

CITY OF CHELSEA, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED JUNE 30, 2009

City of Chelsea, Massachusetts

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2009



Prepared by the Finance Division

and Jay Ash, City Manager

CITY OF CHELSEA, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

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Introductory Section



**City of Chelsea, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2009**

Introductory Section



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

**Jay Ash
City Manager**

Telephone (617)889-8301
Fax (617)889-8360

December 31, 2009

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, 2009. 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 fourteen 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. This past year, you engaged in a competitive bid process which ended up with you selecting a new audit firm to provide this comprehensive report that is attached. That decision was not influenced at all by the performance of the past auditors; in fact you had regard for their work. Instead, your decision to bring in a "new set of eyes" was made, in part, because you wanted another perspective and wanted to be sure that you were not "missing anything." The seriousness of your purpose and your investigative approach to overseeing all aspects of government should serve to be impactful as we seek to lead a transparent and functioning municipal government and reassuring to those who observe your 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, 2008, 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

If the recession is over, and there are signs pointing in that direction, the 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 is unfortunate in that cities and towns have been reeling for the better part of the decade. Of many measures that may confirm that contention, non-school state aid in the form of Lottery and Additional Assistance to all municipalities during this decade is down 22%. With those and other revenues seemingly unable to keep up with rising expenses, most notably, employee health insurance and retirement costs, the strain on municipal budgets is acute.

Locally, the severity of situation is somewhat less dire, but still 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 adjustments are being made in FY'10 and further contemplated in FY'11 to maintain a balanced budget, albeit one that requires 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 a slowing of 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. 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 Fiscal Year 2001 highs (now down more than 30% in FY'10, 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. Unfortunately, an aggressive economic development record established in 1995 has recently stalled, as economic conditions, especially access to financing by developers, have resulted in several important projects being suspended, if not abandoned. Because the City had continued to 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 project alternatives that will allow for developments to move forward when conditions are more favorable.

Despite those 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. New growth in FY'09 was at a record level, and development activity is still occurring, albeit not at the same record setting pace. The completion of the first phase of the Mystic Mall redevelopment and the promise of more there, as well as the continuing opportunities that exist in the Everett Avenue Urban Renewal Area provide reason to believe that the City's rejuvenation can continue, even during these tough times. 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. Those activities include the sale of land in the urban renewal area and the acquisition and lease of other parcels, including one such example on Marginal Street. While government is not in the "business" of being real estate developers, entrepreneurial activities like the aforementioned 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, raise non-property 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, FY'10 local aid cuts and other revenue losses related to a deep recession have placed the City back to an all too familiar position this decade, the need to do at least the same, if not more, with less.

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. Unfortunately, health insurance is one of the most difficult expenditures for the City to impact. Nonetheless, the City has attempted to do so both through local administration and statewide advocacy. In the meantime, other "budget busters" are 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. 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 2028. Stock market losses during this 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.

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.

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'09 and FY'10 and potentially for several additional fiscal years thereafter. Reserves, therefore, have been used in FY'09 and will be further drawn against in FY'10, 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 after 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 retreat or stagnation, provides 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. 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 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 will be the first 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 hotel to be developed in the City’s highly successful Everett Avenue Urban Renewal District (EAURD).

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 next phase, the redevelopment of the Atlas Bedding factory, anticipated to begin this upcoming spring. The upgrading of Chelsea’s neighborhoods, including a pending project on Webster Block, 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. An accomplished Police Chief, aided by a department expanded by 9 additional officers, continues to have an even greater impact on the accomplishment of the City's public safety officers.

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. This past summer, for instance, neighborhood meetings you sponsored and I led helped to identify 100 issues of local concern that were then reviewed and addressed, at least partially if not fully, by City staff. A highly successful community-wide meeting on trash marks yet another way that City Hall is reaching out to and engaging residents in problem identification and resolution. Harking back to the City's relationship with credible community-based partners, a community visioning exercise by Chelsea Neighborhood Developers also helped to ensure that neighborhood residents had a say and a seat at the table in discussing priorities and action steps.

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, 2009, totaled \$49,917,541, of which \$29,755,000 relates to School Construction and \$13,168,000 relates to urban renewal, leaving a balance of \$6,994,541 related to CIP projects. The Commonwealth of Massachusetts reimburses the City for 95 percent of the principal and interest related to the School Construction bonds.

Since fiscal year 1997, the City had funded a portion (\$200,000 annually) of its CIP on a "pay-as-you-go" basis out of current revenues. In order to maintain this type of funding, even in difficult economic conditions, a Capital Stabilization Fund was established and, as of June 30, 2009, totals approximately \$932,640.

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, 2009, general fund cash and cash equivalents totaled \$14,530,546, while the balance of unrestricted cash and cash equivalents for all governmental funds totaled \$24,315,712.

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 performed the City's annual audit for the fiscal year ended June 30, 2009. The independent auditors' report on the basic financial statements, for the fiscal year ended June 30, 2009, is included herein and contains an unqualified opinion.

CERTIFICATES, AFFILIATIONS AND AWARDS

For the eleventh 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, 2008 CAFR. The Certificate of Achievement is the most prestigious award of its kind. The award reflects the effort and emphasis that the City places in meeting and exceeding the highest standards for financial and operational reporting. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and well-organized document that conforms to accounting principles generally accepted in the United States of America and the Certificate Program requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this fiscal year 2009 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.

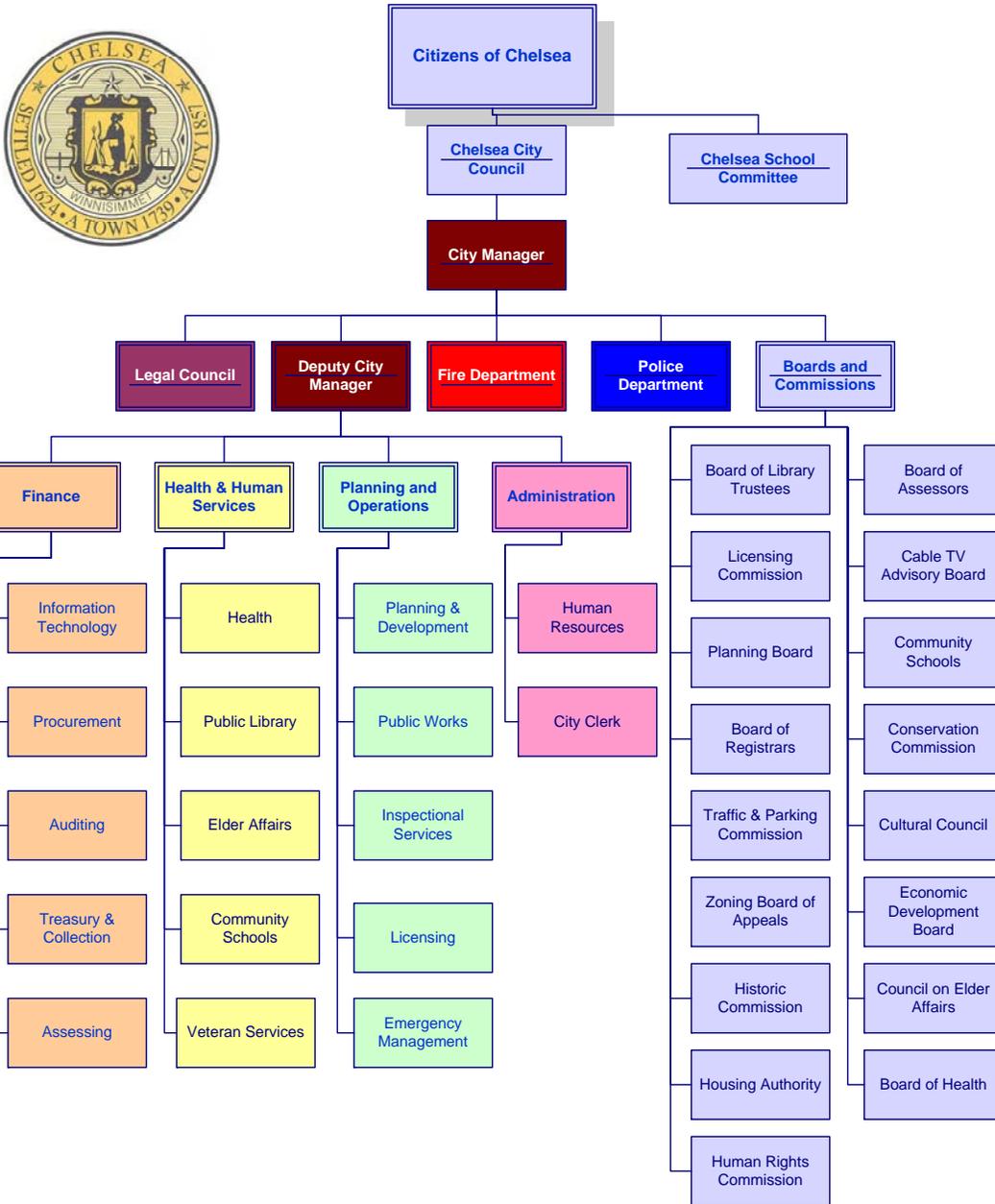
On behalf of all of us, including you, City Council, I am pleased to share with the public the City's Fiscal Year 2009 CAFR. Once again, municipal government is not only accurately and openly reporting on its operations, but also doing so in a manner which demonstrates why Chelsea City government is considered the transparent success it is.

Very truly yours,

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

Jay Ash
City Manager

City of Chelsea Organization



ELECTED OFFICIALS

Council/Committee	Name	District
City Council	Stanley Troisi	1
	Mike MeKonnen	2
	Matthew R. Frank <i>Vice-President</i>	3
	Paula S. Barton	4
	Brian B. Hatleberg <i>President</i>	5
	Marilyn Vega-Torres	6
	Deborah Washington	7
	Ron D. Morgese	8
	Leo Robinson	At-large
	Roy A. Avellaneda	At-large
Roseann T. Bongiovanni	At-large	
School Committee	Rosemarie Carlisle <i>Chairman</i>	1
	Michael J. Caulfield	2
	Melinda M. Alvarado-Vega <i>Delegate to City Council</i>	3
	Lucia H. Colon	4
	Lisa Lineweaver <i>Delegate to City Council</i>	5
	James E. Dwyer <i>Vice Chairman</i>	6
	Ramona Foster	7
	Edward C. Ells	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	Robert Bishop, <i>City Clerk</i>	Traffic & Parking Clerk
City Council	Brian B. Hatleberg, <i>President</i> Paul Casino, <i>Administrator</i>	
Executive	Jay Ash, <i>City Manager</i> Edward Keefe, <i>Deputy City Manager</i>	
Emergency Management	Allan Alpert, <i>Director</i>	E911
Fire Chief	Herbert Fothergill, Jr., <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>	
Licensing	Deborah Clayman, <i>Director</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	Rosemarie Carlisle, <i>Chairperson</i> Dr. Thomas Kingston, <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

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, 2008

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.



A handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

President

A handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

Executive Director

Financial Section



**City of Chelsea, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2009**

Financial Section



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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, 2009 (except for the Chelsea Contributory Retirement System which is as of and for the year ended December 31, 2008), 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, 2009 (except for the Chelsea Contributory Retirement System which is as of December 31, 2008), 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 10, 2009, 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 financial 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 and the other post-employment benefit plan schedule of funding progress and employer contributions, and the other post-employment 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 that reads "Bowers + Sullivan".

December 18, 2009

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, 2009. This is the first year our financial statements have been prepared under the Governmental Accounting Standards Board Statement Number 34 – Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This new reporting model represents a major change when compared to prior financial statements. 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 and economic development, and culture and recreation. The business-type activities include the water and sewer activities.

The government-wide 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 propriety 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 propriety 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 \$110.5 million and \$12.5 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 long-term liability of \$37.2 million at the end of FY2009. This unfunded liability has created a (\$10.3 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 \$14.4 million, a decrease of \$1.7 million over the prior year. Total fund balance represents 12.6% of total general fund revenues. \$11.4 million of this total amount is available for appropriation at the City's discretion.
- The General Fund transferred \$1.5 million to the Water & Sewer Enterprise Fund to eliminate a deficit in that fund from prior years.

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 \$123 million at the close of FY2009, a decrease of (\$12.7 million) from the prior year.

By far the largest portion of the net assets \$109.9 million (89.4%) 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 \$15.8 million (12.8%) represents resources that are subject to external restrictions on how they may be used. The remaining deficit of *unrestricted net assets* equals (\$2.8 million).

Governmental activities. The governmental activities net assets decreased by (\$16.6 million) in FY2009 and (\$16.2) million in FY2008. The large decrease corresponds to the implementation of GASB 45 in FY2008. This GASB requires the City to recognize their obligation to provide health insurance and other post-employment benefits for their employees. Prior to FY2008, the GASB did not require the City to report any liability associated with providing post-employment benefits. An actuarial valuation is used to calculate these obligations that resulted in a FY2008 increase of the liability of \$18.2 million and in FY2009 by \$19.0 million. The actuarial valuation includes similar increases in the liability for each subsequent year.

Several other factors contribute to the change in net assets. Net assets increased by recognizing \$1.9 million in capital grants; \$1.3 million in investment income in non budgeted funds; \$1.5 million net increase of the difference between debt principal payments and depreciation expense; and a \$1 million positive change in expense accruals, excluding other post employment benefit obligations. Net assets decreased by \$2.2 million due to the change in deferred revenue and by a net decrease of \$1.0 million in non-capital governmental funds.

Condensed financial data for fiscal years 2009 and 2008 is presented below:

Governmental Activities Condensed Statement of Net Assets

	<u>2009</u>		<u>2008</u>
Assets:			
Current Assets.....	\$ 43,654,614	\$	46,405,621
Noncurrent Assets (Excluding Capital).....	35,215,713		38,094,221
Capital Assets, Non Depreciable.....	8,638,041		5,897,285
Capital Assets, Net of Accumulated Depreciation.....	<u>117,215,118</u>		<u>117,079,769</u>
Total Assets.....	<u>204,723,486</u>		<u>207,476,896</u>
Liabilities:			
Current Liabilities (Excluding Debt).....	4,508,815		4,786,101
Other Post-Employment Liabilities - Noncurrent.....	36,933,588		18,001,686
Noncurrent Liabilities (Excluding Debt).....	2,320,171		3,782,755
Current Debt.....	7,995,494		16,913,970
Noncurrent Debt.....	<u>42,478,047</u>		<u>36,953,564</u>
Total Liabilities.....	<u>94,236,115</u>		<u>80,438,076</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt.....	104,913,845		101,923,954
Restricted.....	15,843,439		14,156,898
Unrestricted.....	<u>(10,269,913)</u>		<u>10,957,968</u>
Total Net Assets.....	<u>\$ 110,487,371</u>	\$	<u>127,038,820</u>

Governmental Activities Condensed Statement of Activities

	<u>2009</u>		<u>2008</u>
Program Revenues:			
Charges for Services..... \$	8,710,551	\$	7,763,480
Operating Grants and Contributions.....	73,086,636		72,252,579
Capital Grants and Contributions.....	1,890,029		580,592
General Revenues:			
Real Estate and Personal Property Taxes.....	33,902,457		31,050,378
Motor Vehicle and Other Excise Taxes.....	2,841,288		2,846,327
Tax and Trash Liens.....	660,461		473,363
Penalties and Interest on Taxes.....	312,440		273,865
Payments in Lieu of Taxes.....	1,537,180		1,792,342
Grants and Contributions not Restricted to Specific Programs.....	10,440,670		10,560,559
Unrestricted Investment Income.....	2,100,745		1,710,427
Total Revenues.....	<u>135,482,457</u>		<u>129,303,912</u>
Expenses:			
General Government.....	9,465,362		8,802,344
Public Safety.....	35,665,589		33,766,246
Public Education.....	92,186,880		89,459,187
Public Works.....	6,336,398		6,296,006
Health and Human Services.....	2,699,727		2,542,823
Culture and Recreation.....	1,355,992		1,150,914
Community Development.....	1,372,317		1,833,093
Debt Service - Interest.....	2,527,602		3,162,519
Total Expenses.....	<u>151,609,867</u>		<u>147,013,132</u>
Excess (Deficiency) Before Transfers.....	(16,127,410)		(17,709,220)
Transfers.....	<u>(424,039)</u>		<u>1,539,270</u>
Change in Net Assets..... \$	<u><u>(16,551,449)</u></u>	\$	<u><u>(16,169,950)</u></u>

Business-type activities. Business-type activities increased the City’s net assets by \$3.8 million compared to an increase of \$294,000 during the previous fiscal year. Several factors contributed to the change. At the end of FY2008, a cash basis deficit of \$1.5 million had accumulated from operations over several years. The City voted to transfer \$1.5 million from the General Fund during FY2009 to eliminate this deficit. Water & Sewer rates are set to recover \$1.4 million of debt service principal payments and not depreciation expense of \$461,000, the difference results in an increase in net assets. These two items combined with rate increases, the implementation of a new meter reading system that allows for more frequent and timelier billings, and the completion of new residential housing and complexes contributed to the positive \$3.8 million change in net assets.

