reporting Entity

The City is a municipal corporation that is governed by a City Manager and an 11 member elected City Council (the Council).

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and institutions. 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 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 (the primary government) and its component units. The City has included one entity as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship with the City.

Blended Component Units – Blended component units are entities that are legally separate from the City, but are so related to the City that they are, in substance, the same as the City or entities providing services entirely or almost entirely for the benefit of the City. The following component unit is blended within the primary government:

In the Fiduciary Funds:

- (1) The Chelsea Contributory Retirement System (the 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 Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

Availability of Financial Information for Component Units

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.

B. Government-Wide and Fund Financial Statements*Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the 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 supported primarily by user fees and charges.

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.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*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 particular 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 particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and water and sewer enterprise fund. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund 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 fiscal year-end. 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 that are required to be accounted for in another fund.

The *state fiscal stabilization fund – ARRA* relates to funding received under the American Reinvestment and Recovery Act. During each school year, the Commonwealth of Massachusetts provides local aid specifically designed to ensure minimum funding levels within the school department. Typically, the payments are primarily provided through state tax receipts that are posted to the general fund. During fiscal year 2011, the Commonwealth provided the necessary support to the schools from both state local aid and federal ARRA funds. In accordance with regulations published by the Commonwealth's Department of Elementary and Secondary Education and the Department of Revenue, the City recorded the ARRA revenue and related education expenditure within the special revenue fund that was established solely for this purpose.

The *highway improvement fund* is a special revenue fund that accounts for and accumulates resources primarily for road and sidewalk repair and reconstruction projects that are funded only through grants from the Commonwealth of Massachusetts.

The *debt service fund* had accounted for resources used to pay debt service on school construction projects. During the fiscal year, the fund was terminated and fund revenues and fund balance were used to fund an early payoff of school construction debt and to create anew stabilization fund and to provide support for school capital project needs.

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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, 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 governmental 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 trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trust funds have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings. The City's educational scholarships are accounted for in this fund.

The *agency fund* is primarily used to account for performance bonds and bid deposits, law enforcement asset seizures, but also accounts for any asset that is held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

Government-Wide and Fund Financial Statements

Private sector standards of accounting and financial reporting issued on or before November 30, 2009, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with our contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

D. Cash 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. The fair values are determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

E. 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, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st 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 1st, November 1st, February 1st and May 1st 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.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

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.

The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

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. Owner occupied residences are not charged a fee for the services provided. The contract is funded from all non-owner residence (single and multi family) billings, and available funds and the tax levy. Trash fees are recorded receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

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.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables consist primarily of police and fire details and are recorded as receivables in the fiscal year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various federal and state grants for operating and capital purposes 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.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Loans

The Department of Planning and Development administers loan programs that provide housing assistance to residents and capital needs assistance for small businesses. Upon issuance, a receivable is recorded for the principal amount of the loan.

The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

F. 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.

G. Restricted Assets

The assets of the debt service fund (governmental activity) are classified as restricted since their use is limited by the terms of a Trust Agreement (more fully described in Note 10).

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

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, 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 activity 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 the 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 fixed 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.

I. Interfund Receivables and Payables

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

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service 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.

J. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service 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.

K. Deferred Revenue

Deferred revenue at the fund financial statement level represents 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 (full accrual) financial statements.

L. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets reported as "invested in capital assets, net of related debt" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building assistance program is not considered to be capital related debt.

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

Net assets have been “restricted for” the following:

“Permanent funds - expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings.

“Permanent funds - nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Gifts and grants” represents restrictions placed on assets from outside parties.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

“Assigned” fund balance includes amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest 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. 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.

N. 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 from proprietary funds is voluntarily assigned and transferred to the general fund.

O. 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 maturity of the liability.

P. 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.

Q. 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 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 - CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and cash equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes 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 (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. The City Treasurer is responsible for adhering to these statutes, and at June 30, 2011 the City is in compliance with these requirements.

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

The Retirement System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares.

The PRIT Fund, as a pool, invests in various products including, but not limited to money market mutual funds, equities, pooled foreign and domestic income and equity funds, United States government sponsored enterprises and Treasury Notes, real estate and commodities. The underlying components of the PRIT's fixed income portfolio had an effective weighted duration rate ranging from .08 to 11.6 years.

MMDT maintains a cash portfolio and a short-term bond portfolio with combined average maturities of approximately 3 months. Credit ratings associated with the City's investment in MMDT ranged from A1/P1 to unrated; with approximately 98% rated A1/P1 and approximately 2% rated A2/P2.

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City policy for mitigating custodial credit risk is that the City will not have in deposit amounts exceeding 5% of an institution's assets and no more than 25% of the City's cash may be comprised on unsecured bank deposits. The percentage may be increased more no more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the City in the future.

At fiscal year-end the carrying amount of the City's deposits totaled \$40,630,550 and the bank balances totaled \$42,648,259. Of the bank balance, \$4,595,078 was covered by Federal Depository Insurance, \$110,673 was covered by the Massachusetts Depositors Insurance Fund, \$12,285,449 was covered by the Share Insurance Fund, \$47,664 was collateralized, and \$25,609,235 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2010, the carrying amount of the Retirement System's deposits totaled \$383,279 and the bank balance totaled \$385,359. The bank balance was fully covered by Federal Depository Insurance.

As of June 30, 2011 the City had the following investments:

Investment Type	Fair Value	Maturity				Rating
		Under 1 Year	1 - 5 Years	6-10 Years	Over 10 Years	
<u>Debt Securities</u>						
Government Sponsored Enterprises.....	\$ 7,624,614	\$ 400,000	\$ 6,576,264	\$ 449,550	\$ 198,800	AAA
U.S. Treasury Notes.....	745,665	-	745,665	-	-	AAA
Corporate Bonds.....	1,153,897	351,295	802,602	-	-	AA
Corporate Bonds.....	274,675	-	274,675	-	-	A
Fixed Income Bond Fund.....	810,962	-	-	810,962	-	AAA
Total Debt Securities.....	10,609,813	\$ 751,295	\$ 8,399,206	\$ 1,260,512	\$ 198,800	
<u>Other Investments</u>						
Money Market Mutual Funds.....	4,096,062					
MMDT.....	3,602,659					
Total Investments.....	\$ 18,308,534					

As of December 31, 2010, the Retirement System had investments in PRIT totaling \$74,440,912.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party.

At June 30, 2011 none of the City’s investments were exposed to custodial credit risk because the underlying securities were held in the name of the City.

The City policy for custodial credit risk indicates that all securities not held directly by the City, be held in the City’s name and tax identification number by a third-party custodian approved by the Treasurer.

At December 31, 2010, the System’s investment in PRIT is not subject to custodial credit risk exposure because it is not evidenced by securities that exist in physical or book-entry form.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City places no limit on the amount of funds that can be invested in United States Treasury obligations, United States Government Agency obligations, or with MMDT. For all other investments the City will only purchase investment grade securities carrying an A rating or higher.

Concentration of Credit Risk

The City has a 5% concentration of credit risk associated with its investment in GE corporate debt.

NOTE 3 – RECEIVABLES

At June 30, 2011, receivables for the individual major governmental funds and non-major, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real Estate, Personal Property and Tax Deferrals.....	\$ 1,498,937	\$ -	\$ 1,498,937
Tax and Trash Liens.....	1,383,844	-	1,383,844
Motor Vehicle Excise Taxes.....	1,234,379	(578,085)	656,294
Trash.....	292,404	-	292,404
Departmental and Other.....	1,367,611	-	1,367,611
Intergovernmental.....	2,611,806	-	2,611,806
Loans.....	<u>2,804,664</u>	<u>-</u>	<u>2,804,664</u>
Total.....	<u>\$ 11,193,645</u>	<u>\$ (578,085)</u>	<u>\$ 10,615,560</u>

At June 30, 2011, receivables for the water and sewer enterprise consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
User Charges.....	\$ 3,698,173	\$ -	\$ 3,698,173
Utility Liens.....	<u>357,259</u>	<u>-</u>	<u>357,259</u>
Total.....	<u>\$ 4,055,432</u>	<u>\$ -</u>	<u>\$ 4,055,432</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real Estate, Personal Property and Tax Deferrals.....	\$ 1,277,271	\$ -	\$ 1,277,271
Tax and Trash Liens.....	1,383,844	-	1,383,844
Motor Vehicle Excise Taxes.....	656,294	-	656,294
Trash.....	292,404	-	292,404
Departmental and Other.....	865,665	51,946	917,611
Intergovernmental.....	-	1,435,698	1,435,698
Tax Foreclosures.....	197,220	-	197,220
 Total.....	 <u>\$ 4,672,698</u>	 <u>\$ 1,487,644</u>	 <u>\$ 6,160,342</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital Assets not being Depreciated:</u>				
Land.....	\$ 17,103,379	\$ 371,671	\$ -	\$ 17,475,050
Construction in Progress.....	950,000	96,754	(950,000)	96,754
 Total capital assets not being depreciated.....	 <u>18,053,379</u>	 <u>468,425</u>	 <u>(950,000)</u>	 <u>17,571,804</u>
<u>Capital Assets being Depreciated:</u>				
Buildings and Improvements.....	149,509,613	1,041,228	-	150,550,841
Machinery and Equipment.....	13,556,221	2,157,158	-	15,713,379
Infrastructure.....	14,743,837	1,702,056	-	16,445,893
 Total Capital Assets being Depreciated.....	 <u>177,809,671</u>	 <u>4,900,442</u>	 <u>-</u>	 <u>182,710,113</u>
<u>Less Accumulated Depreciation for:</u>				
Buildings and Improvements.....	(48,705,752)	(3,854,691)	-	(52,560,443)
Machinery and Equipment.....	(9,860,074)	(1,300,926)	-	(11,161,000)
Infrastructure.....	(5,152,479)	(411,094)	-	(5,563,573)
 Total Accumulated Depreciation.....	 <u>(63,718,305)</u>	 <u>(5,566,711)</u>	 <u>-</u>	 <u>(69,285,016)</u>
 Total Capital Assets being Depreciated, Net.....	 <u>114,091,366</u>	 <u>(666,269)</u>	 <u>-</u>	 <u>113,425,097</u>
 Total Governmental Activities Capital Assets, Net.....	 <u>\$ 132,144,745</u>	 <u>\$ (197,844)</u>	 <u>\$ (950,000)</u>	 <u>\$ 130,996,901</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business Type Activities:				
<u>Capital Assets not being Depreciated:</u>				
Construction in Progress.....	\$ -	\$ 245,000	\$ -	\$ 245,000
<u>Capital Assets being Depreciated:</u>				
Infrastructure.....	29,625,190	504,923	-	30,130,113
<u>Less Accumulated Depreciation for:</u>				
Infrastructure.....	(8,208,340)	(611,943)	-	(8,820,283)
Total Capital Assets being Depreciated, Net.....	<u>21,416,850</u>	<u>(107,020)</u>	<u>-</u>	<u>21,309,830</u>
Total Business-Type Activities Capital Assets, Net....	<u>\$ 21,416,850</u>	<u>\$ 137,980</u>	<u>\$ -</u>	<u>\$ 21,554,830</u>

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

Governmental Activities:

General Government.....	\$ 212,440
Public Safety.....	501,888
Public Education.....	4,008,175
Public Works.....	463,147
Health and Human Services.....	42,240
Culture and Recreation.....	155,733
Community Development.....	<u>183,088</u>
Total Depreciation Expense - Governmental Activities.....	<u>\$ 5,566,711</u>

Business-Type Activities:

Water and Sewer.....	<u>\$ 611,943</u>
----------------------	-------------------

NOTE 5 – CAPITAL LEASES

The City is a party to a capital lease agreement for streetlights. Under the terms of the agreement the streetlights will become property of the City. The agreement contains an early purchase option which will allow the City to purchase the streetlights before the end of the lease term.

The following schedule presents future minimum lease payments as of June 30, 2011:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2012.....	51,589
2013.....	<u>30,094</u>
Total Minimum Lease Payments.....	81,683
Less: Amounts Representing Interest.....	<u>(2,784)</u>
Present Value of Minimum Lease Payments.....	\$ <u><u>78,899</u></u>

Asset values of the streetlights and the related accumulated depreciation of the streetlights is as follows:

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery and Equipment.....	\$ 232,355
Less: Accumulated Depreciation.....	<u>(160,615)</u>
Total.....	\$ <u><u>71,740</u></u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Receivables and payables between funds at June 30, 2011 represent temporary cash flow advances from the General Fund to other funds.

Receivable Fund	Payable Fund	Amount
General Fund.....	Nonmajor Governmental Funds (Highway Improvement).....	\$ 345,553 (1)
General Fund.....	Nonmajor Governmental Funds (City Revolving).....	<u>234,215 (1)</u>
Total.....		<u>\$ 579,768</u>

1) Represents advances between funds to meet temporary cash flow needs.

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General Fund	Nonmajor Governmental Funds	Water & Sewer Enterprise Fund	
General Fund.....	\$ -	\$ 1,187,656	\$ 1,130,430	\$ 2,318,086 (1)
Debt Service Fund.....	20,070,000	2,397,981	-	22,467,981 (2)
Nonmajor Governmental Funds.....	868,231	882,771	-	1,751,002 (3)
Water and Sewer Enterprise Fund.....	<u>1,627,700</u>	<u>-</u>	<u>-</u>	<u>1,627,700 (4)</u>
Total.....	<u>\$ 22,565,931</u>	<u>\$ 4,468,408</u>	<u>\$ 1,130,430</u>	<u>\$ 28,164,769</u>

- (1) Transfer of \$2,318,086 from the General Fund to the Redevelopment Revolving Loan Fund (\$500,000), to the Police Detail and Fire Detail Special Revenue Funds (\$67,656), to the Marginal Street Overage Account (\$500,000), to fund the Enterprise Fund Capital Improvement Plan (\$1,130,430) and to fund the Governmental Capital Improvement Plan (\$120,000).
- (2) Transfer from Debt Service Funds to accelerate general fund principal payments relating to school construction debt and to create special capital reserve for school building purposes.
- (3) Budgeted transfers in to the General Fund of \$605,000 from the Sale of Urban Renewal Land Fund and the Sale of Fixed Assets Fund to to pay down debt service; \$175,000 into the General Fund to from the Parking Fund to provide additional funding for parking enforcement. Included in these figures is a \$882,771 transfer out from the nonmajor governmental capital project funds to nonmajor governmental special special revenue funds. This transfer was made to account for the City's share of a federally funded program. The City also recorded a transfer of \$88,231 to recapture a share of indirect costs related to school federal grants.
- (4) To transfer fringe benefit and overhead charges to the General Fund.

