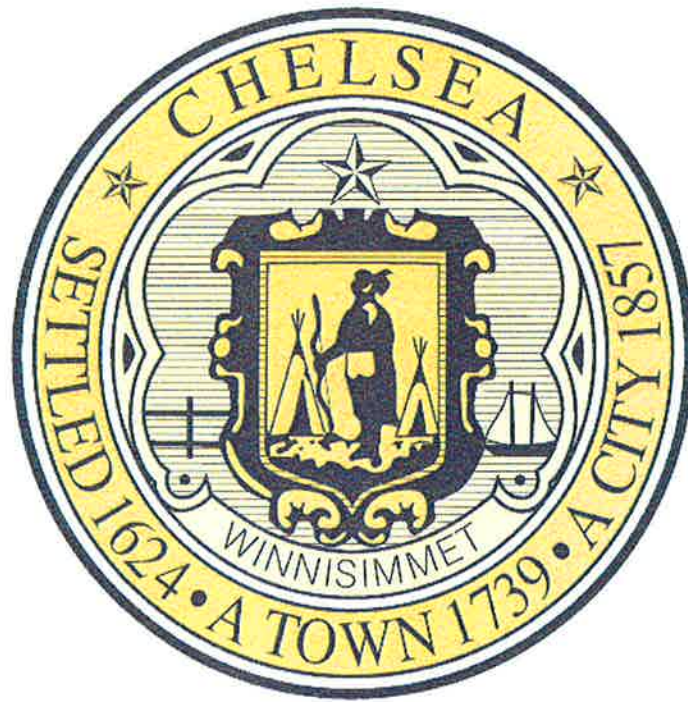


**City of Chelsea, Massachusetts**

**Comprehensive Annual Financial Report**



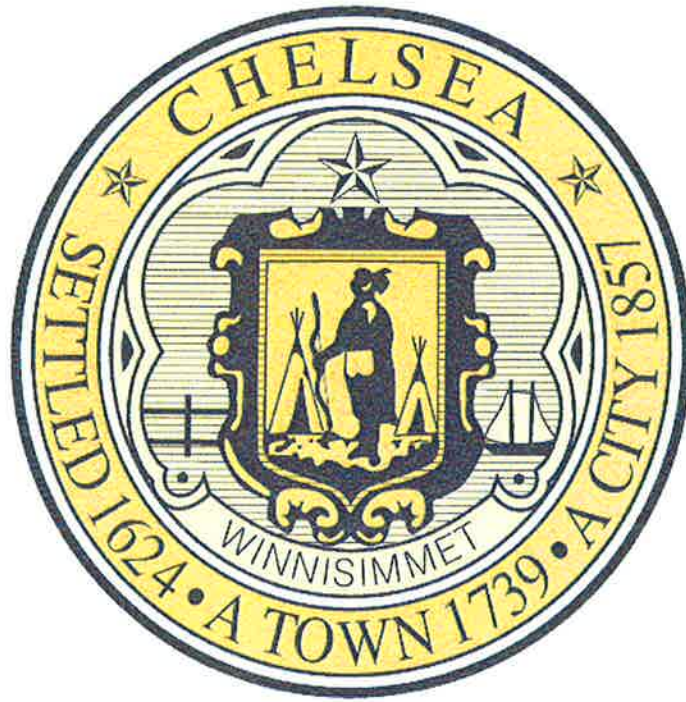
**For the Fiscal Year Ended June 30, 2012**

# *City of Chelsea, Massachusetts*

## **Comprehensive Annual Financial Report**

*For the Fiscal Year Ended June 30, 2012*

Jay Ash  
*City Manager*



*Prepared by the Finance Division*

CITY OF CHELSEA, MASSACHUSETTS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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# *Introductory Section*



**Jay Ash**  
**City Manager**

## **CITY OF CHELSEA**

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January 11, 2013

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, 2012. 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, as particularly found in Section 5-6, 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, stable or increased 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 annunciate. 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 seventeen 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 health insurance and pension costs that continue to rise beyond the growth of the budget in general.

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

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

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

## REPORTING ENTITY AND SERVICES PROVIDED

The basic financial statements present all of the financial information of the City (the primary government) and its component units as required by GAAP. 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 in the basic financial statements. The financial statements of the System are presented for the year ended December 31, 2011, which represents the fiscal reporting period for the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission.

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

## ECONOMIC CONDITIONS

Economists indicate that the Great Recession ended in 2009. Unfortunately, the combination of a still sluggish economy and the typical lag time that naturally occurs before cities and towns feel any relief may mean that municipal finance in Chelsea and elsewhere will remain precarious for the foreseeable future. That compounds the problems that cities and towns have been experiencing for more than a decade. Of many measures that may confirm that contention, non-school state aid in the form of General Government Assistance (which is a combination of the former Lottery and Additional Assistance) to the City is down 37% from its fiscal year 2001 high. With that and other revenues seemingly unable to keep up with rising expenses, most notably, employee health insurance and retirement costs, the strain on the City's budget and others across the state is acute.

A salvation may be that the severity of the situation is somewhat less dire here, although it must still be a major concern. Remembering that Chelsea once suffered the ultimate indignation by being placed into Receivership in the early 1990's, City officials are carefully taking steps to ensure that history does not repeat itself. Budget management is priority one in order to maintain a balanced budget in fiscal year 2013, albeit one that required a further drawdown on reserves to avoid even deeper cuts than those that have already been made or would otherwise be required to bring the budget into structural balance. The City is benefiting from the foresight of building reserves and restraining spending. However, the insufficiency of local aid, the high costs of employee and retiree overhead and the added trouble of slowing economic development that has its direct ties to the general state of the economy are combining to place increasingly more burden on the local budget. To date and into the short-term future, that being the next year or two, the challenges, while substantial, seem to be within the City's control. Long-term, revenue stabilization and growth related to local aid and economic development are critical to the City's health.



Fortunately, the new State law advocated by the City has provided a path to achieve some health insurance savings, meaning that City budget planners have secured a \$1 million savings in premiums and are forecasting 6%, instead of 10%, increases going forward. In general, the prudent fiscal management that is embedded in the process of managing today's municipal government gives many hope that the City will survive this current period of increasing municipal financial stress and be in a position to thrive as the recovery, hopefully, continues to mature. Certainly central to the City's long-term thinking is the need to recharge reserves as quickly as possible in the event that the weak economy reverts back into recession.

As non-school local aid continues to be below fiscal year 2001 highs, unadjusted for inflation and under levels not seen locally since the mid 1980's, the City continues to be focused upon issues that are more in local control. The City's economic development agenda is paying some dividends, however long-term continued growth has to be questioned in the current economic climate. Because the City must pin hopes for greater fiscal stability on new growth revenues from economic development, City development officials continue to work diligently with the development community to identify potential projects and sources of financing. That effort has had some measurable success, but even projects that are getting underway are months if not years behind schedule. Precious new growth has been lost that would have otherwise placed the City's budget in better stead, and will therefore need to be made up by even greater attention to attracting development when conditions are more favorable.

Despite the less than favorable economic conditions, optimism is still well placed in the local potential for future growth, as the city's greatest asset, proximity to Boston, has not changed. With a new hotel open and the work on the second phase of the Mystic Mall redevelopment now complete, the City turns its attention to the construction of a residential development on Sixth Street, another new hotel and the biggest potential prize of them all, the construction of the FBI regional headquarters, all to be built in the City's urban renewal district. Even in tough times, therefore, Chelsea is a place where investment wants to be. Unfortunately, though, that investment and the new tax revenues it is producing is only covering up for depressed non-school local aid levels.

Nonetheless, with survival as the theme, getting over the various hurdles that are confronting already approved projects and continuing to plan for the next wave of investment will help ensure that additional revenues can be generated locally to support future budget needs. So, too, will the City's "entrepreneurial activities" which are meant to again generate more revenues locally. While government is not in the "business" of being real estate developers, entrepreneurial activities like the sale of urban renewal land can help to fill the gapping holes left in the City's budget by reduced local aid transfers. Thus, as City officials work to address structural deficits, a central focus continues to be the generation of local revenues, as well as the controlling of general spending.

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

The great challenge on the expenditure side over the last twenty years has been addressed, not fully, but sufficiently to bring future increases into a more manageable realm. Health insurance spending had seen routine, double-digit increases, with those annual increases often outpacing the growth of existing property tax charges in various years. While health insurance is one of the most difficult expenditures for the City to impact, years of lobbying and advocacy by the City and others resulted in new state law giving the City more control. That control proved valuable in fiscal year 2012, as the City negotiated with its unions and agreed to a new health care program. That program saves the City more than \$1 million on annual premiums, and has the potential of lowering the rate of growth in costs going forward. Health insurance is still likely to increase at greater than revenue growth and general budget spending, but hopefully not at the multiples it has in the past.

Additionally, other “budget busters” are also being directly restrained. Debt service, for example, is under control, as the City makes a conscious effort to reduce the account’s impact on the bottom line. Merited pay raises are being negotiated fairly, although labor contracts are yet to be signed and therefore carry with them some risk of upsetting the fragile balance in the City’s budgets and projections going forward. 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 the recession and some suggestion that future earnings estimates are overstated 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. Expiring grants, especially for firefighter positions, require the City to supplement those federal accounts or lose the valuable positions they support. Other grants are also being reduced or eliminated, therefore leaving the City with less outside resources to undertake valued local work.

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

As a result of a strict adherence to financial reserve policies, the City, as authorized by the City Council, steadily built up reserves in the good years in anticipation of a time when revenue growth would slow or stop. The realities of the most recent and current economic conditions, however, continue to negatively impact the City’s revenue prospects in fiscal year 2013 and likely for several additional fiscal years thereafter. Reserves, therefore, have been used in fiscal year 2013 and will be further drawn again in fiscal year 2014, 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 deep recession and the lag now that we are into a recovery can only be offset for so long. In general, the City believes that strong local management, supported, most importantly, by a responsible City Council, as well as economic development opportunities that still exist, even in a general economy in stagnation, provide optimism at a time that pessimism still has the attention of many. 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 stagnation in non-school local aid. Fortunately, City development plans are still advancing projects, and City financial efforts are keeping projected structural deficits at manageable levels which can then be filled by reserves. The current financial plan takes into account likely "hits" to revenues, and projects a forecast which has the City able to negotiate through several more years of historically low local aid contributions and uncertain new growth in property taxes. Of course, it is impossible to predict when those and other revenues will be more robust. However, the same fiscal constraint that has served the City well for the last decade and a half provides evidence that the City has a track record of successfully addressing financial issues.

Some deferment of core service issues must be addressed, like staffing levels. Positions have already been eliminated, with a plan in place for others to also be eliminated if the need arises. There is strain within City government, but, arguably, the general public has not noticed a difference in the manner in which the City provides services. In fact, the targeted growth in at least one priority area, policing, has been preserved, with the Chelsea Police Department now boasting its largest force ever. Other important public safety offices have also been held harmless, like the Fire Department, with a modest 1% increase in the headcount and promise of backfilling disappearing federal aid for staffing with City funding runs counter to non-public safety department experience. 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. A 56-unit, market rate project is now underway, complementing Parkside Commons and, perhaps, providing the impetus for greater mixed-use redevelopment of a center that is seemingly already built-out. Similar to Chelsea Commons, City development officials hope that the hugely successful Market Basket at Mystic Mall and the redevelopment of the former Market Basket space into smaller retailing and restaurants, including Starbucks, will only be the beginning of several significant phases of redevelopment that bring greater expansion to the Mystic Mall and strengthens the City's already burgeoning commercial district along Everett Avenue.

Development elsewhere promises to continue the City's dramatic record of success, including the new Marriott Residence Inn that has just opened in the City's highly successful Everett Avenue Urban Renewal District (EAURD). Another hotel could soon follow in the area of the Residence Inn and the Wyndham Hotel. While work continues on that potential project, another project, the residential development of the Sixth Street parcel acquired by the City as part of urban renewal action is set to break ground. Lastly, and perhaps with most impact, the pending groundbreaking of the FBI regional headquarters in the City's urban renewal district and so very visible to Route 1 should have a significant impact on new growth revenues, and, more importantly, prospects for even further confidence in investing and development here in the future.

Neighborhood enhancement is aided by economic development and promotes greater financial stability. The City has been most successful in resolving many neighborhood issues, most notably "residential/industrial" conflicts that retard the growth of neighborhoods. Just recently, another example embodying the City's planning, vision, action and achievement on the residential/industrial conflict agenda was realized. Having envisioned a residential neighborhood in the Gerrish Avenue area following a 1997 fire at Standard Box, the then most significant industrial presence in the neighborhood, the City was able to help move another major industrial user, Atlas Bedding, to a more appropriate industrial location.

Several phases in the newly established "Box District" have taken place, with the most recently concluded phase, the redevelopment of the Atlas Bedding factory, opening with great fanfare. A new park has opened next to the site of the former Sudbury Brass building, which has been demolished and is being replaced with another Chelsea Neighborhood Developer's affordable housing project there. Across the street, the City anticipates another market rate housing development to break ground in the spring as a result of a new economic tool the State has provided for municipalities, the Housing Development Incentive Program. The upgrading of Chelsea's neighborhoods, including projects completed recently on Spencer Avenue and at One Webster, is fueling the overall livability of the community.

Community development impacts the livability of neighborhoods by helping individuals and families enjoy personal growth on the way to contributing more to the community. In the schools and throughout any of the City's accomplished community-based organizations, programs and activities are achieving that broad goal. For example, the creation of a new afterschool program, Chelsea REACH, augments that which happens during traditional school hours and continues to demonstrate the "leading-edge" of the City's overall community development agenda. As a result, many pressing local issues continue to be identified and targeted for action. Many of those issues find their leadership among the City's community-based partners, a set of active and engaged advocacy and program providing agencies that collectively rival the best and most effective that can be found anywhere.

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

Loyalty to the government philosophy continues to permeate City government. Technology has especially allowed residents and municipal officials to interact and collaborate. Throughout City Hall and out to the community and beyond, the City's efforts to remain open and engaging has resulted in the establishment of a better general understanding of government and an advancement of partnerships that address common agendas. The City has used five "Occasional Forums for Public Input" to bring residents together to talk about trash, parking, health, economic development and general areas of interest. As a result, major initiatives have been adopted about trash and parking, with another, that one relating to drugs, soon to be unveiled. Those highly successful community-wide meetings and an expanded information sharing effort on email known as "The Inside Scoop" has City Hall reaching out to engaging residents in so many more aspects of their community.

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

## **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City participates in a premium-based health care plan for its active employees.

The City is self-insured for a portion of its retirees' health insurance and all of its workers' compensation activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. Effective May 1, 2012, Retiree Health Insurance is now a premium based medical insurance coverage plan.

## **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, 2012, totaled approximately \$22,000,000, of which \$960,000 relates to school remodeling projects and \$9,500,000 relates to urban renewal, leaving a balance of \$11,540,000 related to CIP projects.

Since fiscal year 1997, the City had funded a portion (\$200,000 annually) of its CIP on a "pay-as-you-go" basis out of current revenues. In order to maintain this type of funding, even in difficult economic conditions, a Capital Stabilization Fund was established and, as of June 30, 2012, the fund totaled approximately \$990,000.

## **CASH MANAGEMENT**

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

Idle cash is invested. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City does not require collateral for its certificates of deposit, money market accounts, checking or savings accounts when dealing with major banking institutions in the Boston area. However, City officials reserve the right to require collateral when it is in the best interest of the City to do so.

At June 30, 2012, general fund cash and cash equivalents and investments totaled \$32,453,773.

## **INDEPENDENT AUDIT**

The City's financial records, books of accounts and financial transactions are audited each fiscal year by an independent firm of certified public accountants. The independent public accounting firm of Sullivan, Rogers & Company, LLC performed the City's annual audit for the fiscal year ended June 30, 2012. The independent auditors' report on the basic financial statements, for the fiscal year ended June 30, 2012, is included herein and contains an unqualified opinion.

## CERTIFICATES, AFFILIATIONS AND AWARDS

For the fourteenth 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, 2011 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 2012 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.

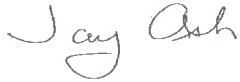
Yes, not everything is perfect. We are sometimes reminded of this by local observers or discover it ourselves as we experience happenings or self-detected realizations. Admitting that perfection is still a ways-off is no condemnation, as no community can claim to be without shortcomings. Admitting the 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 2012 CAFR. Once again, municipal government is not only accurately and openly reporting on its operations, but also doing so in a manner which demonstrates why Chelsea City government is the transparent success it is.

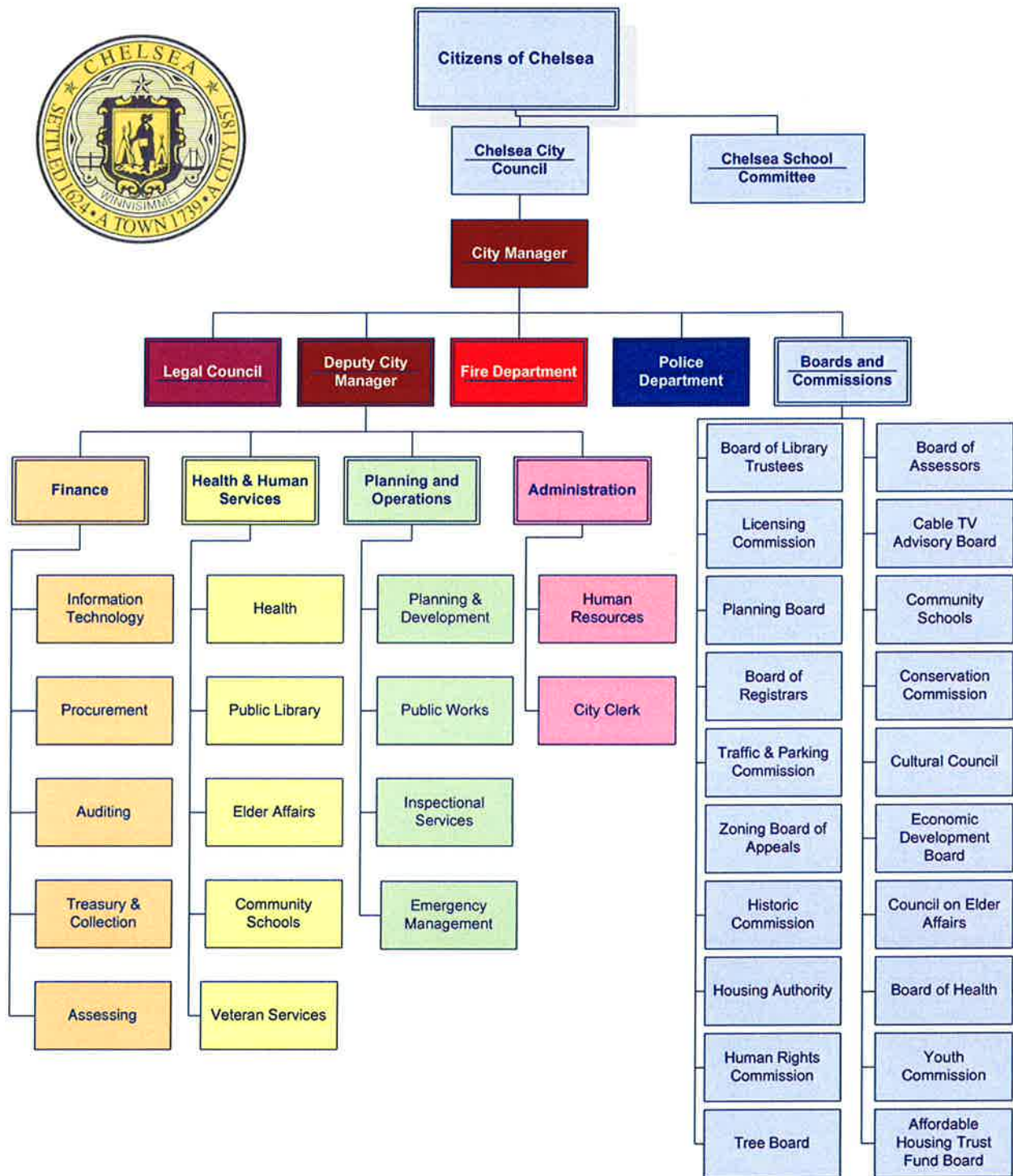
Very truly yours,

A handwritten signature in cursive script that reads "Jay Ash".