As shown below, business-type activities assets exceeded liabilities by \$12.5 million at the close of fiscal year 2009. Capital assets net of related debt was \$5.1 million (40.6%) while unrestricted net assets were \$7.4 million (59.4%).

Business-Type Condensed Statement of Net Assets

	2009	2008
Assets:		
Current Assets.....	\$ 8,720,946	\$ 5,454,926
Noncurrent Assets (Excluding Capital).....	13,145	-
Capital Assets, Non Depreciable.....	148,761	-
Capital Assets, Net of Accumulated Depreciation.....	17,521,537	16,146,309
Total Assets.....	26,404,389	21,601,235
Liabilities:		
Current Liabilities (Excluding Debt).....	515,897	203,635
Noncurrent Liabilities (Excluding Debt).....	286,941	147,416
Current Debt.....	1,676,844	1,400,871
Noncurrent Debt.....	11,407,592	11,177,847
Total Liabilities.....	13,887,274	12,929,769
Net Assets:		
Invested in Capital Assets, Net of Related Debt.....	5,079,857	4,293,753
Unrestricted.....	7,437,258	4,377,713
Total Net Assets.....	\$ 12,517,115	\$ 8,671,466

Business-Type Activities Condensed Statement of Activities

	June 30, 2009		June 30, 2008
	<u> </u>		<u> </u>
Program Revenues:			
Charges for Services.....	\$ 13,864,185	\$	11,791,807
Operating Grants and Contributions.....	-		69,906
Capital Grants and Contributions.....	-		236,779
Total Revenues.....	<u>13,864,185</u>		<u>12,098,492</u>
 Expenses:			
Water and Sewer.....	<u>10,442,575</u>		<u>10,265,022</u>
 Excess (Deficiency) Before Transfers.....	3,421,610		1,833,470
 Transfers.....	<u>424,039</u>		<u>(1,539,270)</u>
 Change in Net Assets.....	\$ <u>3,845,649</u>	\$	<u>294,200</u>

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 unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$40.9 million, an increase of \$6.2 million for the year. The increase is mainly related to the activity of the Urban Renewal II major capital project fund where sources of funds and expenditures did not occur in the same fiscal year. In 2009 the capital project fund issued \$8.9 million of general obligation bonds that funded expenditures that occurred in previous fiscal periods which increased the fund balance.

General Fund

At the end of the current fiscal year, unreserved fund balance of the general fund was \$11.4 million, while total fund balance was \$14.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 10.0% of total general fund revenues, while total fund balance represents 12.6% of that same amount.

Fund balance of the general fund decreased by (\$1.7) million. The decrease is attributable to using prior year reserves to fund the prior year water and sewer enterprise fund deficit.

Stabilization Major Fund

At June 30, 2009, \$5,109,922 has been set aside in a stabilization fund. During fiscal year 2009, the fund received interest and investment earnings of \$164,000. Of the total stabilization fund balance, \$4,021,000 can be used for general and/or capital purposes, \$933,000 for capital purposes and \$156,000 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.

State Fiscal Stabilization Fund

The state fiscal stabilization grant fund is used to account for federal funds that were received through the American Recovery and Reinvestment Act. During the last two months of the fiscal year, the City's state aid was reduced by approximately 1.5 million. However, the state aid payment was replaced with a like amount of federal funds. The City's general fund budget was not adjusted for the late reduction in state funding; rather, eligible expenditures were transferred from the general fund to the state fiscal stabilization grant fund where an equal amount of federal revenues were also recorded.

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 is to provide for any deficiencies on bond principal and interest payments throughout the loan period and to make final payment on the Bonds in fiscal year 2016. Investment income and realized gains (losses) on investments of the Fund are transferred to the General Fund. Unrealized gains (losses) on investments of the Fund are reported in the Fund.

Urban Renewal II

The Urban Renewal II fund represents capital activity associated with an urban renewal project at the 155 Sixth Street site. Most of the activity for this fund occurred in prior years and the major FY2009 transaction was the issuance of \$8.9 million of long term general obligation bonds to partially fund the prior year \$9.9 million fund deficit.

General Fund Budgetary Highlights

The significant difference between the original budget and the final amended budget was voted transfers out to fund prior enterprise fund deficits in the amount of \$1.5 million. The rest of the budget increased slightly due to increases in the public safety and education functions.

During the last two months of the fiscal year, additional cuts in state aid were approved by the state, which reduced the June 30th state aid payment to the City by \$510,000 and replaced it with a like amount of federal stimulus funds. The City's general fund budget was not changed for the late adjustment in state funding; rather, eligible expenditures were transferred from the general fund to a state fiscal stabilization grant fund where the federal revenue was recorded. This resulted in a revenue deficit and a corresponding under-expenditure in the applicable line items.

Capital Asset and Debt Administration

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

- \$2.8 million land acquisition on Marginal Street;
- \$1.0 million spent on the Crescent Avenue infrastructure project;
- \$485,000 for the roof and exterior renovation of City Hall;
- \$580,000 for the Highland Library Roadway project;
- \$1.3 million spent on the Corcoran Park project;
- \$358,000 spent on the Clark Avenue school repair;
- \$478,000 for acquisition of economic development parcels that will later be sold to developers as part of an urban renewal initiative

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

Outstanding debt, as of June 30, 2009, totaled \$63.6 million, a decrease of \$6 million over the prior year. Outstanding debt related to school remodeling totaled \$29.8 million; urban renewal projects \$9.4 million; other governmental projects \$11.3 million; and \$13.1 million for water & sewer projects. The Commonwealth of Massachusetts reimburses the City for 95 percent of the principal and interest related to the Schools outstanding debt. 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



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STATEMENT OF NET ASSETS

JUNE 30, 2009

	<i>Primary Government</i>		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents.....	\$ 25,275,254	\$ 5,094,543	\$ 30,369,797
Investments.....	6,521,919	-	6,521,919
Receivables, Net of Allowance for Uncollectibles:			
Real Estate and Personal Property Taxes.....	1,617,313	-	1,617,313
Tax Liens.....	1,403,091	-	1,403,091
Motor Vehicle Excise Taxes.....	531,798	-	531,798
Trash.....	274,887	-	274,887
User Charges.....	-	3,074,620	3,074,620
Utility Liens.....	-	551,783	551,783
Departmental and Other.....	908,401	-	908,401
Intergovernmental.....	6,844,581	-	6,844,581
Tax Foreclosures.....	197,220	-	197,220
Loans.....	69,000	-	69,000
Other Assets.....	11,150	-	11,150
Total Current Assets.....	43,654,614	8,720,946	52,375,560
NONCURRENT:			
Restricted Cash and Cash Equivalents.....	220,650	13,145	233,795
Restricted Investments.....	10,179,371	-	10,179,371
Receivables, Net of Allowance for Uncollectibles:			
Intergovernmental.....	15,197,881	-	15,197,881
Loans.....	1,363,381	-	1,363,381
Assets Held for Sale.....	8,254,430	-	8,254,430
Capital Assets, Non Depreciable.....	8,638,041	148,761	8,786,802
Capital Assets, Net of Accumulated Depreciation.....	117,215,118	17,521,537	134,736,655
Total Noncurrent Assets.....	161,068,872	17,683,443	178,752,315
TOTAL ASSETS.....	204,723,486	26,404,389	231,127,875
LIABILITIES			
CURRENT:			
Warrants Payable.....	2,264,915	393,604	2,658,519
Accrued Payroll.....	173,829	-	173,829
Health Claims Payable.....	57,000	-	57,000
Accrued Interest.....	211,549	109,148	320,697
Other Liabilities.....	1,642	-	1,642
Abandoned Property.....	95,675	-	95,675
Customer Deposits.....	-	13,145	13,145
Capital Lease Obligations.....	47,205	-	47,205
Compensated Absences.....	1,487,000	-	1,487,000
Workers' Compensation.....	170,000	-	170,000
Bonds and Notes Payable.....	7,995,494	1,676,844	9,672,338
Total Current Liabilities.....	12,504,309	2,192,741	14,697,050
NONCURRENT:			
Capital Lease Obligations.....	124,171	-	124,171
Compensated Absences.....	1,744,000	-	1,744,000
Workers' Compensation.....	452,000	-	452,000
Other Post-Employment Benefits.....	36,933,588	286,941	37,220,529
Bonds and Notes Payable.....	42,478,047	11,407,592	53,885,639
Total Noncurrent Liabilities.....	81,731,806	11,694,533	93,426,339
TOTAL LIABILITIES.....	94,236,115	13,887,274	108,123,389
NET ASSETS			
Invested in Capital Assets, Net of Related Debt.....	104,913,845	5,079,857	109,993,702
Restricted for:			
Loans.....	1,432,381	-	1,432,381
Debt Service.....	10,400,021	-	10,400,021
Permanent Funds:			
Expendable.....	100,585	-	100,585
Nonexpendable.....	22,392	-	22,392
Gifts and Grants.....	3,888,060	-	3,888,060
Unrestricted.....	(10,269,913)	7,437,258	(2,832,655)
TOTAL NET ASSETS.....	\$ 110,487,371	\$ 12,517,115	\$ 123,004,486

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2009

<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.....	\$ 9,465,362	\$ 1,161,721	\$ 195,685	\$ -	\$ (8,107,956)
Public Safety.....	35,665,589	4,700,260	734,547	-	(30,230,782)
Public Education.....	92,186,880	1,123,862	68,314,333	-	(22,748,685)
Public Works.....	6,336,398	1,446,499	101	1,850,433	(3,039,365)
Health and Human Services.....	2,699,727	83,349	760,548	-	(1,855,830)
Culture and Recreation.....	1,355,992	28,218	63,784	-	(1,263,990)
Community Development.....	1,372,317	166,642	1,207,975	39,596	41,896
Interest.....	<u>2,527,602</u>	<u>-</u>	<u>1,809,663</u>	<u>-</u>	<u>(717,939)</u>
Total Governmental Activities.....	<u>151,609,867</u>	<u>8,710,551</u>	<u>73,086,636</u>	<u>1,890,029</u>	<u>(67,922,651)</u>
<i>Business-Type Activities:</i>					
Water and Sewer.....	<u>10,442,575</u>	<u>13,864,185</u>	<u>-</u>	<u>-</u>	<u>3,421,610</u>
Total Primary Government.....	<u>\$ 162,052,442</u>	<u>\$ 22,574,736</u>	<u>\$ 73,086,636</u>	<u>\$ 1,890,029</u>	<u>\$ (64,501,041)</u>

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (Expense) Revenue from Previous Page.....	\$ (67,922,651)	\$ 3,421,610	\$ (64,501,041)
<i>General Revenues:</i>			
Real Estate and Personal Property Taxes, Net of Tax Refunds.....	33,902,457	-	33,902,457
Motor Vehicle and Other Excise Taxes.....	2,841,288	-	2,841,288
Tax Liens.....	660,461	-	660,461
Penalties and Interest on Taxes.....	312,440	-	312,440
Payments in Lieu of Taxes.....	1,537,180	-	1,537,180
Grants and Contributions not Restricted to Specific Programs.....	10,440,670	-	10,440,670
Unrestricted Interest Income.....	2,100,745	-	2,100,745
<i>Transfers, Net</i>	<u>(424,039)</u>	<u>424,039</u>	<u>-</u>
Total General Revenues and Transfers.....	<u>51,371,202</u>	<u>424,039</u>	<u>51,795,241</u>
Change in Net Assets.....	(16,551,449)	3,845,649	(12,705,800)
<i>Net Assets:</i>			
Beginning of Year.....	<u>127,038,820</u>	<u>8,671,466</u>	<u>135,710,286</u>
End of Year.....	<u>\$ 110,487,371</u>	<u>\$ 12,517,115</u>	<u>\$ 123,004,486</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2009

ASSETS	General	Stabilization Fund	Debt Service	Urban Renewal II	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents.....	\$ 14,530,546	\$ 2,012,149	\$ -	\$ -	\$ 7,773,017	\$ 24,315,712
Investments.....	-	3,097,773	-	-	3,424,146	6,521,919
Receivables, Net of Uncollectibles:						
Real Estate and Personal Property Taxes	1,617,313	-	-	-	-	1,617,313
Tax Liens.....	1,403,091	-	-	-	-	1,403,091
Motor Vehicle Excise Taxes.....	531,798	-	-	-	-	531,798
Trash.....	274,887	-	-	-	-	274,887
Departmental and Other.....	470,036	-	-	-	438,365	908,401
Loans.....	-	-	-	-	1,432,381	1,432,381
Intergovernmental.....	19,663,840	-	-	-	2,378,622	22,042,462
Tax Foreclosures.....	197,220	-	-	-	-	197,220
Due from Other Funds.....	1,277,375	-	-	-	-	1,277,375
Other Assets.....	11,150	-	-	-	-	11,150
Restricted Assets:						
Cash and Cash Equivalents.....	-	-	220,650	-	-	220,650
Investments.....	-	-	10,179,371	-	-	10,179,371
TOTAL ASSETS.....	\$ 39,977,256	\$ 5,109,922	\$ 10,400,021	\$ -	\$ 15,446,531	\$ 70,933,730
LIABILITIES						
LIABILITIES:						
Warrants Payable.....	\$ 1,467,372	\$ -	\$ -	\$ -	\$ 796,523	\$ 2,263,895
Accrued Payroll.....	173,829	-	-	-	-	173,829
Abandoned Property.....	93,327	-	-	-	-	93,327
Other Liabilities.....	1,642	-	-	-	-	1,642
Deferred Revenues.....	23,835,829	-	-	-	1,832,065	25,667,894
Due to Other Funds.....	-	-	-	257,041	1,020,334	1,277,375
Notes Payable.....	-	-	-	556,000	-	556,000
TOTAL LIABILITIES.....	25,571,999	-	-	813,041	3,648,922	30,033,962
FUND BALANCES:						
Reserved for:						
Encumbrances and Continuing Appropriations.....	3,025,808	-	-	-	-	3,025,808
Loans.....	-	-	-	-	1,432,381	1,432,381
Perpetual Permanent Funds.....	-	-	-	-	22,392	22,392
Unreserved:						
Undesignated, Reported in:						
General Fund.....	11,379,449	-	-	-	-	11,379,449
Special Revenue Funds.....	-	5,109,922	-	-	10,156,343	15,266,265
Debt Service Funds.....	-	-	10,400,021	-	-	10,400,021
Capital Projects Funds.....	-	-	-	(813,041)	85,908	(727,133)
Permanent Funds.....	-	-	-	-	100,585	100,585
TOTAL FUND BALANCES.....	14,405,257	5,109,922	10,400,021	(813,041)	11,797,609	40,899,768
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 39,977,256	\$ 5,109,922	\$ 10,400,021	\$ -	\$ 15,446,531	\$ 70,933,730

See notes to basic financial statements.