NOTE 7 – 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 or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

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, 2011, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2010	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2011
BAN	Building.....	2.35%	12/22/10	\$ 500,000	\$ -	\$ (500,000)	\$ -
BAN	Building.....	1.50%	02/23/11	-	500,000	(500,000)	-
BAN	Building.....	2.25%	03/02/11	-	80,000	(80,000)	-
Total.....				\$ 500,000	\$ 580,000	\$ (1,080,000)	\$ -

NOTE 8 - LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, 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".

In prior fiscal years, the City defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide amounts sufficient for the future payment of principal and interest on those bonds. Accordingly, neither the assets in escrow nor the liability for the defeased bonds are included in the City’s financial statements. At June 30, 2011, \$5,820,000 of bonds outstanding from the advance refunding is considered defeased.

In fiscal year 2011, a total of \$1,028,000 in governmental and business-type activity general obligation refunding bonds with an average interest rate of 3.74% were issued to refund \$1,000,000 of outstanding bonds with an average interest rate of 4.96%. The refunding decreases total debt service payments over the next 10 years by \$95,375 resulting in an economic gain of \$65,496.

Details related to the City's general obligation indebtedness at June 30, 2011, and the debt service requirements are as follows:

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
School Buildings Refunding.....	3.65 - 5.13%	\$ 22,810,000	\$ -	\$ (22,810,000)	\$ -
Municipal Purpose.....	4.10 - 5.00%	194,807	-	(194,807)	-
School Building Remodeling.....	2.37 - 4.75%	1,120,000	-	(80,000)	1,040,000
Municipal Purpose.....	3.00 - 4.00%	313,000	-	(62,600)	250,400
Municipal Purpose Refunding.....	3.00 - 4.50%	686,965	-	(99,585)	587,380
Equipment.....	3.75 - 4.00%	58,000	-	(58,000)	-
Renovations.....	3.75 - 4.00%	157,800	-	(26,300)	131,500
Public Safety.....	3.75 - 4.00%	17,600	-	(17,600)	-
Sidewalks.....	3.75 - 4.00%	30,000	-	(5,000)	25,000
Municipal Purpose.....	3.50 - 4.00%	376,700	-	(92,100)	284,600
Municipal Purpose.....	3.50 - 5.25%	520,400	-	(105,300)	415,100
Municipal Purpose.....	3.00 - 6.00%	3,444,775	-	(498,445)	2,946,330
Municipal Purpose Refunding, Series B....	3.00 - 5.00%	115,000	-	(13,125)	101,875
Municipal Purpose, Series C.....	5.13 - 6.06%	8,888,000	-	(598,000)	8,290,000
Municipal Purpose Refunding, Series C....	5.13 - 5.75%	3,745,000	-	(435,000)	3,310,000
Municipal Purpose, Series A.....	3.00 - 4.00%	1,625,950	-	(200,450)	1,425,500
Urban Renewal.....	3.00 - 4.00%	-	1,580,000	-	1,580,000
Municipal Purpose.....	3.00 - 4.00%	-	3,136,656	-	3,136,656
Permanent State House Loan Notes.....	4.25%	-	420,000	-	420,000
Municipal Purpose Refunding.....	3.00 - 5.00%	-	99,500	-	99,500
Total		\$ 44,103,997	\$ 5,236,156	\$ (25,296,312)	\$ 24,043,841

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

Fiscal Year	Principal	Interest	Total
2012.....	\$ 2,761,359	\$ 1,123,493	\$ 3,884,852
2013.....	2,694,162	1,004,488	3,698,650
2014.....	2,460,119	892,297	3,352,416
2015.....	2,427,306	786,025	3,213,331
2016.....	2,314,706	680,978	2,995,684
2017.....	2,127,031	577,066	2,704,097
2018.....	2,024,019	474,970	2,498,989
2019.....	1,921,889	371,017	2,292,906
2020.....	1,201,375	270,637	1,472,012
2021.....	1,071,875	212,878	1,284,753
2022.....	780,000	165,796	945,796
2023.....	780,000	124,092	904,092
2024.....	780,000	81,318	861,318
2025.....	700,000	37,954	737,954
Total	\$ 24,043,841	\$ 6,803,009	\$ 30,846,850

Bonds Payable - Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2,010	Issued	Redeemed	Outstanding at June 30, 2011
Sewer Notes (MWRA)	0.00%	\$ 94,581	\$ -	\$ (94,581)	\$ -
Water Notes (MWRA)	0.00%	77,168	-	(19,292)	57,876
Water Notes (MWRA)	0.00%	59,856	-	(9,976)	49,880
Water Notes (MWRA)	0.00%	152,000	-	(19,000)	133,000
Sewer Notes (MWRA)	0.00%	134,970	-	(44,990)	89,980
Water and Sewer Bonds	4.10 - 5.00%	980,190	-	(980,190)	-
Water and Sewer Bonds	4.80 - 5.20%	700,000	-	(65,000)	635,000
Water and Sewer Bonds	2.37 - 4.75%	210,000	-	(15,000)	195,000
Water and Sewer Bonds	2.37 - 4.75%	640,000	-	(50,000)	590,000
Water and Sewer Bonds	3.00 - 4.00%	962,000	-	(192,400)	769,600
Water and Sewer Refunding	3.00 - 4.50%	1,348,035	-	(195,415)	1,152,620
Water - Meters	3.75 - 4.00%	268,800	-	(44,800)	224,000
Sewer - Crescent Avenue	3.75 - 4.00%	572,800	-	(95,800)	477,000
Water - Crescent Avenue	3.75 - 4.00%	13,800	-	(2,300)	11,500
Sewer - Meters	3.75 - 4.00%	451,200	-	(75,200)	376,000
Water and Sewer Bonds	3.50 - 4.00%	1,753,300	-	(247,900)	1,505,400
Water and Sewer Bonds	3.50 - 5.25%	554,600	-	(74,700)	479,900
Water and Sewer Bonds	3.00 - 6.00%	585,225	-	(116,555)	468,670
Water Notes (MWRA)	0.00%	1,044,067	-	(116,007)	928,060
Municipal Purpose Refunding, Series B...	3.00 - 5.00%	805,000	-	(91,875)	713,125
Water Notes (MWRA)	0.00%	100,000	-	(10,000)	90,000
Water Notes (MWRA)	0.00%	225,000	-	(22,500)	202,500
Municipal Purpose Refunding, Series A...	3.00 - 4.00%	555,000	-	(55,500)	499,500
Sewer (MWPAT)	2.00%	-	2,061,252	-	2,061,252
Water Notes (MWRA)	0.00%	-	1,205,365	-	1,205,365
Refunded Bonds	3.00 - 5.00%	-	895,500	-	895,500
Sewer Notes (MWRA)	0.00%	-	399,850	-	399,850
Water (MWPAT)	2.00%	-	245,000	-	245,000
Total		\$ 12,287,592	\$ 4,806,967	\$ (2,638,981)	\$ 14,455,578

The City receives subsidy assistance from the Massachusetts Water Pollution Abatement Trust (MWPAT), which is managed by the Commonwealth of Massachusetts. Future subsidies of capital expenses are structured as interest subsidies over the life of the loan to assist the City in repayment of future debt. Future interest subsidies total \$52,000 and will be recognized as revenue when received.

The City has outstanding debt of \$245,000 from the Massachusetts Water Pollution Abatement Trust (MWPAT), is managed by the Commonwealth of Massachusetts. The outstanding debt relates to water infrastructure upgrades. The debt is structured in a manner in which there is no principal subsidy and the interest rate is set at a below market rate of 2%. The debt will mature in fiscal year 2031. Management has considered the effects of received a below market interest rate and has concluded that the difference between the stated interest rate current market rates of similar debt is immaterial to the financial statements.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....	\$ 2,068,884	\$ 458,351	\$ 2,527,235
2013.....	2,063,376	392,986	2,456,362
2014.....	1,942,637	330,254	2,272,891
2015.....	1,891,370	269,124	2,160,494
2016.....	1,689,184	209,019	1,898,203
2017.....	1,382,135	156,622	1,538,757
2018.....	1,015,371	112,982	1,128,353
2019.....	893,730	80,138	973,868
2020.....	613,471	50,240	663,711
2021.....	525,710	26,935	552,645
2022.....	127,291	13,621	140,912
2023.....	72,540	8,023	80,563
2024.....	72,793	4,920	77,713
2025.....	13,051	1,811	14,862
2026.....	13,315	1,548	14,863
2027.....	13,584	1,279	14,863
2028.....	13,858	1,004	14,862
2029.....	14,138	724	14,862
2030.....	14,424	439	14,863
2031.....	14,715	147	14,862
Total	\$ <u>14,455,577</u>	\$ <u>2,120,167</u>	\$ <u>16,575,744</u>

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 consists of a grant and non-interest bearing loan. During fiscal year 2011 the City received financial assistance in the amount of \$1,932,365, of which \$1,605,215 is in the form of a grant and \$327,150 is an interest free loan. At June 30, 2011, the outstanding principal amount of all MWRA loans totaled \$3,156,511.

The imputed interest on the remaining life of the 0% MWRA bonds totaled approximately \$610,000. The imputed interest adjustment will be recognized over the life of the debt as an adjustment intergovernmental revenue and interest expense. The MWRA bonds mature, on a rolling basis, between fiscal year 2013 and fiscal year 2021. In fiscal year 2011, the City recognized imputed interest of approximately \$77,000.

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, 2011, the City had the following authorized and unissued debt:

Purpose	Amount
Unfunded Pension Liability.....	\$ 47,000,000
Corcoran Park Construction.....	1,482,865
Funding of Capital Improvement Plan (CIP).....	2,319,820
High School Extension.....	1,150,000
Refunding of Previously Issued Debt.....	<u>265,000</u>
 Total.....	 <u>\$ 52,217,685</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2011, the following changes occurred in long-term liabilities:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
Governmental Activities:					
Long-Term Bonds and Notes.....	\$ 44,103,997	\$ 5,236,156	\$ (25,296,312)	\$ 24,043,841	\$ 2,761,359
Capital Lease Obligations.....	126,104	-	(47,205)	78,899	49,221
Workers' Compensation Claims.....	389,000	-	(71,000)	318,000	96,000
Other Postemployment Benefit Obligation.....	53,864,981	24,043,440	(7,110,421)	70,798,000	-
Compensated Absences.....	<u>3,434,000</u>	<u>1,555,000</u>	<u>(1,449,000)</u>	<u>3,540,000</u>	<u>1,565,000</u>
Total Governmental Activities.....	<u>101,918,082</u>	<u>30,834,596</u>	<u>(33,973,938)</u>	<u>98,778,740</u>	<u>4,471,580</u>
Business Type Activities:					
Long-Term Bonds and Notes.....	12,287,592	4,806,967	(2,638,981)	14,455,578	2,068,884
Other Postemployment Benefit Obligation.....	<u>348,200</u>	<u>561,526</u>	<u>(25,726)</u>	<u>884,000</u>	<u>-</u>
Total Business Type Activities.....	<u>12,635,792</u>	<u>5,368,493</u>	<u>(2,664,707)</u>	<u>15,339,578</u>	<u>2,068,884</u>
Total.....	<u>\$ 114,553,874</u>	<u>\$ 36,203,089</u>	<u>\$ (36,638,645)</u>	<u>\$ 114,118,318</u>	<u>\$ 6,540,464</u>

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. Except for the amounts related to the internal service funds, the governmental activities long-term liabilities are generally liquidated by the General Fund.

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

In fiscal year 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

In accordance with Statement No. 54, the stabilization funds have been reported in the general fund, and accordingly, the general fund and City's Stabilization funds beginning balances have been revised from \$17,213,395 to \$22,475,485 and from \$5,262,090 to \$0, respectively.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The City has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

As of June 30, 2011, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS		
	General	Nonmajor Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES			
Nonspendable:			
Permanent Fund Principal.....	\$ -	\$ 22,392	\$ 22,392
Restricted for:			
Community Development and Affordable Housing...	-	6,406,677	6,406,677
City Revolving Funds.....	-	210,109	210,109
City Receipts Reserved.....	-	1,848,943	1,848,943
City Gift Funds.....	-	913,676	913,676
City State Grant Funds.....	-	175,603	175,603
City Federal Grant Funds.....	-	1,183,663	1,183,663
School Lunch.....	-	1,865,422	1,865,422
School Revolving Funds.....	-	900,965	900,965
School Gift Funds.....	-	817,515	817,515
School Federal Grant Funds.....	-	401,246	401,246
School State Grant Funds.....	-	405,155	405,155
Urban Renewal.....	-	1,647,327	1,647,327
Other Capital.....	-	2,409,263	2,409,263
School Capital Reserve.....	-	2,397,981	2,397,981
Health and Human Services.....	-	749	749
Culture and Recreation.....	-	99,204	99,204
Assigned to:			
General Government.....	136,973	-	136,973
Public Safety.....	3,483	-	3,483
Education.....	2,082,225	-	2,082,225
Public Works.....	158,701	-	158,701
Human Services.....	20	-	20
Claims and Judgments.....	4,490	-	4,490
Unassigned.....	24,345,161	-	24,345,161
TOTAL FUND BALANCES (DEFICIT).....	\$ 26,731,053	\$ 21,705,890	\$ 48,436,943

NOTE 10 - STABILIZATION FUNDS

At June 30, 2011, \$8,370,151 has been set aside in four stabilization funds that are classified as part of the general fund in the governmental funds financial statements. Municipal finance laws of the Commonwealth of Massachusetts authorize municipalities to establish stabilization on an as needed basis. The number of and exact purpose of the stabilization funds of the City are dependent upon authorization and approval of the City Council. During fiscal year 2011, the funds received aggregate interest and investment earnings of \$108,061. Of the total stabilization fund balance, \$4,225,075 has been set aside for general purposes; \$3,000,000 to stabilize general fund operations; \$981,121 for capital purposes; and \$163,955 for the ongoing and future operations of the Department of Planning and Development. The actual use of these funds is contingent upon City Council approval. Additions to the fund can only be made upon City Council approval.

The City has established a School Capital Reserve of \$2,397,981 from restricted funds that is reported within the nonmajor capital projects fund.