Jay Ash  
City Manager



# City of Chelsea Organization



## Elected Officials - City Council

---

At Large	Leo Robinson, <i>President</i>
At Large	Calvin T. Brown
At Large	Brian Hatleberg
District One	Paul R. Murphy
District Two	Christopher Cataldo
District Three	Matthew R. Frank
District Four	Paula S. Barton
District Five	Joseph Perlatonda
District Six	Giovanni A. Recupero
District Seven	Clifford Cunningham
District Eight	Dan Cortell, <i>Vice-President</i>

## Elected Officials - School Committee

---

At Large	Angel G. Meza
District One	Rosemarie Carlisle, <i>Delegate to City Council</i>
District Two	Jeannette Velez
District Three	Carlos J. Rodriguez
District Four	Lucia H. Colón, <i>Chairperson</i>
District Five	Lisa Lineweaver, <i>Vice Chairperson</i>
District Six	Ana Hernandez
District Seven	Charles Klauder
District Eight	Edward C. Ells

# Principal Officials

---

Department	Official(s)	Additional Areas of Authority
Assessors	Philip J. Waterman, Chairman Ken Stein, Director	
Auditing	Edward Dunn, Auditor	
City Clerk	Deborah Clayman, City Clerk	Traffic & Parking
City Council	Leo Robinson, President Paul Casino, Administrator	
Executive	Jay Ash, City Manager Ned Keefe, Deputy City Manager	
Emergency Management	Allan Alpert, Director	E911
Fire Chief	Robert Better, Jr., Chief	
Health & Human Services	Luis Prado, Director	Elder Affairs, Health, Library, Veterans Services, Community Schools
Human Resources	Karen Budrow, Director	
Inspectional Services	Joseph Cooney, Director	
Legal	Cheryl Watson, City Solicitor	
M.I.S.	John Hyland, Director	
Planning & Development	John DePriest, Executive Director	Planning, Economic Development, Housing
Police	Brian Kyes, Chief	Animal Control, Harbor Master
Public Works	Joseph Foti, Director	
Retirement Board	Joseph Siewko, Chairman	
School	Lucia H. Colón, Chairperson Mary M. Bourque, Superintendent	
Treasurer/Collector	Robert Boulrice, Director Treasurer/Collector	Central Billing and Research
Veteran Services	Francisco Toro, Director	

# 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, 2011

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



*Linda C. Davidson*

President

*Jeffrey R. Enos*

Executive Director

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# *Financial Section*



*Certified Public Accountants*

**SULLIVAN, ROGERS & COMPANY, LLC**

Corporate Place I, Suite 204 • 99 South Bedford Street

Burlington, Massachusetts 01803

P • 781-229-5600 F • 781-229-5610 [www.sullivan-rogers.com](http://www.sullivan-rogers.com)

**Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chelsea, Massachusetts, as of and for the fiscal year ended June 30, 2012 (except for the Chelsea Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2011), which collectively comprise the City of Chelsea, Massachusetts' 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.

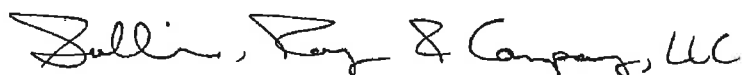
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2012 (except for the Chelsea Contributory Retirement System, which is as of December 31, 2011), and the respective changes in financial position and cash flows, where applicable, thereof for the 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 January 11, 2013 on our consideration of the City of Chelsea, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 21 through 30) and budgetary comparison and certain pension and other postemployment benefits information (located on pages 74 through 87) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



January 11, 2013



## **Management's Discussion and Analysis**

As management of the City of Chelsea, Massachusetts (City), we offer readers of these financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2012.

### *Financial Highlights*

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$100,798,455 (net assets).
- The City's total net assets decreased \$6,338,171.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$24,079,453, or 19.7 percent of total general fund expenditures and transfers out.
- The City's total outstanding long-term debt principal decreased by \$3,387,853 during the fiscal year. The City issued \$2,012,390 in general obligation bonds and MWRA notes during the fiscal year.

### *Overview of the Basic Financial Statements*

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

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

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

### Government-wide financial statements

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

The **statement of net assets** presents information on all of the City's non-fiduciary assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

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

The government-wide financial statements can be found on pages 32-34 of this report.

### Fund financial statements

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

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

#### **Governmental Funds**

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

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

The City maintains 18 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other 17 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements on pages 89-97 of this report.

The basic governmental funds financial statements can be found on pages 35-38 of this report.

#### **Proprietary funds**

The City maintains two types of proprietary funds.

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

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for a portion of its retirees' health insurance and all of its workers' compensation risk-financing activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements but are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements on pages 98-101 of this report.

The basic proprietary fund financial statements can be found on pages 39-41 of this report.

**Fiduciary funds**

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

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

The basic fiduciary fund financial statements can be found on pages 42-43 of this report.

**Notes to the basic financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 44-73 of this report.

**Required Supplementary and Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding the budget comparison for the general fund and certain pension and other postemployment benefits information. Such information can be located on pages 74-87 of this report.

The combining statements previously referred to are presented immediately following the required supplementary information.

*Government-Wide Financial Analysis*

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

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$100,798,455 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current assets.....	\$ 60,010,074	\$ 57,049,368	\$ 16,248,844	\$ 14,362,579	\$ 76,258,918	\$ 71,411,947
Noncurrent assets (excluding capital assets).....	1,596,038	1,239,664	-	10,146	1,596,038	1,249,810
Capital assets (net).....	130,253,034	130,996,901	22,967,033	21,554,830	153,220,067	152,551,731
Total assets.....	191,859,146	189,285,933	39,215,877	35,927,555	231,075,023	225,213,488
<b>Liabilities</b>						
Current liabilities (excluding debt).....	6,122,591	5,478,021	283,262	180,598	6,405,853	5,658,619
Noncurrent liabilities (excluding debt).....	87,770,914	73,024,678	988,235	894,146	88,759,149	73,918,824
Current debt.....	2,756,573	2,761,359	2,191,805	2,068,884	4,948,378	4,830,243
Noncurrent debt.....	18,919,909	21,282,482	11,243,279	12,386,694	30,163,188	33,669,176
Total liabilities.....	115,569,987	102,546,540	14,706,581	15,530,322	130,276,568	118,076,862
<b>Net Assets</b>						
Invested in capital assets (net of related debt).....	110,297,865	123,198,732	15,188,269	13,645,212	125,486,134	136,843,944
Restricted.....	21,541,560	5,330,361	-	-	21,541,560	5,330,361
Unrestricted.....	(55,550,266)	(41,789,700)	9,321,027	6,752,021	(46,229,239)	(35,037,679)
Total net assets.....	\$ 76,289,159	\$ 86,739,393	\$ 24,509,296	\$ 20,397,233	\$ 100,798,455	\$ 107,136,626

The largest portion of the City's net assets (\$125,486,134) reflects its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and infrastructure); less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (\$21,541,560) represents resources that are subject to external restrictions on how they may be used.

Unrestricted net assets of \$9,321,027 may be used to meet the City's ongoing obligations to citizens and creditors for the City's water and sewer activities.

The City has no unrestricted net assets available for the support of governmental activities. Such resources have been consumed with the recognition of postemployment benefits liabilities.

Changes in Net Assets

For the fiscal year ended June 30, 2012, the City's total net assets decreased by \$6,338,171, compared to a decrease of \$7,909,738 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for services.....	\$ 8,934,069	\$ 8,596,711	\$ 18,344,616	\$ 17,304,563	\$ 27,278,685	\$ 25,901,274
Operating grants and contributions.....	78,837,387	78,148,183	21,966	-	78,859,353	78,148,183
Capital grants and contributions.....	(1,065,126)	408,766	1,671	404,724	(1,063,455)	813,490
<i>General Revenues:</i>						
Real estate and personal property taxes.....	38,375,534	37,049,408	-	-	38,375,534	37,049,408
Motor vehicle and other excise taxes.....	8,253,392	7,001,354	-	-	8,253,392	7,001,354
Meals and room taxes.....	602,918	556,526	-	-	602,918	556,526
Penalties and interest on taxes.....	553,029	457,401	-	-	553,029	457,401
Payments in lieu of taxes.....	1,221,920	1,483,189	-	-	1,221,920	1,483,189
Grants and contributions not restricted to specific programs.....	7,718,417	7,698,509	-	-	7,718,417	7,698,509
Unrestricted investment income.....	406,508	940,588	-	-	406,508	940,588
Gain on sale of permanent easement.....	-	2,115,000	-	-	-	2,115,000
Total revenues.....	143,838,048	144,455,635	18,368,253	17,709,287	162,206,301	162,164,922
<b>Expenses</b>						
General government.....	6,303,492	8,878,505	-	-	6,303,492	8,878,505
Public safety.....	34,245,664	38,057,558	-	-	34,245,664	38,057,558
Education.....	101,583,304	97,529,142	-	-	101,583,304	97,529,142
Public works.....	6,392,827	6,888,278	-	-	6,392,827	6,888,278
Health and human services.....	4,003,944	1,845,688	-	-	4,003,944	1,845,688
Culture and recreation.....	909,974	990,915	-	-	909,974	990,915
Community development.....	1,774,591	1,345,920	-	-	1,774,591	1,345,920
Debt service - interest.....	742,879	1,918,692	-	-	742,879	1,918,692
Water and sewer.....	-	-	12,587,797	12,619,962	12,587,797	12,619,962
Total expenses.....	155,956,675	157,454,698	12,587,797	12,619,962	168,544,472	170,074,660
Change in net assets before transfers.....	(12,118,627)	(12,999,063)	5,780,456	5,089,325	(6,338,171)	(7,909,738)
Transfers, net.....	1,668,393	497,270	(1,668,393)	(497,270)	-	-
Change in net assets.....	(10,450,234)	(12,501,793)	4,112,063	4,592,055	(6,338,171)	(7,909,738)
Net assets - beginning of year.....	86,739,393	99,241,186	20,397,233	15,805,178	107,136,626	115,046,364
Net assets - end of year.....	\$ 76,289,159	\$ 86,739,393	\$ 24,509,296	\$ 20,397,233	\$ 100,798,455	\$ 107,136,626

Governmental activities decreased the City's net assets by \$10,450,234. In the prior year, governmental activities decreased the City's net assets by \$12,501,793. The key element of this change is a smaller decrease in net assets related to the City's net OPEB obligation of approximately \$4,000,000, resulting from several changes in assumptions of the most recent OPEB actuarial valuation.

Business-type activities increased the City's net assets by \$4,112,063. This is consistent with the prior year increase in net assets of \$4,592,055.

### *Fund Financial Statement Analysis*

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

#### Governmental funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$50,929,400, an increase of \$2,492,457 in comparison with the prior year. Approximately \$24,079,000 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$1,069,686)
- Restricted (\$20,631,622)
- Committed (\$2,099,166)
- Assigned (\$3,049,473)

The general fund is the primary operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$24,079,453, while total fund balance was \$29,387,598. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 19.7% of total general fund expenditures and transfers out, while total fund balance represents 24.0% of that same amount.

The balance of the City's general fund increased \$2,656,545 during fiscal year 2012. Although the City recognized a positive budget to actual variance totaling approximately \$11,650,000 (prior to encumbrances and continuing appropriations), approximately \$8,600,000 of reserves were used to fund the fiscal year 2012 budget.

#### Proprietary funds

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

Unrestricted net assets of the water and sewer enterprise fund at the end of the year amounted to \$9,321,027. The water and sewer enterprise fund had an increase in net assets for the year of \$4,112,063. Other factors concerning the finances of the fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The original general fund budget of \$115,177,250 was increased by \$5,021,864 (4.4%) during the fiscal year. The following table summarizes the increase:

Purpose of Increase/Decrease	Amount	Funding Source
Various capital projects.....	\$ 1,144,550	Unassigned fund balance
School capital projects.....	790,000	Unassigned fund balance
Streetlights.....	750,000	Unassigned fund balance
324 Marginal Street.....	500,000	Unassigned fund balance
Education.....	475,300	Unassigned fund balance
Law department.....	315,000	Unassigned fund balance
Urban development.....	315,000	Unassigned fund balance
Police department.....	207,500	Intergovernmental revenues
Washington park.....	104,465	Intergovernmental revenues
Streets and sidewalks.....	92,500	Intergovernmental revenues
Public works vehicles.....	72,000	Unassigned fund balance
Planning and development.....	60,000	Intergovernmental revenues
Fire details.....	48,475	Unassigned fund balance
Claims and judgments.....	47,458	Unassigned fund balance
Public works.....	45,000	Unassigned fund balance
Inspectional services vehicles.....	32,750	Unassigned fund balance
Education.....	11,728	Intergovernmental revenues
Police details.....	5,802	Unassigned fund balance
Fire department.....	4,658	Transfer from nonmajor governmental funds
Elder affairs.....	4,000	Unassigned fund balance
Purchasing department.....	1,296	Unassigned fund balance
Debt service interest.....	829	Unassigned fund balance
Canceled encumbrances.....	(6,447)	Unassigned fund balance
Total net increase.....	\$ 5,021,864	

During the year, general fund revenues and other financing sources exceeded budgetary estimates and expenditures, encumbrances and continuing appropriations were less than appropriations, resulting in an actual increase in fund balance that exceeded the final amended budget amount by approximately \$8,603,000.

*Capital Asset and Debt Administration*Capital assets

The City's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$153,220,067 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure. The total increase in the investment in capital assets for the current fiscal year totaled 0.4% (a 0.5% decrease for governmental activities and a 0.9% increase for business-type activities).



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

- Continued improvements to water and sewer infrastructure (\$2,072,624)
- Continued reconstruction of roadways, sidewalks and drains (\$1,857,212)
- Disposals of various machinery and equipment (\$2,385,422)
- Various capital projects related to the City's "Box District" (\$661,843)

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

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2012	2011	2012	2011	2012	2011
Land.....	\$ 17,908,663	\$ 17,475,050	\$ -	\$ -	\$ 17,908,663	\$ 17,475,050
Construction in progress.....	125,429	96,754	245,000	245,000	370,429	341,754
Buildings and improvements.....	96,134,657	97,990,398	-	-	96,134,657	97,990,398
Machinery and equipment.....	3,769,598	4,552,379	-	-	3,769,598	4,552,379
Infrastructure.....	12,314,687	10,882,320	22,722,033	21,309,830	35,036,720	32,192,150
Total capital assets.....	<u>\$ 130,253,034</u>	<u>\$ 130,996,901</u>	<u>\$ 22,967,033</u>	<u>\$ 21,554,830</u>	<u>\$ 153,220,067</u>	<u>\$ 152,551,731</u>

Additional information on the City's capital assets can be found in Note 5 on pages 58-59 of this report.

### Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$35,111,566, which is backed by the full faith and credit of the City, and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2012	2011	2012	2011	2012	2011
General obligation bonds.....	\$ 21,341,482	\$ 23,623,841	\$ 10,252,455	\$ 11,299,067	\$ 31,593,937	\$ 34,922,908
State House notes.....	335,000	420,000	-	-	335,000	420,000
MWRA notes.....	-	-	3,182,629	3,156,511	3,182,629	3,156,511
Total bonds and notes.....	<u>\$ 21,676,482</u>	<u>\$ 24,043,841</u>	<u>\$ 13,435,084</u>	<u>\$ 14,455,578</u>	<u>\$ 35,111,566</u>	<u>\$ 38,499,419</u>

The City's total bonded debt decreased \$3,387,853 (or 8.8%) during the fiscal year. The City issued \$2,012,390 in general obligation bonds and MWRA notes during the fiscal year.

The City received an AA bond rating from Standard & Poor's for the general obligation bonds issued on May 1, 2012.

State statutes limit the amount of general obligation debt the City may issue to 5% of its total assessed valuation. The current debt limit is \$111,887,125. However, through various debt exclusions, the City's legal debt margin (capacity to borrow within the debt limit) totals \$94,921,143.

Additional information on the City's long-term debt can be found in Note 10 on pages 61-65 of this report.

*Requests for Information*

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

## Basic Financial Statements

## STATEMENT OF NET ASSETS

JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents.....	\$ 22,296,216	\$ 6,524,377	\$ 28,820,593
Restricted cash and cash equivalents.....	20,042,683	5,673,466	25,716,149
Investments.....	10,007,557	-	10,007,557
Restricted investments.....	1,987,340	-	1,987,340
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	1,617,020	-	1,617,020
Tax, trash and utility liens.....	871,344	356,235	1,227,579
Motor vehicle and other excise taxes.....	1,748,175	-	1,748,175
User charges.....	-	3,694,766	3,694,766
Trash.....	247,263	-	247,263
Departmental and other.....	1,113,662	-	1,113,662
Loans.....	69,308	-	69,308
Prepaid expenses.....	9,506	-	9,506
Total current assets.....	60,010,074	16,248,844	76,258,918
Noncurrent assets:			
Restricted cash and cash equivalents.....	150,000	-	150,000
Receivables, net of allowance for uncollectible amounts:			
Loans.....	968,480	-	968,480
Tax foreclosures.....	477,558	-	477,558
Capital assets not being depreciated.....	18,034,092	245,000	18,279,092
Capital assets, net of accumulated depreciation.....	112,218,942	22,722,033	134,940,975
Total noncurrent assets.....	131,849,072	22,967,033	154,816,105
Total assets.....	191,859,146	39,215,877	231,075,023
<b>LIABILITIES</b>			
Current liabilities:			
Warrants payable.....	4,200,033	156,361	4,356,394
Accrued payroll.....	74,314	-	74,314
Tax refunds payable.....	173,200	-	173,200
Other liabilities.....	2,536	-	2,536
Abandoned property.....	144,341	-	144,341
Customer deposits.....	-	17,146	17,146
Accrued interest.....	407,718	109,755	517,473
Workers' compensation claims.....	222,449	-	222,449
Compensated absences.....	898,000	-	898,000
Long-term bonds and notes payable.....	2,756,573	2,191,805	4,948,378
Total current liabilities.....	8,879,164	2,475,067	11,354,231
Noncurrent liabilities:			
Workers' compensation claims.....	135,752	-	135,752
Compensated absences.....	3,912,000	-	3,912,000
Net OPEB obligation.....	83,723,162	988,235	84,711,397
Long-term bonds and notes payable.....	18,919,909	11,243,279	30,163,188
Total noncurrent liabilities.....	106,690,823	12,231,514	118,922,337
Total liabilities.....	115,569,987	14,706,581	130,276,568
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	110,297,865	15,188,269	125,486,134
Restricted for:			
OPEB.....	150,000	-	150,000
Permanent funds:			
Expendable.....	99,681	-	99,681
Nonexpendable.....	22,392	-	22,392
Other specific purposes.....	21,269,487	-	21,269,487
Unrestricted.....	(55,550,266)	9,321,027	(46,229,239)
Total net assets.....	\$ 76,289,159	\$ 24,509,296	\$ 100,798,455

See notes to basic financial statements.

# STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/ Revenue	
Primary government:						
Governmental activities:						
General government.....	\$ 6,303,492	\$ 1,506,772	\$ 376,433	\$ -	\$ (4,420,287)	
Public safety.....	34,245,664	4,335,583	2,800,790	13,976	(27,095,315)	
Education.....	101,583,304	1,388,014	72,688,641	-	(27,506,649)	
Public works.....	6,392,827	1,421,310	7,000	(1,080,277)	(6,044,794)	
Health and human services.....	4,003,944	85,669	606,308	-	(3,311,967)	
Culture and recreation.....	909,974	27,230	52,219	-	(830,525)	
Community development.....	1,774,591	169,491	2,267,345	1,175	663,420	
Debt service - interest.....	742,879	-	38,651	-	(704,228)	
Total governmental activities....	155,956,675	8,934,069	78,837,387	(1,065,126)	(69,250,345)	
Business-type activities:						
Water and sewer.....	12,587,797	18,344,616	21,966	1,671	5,780,456	
Total primary government.....	\$ 168,544,472	\$ 27,278,685	\$ 78,859,353	\$ (1,063,455)	\$ (63,469,889)	

(continued)

# STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Changes in net assets:</b>			
Net (expense)/revenue (from previous page)...	\$ (69,250,345)	\$ 5,780,456	\$ (63,469,889)
<i>General revenues:</i>			
Real estate and personal property taxes.....	38,375,534	-	38,375,534
Motor vehicle and other excise taxes.....	8,253,392	-	8,253,392
Meals and room taxes.....	602,918	-	602,918
Penalties and interest on taxes.....	553,029	-	553,029
Payments in lieu of taxes.....	1,221,920	-	1,221,920
Grants and contributions not restricted to specific programs.....	7,718,417	-	7,718,417
Unrestricted investment income.....	406,508	-	406,508
Transfers, net .....	1,668,393	(1,668,393)	-
Total general revenues and transfers.....	58,800,111	(1,668,393)	57,131,718
Change in net assets.....	(10,450,234)	4,112,063	(6,338,171)
Net assets - beginning of year.....	86,739,393	20,397,233	107,136,626
Net assets - end of year.....	\$ 76,289,159	\$ 24,509,296	\$ 100,798,455

See notes to basic financial statements.

(concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2012

ASSETS	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 22,296,216	\$ -	\$ 22,296,216
Investments.....	10,007,557	-	10,007,557
Restricted cash and cash equivalents.....	150,000	19,402,585	19,552,585
Restricted investments.....	-	1,987,340	1,987,340
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	1,617,020	-	1,617,020
Tax and trash liens.....	871,344	-	871,344
Motor vehicle and other excise taxes.....	1,748,175	-	1,748,175
Trash.....	247,263	-	247,263
Departmental and other.....	712,606	401,056	1,113,662
Loans.....	-	1,037,788	1,037,788
Due from other funds.....	337,870	-	337,870
Prepaid expenditures.....	9,506	-	9,506
Tax foreclosures.....	477,558	-	477,558
<b>TOTAL ASSETS.....</b>	<b>\$ 38,475,115</b>	<b>\$ 22,828,769</b>	<b>\$ 61,303,884</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Warrants payable.....	\$ 3,250,936	\$ 949,097	\$ 4,200,033
Accrued payroll.....	74,314	-	74,314
Tax refunds payable.....	173,200	-	173,200
Other liabilities.....	2,536	-	2,536
Abandoned property.....	141,994	-	141,994
Deferred revenue.....	5,444,537	-	5,444,537
Due to other funds.....	-	337,870	337,870
<b>TOTAL LIABILITIES.....</b>	<b>9,087,517</b>	<b>1,286,967</b>	<b>10,374,484</b>
<b>FUND BALANCES:</b>			
Nonspendable.....	9,506	1,060,180	1,069,686
Restricted.....	150,000	20,481,622	20,631,622
Committed.....	2,099,166	-	2,099,166
Assigned.....	3,049,473	-	3,049,473
Unassigned.....	24,079,453	-	24,079,453
<b>TOTAL FUND BALANCES.....</b>	<b>29,387,598</b>	<b>21,541,802</b>	<b>50,929,400</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 38,475,115</b>	<b>\$ 22,828,769</b>	<b>\$ 61,303,884</b>

See notes to basic financial statements.

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

JUNE 30, 2012

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Total governmental fund balances (page 35).....	\$ 50,929,400
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....	130,253,034
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....	5,444,537
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....	(407,718)
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.....	(21,676,482)
Compensated absences.....	(4,810,000)
Net OPEB obligation.....	(83,723,162)
Internal service funds are used by management to account for 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.....	279,550
Net assets of governmental activities (page 32).....	\$ <u>76,289,159</u>

See notes to basic financial statements.



**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Real estate and personal property taxes.....	\$ 37,851,061	\$ -	\$ 37,851,061
Motor vehicle and other excise taxes.....	7,161,510	-	7,161,510
Meals and room taxes.....	602,918	-	602,918
Tax and trash liens.....	697,979	-	697,979
Payments in lieu of taxes.....	1,221,920	-	1,221,920
Charges for services.....	-	3,403,374	3,403,374
Trash disposal.....	1,417,444	-	1,417,444
Intergovernmental.....	68,472,887	16,812,389	85,285,276
Penalties and interest on taxes.....	553,029	-	553,029
Licenses and permits.....	1,217,335	-	1,217,335
Fines and forfeitures.....	1,660,704	-	1,660,704
Departmental and other.....	1,118,876	289,768	1,408,644
Contributions.....	-	1,356,822	1,356,822
Investment income.....	373,857	303,328	677,185
<b>TOTAL REVENUES.....</b>	<b>122,349,520</b>	<b>22,165,681</b>	<b>144,515,201</b>
<b>EXPENDITURES</b>			
Current:			
General government.....	3,418,905	286,998	3,705,903
Public safety.....	17,084,626	4,246,150	21,330,776
Education.....	64,442,707	14,035,724	78,478,431
Public works.....	4,446,865	2,527,726	6,974,591
Health and human services.....	932,525	318,359	1,250,884
Culture and recreation.....	371,520	80,759	452,279
Community development.....	-	3,117,710	3,117,710
Pension benefits.....	12,258,832	-	12,258,832
Employee benefits.....	6,763,964	-	6,763,964
Property and liability insurance.....	373,711	-	373,711
Claims and judgments.....	29,167	-	29,167
State and county charges.....	5,507,326	-	5,507,326
Debt service:			
Principal.....	2,761,359	-	2,761,359
Interest.....	1,118,855	-	1,118,855
<b>TOTAL EXPENDITURES.....</b>	<b>119,510,362</b>	<b>24,613,426</b>	<b>144,123,788</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>2,839,158</b>	<b>(2,447,745)</b>	<b>391,413</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in.....	2,747,029	3,483,292	6,230,321
Issuance of bonds and notes.....	-	394,000	394,000
Premium from issuance of bonds and notes.....	38,651	-	38,651
Transfers out.....	(2,968,293)	(1,593,635)	(4,561,928)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(182,613)</b>	<b>2,283,657</b>	<b>2,101,044</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>2,656,545</b>	<b>(164,088)</b>	<b>2,492,457</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>26,731,053</b>	<b>21,705,890</b>	<b>48,436,943</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 29,387,598</b>	<b>\$ 21,541,802</b>	<b>\$ 50,929,400</b>

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**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds (page 37).....	\$ 2,492,457
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>	
Capital outlays.....	4,843,082
Depreciation.....	(5,586,949)
<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>	
	(715,805)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Issuance of bonds and notes.....	(394,000)
Bond maturities.....	2,761,359
Capital lease maturities.....	78,899
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>	
	375,977
<p>Some expenses reported in the statement activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Compensated absences.....	(1,270,000)
Net OPEB obligation.....	(12,925,162)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of the internal service funds is reported with governmental activities.....</p>	
	(110,092)
Changes in net assets of governmental activities (page 34).....	<u>\$ (10,450,234)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF FUND NET ASSETS**

JUNE 30, 2012

	Business-Type Activities - Water & Sewer Enterprise	Governmental Activities - Internal Service Funds
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents.....	\$ 6,524,377	\$ -
Restricted cash and cash equivalents.....	5,673,466	640,099
Receivables, net of allowance for uncollectible amounts:		
User charges.....	3,694,766	-
Utility liens.....	356,235	-
Total current assets.....	16,248,844	640,099
Noncurrent assets:		
Capital assets not being depreciated.....	245,000	-
Capital assets, net of accumulated depreciation.....	22,722,033	-
Total noncurrent assets.....	22,967,033	-
Total assets.....	39,215,877	640,099
<b>LIABILITIES</b>		
Current liabilities:		
Warrants payable.....	156,361	-
Other liabilities.....	-	2,348
Customer deposits.....	17,146	-
Accrued interest.....	109,755	-
Workers' compensation claims.....	-	222,449
Long-term bonds and notes payable.....	2,191,805	-
Total current liabilities.....	2,475,067	224,797
Noncurrent liabilities:		
Workers' compensation claims.....	-	135,752
Net OPEB obligation.....	988,235	-
Long-term bonds and notes payable.....	11,243,279	-
Total noncurrent liabilities.....	12,231,514	135,752
Total liabilities.....	14,706,581	360,549
<b>FUND NET ASSETS</b>		
Invested in capital assets, net of related debt.....	15,188,269	-
Unrestricted.....	9,321,027	279,550
Total net assets.....	\$ 24,509,296	\$ 279,550

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Business-Type Activities - Water & Sewer Enterprise	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>		
Charges for services.....	\$ 18,344,616	\$ -
Employer contributions.....	-	918,702
Other.....	-	112,774
<b>TOTAL OPERATING REVENUES.....</b>	<b>18,344,616</b>	<b>1,031,476</b>
<b>OPERATING EXPENSES</b>		
Cost of service and administration.....	2,052,323	-
MWRA assessment.....	9,371,515	-
Repairs and maintenance.....	87,336	-
Depreciation.....	660,421	-
Employee benefits.....	-	1,146,333
<b>TOTAL OPERATING EXPENSES.....</b>	<b>12,171,595</b>	<b>1,146,333</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>6,173,021</b>	<b>(114,857)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income.....	-	4,765
Premium from issuance of refunding bonds.....	21,966	-
Interest expense.....	(416,202)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(394,236)</b>	<b>4,765</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....</b>	<b>5,778,785</b>	<b>(110,092)</b>
Capital contributions.....	1,671	
Transfers out.....	(1,668,393)	-
<b>CHANGES IN NET ASSETS.....</b>	<b>4,112,063</b>	<b>(110,092)</b>
<b>FUND NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>20,397,233</b>	<b>389,642</b>
<b>FUND NET ASSETS AT END OF YEAR.....</b>	<b>\$ 24,509,296</b>	<b>\$ 279,550</b>

See notes to basic financial statements.

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Water & Sewer Enterprise	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users.....	\$ 18,349,047	\$ -
Receipts from interfund services provided.....	-	1,031,476
Payments to vendors.....	(11,060,691)	-
Payments to employees.....	(252,960)	-
Payments for interfund services used.....	-	(1,164,132)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>7,035,396</b>	<b>(132,656)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers out.....	(1,668,393)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from the issuance of bonds and notes.....	1,043,390	-
Proceeds from the issuance of refunding bonds.....	575,000	-
Premium from issuance of refunding bonds.....	21,966	-
Intergovernmental grants/capital contributions.....	1,671	-
Acquisition and construction of capital assets.....	(2,072,624)	-
Principal payments on bonds and notes.....	(2,638,884)	-
Interest expense.....	(416,972)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(3,486,453)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income.....	-	4,765
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>1,880,550</b>	<b>(127,891)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b> (Includes \$10,146 reported as restricted in the Water/Sewer enterprise fund).....	<b>10,317,293</b>	<b>767,990</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (Includes \$5,673,466 and \$640,099 reported as restricted in the Water/Sewer enterprise fund and internal service fund, respectively).....	<b>\$ 12,197,843</b>	<b>\$ 640,099</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating income (loss).....	\$ 6,173,021	\$ (114,857)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Adjustments not requiring current cash flows:		
Depreciation.....	660,421	-
Net OPEB obligation.....	104,235	-
Adjustments requiring current cash flows:		
Changes in assets and liabilities:		
Utility liens.....	1,024	-
User charges.....	3,407	-
Warrants payable.....	86,288	-
Customer deposits.....	7,000	-
Accrued health claims payable.....	-	(58,000)
Workers' compensation claims.....	-	40,201
<b>Total adjustments.....</b>	<b>862,375</b>	<b>(17,799)</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 7,035,396</b>	<b>\$ (132,656)</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET ASSETS**

JUNE 30, 2012

<b>ASSETS</b>	Pension Trust Fund (As of 12/31/11)	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 571,887	\$ 533,667	\$ 877,777
Investments:			
External investment pools.....	75,945,270	-	-
Receivables, net of allowance for uncollectible amounts:			
Employer contributions.....	5,009,798	-	-
Total assets.....	81,526,955	533,667	877,777
<b>LIABILITIES</b>			
Warrants payable.....	166	2,150	1,938
Liabilities due depositors.....	-	-	875,839
Total liabilities.....	166	2,150	877,777
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes.....	\$ 81,526,789	\$ 531,517	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Pension Trust Fund (As of 12/31/11)	Private Purpose Trust Funds
<b>ADDITIONS</b>		
Contributions:		
Employer.....	\$ 9,339,362	\$ -
Plan members.....	2,741,400	-
Private donations.....	-	52,843
Total contributions.....	12,080,762	52,843
Net investment income:		
Net appreciation/(depreciation) in fair value of investments.....	(2,314,134)	-
Interest.....	2,345,109	4,282
Total investment income (loss).....	30,975	4,282
Less investment expense.....	(384,997)	-
Net investment income (loss).....	(354,022)	4,282
Intergovernmental.....	433,792	-
Transfers from other systems.....	294,117	-
TOTAL ADDITIONS.....	12,454,649	57,125
<b>DEDUCTIONS</b>		
Administration.....	186,665	-
Retirement benefits and refunds.....	9,340,711	-
Transfers to other systems.....	414,682	-
Scholarships awarded.....	-	56,442
TOTAL DEDUCTIONS.....	9,942,058	56,442
CHANGE IN NET ASSETS.....	2,512,591	683
NET ASSETS AT BEGINNING OF YEAR.....	79,014,198	530,834
NET ASSETS AT END OF YEAR.....	\$ 81,526,789	\$ 531,517

See notes to basic financial statements.

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

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

**B. Reporting Entity**

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

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

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

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

**Fiduciary Fund Component Unit**

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

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

**Joint Venture**

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



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

Name	Purpose	Address	Fiscal Year 2012 Assessment
Northeast Metropolitan Regional Vocational School District	To provide vocational education services	100 Hemlock Road Wakefield, MA 01880	\$ 589,673

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

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

#### Government-Wide Financial Statements

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

#### Fund Financial Statements

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

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

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

#### Government-Wide and Fund Financial Statements

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

#### Government-Wide Financial Statements

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

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

Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

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

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

### Fund Financial Statements

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

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

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

The following major governmental fund is reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

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:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

*Permanent funds* are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

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

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

The following major proprietary fund is reported:

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

The following fiduciary fund types are reported:

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

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

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

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

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

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

Investments are carried at fair value. Fair value is based on quotations from a national securities exchange except for pooled funds, for which fair value is based on unit value reported by the funds.

**F. Accounts Receivable****Government-Wide and Fund Financial Statements**

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

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

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

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

**Motor Vehicle Excise Taxes**

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

**Trash and Trash Liens**

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

Trash 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.

**Water and Sewer User Charges and Utility Liens**

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 are included as a lien on the property owner's tax bill. Water and sewer charges and liens are recorded as receivables in the fiscal year of the levy.

**Departmental and Other**

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

**Employer Contributions**

Employer contribution receivables consist of City and Chelsea Housing Authority contributions to the System and are recorded as receivables in the fiscal year accrued.

## Intergovernmental

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

## Loans

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

### *G. Allowance for Uncollectible Amounts*

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

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

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

- Real estate taxes and tax and trash liens
- Water and sewer user charges and utility liens
- Loans

Employer contribution and intergovernmental receivables are considered 100% collectible.

### *H. Inventories*

#### Government-Wide and Fund Financial Statements

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

### *I. Restricted Assets*

#### Government-Wide and Fund Financial Statements

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

### *J. Capital Assets*

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

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

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction period interest is not capitalized on constructed capital assets.

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

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

Capital Asset Type	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.

#### *K. Interfund Receivables and Payables*

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

#### Government-Wide Financial Statements

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

#### Fund Financial Statements

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

#### *L. Interfund Transfers*

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

#### Government-Wide Financial Statements

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

Fund Financial Statements

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

*M. Deferred Revenue*

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

*N. Net Assets and Fund Balances*Government-Wide Financial Statements and Proprietary Fund Financial Statements (Net Assets)

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

Net assets have been “restricted” for the following:

“OPEB” represents amounts restricted for other postemployment benefits.

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

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

“Other specific purposes” represents other restrictions placed on assets from outside parties.

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

*Nonspendable* — represents amounts that cannot be spent either because they are in nonspendable form (i.e., loans receivable) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

*Restricted* — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* — represents amounts that can be used only for specific purposes imposed by a formal action of City Council, which is the highest level of decision-making authority for the City. Committed amounts may be established, modified, or rescinded only through actions approved by City Council.

*Assigned* — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the City’s structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads.

*Unassigned* — represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

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

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

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

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

##### Governmental Fund Financial Statements

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

#### *P. Investment Income*

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

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

#### *Q. Compensated Absences*

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

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

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

##### Governmental Fund Financial Statements

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

#### *R. Post Retirement Benefits*

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

In addition to providing pension benefits, and as more fully described in Note 11, the City provides health and life insurance coverage for current and future retirees and their spouses.



### *S. Use of Estimates*

#### Government-Wide and Fund Financial Statements

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

### *T. Total Column*

#### Government-Wide Financial Statements

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

#### Fund Financial Statements

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

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

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

Increases to the annual budget subsequent to the approval of the annual budget require majority Council approval through a Council Order.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2012 approved budget for the general fund authorized \$115,177,250 in appropriations and other amounts to be raised. During fiscal year 2012, supplemental appropriations totaling \$5,021,864 were authorized.

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

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

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

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

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

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's policy for mitigating custodial credit risk is to limit deposit amounts in any institution to no more than 5% of assets. In addition, no more than 25% of deposits may be comprised on unsecured bank deposits. This percentage may be increased no more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the City in the future.

As of June 30, 2012, \$24,346,766 of the City's bank balance of \$42,824,356 was uninsured and uncollateralized and exposed to custodial credit risk.

Investments Summary

The City's investments at June 30, 2012 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
<u>Debt Securities:</u>				
U.S. Agencies.....	\$ 9,386,845	\$ -	\$ 9,136,665	\$ 250,180
Corporate bonds.....	1,511,883	620,745	891,138	-
Money market mutual funds.....	3,917,869	3,917,869	-	-
Certificates of deposit.....	1,830,596	490,837	1,339,759	-
Fixed income mutual funds.....	1,096,166	1,096,166	-	-
External investment pools.....	9,499,220	9,499,220	-	-
Total debt securities/investments.....	\$ 27,242,579	\$ 15,624,837	\$ 11,367,562	\$ 250,180

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy is to maintain investments held directly by the City or held in the City's name and tax identification number by a third-party custodian approved by the Treasurer. As of June 30, 2012, the City's investments were not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The City's policy is to place no limit on the amount of investments in United States Government Agencies and MMDT, and to purchase other debt securities with a high concentration of A credit ratings or better. As of June 30, 2012, the credit quality ratings of the City's debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *		
		AA+	BBB+	Unrated
Corporate bonds.....	\$ 1,511,883	\$ 1,220,076	\$ 291,807	\$ -
Money market mutual funds.....	3,917,869	-	-	3,917,869
Certificates of deposit.....	1,830,596	-	-	1,830,596
Fixed income mutual funds.....	1,096,166	-	-	1,096,166
External investment pools.....	9,499,220	-	-	9,499,220
Total.....	\$ 17,855,734	\$ 1,220,076	\$ 291,807	\$ 16,343,851

\* Per the rating scale of Standard and Poor's (a national credit rating organization)

Pension Trust Fund (The System)

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

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

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System's policy is to rely on FDIC and DIF insurance coverage, when applicable. As of December 31, 2011, the System's bank balance of \$760,547 was not exposed to custodial credit risk.

Investments Summary

The System's investments of \$75,945,270 at December 31, 2011 consisted entirely of PRIT.

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's policy is to insure all of their investments. As of December 31, 2011, the System's investments were not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System does not have a policy for credit risk of debt securities. As of December 31, 2011, the System's investment in PRIT was unrated by a national credit rating organization.