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

JUNE 30, 2009

Total governmental fund balances.....		\$ 40,899,768
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources, therefore, are not reported in the governmental funds.....		125,853,159
Assets held for resale.....		8,254,430
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		25,667,894
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(211,549)
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.....	(49,917,541)	
Capital lease obligations.....	(171,376)	
Other post-employment benefit obligation.....	(36,933,588)	
Compensated absences.....	<u>(3,231,000)</u>	
		(90,253,505)
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>277,174</u>
Net assets of governmental activities.....		<u>\$ 110,487,371</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	General	Stabilization Fund	State Fiscal Stabilization Fund - ARRA	Debt Service	Urban Renewal II	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:							
Real Estate and Personal Property Taxes, Net of Tax Refunds.....	\$ 32,522,544	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,522,544
Tax Liens.....	305,512	-	-	-	-	-	305,512
Motor Vehicle Excise Taxes.....	2,858,058	-	-	-	-	-	2,858,058
Payments in Lieu of Taxes.....	1,537,180	-	-	-	-	-	1,537,180
Penalties and Interest on Taxes.....	325,535	-	-	-	-	-	325,535
Charges for Services.....	-	-	-	-	-	2,522,413	2,522,413
Trash Disposal.....	1,421,920	-	-	-	-	-	1,421,920
Licenses, Permits, and Fees.....	2,001,803	-	-	-	109,717	-	2,111,520
Fines and Forfeitures.....	1,807,763	-	-	-	-	-	1,807,763
Intergovernmental.....	70,558,206	-	5,342,064	-	-	13,764,346	89,664,616
Departmental.....	-	-	-	-	-	513,831	513,831
Contributions.....	-	-	-	-	-	1,408,736	1,408,736
Interest Income.....	767,556	163,884	-	1,033,453	-	112,601	2,077,494
TOTAL REVENUES.....	114,106,077	163,884	5,342,064	1,033,453	109,717	18,321,927	139,077,122
EXPENDITURES:							
Current:							
General Government.....	3,526,879	-	-	-	-	929,537	4,456,416
Public Safety.....	17,317,616	-	-	-	-	2,785,189	20,102,805
Public Education.....	59,037,571	-	5,342,064	-	-	11,012,968	75,392,603
Public Works.....	5,008,580	-	-	-	-	3,518,405	8,526,985
Health and Human Services.....	883,682	-	-	-	-	754,310	1,637,992
Culture and Recreation.....	380,855	-	-	-	-	95,379	476,234
Community Development.....	-	-	-	-	478,628	2,969,026	3,447,654
Pension Benefits.....	10,366,861	-	-	-	-	-	10,366,861
Property and Liability Insurance.....	440,049	-	-	-	-	-	440,049
Employee Benefits.....	6,877,797	-	-	-	-	-	6,877,797
Claims and Judgments.....	25,215	-	-	-	-	-	25,215
State and County Charges.....	4,234,195	-	-	-	-	-	4,234,195
Debt Service:							
Principal.....	6,913,970	-	-	-	-	-	6,913,970
Interest.....	2,543,985	-	-	-	-	-	2,543,985
TOTAL EXPENDITURES.....	117,557,255	-	5,342,064	-	478,628	22,064,814	145,442,761
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(3,451,178)	163,884	-	1,033,453	(368,911)	(3,742,887)	(6,365,639)
OTHER FINANCING SOURCES (USES):							
Issuance of Long-Term Bonds.....	-	-	-	-	8,888,000	3,940,352	12,828,352
Issuance of Refunding Bonds.....	4,410,625	-	-	-	-	-	4,410,625
Payment to Refunded Bonds Escrow Agent.....	(4,451,847)	-	-	-	-	-	(4,451,847)
Premium from Issuance of Bonds.....	61,562	-	-	-	-	-	61,562
Premium from Issuance of Refunding Bonds.....	121,901	-	-	-	-	-	121,901
Transfers In.....	3,652,895	-	-	-	556,000	62,450	4,271,345
Transfers Out.....	(2,039,958)	-	-	(560,970)	-	(2,094,456)	(4,695,384)
TOTAL OTHER FINANCING SOURCES (USES).....	1,755,178	-	-	(560,970)	9,444,000	1,908,346	12,546,554
NET CHANGE IN FUND BALANCES.....	(1,696,000)	163,884	-	472,483	9,075,089	(1,834,541)	6,180,915
FUND BALANCES AT BEGINNING OF YEAR.....	16,101,257	4,946,038	-	9,927,538	(9,888,130)	13,632,150	34,718,853
FUND BALANCES AT END OF YEAR.....	\$ 14,405,257	\$ 5,109,922	\$ -	\$ 10,400,021	\$ (813,041)	\$ 11,797,609	\$ 40,899,768

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, 2009

Net change in fund balances - total governmental funds.....	\$	6,180,915
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>		
Capital outlay.....	8,321,171	
Depreciation expense.....	<u>(5,445,066)</u>	
Net effect of reporting capital assets.....		2,876,105
Net change in reporting assets held for resale.....		478,629
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(2,249,288)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any 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.</p>		
Issuance of long term bonds.....	(12,828,352)	
Issuance of refunding bonds.....	(4,410,625)	
Debt service principal payments.....	6,913,970	
Payments to refunded bonds escrow agent.....	4,451,847	
Capital lease maturities.....	<u>43,418</u>	
Net effect of reporting long-term debt.....		(5,829,742)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	1,036,000	
Net change in other post-employment benefits accrual.....	(18,931,902)	
Net change in accrued interest on long-term debt.....	16,383	
Recognition of deferred charge on refunding.....	<u>(176,847)</u>	
Net effect of recording long-term liabilities.....		(18,056,366)
<p>Internal service funds are used by management to account for retiree health insurance activities and workers' compensation activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>48,298</u>
Change in net assets of governmental activities.....	\$	<u>(16,551,449)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2009

	Business-Type Activities Water & Sewer Enterprise Fund	Governmental Activities - Internal Service Funds
ASSETS		
CURRENT:		
Cash and Cash Equivalents.....	\$ 5,094,543	\$ 959,542
Receivables, Net of Allowance for Uncollectibles:		
User Charges.....	3,074,620	-
Utility Liens.....	551,783	-
Total Current Assets.....	<u>8,720,946</u>	<u>959,542</u>
NONCURRENT:		
Restricted Cash and Cash Equivalents.....	13,145	-
Capital Assets, Nondepreciable.....	148,761	-
Capital Assets, Net of Accumulated Depreciation.....	17,521,537	-
Total Noncurrent Assets.....	<u>17,683,443</u>	<u>-</u>
TOTAL ASSETS.....	<u>26,404,389</u>	<u>959,542</u>
LIABILITIES		
CURRENT:		
Warrants Payable.....	393,604	1,020
Abandoned Property.....	-	2,348
Accrued Interest.....	109,148	-
Accrued Health Claims Payable.....	-	57,000
Customer Deposits.....	13,145	-
Workers' Compensation.....	-	170,000
Bonds and Notes Payable.....	1,676,844	-
Total Current Liabilities.....	<u>2,192,741</u>	<u>230,368</u>
NONCURRENT:		
Workers' Compensation.....	-	452,000
Other Post-Employment Benefits.....	286,941	-
Bonds and Notes Payable.....	11,407,592	-
Total Noncurrent Liabilities.....	<u>11,694,533</u>	<u>452,000</u>
TOTAL LIABILITIES.....	<u>13,887,274</u>	<u>682,368</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt.....	5,079,857	-
Unrestricted.....	7,437,258	277,174
TOTAL NET ASSETS.....	<u>\$ 12,517,115</u>	<u>\$ 277,174</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	Business-Type Activities Water & Sewer Enterprise Fund	Governmental Activities - Internal Service Funds
OPERATING REVENUES:		
Charges for Services	\$ 13,864,185	\$ -
Employer Contributions.....	-	1,147,454
Other.....	-	11,447
TOTAL OPERATING REVENUES	13,864,185	1,158,901
OPERATING EXPENSES:		
Cost of Service and Administration.....	1,814,811	-
MWRA Assessment.....	7,678,393	-
Employee Benefits.....	-	1,133,854
Depreciation.....	461,042	-
TOTAL OPERATING EXPENSES	9,954,246	1,133,854
OPERATING INCOME (LOSS).....	3,909,939	25,047
NONOPERATING REVENUES (EXPENSES):		
Investment Income.....	-	23,251
Interest Expense.....	(488,329)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(488,329)	23,251
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS.....	3,421,610	48,298
TRANSFERS:		
Transfers In.....	2,012,039	-
Transfers Out.....	(1,588,000)	-
TOTAL TRANSFERS.....	424,039	-
CHANGE IN NET ASSETS.....	3,845,649	48,298
NET ASSETS AT BEGINNING OF YEAR.....	8,671,466	228,876
NET ASSETS AT END OF YEAR.....	\$ 12,517,115	\$ 277,174

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2009

	Business-Type Activities Water & Sewer Enterprise Fund	Governmental Activities - Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from Customers and Users.....	\$ 13,305,092	\$ -
Receipts from Interfund Services Provided.....	-	1,158,901
Payments to Vendors.....	(8,961,745)	-
Payments to Employees.....	(391,369)	-
Payments for Interfund Services Used.....	-	(1,123,203)
NET CASH FROM OPERATING ACTIVITIES.....	3,951,978	35,698
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Transfers In.....	2,012,039	-
Transfers Out.....	(1,588,000)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	424,039	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Proceeds from the Issuance of Bonds and Notes.....	1,867,213	-
Proceeds from the Issuance of Refunding Bonds.....	914,375	-
Acquisition and Construction of Capital Assets.....	(1,654,198)	-
Principal Payments on Bonds and Notes.....	(1,400,870)	-
Payments to Refunding Escrow.....	(875,000)	-
Interest Expense.....	(511,465)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,659,945)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment Income.....	-	23,251
NET CASH FROM INVESTING ACTIVITIES.....	-	23,251
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	2,716,072	58,949
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	2,391,616	900,593
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ 5,107,688	\$ 959,542
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>		
Operating Income (Loss).....	\$ 3,909,939	\$ 25,047
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:		
Depreciation.....	461,042	-
Changes in Assets and Liabilities:		
User Charges.....	(487,647)	-
Utility Liens.....	(75,446)	-
Warrants Payable.....	565	1,020
Accrued Health Claims Payable.....	-	(38,167)
Customer Deposits.....	4,000	-
Workers' Compensation.....	-	47,798
Other Post-Employment Benefits.....	139,525	-
Total Adjustments.....	42,039	10,651
NET CASH FROM OPERATING ACTIVITIES.....	\$ 3,951,978	\$ 35,698

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Pension Trust Fund (as of December 31, 2008)	Private Purpose Trust Funds	Agency Fund
ASSETS			
Cash and Cash Equivalents.....	\$ 683,708	\$ 507,374	\$ 995,775
Investments:			
PRIT Funds.....	51,760,652	-	-
Receivables, Net of Allowance for Uncollectibles:			
Intergovernmental.....	3,664,809	-	-
TOTAL ASSETS.....	56,109,169	507,374	995,775
LIABILITIES			
Warrants Payable.....	-	3,550	-
Liabilities Due Depositors.....	-	-	995,775
TOTAL LIABILITIES.....	-	3,550	995,775
NET ASSETS			
Held in Trust for Retirement and and Other Purposes.....	\$ 56,109,169	\$ 503,824	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2009

	Pension Trust Fund (as of December 31, 2008)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 7,329,618	\$ -
Plan Members.....	2,647,334	-
Private Donations.....	-	58,838
Total Contributions.....	<u>9,976,952</u>	<u>58,838</u>
Net Investment Income:		
Net Change in Fair Value of Investments.....	(24,258,597)	-
Interest.....	2,322,657	10,790
Total Investment Income.....	(21,935,940)	10,790
Less: Investment Expense.....	(316,131)	-
Net Investment Income.....	<u>(22,252,071)</u>	<u>10,790</u>
Intergovernmental.....	667,600	-
Transfers from Other Systems.....	206,238	-
TOTAL ADDITIONS.....	<u>(11,401,281)</u>	<u>69,628</u>
DEDUCTIONS:		
Administration.....	197,411	-
Transfers to Other Systems.....	447,252	-
Retirement Benefits and Refunds.....	8,398,873	-
Educational Scholarships.....	-	96,908
TOTAL DEDUCTIONS.....	<u>9,043,536</u>	<u>96,908</u>
CHANGE IN NET ASSETS.....	(20,444,817)	(27,280)
NET ASSETS AT BEGINNING OF YEAR.....	<u>76,553,986</u>	<u>531,104</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 56,109,169</u>	<u>\$ 503,824</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 *stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves, and planning and development's ongoing and future operations.

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 provided through state tax receipts. During the last quarter of the fiscal year the Commonwealth of Massachusetts provided the necessary local aid to the schools; however, the Commonwealth used federal funds to provide the local aid. In accordance with regulations published by the Commonwealth's Department of Elementary and Secondary Education and the Department of Revenue, the City recorded the fourth quarter local aid receipt and related education expenditure within the special revenue fund that was established solely for this purpose.

The *debt service fund* is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources (see Note 11).

The *Urban Renewal II Fund* is a capital projects fund used to account for financial resources for the development, acquisition and any other related costs of an urban renewal project associated with the redevelopment of the 155 Sixth Street building site.

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

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

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

The *permanent fund* is used to account for 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. Single-family residences are not charged a fee for the services provided. The contract is funded from multi-family residence billings, available funds and the tax levy. Trash fees are recorded 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, assets held for resale, 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>	Estimated Useful Life (In Years)
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 that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been “restricted for” the following:

“Loans” represents community development outstanding loans receivable balances.

“Debt service” represents the amount accumulated for the future payment of general obligation bond principal and interest relative to school construction projects (see Note 10).

“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)

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

Fund balances have been “reserved for” the following:

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

“Loans” represents community development outstanding loans receivable balances.

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

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 and realized gains (losses) on investments from the debt service reserve fund are transferred to the general fund. Unrealized gains (losses) on investments of the debt service reserve fund are recorded in the debt service reserve fund.

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.

P. Individual Fund Deficits

At June 30, 2009, the City Revolving Fund has a deficit of (\$232,893); the Urban Renewal II capital project fund has a deficit of (\$813,041); and the Other Capital Projects Fund has a deficit of (\$42,067). These deficits will be funded through new revenues, long-term debt issuance and future contributions from the General Fund.

At June 30, 2009, the workers' compensation internal service had a deficit of (\$87,864), which will be funded through future employer contributions and other revenues.

Q. 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.

R. 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, 2009 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.

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 does not have a deposit policy for custodial credit risk.

At fiscal year-end the carrying amount of the City's deposits totaled \$22,025,464 and the bank balances totaled \$25,241,737. Of the bank balance, \$3,993,720 was covered by Federal Depository Insurance, \$310,967 was covered by the Temporary Account Guarantee Program and \$20,937,050 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2008, the carrying amount of the Retirement System's deposits totaled \$458,415 and the bank balance totaled \$608,243. The bank balance was fully covered by Federal Depository Insurance.