NOTE 11 – 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 the liability is incurred. The City records a liability in the Internal Service Funds to reserve against future losses. These liabilities include a provision for claims incurred but not reported. In addition, the City retains insurance against claims in excess of \$350,000 for each accident or disease up to a maximum aggregate limit of \$10,000,000.

(a) *Retiree Health Insurance*

The estimate of Incurred But Not Reported (IBNR) claims based on a historical claims paid average. At June 30, 2011, the amount of the liability for health insurance claims totaled \$58,000. This liability is the best estimate based on available information. Changes in the reported liability since July 1, 2009, are as follows:

	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
Fiscal Year 2010.....	\$ 57,000	\$ 647,718	\$ (667,718)	\$ 37,000
Fiscal Year 2011.....	37,000	671,033	(650,033)	58,000

(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 workers’ compensation liability is based on history and injury type.

At June 30, 2011, the amount of the liability for workers' compensation claims totaled \$318,000. Changes in the reported liability since July 1, 2009, 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 2010.....	\$ 622,000	\$ 69,526	\$ (302,526)	389,000
Fiscal Year 2011.....	389,000	125,813	(196,813)	318,000

NOTE 12 - 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 are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, 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 \$5,902,060 for the fiscal year ended June 30, 2011, 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 increase 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 approved 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 Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 500 Broadway, Chelsea, Massachusetts, 02150.

At December 31, 2010, the System's membership consists of the following:

Active Members.....	658
Inactive Members.....	165
Disabled Members.....	81
Retirees and Beneficiaries Currently Receiving Benefits.....	<u>324</u>
Total.....	<u><u>1,228</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. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the City to contribute 92.5%, 92.3% and 91.5%, respectively. Chapter 32 of the MGL governs the contributions of plan members and the City.

Annual Pension Cost - The City's contributions to the System for the fiscal years ended June 30, 2011, 2010, and 2009 were \$7,856,149, \$7,589,877, and \$7,329,618, respectively, which equaled its required contribution for each fiscal year. At June 30, 2011, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2009, actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included an 8.00% investment rate of return and projected salary increases of 4.75% to 5.25% 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 on a closed basis. The remaining amortization period at January 1, 2011, was 18 years. The System is scheduled to be fully funded by 2028. The City's funded rate was 53.3% as of the last actuarial valuation.

Schedule of Funding Progress

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)
01/01/11	\$ 84,087,066	\$ 157,628,890	\$ 73,541,824	53.3%	\$ 29,750,417	247.2%
01/01/09	65,231,613	143,082,153	77,850,540	45.6%	29,412,382	264.7%
01/01/07	62,031,961	130,398,065	68,366,104	47.6%	26,951,807	253.7%
01/01/05	50,307,347	114,625,947	64,318,600	43.9%	24,442,724	263.1%
01/01/03	40,964,402	105,624,172	64,659,770	38.8%	23,843,392	271.2%
01/01/01	39,748,307	88,940,495	49,192,188	44.7%	20,265,717	242.7%

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The City maintains a single employer defined benefit healthcare plan (herein referred to as the “Plan”). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the Plan. The plan provides the benefits by through its participation in insurance plans offered through the City of Boston. Medical and prescription drug benefits are provided to all eligible retirees through a variety of plans offered by Blue Cross Blue Shield of Massachusetts. Benefit provisions are negotiated between the City and the unions representing City employees and are renegotiated each bargaining period. The plan also pays 50% of the retiree life insurance premiums. The plan does not issue a publicly available financial report.

The City adopted the provisions of MGL, Chapter 32B, Section 18 in April 2006, requiring all Medicare-eligible retirees to enroll in a Medicare supplement plan. The effects of this adoption have been included in the actuarial determination of other postemployment benefits (OPEB) liabilities by the City’s actuary.

In June of fiscal year 2011, the City adopted the provisions of MGL, Chapter 32B, Section 20, which allows the City to establish an Other Postemployment Benefits Liability Trust Fund. As of fiscal year end, the City has not funded the trust.

The Plan’s membership consists of the following:

Retired Members.....	316
Current Active Members.....	<u>1,236</u>
Total.....	<u><u>1,552</u></u>

Funding Policy – Contribution requirements are established and may be amended by the City. The required health insurance contribution rates of Plan members and the City (including Medicare Part B) are 15-25% and 75-85%, respectively. The Plan members and City each contribute 50% towards a \$5,000 life insurance benefit. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the City.

Annual OPEB Cost and Net OPEB Obligation – The City’s annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligations are summarized in the following table:

Annual Required Contribution.....	\$	25,571,769
Interest on Net OPEB Obligation.....		2,168,719
Adjustments to Annual Required Contribution.....		<u>(3,135,522)</u>
Annual OPEB Cost (Expense).....		24,604,966
Contributions Made.....		<u>(7,136,147)</u>
Increase/(Decrease) in Net OPEB Obligation.....		17,468,819
Net OPEB Obligation - Beginning of Year.....		<u>54,213,181</u>
Net OPEB Obligation - End of Year.....	\$	<u><u>71,682,000</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and preceding two years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 24,604,966	29%	\$ 71,682,000
6/30/2010	23,262,628	27%	54,213,181
6/30/2009	21,068,025	9.5%	37,220,529

Funded Status and Funding Progress – The funded status of the Plan as of the most recent actuarial valuation date, June 30, 2011, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/09	\$ -	\$ 227,913,505	\$ 227,913,505	0.0%	\$ 60,870,320	374%
07/01/07	-	184,805,511	184,805,511	0.0%	55,790,000	331%

Actual valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following additional information is provided as of the latest actuarial valuation:

Valuation date.....	July 1, 2009
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Level dollar, open
Remaining amortization period.....	28 years (closed) as of July 1, 2009
Actuarial assumptions:	
Investment rate of return.....	4.0%
Inflation rate.....	4.0%
Projected salary increases.....	4.0%
Medical/Drug cost trend rate.....	9% decreasing by 1% per year for 4 years to an ultimate level of 5% per year.

NOTE 14 - COMMITMENTS

The City has various commitments related to various roadway improvement projects and utility upgrade projects within the Highland Avenue, Spruce Street, Crescent Avenue, Eastern Avenue and Washington Avenue areas. The City has also committed itself to various projects relative to combined storm water and sanitary separation projects. Additionally, the City has also committed itself to Urban Renewal Projects that are at various stages of readiness.

NOTE 15 - CONTINGENCIES

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, 2011, 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 it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. 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, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2011.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2011, the following GASB pronouncements were implemented:

- GASB Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in fiscal year 2011. Financial statements changes include new fund balance designations and the reclassification of stabilization funds from the special revenue fund to the general fund. Notes to the basic financial statements were changed to provide additional disclosure on the new designations of fund balance.
- GASB Statement # 59, *Financial Statement Omnibus*. Implementation of this standard did not impact the basic financial statements.

Other Future GASB Pronouncements:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. Management expects that the implementation of this pronouncement will have an impact on the basic financial statements.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.
- The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will have a significant impact on the basic financial statements.
- The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*, which is required to be implemented in fiscal year 2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the City. It is used to account for the entire City's 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

FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real Estate and Personal Property Taxes,					
Net of Tax Refunds.....	\$ 36,340,614	\$ 36,340,614	\$ 35,815,898	\$ -	\$ (524,716)
Tax and Trash Liens.....	-	-	907,060	-	907,060
Motor Vehicle Excise Taxes.....	4,685,000	4,685,000	7,111,447	-	2,426,447
Meals and Room Taxes.....	588,000	588,000	556,526	-	(31,474)
Trash Disposal.....	1,579,742	1,579,742	1,509,421	-	(70,321)
Penalties and Interest on Taxes.....	530,000	530,000	457,401	-	(72,599)
Payments in Lieu of Taxes.....	1,234,638	1,234,638	1,483,189	-	248,551
Licenses, Permits and Fees.....	1,594,750	1,594,750	1,652,606	-	57,856
Fines and Forfeitures.....	1,790,000	1,790,000	1,811,801	-	21,801
Intergovernmental.....	66,129,029	66,129,029	65,509,546	-	(619,483)
Investment Income.....	500,000	500,000	482,491	-	(17,509)
TOTAL REVENUES.....	114,971,773	114,971,773	117,297,386	-	2,325,613
EXPENDITURES:					
GENERAL GOVERNMENT					
Legislative					
Personal Services.....	152,327	155,023	155,023	-	-
Expenditures.....	67,688	67,688	66,852	-	836
	<u>220,015</u>	<u>222,711</u>	<u>221,875</u>	<u>-</u>	<u>836</u>
Executive Office					
Personal Services.....	293,809	293,809	265,543	-	28,266
Expenditures.....	31,256	31,256	24,322	1,127	5,807
	<u>325,065</u>	<u>325,065</u>	<u>289,865</u>	<u>1,127</u>	<u>34,073</u>
Auditor's Office					
Personal Services.....	224,982	228,613	228,379	-	234
Expenditures.....	11,740	11,269	9,225	820	1,224
	<u>236,722</u>	<u>239,882</u>	<u>237,604</u>	<u>820</u>	<u>1,458</u>
Treasurer's/Collector's Office					
Personal Services.....	398,775	406,599	406,599	-	-
Expenditures.....	275,429	275,429	207,176	48,117	20,136
	<u>674,204</u>	<u>682,028</u>	<u>613,775</u>	<u>48,117</u>	<u>20,136</u>
Assessing					
Personal Services.....	201,413	205,997	205,027	-	970
Expenditures.....	40,400	48,100	33,317	10,000	4,783
	<u>241,813</u>	<u>254,097</u>	<u>238,344</u>	<u>10,000</u>	<u>5,753</u>
Procurement					
Personal Services.....	111,120	112,502	112,502	-	-
Expenditures.....	12,195	12,195	5,799	1,689	4,707
	<u>123,315</u>	<u>124,697</u>	<u>118,301</u>	<u>1,689</u>	<u>4,707</u>
Central Billing					
Personal Services.....	87,657	87,657	78,668	-	8,989
Expenditures.....	60,400	60,400	58,823	165	1,412
	<u>148,057</u>	<u>148,057</u>	<u>137,491</u>	<u>165</u>	<u>10,401</u>
Law Department					
Personal Services.....	144,629	147,492	147,409	-	83
Expenditures.....	68,327	188,327	124,799	53,990	9,538
	<u>212,956</u>	<u>335,819</u>	<u>272,208</u>	<u>53,990</u>	<u>9,621</u>
Personnel Department					
Personal Services.....	128,809	131,241	131,241	-	-
Expenditures.....	29,686	29,687	21,711	2,669	5,307
	<u>158,495</u>	<u>160,928</u>	<u>152,952</u>	<u>2,669</u>	<u>5,307</u>
Information System					
Personal Services.....	169,419	225,419	186,058	-	39,361
Expenditures.....	343,648	343,648	305,421	7,025	31,202
Capital Outlay.....	40,000	40,000	32,547	7,000	453
	<u>553,067</u>	<u>609,067</u>	<u>524,026</u>	<u>14,025</u>	<u>71,016</u>
City Clerk					
Personal Services.....	190,958	192,152	191,377	-	775
Expenditures.....	41,919	41,919	28,340	4,348	9,231
	<u>232,877</u>	<u>234,071</u>	<u>219,717</u>	<u>4,348</u>	<u>10,006</u>
Office of Planning and Development					
Personal Services.....	54,025	54,025	45,209	-	8,816
Expenditures.....	23,280	23,280	22,983	23	274
	<u>77,305</u>	<u>77,305</u>	<u>68,192</u>	<u>23</u>	<u>9,090</u>
Salary Reserve.....	400,000	193,242	-	-	193,242
TOTAL GENERAL GOVERNMENT.....	3,603,891	3,606,969	3,094,350	136,973	375,646

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
PUBLIC SAFETY					
Police Department					
Personal Services.....	7,536,161	7,604,486	7,603,827	-	659
Expenditures.....	625,544	694,309	679,704	1,304	13,301
Capital Outlay.....	10,000	10,000	10,000	-	-
	<u>8,171,705</u>	<u>8,308,795</u>	<u>8,293,531</u>	<u>1,304</u>	<u>13,960</u>
Fire Department					
Personal Services.....	6,874,954	7,073,954	7,041,148	-	32,806
Expenditures.....	440,761	445,761	437,290	587	7,884
Capital Outlay.....	-	-	-	-	-
	<u>7,315,715</u>	<u>7,519,715</u>	<u>7,478,438</u>	<u>587</u>	<u>40,690</u>
Inspectional Services					
Personal Services.....	540,307	550,487	548,055	-	2,432
Expenditures.....	33,491	33,491	17,132	60	16,299
	<u>573,798</u>	<u>583,978</u>	<u>565,187</u>	<u>60</u>	<u>18,731</u>
Traffic and Parking					
Personal Services.....	52,938	53,866	53,866	-	-
Expenditures.....	657,999	657,999	584,990	1,131	71,878
	<u>710,937</u>	<u>711,865</u>	<u>638,856</u>	<u>1,131</u>	<u>71,878</u>
Emergency Management					
Personal Services.....	848,815	848,815	831,370	-	17,445
Expenditures.....	20,788	21,988	20,600	401	987
	<u>869,603</u>	<u>870,803</u>	<u>851,970</u>	<u>401</u>	<u>18,432</u>
TOTAL PUBLIC SAFETY.....	17,641,758	17,995,156	17,827,982	3,483	163,691
EDUCATION					
Operational.....	66,531,891	64,965,388	61,906,204	2,082,225	976,959
Northeast Regional Vocational High School Assessment..	583,094	583,094	583,094	-	-
TOTAL EDUCATION.....	67,114,985	65,548,482	62,489,298	2,082,225	976,959
PUBLIC WORKS					
Administration					
Personal Services.....	181,065	191,609	191,238	-	371
Expenditures.....	4,700	4,700	4,018	-	682
	<u>185,765</u>	<u>196,309</u>	<u>195,256</u>	<u>-</u>	<u>1,053</u>
Streets and Sidewalks					
Personal Services.....	612,201	612,201	596,214	-	15,987
Expenditures.....	1,079,129	1,056,244	977,023	51,882	27,339
	<u>1,691,330</u>	<u>1,668,445</u>	<u>1,573,237</u>	<u>51,882</u>	<u>43,326</u>
Solid Waste/Recycling					
Expenditures.....	1,822,522	1,822,522	1,706,676	15,752	100,094
Structures and Grounds					
Personal Services.....	259,542	259,542	224,677	-	34,865
Expenditures.....	911,298	1,020,967	891,771	80,786	48,410
	<u>1,170,840</u>	<u>1,280,509</u>	<u>1,116,448</u>	<u>80,786</u>	<u>83,275</u>
Snow and Ice Removal					
Personal Services.....	25,000	25,000	39,165	-	(14,165)
Expenditures.....	83,449	83,271	197,927	10,281	(124,937)
Capital Outlay.....	7,000	7,000	7,000	-	-
	<u>115,449</u>	<u>115,271</u>	<u>244,092</u>	<u>10,281</u>	<u>(139,102)</u>
TOTAL PUBLIC WORKS.....	4,985,906	5,083,056	4,835,709	158,701	88,646
HEALTH AND HUMAN SERVICES					
Administration					
Personal Services.....	154,747	157,242	157,242	-	-
Expenditures.....	1,487	1,487	752	20	715
	<u>156,234</u>	<u>158,729</u>	<u>157,994</u>	<u>20</u>	<u>715</u>
Health Division					
Personal Services.....	55,695	56,766	56,766	-	-
Expenditures.....	200	200	-	-	200
	<u>55,895</u>	<u>56,966</u>	<u>56,766</u>	<u>-</u>	<u>200</u>
Veteran's Services					
Personal Services.....	51,800	53,693	53,654	-	39
Expenditures.....	418,325	472,325	470,989	-	1,336
	<u>470,125</u>	<u>526,018</u>	<u>524,643</u>	<u>-</u>	<u>1,375</u>
Elder Affairs					
Personal Services.....	161,543	164,585	164,542	-	43
Expenditures.....	26,250	26,250	25,752	-	498
	<u>187,793</u>	<u>190,835</u>	<u>190,294</u>	<u>-</u>	<u>541</u>
TOTAL HEALTH AND HUMAN SERVICES.....	870,047	932,548	929,697	20	2,831