**NOTE 4 - ACCOUNTS RECEIVABLE**

At June 30, 2012, receivables for the individual major governmental funds and nonmajor governmental, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 1,724,337	\$ (107,317)	\$ 1,617,020
Tax and trash liens.....	871,344	-	871,344
Motor vehicle and other excise taxes.....	2,665,404	(917,229)	1,748,175
Trash.....	247,263	-	247,263
Departmental and other.....	2,936,831	(1,823,169)	1,113,662
Loans.....	1,037,788	-	1,037,788
Employer contributions.....	5,009,798	-	5,009,798
	<u>\$ 14,492,765</u>	<u>\$ (2,847,715)</u>	<u>\$ 11,645,050</u>

At June 30, 2012, receivables for the water and sewer enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 3,694,766	\$ -	\$ 3,694,766
Utility liens.....	356,235	-	356,235
	<u>\$ 4,051,001</u>	<u>\$ -</u>	<u>\$ 4,051,001</u>

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

	General Fund
<u>Receivable type:</u>	
Real estate and personal property taxes.....	\$ 1,387,591
Tax, trash and utility liens.....	871,344
Motor vehicle and other excise taxes.....	1,748,175
Trash.....	247,263
Departmental and other.....	712,606
Tax foreclosures.....	477,558
Total.....	<u>\$ 5,444,537</u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 17,475,050	\$ 433,613	\$ -	\$ 17,908,663
Construction in progress.....	96,754	28,675	-	125,429
Total capital assets not being depreciated.....	17,571,804	462,288	-	18,034,092
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	150,550,841	2,065,331	-	152,616,172
Machinery and equipment.....	15,713,379	458,251	(2,385,422)	13,786,208
Infrastructure.....	16,445,893	1,857,212	-	18,303,105
Total capital assets being depreciated.....	182,710,113	4,380,794	(2,385,422)	184,705,485
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(52,560,443)	(3,921,072)	-	(56,481,515)
Machinery and equipment.....	(11,161,000)	(1,241,032)	2,385,422	(10,016,610)
Infrastructure.....	(5,563,573)	(424,845)	-	(5,988,418)
Total accumulated depreciation.....	(69,285,016)	(5,586,949)	2,385,422	(72,486,543)
Total capital assets being depreciated, net.....	113,425,097	(1,206,155)	-	112,218,942
Total governmental activities capital assets, net.....	\$ 130,996,901	\$ (743,867)	\$ -	\$ 130,253,034
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 245,000	\$ -	\$ -	\$ 245,000
<u>Capital assets being depreciated:</u>				
Infrastructure.....	30,130,113	2,072,624	-	32,202,737
<u>Less accumulated depreciation for:</u>				
Infrastructure.....	(8,820,283)	(660,421)	-	(9,480,704)
Total capital assets being depreciated, net.....	21,309,830	1,412,203	-	22,722,033
Total business-type activities capital assets, net.....	\$ 21,554,830	\$ 1,412,203	\$ -	\$ 22,967,033

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

**Governmental Activities:**

General government.....	\$ 189,692
Public safety.....	528,305
Education.....	3,959,580
Public works.....	497,435
Health and human services.....	43,018
Culture and recreation.....	156,337
Community development.....	<u>212,582</u>

Total depreciation expense - governmental activities..... \$ 5,586,949

**Business-Type Activities:**

Water and sewer.....	\$ <u>660,421</u>
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**NOTE 6 - INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT**

Invested in capital assets, net of related debt at June 30, 2012 is summarized as follows:

*Governmental Activities*

Capital assets.....	\$ 202,739,577
Less accumulated depreciation.....	(72,486,543)
Less outstanding bonds and notes payable.....	(21,676,482)
Add unspent proceeds of capital related debt.....	<u>1,721,313</u>
Invested in capital assets, net of related debt.....	\$ <u>110,297,865</u>

*Business-Type Activities*

Capital assets.....	\$ 32,447,737
Less accumulated depreciation.....	(9,480,704)
Less outstanding bonds and notes payable.....	(13,435,084)
Add unspent proceeds of capital related debt.....	<u>5,656,320</u>
Invested in capital assets, net of related debt.....	\$ <u>15,188,269</u>

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Receivables and payables between funds at June 30, 2012, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund.....	Nonmajor governmental funds (City revolving).....	\$ <u>337,870</u> (1)

(1) Represents advance-funding of various revolving fund programs

Interfund transfers for the fiscal year ended June 30, 201, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 2,968,293	\$ 2,968,293 (1)
Nonmajor Governmental Funds.....	1,078,636	514,999	1,593,635 (2)
Water/Sewer Enterprise Fund.....	1,668,393	-	1,668,393 (3)
	<u>\$ 2,747,029</u>	<u>\$ 3,483,292</u>	<u>\$ 6,230,321</u>

- (1) Represents budgeted transfers to various capital projects funds (\$2,539,016), UDAG special revenue fund (\$315,000), redevelopment special revenue fund (\$60,000) and police and fire details special revenue funds (\$54,277)
- (2) Represents funding of the fiscal year 2012 operating budget (\$209,269), transfer of surplus funds from completed school construction capital projects funds (\$869,367) and transfer of funds from the school capital reserve fund to various school capital projects funds (\$514,999)
- (3) Represents transfer of indirect costs

#### NOTE 8 - SHORT-TERM FINANCING

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

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

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

The City has no short-term debt outstanding at June 30, 2012, and did not issue or retire any short-term debt during the fiscal year.



**NOTE 9 - LONG-TERM OBLIGATIONS**

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2012:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion
<b>Governmental Activities:</b>					
Bonds and notes payable.....	\$ 24,043,841	\$ 394,000	\$ (2,761,359)	\$ 21,676,482	\$ 2,756,573
Capital lease obligations.....	78,899	-	(78,899)	-	-
Workers' compensation claims.....	318,000	487,773	(447,572)	358,201	222,449
Net OPEB obligation.....	70,798,000	17,603,288	(4,678,126)	83,723,162	-
Compensated absences.....	3,540,000	1,474,000	(204,000)	4,810,000	898,000
Total.....	<u>\$ 98,778,740</u>	<u>\$ 19,959,061</u>	<u>\$ (8,169,956)</u>	<u>\$ 110,567,845</u>	<u>\$ 3,877,022</u>
<b>Business-type Activities:</b>					
Bonds and notes payable.....	\$ 14,455,578	\$ 1,618,390	\$ (2,638,884)	\$ 13,435,084	\$ 2,191,805
Net OPEB obligation.....	884,000	141,962	(37,727)	988,235	-
Total.....	<u>\$ 15,339,578</u>	<u>\$ 1,760,352</u>	<u>\$ (2,676,611)</u>	<u>\$ 14,423,319</u>	<u>\$ 2,191,805</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term obligations are included as part of the governmental activities totals above. At fiscal year-end, \$358,201 of internal service funds accrued liabilities (workers' compensation claims) is included above. Except for the amounts related to the internal service funds, the governmental activities long-term obligations are generally liquidated by the general fund.

**NOTE 10 - LONG-TERM DEBT**

During prior fiscal years, certain general obligation bonds were defeased by placing the proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2012, \$5,035,000 of bonds outstanding from the advance refundings are considered defeased.

Details related to the outstanding indebtedness at June 30, 2012, and the debt service requirements are as follows:

**Bonds and Notes Payable – Governmental Funds**

Project	Interest Rate	Outstanding at June 30, 2011	Additions	Reductions	Outstanding at June 30, 2012
School building remodeling.....	2.37 - 4.75%	\$ 1,040,000	\$ -	\$ (80,000)	\$ 960,000
Municipal purpose.....	3.00 - 4.00%	250,400	-	(62,600)	187,800
Municipal purpose refunding.....	3.00 - 4.50%	587,380	-	(96,209)	491,171
Renovations.....	3.75 - 4.00%	131,500	-	(26,300)	105,200
Sidewalks.....	3.75 - 4.00%	25,000	-	(5,000)	20,000
Municipal purpose.....	3.50 - 4.00%	284,600	-	(92,100)	192,500
Municipal purpose.....	3.50 - 5.25%	415,100	-	(104,300)	310,800
Municipal purpose.....	3.50 - 5.00%	2,946,330	-	(498,443)	2,447,887
Municipal purpose refunding, series B.....	3.00 - 5.00%	101,875	-	(13,125)	88,750
Municipal purpose, series C.....	5.125 - 6.060%	8,290,000	-	(595,000)	7,695,000
Municipal purpose refunding, series C.....	3.0 - 5.0%	3,310,000	-	(430,000)	2,880,000
Municipal purpose, series A.....	3.00 - 4.00%	1,425,500	-	(199,500)	1,226,000
Urban renewal.....	3.00 - 4.00%	1,580,000	-	(120,000)	1,460,000
Municipal purpose.....	3.00 - 4.00%	3,136,656	-	(343,282)	2,793,374
Permanent state house loan notes.....	4.25%	420,000	-	(85,000)	335,000
Municipal purpose refunding.....	3.00 - 4.00%	99,500	-	(10,500)	89,000
Dump Trucks.....	2.00 - 2.25%	-	136,000	-	136,000
Rack Truck.....	2.00 - 2.25%	-	68,000	-	68,000
Senior Center Roof.....	2.00 - 3.00%	-	15,000	-	15,000
City Yard Roof.....	2.00 - 3.00%	-	105,000	-	105,000
Library Carpet.....	2.00 - 3.00%	-	35,000	-	35,000
City Hall Door.....	2.0-2.25%	-	35,000	-	35,000
Total.....		\$ 24,043,841	\$ 394,000	\$ (2,761,359)	\$ 21,676,482

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

Fiscal Year	Principal	Interest	Total
2013.....	\$ 2,756,573	\$ 992,028	\$ 3,748,601
2014.....	2,522,529	882,874	3,405,403
2015.....	2,489,716	776,074	3,265,790
2016.....	2,377,116	668,955	3,046,071
2017.....	2,188,441	564,082	2,752,523
2018.....	2,038,427	459,403	2,497,830
2019.....	1,936,298	356,323	2,292,621
2020.....	1,215,783	276,619	1,492,402
2021.....	1,086,283	218,994	1,305,277
2022.....	794,408	166,553	960,961
2023.....	790,908	124,421	915,329
2024.....	780,000	3,800	783,800
2025.....	700,000	-	700,000
Total.....	\$ 21,676,482	\$ 5,490,126	\$ 27,166,608

The City issued \$394,000 of general obligation bonds on May 1, 2012 for various vehicles and building improvements.

**Bonds and Notes Payable – Enterprise Funds**

Project	Interest Rate	Outstanding at June 30, 2011	Additions	Reductions	Outstanding at June 30, 2012
Water notes (MWRA).....	0.00%	\$ 57,876	\$ -	\$ (19,292)	\$ 38,584
Water notes (MWRA).....	0.00%	49,880	-	(9,976)	39,904
Water notes (MWRA).....	0.00%	133,000	-	(19,000)	114,000
Sewer notes (MWRA).....	0.00%	89,980	-	(44,990)	44,990
Water and sewer bonds.....	4.3 - 5.2%	635,000	-	(635,000)	-
Water.....	2.37 - 4.75%	195,000	-	(15,000)	180,000
Sewer.....	2.37 - 4.75%	590,000	-	(50,000)	540,000
Water and sewer bonds.....	3.00 - 4.00%	769,600	-	(192,400)	577,200
Water and sewer refunding.....	3.00 - 4.50%	1,152,620	-	(188,791)	963,829
Water - meters.....	3.75 - 4.00%	224,000	-	(44,800)	179,200
Sewer - Crescent Street.....	3.75 - 4.00%	477,000	-	(96,400)	380,600
Water - Crescent Street.....	3.75 - 4.00%	11,500	-	(2,300)	9,200
Sewer - meters.....	3.75 - 4.00%	376,000	-	(75,200)	300,800
Water and sewer bonds.....	3.50 - 4.00%	1,505,400	-	(247,900)	1,257,500
Water and sewer bonds.....	3.50 - 5.25%	479,900	-	(75,700)	404,200
Water and sewer bonds.....	3.50 - 5.00%	468,670	-	(116,557)	352,113
Water notes (MWRA).....	0.00%	928,060	-	(116,007)	812,053
Municipal purpose refunding, series B.....	3.00%	713,125	-	(91,875)	621,250
Water notes (MWRA).....	0.00%	90,000	-	(10,000)	80,000
Water notes (MWRA).....	0.00%	202,500	-	(22,500)	180,000
Municipal purpose refunding, series A.....	3.00 - 4.00%	499,500	-	(55,500)	444,000
Sewer.....	3.00 - 4.00%	2,061,252	-	(204,626)	1,856,626
Water notes (MWRA).....	0.00%	1,205,365	-	(120,537)	1,084,828
Refunded bonds.....	3.00 - 4.00%	895,500	-	(94,500)	801,000
Sewer notes (MWRA).....	0.00%	399,850	-	(79,970)	319,880
Water (MWPAT).....	2.00%	245,000	-	(10,063)	234,937
Broadway sewer.....	2.00 - 3.00%	-	150,000	-	150,000
Broadway water line.....	2.00 - 3.00%	-	125,000	-	125,000
Storm water management plan.....	2.00 - 2.25%	-	50,000	-	50,000
Everett avenue redirect.....	2.00 - 3.00%	-	250,000	-	250,000
Water (MWRA).....	0.00%	-	468,390	-	468,390
Water and sewer refunding bonds.....	2.00 - 3.00%	-	575,000	-	575,000
Total.....		\$ 14,455,578	\$ 1,618,390	\$ (2,638,884)	\$ 13,435,084

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013.....	\$ 2,191,805	\$ 353,738	\$ 2,545,543
2014.....	2,062,066	300,027	2,362,093
2015.....	2,000,799	242,742	2,243,541
2016.....	1,793,614	186,210	1,979,824
2017.....	1,477,565	138,367	1,615,932
2018.....	1,102,801	98,856	1,201,657
2019.....	976,164	70,159	1,046,323
2020.....	690,902	46,511	737,413
2021.....	603,136	27,520	630,656
2022.....	204,722	15,854	220,576
2023.....	161,632	9,514	171,146
2024.....	72,793	4,920	77,713
2025.....	13,051	1,811	14,862
2026.....	13,315	1,547	14,862
2027.....	13,584	1,278	14,862
2028.....	13,858	1,004	14,862
2029.....	14,138	724	14,862
2030.....	14,424	438	14,862
2031.....	14,715	147	14,862
<b>Total.....</b>	<b>\$ 13,435,084</b>	<b>\$ 1,501,367</b>	<b>\$ 14,936,451</b>

The Massachusetts Water Resource Authority (MWRA) operates financial assistance programs for community owned collection systems. Financial assistance received from the MWRA consists of non-interest bearing loans (payable in five equal annual installments) and, in some instances, grants. During fiscal year 2012, \$468,390 was received from the program, all of which was a loan. At June 30, 2012, the outstanding principal amount of MWRA loans totaled \$3,182,629.

#### Current Refunding – May 1, 2012

On May 1, 2012, the City issued \$575,000 in current refunding bonds to refund \$570,000 of previously issued and outstanding water and sewer bonds with an average interest rate of approximately 5.0%. The average interest rate of the current refunding bonds is approximately 2.5%.

The net proceeds of approximately \$580,000 (after payment of approximately \$17,000 in bond issuance costs, plus premium of approximately \$22,000) were used to retire the outstanding bonds and the related accrued interest.

As a result of this refunding, the City will reduce its total gross debt service payments over the remaining life of the bonds by approximately \$80,000 and will realize an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$74,000.

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2012, the City had the following authorized and unissued debt:

Purpose	Amount
Pension obligation bonds.....	\$ 47,000,000
Capital Improvement Plans.....	2,890,061
Corcoran Park construction.....	1,482,865
Chelsea High School extension.....	1,150,000
Refunding.....	265,000
Total.....	<u>\$ 52,787,926</u>

#### NOTE 11 – OTHER POST EMPLOYMENT BENEFITS

**Plan Description** – The City provides health, dental and life insurance coverage for its retirees and their survivors (hereinafter referred to as the “Plan”) as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of July 1, 2011, the latest actuarial valuation, is as follows:

Active employees.....	1,211
Retired employees and spouses.....	<u>574</u>
Total.....	<u>1,785</u>

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

**Annual OPEB Cost and Net OPEB Obligation** - The City’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in 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 following table shows the components of the City's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the City's net OPEB obligation:

	<u>Amount</u>
Annual required contribution.....	\$ 19,683,450
Interest on net OPEB obligation.....	2,867,279
Adjustment to annual required contribution.....	<u>(4,805,479)</u>
Annual OPEB cost.....	17,745,250
Contributions made.....	<u>(4,715,853)</u>
Increase in net OPEB obligation.....	13,029,397
Net OPEB obligation at beginning of year.....	<u>71,682,000</u>
Net OPEB obligation at end of year.....	<u>\$ 84,711,397</u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010.....	\$ 23,262,628	27.0%	\$ 54,213,181
June 30, 2011.....	24,604,966	29.0%	71,682,000
June 30, 2012.....	17,745,250	26.6%	84,711,397

**Funded Status and Funding Progress** - The funded status of the Plan at July 1, 2011, the most recent actuarial valuation, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
07/01/11	\$ -	\$ 169,212,224	\$ 169,212,224	-	\$ 60,733,942	279%

Actuarial 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 schedules of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Methods and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	July 1, 2011
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level dollar
Remaining amortization period:	30 years (open period)
Interest discount rate:	4.0%
Inflation rate:	2.5%
Healthcare/Medical cost trend rate:	Medical – 7.0% decreasing 1.0% to an ultimate level of 5.0% per year Dental – 6.0% decreasing 0.5% to an ultimate level of 5.0% per year
Projected salary increases:	3.0%

**Allocation of AOEBC** – AOEBC costs were allocated to the City's functions as follows:

**Governmental Activities:**

General government.....	\$ 1,153,441
Public safety.....	4,383,077
Education.....	10,895,584
Public works.....	585,593
Health and human services.....	248,434
Culture and recreation.....	177,453
Community development.....	<u>159,707</u>

Total AOEBC - governmental activities.....	<u>17,603,288</u>
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**Business-Type Activities:**

Water/Sewer.....	<u>141,962</u>
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Total AOEBC.....	<u>\$ 17,745,250</u>
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**NOTE 12 – RISK FINANCING**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Effective May 1, 2012, the City participates in premium-based health care plans for its active and retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

**A. Health Insurance**

The City was self-insured for a portion of its retirees' health insurance activities through April 30, 2012. These activities were accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when incurred. Effective May 1, 2012, the City terminated all self-insured health insurance plans and began participating in premium-based health care plans for all of its active and retired employees.

The estimated "Incurred But Not Reported (IBNR)" claims at June 30, 2012 is immaterial and therefore not reported. Changes in the reported liability since July 1, 2010, 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 2011.....	\$ 37,000	\$ 671,033	\$ (650,033)	\$ 58,000
Fiscal year 2012.....	58,000	634,285	(692,285)	-

**B. Workers' Compensation**

The City is self-insured for its workers' compensation activities. These activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when incurred. Workers' compensation claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future liability is based on history and injury type.

The liability at June 30, 2012, totaled \$358,201. Changes in the reported liability since July 1, 2010, 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 2011.....	\$ 389,000	\$ 125,813	\$ (196,813)	\$ 318,000
Fiscal year 2012.....	318,000	487,773	(447,572)	358,201



**NOTE 13 – FUND BALANCES**

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>			
Prepaid expenses.....	\$ 9,506	\$ -	\$ 9,506
Loans.....	-	1,037,788	1,037,788
Permanent fund principal.....	-	22,392	22,392
Sub-total - Nonspendable.....	9,506	1,060,180	1,069,686
<b>Restricted:</b>			
Other postemployment benefits (OPEB).....	150,000	-	150,000
Redevelopment.....	-	3,376,844	3,376,844
Other community development.....	-	1,922,106	1,922,106
City revolving.....	-	53,863	53,863
Receipts reserved.....	-	1,901,471	1,901,471
City gifts.....	-	906,659	906,659
City state grants.....	-	240,618	240,618
City federal grants.....	-	1,596,549	1,596,549
School lunch.....	-	1,705,418	1,705,418
School revolving.....	-	1,166,580	1,166,580
School gifts.....	-	674,914	674,914
State school grants.....	-	675,215	675,215
Federal school grants.....	-	8,229	8,229
Urban I & II renewal.....	-	1,593,822	1,593,822
Other capital.....	-	1,853,112	1,853,112
School capital reserve.....	-	2,706,541	2,706,541
Permanent funds - health and human services.....	-	749	749
Permanent funds - culture and recreation.....	-	98,932	98,932
Sub-total - Restricted.....	150,000	20,481,622	20,631,622
<b>Committed:</b>			
Subsequent year's expenditures.....	944,256	-	944,256
Capital stabilization.....	989,967	-	989,967
Redevelopment stabilization.....	164,943	-	164,943
Sub-total - Committed.....	2,099,166	-	2,099,166
<b>Assigned:</b>			
Encumbrances - school.....	2,577,966	-	2,577,966
Encumbrances - other.....	471,507	-	471,507
Sub-total - Assigned.....	3,049,473	-	3,049,473
<b>Unassigned.....</b>	<b>24,079,453</b>	<b>-</b>	<b>24,079,453</b>
Total fund balances.....	\$ 29,387,598	\$ 21,541,802	\$ 50,929,400

**NOTE 14 – STABILIZATION FUNDS**

The City maintains the following stabilization funds that were established under MGL Chapter 40, Section 5B:

- General stabilization
- Operating stabilization
- Capital stabilization
- Redevelopment stabilization

Appropriations in and out of the stabilization funds require City Council majority approval. Investment income is retained by the funds.