As of June 30, 2009 the City had the following investments:

Investment Type	Fair Value	Maturity			Rating
		Under 1 Year	1 - 5 Years	6-10 Years	
<u>Debt Securities</u>					
Government Sponsored Enterprises.....	\$ 14,760,558	\$ -	\$ 6,265,861	\$ 8,494,697	AAA
U.S. Treasury Notes.....	251,948	-	251,948	-	AAA
Corporate Bonds.....	853,119	-	607,377	245,743	AA+
Corporate Bonds.....	549,016	-	549,016	-	A
Fixed Income Bond Fund.....	286,650	286,650	-	-	AAA
Total Debt Securities.....	16,701,290	\$ 286,650	\$ 7,674,201	\$ 8,740,440	
<u>Other Investments</u>					
Money Market Mutual Funds.....	6,548,255				
MMDT.....	3,533,022				
Total Investments.....	\$ 26,782,567				

As of December 31, 2008, the Retirement System had investments in PRIT totaling \$51,760,652. The Retirement System also maintains a short term investment portfolio with MMDT. At December 31, 2008, the Retirement System’s investment with MMDT was \$225,293.

MMDT maintains a cash portfolio and a short-term bond portfolio with combined average maturities of approximately 3 months.

The System’s investment in PRIT has an effective weighted average duration rate ranging from .08 to 9.42 years.

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, 2009 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, 2008, the System’s \$51,760,652 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 United States Treasury and United States Government Agency obligations or investments 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 does not have a formal policy that limits the amount the City may invest in any one issuer.

NOTE 3 – RECEIVABLES

At June 30, 2009, receivables for the individual major governmental funds and nonmajor, 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.....	\$ 1,617,313	\$ -	\$ 1,617,313
Tax and Trash Liens.....	1,403,091	-	1,403,091
Motor Vehicle Excise Taxes.....	1,143,307	(611,509)	531,798
Trash.....	274,887	-	274,887
Departmental and Other.....	908,401	-	908,401
Intergovernmental.....	22,042,462	-	22,042,462
Loans.....	1,432,381	-	1,432,381
 Total.....	 <u>\$ 28,821,842</u>	 <u>\$ (611,509)</u>	 <u>\$ 28,210,333</u>

At June 30, 2009, 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.....	\$ 3,074,620	\$ -	\$ 3,074,620
Utility Liens.....	551,783	-	551,783
 Total.....	 <u>\$ 3,626,403</u>	 <u>\$ -</u>	 <u>\$ 3,626,403</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:

Receivable type:	General Fund	Other Governmental Funds	Total
Real Estate, Personal Property and Tax Deferrals.....	\$ 1,294,957	\$ -	\$ 1,294,957
Tax and Trash Liens.....	1,403,091	-	1,403,091
Motor Vehicle Excise Taxes.....	531,798	-	531,798
Trash.....	274,887	-	274,887
Departmental and Other.....	470,036	438,365	908,401
Intergovernmental.....	19,663,840	1,393,700	21,057,540
Tax Foreclosures.....	197,220	-	197,220
Total.....	\$ 23,835,829	\$ 1,832,065	\$ 25,667,894

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital Assets not being Depreciated:</u>				
Land.....	\$ 5,897,285	\$ 2,740,756	\$ -	\$ 8,638,041
<u>Capital Assets being Depreciated:</u>				
Buildings and Improvements.....	147,459,177	1,013,472	-	148,472,649
Machinery and Equipment.....	10,654,034	2,124,504	-	12,778,538
Infrastructure.....	11,772,126	2,442,439	-	14,214,565
Total Capital Assets being Depreciated.....	169,885,337	5,580,415	-	175,465,752
<u>Less Accumulated Depreciation for:</u>				
Buildings and Improvements.....	(41,167,995)	(3,717,942)	-	(44,885,937)
Machinery and Equipment.....	(7,212,044)	(1,377,137)	-	(8,589,181)
Infrastructure.....	(4,425,529)	(349,987)	-	(4,775,516)
Total Accumulated Depreciation.....	(52,805,568)	(5,445,066)	-	(58,250,634)
Total Capital Assets being Depreciated, Net.....	117,079,769	135,349	-	117,215,118
Total Governmental Activities Capital Assets, Net....	\$ 122,977,054	\$ 2,876,105	\$ -	\$ 125,853,159

	Beginning Balance	Increases	Decreases	Ending Balance
Business Type Activites:				
<u>Capital Assets not being Depreciated:</u>				
Construction in Progress.....	\$ -	\$ 148,761	\$ -	\$ 148,761
<u>Capital Assets being Depreciated:</u>				
Infrastructure.....	23,358,064	1,836,270	-	25,194,334
<u>Less Accumulated Depreciation for:</u>				
Infrastructure.....	(7,211,755)	(461,042)	-	(7,672,797)
Total Capital Assets being Depreciated, Net.....	16,146,309	1,375,228	-	17,521,537
Total Business-Type Activities Capital Assets, Net...	\$ 16,146,309	\$ 1,523,989	\$ -	\$ 17,670,298

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

Governmental Activities:

General Government.....	\$ 298,945
Public Safety.....	518,803
Public Education.....	3,710,236
Public Works.....	512,183
Health and Human Services.....	45,906
Culture and Recreation.....	358,993

Total Depreciation Expense - Governmental Activities..... \$ 5,445,066

Business-Type Activities:

Water and Sewer.....	\$ <u>461,042</u>
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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, 2009:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2010.....	\$ 51,589
2011.....	51,589
2012.....	51,589
2013.....	<u>30,094</u>
 Total Minimum Lease Payments.....	 184,861
 Less: Amounts Representing Interest.....	 <u>(13,485)</u>
 Present Value of Minimum Lease Payments.....	 \$ <u><u>171,376</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>(64,962)</u>
 Total.....	 \$ <u><u>167,393</u></u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Receivables and payables between funds at June 30, 2009 represents temporary cash flow advances from the General Fund to other funds.

Receivable Fund	Payable Fund	Amount
General Fund.....	Nonmajor Governmental Funds (Highway Improvement).....	\$ 448,934 (1)
General Fund.....	Nonmajor Governmental Funds (City Revolving).....	351,998 (1)
General Fund.....	Nonmajor Governmental Funds (School Federal Grants).....	219,402 (1)
General Fund.....	Urban Renewal II.....	<u>257,041 (1)</u>
Total.....		<u>\$ 1,277,375</u>

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

Interfund transfers for the fiscal year ended June 30, 2009, are summarized as follows:

Transfers Out:	Transfers In:				Total
	General Fund	Urban Renewal II	Nonmajor Governmental Funds	Water & Sewer Enterprise Fund	
General Fund.....	\$ -	\$ 556,000	\$ -	\$ 1,483,958	\$ 2,039,958 (1)
Debt Service Fund.....	560,970	-	-	-	560,970 (2)
Nonmajor Governmental Funds.....	1,503,925	-	62,450	528,081	2,094,456 (3)
Water and Sewer Enterprise Fund.....	<u>1,588,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,588,000 (4)</u>
Total.....	<u>\$ 3,652,895</u>	<u>\$ 556,000</u>	<u>\$ 62,450</u>	<u>\$ 2,012,039</u>	<u>\$ 6,283,384</u>

- (1) Budgeted transfer of \$1,483,958 to fund prior year enterprise fund operating deficits.
- (1) To transfer \$556,000 from the General Fund transfer to the Urban Renewal II Capital Projects Fund to pay down a BAN.
- (2) To transfer realized investment income to the General Fund.
- (3) To transfer \$1,475,000 to the General Fund and \$62,450 to Capital Projects from Special Revenue reserves.
- (3) To transfer \$28,925 from dormant Special Revenue Funds to the General Fund.
- (3) To transfer \$491,303 of Community Development Funds and \$36,778 of Other Capital Projects funds to the Enterprise Fund for capital purposes.
- (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, 2009, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2008	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2009
BAN	Urban Renewal II.....	4.69%	12/18/08	\$ 10,000,000	\$ -	\$ (10,000,000)	\$ -
BAN	Urban Renewal II.....	3.25%	07/15/09	-	9,444,000	(8,888,000)	556,000
Total.....				\$ 10,000,000	\$ 9,444,000	\$ (18,888,000)	\$ 556,000

On July 15, 2009, the City issued long term debt of \$8,888,000 to retire an equal amount of the BAN that was due on July 15, 2009. The General Obligation Bond, which matures on January 15, 2025, is included as part of the City’s general long-term debt at June 30, 2009. The remaining portion of the BAN, \$556,000, was retired on July 15, 2009 through available funds authorized as part of the fiscal year 2010 operating budget.

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".

A total of \$4,280,000 in governmental activity general obligation refunding bonds with an average interest rate of 5.30 percent were issued to refund \$4,150,000 of outstanding bonds with an average interest rate of 4.60 percent. The proceeds of these bonds were used to purchase U.S. State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on the \$4,150,000 refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. This refunding decreases total debt service payments over the next 10 years by \$197,216 and resulted in an economic gain of \$142,294.

In addition, a total of \$1,045,000 in governmental and business-type activity general obligation refunding bonds with an average interest rate of 3.92% were issued to refund \$1,000,000 of outstanding bonds with an average interest rate of 4.57%. The refunding decreases total debt service payments over the next 10 years by \$31,200 resulting in an economic gain of \$22,400.

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, 2009, \$7,570,000 of bonds outstanding from the advance refundings is considered defeased.

Details related to the City’s general obligation indebtedness at June 30, 2009, and the debt service requirements are as follows:

Bonds and Notes Payable - Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
School Buildings Refunding.....	3.65 - 5.13%	\$ 34,295,000	\$ -	\$ (5,740,000)	\$ 28,555,000
Urban Renewal.....	6.15 - 6.35%	4,570,000	-	(4,570,000)	-
Urban Renewal.....	4.50 - 4.70%	60,000	-	(60,000)	-
Municipal Purpose.....	4.50 - 4.70%	164,990	-	(164,990)	-
Municipal Purpose.....	4.10 - 5.00%	384,421	-	(94,807)	289,614
School Building Remodeling.....	2.37 - 4.75%	1,280,000	-	(80,000)	1,200,000
Municipal Purpose.....	3.00 - 4.00%	444,200	-	(65,600)	378,600
Municipal Purpose Refunding.....	3.00 - 4.50%	887,823	-	(101,273)	786,550
Equipment.....	3.75 - 4.00%	174,000	-	(58,000)	116,000
Renovations.....	3.75 - 4.00%	210,400	-	(26,300)	184,100
Public Safety.....	3.75 - 4.00%	52,800	-	(17,600)	35,200
Sidewalks.....	3.75 - 4.00%	40,000	-	(5,000)	35,000
Municipal Purpose.....	3.50 - 4.00%	560,900	-	(92,100)	468,800
Municipal Purpose.....	3.50 - 5.25%	743,000	-	(113,300)	629,700
Municipal Purpose.....	3.00 - 6.00%	-	3,940,352	-	3,940,352
Municipal Purpose Refunding, Series B....	3.00 - 5.00%	-	130,625	-	130,625
Municipal Purpose, Series C.....	5.13 - 6.06%	-	8,888,000	-	8,888,000
Municipal Purpose Refunding, Series C...	5.13 - 5.75%	-	4,280,000	-	4,280,000
Total		\$ 43,867,534	\$ 17,238,977	\$ (11,188,970)	\$ 49,917,541

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ 7,439,494	\$ 2,279,562	\$ 9,719,056
2011.....	7,925,862	2,206,952	10,132,814
2012.....	7,748,077	1,788,567	9,536,644
2013.....	4,833,788	1,378,376	6,212,164
2014.....	2,759,744	1,145,483	3,905,227
2015.....	3,772,431	1,009,372	4,781,803
2016.....	6,974,831	821,346	7,796,177
2017.....	1,600,156	466,298	2,066,454
2018.....	1,502,644	385,567	1,888,211
2019.....	1,400,514	302,869	1,703,383
2020.....	680,000	223,744	903,744
2021.....	680,000	187,240	867,240
2022.....	670,000	150,396	820,396
2023.....	670,000	113,092	783,092
2024.....	670,000	74,718	744,718
2025.....	590,000	35,754	625,754
Total	\$ 49,917,541	\$ 12,569,336	\$ 62,486,877

Bonds and Notes Payable - Enterprise Funds

Project	Interest Rate (%)	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
Sewer Notes (MWRA)	0.00%	\$ 283,745	\$ -	\$ (94,582)	\$ 189,163
Water Notes (MWRA)	0.00%	115,752	-	(19,292)	96,460
Water Notes (MWRA)	0.00%	79,808	-	(9,976)	69,832
Water Notes (MWRA)	0.00%	190,000	-	(19,000)	171,000
Sewer Notes (MWRA)	0.00%	224,950	-	(44,990)	179,960
Water and Sewer Bonds	4.50 - 4.70%	940,010	-	(940,010)	-
Water and Sewer Bonds	4.10 - 5.00%	1,140,576	-	(80,193)	1,060,383
Water and Sewer Bonds	4.80 - 5.20%	830,000	-	(65,000)	765,000
Water and Sewer Bonds	2.37 - 4.75%	240,000	-	(15,000)	225,000
Water and Sewer Bonds	2.37 - 4.75%	740,000	-	(50,000)	690,000
Water and Sewer Bonds	3.00 - 4.00%	1,350,800	-	(194,400)	1,156,400
Water and Sewer Refunding	3.00 - 4.50%	1,742,177	-	(198,727)	1,543,450
Water - Meters	3.75 - 4.00%	358,400	-	(44,800)	313,600
Sewer - Crescent Street	3.75 - 4.00%	764,400	-	(95,800)	668,600
Water - Crescent Street	3.75 - 4.00%	18,400	-	(2,300)	16,100
Sewer - Meters	3.75 - 4.00%	601,600	-	(75,200)	526,400
Water and Sewer Bonds	3.50 - 4.00%	2,249,100	-	(247,900)	2,001,200
Water and Sewer Bonds	3.50 - 5.25%	709,000	-	(78,700)	630,300
Water and Sewer Bonds	3.00 - 6.00%	-	707,139	-	707,139
Water Notes (MWRA)	0.00%	-	1,160,074	-	1,160,074
Municipal Purpose Refunding, Series B...	3.00 - 5.00%	-	914,375	-	914,375
Total		\$ 12,578,718	\$ 2,781,588	\$ (2,275,870)	\$ 13,084,436

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

Fiscal Year	Principal	Interest	Total
2010	\$ 1,676,844	\$ 428,981	\$ 2,105,825
2011	1,650,985	389,843	2,040,828
2012	1,561,188	336,875	1,898,063
2013	1,555,475	282,351	1,837,826
2014	1,434,531	230,466	1,664,997
2015	1,387,552	180,119	1,567,671
2016	1,185,152	130,733	1,315,885
2017	944,852	91,348	1,036,200
2018	582,364	62,368	644,732
2019	460,493	44,097	504,590
2020	205,000	28,279	233,279
2021	205,000	18,560	223,560
2022	115,000	11,050	126,050
2023	60,000	5,700	65,700
2024	60,000	2,850	62,850
Total	\$ 13,084,436	\$ 2,243,620	\$ 15,328,056

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. Loans issued in prior fiscal periods also had a grant component; however, during fiscal year 2009 a grant was not issued and the proceeds of \$1,160,074 was received from this program represents a loan which is payable in five equal annual installments. At June 30, 2009, the outstanding principal amount of all MWRA loans totaled \$1,866,489.