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
CULTURE AND RECREATION					
Recreation and Cultural Affairs					
Personal Services.....	70,683	71,256	54,763	-	16,493
Expenditures.....	53,000	106,000	102,700	-	3,300
	<u>123,683</u>	<u>177,256</u>	<u>157,463</u>	-	<u>19,793</u>
Public Library					
Personal Services.....	242,054	245,154	244,913	-	241
Expenditures.....	20,381	18,983	18,899	-	84
Capital Outlay.....	3,144	3,144	3,144	-	-
	<u>265,579</u>	<u>267,281</u>	<u>266,956</u>	-	<u>325</u>
TOTAL CULTURE AND RECREATION.....	<u>389,262</u>	<u>444,537</u>	<u>424,419</u>	-	<u>20,118</u>
PENSION BENEFITS					
Contributory Retirement System					
Expenditures.....	5,547,868	5,547,868	5,542,020	-	5,848
Non-Contributory Pension Benefits					
Expenditures.....	16,415	16,415	15,651	-	764
TOTAL PENSION BENEFITS.....	<u>5,564,283</u>	<u>5,564,283</u>	<u>5,557,671</u>	-	<u>6,612</u>
EMPLOYEE BENEFITS					
Unemployment Compensation					
Expenditures.....	191,720	191,720	77,714	-	114,006
Health Insurance					
Expenditures.....	6,046,496	6,046,496	5,575,769	-	470,727
Worker's Compensation					
Expenditures.....	315,000	315,000	315,000	-	-
Payroll Taxes					
Expenditures.....	285,000	285,000	277,544	-	7,456
Life Insurance					
Expenditures.....	27,800	27,800	13,593	-	14,207
TOTAL EMPLOYEE BENEFITS.....	<u>6,866,016</u>	<u>6,866,016</u>	<u>6,259,620</u>	-	<u>606,396</u>
PROPERTY AND LIABILITY INSURANCE					
Expenditures.....	455,000	455,000	450,000	-	5,000
CLAIMS AND JUDGMENTS					
Expenditures.....	35,022	35,022	46,059	4,490	(15,527)
STATE AND COUNTY CHARGES					
Expenditures.....	5,109,698	5,109,698	5,032,659	-	77,039
DEBT SERVICE PRINCIPAL					
Expenditures.....	8,626,312	25,696,312	25,196,312	-	500,000
DEBT SERVICE INTEREST					
Expenditures.....	2,275,842	2,275,842	1,619,804	-	656,038
TOTAL EXPENDITURES.....	<u>123,538,022</u>	<u>139,612,921</u>	<u>133,763,580</u>	<u>2,385,892</u>	<u>3,463,449</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	<u>(8,566,249)</u>	<u>(24,641,148)</u>	<u>(16,466,194)</u>	<u>(2,385,892)</u>	<u>5,789,062</u>
OTHER FINANCING SOURCES (USES):					
Refunding bonds costs.....	-	-	(5,000)	-	(5,000)
Premium from Issuance of Bonds.....	-	-	184,505	-	184,505
Transfers In.....	2,495,931	19,565,931	19,565,931	-	-
Transfers Out.....	(500,000)	(2,318,086)	(2,318,086)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	<u>1,995,931</u>	<u>17,247,845</u>	<u>17,427,350</u>	-	<u>179,505</u>
NET CHANGE IN FUND BALANCE.....	<u>(6,570,318)</u>	<u>(7,393,303)</u>	<u>961,156</u>	<u>(2,385,892)</u>	<u>5,968,567</u>
BUDGETARY FUND BALANCE, Beginning of Year.....	17,449,248	17,449,248	17,449,248	-	-
BUDGETARY FUND BALANCE, End of Year.....	<u>\$ 10,878,930</u>	<u>\$ 10,055,945</u>	<u>\$ 18,410,404</u>	<u>\$ (2,385,892)</u>	<u>\$ 5,968,567</u>

See notes to required supplementary information.

(Concluded)

Retirement System Schedules of Funding Progress and Employer Contributions

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of planned assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the City is one participating employer, as well as the City's proportionate share of the plan's annual contributions.

CHELSEA CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/11	\$ 84,087,066	\$ 157,628,890	\$ 73,541,824	53.3%	\$ 29,750,417	247.2%
01/01/09	65,231,613	143,082,153	77,850,540	45.6%	29,412,382	264.7%
01/01/07	62,031,961	130,398,065	68,366,104	47.6%	26,951,807	253.7%
01/01/05	50,307,347	114,625,947	64,318,600	43.9%	24,442,724	263.1%
01/01/03	40,964,402	105,624,172	64,659,770	38.8%	23,843,392	271.2%
01/01/01	39,748,307	88,940,495	49,192,188	44.7%	20,265,717	242.7%
01/01/99	39,899,336	84,532,145	44,632,809	47.2%	16,135,000	276.6%

Schedule of Employer Contributions

Fiscal Year Ended	System Wide			City of Chelsea	
	Annual Required Contributions	Actual Contributions Made	Percentage Contributed	Actual Contributions Made	City Contributions as a Percentage of System Wide Contributions
2011	\$ 8,539,697	\$ 8,539,697	100%	\$ 7,850,301	92%
2010	8,260,223	8,260,223	100%	7,589,877	92%
2009	7,943,591	7,943,591	100%	7,329,618	92%
2008	7,650,765	7,650,765	100%	7,029,096	92%
2007	7,230,596	7,230,596	100%	6,617,937	92%
2006	6,673,936	6,673,936	100%	6,121,184	92%
2005	6,150,836	6,150,836	100%	5,597,912	91%

See notes to required supplementary information.

Postemployment Benefit Plan Schedules

The Schedule of Funding Progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedules of Employer Contribution presents the employer's required and actual contribution to the planned and the total contributions to the plans.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2009	\$ -	\$ 227,913,505	\$ 227,913,505	0.0%	\$ 60,870,320	374%
7/1/2007	-	184,805,511	184,805,511	0.0%	26,951,807	686%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2011	\$ 25,571,769	\$ 7,136,147	27.9%
2010	23,918,966	6,269,976	26.2%
2009	20,967,893	1,996,598	9.5%
2008	20,010,092	1,860,990	9.3%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

JUNE 30, 2011

Actuarial Methods:

Valuation Date.....	July 1, 2009
Actuarial Cost Method.....	Projected Unit Credit
Amortization Method.....	Level dollar, open
Remaining Amortization Period.....	28 years (closed) as of July 1, 2009

Actuarial Assumptions:

Investment Rate of Return.....	4%
Inflation rate.....	4%
Projected salary increases.....	4%
Medical/Drug Cost Trend Rate.....	9% decreasing 1% per year for 4 years to an ultimate level of 5% per year.

Plan Membership:

Retired Members.....	316
Current Active Members.....	<u>1,236</u>
Total.....	<u><u>1,552</u></u>

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by the City Council. The City has an advisory committee that submits reports on proposed appropriations at City Council Meetings.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations among departments require the approval of City Council.

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 legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2011 budget consisted of approximately \$124 million in appropriations and other amounts to be raised inclusive of \$2.9 million in amounts carried over from the previous fiscal year. During fiscal year 2011, the original budget was increased by approximately \$17.9 million principally related to increases in debt service, police and fire salary appropriations, veteran's services expenditures, buildings and grounds expenditures, and transfers out for other purposes. These increases in appropriation amount to approximately \$19.3 million which was offset by decrease in education appropriation of approximately (\$1.6 million).

The City 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 Municipal 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, 2011, is presented below:

Net Change in Fund Balance, Budgetary Basis.....	\$	961,156
<u>Perspective difference:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		108,061
<u>Basis of accounting differences:</u>		
Net Change in Revenue Accrual.....		(198,000)
Net Change in Tax Refunds Payable.....		379,851
Net Change in Accrued Expenditures.....		4,500
Recognition of Revenue for On-Behalf Payments.....		5,902,060
Recognition of Expenditures for On-Behalf Payments.....		<u>(5,902,060)</u>
Net Change in Fund Balance, GAAP Basis.....	\$	<u><u>1,255,568</u></u>

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2011, expenditures exceeded appropriations for the following categories:

- Snow and ice removal appropriation accounts in the amount of (\$139,102). The budgetary deficit for snow and ice removal will be raised as part of the fiscal year 2012 tax rate.
- Claims and judgment expenditures in the amount of (\$15,527). This budgetary deficit will be raised as part of the fiscal year 2012 tax rate.

NOTE B – PENSION PLAN

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of planned assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the City is one participating employer, as well as the City's proportionate share of the plan's annual contributions.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan ("The Other Postemployment Benefit Plan"). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members.

The City currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarially accrued liability) was 0.0%. In

accordance with Governmental Accounting Standards, the City has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents multiyear trend information contributions relating to the plan.

Projections for benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

This page intentionally left blank.

Other Supplementary Information

Combining Statements

Nonmajor Governmental Funds

Narrative

Special Revenue Funds

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

Community Development and Affordable Housing – accounts for all federal, state and locally funded community development projects. This fund also accounts for activity related to the creation and preservation of affordable housing within the City.

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 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. Revenues include State and Federal reimbursements for meals served.

School Revolving – accounts for the activity of the school 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 in 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 I & II Renewal – accounts for the proceeds of bonds sold, intergovernmental grants and operating transfers in 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 used to finance the City's capital projects (other than the Everett Avenue Urban Revitalization Project).

School Capital Reserve – was created with proceeds from the close out of the Debt Service Fund. Funds placed into this fund are restricted to benefit long term capital building needs of the School Department.

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, 2011

ASSETS	Special Revenue Funds				
	Community Development and Affordable Housing	City Revolving	Receipts Reserved	City Gifts	City State Grants
Cash and Cash Equivalents.....	\$ 576,930	\$ -	\$ 1,853,046	\$ 920,757	\$ 209,416
Investments.....	3,048,807	-	-	-	-
Receivables, Net of Uncollectibles:					
Departmental and Other.....	-	501,946	-	-	-
Intergovernmental.....	136,001	-	-	-	-
Loans.....	2,804,664	-	-	-	-
TOTAL ASSETS.....	\$ 6,566,402	\$ 501,946	\$ 1,853,046	\$ 920,757	\$ 209,416
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants Payable.....	\$ 159,725	\$ 5,676	\$ 4,103	\$ 7,081	\$ 33,813
Deferred Revenues.....	-	51,946	-	-	-
Due to Other Funds.....	-	234,215	-	-	-
TOTAL LIABILITIES.....	159,725	291,837	4,103	7,081	33,813
FUND BALANCES:					
Nonspendable.....	-	-	-	-	-
Restricted.....	6,406,677	210,109	1,848,943	913,676	175,603
TOTAL FUND BALANCES.....	6,406,677	210,109	1,848,943	913,676	175,603
TOTAL LIABILITIES AND FUND BALANCES...	\$ 6,566,402	\$ 501,946	\$ 1,853,046	\$ 920,757	\$ 209,416

Special Revenue Funds

City Federal Grants	School Lunch	School Revolving	School Gifts	School State Grants	School Federal Grants	Sub-total
\$ 1,186,225	\$ 1,866,014	\$ 908,615	\$ 833,434	\$ 326,580	\$ 129,999	\$ 8,811,016
-	-	-	-	-	-	3,048,807
-	-	-	-	-	-	501,946
171,519	-	-	-	102,202	420,833	830,555
-	-	-	-	-	-	2,804,664
<u>\$ 1,357,744</u>	<u>\$ 1,866,014</u>	<u>\$ 908,615</u>	<u>\$ 833,434</u>	<u>\$ 428,782</u>	<u>\$ 550,832</u>	<u>\$ 15,996,988</u>
\$ 174,081	\$ 592	\$ 7,650	\$ 15,919	\$ 27,536	\$ 145,677	\$ 581,853
-	-	-	-	-	-	51,946
-	-	-	-	-	-	234,215
<u>174,081</u>	<u>592</u>	<u>7,650</u>	<u>15,919</u>	<u>27,536</u>	<u>145,677</u>	<u>868,014</u>
-	-	-	-	-	-	-
<u>1,183,663</u>	<u>1,865,422</u>	<u>900,965</u>	<u>817,515</u>	<u>401,246</u>	<u>405,155</u>	<u>15,128,974</u>
<u>1,183,663</u>	<u>1,865,422</u>	<u>900,965</u>	<u>817,515</u>	<u>401,246</u>	<u>405,155</u>	<u>15,128,974</u>
<u>\$ 1,357,744</u>	<u>\$ 1,866,014</u>	<u>\$ 908,615</u>	<u>\$ 833,434</u>	<u>\$ 428,782</u>	<u>\$ 550,832</u>	<u>\$ 15,996,988</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2011