The balance of the general stabilization, operating stabilization, capital stabilization and redevelopment stabilization funds at June 30, 2012 total \$4,266,655, \$3,045,234, \$989,967 and \$164,943, respectively. The capital stabilization and redevelopment stabilization funds are reported in the general fund as committed fund balance. The general and operating stabilization funds are reported in the general fund as unassigned fund balance.

**NOTE 15 – PENSION PLAN**

**Plan Description** – The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Chelsea Contributory Retirement Board. Substantially all employees of the City are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

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

**Plan Membership** - At December 31, 2011, the System's membership consists of the following:

Active members.....	657
Inactive members.....	153
Retirees and beneficiaries currently receiving benefits...	<u>427</u>
Total.....	<u><u>1,237</u></u>

**Funding Policy** – Chapter 32 of MGL governs the contributions of plan members and the City. 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 annual covered payroll.

Contributions are recognized as additions in the period when they become due pursuant to formal commitments, statutory or contractual requirements. Benefits and refunds are recognized as deductions when incurred and administrative expenses are funded through investment earnings.

**Annual Pension Cost** – The City's contributions to the System for the fiscal years ended June 30, 2012, 2011, and 2010 were \$8,257,705, \$7,850,301, and \$7,589,877, respectively. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the City to contribute approximately 92% of the total. At June 30, 2012, the City did not have a net pension obligation.

**Funded Status and Funding Progress** – The funded status of the plan at January 1, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/11	\$ 84,087,066	\$ 157,628,890	\$ 73,541,824	53.3%	\$ 29,750,417	247.2%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2011
Actuarial cost method:	Entry age normal
Amortization method:	Increasing payments 2.95%
Remaining amortization period:	17 years (closed period)
Asset valuation method:	Actuarial value, 5-year smoothing

Actuarial assumptions:

Investment rate of return:	8.00%
Projected salary increases:	4.75% - 5.25%
Inflation rate:	2.95%
Cost of living adjustments:	3.00% of the first \$12,000 of retirement income

**Legally Required Reserve Accounts** - The balance in the System's legally required reserves as of December 31, 2011 are as follows:

Description	Amount	Purpose
Annuity Savings Fund.....	\$ 30,315,638	Active members' contribution balance
Annuity Reserve Fund.....	6,291,432	Retired members' contribution account
Military Service Fund.....	2,402	Military leave of absence contribution balance
Pension Reserve Fund.....	31,552,403	Amounts appropriated to fund future retiremer
Pension Fund.....	<u>13,364,914</u>	Remaining net assets
Total.....	<u>\$ 81,526,789</u>	

#### NOTE 16 - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Public school teachers and certain administrators 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 \$6,444,000 for the fiscal year ended June 30, 2012, and accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

#### NOTE 17 - COMMITMENTS

The City has entered into, or is planning to enter into, contracts totaling approximately \$21,000,000 for equipment, parks and open space, buildings and facilities, public safety and infrastructure in accordance with its five-year capital improvement plan.

Other significant commitments include the encumbrances outstanding for the general fund, which totaled \$3,049,473 at June 30, 2012.

#### NOTE 18 - CONTINGENCIES

Various legal actions and claims are pending against the City. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2012.

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, 2012, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**NOTE 19 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The GASB has issued the following statements:

- Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, which is required to be implemented during fiscal year 2013. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34, which is required to be implemented during fiscal year 2013. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which is required to be implemented during fiscal year 2013. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which is required to be implemented during fiscal year 2013. The implementation of this Statement will require a change to the title of the Statement of Net Assets to the Statement of Net Position.
- Statement No. 65, Items Previously Reported as Assets and Liabilities, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.
- Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 67, Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25, which is required to be implemented during fiscal year 2014. The implementation of this Statement will require a change to the title of the Statement of Fiduciary Net Assets to the Statement of Fiduciary Net Position, as well as expanded note disclosures and required supplementary information.
- Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the City will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.

These pronouncements will be implemented by their respective implementation dates.

## **Required Supplementary Information**

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real estate and personal property taxes.....	\$ -	\$ 38,057,145	\$ -	\$ 38,057,145
Motor vehicle and other excise taxes.....	-	4,565,000	-	4,565,000
Meals and room taxes.....	-	523,000	-	523,000
Tax and trash liens.....	-	-	-	-
Payments in lieu of taxes.....	-	1,196,860	-	1,196,860
Trash disposal.....	-	1,525,000	-	1,525,000
Intergovernmental.....	-	61,775,359	476,193	62,251,552
Penalties and interest on taxes.....	-	410,000	-	410,000
Licenses and permits.....	-	955,250	-	955,250
Fines and forfeitures.....	-	1,715,000	-	1,715,000
Departmental and other.....	-	471,000	-	471,000
Investment income.....	-	294,000	-	294,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>111,487,614</b>	<b>476,193</b>	<b>111,963,807</b>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Legislative				
Personal services.....	-	132,067	-	132,067
Expenditures.....	-	68,800	-	68,800
<b>Total.....</b>	<b>-</b>	<b>200,867</b>	<b>-</b>	<b>200,867</b>
Executive Office				
Personal services.....	-	316,251	-	316,251
Expenditures.....	1,127	21,300	-	22,427
<b>Total.....</b>	<b>1,127</b>	<b>337,551</b>	<b>-</b>	<b>338,678</b>
Auditor's Office				
Personal services.....	-	226,751	-	226,751
Expenditures.....	820	11,764	-	12,584
<b>Total.....</b>	<b>820</b>	<b>238,515</b>	<b>-</b>	<b>239,335</b>
Treasurer's/Collector's Office				
Personal services.....	-	398,745	-	398,745
Expenditures.....	48,117	231,700	-	279,817
<b>Total.....</b>	<b>48,117</b>	<b>630,445</b>	<b>-</b>	<b>678,562</b>
Assessing				
Personal services.....	-	201,893	710	202,603
Expenditures.....	10,000	87,550	-	97,550
<b>Total.....</b>	<b>10,000</b>	<b>289,443</b>	<b>710</b>	<b>300,153</b>
Procurement				
Personal services.....	-	111,120	-	111,120
Expenditures.....	1,689	8,195	718	10,602
<b>Total.....</b>	<b>1,689</b>	<b>119,315</b>	<b>718</b>	<b>121,722</b>
Central Billing				
Personal services.....	-	87,657	-	87,657
Expenditures.....	165	62,620	-	62,785
<b>Total.....</b>	<b>165</b>	<b>150,277</b>	<b>-</b>	<b>150,442</b>

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 37,740,830	\$ -	\$ 37,740,830	\$ (316,315)
7,923,384	-	7,923,384	3,358,384
602,918	-	602,918	79,918
697,979	-	697,979	697,979
1,221,920	-	1,221,920	25,060
1,417,444	-	1,417,444	(107,556)
62,029,387	-	62,029,387	(222,165)
553,029	-	553,029	143,029
1,217,335	-	1,217,335	262,085
1,660,704	-	1,660,704	(54,296)
1,118,877	-	1,118,877	647,877
272,105	-	272,105	(21,895)
116,455,912	-	116,455,912	4,492,105
129,935	-	129,935	2,132
67,924	377	68,301	499
197,859	377	198,236	2,631
312,569	-	312,569	3,682
18,977	980	19,957	2,470
331,546	980	332,526	6,152
205,271	-	205,271	21,480
10,666	1,200	11,866	718
215,937	1,200	217,137	22,198
381,509	-	381,509	17,236
182,557	22,822	205,379	74,438
564,066	22,822	586,888	91,674
202,517	-	202,517	86
86,686	3,761	90,447	7,103
289,203	3,761	292,964	7,189
80,062	-	80,062	31,058
5,281	1,688	6,969	3,633
85,343	1,688	87,031	34,691
87,656	-	87,656	1
59,525	-	59,525	3,260
147,181	-	147,181	3,261
(continued)			



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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>Law Department</b>				
Personal services.....	-	144,629	-	144,629
Expenditures.....	53,990	46,625	315,000	415,615
Total.....	53,990	191,254	315,000	560,244
<b>Personnel Department</b>				
Personal services.....	-	128,809	-	128,809
Expenditures.....	2,669	28,158	-	30,827
Total.....	2,669	156,967	-	159,636
<b>Information System</b>				
Personal services.....	-	215,786	900	216,686
Expenditures.....	7,025	352,878	-	359,903
Capital outlay.....	7,000	62,000	-	69,000
Total.....	14,025	630,664	900	645,589
<b>City Clerk</b>				
Personal services.....	-	195,386	-	195,386
Expenditures.....	4,348	39,400	-	43,748
Total.....	4,348	234,786	-	239,134
<b>Office of Planning and Development</b>				
Personal services.....	-	55,217	-	55,217
Expenditures.....	23	23,280	-	23,303
Total.....	23	78,497	-	78,520
<b>Salary reserve.....</b>	-	38,980	(1,610)	37,370
<b>TOTAL GENERAL GOVERNMENT.....</b>	136,973	3,297,561	315,718	3,750,252
<b>PUBLIC SAFETY</b>				
<b>Police Department</b>				
Personal services.....	-	7,695,894	207,500	7,903,394
Expenditures.....	1,304	660,281	-	661,585
Capital outlay.....	-	-	-	-
Total.....	1,304	8,356,175	207,500	8,564,979
<b>Fire Department</b>				
Personal services.....	-	6,728,385	3,000	6,731,385
Expenditures.....	587	497,900	1,658	500,145
Capital outlay.....	-	29,000	-	29,000
Total.....	587	7,255,285	4,658	7,260,530
<b>Inspectional Services</b>				
Personal services.....	-	551,972	-	551,972
Expenditures.....	60	28,917	-	28,977
Capital outlay.....	-	-	32,750	32,750
Total.....	60	580,889	32,750	613,699
<b>Traffic and Parking</b>				
Personal services.....	-	82,099	-	82,099
Expenditures.....	1,131	626,226	-	627,357
Capital outlay.....	-	-	-	-
Total.....	1,131	708,325	-	709,456

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
133,347	-	133,347	11,282
397,764	8,854	406,618	8,997
531,111	8,854	539,965	20,279
128,808	-	128,808	1
19,771	-	19,771	11,056
148,579	-	148,579	11,057
216,596	-	216,596	90
333,424	-	333,424	26,479
48,208	19,809	68,017	983
598,228	19,809	618,037	27,552
195,321	-	195,321	65
36,976	1,175	38,151	5,597
232,297	1,175	233,472	5,662
55,167	-	55,167	50
22,388	695	23,083	220
77,555	695	78,250	270
-	-	-	37,370
3,418,905	61,361	3,480,266	269,986
7,639,966	-	7,639,966	263,428
597,773	8,464	606,237	55,348
-	-	-	-
8,237,739	8,464	8,246,203	318,776
6,523,212	-	6,523,212	208,173
418,893	16,027	434,920	65,225
29,000	-	29,000	-
6,971,105	16,027	6,987,132	273,398
541,570	-	541,570	10,402
13,419	1,923	15,342	13,635
28,675	-	28,675	4,075
583,664	1,923	585,587	28,112
52,974	-	52,974	29,125
459,966	71,207	531,173	96,184
-	-	-	-
512,940	71,207	584,147	125,309

(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>Emergency Management</b>				
Personal services.....	-	836,021	-	836,021
Expenditures.....	401	17,968	-	18,369
Total.....	401	853,989	-	854,390
<b>TOTAL PUBLIC SAFETY.....</b>	<b>3,483</b>	<b>17,754,663</b>	<b>244,908</b>	<b>18,003,054</b>
<b>EDUCATION</b>				
Operational.....	2,082,225	63,929,949	481,482	66,493,656
Northeast Regional Vocational High School Assessment....	-	595,023	-	595,023
<b>TOTAL EDUCATION.....</b>	<b>2,082,225</b>	<b>64,524,972</b>	<b>481,482</b>	<b>67,088,679</b>
<b>PUBLIC WORKS</b>				
<b>Administration</b>				
Personal services.....	-	182,719	-	182,719
Expenditures.....	-	14,700	45,000	59,700
Total.....	-	197,419	45,000	242,419
<b>Streets and Sidewalks</b>				
Personal services.....	-	653,086	-	653,086
Expenditures.....	51,882	976,000	92,500	1,120,382
Capital outlay.....	-	61,000	791,000	852,000
Total.....	51,882	1,690,086	883,500	2,625,468
<b>Solid Waste/Recycling</b>				
Personal services.....	-	37,440	-	37,440
Expenditures.....	15,752	1,719,500	-	1,735,252
Total.....	15,752	1,756,940	-	1,772,692
<b>Structure and Grounds</b>				
Personal services.....	-	258,566	-	258,566
Expenditures.....	80,786	852,530	(324)	932,992
Capital outlay.....	-	-	31,000	31,000
Total.....	80,786	1,111,096	30,676	1,222,558
<b>Snow and Ice Removal</b>				
Personal services.....	-	25,000	-	25,000
Expenditures.....	10,281	76,260	-	86,541
Total.....	10,281	101,260	-	111,541
<b>TOTAL PUBLIC WORKS.....</b>	<b>158,701</b>	<b>4,856,801</b>	<b>959,176</b>	<b>5,974,678</b>
<b>HEALTH AND HUMAN SERVICES</b>				
<b>Administration</b>				
Personal services.....	20	56,275	-	56,295
<b>Health Division</b>				
Personal services.....	-	154,747	-	154,747
Expenditures.....	-	1,145	-	1,145
Total.....	-	155,892	-	155,892

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
769,364	-	769,364	66,657
9,813	2,433	12,246	6,123
779,177	2,433	781,610	72,780
17,084,625	100,054	17,184,679	818,375
63,853,034	2,577,966	66,431,000	62,656
589,673	-	589,673	5,350
64,442,707	2,577,966	67,020,673	68,006
182,697	-	182,697	22
3,387	464	3,851	55,849
186,084	464	186,548	55,871
613,386	-	613,386	39,700
897,254	148,905	1,046,159	74,223
42,638	53,848	96,486	755,514
1,553,278	202,753	1,756,031	869,437
23,644	-	23,644	13,796
1,587,344	10,000	1,597,344	137,908
1,610,988	10,000	1,620,988	151,704
234,905	-	234,905	23,661
767,002	47,142	814,144	118,848
31,000	-	31,000	-
1,032,907	47,142	1,080,049	142,509
8,596	-	8,596	16,404
55,011	1,100	56,111	30,430
63,607	1,100	64,707	46,834
4,446,864	261,459	4,708,323	1,266,355
56,295	-	56,295	-
153,747	-	153,747	1,000
571	-	571	574
154,318	-	154,318	1,574

(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>Veteran's Services</b>				
Personal services.....	-	54,725	-	54,725
Expenditures.....	-	487,250	-	487,250
<b>Total.....</b>	<b>-</b>	<b>541,975</b>	<b>-</b>	<b>541,975</b>
<b>Elder Affairs</b>				
Personal services.....	-	164,294	4,000	168,294
Expenditures.....	-	26,250	-	26,250
<b>Total.....</b>	<b>-</b>	<b>190,544</b>	<b>4,000</b>	<b>194,544</b>
<b>Refugee and Immigrant Services</b>				
Personal services.....	-	8,500	-	8,500
<b>TOTAL HEALTH AND HUMAN SERVICES.....</b>	<b>20</b>	<b>953,186</b>	<b>4,000</b>	<b>957,206</b>
<b>CULTURE AND RECREATION</b>				
<b>Recreation and Cultural Affairs</b>				
Personal services.....	-	70,683	-	70,683
Expenditures.....	-	53,000	-	53,000
<b>Total.....</b>	<b>-</b>	<b>123,683</b>	<b>-</b>	<b>123,683</b>
<b>Public Library</b>				
Personal services.....	-	244,574	-	244,574
Expenditures.....	-	20,381	-	20,381
Capital outlay.....	-	-	-	-
<b>Total.....</b>	<b>-</b>	<b>264,955</b>	<b>-</b>	<b>264,955</b>
<b>TOTAL CULTURE AND RECREATION.....</b>	<b>-</b>	<b>388,638</b>	<b>-</b>	<b>388,638</b>
<b>PENSION BENEFITS</b>				
<b>Contributory Retirement System</b>				
Expenditures.....	-	5,799,189	-	5,799,189
<b>Non-Contributory Pension Benefits</b>				
Expenditures.....	-	16,415	-	16,415
<b>TOTAL PENSION BENEFITS.....</b>	<b>-</b>	<b>5,815,604</b>	<b>-</b>	<b>5,815,604</b>
<b>EMPLOYEE BENEFITS</b>				
<b>Unemployment Compensation</b>				
Expenditures.....	-	80,000	-	80,000
<b>Health Insurance</b>				
Expenditures.....	-	6,349,115	-	6,349,115
<b>Worker's Compensation</b>				
Expenditures.....	-	351,000	-	351,000
<b>Payroll Taxes</b>				
Expenditures.....	-	285,000	-	285,000

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
54,569	-	54,569	156
466,922	550	467,472	19,778
521,491	550	522,041	19,934
167,506	-	167,506	788
24,415	-	24,415	1,835
191,921	-	191,921	2,623
8,500	-	8,500	-
932,525	550	933,075	24,131
63,117	-	63,117	7,566
44,990	-	44,990	8,010
108,107	-	108,107	15,576
243,346	-	243,346	1,228
20,067	108	20,175	206
-	-	-	-
263,413	108	263,521	1,434
371,520	108	371,628	17,010
5,799,189	-	5,799,189	-
16,143	-	16,143	272
5,815,332	-	5,815,332	272
51,645	-	51,645	28,355
6,074,813	792	6,075,605	273,510
350,395	-	350,395	605
278,147	-	278,147	6,853
(continued)			

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
Life Insurance				
Expenditures.....	-	19,000	-	19,000
<b>TOTAL EMPLOYEE BENEFITS.....</b>	<b>-</b>	<b>7,084,115</b>	<b>-</b>	<b>7,084,115</b>
<b>PROPERTY AND LIABILITY INSURANCE</b>				
Expenditures.....	-	455,000	-	455,000
<b>CLAIMS AND JUDGMENTS</b>				
Expenditures.....	4,490	25,000	47,458	76,948
<b>STATE AND COUNTY CHARGES</b>				
Expenditures.....	-	5,992,325	-	5,992,325
<b>DEBT SERVICE PRINCIPAL</b>				
Expenditures.....	-	2,761,359	-	2,761,359
<b>DEBT SERVICE INTEREST</b>				
Expenditures.....	-	1,118,026	829	1,118,855
<b>TOTAL EXPENDITURES.....</b>	<b>2,385,892</b>	<b>115,027,250</b>	<b>2,053,571</b>	<b>119,466,713</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(2,385,892)</b>	<b>(3,539,636)</b>	<b>(1,577,378)</b>	<b>(7,502,906)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Premium from issuance of bonds.....	-	-	-	-
Transfers in.....	-	2,020,099	4,658	2,024,757
Transfers out.....	-	(150,000)	(2,968,293)	(3,118,293)
Total other financing sources (uses).....	-	1,870,099	(2,963,635)	(1,093,536)
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(2,385,892)</b>	<b>(1,669,537)</b>	<b>(4,541,013)</b>	<b>(8,596,442)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR.....</b>	<b>18,410,404</b>	<b>18,410,404</b>	<b>18,410,404</b>	<b>18,410,404</b>
<b>FUND BALANCE AT END OF YEAR.....</b>	<b>\$ 16,024,512</b>	<b>\$ 16,740,867</b>	<b>\$ 13,869,391</b>	<b>\$ 9,813,962</b>

See notes to required supplementary information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
8,964	-	8,964	10,036
6,763,964	792	6,764,756	319,359
373,711	9,087	382,798	72,202
29,167	38,096	67,263	9,685
5,507,326	-	5,507,326	484,999
2,761,359	-	2,761,359	-
1,118,855	-	1,118,855	-
113,066,860	3,049,473	116,116,333	3,350,380
3,389,052	(3,049,473)	339,579	7,842,485
38,651	-	38,651	38,651
2,747,029	-	2,747,029	722,272
(3,118,293)	-	(3,118,293)	-
(332,613)	-	(332,613)	760,923
3,056,439	(3,049,473)	6,966	8,603,408
18,410,404	18,410,404	18,410,404	-
\$ 21,466,843	\$ 15,360,931	\$ 18,417,370	\$ 8,603,408 (concluded)