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2009, approximately \$7.5 million of such assistance was received. Approximately \$23,700,000 will be received in future fiscal years. Of this amount, approximately \$4,000,000 represents reimbursement of long-term interest costs, and approximately \$21,900,000 represents reimbursement of approved construction costs. Accordingly, a \$19,700,000 intergovernmental receivable and corresponding deferred revenue have been reported in governmental fund financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

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, 2009, the City had the following authorized and unissued debt:

Purpose	Amount
Unfunded Pension Liability.....	\$ 47,000,000
Urban Renewal II.....	12,000,000
Funding of Capital Improvement Plan (CIP).....	4,342,746
High School Extension.....	1,150,000
Refunding of Previously Issued Debt.....	<u>265,000</u>
Total.....	<u>\$ 64,757,746</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2009, the following changes occurred in long-term liabilities:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009	Due Within One Year
Governmental Activities:					
Long-Term Bonds and Notes.....	\$ 43,867,534	\$ 17,238,977	\$ (11,188,970)	\$ 49,917,541	\$ 7,439,494
Capital Lease Obligations.....	214,794	-	(43,418)	171,376	47,205
Workers' Compensation Claims.....	574,202	337,798	(290,000)	622,000	170,000
Other Post-Employment Benefit Obligation.....	18,001,686	20,913,108	(1,981,206)	36,933,588	-
Compensated Absences.....	4,267,000	804,000	(1,840,000)	3,231,000	1,487,000
Total Governmental Activities.....	<u>66,925,216</u>	<u>39,293,883</u>	<u>(15,343,594)</u>	<u>90,875,505</u>	<u>9,143,699</u>
Business Type Activities:					
Long-Term Bonds and Notes.....	12,578,718	2,781,588	(2,275,870)	13,084,436	1,676,844
Other Post-Employment Benefit Obligation.....	<u>147,416</u>	<u>154,917</u>	<u>(15,392)</u>	<u>286,941</u>	<u>-</u>
Total Business Type Activities.....	<u>12,726,134</u>	<u>2,936,505</u>	<u>(2,291,262)</u>	<u>13,371,377</u>	<u>1,676,844</u>
Total.....	<u>\$ 79,651,350</u>	<u>\$ 42,230,388</u>	<u>\$ (17,634,856)</u>	<u>\$ 104,246,882</u>	<u>\$ 10,820,543</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 - STABILIZATION FUNDS

At June 30, 2009, \$5,109,922 has been set aside in a stabilization fund, which is classified as a major fund in the governmental funds financial statements. During fiscal year 2009, the fund received interest and investment earnings of \$163,884. Of the total stabilization fund balance, \$4,021,074 can be used for general and/or capital purposes, \$932,640 for capital purposes and \$156,208 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.

NOTE 10 - 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 \$8,433,352. The purpose of the Fund is to provide for any deficiencies on bond principal and interest payments throughout the loan period and to make final payment on the Bonds in fiscal year 2016. Investment income and realized gains (losses) on investments of the Fund are transferred to the General Fund. Unrealized gains (losses) on investments of the Fund are reported in the 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.

(a) *Retiree Health Insurance*

The estimate of Incurred But Not Reported (IBNR) claims based on a historical claims paid average. At June 30, 2009, the amount of the liability for health insurance claims totaled \$57,000. This liability is the best estimate based on available information. Changes in the reported liability since July 1, 2007, 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 2008.....	\$ 51,264	\$	615,698	\$	(571,795)	\$	95,167
Fiscal Year 2009.....	95,167		627,872		(666,039)		57,000

(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, 2009, the amount of the liability for workers’ compensation claims totaled \$622,000. Changes in the reported liability since July 1, 2007, 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 2008.....	\$ 1,218,250	\$	(337,020)	\$	(307,028)	\$	574,202
Fiscal Year 2009.....	574,202		504,962		(457,164)		622,000

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 \$5,100,000 for the fiscal year ended June 30, 2009, 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, 2008, the System's membership consists of the following:

Active Members.....	695
Inactive Members.....	150
Disabled Members.....	82
Retirees and Beneficiaries Currently Receiving Benefits.....	<u>312</u>
 Total.....	 <u><u>1,239</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 92.3%, 91.5% and 92.3%, 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, 2009, 2008, and 2007 were \$7,329,618, \$7,029,096, and \$6,617,937, respectively, which equaled its required contribution for each fiscal year. At June 30, 2009, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.25% investment rate of return and projected salary increases of 4.75% to 8.00% per year. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at January 1, 2009, was 16 years. The System is scheduled to be fully funded by 2028 which is the statutory deadline as mandated by MGL. The City's funded rate was 45.6% 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)
*1/1/2009	\$ 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%

* The January 1, 2009 actuarial valuation was completed after June 30, 2009 and will be used to determine the annual required contributions of the City for fiscal periods beginning in fiscal year 2011. The annual required contributions for fiscal year 2009 and fiscal year 2010 were based on the January 1, 2007 actuarial valuation.

NOTE 13 – POST-EMPLOYMENT 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 City adopted 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 post-employment benefits (OPEB) liabilities by the City’s actuary.

The Plan’s membership consists of the following:

Spouses of Retired Members.....	171
Retired Members.....	228
Current Active Members.....	968
 Total.....	 <u>1,367</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 current 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 other post employment benefit (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.....	\$	20,967,893
Interest on Net OPEB Obligation.....		725,964
Adjustments to Annual Required Contribution.....		<u>(625,832)</u>
Annual OPEB Cost (Expense).....		21,068,025
Contributions Made.....		<u>(1,996,598)</u>
Increase/(Decrease) in Net OPEB Obligation.....		19,071,427
Net OPEB Obligation - Beginning of Year.....		<u>18,149,102</u>
Net OPEB Obligation - End of Year.....	\$	<u><u>37,220,529</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 year 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>
6/30/2009	\$ 21,068,025	9.5%	\$ 37,220,529
6/30/2008	20,010,092	9.3%	18,149,102

Funded Status and Funding Progress – The funded status of the Plan as of the most recent actuarial valuation date, June 30, 2009, 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)
07/01/07	\$ -	\$ 184,805,511	\$ 184,805,511	0.0%	\$ 26,951,807	686%

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, 2007
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Level dollar
Remaining amortization period.....	30 years (closed) as of July 1, 2007
Asset valuation method.....	Market value
Actuarial assumptions:	
Investment rate of return.....	4%
Inflation rate.....	4.0%
Projected salary increases.....	4.0%
Medical/Drug cost trend rate.....	19% decreasing by 1% per year for 3 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 Street, Spruce Street, Crescent Avenue and Eastern Avenue areas. The City has also committed itself to various projects relative to combined stormwater and sanitary separation projects.

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, 2009, 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, 2009, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2009.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2009, the following GASB pronouncements were implemented:

- GASB Statement #49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This pronouncement did not significantly impact the basic financial statements.
- GASB Statement #51, *Accounting and Financial Reporting for Intangible Assets*. This pronouncement did not significantly impact the basic financial statements.
- GASB Statement #52, *Land Other Real Estate Held as Investments by Endowment*. This pronouncement did not significantly impact the basic financial statements.
- GASB Statement #53, *Accounting and Financial Reporting for Derivative Instruments*. This pronouncement did not significantly impact the basic financial statements.
- GASB Statement #55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not significantly impact the basic financial statements.
- GASB Statement #56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This pronouncement did not significantly impact the basic financial statements.

Other Future GASB Pronouncements:

- The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure and 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, 2009

	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.....	\$ 32,533,065	\$ 32,533,065	\$ 32,248,526	\$ -	\$ (284,539)
Tax and Trash Liens.....	-	-	305,512	-	305,512
Motor Vehicle Excise Taxes.....	2,250,000	2,250,000	2,858,058	-	608,058
Trash Disposal.....	1,438,694	1,438,694	1,421,920	-	(16,774)
Penalties and Interest on Taxes.....	260,000	260,000	325,535	-	65,535
Payments in Lieu of Taxes.....	1,292,986	1,292,986	1,537,180	-	244,194
Licenses, Permits and Fees.....	2,049,710	2,049,710	2,001,803	-	(47,907)
Fines and Forfeitures.....	1,935,600	1,935,600	1,807,763	-	(127,837)
Intergovernmental.....	71,221,097	71,221,097	65,439,580	-	(5,781,517)
Investment Income.....	1,600,000	1,600,000	1,336,306	-	(263,694)
TOTAL REVENUES.....	114,581,152	114,581,152	109,282,183	-	(5,298,969)
EXPENDITURES:					
GENERAL GOVERNMENT					
Legislative					
Personal Services.....	149,183	149,183	147,568	-	1,615
Expenditures.....	65,108	65,108	64,004	180	924
	214,291	214,291	211,572	180	2,539
Executive Office					
Personal Services.....	280,442	280,442	278,434	-	2,008
Expenditures.....	43,412	43,412	28,580	95	14,737
Capital Outlay.....	35,500	35,500	-	-	35,500
	359,354	359,354	307,014	95	52,245
Auditor's Office					
Personal Services.....	215,477	215,477	192,508	-	22,969
Expenditures.....	9,782	9,782	8,199	1,396	187
	225,259	225,259	200,707	1,396	23,156
Treasurer's/Collector's Office					
Personal Services.....	442,591	442,851	442,851	-	-
Expenditures.....	336,593	336,593	266,912	29,342	40,339
	779,184	779,444	709,763	29,342	40,339
Assessing					
Personal Services.....	188,761	188,761	187,559	-	1,202
Expenditures.....	117,647	110,152	104,510	-	5,642
	306,408	298,913	292,069	-	6,844
Procurement					
Personal Services.....	101,006	101,006	100,584	-	422
Expenditures.....	4,258	4,065	3,450	43	572
	105,264	105,071	104,034	43	994
Central Billing					
Personal Services.....	117,530	117,530	116,850	-	680
Expenditures.....	74,603	74,603	73,115	222	1,266
	192,133	192,133	189,965	222	1,946
Law Department					
Personal Services.....	160,300	160,300	151,057	-	9,243
Expenditures.....	74,078	66,803	37,651	3,496	25,656
	234,378	227,103	188,708	3,496	34,899
Personnel Department					
Personal Services.....	125,628	125,628	125,628	-	-
Expenditures.....	41,469	41,185	26,767	800	13,618
	167,097	166,813	152,395	800	13,618
Information System					
Personal Services.....	213,146	215,246	215,243	-	3
Expenditures.....	448,697	392,619	344,196	1,079	47,344
Capital Outlay.....	125,500	180,500	109,300	20,160	51,040
	787,343	788,365	668,739	21,239	98,387
City Clerk					
Personal Services.....	251,183	251,183	246,215	-	4,968
Expenditures.....	37,016	37,016	35,743	1,192	81
	288,199	288,199	281,958	1,192	5,049
Office of Planning and Development					
Personal Services.....	46,846	46,846	46,846	-	-
Expenditures.....	25,907	42,517	25,621	2,562	14,334
	72,753	89,363	72,467	2,562	14,334
Licensing					
Personal Services.....	65,730	65,730	65,730	-	-
Expenditures.....	4,560	4,560	3,829	533	198
	70,290	70,290	69,559	533	198
Salary Reserve.....	450,931	112,464	-	-	112,464
TOTAL GENERAL GOVERNMENT.....	4,252,884	3,917,062	3,448,950	61,100	407,012

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2009

	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.....	7,087,865	7,252,305	7,250,483	-	1,822
Expenditures.....	637,452	643,785	557,478	67,046	19,261
Capital Outlay.....	94,500	94,500	65,207	-	29,293
	<u>7,819,817</u>	<u>7,990,590</u>	<u>7,873,168</u>	<u>67,046</u>	<u>50,376</u>
Fire Department					
Personal Services.....	6,884,694	7,014,624	7,014,125	-	499
Expenditures.....	430,807	426,210	415,339	4,483	6,388
Capital Outlay.....	25,789	30,386	30,230	-	156
	<u>7,341,290</u>	<u>7,471,220</u>	<u>7,459,694</u>	<u>4,483</u>	<u>7,043</u>
Inspectional Services					
Personal Services.....	593,810	593,810	558,490	-	35,320
Expenditures.....	45,277	43,614	30,238	653	12,723
	<u>639,087</u>	<u>637,424</u>	<u>588,728</u>	<u>653</u>	<u>48,043</u>
Traffic and Parking					
Personal Services.....	43,799	45,420	45,420	-	-
Expenditures.....	631,570	631,570	506,870	4,384	120,316
Capital Outlay.....	20,850	20,850	20,850	-	-
	<u>696,219</u>	<u>697,840</u>	<u>573,140</u>	<u>4,384</u>	<u>120,316</u>
Emergency Management					
Personal Services.....	822,418	822,418	806,057	-	16,361
Expenditures.....	21,248	21,248	16,829	3,639	780
	<u>843,666</u>	<u>843,666</u>	<u>822,886</u>	<u>3,639</u>	<u>17,141</u>
TOTAL PUBLIC SAFETY.....	17,340,079	17,640,740	17,317,616	80,205	242,919
EDUCATION					
Operational.....	66,284,693	66,284,633	58,302,076	2,415,469	5,567,088
Northeast Regional Vocational High School Assessment....	700,000	735,495	735,495	-	-
TOTAL EDUCATION.....	66,984,693	67,020,128	59,037,571	2,415,469	5,567,088
PUBLIC WORKS					
Administration					
Personal Services.....	205,885	205,885	190,547	-	15,338
Expenditures.....	7,300	7,300	5,151	-	2,149
	<u>213,185</u>	<u>213,185</u>	<u>195,698</u>	<u>-</u>	<u>17,487</u>
Streets and Sidewalks					
Personal Services.....	652,960	652,960	571,241	-	81,719
Expenditures.....	1,496,997	1,495,470	1,320,180	157,791	17,499
	<u>2,149,957</u>	<u>2,148,430</u>	<u>1,891,421</u>	<u>157,791</u>	<u>99,218</u>
Solid Waste/Recycling					
Expenditures.....	1,945,781	1,945,735	1,746,759	155,308	43,668
Structures and Grounds					
Personal Services.....	282,040	282,040	279,896	-	2,144
Expenditures.....	839,928	829,695	678,962	110,314	40,419
	<u>1,121,968</u>	<u>1,111,735</u>	<u>958,858</u>	<u>110,314</u>	<u>42,563</u>
Snow and Ice Removal					
Personal Services.....	25,000	25,000	39,386	-	(14,386)
Expenditures.....	166,533	166,507	173,938	9,230	(16,661)
Capital Outlay.....	10,000	10,000	2,520	7,000	480
	<u>201,533</u>	<u>201,507</u>	<u>215,844</u>	<u>16,230</u>	<u>(30,567)</u>
TOTAL PUBLIC WORKS.....	5,632,424	5,620,592	5,008,580	439,643	172,369
HEALTH AND HUMAN SERVICES					
Administration					
Personal Services.....	144,018	187,238	187,194	-	44
Expenditures.....	4,962	4,962	4,256	-	706
	<u>148,980</u>	<u>192,200</u>	<u>191,450</u>	<u>-</u>	<u>750</u>
Health Division					
Personal Services.....	68,317	68,517	52,503	-	16,014
Expenditures.....	200	-	-	-	-
	<u>68,517</u>	<u>68,517</u>	<u>52,503</u>	<u>-</u>	<u>16,014</u>
Veteran's Services					
Personal Services.....	44,975	44,975	44,989	-	(14)
Expenditures.....	294,685	294,685	409,777	3,850	(118,942)
	<u>339,660</u>	<u>339,660</u>	<u>454,766</u>	<u>3,850</u>	<u>(118,956)</u>
Elder Affairs					
Personal Services.....	164,812	164,812	159,579	-	5,233
Expenditures.....	27,250	27,250	25,384	-	1,866
	<u>192,062</u>	<u>192,062</u>	<u>184,963</u>	<u>-</u>	<u>7,099</u>
TOTAL HEALTH AND HUMAN SERVICES.....	749,219	792,439	883,682	3,850	(95,093)