	Capital Projects Funds				Permanent Funds			Total Nonmajor Governmental Funds
	Urban I & II Renewal	Other Capital	School Capital Reserve	Sub-total	Health and Human Services	Culture and Recreation	Sub-total	
ASSETS								
Cash and Cash Equivalents.....	\$ 1,647,327	\$ 2,409,263	\$ 2,397,981	\$ 6,454,571	\$ 12,745	\$ 109,680	\$ 122,425	\$ 15,388,012
Investments.....	-	-	-	-	-	-	-	3,048,807
Receivables, Net of Uncollectibles:								
Departmental and Other.....	-	-	-	-	-	-	-	501,946
Intergovernmental.....	-	-	-	-	-	-	-	830,555
Loans.....	-	-	-	-	-	-	-	2,804,664
TOTAL ASSETS.....	\$ 1,647,327	\$ 2,409,263	\$ 2,397,981	\$ 6,454,571	\$ 12,745	\$ 109,680	\$ 122,425	\$ 22,573,984
LIABILITIES AND FUND BALANCES								
LIABILITIES:								
Warrants Payable.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80	\$ 80	\$ 581,933
Deferred Revenues.....	-	-	-	-	-	-	-	51,946
Due to Other Funds.....	-	-	-	-	-	-	-	234,215
TOTAL LIABILITIES.....	-	-	-	-	-	80	80	868,094
FUND BALANCES:								
Nonspendable.....	-	-	-	-	11,996	10,396	22,392	22,392
Restricted.....	1,647,327	2,409,263	2,397,981	6,454,571	749	99,204	99,953	21,683,498
TOTAL FUND BALANCES.....	1,647,327	2,409,263	2,397,981	6,454,571	12,745	109,600	122,345	21,705,890
TOTAL LIABILITIES AND FUND BALANCES..	\$ 1,647,327	\$ 2,409,263	\$ 2,397,981	\$ 6,454,571	\$ 12,745	\$ 109,680	\$ 122,425	\$ 22,573,984

(Concluded)



NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2011

	Special Revenue Funds				
	Community Development and Affordable Housing	City Revolving	Receipts Reserved	City Gifts	City State Grants
REVENUES:					
Charges for Services.....	-	1,878,970	160,039	-	-
Licenses, Permits, and Fees.....	-	-	-	-	-
Intergovernmental.....	977,901	-	-	42,892	464,405
Departmental and Other.....	138,901	125,106	85,046	9,595	2,860
Contributions.....	-	-	-	534,167	-
Interest Income.....	55,751	-	-	-	-
TOTAL REVENUES.....	1,172,553	2,004,076	245,085	586,654	467,265
EXPENDITURES:					
Current:					
General Government.....	173,698	-	54,437	176,504	8,633
Public Safety.....	-	1,476,276	-	86,483	327,551
Public Education.....	-	-	-	68,184	31,538
Public Works.....	10,166	-	-	12,837	-
Health and Sanitation.....	-	67,475	-	164,282	81,945
Recreation.....	-	26,055	-	-	53,673
Community Development.....	1,640,660	-	-	-	-
TOTAL EXPENDITURES.....	1,824,524	1,569,806	54,437	508,290	503,340
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(651,971)	434,270	190,648	78,364	(36,075)
OTHER FINANCING SOURCES (USES):					
Issuance of Long Term Debt.....	-	-	-	-	-
Gain from Sale of Permanent Easement.....	-	-	2,115,000	-	-
Transfers In.....	1,500,000	67,656	(1,000,000)	-	-
Transfers Out.....	-	-	(780,000)	-	(465)
TOTAL OTHER FINANCING SOURCES (USES).....	1,500,000	67,656	335,000	-	(465)
NET CHANGE IN FUND BALANCES.....	848,029	501,926	525,648	78,364	(36,540)
FUND BALANCES AT BEGINNING OF YEAR.....	5,558,648	(291,817)	1,323,295	835,312	212,143
FUND BALANCES AT END OF YEAR.....	\$ 6,406,677	\$ 210,109	\$ 1,848,943	\$ 913,676	\$ 175,603

Special Revenue Funds

City Federal Grants	School Lunch	School Revolving	School Gifts	School State Grants	School Federal Grants	Sub-total
\$ 7,500	\$ 561,127	\$ 535,030	\$ -	\$ -	\$ -	\$ 3,142,666
-	-	-	-	-	-	-
2,281,069	2,941,620	15,992	-	1,282,467	10,104,001	18,110,347
-	-	-	-	-	-	361,508
-	-	10,000	432,576	-	-	976,743
4,443	-	-	-	-	-	60,194
<u>2,293,012</u>	<u>3,502,747</u>	<u>561,022</u>	<u>432,576</u>	<u>1,282,467</u>	<u>10,104,001</u>	<u>22,651,458</u>
53,204	-	-	-	-	-	466,476
1,519,227	-	-	-	-	-	3,409,537
-	3,018,985	448,245	451,125	1,341,147	9,563,536	14,922,760
-	-	-	-	-	-	23,003
3,904	-	-	-	-	-	317,606
-	-	-	-	-	-	79,728
-	-	-	-	-	-	1,640,660
<u>1,576,335</u>	<u>3,018,985</u>	<u>448,245</u>	<u>451,125</u>	<u>1,341,147</u>	<u>9,563,536</u>	<u>20,859,770</u>
716,677	483,762	112,777	(18,549)	(58,680)	540,465	1,791,688
-	-	-	-	-	-	-
-	-	-	-	-	-	2,115,000
882,771	-	-	-	-	-	1,450,427
-	-	-	-	(3,734)	(84,032)	(868,231)
<u>882,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,734)</u>	<u>(84,032)</u>	<u>2,697,196</u>
1,599,448	483,762	112,777	(18,549)	(62,414)	456,433	4,488,884
<u>(415,785)</u>	<u>1,381,660</u>	<u>788,188</u>	<u>836,064</u>	<u>463,660</u>	<u>(51,278)</u>	<u>10,640,090</u>
<u>\$ 1,183,663</u>	<u>\$ 1,865,422</u>	<u>\$ 900,965</u>	<u>\$ 817,515</u>	<u>\$ 401,246</u>	<u>\$ 405,155</u>	<u>\$ 15,128,974</u>

(Continued)

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2011

	Capital Projects Funds				Permanent Funds			Total Nonmajor Governmental Funds
	Urban I & II Renewal	Other Capital	School Capital Reserve	Sub-total	Health and Human Services	Culture and Recreation	Sub-total	
REVENUES:								
Charges for Services.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,142,666
Licenses, Permits, and Fees.....	33,800	-	-	33,800	-	-	-	33,800
Intergovernmental.....	-	183,180	-	183,180	-	-	-	18,293,527
Departmental and Other.....	9,735	-	-	9,735	-	-	-	371,243
Contributions.....	-	-	-	-	-	-	-	976,743
Interest Income.....	10,345	-	-	10,345	-	1,083	1,083	71,622
TOTAL REVENUES.....	53,880	183,180	-	237,060	-	1,083	1,083	22,889,601
EXPENDITURES:								
Current:								
General Government.....	-	500,001	-	500,001	-	-	-	966,477
Public Safety.....	-	619,748	-	619,748	-	-	-	4,029,285
Public Education.....	-	-	-	-	-	-	-	14,922,760
Public Works.....	-	773,116	-	773,116	-	-	-	796,119
Health and Sanitation.....	-	-	-	-	-	-	-	317,606
Recreation.....	-	24,152	-	24,152	-	2,225	2,225	106,105
Community Development.....	85,929	36,208	-	122,137	-	-	-	1,762,797
TOTAL EXPENDITURES.....	85,929	1,953,225	-	2,039,154	-	2,225	2,225	22,901,149
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(32,049)	(1,770,045)	-	(1,802,094)	-	(1,142)	(1,142)	(11,548)
OTHER FINANCING SOURCES (USES):								
Issuance of Long Term Debt.....	2,000,000	3,136,656	-	5,136,656	-	-	-	5,136,656
Gain from Sale of Permanent Easement.....	-	-	-	-	-	-	-	2,115,000
Transfers In.....	-	620,000	2,397,981	3,017,981	-	-	-	4,468,408
Transfers Out.....	-	(882,771)	-	(882,771)	-	-	-	(1,751,002)
TOTAL OTHER FINANCING SOURCES (USES).....	2,000,000	2,873,885	2,397,981	7,271,866	-	-	-	9,969,062
NET CHANGE IN FUND BALANCES.....	1,967,951	1,103,840	2,397,981	5,469,772	-	(1,142)	(1,142)	9,957,514
FUND BALANCES AT BEGINNING OF YEAR.....	(320,624)	1,305,423	-	984,799	12,745	110,742	123,487	11,748,376
FUND BALANCES AT END OF YEAR.....	\$ 1,647,327	\$ 2,409,263	\$ 2,397,981	\$ 6,454,571	\$ 12,745	\$ 109,600	\$ 122,345	\$ 21,705,890

(Concluded)

Internal Service Funds

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

Retiree's 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 NET ASSETS

JUNE 30, 2011

	Retirees' Health Insurance	Workers' Compensation	Total Internal Service Funds
ASSETS			
CURRENT:			
Cash and Cash Equivalents.....	\$ 275,454	\$ 492,536	\$ 767,990
LIABILITIES			
CURRENT:			
Health Claims Payable.....	58,000	-	58,000
Abandoned Property.....	-	2,348	2,348
Workers' Compensation.....	-	96,000	96,000
Total Current Liabilities.....	58,000	98,348	156,348
NONCURRENT:			
Workers' Compensation.....	-	222,000	222,000
TOTAL LIABILITIES.....	58,000	320,348	378,348
NET ASSETS			
Unrestricted.....	\$ 217,454	\$ 172,188	\$ 389,642

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	Retirees' Health Insurance	Workers' Compensation	Total Internal Service Funds
<u>OPERATING REVENUES:</u>			
Employer Contributions	\$ 300,000	\$ 339,103	\$ 639,103
Other.....	180,452	-	180,452
 TOTAL OPERATING REVENUES	 480,452	 339,103	 819,555
<u>OPERATING EXPENSES:</u>			
Employee Benefits	650,033	320,213	970,246
 OPERATING INCOME (LOSS).....	 (169,581)	 18,890	 (150,691)
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Investment Income.....	-	519	519
 INCOME (LOSS) BEFORE TRANSFERS.....	 (169,581)	 19,409	 (150,172)
 CHANGE IN NET ASSETS.....	 (169,581)	 19,409	 (150,172)
 NET ASSETS AT BEGINNING OF YEAR.....	 387,035	 152,779	 539,814
 NET ASSETS AT END OF YEAR.....	 \$ 217,454	 \$ 172,188	 \$ 389,642

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2011

	Retirees' Health Insurance	Workers' Compensation	Total Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from Interfund Services Provided.....	\$ 480,452	\$ 339,103	\$ 819,555
Payments for Interfund Services Used.....	<u>(629,033)</u>	<u>(391,213)</u>	<u>(1,020,246)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>(148,581)</u>	<u>(52,110)</u>	<u>(200,691)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Investment Income.....	-	519	519
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(148,581)	(51,591)	(200,172)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	424,035	544,127	968,162
CASH AND CASH EQUIVALENTS, END OF YEAR.....	<u>\$ 275,454</u>	<u>\$ 492,536</u>	<u>\$ 767,990</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>			
Operating Income (Loss).....	\$ (169,581)	\$ 18,890	\$ (150,691)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Changes in Assets and Liabilities:			
Workers' Compensation.....	-	(71,000)	(71,000)
Accrued Health Claims Payable.....	<u>21,000</u>	<u>-</u>	<u>21,000</u>
Total Adjustments.....	<u>21,000</u>	<u>(71,000)</u>	<u>(50,000)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ (148,581)</u>	<u>\$ (52,110)</u>	<u>\$ (200,691)</u>

Fiduciary Funds

The agency fund is a fiduciary fund used to account for assets held in a custodial capacity. Within this fund is activity mainly related to performance bonds and bid deposits and law enforcement asset seizure.

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Agency Accounts <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Agency Accounts <u>June 30, 2011</u>
ASSETS				
Cash and Cash Equivalents.....	\$ 629,306	\$ 8,207,188	\$ (8,213,960)	\$ 622,534
LIABILITIES				
Liabilities Due Depositors.....	\$ 629,306	\$ 8,207,188	\$ (8,213,960)	\$ 622,534

Statistical Section



**City of Chelsea, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2011**

Statistical Section



This page intentionally left blank.

Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

SOURCES: Unless otherwise noted, the information in these schedules is derived from the audited financial reports for the relevant year. The City implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.