## PENSION PLAN SCHEDULES

The following schedules provide information related to the System as a whole, for which the City is one participating employer:

### SCHEDULES OF FUNDING PROGRESS (SYSTEM)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/11	\$ 84,087,066	\$ 157,628,890	\$ 73,541,824	53.3%	\$ 29,750,417	247.2%
01/01/09	65,231,613	143,082,153	77,850,540	45.6%	29,412,382	264.7%
01/01/07	62,031,961	130,398,065	68,366,104	47.6%	26,951,807	253.7%
01/01/05	50,307,347	114,625,947	64,318,600	43.9%	24,442,724	263.1%
01/01/03	40,964,402	105,624,172	64,659,770	38.8%	23,843,397	271.2%
01/01/01	39,748,307	88,940,495	49,192,188	44.7%	20,265,717	242.7%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2006	\$ 7,230,596	100
2007	7,650,765	100
2008	7,943,591	100
2009	8,260,223	100
2010	8,539,697	100
2011	8,949,178	100

The following schedule provides information related to the City's portion of the System's ARC:

### CITY SHARE OF SYSTEM ARC

Fiscal Year Ended	ARC	Percentage of ARC Contributed (%)	City ARC as a Percentage of System ARC (%)
2007	\$ 6,617,937	100	91.5%
2008	7,029,096	100	91.9%
2009	7,329,618	100	92.3%
2010	7,589,877	100	91.9%
2011	7,850,301	100	91.9%
2012	8,257,705	100	92.3%

## OTHER POSTEMPLOYMENT BENEFITS SCHEDULES

The following schedules provide information related to the City's other postemployment benefits plan:

### SCHEDULES 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)
07/01/11	\$ -	\$ 169,212,224	\$ 169,212,224	-	\$ 60,733,942	279%
07/01/09	-	227,913,505	227,913,505	-	60,870,320	374%
07/01/07	-	184,805,511	184,805,511	-	26,951,807	686%

The significant changes to the methods and assumptions used in the actuarial valuations identified above that impacted trends in the schedules of funding progress are as follows:

- The 07/01/11 valuation reflects the City's favorable claims experience during the period between the 07/01/09 valuation and the 07/01/11 valuation
- The 07/01/11 valuation reflects a decrease in the trend on medical and prescription drug costs as compared to the 07/01/09 valuation
- The 07/01/11 valuation reflects a decrease (from 85% to 40%) in the assumed percentage of spouses/dependents insured in retirement as compared to the 07/01/09 valuation, using actual coverage data

**NOTE A - BUDGETARY - GAAP RECONCILIATION**

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2012, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 116,455,912	\$ 116,116,333	\$ (332,613)
<u>Reclassifications</u>			
Activity of general stabilization fund recorded in the general fund for GAAP purposes.....	(15,817)	-	-
Activity of operating stabilization fund recorded in the general fund for GAAP purposes.....	45,234	-	-
Activity of capital stabilization fund recorded in the general fund for GAAP purposes.....	8,846	-	-
Activity of redevelopment stabilization fund recorded in the general fund for GAAP purposes.....	988	-	-
Activity of other postemployment benefits fund recorded in the general fund for GAAP purposes.....	-	-	150,000
<u>Adjustments</u>			
Net change in recording 60-day receipts.....	59,427	-	-
Net change in recording tax refunds payable.....	(711,072)	-	-
Net change in investment market value.....	62,500	-	-
To record MTRS on-behalf payments.....	6,443,502	6,443,502	-
To record encumbrances and continuing appropriations.....	-	(3,049,473)	-
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ <u>122,349,520</u>	\$ <u>119,510,362</u>	\$ <u>(182,613)</u>

## **Combining and Individual Fund Statements and Schedules**

# Nonmajor Governmental Funds

## Narrative

### *Special Revenue Funds*

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The special revenue funds are grouped into the following categories:

*Redevelopment* – accounts for all federal, state and locally funded redevelopment activities.

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

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

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

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

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

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

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

*School Revolving* – accounts for the activity of the school department's revolving funds

*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.

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

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

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

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The capital projects funds are grouped into the following categories:

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

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

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

### ***Permanent Funds***

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry. The permanent funds are grouped into the following categories:

*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, 2012

ASSETS	<i>Special Revenue Funds</i>					
	<u>Redevelopment</u>	<u>Other Community Development</u>	<u>City Revolving</u>	<u>Receipts Reserved</u>	<u>City Gifts</u>	<u>City State Grants</u>
Restricted cash and cash equivalents.....	\$ 2,001,765	\$ 1,576,282	\$ -	\$ 1,901,471	\$ 980,501	\$ 324,737
Restricted investments.....	1,375,079	612,261	-	-	-	-
Receivables, net of uncollectibles:						
Departmental and other.....	-	-	401,056	-	-	-
Loans.....	-	1,037,788	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 3,376,844</b>	<b>\$ 3,226,331</b>	<b>\$ 401,056</b>	<b>\$ 1,901,471</b>	<b>\$ 980,501</b>	<b>\$ 324,737</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Warrants payable.....	\$ -	\$ 266,437	\$ 9,323	\$ -	\$ 73,842	\$ 84,119
Due to other funds.....	-	-	337,870	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>266,437</b>	<b>347,193</b>	<b>-</b>	<b>73,842</b>	<b>84,119</b>
<b>FUND BALANCES:</b>						
Nonspendable.....	-	1,037,788	-	-	-	-
Restricted.....	3,376,844	1,922,106	53,863	1,901,471	906,659	240,618
<b>TOTAL FUND BALANCES.....</b>	<b>3,376,844</b>	<b>2,959,894</b>	<b>53,863</b>	<b>1,901,471</b>	<b>906,659</b>	<b>240,618</b>
<b>TOTAL LIABILITIES AND FUND BALANCES....</b>	<b>\$ 3,376,844</b>	<b>\$ 3,226,331</b>	<b>\$ 401,056</b>	<b>\$ 1,901,471</b>	<b>\$ 980,501</b>	<b>\$ 324,737</b>

<i>Special Revenue Funds</i>							<i>Capital Projects Funds</i>	
<u>City Federal Grants</u>	<u>School Lunch</u>	<u>School Revolving</u>	<u>School Gifts</u>	<u>School State Grants</u>	<u>School Federal Grants</u>	<u>Sub-total</u>	<u>Urban I &amp; II Renewal</u>	<u>Other Capital</u>
\$ 1,606,828	\$ 1,898,897	\$ 1,166,580	\$ 683,906	\$ 679,354	\$ 60,397	\$ 12,880,718	\$ 1,595,822	\$ 2,097,431
-	-	-	-	-	-	1,987,340	-	-
-	-	-	-	-	-	401,056	-	-
-	-	-	-	-	-	1,037,788	-	-
<u>\$ 1,606,828</u>	<u>\$ 1,898,897</u>	<u>\$ 1,166,580</u>	<u>\$ 683,906</u>	<u>\$ 679,354</u>	<u>\$ 60,397</u>	<u>\$ 16,306,902</u>	<u>\$ 1,595,822</u>	<u>\$ 2,097,431</u>
\$ 10,279	\$ 193,479	\$ -	\$ 8,992	\$ 4,139	\$ 52,168	\$ 702,778	\$ 2,000	\$ 244,319
-	-	-	-	-	-	337,870	-	-
<u>10,279</u>	<u>193,479</u>	<u>-</u>	<u>8,992</u>	<u>4,139</u>	<u>52,168</u>	<u>1,040,648</u>	<u>2,000</u>	<u>244,319</u>
-	-	-	-	-	-	1,037,788	-	-
<u>1,596,549</u>	<u>1,705,418</u>	<u>1,166,580</u>	<u>674,914</u>	<u>675,215</u>	<u>8,229</u>	<u>14,228,466</u>	<u>1,593,822</u>	<u>1,853,112</u>
<u>1,596,549</u>	<u>1,705,418</u>	<u>1,166,580</u>	<u>674,914</u>	<u>675,215</u>	<u>8,229</u>	<u>15,266,254</u>	<u>1,593,822</u>	<u>1,853,112</u>
<u>\$ 1,606,828</u>	<u>\$ 1,898,897</u>	<u>\$ 1,166,580</u>	<u>\$ 683,906</u>	<u>\$ 679,354</u>	<u>\$ 60,397</u>	<u>\$ 16,306,902</u>	<u>\$ 1,595,822</u>	<u>\$ 2,097,431</u>

(continued)



NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2012

	<i>Capital Projects Funds</i>		<i>Permanent Funds</i>			Total
	School Capital Reserve	Sub-total	Health and Human Services	Culture and Recreation	Sub-total	Nonmajor Governmental Funds
<b>ASSETS</b>						
Restricted cash and cash equivalents.....	\$ 2,706,541	\$ 6,399,794	\$ 12,745	\$ 109,328	\$ 122,073	\$ 19,402,585
Restricted investments.....	-	-	-	-	-	1,987,340
Receivables, net of uncollectibles:						
Departmental and other.....	-	-	-	-	-	401,056
Loans.....	-	-	-	-	-	1,037,788
<b>TOTAL ASSETS.....</b>	<b>\$ 2,706,541</b>	<b>\$ 6,399,794</b>	<b>\$ 12,745</b>	<b>\$ 109,328</b>	<b>\$ 122,073</b>	<b>\$ 22,828,769</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Warrants payable.....	\$ -	\$ 246,319	\$ -	\$ -	\$ -	\$ 949,097
Due to other funds.....	-	-	-	-	-	337,870
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>246,319</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,286,967</b>
<b>FUND BALANCES:</b>						
Nonspendable.....	-	-	11,996	10,396	22,392	1,060,180
Restricted.....	2,706,541	6,153,475	749	98,932	99,681	20,481,622
<b>TOTAL FUND BALANCES.....</b>	<b>2,706,541</b>	<b>6,153,475</b>	<b>12,745</b>	<b>109,328</b>	<b>122,073</b>	<b>21,541,802</b>
<b>TOTAL LIABILITIES AND FUND BALANCES....</b>	<b>\$ 2,706,541</b>	<b>\$ 6,399,794</b>	<b>\$ 12,745</b>	<b>\$ 109,328</b>	<b>\$ 122,073</b>	<b>\$ 22,828,769</b>

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**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<i>Special Revenue Funds</i>					
	Redevelopment	Other Community Development	City Revolving	Receipts Reserved	City Gifts	City State Grants
<b>REVENUES</b>						
Charges for services.....	\$ -	\$ -	\$ 1,763,324	\$ 234,420	\$ -	\$ -
Intergovernmental .....	-	1,148,197	-	-	12,924	1,078,562
Departmental and other.....	46,952	56,268	100,836	51,614	1,500	-
Contributions.....	-	416,000	-	(10,000)	586,670	-
Investment income.....	169,171	82,110	-	-	-	-
<b>TOTAL REVENUES.....</b>	<b>216,123</b>	<b>1,702,575</b>	<b>1,864,160</b>	<b>276,034</b>	<b>601,094</b>	<b>1,078,562</b>
<b>EXPENDITURES</b>						
Current:						
General government.....	-	-	-	48,506	187,983	12,675
Public safety.....	-	-	1,947,125	-	40,619	492,687
Education.....	-	-	-	-	61,201	16,618
Public works.....	-	-	-	-	11,008	379,417
Health and human services.....	-	-	58,180	-	196,107	58,218
Culture and recreation.....	-	-	25,717	-	-	53,932
Community development.....	227,216	2,136,421	39,003	-	111,193	-
<b>TOTAL EXPENDITURES.....</b>	<b>227,216</b>	<b>2,136,421</b>	<b>2,070,025</b>	<b>48,506</b>	<b>608,111</b>	<b>1,013,547</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(11,093)</b>	<b>(433,846)</b>	<b>(205,865)</b>	<b>227,528</b>	<b>(7,017)</b>	<b>65,015</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in.....	60,000	315,000	54,277	-	-	-
Issuance of bonds and notes.....	-	-	-	-	-	-
Transfers out.....	-	-	(4,658)	(175,000)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>60,000</b>	<b>315,000</b>	<b>49,619</b>	<b>(175,000)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>48,907</b>	<b>(118,846)</b>	<b>(156,246)</b>	<b>52,528</b>	<b>(7,017)</b>	<b>65,015</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>3,327,937</b>	<b>3,078,740</b>	<b>210,109</b>	<b>1,848,943</b>	<b>913,676</b>	<b>175,603</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 3,376,844</b>	<b>\$ 2,959,894</b>	<b>\$ 53,863</b>	<b>\$ 1,901,471</b>	<b>\$ 906,659</b>	<b>\$ 240,618</b>

<i>Special Revenue Funds</i>							<i>Capital Projects Funds</i>	
City Federal Grants	School Lunch	School Revolving	School Gifts	School State Grants	School Federal Grants	Sub-total	Urban I & II Renewal	Other Capital
\$ 18,894	\$ 542,527	\$ 844,209	\$ -	\$ -	\$ -	\$ 3,403,374	\$ -	\$ -
2,144,095	3,015,511	26,765	-	1,588,557	7,269,048	16,283,659	-	528,730
223	-	-	-	-	-	257,393	32,375	-
13,199	-	9,100	341,853	-	-	1,356,822	-	-
17,649	-	-	-	-	-	268,930	-	-
<u>2,194,060</u>	<u>3,558,038</u>	<u>880,074</u>	<u>341,853</u>	<u>1,588,557</u>	<u>7,269,048</u>	<u>21,570,178</u>	<u>32,375</u>	<u>528,730</u>
37,834	-	-	-	-	-	286,998	-	-
1,737,486	-	-	-	-	-	4,217,917	-	28,233
-	3,718,042	614,459	484,454	1,310,854	7,640,097	13,845,725	-	189,999
-	-	-	-	-	-	390,425	-	2,137,301
5,854	-	-	-	-	-	318,359	-	-
-	-	-	-	-	-	79,649	-	-
-	-	-	-	-	-	2,513,833	85,880	517,997
<u>1,781,174</u>	<u>3,718,042</u>	<u>614,459</u>	<u>484,454</u>	<u>1,310,854</u>	<u>7,640,097</u>	<u>21,652,906</u>	<u>85,880</u>	<u>2,873,530</u>
412,886	(160,004)	265,615	(142,601)	277,703	(371,049)	(82,728)	(53,505)	(2,344,800)
-	-	-	-	-	-	429,277	-	2,264,015
-	-	-	-	-	-	-	-	394,000
-	-	-	-	(3,734)	(25,877)	(209,269)	-	(869,366)
-	-	-	-	(3,734)	(25,877)	220,008	-	1,788,649
412,886	(160,004)	265,615	(142,601)	273,969	(396,926)	137,280	(53,505)	(556,151)
<u>1,183,663</u>	<u>1,865,422</u>	<u>900,965</u>	<u>817,515</u>	<u>401,246</u>	<u>405,155</u>	<u>15,128,974</u>	<u>1,647,327</u>	<u>2,409,263</u>
\$ <u>1,596,549</u>	\$ <u>1,705,418</u>	\$ <u>1,166,580</u>	\$ <u>674,914</u>	\$ <u>675,215</u>	\$ <u>8,229</u>	\$ <u>15,266,254</u>	\$ <u>1,593,822</u>	\$ <u>1,853,112</u>

(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<i>Capital Projects Funds</i>		<i>Permanent Funds</i>			Total
	<i>School Capital Reserve</i>	<i>Sub-total</i>	<i>Health and Human Services</i>	<i>Culture and Recreation</i>	<i>Sub-total</i>	<i>Nonmajor Governmental Funds</i>
<b>REVENUES</b>						
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,403,374
Intergovernmental .....	-	528,730	-	-	-	16,812,389
Departmental and other.....	-	32,375	-	-	-	289,768
Contributions.....	-	-	-	-	-	1,356,822
Investment income.....	33,560	33,560	-	838	838	303,328
<b>TOTAL REVENUES.....</b>	<b>33,560</b>	<b>594,665</b>	<b>-</b>	<b>838</b>	<b>838</b>	<b>22,165,681</b>
<b>EXPENDITURES</b>						
Current:						
General government.....	-	-	-	-	-	286,998
Public safety.....	-	28,233	-	-	-	4,246,150
Education.....	-	189,999	-	-	-	14,035,724
Public works.....	-	2,137,301	-	-	-	2,527,726
Health and human services.....	-	-	-	-	-	318,359
Culture and recreation.....	-	-	-	1,110	1,110	80,759
Community development.....	-	603,877	-	-	-	3,117,710
<b>TOTAL EXPENDITURES.....</b>	<b>-</b>	<b>2,959,410</b>	<b>-</b>	<b>1,110</b>	<b>1,110</b>	<b>24,613,426</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>33,560</b>	<b>(2,364,745)</b>	<b>-</b>	<b>(272)</b>	<b>(272)</b>	<b>(2,447,745)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in.....	790,000	3,054,015	-	-	-	3,483,292
Issuance of bonds and notes.....	-	394,000	-	-	-	394,000
Transfers out.....	(515,000)	(1,384,366)	-	-	-	(1,593,635)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>275,000</b>	<b>2,063,649</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,283,657</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>308,560</b>	<b>(301,096)</b>	<b>-</b>	<b>(272)</b>	<b>(272)</b>	<b>(164,088)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>2,397,981</b>	<b>6,454,571</b>	<b>12,745</b>	<b>109,600</b>	<b>122,345</b>	<b>21,705,890</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 2,706,541</b>	<b>\$ 6,153,475</b>	<b>\$ 12,745</b>	<b>\$ 109,328</b>	<b>\$ 122,073</b>	<b>\$ 21,541,802</b>

(concluded)

## Internal Service Funds

### Narrative

Internal service funds are used to account for the financing of services provided by one department to other departments or governmental units. The risk financing activities related to a portion of retirees' health insurance (through April 30, 2012) and all of the City's workers' compensation are accounted for in the internal service fund and are categorized as follows:

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

*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, 2012

			<u>Total</u>
	Retirees' Health Insurance	Workers' Compensation	Internal Service Funds
<b>ASSETS</b>			
Current assets:			
Restricted cash and cash equivalents.....	\$ 245,943	\$ 394,156	\$ 640,099
<b>LIABILITIES</b>			
Current liabilities:			
Other liabilities.....	-	2,348	2,348
Workers' compensation claims.....	-	222,449	222,449
Total current liabilities.....	-	224,797	224,797
Noncurrent liabilities:			
Workers' compensation claims.....	-	135,752	135,752
Total liabilities.....	-	360,549	360,549
<b>NET ASSETS</b>			
Unrestricted.....	\$ 245,943	\$ 33,607	\$ 279,550

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

			Total
	Retirees' Health Insurance	Workers' Compensation	Internal Service Funds
<b>OPERATING REVENUES</b>			
Employer contributions.....	\$ 550,000	\$ 368,702	\$ 918,702
Other.....	112,774	-	112,774
<b>TOTAL OPERATING REVENUES.....</b>	<b>662,774</b>	<b>368,702</b>	<b>1,031,476</b>
<b>OPERATING EXPENSES</b>			
Employee benefits.....	634,285	512,048	1,146,333
<b>OPERATING INCOME (LOSS).....</b>	<b>28,489</b>	<b>(143,346)</b>	<b>(114,857)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income.....	-	4,765	4,765
<b>CHANGE IN NET ASSETS.....</b>	<b>28,489</b>	<b>(138,581)</b>	<b>(110,092)</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>217,454</b>	<b>172,188</b>	<b>389,642</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 245,943</b>	<b>\$ 33,607</b>	<b>\$ 279,550</b>



INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Retirees' Health Insurance	Workers' Compensation	Total  Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from interfund services provided.....	\$ 662,774	\$ 368,702	\$ 1,031,476
Payments for interfund services used.....	(692,285)	(471,847)	(1,164,132)
NET CASH FROM OPERATING ACTIVITIES.....	(29,511)	(103,145)	(132,656)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment income.....	-	4,765	4,765
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(29,511)	(98,380)	(127,891)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	275,454	492,536	767,990
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$245,943 and \$394,156 reported as restricted in the retirees' health insurance and workers' compensation fund, respectively).....	\$ 245,943	\$ 394,156	\$ 640,099
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating income (loss).....	\$ 28,489	\$ (143,346)	\$ (114,857)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Adjustments requiring current cash flows:			
Changes in assets and liabilities:			
Accrued health claims payable.....	(58,000)	-	(58,000)
Workers' compensation claims.....	-	40,201	40,201
Total adjustments.....	(58,000)	40,201	(17,799)
NET CASH FROM OPERATING ACTIVITIES.....	\$ (29,511)	\$ (103,145)	\$ (132,656)

## Agency Funds

### Narrative

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

**AGENCY FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Balance at July 1, 2011	Additions	Deletions	Balance at June 30, 2012
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 622,534	\$ 6,109,828	\$ (5,854,585)	\$ 877,777
<b>LIABILITIES</b>				
Warrants payable.....	-	5,243,643	(5,241,705)	1,938
Liabilities due depositors.....	622,534	5,267,371	(5,014,066)	875,839
<b>TOTAL LIABILITIES.....</b>	<b>\$ 622,534</b>	<b>\$ 10,511,014</b>	<b>\$ (10,255,771)</b>	<b>\$ 877,777</b>

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# 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 (pages 107 – 118)

*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 (pages 119 – 122)

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

### Debt Capacity (pages 123 – 127)

*These schedules contain 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 (pages 128 - 129)

*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 (pages 130 – 134)

*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 comprehensive annual financial reports for the relevant year.