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2009

	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.....	78,376	78,376	77,996	-	380
Expenditures.....	40,000	40,000	29,985	-	10,015
	<u>118,376</u>	<u>118,376</u>	<u>107,981</u>	<u>-</u>	<u>10,395</u>
Public Library					
Personal Services.....	258,315	258,490	244,611	-	13,879
Expenditures.....	22,729	20,110	19,961	-	149
Capital Outlay.....	6,000	8,444	8,302	-	142
	<u>287,044</u>	<u>287,044</u>	<u>272,874</u>	<u>-</u>	<u>14,170</u>
TOTAL CULTURE AND RECREATION.....	405,420	405,420	380,855	-	24,565
PENSION BENEFITS					
Contributory Retirement System					
Expenditures.....	5,235,554	5,235,554	5,235,554	-	-
Non-Contributory Pension Benefits					
Expenditures.....	22,930	22,930	12,681	-	10,249
TOTAL PENSION BENEFITS.....	5,258,484	5,258,484	5,248,235	-	10,249
EMPLOYEE BENEFITS					
Unemployment Compensation					
Expenditures.....	52,000	52,949	34,569	1,051	17,329
Health Insurance					
Expenditures.....	6,445,775	6,260,685	6,223,648	-	37,037
Worker's Compensation					
Expenditures.....	335,000	335,000	335,000	-	-
Payroll Taxes					
Expenditures.....	304,940	304,940	265,064	-	39,876
Life Insurance					
Expenditures.....	36,750	35,000	19,516	-	15,484
TOTAL EMPLOYEE BENEFITS.....	7,174,465	6,988,574	6,877,797	1,051	109,726
PROPERTY AND LIABILITY INSURANCE					
Expenses.....	544,250	529,000	437,299	-	91,701
CLAIMS AND JUDGEMENTS					
Expenses.....	50,555	49,805	25,215	24,490	100
STATE AND COUNTY CHARGES					
Expenses.....	4,548,098	4,548,098	4,234,195	-	313,903
DEBT SERVICE PRINCIPAL					
Expenses.....	6,913,970	6,913,970	6,913,970	-	-
DEBT SERVICE INTEREST					
Expenses.....	2,815,754	2,793,281	2,791,977	-	1,304
TOTAL EXPENDITURES.....	122,670,295	122,477,593	112,605,942	3,025,808	6,845,843
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(8,089,143)	(7,896,441)	(3,323,759)	(3,025,808)	1,546,874
OTHER FINANCING SOURCES (USES):					
Premium from Issuance of Bonds.....	-	-	61,562	-	61,562
Transfers In.....	3,198,000	3,198,000	3,091,925	-	(106,075)
Transfers Out.....	(556,000)	(2,039,958)	(2,039,958)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	2,642,000	1,158,042	1,113,529	-	(44,513)
NET CHANGE IN FUND BALANCE.....	(5,447,143)	(6,738,399)	(2,210,230)	(3,025,808)	1,502,361
BUDGETARY FUND BALANCE, Beginning of Year.....	16,289,487	16,289,487	16,289,487	-	-
BUDGETARY FUND BALANCE, End of Year.....	\$ 10,842,344	\$ 9,551,088	\$ 14,079,257	\$ (3,025,808)	\$ 1,502,361

See notes to required supplementary information.

(Concluded)

Post-Employment 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 POST-EMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2009

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)
7/1/2007	\$ -	\$ 184,805,511	\$ 184,805,511	0.00%	\$ 26,951,807	686%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2008	\$ 20,010,092	\$ 1,860,990	9.3%
2009	20,967,893	1,996,598	9.5%

See notes to required supplementary information.

OTHER POST-EMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

FISCAL YEAR ENDED JUNE 30, 2009

Actuarial Methods:

Valuation Date.....	July 1, 2007
Actuarial Cost Method.....	Projected Unit Credit
Amortization Method.....	Level dollar
Remaining Amortization Period.....	30 years (open) as of July 1, 2007, closed

Actuarial Assumptions:

Investment Rate of Return.....	4%
Medical/Drug Cost Trend Rate.....	9% decreasing 1% per year for 3 years to an ultimate level of 5% per year.

Plan Membership:

Spouses of Retired Members.....	171
Retired Members.....	228
Current Active Members.....	<u>968</u>
 Total	 <u><u>1,367</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 2009 budget consisted of approximately \$123.2 million in appropriations and other amounts to be raised inclusive of \$4.8 million in amounts carried over from the previous fiscal year. During fiscal year 2009, the original budget was increased by approximately \$1.3 million for public safety, educational activities and transfers to subsidize enterprise fund activity.

The Accounting 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, 2009, is presented below:

Net Change in Fund Balance, Budgetary Basis.....	\$	(2,210,230)
<u>Basis of accounting differences:</u>		
Net Change in Revenue Accrual.....		(81,876)
Net Change in Short Term Accrued Interest.....		247,992
Net Change in Tax Refunds Payable.....		(212,856)
Transfer of Investment Income from the Debt Service Fund.....		560,970
Recognition of Revenue for On-Behalf Payments.....		5,118,626
Recognition of Expenditures for On-Behalf Payments.....		<u>(5,118,626)</u>
Net Change in Fund Balance, GAAP Basis.....	\$	<u><u>(1,696,000)</u></u>

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2009, expenditures exceeded appropriations for the snow and ice removal, and veteran's services appropriation accounts, in the amounts of (\$30,567) and (\$118,956), respectively. The majority of budgetary deficit for veteran's services will be raised through reimbursements from the Commonwealth of Massachusetts during fiscal year 2010. The remainder of the deficits will be raised as part of the fiscal year 2010 tax rate.

NOTE B – OTHER POST-EMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan ("The Other Post Employment 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 post-employment 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.

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.

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:

Highway Improvement – accounts for roadway improvements for which expenditures are reimbursed at a rate of 100% from the Commonwealth.

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 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).

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, 2009

ASSETS	Special Revenue Funds					
	Highway Improvement	Community Development and Affordable Housing	City Revolving	Receipts Reserved	City Gifts	City State Grants
Cash and Cash Equivalents.....	\$ -	\$ 222,868	\$ 123,954	\$ 2,226,015	\$ 797,813	\$ 392,148
Investments.....	-	3,115,787	-	308,359	-	-
Receivables, Net of Uncollectibles:						
Departmental and Other.....	-	62,900	373,695	-	-	-
Intergovernmental.....	1,842,633	-	-	-	-	-
Loans.....	-	1,432,381	-	-	-	-
TOTAL ASSETS.....	\$ 1,842,633	\$ 4,833,936	\$ 497,649	\$ 2,534,374	\$ 797,813	\$ 392,148
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants Payable.....	\$ -	\$ 30,192	\$ 4,848	\$ -	\$ 18,483	\$ 125,958
Deferred Revenues.....	1,393,699	62,900	373,696	-	-	-
Due to Other Funds.....	448,934	-	351,998	-	-	-
TOTAL LIABILITIES.....	1,842,633	93,092	730,542	-	18,483	125,958
FUND BALANCES:						
Reserved for:						
Loans.....	-	1,432,381	-	-	-	-
Perpetual Permanent Funds.....	-	-	-	-	-	-
Unreserved:						
Undesignated, Reported in:						
Special Revenue Funds.....	-	3,308,463	(232,893)	2,534,374	779,330	266,190
Capital Projects Funds.....	-	-	-	-	-	-
Permanent Funds.....	-	-	-	-	-	-
TOTAL FUND BALANCES.....	-	4,740,844	(232,893)	2,534,374	779,330	266,190
TOTAL LIABILITIES AND FUND BALANCES...	\$ 1,842,633	\$ 4,833,936	\$ 497,649	\$ 2,534,374	\$ 797,813	\$ 392,148

Special Revenue Funds

City Federal Grants	School Lunch	School Revolving	School Gifts	School State Grants	School Federal Grants	Sub-total
\$ 310,354	\$ 1,296,142	\$ 477,538	\$ 768,656	\$ 408,219	\$ 28,457	\$ 7,052,164
-	-	-	-	-	-	3,424,146
-	-	-	-	-	-	436,595
-	-	-	-	137,749	398,240	2,378,622
-	-	-	-	-	-	1,432,381
<u>\$ 310,354</u>	<u>1,296,142</u>	<u>477,538</u>	<u>768,656</u>	<u>545,968</u>	<u>426,697</u>	<u>\$ 14,723,908</u>
\$ 7,609	495	-	6,575	66,497	23,898	\$ 284,555
-	-	-	-	-	-	1,830,295
-	-	-	-	-	219,402	1,020,334
<u>7,609</u>	<u>495</u>	<u>-</u>	<u>6,575</u>	<u>66,497</u>	<u>243,300</u>	<u>3,135,184</u>
-	-	-	-	-	-	1,432,381
-	-	-	-	-	-	-
302,745	1,295,647	477,538	762,081	479,471	183,397	10,156,343
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>302,745</u>	<u>1,295,647</u>	<u>477,538</u>	<u>762,081</u>	<u>479,471</u>	<u>183,397</u>	<u>11,588,724</u>
<u>\$ 310,354</u>	<u>\$ 1,296,142</u>	<u>\$ 477,538</u>	<u>\$ 768,656</u>	<u>\$ 545,968</u>	<u>\$ 426,697</u>	<u>\$ 14,723,908</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2009

ASSETS	Capital Projects Funds			Permanent Funds			Total Nonmajor Governmental Funds
	Urban Renewal	Other Capital	Sub-total	Health and Human Services	Culture and Recreation	Sub-total	
Cash and Cash Equivalents.....	\$ 129,245	\$ 468,518	\$ 597,763	\$ 12,745	\$ 110,345	\$ 123,090	\$ 7,773,017
Investments.....	-	-	-	-	-	-	3,424,146
Receivables, Net of Uncollectibles:							
Departmental and Other.....	1,770	-	1,770	-	-	-	438,365
Intergovernmental.....	-	-	-	-	-	-	2,378,622
Loans.....	-	-	-	-	-	-	1,432,381
TOTAL ASSETS.....	\$ 131,015	\$ 468,518	\$ 599,533	\$ 12,745	\$ 110,345	\$ 123,090	\$ 15,446,531
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Warrants Payable.....	1,270	510,585	511,855	-	113	113	796,523
Deferred Revenues.....	1,770	-	1,770	-	-	-	1,832,065
Due to Other Funds.....	-	-	-	-	-	-	1,020,334
TOTAL LIABILITIES.....	3,040	510,585	513,625	-	113	113	3,648,922
FUND BALANCES:							
Reserved for:							
Loans.....	-	-	-	-	-	-	1,432,381
Perpetual Permanent Funds.....	-	-	-	11,996	10,396	22,392	22,392
Unreserved:							
Undesignated, Reported in:							
Special Revenue Funds.....	-	-	-	-	-	-	10,156,343
Capital Projects Funds.....	127,975	(42,067)	85,908	-	-	-	85,908
Permanent Funds.....	-	-	-	749	99,836	100,585	100,585
TOTAL FUND BALANCES.....	127,975	(42,067)	85,908	12,745	110,232	122,977	11,797,609
TOTAL LIABILITIES AND FUND BALANCES... \$	<u>131,015</u>	<u>468,518</u>	<u>599,533</u>	<u>12,745</u>	<u>110,345</u>	<u>123,090</u>	<u>15,446,531</u>

(Concluded)



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

FISCAL YEAR ENDED JUNE 30, 2009

	Special Revenue Funds					
	Highway Improvement	Community Development	City Revolving	Receipts Reserved	City Gifts	City State Grants
REVENUES:						
Charges for Services.....	-	-	1,216,929	176,593	-	-
Intergovernmental.....	448,934	1,207,975	-	-	18,537	730,697
Departmental and Other.....	-	305,025	95,505	105,213	162	-
Contributions.....	-	-	-	-	635,273	-
Interest Income.....	-	90,548	-	-	-	-
TOTAL REVENUES.....	448,934	1,603,548	1,312,434	281,806	653,972	730,697
EXPENDITURES:						
Current:						
General Government.....	-	-	-	68,934	236,333	5,757
Public Safety.....	-	-	1,364,583	-	31,996	1,009,509
Public Education.....	-	-	-	-	4,120	-
Public Works.....	350,156	-	-	-	34,132	-
Health and Sanitation.....	-	-	85,002	-	145,407	102,495
Recreation.....	-	-	27,821	-	-	58,714
Community Development.....	-	1,475,151	-	-	-	-
TOTAL EXPENDITURES.....	350,156	1,475,151	1,477,406	68,934	451,988	1,176,475
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	98,778	128,397	(164,972)	212,872	201,984	(445,778)
OTHER FINANCING SOURCES (USES):						
Issuance of Long Term Debt.....	-	-	-	-	-	-
Transfers In.....	-	-	-	-	-	-
Transfers Out.....	-	(491,303)	-	(1,537,450)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	(491,303)	-	(1,537,450)	-	-
NET CHANGE IN FUND BALANCES.....	98,778	(362,906)	(164,972)	(1,324,578)	201,984	(445,778)
FUND BALANCES AT BEGINNING OF YEAR.....	(98,778)	5,103,750	(67,921)	3,858,952	577,346	711,968
FUND BALANCES AT END OF YEAR.....	-	4,740,844	(232,893)	2,534,374	779,330	266,190

Special Revenue Funds

City Federal Grants	School Lunch	School Revolving	School Gifts	School State Grants	School Federal Grants	Sub-total
\$ 5,029	\$ 794,554	\$ 329,308	\$ -	\$ -	\$ -	\$ 2,522,413
402,449	2,680,612	19,291	-	2,030,708	6,039,214	13,578,417
-	-	-	-	-	-	505,905
-	-	19,938	499,592	-	-	1,154,803
4,486	-	-	-	-	-	95,034
<u>411,964</u>	<u>3,475,166</u>	<u>368,537</u>	<u>499,592</u>	<u>2,030,708</u>	<u>6,039,214</u>	<u>17,856,572</u>
-	-	-	-	-	-	311,024
212,599	-	-	-	-	-	2,618,687
-	2,716,806	286,692	422,177	1,552,674	6,030,499	11,012,968
-	-	-	-	-	-	384,288
236,576	-	-	-	134,914	-	704,394
-	-	-	-	-	-	86,535
-	-	-	-	-	-	1,475,151
<u>449,175</u>	<u>2,716,806</u>	<u>286,692</u>	<u>422,177</u>	<u>1,687,588</u>	<u>6,030,499</u>	<u>16,593,047</u>
<u>(37,211)</u>	<u>758,360</u>	<u>81,845</u>	<u>77,415</u>	<u>343,120</u>	<u>8,715</u>	<u>1,263,525</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	(14,487)	(14,438)	(2,057,678)
-	-	-	-	(14,487)	(14,438)	(2,057,678)
(37,211)	758,360	81,845	77,415	328,633	(5,723)	(794,153)
<u>339,956</u>	<u>537,287</u>	<u>395,693</u>	<u>684,666</u>	<u>150,838</u>	<u>189,120</u>	<u>12,382,877</u>
<u>\$ 302,745</u>	<u>\$ 1,295,647</u>	<u>\$ 477,538</u>	<u>\$ 762,081</u>	<u>\$ 479,471</u>	<u>\$ 183,397</u>	<u>\$ 11,588,724</u>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2009