City of Chelsea, Massachusetts
Net Assets By Component
Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities										
Invested in Capital Assets, Net of Related Debt.	\$ 67,472,216	\$ 88,028,350	\$ 87,769,262	\$ 104,156,143	\$ 102,535,541	\$ 103,040,202	\$ 109,699,755	\$ 113,168,275	\$ 115,802,386	\$ 123,198,732
Restricted.....	24,425,588	24,824,976	15,183,702	14,856,655	13,532,009	12,836,617	14,156,898	15,843,439	16,877,352	5,330,361
Unrestricted.....	<u>27,453,878</u>	<u>24,631,799</u>	<u>28,500,604</u>	<u>24,393,261</u>	<u>22,882,562</u>	<u>27,331,951</u>	<u>3,182,167</u>	<u>(18,524,343)</u>	<u>(33,438,542)</u>	<u>(41,789,700)</u>
Total Governmental Activities Net Assets.....	<u>\$ 119,351,682</u>	<u>\$ 137,485,125</u>	<u>\$ 131,453,568</u>	<u>\$ 143,406,059</u>	<u>\$ 138,950,112</u>	<u>\$ 143,208,770</u>	<u>\$ 127,038,820</u>	<u>\$ 110,487,371</u>	<u>\$ 99,241,196</u>	<u>\$ 86,739,393</u>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt.	\$ 1,819,597	\$ 3,367,738	\$ 4,534,392	\$ 3,445,938	\$ 4,197,376	\$ 3,382,731	\$ 4,293,753	\$ 5,079,857	\$ 9,731,672	\$ 13,645,212
Restricted.....	-	957,423	-	-	-	-	-	-	-	-
Unrestricted.....	<u>4,669,738</u>	<u>2,429,730</u>	<u>3,015,421</u>	<u>4,101,194</u>	<u>3,966,040</u>	<u>4,994,535</u>	<u>4,377,713</u>	<u>7,437,258</u>	<u>6,073,506</u>	<u>6,752,021</u>
Total Business-Type Activities Net Assets.....	<u>\$ 6,489,335</u>	<u>\$ 6,754,891</u>	<u>\$ 7,549,813</u>	<u>\$ 7,547,132</u>	<u>\$ 8,163,416</u>	<u>\$ 8,377,266</u>	<u>\$ 8,671,466</u>	<u>\$ 12,517,115</u>	<u>\$ 15,805,178</u>	<u>\$ 20,397,233</u>
Primary Government										
Invested in Capital Assets, Net of Related Debt.	\$ 69,291,813	\$ 91,396,088	\$ 92,303,654	\$ 107,602,081	\$ 106,732,917	\$ 106,422,933	\$ 113,993,508	\$ 118,248,132	\$ 125,534,058	\$ 136,843,944
Restricted.....	24,425,588	25,782,399	15,183,702	14,856,655	13,532,009	12,836,617	14,156,898	15,843,439	16,877,352	5,330,361
Unrestricted.....	<u>32,123,616</u>	<u>27,061,529</u>	<u>31,516,025</u>	<u>28,494,455</u>	<u>26,848,602</u>	<u>32,326,486</u>	<u>7,559,880</u>	<u>(11,087,085)</u>	<u>(27,365,046)</u>	<u>(35,037,679)</u>
Total Primary Government Net Assets.....	<u>\$ 125,841,017</u>	<u>\$ 144,240,016</u>	<u>\$ 139,003,381</u>	<u>\$ 150,953,191</u>	<u>\$ 147,113,528</u>	<u>\$ 151,586,036</u>	<u>\$ 135,710,286</u>	<u>\$ 123,004,486</u>	<u>\$ 115,046,364</u>	<u>\$ 107,136,626</u>

* Fiscal year 2008 was the first year the City implemented GASB #45 which accounts for a significant portion of the decrease in net assets.

City of Chelsea, Massachusetts
Changes in Net Assets
Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental Activities:										
General Government.....	\$ 5,095,382	\$ 5,871,305	\$ 5,802,030	\$ 6,368,641	\$ 6,633,250	\$ 6,749,810	\$ 8,802,344	\$ 9,465,362	\$ 8,584,122	\$ 8,878,505
Public Safety.....	20,920,587	20,788,760	20,951,948	23,411,640	25,120,329	26,964,061	33,766,246	35,665,589	36,002,662	38,057,558
Public Education.....	66,586,312	68,117,532	70,629,480	72,144,706	75,452,209	75,539,107	89,459,187	92,186,880	97,560,358	97,529,142
Public Works.....	7,085,141	6,170,407	5,390,668	6,352,279	5,135,556	5,738,727	6,296,006	6,336,398	6,187,990	6,888,278
Health and Human Services.....	2,099,649	2,666,128	2,507,219	2,645,046	2,876,211	2,221,478	2,542,823	2,699,727	1,854,061	1,845,688
Culture and Recreation.....	211,407	607,745	603,279	645,308	708,300	728,672	1,150,914	1,355,992	916,324	990,915
Community Development.....	2,454,653	2,503,532	2,607,842	1,824,233	1,481,448	1,760,889	1,833,093	1,372,317	1,546,870	1,345,920
Interest.....	5,356,571	4,994,998	7,000,683	4,114,478	3,507,512	3,460,180	3,162,519	2,527,602	2,756,957	1,918,692
Total Government Activities Expenses.....	109,809,702	111,720,407	115,493,149	117,506,331	120,914,815	123,162,924	147,013,132	151,609,867	155,409,344	157,454,698
Business-Type activities:										
Water and Sewer.....	6,716,508	8,364,159	9,365,460	9,085,256	9,460,948	9,625,649	10,265,022	10,442,575	11,932,616	12,619,962
Total Primary Government Expenses.....	\$ 116,526,210	\$ 120,084,566	\$ 124,858,609	\$ 126,591,587	\$ 130,375,763	\$ 132,788,573	\$ 157,278,154	\$ 162,052,442	\$ 167,341,960	\$ 170,074,660
Program Revenues										
Governmental Activities:										
Public Safety Charges for Services.....	\$ 3,026,871	\$ 3,137,625	\$ 2,865,284	\$ 3,467,600	\$ 3,831,602	\$ 4,998,734	\$ 4,514,069	\$ 4,700,260	\$ 4,276,170	\$ 4,377,770
Public Works Charges for Services.....	961,094	1,075,487	1,147,700	1,207,394	1,223,069	1,358,377	1,210,082	1,446,499	1,529,503	1,346,420
Other Charges for Services.....	1,828,150	1,939,778	2,186,801	2,315,573	2,174,234	2,302,399	2,039,329	2,563,792	2,711,537	2,872,521
Other Operating Grants and Contributions.....	59,855,934	70,132,050	60,350,646	63,868,631	63,410,195	67,520,030	72,252,579	73,086,636	77,955,416	78,148,183
Other Capital Grant and Contributions.....	184,878	438,833	400,045	17,262,055	1,021,324	3,786,207	580,592	1,890,029	2,389,700	408,766
Total Government Activities Program Revenues.....	65,856,927	76,723,773	66,950,546	88,121,253	71,660,424	79,965,747	80,596,651	83,687,216	88,862,326	87,153,660
Business-Type Activities:										
Water and Sewer Charges for Services.....	8,640,017	9,304,762	11,137,737	10,365,205	10,967,624	11,219,309	11,791,807	13,864,185	16,012,276	17,304,563
Operating Grants and Contributions.....	144,536	36,892	14,132	14,844	54,722	86,085	69,906	-	75,909	-
Other Capital Grant and Contributions.....	241,692	302,313	-	14,176	410,608	41,358	236,779	-	-	404,724
Total Business-Type Activities Program Revenues.....	9,026,245	9,643,967	11,151,869	10,394,225	11,432,954	11,346,752	12,098,492	13,864,185	16,088,185	17,709,287
Total Primary Government Program Revenues.....	\$ 74,883,172	\$ 86,367,740	\$ 78,102,415	\$ 98,515,478	\$ 83,093,378	\$ 91,312,499	\$ 92,695,143	\$ 97,551,401	\$ 104,950,511	\$ 104,862,947
Net (Expense)/Revenue										
Governmental Activities.....	\$ (43,952,775)	\$ (34,996,634)	\$ (48,542,603)	\$ (29,385,078)	\$ (49,254,391)	\$ (43,197,177)	\$ (66,416,481)	\$ (67,922,651)	\$ (66,547,018)	\$ (70,301,038)
Business-Type Activities.....	2,309,737	1,279,808	1,786,409	1,308,969	1,972,006	1,721,103	1,833,470	3,421,610	4,155,569	5,089,325
Total Primary Government Net Expense.....	\$ (41,643,038)	\$ (33,716,826)	\$ (46,756,194)	\$ (28,076,109)	\$ (47,282,385)	\$ (41,476,074)	\$ (64,583,011)	\$ (64,501,041)	\$ (62,391,449)	\$ (65,211,713)
General Revenues and other Changes in Net Assets										
Governmental Activities:										
Real Estate and Personal Property Taxes,										
Net of Tax Refunds Payable.....	\$ 21,452,278	\$ 22,753,878	\$ 23,780,306	\$ 26,143,234	\$ 27,718,447	\$ 29,579,552	\$ 31,050,378	\$ 33,902,457	\$ 33,580,120	\$ 36,111,718
Rooms and Meals Tax.....	-	-	-	-	-	-	-	-	83,513	556,526
Motor Vehicle and Other Excise Taxes.....	2,603,461	3,136,517	2,331,503	2,890,852	2,829,277	2,111,357	2,846,327	2,841,288	7,467,078	7,001,354
Tax Liens.....	179,670	636,587	321,130	440,194	442,603	535,440	473,363	660,461	1,005,405	937,690
Penalties and Interest on Taxes.....	371,265	272,770	661,775	331,215	380,239	301,942	273,865	312,440	576,893	457,401
Payments in Lieu of Taxes.....	1,124,092	1,641,658	1,132,798	609,949	1,195,899	1,185,030	1,792,342	1,537,180	1,738,295	1,483,189
Grants and Contributions, and Other not Restricted to										
Specific Programs.....	11,040,014	8,843,073	8,327,219	9,035,989	9,050,539	10,539,794	10,560,559	10,440,670	8,629,072	7,698,509
Unrestricted Investment Income.....	784,289	821,315	413,762	525,769	1,245,853	1,695,467	1,710,427	2,100,745	1,352,951	940,588
Gain on Sale of Capital Assets and Permanent Easement.....	-	30,995	-	25,000	297,780	-	-	-	-	2,115,000
Miscellaneous.....	231,234	801,777	(1,601,782)	23,717	282,085	-	-	-	-	-
Transfers.....	1,121,892	1,014,252	991,487	1,270,254	1,355,722	1,507,253	1,539,270	(424,039)	867,506	497,270
Total Governmental Activities.....	38,908,195	39,952,822	36,358,198	41,296,173	44,798,444	47,455,835	50,246,531	51,371,202	55,300,833	57,799,245
Business-Type Activities:										
Transfers.....	(1,121,892)	(1,014,252)	(991,487)	(1,270,254)	(1,355,722)	(1,507,253)	(1,539,270)	424,039	(867,506)	(497,270)
Total Primary Government	\$ 37,786,303	\$ 38,938,570	\$ 35,366,711	\$ 40,025,919	\$ 43,442,722	\$ 45,948,582	\$ 48,707,261	\$ 51,795,241	\$ 54,433,327	\$ 57,301,975
Changes in Net Assets										
Governmental Activities.....	\$ (5,044,580)	\$ 4,956,188	\$ (12,184,405)	\$ 11,911,095	\$ (4,455,947)	\$ 4,258,658	\$ (16,169,950)	\$ (16,551,449)	\$ (11,246,185)	\$ (12,501,793)
Business-Type Activities.....	1,187,845	265,556	794,922	38,715	616,284	213,850	294,200	3,845,649	3,288,063	4,592,055
Total Primary Government.....	\$ (3,856,735)	\$ 5,221,744	\$ (11,389,483)	\$ 11,949,810	\$ (3,839,663)	\$ 4,472,508	\$ (15,875,750)	\$ (12,705,800)	\$ (7,958,122)	\$ (7,909,738)

* Fiscal year 2008 was the first year the City implemented GASB #45 which accounts for a significant portion of the decrease in net assets.

City of Chelsea, Massachusetts
Fund Balances, Governmental Funds
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved.....	\$ 2,357,008	\$ 3,040,954	\$ 2,468,835	\$ 2,190,036	\$ 1,753,717	\$ 2,637,577	\$ 4,843,824	\$ 3,025,808	\$ 2,915,917	\$ -
Unreserved.....	10,539,843	10,252,478	8,590,955	9,087,501	8,307,212	10,218,873	11,257,433	11,379,449	14,297,478	-
Assigned.....	-	-	-	-	-	-	-	-	-	2,385,892
Unassigned.....	-	-	-	-	-	-	-	-	-	24,345,161
Total General Fund.....	\$ 12,896,851	\$ 13,293,432	\$ 11,059,790	\$ 11,277,537	\$ 10,060,929	\$ 12,856,450	\$ 16,101,257	\$ 14,405,257	\$ 17,213,395	\$ 26,731,053
All Other Governmental Funds										
Reserved.....	\$ 5,737,054	\$ 5,389,046	\$ 5,338,698	\$ 4,489,363	\$ 4,062,188	\$ 3,305,523	\$ 3,880,532	\$ 1,454,773	\$ 1,381,756	\$ -
Unreserved, Reported In:										
Special Revenue Funds.....	7,924,095	9,987,147	11,953,009	11,933,024	13,027,339	14,327,473	13,470,775	15,266,265	14,542,816	-
Debt Service Funds.....	9,433,813	10,702,854	9,758,015	10,279,367	9,370,978	9,430,547	9,927,538	10,400,021	10,648,346	-
Capital Projects Funds.....	(6,635,417)	(10,252,232)	(9,122,271)	(1,274,477)	(1,246,189)	(5,346,118)	(8,762,135)	(727,133)	984,799	-
Permanent Funds.....	86,900	86,480	86,989	87,925	98,843	100,547	100,886	100,585	101,095	-
Nonspendable.....	-	-	-	-	-	-	-	-	-	22,392
Restricted.....	-	-	-	-	-	-	-	-	-	21,683,498
Total All Other Governmental Funds. \$	16,546,445	15,913,295	18,014,440	25,515,202	25,313,159	21,817,972	18,617,596	26,494,511	27,658,812	21,705,890

Fiscal year 2002 excludes Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

The City implemented GASB 54 in fiscal year 2011, fund balances prior to fiscal year 2011 have been reported in the pre-GASB 54 format.