**NET ASSETS BY COMPONENT**  
(ACCRUAL BASIS OF ACCOUNTING)

LAST TEN FISCAL YEARS

	2003	2004	2005
<b>Governmental Activities</b>			
Invested in capital assets, net of related debt.....	\$ 88,028,350	\$ 87,769,262	\$ 104,156,143
Restricted.....	24,824,976	15,183,702	14,856,655
Unrestricted.....	24,631,799	28,500,604	24,393,261
Total governmental activities net assets.....	<u>\$ 137,485,125</u>	<u>\$ 131,453,568</u>	<u>\$ 143,406,059</u>
<b>Business-Type Activities</b>			
Invested in capital assets, net of related debt.....	\$ 3,367,738	\$ 4,534,392	\$ 3,445,938
Restricted.....	957,423	-	-
Unrestricted.....	2,429,730	3,015,421	4,101,194
Total business-type activities net assets.....	<u>\$ 6,754,891</u>	<u>\$ 7,549,813</u>	<u>\$ 7,547,132</u>
<b>Primary Government</b>			
Invested in capital assets, net of related debt.....	\$ 91,396,088	\$ 92,303,654	\$ 107,602,081
Restricted.....	25,782,399	15,183,702	14,856,655
Unrestricted.....	27,061,529	31,516,025	28,494,455
Total primary government net assets.....	<u>\$ 144,240,016</u>	<u>\$ 139,003,381</u>	<u>\$ 150,953,191</u>

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 102,535,541	\$ 103,040,202	\$ 109,699,755	\$ 113,168,275	\$ 115,802,386	\$ 123,198,732	\$ 110,297,865
13,532,009	12,836,617	14,156,898	15,843,439	16,877,352	5,330,361	21,541,560
<u>22,882,562</u>	<u>27,331,951</u>	<u>3,182,167</u>	<u>(18,524,343)</u>	<u>(33,438,542)</u>	<u>(41,789,700)</u>	<u>(55,550,266)</u>
<u>\$ 138,950,112</u>	<u>\$ 143,208,770</u>	<u>\$ 127,038,820</u>	<u>\$ 110,487,371</u>	<u>\$ 99,241,196</u>	<u>\$ 86,739,393</u>	<u>\$ 76,289,159</u>
\$ 4,197,376	\$ 3,382,731	\$ 4,293,753	\$ 5,079,857	\$ 9,731,672	\$ 13,645,212	\$ 15,188,269
-	-	-	-	-	-	-
<u>3,966,040</u>	<u>4,994,535</u>	<u>4,377,713</u>	<u>7,437,258</u>	<u>6,073,506</u>	<u>6,752,021</u>	<u>9,321,027</u>
<u>\$ 8,163,416</u>	<u>\$ 8,377,266</u>	<u>\$ 8,671,466</u>	<u>\$ 12,517,115</u>	<u>\$ 15,805,178</u>	<u>\$ 20,397,233</u>	<u>\$ 24,509,296</u>
\$ 106,732,917	\$ 106,422,933	\$ 113,993,508	\$ 118,248,132	\$ 125,534,058	\$ 136,843,944	\$ 125,486,134
13,532,009	12,836,617	14,156,898	15,843,439	16,877,352	5,330,361	21,541,560
<u>26,848,602</u>	<u>32,326,486</u>	<u>7,559,880</u>	<u>(11,087,085)</u>	<u>(27,365,036)</u>	<u>(35,037,679)</u>	<u>(46,229,239)</u>
<u>\$ 147,113,528</u>	<u>\$ 151,586,036</u>	<u>\$ 135,710,286</u>	<u>\$ 123,004,486</u>	<u>\$ 115,046,364</u>	<u>\$ 107,136,626</u>	<u>\$ 100,798,455</u>



**GOVERNMENTAL ACTIVITIES**  
**CHANGES IN NET ASSETS (ACCRUAL BASIS OF ACCOUNTING)**

**LAST TEN FISCAL YEARS**

	2003	2004	2005
<b>Expenses</b>			
General government.....	\$ 5,871,305	\$ 5,802,030	\$ 6,368,641
Public safety.....	20,788,760	20,951,948	23,411,640
Education.....	68,117,532	70,629,480	72,144,706
Public works.....	6,170,407	5,390,668	6,352,279
Health and human services.....	2,666,128	2,507,219	2,645,046
Culture and recreation.....	607,745	603,279	645,308
Community development.....	2,503,532	2,607,842	1,824,233
Debt service - interest.....	4,994,998	7,000,683	4,114,478
Total expenses.....	<u>111,720,407</u>	<u>115,493,149</u>	<u>117,506,331</u>
<b>Program Revenues</b>			
Charges for services:			
Public safety.....	3,137,625	2,865,284	3,467,600
Public works.....	1,075,487	1,147,770	1,207,394
Other activities.....	1,939,778	2,186,801	2,315,573
Operating grants and contributions.....	70,132,050	60,350,646	63,868,631
Capital grants and contributions.....	438,833	400,045	17,262,055
Total program revenues.....	<u>76,723,773</u>	<u>66,950,546</u>	<u>88,121,253</u>
Net (expense)/revenue.....	<u>(34,996,634)</u>	<u>(48,542,603)</u>	<u>(29,385,078)</u>
<b>General Revenues and Other Changes in Net Assets</b>			
Real estate and personal property taxes.....	23,390,465	24,101,436	26,583,428
Meals and room taxes.....	-	-	-
Motor vehicle and other excise taxes.....	3,136,517	2,331,503	2,890,852
Penalties and interest on taxes.....	272,770	661,775	331,215
Payments in lieu of taxes.....	1,641,658	1,132,798	609,949
Unrestricted grants and contributions.....	8,843,073	8,327,219	9,035,989
Unrestricted investment income.....	821,315	413,762	525,769
Gain on sale of capital assets.....	30,995	-	25,000
Miscellaneous.....	801,777	(1,601,782)	23,717
Transfers, net.....	1,014,252	991,487	1,270,254
Total general revenues and other changes in net assets.....	<u>39,952,822</u>	<u>36,358,198</u>	<u>41,296,173</u>
Change in net assets.....	<u>\$ 4,956,188</u>	<u>\$ (12,184,405)</u>	<u>\$ 11,911,095</u>

- (1) Beginning in fiscal year 2008, the City implemented GASBS 45, which accounts for a significant portion of the decrease in net assets of governmental activities

	2006	2007	(1) 2008	2009	2010	2011	2012
\$	6,633,250	\$ 6,749,810	\$ 8,802,344	\$ 9,465,362	\$ 8,584,122	\$ 8,878,505	\$ 6,303,492
	25,120,329	26,964,061	33,766,246	35,665,589	36,002,662	38,057,558	34,245,664
	75,452,209	75,539,107	89,459,187	92,186,880	97,560,358	97,529,142	101,583,304
	5,135,556	5,738,727	6,296,006	6,336,398	6,187,990	6,888,278	6,392,827
	2,876,211	2,221,478	2,542,823	2,699,727	1,854,061	1,845,688	4,003,944
	708,300	728,672	1,150,914	1,355,992	916,324	990,915	909,974
	1,481,448	1,760,889	1,833,093	1,372,317	1,546,870	1,345,920	1,774,591
	3,507,512	3,460,180	3,162,519	2,527,602	2,756,957	1,918,692	742,879
	<u>120,914,815</u>	<u>123,162,924</u>	<u>147,013,132</u>	<u>151,609,867</u>	<u>155,409,344</u>	<u>157,454,698</u>	<u>155,956,675</u>
	3,831,602	4,998,734	4,514,069	4,700,260	4,276,170	4,377,770	4,335,583
	1,223,069	1,358,377	1,210,082	1,446,499	1,529,503	1,346,420	1,421,310
	2,174,234	2,302,399	2,039,329	2,563,792	2,711,537	2,872,521	3,177,176
	63,410,195	67,520,030	72,252,579	73,086,636	77,955,416	78,148,183	78,837,387
	1,021,324	3,786,207	580,592	1,890,029	2,389,700	408,766	(1,065,126)
	<u>71,660,424</u>	<u>79,965,747</u>	<u>80,596,651</u>	<u>83,687,216</u>	<u>88,862,326</u>	<u>87,153,660</u>	<u>86,706,330</u>
	<u>(49,254,391)</u>	<u>(43,197,177)</u>	<u>(66,416,481)</u>	<u>(67,922,651)</u>	<u>(66,547,018)</u>	<u>(70,301,038)</u>	<u>(69,250,345)</u>
	28,161,050	30,114,992	31,523,741	34,562,918	34,585,525	37,049,408	38,375,534
	-	-	-	-	83,513	556,526	602,918
	2,829,277	2,111,357	2,846,327	2,841,288	7,467,078	7,001,354	8,253,392
	380,239	301,942	273,865	312,440	576,893	457,401	553,029
	1,195,899	1,185,030	1,792,342	1,537,180	1,738,295	1,483,189	1,221,920
	9,050,539	10,539,794	10,560,559	10,440,670	8,629,072	7,698,509	7,718,417
	1,245,853	1,695,467	1,710,427	2,100,745	1,352,951	940,588	406,508
	297,780	-	-	-	-	2,115,000	-
	282,085	-	-	-	-	-	-
	1,355,722	1,507,253	1,539,270	(424,039)	867,506	497,270	1,668,393
	<u>44,798,444</u>	<u>47,455,835</u>	<u>50,246,531</u>	<u>51,371,202</u>	<u>55,300,833</u>	<u>57,799,245</u>	<u>58,800,111</u>
\$	<u>(4,455,947)</u>	\$ <u>4,258,658</u>	\$ <u>(16,169,950)</u>	\$ <u>(16,551,449)</u>	\$ <u>(11,246,185)</u>	\$ <u>(12,501,793)</u>	\$ <u>(10,450,234)</u>

**BUSINESS-TYPE ACTIVITIES**  
**CHANGES IN NET ASSETS (ACCRUAL BASIS OF ACCOUNTING)**

**LAST TEN FISCAL YEARS**

	2003	2004	2005	2006
<b>Expenses</b>				
Water and Sewer.....	\$ 8,364,159	\$ 9,365,460	\$ 9,085,256	\$ 9,460,948
<b>Program Revenues</b>				
Charges for services.....	9,304,762	11,137,737	10,365,205	10,967,624
Operating grants and contributions.....	36,892	14,132	14,844	54,722
Capital grants and contributions.....	302,313	-	14,176	410,608
Total program revenues.....	9,643,967	11,151,869	10,394,225	11,432,954
Net (expense)/revenue.....	1,279,808	1,786,409	1,308,969	1,972,006
<b>General Revenues and Transfers</b>				
Transfers, net.....	(1,014,252)	(991,487)	(1,270,254)	(1,355,722)
Change in net assets.....	\$ 265,556	\$ 794,922	\$ 38,715	\$ 616,284

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ <u>9,625,649</u>	\$ <u>10,265,022</u>	\$ <u>10,442,575</u>	\$ <u>11,932,616</u>	\$ <u>12,619,962</u>	\$ <u>12,587,797</u>
11,219,309	11,791,807	13,864,185	16,012,276	17,304,563	18,344,616
86,085	69,906	-	75,909	-	21,966
<u>41,358</u>	<u>236,779</u>	<u>-</u>	<u>-</u>	<u>404,724</u>	<u>1,671</u>
<u>11,346,752</u>	<u>12,098,492</u>	<u>13,864,185</u>	<u>16,088,185</u>	<u>17,709,287</u>	<u>18,368,253</u>
1,721,103	1,833,470	3,421,610	4,155,569	5,089,325	5,780,456
<u>(1,507,253)</u>	<u>(1,539,270)</u>	<u>424,039</u>	<u>(867,506)</u>	<u>(497,270)</u>	<u>(1,668,393)</u>
\$ <u><u>213,850</u></u>	\$ <u><u>294,200</u></u>	\$ <u><u>3,845,649</u></u>	\$ <u><u>3,288,063</u></u>	\$ <u><u>4,592,055</u></u>	\$ <u><u>4,112,063</u></u>

**PRIMARY GOVERNMENT**  
**CHANGES IN NET ASSETS (ACCRUAL BASIS OF ACCOUNTING)**

**LAST TEN FISCAL YEARS**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total expenses.....	\$ 120,084,566	\$ 124,858,609	\$ 126,591,587
Total program revenues.....	<u>86,367,740</u>	<u>78,102,415</u>	<u>98,515,478</u>
Net (expense)/revenue.....	(33,716,826)	(46,756,194)	(28,076,109)
Total general revenues, transfers and other changes in net assets.....	<u>38,938,570</u>	<u>35,366,711</u>	<u>40,025,919</u>
Change in net assets.....	<u>\$ 5,221,744</u>	<u>\$ (11,389,483)</u>	<u>\$ 11,949,810</u>

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 130,375,763	\$ 132,788,573	\$ 157,278,154	\$ 162,052,442	\$ 167,341,960	\$ 170,074,660	\$ 168,544,472
<u>83,093,378</u>	<u>91,312,499</u>	<u>92,695,143</u>	<u>97,551,401</u>	<u>104,950,511</u>	<u>104,862,947</u>	<u>105,074,583</u>
(47,282,385)	(41,476,074)	(64,583,011)	(64,501,041)	(62,391,449)	(65,211,713)	(63,469,889)
<u>43,442,722</u>	<u>45,948,582</u>	<u>48,707,261</u>	<u>51,795,241</u>	<u>54,433,327</u>	<u>57,301,975</u>	<u>57,131,718</u>
<u>\$ (3,839,663)</u>	<u>\$ 4,472,508</u>	<u>\$ (15,875,750)</u>	<u>\$ (12,705,800)</u>	<u>\$ (7,958,122)</u>	<u>\$ (7,909,738)</u>	<u>\$ (6,338,171)</u>

**GOVERNMENTAL FUNDS**  
**FUND BALANCES (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

LAST TEN FISCAL YEARS

	2003	2004	2005	2006
<b>General Fund</b>				
Reserved.....	\$ 3,040,954	\$ 2,468,835	\$ 2,190,036	\$ 1,753,717
Unreserved.....	10,252,478	8,590,955	9,087,501	8,307,212
Nonspendable.....	-	-	-	-
Restricted.....	-	-	-	-
Committed.....	-	-	-	-
Assigned.....	-	-	-	-
Unassigned.....	-	-	-	-
Total general fund.....	<u>\$ 13,293,432</u>	<u>\$ 11,059,790</u>	<u>\$ 11,277,537</u>	<u>\$ 10,060,929</u>
<b>All Other Governmental Funds</b>				
Reserved.....	\$ 5,389,046	\$ 5,338,698	\$ 4,489,363	\$ 4,062,188
Unreserved, reported in:				
Special revenue funds.....	9,987,147	11,953,009	11,933,024	13,027,339
Debt service funds.....	10,702,854	9,758,015	10,279,367	9,370,978
Capital projects funds.....	(10,252,232)	(9,122,271)	(1,274,477)	(1,246,189)
Permanent funds.....	86,480	86,989	87,925	98,843
Nonspendable.....	-	-	-	-
Restricted.....	-	-	-	-
Total all other governmental funds.....	<u>\$ 15,913,295</u>	<u>\$ 18,014,440</u>	<u>\$ 25,515,202</u>	<u>\$ 25,313,159</u>

(1) Fiscal year 2011 represents the first year of implementing GASB Statement # 54

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>(1)</u> <u>2011</u>	<u>2012</u>
\$ 2,637,577	\$ 4,843,824	\$ 3,025,808	\$ 2,915,917	\$ -	\$ -
10,218,873	11,257,433	11,379,449	14,297,478	-	-
-	-	-	-	-	9,506
-	-	-	-	-	150,000
-	-	-	-	-	2,099,166
-	-	-	-	2,385,892	3,049,473
-	-	-	-	24,345,161	24,079,453
<u>\$ 12,856,450</u>	<u>\$ 16,101,257</u>	<u>\$ 14,405,257</u>	<u>\$ 17,213,395</u>	<u>\$ 26,731,053</u>	<u>\$ 29,387,598</u>
\$ 3,305,523	\$ 3,880,532	\$ 1,454,773	\$ 1,381,756	\$ -	\$ -
14,327,473	13,470,775	15,266,265	14,542,816	-	-
9,430,547	9,927,538	10,400,021	10,648,346	-	-
(5,346,118)	(8,762,135)	(727,133)	984,799	-	-
100,547	100,886	100,585	101,095	-	-
-	-	-	-	22,392	1,060,180
-	-	-	-	21,683,498	20,481,622
<u>\$ 21,817,972</u>	<u>\$ 18,617,596</u>	<u>\$ 26,494,511</u>	<u>\$ 27,658,812</u>	<u>\$ 21,705,890</u>	<u>\$ 21,541,802</u>



**GOVERNMENTAL FUNDS**  
CHANGES IN FUND BALANCES (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007
<b>REVENUES</b>					
Real estate and personal property taxes.....	\$ 22,669,580	\$ 24,656,790	\$ 25,996,104	\$ 27,786,205	\$ 28,944,381
Motor vehicle and other excise taxes.....	3,251,518	2,431,353	2,933,506	2,737,502	2,332,484
Meals and room taxes.....	-	-	-	-	-
Tax and trash liens.....	489,714	899,262	338,515	505,964	366,997
Payments in lieu of taxes.....	1,641,658	1,132,798	609,949	1,195,899	1,185,030
Charges for services.....	1,846,231	1,641,003	2,123,881	2,409,626	2,491,044
Trash disposal.....	907,205	1,034,814	1,120,391	1,230,498	1,270,801
Intergovernmental.....	78,901,636	76,383,765	90,513,250	81,556,455	84,823,330
Penalties and interest on taxes.....	272,770	661,775	331,215	380,239	301,942
Licenses, permits and fees.....	1,240,984	1,457,471	1,623,212	1,634,239	2,283,402
Fines and forfeitures.....	1,578,661	1,417,772	1,509,779	1,578,152	1,534,903
Departmental.....	645,318	751,036	633,612	1,167,669	642,619
Contributions.....	181,635	133,509	331,998	664,958	690,561
Investment income.....	2,884,896	216,136	1,810,607	1,091,025	2,521,329
<b>TOTAL REVENUES.....</b>	<b>116,511,806</b>	<b>112,817,484</b>	<b>129,876,019</b>	<b>123,938,431</b>	<b>129,388,823</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
General government.....	3,280,440	3,242,967	3,260,371	3,050,989	3,428,427
Public safety.....	15,200,487	14,945,125	18,612,071	17,858,180	18,157,315
Education (1).....	59,553,050	57,742,946	58,334,323	59,939,592	67,868,326
Public works.....	6,380,387	4,997,207	6,214,350	4,535,429	5,112,018
Health and human services.....	2,017,643	1,999,958	2,072,138	1,916,395	1,643,909
Culture and recreation.....	425,978	389,739	432,059	480,202	460,047
Community development.....	2,351,070	3,088,565	2,024,964	5,348,708	6,784,769
Pension benefits (1).....	7,897,955	8,357,720	9,203,469	9,991,344	9,001,662
Employee benefits (1).....	7,401,070	8,801,256	9,222,562	10,672,888	5,839,623
Property and liability insurance.....	369,692	457,240	473,443	426,165	558,328
Claims and judgments.....	18,377	15,835	20,498	9,210	21,180
State and county charges.....	2,208,706	2,552,188	2,883,357	2,977,746	3,310,117
<b>Debt service:</b>					
Principal.....	6,871,706	6,751,706	6,911,246	6,970,284	6,857,391
Interest.....	4,700,550	4,607,567	4,136,328	3,549,065	3,497,188
<b>TOTAL EXPENDITURES.....</b>	<b>118,677,111</b>	<b>117,950,019</b>	<b>123,801,179</b>	<b>127,726,197</b>	<b>132,540,300</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>OVER EXPENDITURES.....</b>	<b>(2,165,305)</b>	<b>(5,132,535)</b>	<b>6,074,840</b>	<b>(3,787,766)</b>	<b>(3,151,477)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in.....	4,467,548	4,526,909	5,636,392	2,416,211	3,959,770
Issuance of bonds and notes.....	-	1,600,000	641,000	691,000	653,000
Premium from issuance of bonds and notes.....	760,544	1,706	28,516	12,185	29,287
Issuance of refunding bonds.....	16,660,000	-	1,007,661	-	-
Premium from issuance of refunding bonds.....	1,510,874	-	18,978	-	-
Sale of capital assets.....	30,995	2,400,696	25,000	297,780	250,000
Capital leases.....	-	-	-	-	-
Transfers out.....	(3,451,011)	(3,529,273)	(4,354,515)	(1,048,061)	(2,440,246)
Refunded bonds redeemed.....	-	-	-	-	-
Payments to refunding bond escrow agent.....	(18,050,214)	-	(1,001,620)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>1,928,736</b>	<b>5,000,038</b>	<b>2,001,412</b>	<b>2,369,115</b>	<b>2,451,811</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>\$ (236,569)</b>	<b>\$ (132,497)</b>	<b>\$ 8,076,252</b>	<b>\$ (1,418,651)</b>	<b>\$ (699,666)</b>
<b>DEBT SERVICE EXPENDITURES AS A PERCENTAGE OF</b>					
<b>NONCAPITAL EXPENDITURES.....</b>	<b>11.56%</b>	<b>10.01%</b>	<b>9.08%</b>	<b>8.42%</b>	<b>8.17%</b>