	Capital Projects Funds			Permanent Funds			Total Nonmajor Governmental Funds
	Urban Renewal	Other Capital	Sub-total	Health and Human Services	Culture and Recreation	Sub-total	
REVENUES:							
Charges for Services.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,522,413
Intergovernmental.....	-	185,929	185,929	-	-	-	13,764,346
Departmental and Other.....	7,926	-	7,926	-	-	-	513,831
Contributions.....	-	253,632	253,632	-	301	301	1,408,736
Interest Income.....	15,783	-	15,783	-	1,784	1,784	112,601
TOTAL REVENUES.....	23,709	439,561	463,270	-	2,085	2,085	18,321,927
EXPENDITURES:							
Current:							
General Government.....	-	618,513	618,513	-	-	-	929,537
Public Safety.....	-	166,502	166,502	-	-	-	2,785,189
Public Education.....	-	-	-	-	-	-	11,012,968
Public Works.....	-	3,134,117	3,134,117	-	-	-	3,518,405
Health and Sanitation.....	-	49,916	49,916	-	-	-	754,310
Recreation.....	-	6,458	6,458	-	2,386	2,386	95,379
Community Development.....	9,905	1,483,970	1,493,875	-	-	-	2,969,026
TOTAL EXPENDITURES.....	9,905	5,459,476	5,469,381	-	2,386	2,386	22,064,814
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	13,804	(5,019,915)	(5,006,111)	-	(301)	(301)	(3,742,887)
OTHER FINANCING SOURCES (USES):							
Issuance of Long Term Debt.....	-	3,940,352	3,940,352	-	-	-	3,940,352
Transfers In.....	-	62,450	62,450	-	-	-	62,450
Transfers Out.....	-	(36,778)	(36,778)	-	-	-	(2,094,456)
TOTAL OTHER FINANCING SOURCES (USES).....	-	3,966,024	3,966,024	-	-	-	1,908,346
NET CHANGE IN FUND BALANCES.....	13,804	(1,053,891)	(1,040,087)	-	(301)	(301)	(1,834,541)
FUND BALANCES AT BEGINNING OF YEAR.....	114,171	1,011,824	1,125,995	12,745	110,533	123,278	13,632,150
FUND BALANCES AT END OF YEAR.....	\$ 127,975	\$ (42,067)	\$ 85,908	\$ 12,745	\$ 110,232	\$ 122,977	\$ 11,797,609

(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, 2009

	Retirees' Health Insurance	Workers' Compensation	Total Internal Service Funds
ASSETS			
CURRENT:			
Cash and Cash Equivalents.....	\$ 422,038	\$ 537,504	\$ 959,542
LIABILITIES			
CURRENT:			
Warrants Payable.....	-	1,020	1,020
Health Claims Payable.....	57,000	-	57,000
Abandoned Property.....	-	2,348	2,348
Workers' Compensation.....	-	170,000	170,000
Total Current Liabilities.....	<u>57,000</u>	<u>173,368</u>	<u>230,368</u>
NONCURRENT:			
Workers' Compensation.....	-	452,000	452,000
TOTAL LIABILITIES.....	<u>57,000</u>	<u>625,368</u>	<u>682,368</u>
NET ASSETS			
Unrestricted.....	\$ <u>365,038</u>	\$ <u>(87,864)</u>	\$ <u>277,174</u>

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

FISCAL YEAR ENDED JUNE 30, 2009

	Retirees' Health Insurance	Workers' Compensation	Total Internal Service Funds
<u>OPERATING REVENUES:</u>			
Employer Contributions	\$ 673,017	\$ 474,437	\$ 1,147,454
Other.....	11,447	-	11,447
TOTAL OPERATING REVENUES	<u>684,464</u>	<u>474,437</u>	<u>1,158,901</u>
<u>OPERATING EXPENSES:</u>			
Employee Benefits	<u>627,872</u>	<u>505,982</u>	<u>1,133,854</u>
OPERATING INCOME (LOSS).....	<u>56,592</u>	<u>(31,545)</u>	<u>25,047</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Investment Income.....	<u>-</u>	<u>23,251</u>	<u>23,251</u>
CHANGE IN NET ASSETS.....	56,592	(8,294)	48,298
NET ASSETS AT BEGINNING OF YEAR.....	<u>308,446</u>	<u>(79,570)</u>	<u>228,876</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 365,038</u>	<u>\$ (87,864)</u>	<u>\$ 277,174</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2009

	Retirees' Health Insurance	Workers' Compensation	Total Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from Interfund Services Provided.....	\$ 684,464	\$ 474,437	\$ 1,158,901
Payments for Interfund Services Used.....	(666,039)	(457,164)	(1,123,203)
NET CASH FROM OPERATING ACTIVITIES.....	18,425	17,273	35,698
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Investment Income.....	-	23,251	23,251
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	18,425	40,524	58,949
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	403,613	496,980	900,593
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ 422,038	\$ 537,504	\$ 959,542
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>			
Operating Income (Loss).....	\$ 56,592	\$ (31,545)	\$ 25,047
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Changes in Assets and Liabilities:			
Warrants Payable.....	-	1,020	1,020
Workers' Compensation.....	-	47,798	47,798
Accrued Health Claims Payable.....	(38,167)	-	(38,167)
Total Adjustments.....	(38,167)	48,818	10,651
NET CASH FROM OPERATING ACTIVITIES.....	\$ 18,425	\$ 17,273	\$ 35,698



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 seizures.

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Agency Accounts <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	Agency Accounts <u>June 30, 2009</u>
ASSETS				
Cash and Cash Equivalents.....	\$ 660,685	\$ 1,672,299	\$ (1,337,209)	\$ 995,775
LIABILITIES				
Warrants Payable.....	\$ 4,318	\$ -	\$ (4,318)	\$ -
Liabilities Due Depositors.....	656,367	1,672,299	(1,332,891)	995,775
TOTAL LIABILITIES.....	\$ 660,685	\$ 1,672,299	\$ (1,337,209)	\$ 995,775

Statistical Section



**City of Chelsea, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2009**

Statistical Section



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 Eight Fiscal Years**

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
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	\$ 101,923,954	\$ 104,913,845
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
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>10,957,968</u>	<u>(10,269,913)</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>
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
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>
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>
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	\$ 106,217,707	\$ 109,993,702
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
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>15,335,681</u>	<u>(2,832,655)</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>

* 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 Eight Fiscal Years

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
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
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
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
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
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
Culture and Recreation.....	211,407	607,745	603,279	645,308	708,300	728,672	1,150,914	1,355,992
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
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
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
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
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
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
Public Works.....	961,094	1,075,487	1,147,770	1,207,394	1,223,069	1,358,377	1,210,082	1,446,499
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
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
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
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
Business-Type Activities:								
Sewer and Water 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
Operating Grants and Contributions.....	144,536	36,892	14,132	14,844	54,722	86,085	69,906	-
Other Capital Grant and Contributions.....	241,692	302,313	-	14,176	410,608	41,358	236,779	-
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
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
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)
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
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)
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
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
Tax Liens.....	179,670	636,587	321,130	440,194	442,603	535,440	473,363	660,461
Penalties and Interest on Taxes.....	371,265	272,770	661,775	331,215	380,239	301,942	273,865	312,440
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
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
Unrestricted Investment Income.....	784,289	821,315	413,762	525,769	1,245,853	1,695,467	1,710,427	2,100,745
Gain on Sale of Capital Assets.....	-	30,995	-	25,000	297,780	-	-	-
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)
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
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
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
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)
Business-Type Activities.....	1,187,845	265,556	794,922	38,715	616,284	213,850	294,200	3,845,649
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)

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved.....	\$ 1,548,720	\$ 1,825,526	\$ 2,357,008	\$ 3,040,954	\$ 2,468,835	\$ 2,190,036	\$ 1,753,717	\$ 2,637,577	\$ 4,843,824	\$ 3,025,808
Unreserved.....	12,688,981	15,227,877	10,539,843	10,252,478	8,590,955	9,087,501	8,307,212	10,218,873	11,257,433	11,379,449
Total General Fund.....	\$ 14,237,701	\$ 17,053,403	\$ 12,896,851	\$ 13,293,432	\$ 11,059,790	\$ 11,277,537	\$ 10,060,929	\$ 12,856,450	\$ 16,101,257	\$ 14,405,257
All Other Governmental Funds										
Reserved.....	\$ 2,406,969	\$ 4,415,666	\$ 5,737,054	\$ 5,389,046	\$ 5,338,698	\$ 4,489,363	\$ 4,062,188	\$ 3,305,523	\$ 3,880,532	\$ 1,454,773
Unreserved, Reported In:										
Special Revenue Funds.....	9,330,984	10,580,027	7,924,095	9,987,147	11,953,009	11,933,024	13,027,339	14,327,473	13,470,775	15,266,265
Debt Service Funds.....	8,380,476	8,936,238	9,433,813	10,702,854	9,758,015	10,279,367	9,370,978	9,430,547	9,927,538	10,400,021
Capital Projects Funds.....	1,474,281	3,485,056	(6,635,417)	(10,252,232)	(9,122,271)	(1,274,477)	(1,246,189)	(5,346,118)	(8,762,135)	(727,133)
Permanent Funds.....	416,902	493,365	86,900	86,480	86,989	87,925	98,843	100,547	100,886	100,585
Total All Other Governmental Funds. \$	22,009,612	27,910,352	16,546,445	15,913,295	18,014,440	25,515,202	25,313,159	21,817,972	18,617,596	26,494,511

Fiscal years 2000 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

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

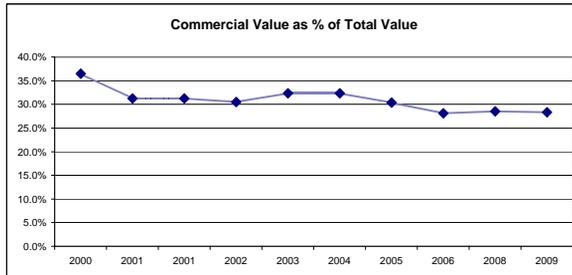
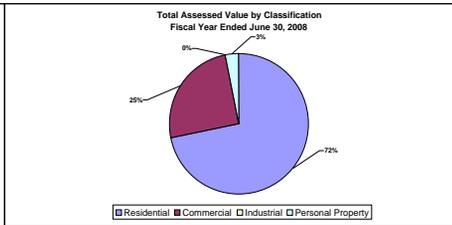
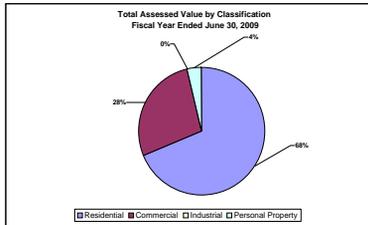
	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues:										
Real Estate and Personal Property Taxes,										
Net of Tax Refunds.....	\$ 19,464,358	\$ 23,686,270	\$ 21,728,833	\$ 22,669,580	\$ 24,656,790	\$ 25,996,104	\$ 27,786,205	\$ 28,944,381	\$ 30,782,138	\$ 32,522,544
Motor Vehicle and Other Excise Taxes.....	2,307,286	1,905,700	2,170,362	3,251,518	2,431,353	2,933,506	2,737,502	2,332,484	2,557,448	2,858,058
Tax Liens.....	-	-	457,252	489,714	899,262	338,515	505,964	366,997	382,714	305,512
Charges for Services.....	2,226,214	2,274,573	1,815,325	1,846,231	1,641,003	2,123,881	2,409,626	2,491,044	2,296,533	2,522,413
Penalties and Interest on Taxes.....	414,379	1,520,929	371,265	272,770	661,775	331,215	380,239	301,942	273,865	325,535
Payment in Lieu of Taxes.....	1,591,474	1,633,877	1,124,092	1,641,658	1,132,798	609,949	1,195,899	1,185,030	1,792,342	1,537,180
Trash Disposal.....	-	-	866,277	907,205	1,034,814	1,120,391	1,230,498	1,270,801	1,230,237	1,421,920
Licenses and Permits.....	1,056,159	830,130	813,695	1,240,984	1,457,471	1,623,212	1,634,239	2,283,402	2,146,030	2,111,520
Fines and Forfeitures.....	1,319,264	1,483,634	1,764,984	1,578,661	1,417,772	1,509,779	1,578,152	1,534,903	1,792,603	1,807,763
Intergovernmental.....	68,747,661	76,188,575	74,378,281	78,901,636	76,383,765	90,513,250	81,556,455	84,823,330	86,499,436	89,664,616
Departmental and Other.....	-	-	72,016	645,318	633,612	1,167,669	642,619	287,836	513,831	-
Contributions.....	703,828	558,389	109,778	181,635	133,509	331,998	664,958	690,561	1,083,262	1,408,736
Interest Income.....	1,848,589	3,154,945	2,105,219	2,884,896	216,136	1,810,607	1,091,025	2,521,329	2,943,049	2,077,494
Other.....	575,848	678,915	467,020	-	-	-	-	-	-	-
Total Revenue.....	100,255,060	113,915,937	108,244,399	116,511,806	112,817,484	129,876,019	123,938,431	129,388,823	134,067,493	139,077,122
Expenditures:										
General Government.....	2,397,043	2,601,668	2,996,976	3,280,440	3,242,967	3,260,371	3,050,989	3,428,427	3,628,137	4,456,416
Public Safety.....	12,519,520	14,087,993	15,882,936	15,200,487	14,945,125	18,612,071	17,858,180	18,157,315	19,180,605	20,102,805
Public Education.....	48,704,754	51,468,402	67,437,206	59,553,050	57,742,946	58,334,323	59,939,592	67,868,326	71,149,773	75,392,603
Public Works.....	3,940,400	4,341,867	7,601,737	6,380,387	4,997,207	6,214,350	4,535,429	5,112,018	5,374,352	8,526,985
Health and Human Services.....	1,318,863	1,438,230	1,908,806	2,017,643	1,999,958	2,072,138	1,916,395	1,643,909	1,573,840	1,637,992
Recreation.....	381,304	455,534	444,751	425,978	389,739	432,059	480,202	460,047	541,176	476,234
Community Development.....	1,480,392	1,660,953	2,332,017	2,351,070	3,088,565	2,024,964	5,348,708	6,784,769	4,631,470	3,447,654
Pension Benefits.....	7,007,754	7,276,889	5,303,065	7,897,955	8,357,720	9,203,469	9,991,344	9,001,662	9,807,679	10,366,861
Property and Liability Insurance.....	183,357	217,579	305,040	369,692	457,240	473,443	426,165	558,328	463,140	440,049
Employee Benefits.....	4,997,082	6,039,105	6,919,831	7,401,070	8,801,256	9,222,562	10,672,888	5,839,623	6,209,239	6,877,797
Claims and Judgments.....	6,831	22,421	9,699	18,377	15,835	20,498	9,210	21,180	3,473	25,215
Capital Outlay.....	3,054,115	4,943,097	-	-	-	-	-	-	-	-
State and County Charges.....	1,718,175	1,807,938	1,775,003	2,208,706	2,552,188	2,883,357	2,977,746	3,310,117	4,021,544	4,234,195
Debt Service.....	-	-	-	-	-	-	-	-	-	-
Principal.....	6,479,805	6,528,849	6,650,866	6,871,706	6,751,706	6,911,246	6,970,284	6,857,391	6,797,357	6,913,970
Interest.....	5,570,738	5,137,019	5,155,747	4,700,550	4,607,567	4,136,328	3,549,065	3,497,188	3,181,787	2,543,985
Total Expenditures.....	99,760,133	108,027,544	124,723,680	118,677,111	117,950,019	123,801,179	127,726,197	132,540,300	136,563,572	145,442,761
Excess of Revenues Over (Under) Expenditures.....	494,927	5,888,393	(16,479,281)	(2,165,305)	(5,132,535)	6,074,840	(3,787,766)	(3,151,477)	(2,496,079)	(6,365,639)
Other Financing Sources (Uses)										
Issuance of Long Term Debt.....	-	1,454,000	-	-	1,600,000	641,000	691,000	653,000	743,000	12,828,352
Issuance of Refunding Debt.....	-	-	-	16,660,000	-	1,007,661	-	-	-	4,410,625
Payments to Refunding Escrow Agent.....	-	-	-	(18,050,214)	-	(1,001,620)	-	-	-	(4,451,847)
Premium from Issuance of Bonds.....	-	-	-	760,544	1,706	28,516	12,185	29,287	-	61,562
Premium from Issuance of Refunding Bonds.....	-	-	-	1,510,874	-	18,978	-	-	-	121,901
Capital Lease Financing.....	-	-	-	-	-	-	-	-	232,355	-
Sale of Capital Assets.....	1,098,686	224,370	-	30,995	2,400,696	25,000	297,780	250,000	10,663	-
Transfers In.....	5,062,020	10,169,470	10,022,247	4,467,548	4,526,909	5,636,392	2,416,211	3,959,770	2,897,989	4,271,345
Transfers Out.....	(4,133,900)	(9,019,791)	(8,890,143)	(3,451,011)	(3,529,273)	(4,354,515)	(1,048,061)	(2,440,246)	(1,343,497)	(4,695,384)
Total Other Financing Sources (Uses).....	2,026,806	2,828,049	1,132,104	1,928,736	5,000,038	2,001,412	2,369,115	2,451,811	2,540,510	12,546,554
Net Change in Fund Balance.....	\$ 2,521,733	\$ 8,716,442	\$ (15,347,177)	\$ (236,569)	\$ (132,497)	\$ 8,076,252	\$ (1,418,651)	\$ (699,666)	\$ 44,431	\$ 6,180,915
Debt Service as a Percentage of Noncapital Expenditures...	12.46%	11.32%	9.47%	9.75%	9.63%	8.92%	8.24%	7.81%	7.31%	6.50%