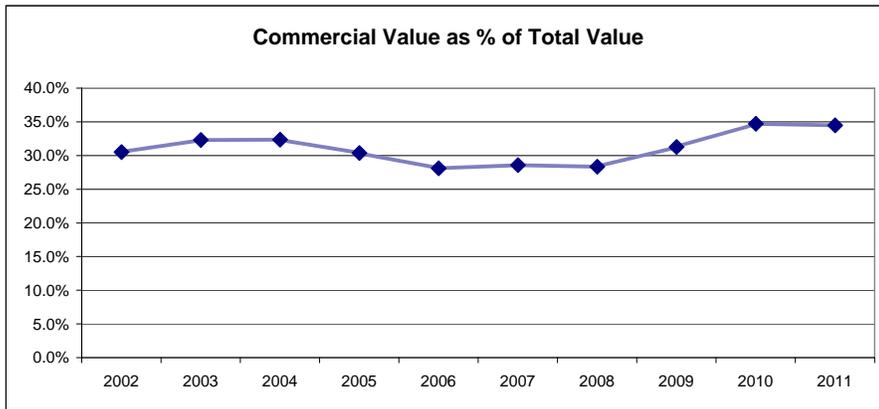
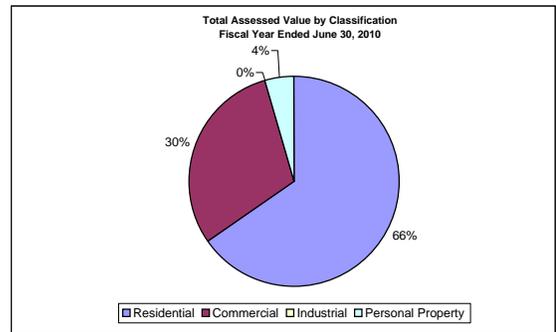
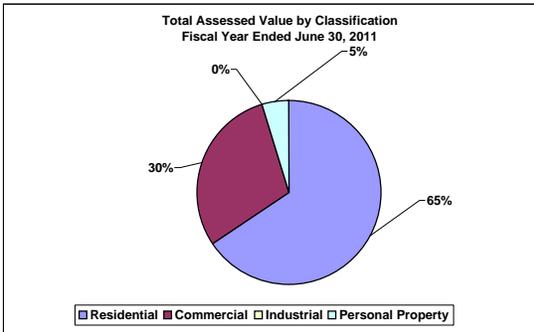
City of Chelsea, Massachusetts
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Real Estate and Personal Property Taxes,										
Net of Tax Refunds.....	21,728,833	\$ 22,669,580	\$ 24,656,790	\$ 25,996,104	\$ 27,786,205	\$ 28,944,381	\$ 30,782,138	\$ 32,522,544	\$ 33,656,465	\$ 35,997,749
Motor Vehicle Excise Taxes.....	2,170,362	3,251,518	2,431,353	2,933,506	2,737,502	2,332,484	2,557,448	2,858,058	7,241,592	7,111,447
Meals Tax.....	-	-	-	-	-	-	-	-	-	83,513
Tax Liens.....	457,252	489,714	899,262	338,515	505,964	366,997	382,714	305,512	1,058,925	907,060
Charges for Services.....	1,815,325	1,846,231	1,641,003	2,123,881	2,409,626	2,491,044	2,296,533	2,522,413	2,768,668	3,142,666
Penalties and Interest on Taxes.....	371,265	272,770	661,775	331,215	380,239	301,942	273,865	325,535	576,893	457,401
Payment in Lieu of Taxes.....	1,124,092	1,641,658	1,132,798	609,949	1,195,899	1,185,030	1,792,342	1,537,180	1,738,295	1,483,189
Trash Disposal.....	866,277	907,205	1,034,814	1,120,391	1,230,498	1,270,801	1,230,237	1,421,920	1,492,690	1,509,421
Licenses and Permits.....	813,695	1,240,984	1,457,471	1,623,212	1,634,239	2,283,402	2,146,030	2,111,520	1,661,067	1,686,406
Fines and Forfeitures.....	1,764,984	1,578,661	1,417,772	1,509,779	1,578,152	1,534,903	1,792,603	1,807,763	1,791,144	1,811,801
Intergovernmental.....	74,378,281	78,901,636	76,383,765	90,513,250	81,556,455	84,823,330	86,499,436	89,664,616	89,848,841	102,461,524
Departmental and Other.....	72,016	645,318	751,036	633,612	1,167,669	642,619	287,836	513,831	321,045	371,243
Contributions.....	109,778	181,635	133,509	331,998	664,958	690,561	1,083,262	1,408,736	1,805,273	976,743
Interest Income.....	2,105,219	2,884,896	216,136	1,810,607	1,091,025	2,521,329	2,943,049	2,077,494	1,347,159	936,009
Total Revenue.....	108,244,399	116,511,806	112,817,484	129,876,019	123,938,431	129,388,823	134,067,493	139,077,122	145,391,570	159,409,185
Expenditures:										
General Government.....	2,938,024	2,911,431	458,698	3,035,146	2,867,314	3,109,647	3,459,218	3,744,295	3,521,722	3,419,180
Public Safety.....	15,505,236	15,160,487	14,831,365	18,173,531	16,118,703	17,783,106	19,000,089	19,699,385	19,927,775	20,875,283
Public Education.....	55,960,610	42,507,083	57,283,293	58,035,089	59,510,470	66,620,473	69,207,491	73,917,001	76,862,401	76,567,615
Public Works.....	6,551,589	5,299,600	4,480,470	5,465,295	4,245,436	4,758,007	4,831,548	4,396,363	4,553,580	5,216,705
Health and Human Services.....	1,908,806	2,017,643	1,999,958	2,055,008	1,916,395	1,635,709	1,573,840	1,635,294	1,367,620	1,231,328
Culture and Recreation.....	151,408	418,978	389,739	432,059	480,202	430,537	541,176	476,234	449,369	506,372
Community Development.....	2,332,017	2,351,070	2,536,473	1,655,374	5,180,378	3,360,820	3,713,704	1,850,946	1,370,968	1,534,503
Pension Benefits.....	5,303,065	7,897,955	8,357,720	9,203,469	9,991,344	9,001,662	9,807,679	10,366,861	10,778,985	11,459,731
Property and Liability Insurance.....	305,040	369,692	457,240	473,443	426,165	558,328	463,140	440,049	484,181	450,000
Employee Benefits.....	6,919,831	7,401,070	8,801,256	9,222,562	10,672,888	5,839,623	6,209,239	6,877,797	6,511,415	6,259,620
Claims and Judgments.....	9,699	18,377	15,835	20,498	9,210	21,180	3,473	25,215	38,920	46,059
Capital Outlay.....	13,256,739	18,542,763	4,426,511	2,098,774	2,810,597	5,756,512	3,752,287	8,321,171	3,504,827	4,418,867
State and County Charges.....	1,775,003	2,208,706	2,552,188	2,883,357	2,977,746	3,310,117	4,021,544	4,234,195	4,720,440	5,032,659
Debt Service.....										
Principal.....	6,650,866	6,871,706	6,751,706	6,911,246	6,970,284	6,857,391	6,797,357	6,913,970	7,439,494	25,196,312
Interest.....	5,155,747	4,700,550	4,607,567	4,136,328	3,549,065	3,497,188	3,181,787	2,543,985	2,483,699	1,619,804
Total Expenditures.....	124,723,680	118,677,111	117,950,019	123,801,179	127,726,197	132,540,300	136,563,572	145,442,761	144,015,396	163,834,038
Excess of Revenues Over (Under) Expenditures.....	(16,479,281)	(2,165,305)	(5,132,535)	6,074,840	(3,787,766)	(3,151,477)	(2,496,079)	(6,365,639)	1,376,174	(4,424,853)
Other Financing Sources (Uses):										
Issuance of Long Term Debt.....	-	-	1,600,000	641,000	691,000	653,000	743,000	12,828,352	1,625,950	5,136,656
Issuance of Refunding Debt.....	-	16,660,000	-	1,007,661	-	-	-	4,410,625	-	99,500
Payments to Refunding Escrow Agent.....	-	(18,050,214)	-	(1,001,620)	-	-	-	(4,451,847)	-	-
Principal Payments Refunded Bonds.....	-	-	-	-	-	-	-	-	-	(102,834)
Premium from Issuance of Bonds.....	-	760,544	1,706	28,516	12,185	29,287	-	61,562	-	239,006
Premium from Issuance of Refunding Bonds.....	-	1,510,874	-	18,978	-	-	-	121,901	-	4,991
Capital Lease Financing.....	-	-	-	-	-	-	232,355	-	-	-
Insurance Recoveries.....	-	-	-	-	-	-	-	-	102,809	-
Sale of Capital Assets and Proceeds From Sale of Permanent Easement.....	-	30,995	2,400,696	25,000	297,780	250,000	10,663	-	-	2,115,000
Transfers In.....	10,022,247	4,467,548	4,526,909	5,636,392	2,416,211	3,959,770	2,897,989	4,271,345	4,372,919	27,034,339
Transfers Out.....	(8,890,143)	(3,451,011)	(3,529,273)	(4,354,515)	(1,048,061)	(2,440,246)	(1,343,497)	(4,695,384)	(3,505,413)	(26,537,069)
Total Other Financing Sources (Uses).....	1,132,104	1,928,736	5,000,038	2,001,412	2,369,115	2,451,811	2,540,510	12,546,554	2,596,265	7,989,589
Net Change in Fund Balance.....	(15,347,177) \$	(236,569) \$	(132,497) \$	8,076,252 \$	(1,418,651) \$	(699,666) \$	44,431 \$	6,180,915 \$	3,972,439 \$	3,564,736 \$
Debt Service as a Percentage of Noncapital Expenditures.....	10.59%	11.56%	10.01%	9.08%	8.42%	8.17%	7.51%	6.90%	7.06%	16.82%

Notes:
Fiscal year 2002 excludes Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

City of Chelsea, Massachusetts
Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates
Last Ten Fiscal Years

Fiscal Year	Assessed and Actual Values and Tax Rates									
	Residential Value	Residential Tax Rate	Residential % of Total Value	Commercial and Industrial Real Property	Personal Property	Total Commercial Value	Commercial Industrial & Personal Property Tax Rate	Commercial % of Total Value	Total Direct Rate	Total City Value
2002	\$ 825,837,480	\$ 14.52	69.50%	\$ 321,823,420	\$ 40,520,720	\$ 362,344,140	\$ 33.18	30.50%	\$ 20.21	\$ 1,188,181,620
2003 (1)	\$ 1,128,710,498	\$ 10.04	67.69%	\$ 490,899,818	\$ 47,763,890	\$ 538,663,708	\$ 22.41	32.31%	\$ 14.04	\$ 1,667,374,206
2004	\$ 1,327,636,240	\$ 9.28	67.64%	\$ 581,492,726	\$ 53,601,470	\$ 635,094,196	\$ 20.72	32.36%	\$ 12.98	\$ 1,962,730,436
2005	\$ 1,451,146,085	\$ 9.54	69.63%	\$ 579,176,954	\$ 53,696,950	\$ 632,873,904	\$ 20.60	30.37%	\$ 12.90	\$ 2,084,019,989
2006 (1)	\$ 1,625,780,262	\$ 9.62	71.91%	\$ 578,648,023	\$ 56,399,900	\$ 635,047,923	\$ 19.98	28.09%	\$ 12.53	\$ 2,260,828,185
2007	\$ 1,747,423,205	\$ 9.33	71.45%	\$ 640,162,304	\$ 58,162,900	\$ 698,325,204	\$ 19.54	28.55%	\$ 12.25	\$ 2,445,748,409
2008	\$ 1,734,194,631	\$ 9.95	71.66%	\$ 614,984,682	\$ 70,899,900	\$ 685,884,582	\$ 20.76	28.34%	\$ 13.01	\$ 2,420,079,213
2009 (1)	\$ 1,532,423,197	\$ 10.80	68.72%	\$ 617,642,043	\$ 79,844,500	\$ 697,486,543	\$ 23.96	31.28%	\$ 14.92	\$ 2,229,909,740
2010	\$ 1,284,140,289	\$ 12.09	65.29%	\$ 597,622,166	\$ 85,033,150	\$ 682,655,316	\$ 29.00	34.71%	\$ 17.96	\$ 1,966,795,605
2011	\$ 1,266,881,856	\$ 12.92	65.54%	\$ 573,416,736	\$ 92,734,520	\$ 666,151,256	\$ 30.60	34.46%	\$ 19.01	\$ 1,933,033,112



(1) Revaluation year.
 Source: Assessor's Department, City of Chelsea
 All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

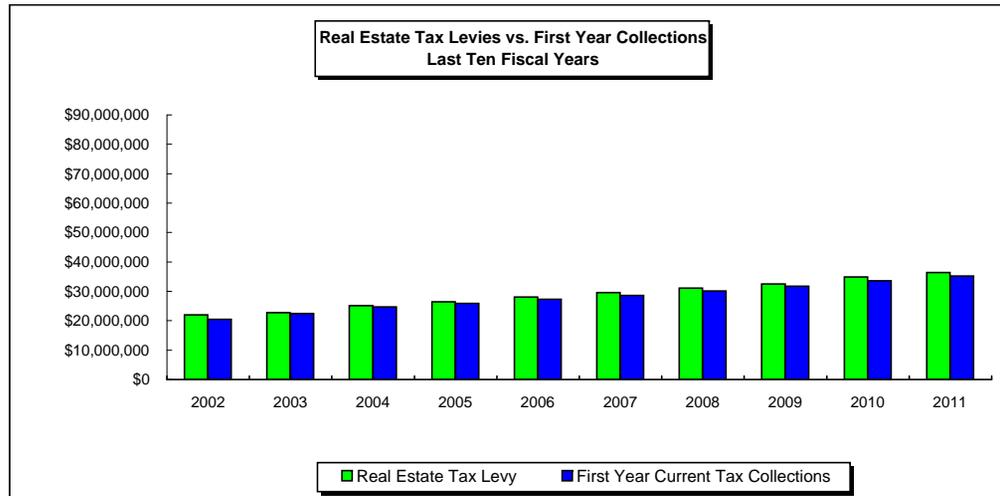
**City of Chelsea, Massachusetts
Principal Taxpayers
Current Year and Nine Years Ago**

Name	Nature of Business	2011			2002		
		Amount of Tax Levied	Rank	Percentage of Total Taxable Assessed Value	Amount of Tax Levied	Rank	Percentage of Total Taxable Assessed Value
NSTAR Services	For Profit Utility Company	\$ 1,466,308	1	4.20%	\$ 600,446	2	0.00%
Urban Growth Properties	Private For Profit Parking Lot	1,249,949	2	3.58%	-	-	0.00%
Anthony Simboli	Real Estate Development Company	994,788	3	2.85%	708,818	1	2.56%
FR Chelsea Commons LLC	Health and Fitness Centers	879,802	4	2.52%	-	-	1.25%
Griffin Way LLC	Commercial	877,207	5	2.51%	599,652	3	0.00%
Demoulas Super Markets Inc.	Retail Grocer	782,482	6	2.24%	-	-	0.00%
Parkside Commons	Apartment Complex	485,494	7	1.39%	-	-	0.00%
Catamount Petroleum L.P.	Oil and Gas Retailer	409,838	8	1.17%	300,787	6	1.34%
New England Produce Center	Produce Wholesaler	388,620	9	1.11%	285,292	7	0.00%
Admiral Hill Associates, Inc.	Commercial	380,520	10	1.09%	-	-	1.35%
Chelsea Development Associates	Real Estate Developer	-	-	0.00%	483,456	4	2.29%
Stanton Black	Real Estate Developer	-	-	0.00%	301,593	5	1.42%
Darman Sumner, Trust	Commercial	-	-	0.00%	265,447	8	1.95%
Key Span	For Profit Utility Company	-	-	0.00%	232,199	9	2.93%
Patrick J. Glynn	Commercial	-	-	0.00%	220,279	10	1.24%
	Total	<u>\$ 7,915,008</u>		<u>22.69%</u>	<u>\$ 3,997,969</u>		<u>16.33%</u>

Source: Assessor's Department, City of Chelsea

**City of Chelsea, Massachusetts
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year		Net Tax Levy (2)	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
2002	\$	21,984,490	\$ 20,450,338	93.02%	\$ 266,906	\$ 20,717,244	94.24%
2003	(1) \$	22,699,963	\$ 22,378,670	98.58%	\$ 85,487	\$ 22,464,157	98.96%
2004	\$	25,165,331	\$ 24,745,235	98.33%	\$ 308,514	\$ 25,053,749	99.56%
2005	\$	26,455,080	\$ 25,919,327	97.97%	\$ 333,804	\$ 26,253,131	99.24%
2006	(1) \$	28,013,781	\$ 27,239,392	97.24%	\$ 178,276	\$ 27,417,668	97.87%
2007	\$	29,542,591	\$ 28,584,863	96.76%	\$ 87,245	\$ 28,672,108	97.05%
2008	\$	31,094,201	\$ 30,159,309	96.99%	\$ 554,283	\$ 30,713,592	98.78%
2009	(1) \$	32,533,065	\$ 31,721,963	97.51%	\$ 561,502	\$ 32,283,465	99.23%
2010	\$	34,888,374	\$ 33,582,088	96.26%	\$ 656,313	\$ 34,238,401	98.14%
2011	\$	36,340,614	\$ 35,212,941	96.90%	\$ -	\$ 35,212,941	96.90%



Source: Assessor's Department, City of Chelsea

(1) Revaluation year.