Notes:

Fiscal years 2000 through 2002 exclude 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
2000 (1)	\$ 568,102,590	\$ 14.65	63.55%	\$ 287,527,010	\$ 38,369,380	\$ 325,896,390	\$ 39.73	36.45%	\$ 23.79	\$ 893,998,980
2001	\$ 760,735,197	\$ 14.39	68.74%	\$ 306,489,193	\$ 39,465,410	\$ 345,954,603	\$ 33.53	31.26%	\$ 20.37	\$ 1,106,689,800
2002	\$ 826,837,480	\$ 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%	\$ 581,492,728	\$ 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)	\$ 1,625,790,262	\$ 9.62	71.91%	\$ 578,648,023	\$ 56,399,900	\$ 635,047,923	\$ 19.98	29.09%	\$ 12.53	\$ 2,250,828,195
2007	\$ 1,747,423,205	\$ 9.33	71.46%	\$ 640,162,304	\$ 58,162,800	\$ 698,325,204	\$ 19.54	29.55%	\$ 12.25	\$ 2,445,748,409
2008	\$ 1,734,194,631	\$ 9.95	71.66%	\$ 614,981,682	\$ 70,899,900	\$ 685,881,582	\$ 20.76	28.34%	\$ 13.01	\$ 2,420,078,213
2009 (1)	\$ 1,532,423,197	\$ 10.80	68.72%	\$ 617,642,043	\$ 78,844,500	\$ 697,486,543	\$ 23.96	31.28%	\$ 14.92	\$ 2,229,909,740



(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.

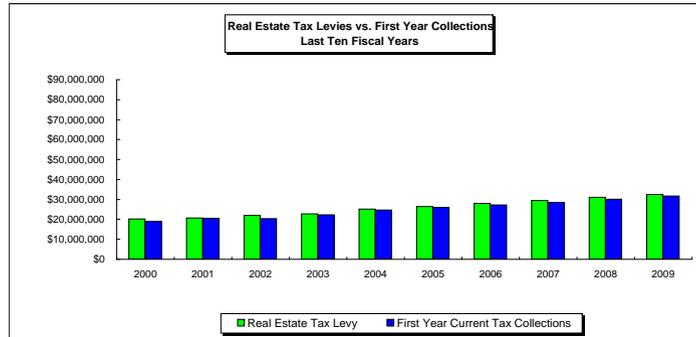
**City of Chelsea, Massachusetts
Principal Taxpayers
Current Year and Nine Years Ago**

Name	Nature of Business	2009			2000		
		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	\$ 1,047,318	1	3.22%	\$ -		0.00%
Urban Growth Properties	Private For Profit Parking Lot	1,013,508	2	3.12%	-		0.00%
Anthony Simboli	Real Estate Development Company	917,467	3	2.82%	531,080	2	2.62%
Griffin Way LLC	Commercial	729,671	4	2.24%	-		0.00%
Demoulas Super Markets Inc.	Retail Grocer	469,420	5	1.44%	-		0.00%
FR Chelsea Commons LLC	Health and Fitness Centers	395,467	6	1.22%	-		0.00%
New England Produce Center	Produce Wholesaler	362,625	7	1.11%	279,481	6	1.38%
Catamount Petroleum L.P.	Oil and Gas Retailer	362,263	8	1.11%	293,925	5	1.45%
Admiral Hill Associates Inc.	Commercial	341,797	9	1.05%	-		0.00%
Parkside Commons	Apartment Complex	236,110	10	0.73%	-		0.00%
Boston Edison	For Profit Utility Company	-		0.00%	615,205	1	3.03%
Chelsea Development Associates	Real Estate Developer	-		0.00%	474,589	3	2.34%
Darman Sumner, Trust	Commercial	-		0.00%	404,445	4	1.99%
Stanton Black	Real Estate Developer	-		0.00%	278,384	7	1.37%
Patrick J. Glynn	Commercial	-		0.00%	259,822	8	1.28%
Boston Gas	For Profit Utility Company	-		0.00%	218,425	9	1.08%
Chelsea Sandwich LLC	Oil and Gas Distributor	-		0.00%	210,582	10	1.04%
Total		\$ 5,875,646		18.06%	\$ 3,565,938		17.57%

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
2000	(1)	\$ 20,297,536	\$ 18,960,365	93.41%	\$ 476,911	\$ 19,437,276	95.76%
2001		\$ 20,690,062	\$ 20,480,270	98.99%	\$ 27,769	\$ 20,508,039	99.12%
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	\$ 25,919,237	97.97%	\$ 333,804	\$ 26,253,041	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%	\$ -	\$ 31,721,963	97.51%



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
2000	28,710	\$949,956,480	\$893,998,980	\$92,629,941	\$8,380,476	\$84,249,465	\$0	\$2,934	9.75%	10.36%
2001	35,080	\$1,160,727,040	\$1,106,689,800	\$87,555,092	\$8,936,238	\$78,618,854	\$0	\$2,241	7.54%	7.91%
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	\$1,299,328,120	\$1,667,374,206	\$74,162,520	\$10,702,854	\$63,459,666	\$0	\$1,809	5.71%	4.45%
2004	35,080	\$1,137,644,400	\$1,962,730,436	\$69,010,814	\$9,758,015	\$59,252,799	\$0	\$1,689	6.07%	3.52%
2005	35,080	\$1,058,047,880	\$2,084,019,989	\$62,405,566	\$10,279,367	\$52,126,199	\$0	\$1,486	5.90%	2.99%
2006	35,080	\$1,058,047,880	\$2,260,828,185	\$56,126,282	\$9,370,978	\$46,755,304	\$0	\$1,333	5.30%	2.48%
2007	35,080	\$1,054,539,880	\$2,445,748,409	\$49,921,891	\$9,430,547	\$40,491,344	\$0	\$1,154	4.73%	2.04%
2008	35,080	\$1,058,047,880	\$2,420,076,213	\$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%

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
2000	\$5,997,691	\$0	\$98,627,632	\$3,435	10.38%	11.03%
2001	\$7,166,236	\$0	\$94,721,328	\$2,700	8.16%	8.56%
2002	\$7,956,932	\$0	\$88,861,158	\$2,533	7.27%	7.48%
2003	\$7,346,303	\$0	\$81,508,823	\$2,324	6.27%	4.89%
2004	\$7,931,149	\$0	\$76,941,963	\$2,193	6.76%	3.92%
2005	\$9,632,756	\$0	\$72,038,322	\$2,054	6.81%	3.46%
2006	\$11,440,713	\$0	\$67,566,995	\$1,926	6.39%	2.99%
2007	\$12,758,545	\$0	\$62,680,436	\$1,787	5.94%	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%

(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, 2009

<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:			
(1) Massachusetts Water Resources Authority.....	\$ 5,817,845,000	1.66%	\$ 96,619,599
City Net Direct Debt.....			<u>39,517,520</u>
Total Direct and Overlapping Debt.....			<u>\$ 136,137,119</u>

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

Source: Official Statement

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Equalized Valuation.....	\$ 1,038,467,320	\$ 1,038,467,320	\$ 1,387,408,520	\$ 1,387,408,520	\$ 2,206,598,800	\$ 2,206,598,800	\$ 2,642,115,600	\$ 2,642,115,600	\$ 2,856,347,120	\$ 2,856,347,120
Debt Limit -5% of Equalized Valuation.....	\$ 25,961,683	\$ 25,961,683	\$ 34,685,213	\$ 34,685,213	\$ 55,164,970	\$ 55,164,970	\$ 66,052,890	\$ 66,052,890	\$ 71,408,678	\$ 71,408,678
Less:										
Outstanding Debt Applicable to Limit.....	\$ 4,029,088	\$ 5,049,360	\$ 4,503,615	\$ 3,904,851	\$ 3,419,961	\$ 3,200,318	\$ 4,656,787	\$ 4,831,891	\$ 4,942,534	\$ 17,082,541
Legal Debt Margin.....	\$ 21,932,595	\$ 20,912,323	\$ 30,181,598	\$ 30,780,362	\$ 51,745,009	\$ 51,964,652	\$ 61,396,103	\$ 61,220,999	\$ 66,466,144	\$ 54,326,137
Total Debt Applicable to the Limit as a Percentage of Debt Limit.....	15.52%	19.45%	12.98%	11.26%	6.20%	5.80%	7.05%	7.32%	6.92%	23.92%

Source: City Auditor's Office, City of Chelsea

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

Fiscal Year	(a) Population Estimates (1)	(b) Total Median Family Income	(b)/(a) Median Family Income (1) (4)	Unemployment Rate (2)
2000	28,710	\$949,956,480	\$33,088	5.30%
2001	35,080	\$1,160,727,040	\$33,088	4.10%
2002	35,080	\$1,222,502,920	\$34,849	4.60%
2003	35,080	\$1,299,328,120	\$37,039	3.90%
2004	35,080	\$1,137,644,400	\$32,430	5.50%
2005	35,080	\$1,058,047,880	\$30,161	6.40%
2006	35,080	\$1,058,047,880	\$30,161 (3)	6.40%
2007	35,080	\$1,054,539,880	\$30,061 (3)	5.80%
2008	35,080	\$1,058,047,880	\$30,161 (3)	6.40%
2009	35,080	\$1,058,047,880	\$30,161 (3)	6.30%

Source:

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

(2) U.S Department of Labor, Bureau of Labor Statistics

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

(4) The City is presenting Median Family Income Data because Personal Income data is not available.

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

Employer	Nature of Business	2009			2001		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total Town Employment
Commonwealth of Massachusetts/MITC	Government	1,400	1	10.14%	1,500	1	11.02%
City of Chelsea	Government	1,248	2	9.03%	1,239	2	9.10%
Market Basket	Retail Grocery	600	3	4.34%	-	-	-
MWRA	Quasi-Public Water Utility	561	4	4.06%	453	5	3.33%
Kayem Foods	Meat Wholesaler	381	5	2.76%	220	7	1.62%
Massachusetts General Hospital	Medical Services	246	6	1.78%	500	3	3.67%
Paul Revere Transportation	For Hire Transportation	208	7	1.51%	250	6	1.84%
Signature Breads	Bread and Wheat Product Wholesaler	204	8	1.48%	140	8	1.03%
Metropolitan Credit Union	Banking Institution	151	9	1.09%	-	-	-
Stop & Shop	Retail Grocery	123	10	0.89%	-	-	-
Town & Country	Jewelry Distributor	-	-	-	500	4	3.67%
Glenmor Oil	Heating Oil Retailer	-	-	-	93	9	0.68%
Eagle Air Freight	For Hire Freight Transporter	-	-	-	70	10	0.51%
		<u>5,122</u>		<u>37.08%</u>	<u>4,965</u>		<u>36.48%</u>

Source: Department of Planning and Development

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<u>Function:</u>										
General Government.....	55	71	71	51	50	52	52	54	55	55
Public Safety.....	187	193	197	199	186	197	200	212	215	216
Public Education.....	910	938	970	937	864	879	879	871	901	926
Public Works.....	31	30	30	28	27	26	25	25	25	25
Health and Human Services.....	40	54	47	49	40	36	39	37	37	37
Community Development.....	14	13	13	13	10	10	10	10	9	8
Culture and Recreation.....	1	3	8	8	8	9	8	8	8	8
Water and Sewer.....	5	4	4	4	4	5	5	5	5	5
Total.....	1,243	1,306	1,340	1,289	1,189	1,214	1,218	1,222	1,255	1,280

Source: Various City Departments

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

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Offenses Committed.....	7,816	7,693	8,245	7,724	6,909	6,784	7,460	7,632	8,795	9,110
Crime-Related Incidents.....	3,662	3,731	4,320	4,200	3,752	3,586	3,552	3,543	3,878	3,744
Non-Crime Related Incidents.....	1,579	1,438	1,395	1,614	1,364	1,377	1,676	1,707	1,636	1,611
Arrests (on View).....	1,788	1,594	1,538	1,369	1,239	1,427	1,664	1,577	1,713	1,793
Arrests (Based on Incident/Warrants).....	315	290	319	413	377	277	343	408	388	399
Summons Arrests.....	1	3	4	1	-	-	5	10	6	5
Total Arrests.....	2,104	1,887	1,861	1,783	1,616	1,704	2,012	1,995	2,107	2,197
Juvenile Arrests.....	128	105	162	144	149	143	162	137	124	95
Hearings.....	169	241	471	552	411	457	532	533	559	589
Summons.....	64	60	163	209	154	240	259	340	383	573
Restraint Orders.....	413	399	450	437	389	406	393	373	367	381
Citations.....	4,687	4,119	6,932	4,864	4,048	4,786	4,610	3,561	6,966	7,795
Fire										
Fires Extinguished (1) (2)	377	234	243	240	253	181	268	326	268	N/A
Education										
Number of Public School Students.....	5,759	5,848	5,876	5,805	5,785	5,873	5,500	5,571	5,603	5,641
Culture and recreation										
Library Volumes in Collection.....	81,963	79,258	80,933	76,585	74,568	73,635	74,928	76,633	77,103	79,025
Library Volumes Borrowed.....	67,328	61,604	60,601	53,072	47,904	44,766	45,164	49,459	53,136	61,501
Water										
Average Daily Consumption (1) (Million Gallons/Day).....	3.165	3.140	3.441	3.543	3.418	3.285	2.999	3.010	2.750	3,040
Peak Daily Consumption (1) (2) (Million Gallons/Day).....	4.450	3.880	5.220	4.870	4.500	4.170	3.634	4.400	3,700	N/A
Sewer										
Average Daily Sewage Treatment (Million Gallons/Day).....	4.700	4.570	3.900	3.990	4.040	4.110	4.440	4.030	4.350	4,130

(1) Data is on a calendar year basis

(2) Data is not available for 2009

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

<u>Function/Program</u>	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
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.....	1,662	1,664	1,668	1,671	1,675	1,677	1,683	1,708	1,805	1,805
Traffic Signals.....	46	46	46	46	46	46	46	47	47	47
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