(2) Includes tax liens.

City of Chelsea, Massachusetts
Ratios of Outstanding Debt and Net General Bonded Debt
Last Ten Fiscal Years

Fiscal Year	U. S. Census Population (1)	Total Median Family Income	Assessed Value	Governmental Activities Debt				Total Net General Bonded Debt		
				General Obligation Bonds	Less: Resources Restricted for Debt Principal	Total Net General Bonded Debt	Capital Leases	Per Capita	Percentage of Median Family Income	Percentage of Assessed Value
2002	35,080	\$1,222,502,920	\$1,188,181,620	\$80,904,226	\$9,433,813	\$71,470,413	\$0	\$2,037	6.62%	6.81%
2003	35,080	\$1,160,727,040	\$1,667,374,206	\$74,162,520	\$10,702,854	\$63,459,666	\$0	\$1,809	6.39%	4.45%
2004	35,080	\$1,222,502,920	\$1,962,730,436	\$69,010,814	\$9,758,015	\$59,252,799	\$0	\$1,689	5.65%	3.52%
2005	35,080	\$1,299,328,120	\$2,084,019,989	\$62,405,566	\$10,279,367	\$52,126,199	\$0	\$1,486	4.80%	2.99%
2006	35,080	\$1,137,644,400	\$2,260,828,185	\$56,126,282	\$9,370,978	\$46,755,304	\$0	\$1,333	4.93%	2.48%
2007	35,080	\$1,058,047,880	\$2,445,748,409	\$49,921,891	\$9,430,547	\$40,491,344	\$0	\$1,154	4.72%	2.04%
2008	35,080	\$1,058,047,880	\$2,420,079,213	\$43,867,534	\$9,927,538	\$33,939,996	\$214,794	\$968	4.15%	1.81%
2009	35,080	\$1,058,047,880	\$2,229,909,740	\$49,917,541	\$10,400,021	\$39,517,520	\$171,376	\$1,126	4.72%	2.24%
2010	35,177	\$1,058,047,880	\$1,966,795,605	\$43,603,997	\$10,648,346	\$32,955,651	\$126,104	\$937	4.12%	2.22%
2011	35,177	\$1,389,878,447	\$1,933,033,112	\$24,043,841	\$0	\$24,043,841	\$78,899	\$684	1.73%	1.24%

Fiscal Year	Business-Type Activities (2)		Total Primary Government			
	General Obligation Bonds	Capital Leases	Total Debt Outstanding	Per Capita	Percentage of Median Family Income	Percentage of Assessed Value
2002	\$7,956,932	\$0	\$88,861,158	\$2,533	7.27%	7.48%
2003	\$7,346,303	\$0	\$81,508,823	\$2,324	7.02%	4.89%
2004	\$7,931,149	\$0	\$76,941,963	\$2,193	6.29%	3.92%
2005	\$9,632,756	\$0	\$72,038,322	\$2,054	5.54%	3.46%
2006	\$11,440,713	\$0	\$67,566,995	\$1,926	5.94%	2.99%
2007	\$12,758,545	\$0	\$62,680,436	\$1,787	5.92%	2.56%
2008	\$12,578,718	\$0	\$56,661,046	\$1,615	5.36%	2.34%
2009	\$13,084,436	\$0	\$63,173,353	\$1,801	5.97%	2.83%
2010	\$12,287,592	\$0	\$56,017,693	\$1,592	5.29%	2.85%
2011	\$14,455,578	\$0	\$38,578,318	\$1,097	2.78%	2.00%

(1) Most recent U.S. Census
(2) Sewer and Water
Source: Audited Financial Statements, U. S. Census.

City of Chelsea, Massachusetts
Direct and Overlapping Governmental Activities Debt

As of June 30, 2011

<u>City of Chelsea, Massachusetts</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes: Overlapping governmental debt	None	None	\$ None
City Net Direct Debt.....			<u>24,043,841</u>
Total Direct and Overlapping Debt.....			\$ <u><u>24,043,841</u></u>

Source: Official Statement

**City of Chelsea, Massachusetts
Computation of Legal Debt Margin
Last Nine Fiscal Years**

	<u>Fiscal Year</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Equalized Valuation.....	<u>\$ 1,387,408,520</u>	<u>\$ 1,387,408,520</u>	<u>\$ 2,206,598,800</u>	<u>\$ 2,206,598,800</u>	<u>\$ 2,642,115,800</u>	<u>\$ 2,642,115,800</u>	<u>\$ 2,856,347,120</u>	<u>\$ 2,856,347,120</u>	<u>\$ 2,344,168,400</u>	<u>\$ 2,344,168,400</u>
Debt Limit - 5% of Equalized Valuation.....	\$ 34,685,213	\$ 34,685,213	\$ 110,329,940	\$ 110,329,940	\$ 132,105,790	\$ 132,105,790	\$ 142,817,356	\$ 142,817,356	\$ 117,208,420	\$ 117,208,420
Less:										
Outstanding Debt Applicable to Limit.....	<u>\$ 4,503,615</u>	<u>\$ 3,904,851</u>	<u>\$ 3,419,961</u>	<u>\$ 3,200,318</u>	<u>\$ 4,656,787</u>	<u>\$ 4,831,891</u>	<u>\$ 4,942,534</u>	<u>\$ 17,082,541</u>	<u>\$ 20,793,997</u>	<u>\$ 24,043,841</u>
Legal Debt Margin.....	<u>\$ 30,181,598</u>	<u>\$ 30,780,362</u>	<u>\$ 106,909,979</u>	<u>\$ 107,129,622</u>	<u>\$ 127,449,003</u>	<u>\$ 127,273,899</u>	<u>\$ 137,874,822</u>	<u>\$ 125,734,815</u>	<u>\$ 96,414,423</u>	<u>\$ 93,164,579</u>
Total Debt Applicable to the Limit as a Percentage of Debt Limit.....	12.98%	11.26%	3.10%	2.90%	3.53%	3.66%	3.46%	11.96%	17.74%	20.51%

Source: City Auditor's Office, City of Chelsea

**City of Chelsea, Massachusetts
Demographic and Economic Statistics
Last Ten Calendar Years**

Calendar Year	(a) Population Estimates (1)	(b) Total Median Family Income	(b)/(a) Median Family Income (1)	Unemployment Rate (2)
2001	35,080	\$1,160,727,040	\$33,088	4.60%
2002	35,080	\$1,222,502,920	\$34,849	3.90%
2003	35,080	\$1,299,328,120	\$37,039	5.50%
2004	35,080	\$1,137,644,400	\$32,430	6.40%
2005	35,080	\$1,058,047,880	\$30,161	6.40%
2006	35,080	\$1,058,047,880	\$30,161 (3)	5.80%
2007	35,080	\$1,058,047,880	\$30,161 (3)	6.40%
2008	35,080	\$1,058,047,880	\$30,161 (3)	6.30%
2009	35,080	\$1,058,047,880	\$30,161 (3)	9.40%
2010	35,177	\$1,389,878,447	\$39,511	10.60%

Source: (1) U.S Department of Commerce, Bureau of Census

(2) Commonwealth of Massachusetts, Department of Labor and Workforce Development

(3) Data not available (the income reported is 2005 data).

**City of Chelsea, Massachusetts
Principal Employers
Current Year and Nine Years Ago**

Employer	Nature of Business	2011			2002		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of Chelsea	Government	1,242	1	9.16%	1,339	1	10.24%
Commonwealth of Massachusetts/MITC	Government	1,150	2	8.48%	1,200	2	9.18%
Market Basket	Retail Grocery	900	3	6.64%	300	5	2.30%
MWRA	Quasi-Public Water Utility	568	4	4.19%	500	3	3.83%
Kayem Foods	Meat Wholesaler	328	5	2.42%	390	4	2.98%
Massachusetts General Hospital	Medical Services	246	6	1.81%	200	9	1.53%
Paul Revere Transportation	Transportation Company	220	7	1.62%	300	6	2.30%
Signature Breads	Bread and Wheat Product Wholesaler	202	8	1.49%	250	8	1.91%
Metropolitan Credit Union	Banking Institution	178	9	1.31%	151	10	1.16%
Stop & Shop	Retail Grocery	120	10	0.88%	300	7	2.30%
		<u>5,154</u>		<u>38.00%</u>	<u>4,930</u>		<u>37.73%</u>

Source: Department of Planning and Development

**City of Chelsea, Massachusetts
Full-time Equivalent City Employees by Function
Last Ten Fiscal Years**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>Function:</u>										
General Government.....	71	51	50	52	52	54	55	55	55	48
Public Safety.....	197	199	186	197	200	212	215	216	225	218
Public Education.....	970	937	864	879	879	871	901	926	930	907
Public Works.....	30	28	27	26	25	25	25	25	25	22
Health and Human Services.....	47	49	40	36	39	37	37	37	30	30
Community Development.....	13	13	10	10	10	10	9	8	8	7
Culture and Recreation.....	8	8	8	9	8	8	8	8	7	7
Water and Sewer.....	4	4	4	5	5	5	5	5	3	3
Total.....	<u>1,340</u>	<u>1,289</u>	<u>1,189</u>	<u>1,214</u>	<u>1,218</u>	<u>1,222</u>	<u>1,255</u>	<u>1,280</u>	<u>1,283</u>	<u>1,242</u>

Source: Various City Departments

City of Chelsea, Massachusetts
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Offenses Committed.....	8,245	7,724	6,909	6,784	7,460	7,632	8,795	9,110	9,450	8,624
Crime-Related Incidents.....	4,320	4,200	3,752	3,586	3,552	3,543	3,878	3,744	3,626	3,244
Non-Crime Related Incidents.....	1,395	1,614	1,364	1,377	1,676	1,707	1,636	1,611	1,846	1,857
Arrests (on View).....	1,538	1,369	1,239	1,427	1,664	1,577	1,713	1,793	1,825	1,871
Arrests (Based on Incident/Warrants).....	319	413	377	277	343	408	388	399	429	500
Summons Arrests.....	4	1	-	-	5	10	6	5	4	2
Total Arrests.....	1,861	1,783	1,616	1,704	2,012	1,995	2,107	2,197	2,258	2,373
Juvenile Arrests.....	162	144	149	143	162	137	124	95	70	118
Hearings.....	471	552	411	457	532	533	559	589	834	585
Summons.....	163	209	154	240	259	340	383	573	652	510
Restraint Orders.....	450	437	389	406	393	373	367	381	352	379
Citations.....	6,932	4,864	4,048	4,786	4,610	3,561	6,966	7,795	8,325	7,799
Fire										
Fires Extinguished (1) (2)	243	240	253	181	268	326	268	271	376	Not Available
Education										
Number of Public School Students.....	5,876	5,805	5,785	5,873	5,500	5,571	5,603	5,641	5,699	5,709
Culture and recreation										
Library Volumes in Collection.....	80,933	76,585	74,568	73,635	74,928	76,633	77,103	79,025	80,443	71,260
Library Volumes Borrowed.....	60,601	53,072	47,904	44,766	45,164	49,459	53,136	61,501	74,340	68,649
Water										
Average Daily Consumption (1) (Million Gallons/Day).....	3.441	3.543	3.418	3.285	2.999	3.010	2.750	3.040	3.048	3.064
Peak Daily Consumption (1) (2) (Million Gallons/Day).....	5.220	4.870	4.500	4.170	3.634	4.400	3.700	3.940	3.700	Not Available
Sewer										
Average Daily Sewage Treatment (Million Gallons/Day).....	3.900	3.990	4.040	4.110	4.440	4.030	4.350	4.130	3.900	5.080

(1) Data is on a calendar year basis

(2) Data is not available for 2011

Source: Various City Departments

City of Chelsea, Massachusetts
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Number of Buildings.....	1	1	1	1	1	1	1	1	1	1
Police										
Number of Stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations.....	3	3	3	3	3	3	3	3	3	3
Trucks.....	6	6	6	6	6	6	6	6	6	6
Education										
Public School Buildings.....	4	4	4	4	4	4	4	4	4	4
Public Works										
Streets to Maintain (Miles).....	44	44	44	44	44	44	44	44	44	44
Streetlights.....	1,671	1,675	1,677	1,680	1,683	1,708	1,805	1,805	1,771	1771
Traffic Signals.....	46	46	46	46	46	47	47	47	53	53
Culture and Recreation										
Community Centers.....	1	1	1	1	1	1	1	1	1	1
Water										
Water Mains (Miles).....	61	61	61	61	61	61	61	61	61	61
Sewer										
Sewers (Miles).....	41	41	41	41	41	41	41	41	41	41

Source: Various City Departments