(1) Beginning in fiscal year 2007, the City began reporting the School Department's share of pension and employee benefit costs as Education expenditures

	2008	2009	2010	2011	2012
\$	30,782,138	\$ 32,522,544	\$ 33,656,465	\$ 35,997,749	\$ 37,851,061
	2,557,448	2,858,058	7,241,592	7,111,447	7,161,510
	-	-	83,513	556,526	602,918
	382,714	305,512	1,058,925	907,060	697,979
	1,792,342	1,537,180	1,738,295	1,483,189	1,221,920
	2,296,533	2,522,413	2,768,668	3,142,666	3,403,374
	1,230,237	1,421,920	1,492,690	1,509,421	1,417,444
	86,499,436	89,664,616	89,848,841	102,461,524	85,285,276
	273,865	325,535	576,893	457,401	553,029
	2,146,030	2,111,520	1,661,067	1,686,406	1,217,335
	1,792,603	1,807,763	1,791,144	1,811,801	1,660,704
	287,836	513,831	321,045	371,243	1,408,644
	1,083,262	1,408,736	1,805,273	976,743	1,356,822
	2,943,049	2,077,494	1,347,159	936,009	677,185
	<u>134,067,493</u>	<u>139,077,122</u>	<u>145,391,570</u>	<u>159,409,185</u>	<u>144,515,201</u>
	3,628,137	4,456,416	3,647,141	4,116,985	3,705,904
	19,180,605	20,102,805	21,218,465	21,857,267	21,330,776
	71,149,773	75,392,603	77,835,710	78,049,056	78,478,431
	5,374,352	8,526,985	5,142,611	6,205,921	6,974,591
	1,573,840	1,637,992	1,395,638	1,247,303	1,250,883
	541,176	476,234	449,369	530,524	452,279
	4,631,470	3,447,654	1,869,328	1,762,797	3,117,710
	9,807,679	10,366,861	10,778,985	11,459,731	12,258,832
	6,209,239	6,877,797	6,511,415	6,259,620	6,763,964
	463,140	440,049	484,181	450,000	373,711
	3,473	25,215	38,920	46,059	29,167
	4,021,544	4,234,195	4,720,440	5,032,659	5,507,326
	6,797,357	6,913,970	7,439,494	25,196,312	2,761,359
	3,181,787	2,543,985	2,483,699	1,619,804	1,118,855
	<u>136,563,572</u>	<u>145,442,761</u>	<u>144,015,396</u>	<u>163,834,038</u>	<u>144,123,788</u>
	(2,496,079)	(6,365,639)	1,376,174	(4,424,853)	391,413
	2,897,989	4,271,345	4,372,919	27,034,339	6,230,321
	743,000	12,828,352	1,625,950	5,136,656	394,000
	-	61,562	-	239,006	38,651
	-	4,410,625	-	99,500	-
	-	121,901	-	4,991	-
	10,663	-	-	2,115,000	-
	232,355	-	102,809	-	-
	(1,343,497)	(4,695,384)	(3,505,413)	(26,537,069)	(4,561,928)
	-	-	-	(102,834)	-
	<u>-</u>	<u>(4,451,847)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2,540,510	12,546,554	2,596,265	7,989,589	2,101,044
\$	<u>44,431</u>	<u>6,180,915</u>	<u>3,972,439</u>	<u>3,564,736</u>	<u>2,492,457</u>
	7.51%	6.90%	7.06%	16.82%	2.79%

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

**LAST TEN FISCAL YEARS**

Fiscal Year	Assessed Value (2)			Total Assessed Value	Total Direct Tax Rate	Equalized Actual Value (3)	Assessed Value as a Percentage of Actual Value
	Residential Real Property	Commercial and Industrial Real Property	Personal Property				
2003 (1)	1,128,710,498	490,899,818	47,763,890	1,667,374,206	14.04	1,387,408,500	120.18%
2004	1,327,636,240	581,492,726	53,601,470	1,962,730,436	12.98	2,206,598,800	88.95%
2005	1,451,146,085	579,176,954	53,696,950	2,084,019,989	12.90	2,206,598,800	94.44%
2006 (1)	1,625,780,262	578,648,023	56,399,900	2,260,828,185	12.53	2,642,115,600	85.57%
2007	1,747,423,205	640,162,304	58,162,900	2,445,748,409	12.25	2,642,115,600	92.57%
2008	1,734,194,631	614,984,682	70,899,900	2,420,079,213	13.01	2,856,347,100	84.73%
2009 (1)	1,532,423,197	617,642,043	79,844,500	2,229,909,740	14.92	2,856,347,100	78.07%
2010	1,284,140,289	597,622,166	85,033,150	1,966,795,605	17.96	2,344,168,400	83.90%
2011	1,266,881,856	573,416,736	92,734,520	1,933,033,112	19.01	2,344,168,400	82.46%
2012 (1)	1,232,708,179	556,636,461	95,916,000	1,885,260,640	20.00	2,237,742,500 (4)	84.25%

Source: Assessing Department

(1) Revaluation year

(2) As of January 1st

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

(4) Equalized actual value for 2012 is an estimate

# DIRECT PROPERTY TAX RATES (1) (2)

## LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Residential Real Property</u>	<u>Commercial and Industrial Real Property</u>	<u>Personal Property</u>	<u>Total Direct (3)</u>
2003	\$ 10.04	\$ 22.41	\$ 22.41	\$ 13.61
2004	9.28	20.72	20.72	12.82
2005	9.54	20.60	20.60	12.69
2006	9.62	19.98	19.98	12.39
2007	9.33	19.54	19.54	12.08
2008	9.95	20.76	20.76	12.85
2009	10.80	23.96	23.96	13.69
2010	12.09	29.00	29.00	16.57
2011	12.92	30.60	30.60	17.49
2012	13.81	32.92	32.92	20.00

Source: Assessing Department

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

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

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

# PRINCIPAL PROPERTY TAXPAYERS

## CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2012			2003		
	Amount of Tax	Rank	Percentage of Total Tax Levy	Amount of Tax	Rank	Percentage of Total Tax Levy
Nstar Services	\$ 1,584,590	1	4.20%	\$ 559,512	3	2.39%
Urban Growth Properties	1,294,497	2	3.43%	-	-	-
Demoulas Super Markets Inc.	1,092,170	3	2.90%	-	-	-
Anthony C Simboli	963,456	4	2.56%	733,896	1	3.14%
Griffin Way LLC	915,499	5	2.43%	617,404	2	2.64%
KeySpan	490,992	6	1.30%	-	-	-
FR Chelsea Commons	472,353	7	1.25%	-	-	-
Catamount Petroleum Limited Partnership	439,624	8	1.17%	308,003	6	1.32%
New England Produce Center	415,009	9	1.10%	295,460	7	1.26%
Signature Breads	405,160	10	1.07%	-	-	-
Chelsea Development Associates	-	-	-	500,404	4	2.14%
Stanton Black	-	-	-	312,492	5	1.34%
Chelsea Sandwich	-	-	-	223,641	8	0.96%
Monkiewicz, Frank et al	-	-	-	215,288	9	0.92%
Darman Sumner, Trustee	-	-	-	202,647	10	0.87%
Total	<u>\$ 8,073,350</u>		<u>21.42%</u>	<u>\$ 3,968,747</u>		<u>16.98%</u>

Source: Assessing Department

# PROPERTY TAX LEVIES AND COLLECTIONS

## LAST TEN FISCAL YEARS

Fiscal Year	Net Tax Levy	Collected within the Fiscal Year of the Levy		Actual Subsequent Collections	Total Collections to Date	
		Current Tax Collections	Percent of Net Levy Collected		Total Tax Collections	Total Collections as a % of Net Levy
2003	\$ 22,699,963	\$ 22,378,670	98.58%	\$ 85,487	\$ 22,464,157	98.96%
2004	25,165,331	24,745,235	98.33%	308,514	25,053,749	99.56%
2005	26,455,080	25,919,327	97.97%	333,804	26,253,131	99.24%
2006	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	32,533,065	31,721,963	97.51%	561,502	32,283,465	99.23%
2010	34,888,374	33,582,088	96.26%	656,313	34,238,401	98.14%
2011	36,340,614	35,212,941	96.90%	786,348	35,999,289	99.06%
2012	37,698,372	37,043,761	98.26%	-	37,043,761	98.26%

Source: Department of the Treasurer/Collector

# RATIOS OF OUTSTANDING DEBT BY TYPE

## LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Median Family Income (1)	Per Capita (1)
	General Obligation Bonds	State House Notes	General Obligation Bonds	MWRA Notes			
2003	\$ 73,282,030	\$ 880,490	\$ 6,832,967	\$ 513,336	\$ 81,508,823	7.02%	\$ 2,324
2004	68,350,445	660,369	7,399,551	531,598	76,941,963	6.29%	2,193
2005	61,965,318	440,248	9,231,678	401,078	72,038,322	5.54%	2,054
2006	55,906,155	220,127	10,578,841	861,872	67,566,995	5.94%	1,926
2007	49,921,891	-	12,113,106	645,439	62,680,436	5.92%	1,787
2008	43,867,534	-	11,684,463	894,255	56,446,252	5.36%	1,615
2009	49,917,541	-	11,217,947	1,866,489	63,001,977	5.97%	1,801
2010	43,603,997	-	10,399,950	1,887,642	55,891,589	5.29%	1,592
2011	23,623,841	420,000	11,299,067	3,156,511	38,499,419	2.78%	1,097
2012	21,341,482	335,000	10,252,455	3,182,629	35,111,566	2.47%	998

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the "Demographic and Economic Statistics" schedule located in the Statistical Section for median family income and population data. These ratios are calculated using median family income and population for the prior calendar year in which both median family income and population data exist.

# RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	Net General Bonded Debt Outstanding					(1) Percentage of Assessed Value	(2) Per Capita
	General Obligation Bonds	State House Notes	Total General Bonded Debt	Less: Resources Restricted for Debt Principal	Total Net General Bonded Debt		
2003	\$ 80,114,997	\$ 880,490	\$ 80,995,487	\$ 10,702,854	\$ 70,292,633	4.22%	\$ 2,004
2004	75,749,996	660,369	76,410,365	9,758,015	66,652,350	3.40%	1,900
2005	71,196,996	440,248	71,637,244	10,279,367	61,357,877	2.94%	1,749
2006	66,484,996	220,127	66,705,123	9,370,978	57,334,145	2.54%	1,634
2007	62,034,997	-	62,034,997	9,430,547	52,604,450	2.15%	1,500
2008	55,551,997	-	55,551,997	9,927,538	45,624,459	1.89%	1,301
2009	61,135,488	-	61,135,488	10,400,021	50,735,467	2.28%	1,446
2010	54,003,947	-	54,003,947	10,648,346	43,355,601	2.20%	1,236
2011	34,922,908	420,000	35,342,908	-	35,342,908	1.83%	1,005
2012	31,593,937	335,000	31,928,937	-	31,928,937	1.69%	908

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Property value data can be found in the "Assessed Value and Estimated Actual Value of Taxable Property" schedule located in the Statistical Section

(2) Population data can be found in the "Demographic and Economic Statistics" schedule located in the Statistical Section



# LEGAL DEBT MARGIN INFORMATION

## LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2012			
Fiscal year 2012 equalized valuation.....	\$	2,237,742,500	
Normal debt limit (5% of equalized valuation).....		111,887,125	
Debt applicable to limit:			
Total bonded debt.....		21,341,482	
Less: General obligation bonds exempted by authority of state legislature.....		(4,375,500)	
Total net debt applicable to limit.....		16,965,982	
Legal debt margin.....	\$	94,921,143	
	Fiscal Year		
	2003	2004	2005
Normal debt limit.....	\$ 34,685,213	\$ 110,329,940	\$ 110,329,940
Total net debt applicable to limit.....	3,904,851	3,419,961	3,200,318
Legal debt margin.....	\$ 30,780,362	\$ 106,909,979	\$ 107,129,622
Total net debt applicable to the limit as a percentage of normal debt limit.....	11.26%	3.10%	2.90%

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$ 132,105,790	\$ 132,105,791	\$ 142,817,356	\$ 142,817,357	\$ 117,208,420	\$ 117,208,420	\$ 111,887,125
<u>4,656,787</u>	<u>4,831,891</u>	<u>4,942,534</u>	<u>17,082,541</u>	<u>20,793,997</u>	<u>24,043,841</u>	<u>16,965,982</u>
<u>\$ 127,449,003</u>	<u>\$ 127,273,900</u>	<u>\$ 137,874,822</u>	<u>\$ 125,734,816</u>	<u>\$ 96,414,423</u>	<u>\$ 93,164,579</u>	<u>\$ 94,921,143</u>
3.53%	3.66%	3.46%	11.96%	17.74%	20.51%	15.16%

# DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

JUNE 30, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Massachusetts Water Resource Authority.....	\$ 6,127,190,000	1.63%	\$ 99,964,819
City direct debt.....			<u>35,111,566</u>
Total direct and overlapping debt.....			<u>\$ 135,076,385</u>

Source: Massachusetts Water Resource Authority

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

# DEMOGRAPHIC AND ECONOMIC STATISTICS

## LAST TEN CALENDAR YEARS

Year	Population (1)	Median Family Income (1) (4)	Unemployment Rate (%) (2)
2002	35,080	\$ 34,849	3.9%
2003	35,080	37,039	5.5%
2004	35,080	32,430	6.4%
2005	35,080	30,161	6.4%
2006	35,080	30,161 (3)	5.8%
2007	35,080	30,161 (3)	6.4%
2008	35,080	30,161 (3)	6.3%
2009	35,080	30,161 (3)	9.4%
2010	35,177	39,511	10.6%
2011	35,177	40,487	9.6%

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

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

(3) Data not available for 2006-2009 (the number reported is 2005 data)

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

# PRINCIPAL EMPLOYERS

## CURRENT YEAR AND TEN YEARS AGO

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of Chelsea	1,254	1	9.71%	1,287	2	10.16%
MITC	1,150	2	8.90%	1,300	1	10.26%
Market Basket	900	3	6.97%	268	6	2.12%
MWRA	568	4	4.40%	507	3	4.00%
Kayem Foods	328	5	2.54%	392	5	3.09%
Massachusetts General Hospital	246	6	1.90%	225	8	1.78%
Paul Revere Transportation	220	7	1.70%	393	4	3.10%
Signature Breads	202	8	1.56%	250	7	1.97%
Metropolitan Credit Union	178	9	1.38%	152	9	1.20%
Stop & Shop	120	10	0.93%	147	10	1.16%
Total	5,166		39.99%	4,921		38.85%

Source: Department of Planning and Development

# EMPLOYEES BY FUNCTION/PROGRAM

## LAST TEN FISCAL YEARS

Function/Program	Full-Time Equivalent Employees as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government.....	51	50	52	52	54	55	55	55	48	48
Public safety.....	199	186	197	200	212	215	216	225	218	225
Education.....	937	864	879	879	871	901	926	930	907	910
Public works.....	28	27	26	25	25	25	25	25	22	24
Health and human services.....	49	40	36	39	37	37	37	30	30	30
Culture and recreation.....	8	8	9	8	8	8	8	8	7	7
Community development.....	13	10	10	10	10	9	8	7	7	7
Water and sewer.....	4	4	5	5	5	5	5	3	3	3
Total.....	<u>1,289</u>	<u>1,189</u>	<u>1,214</u>	<u>1,218</u>	<u>1,222</u>	<u>1,255</u>	<u>1,280</u>	<u>1,283</u>	<u>1,242</u>	<u>1,254</u>

Source: Various departments

# OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2003	2004	2005	2006
Public safety				
Police				
Offenses committed.....	7,724	6,909	6,784	7,460
Crime-related incidents.....	4,200	3,752	3,586	3,552
Non-crime related incidents.....	1,614	1,364	1,377	1,676
Arrests (on view).....	1,369	1,239	1,427	1,664
Arrests (based on incident/warrants).....	413	377	277	343
Summons arrests.....	1	-	-	5
Total arrests.....	1,783	1,616	1,704	2,012
Juvenile arrests.....	144	149	143	162
Hearings.....	552	411	457	532
Summons.....	209	154	240	259
Restraint orders.....	437	389	406	393
Citations.....	4,864	4,048	4,786	4,610
Fire				
Fires extinguished (1).....	240	253	181	268
Education				
Public school enrollment.....	5,805	5,785	5,873	5,500
Culture and recreation				
Library volumes in collection.....	76,585	74,568	73,635	74,928
Library volumes borrowed.....	53,072	47,904	44,766	45,164
Water				
Average daily consumption (1)				
(million gallons/day).....	3.543	3.418	3.285	2.999
Peak daily consumption (1)				
(million gallons/day).....	4.870	4.500	4.170	3.634
Sewer				
Average daily sewage treatment (1)				
(million gallons/day).....	3.990	4.040	4.110	4.440

Source: Various departments

(1) Data is on a calendar year basis

(2) Data is not available

Fiscal Year					
2007	2008	2009	2010	2011	2012
7,632	8,795	9,110	9,450	8,624	8,483
3,543	3,878	3,744	3,626	3,244	3,406
1,707	1,636	1,611	1,846	1,857	1,789
1,577	1,713	1,793	1,825	1,871	1,630
408	388	399	429	500	413
10	6	5	4	2	3
1,995	2,107	2,197	2,258	2,373	2,046
137	124	95	70	118	70
533	559	589	834	585	640
340	383	573	652	510	498
373	367	381	352	379	335
3,561	6,966	7,795	8,325	7,799	8,188
326	268	271	376	317	(2)
5,571	5,603	5,641	5,699	5,709	5,883
76,633	77,103	79,025	80,443	71,260	72,348
49,459	53,136	61,501	74,340	68,649	67,912
3.010	2.750	3.040	3.048	3.064	3.077
4.400	3.700	3.940	3.700	3.418	(2)
4.030	4.350	4.130	3.900	5.080	5.490



# CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

## LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	2003	2004	2005	2006	2007
General Government					
Buildings.....	1	1	1	1	1
Public safety					
Police					
Stations.....	1	1	1	1	1
Fire					
Stations.....	3	3	3	3	3
Trucks.....	6	6	6	6	6
Education					
Public school buildings.....	4	4	4	4	4
Public works					
Streets (miles).....	44	44	44	44	44
Streetlights.....	1,675	1,677	1,680	1,683	1,708
Traffic signals.....	46	46	46	46	47
Culture and recreation					
Community centers.....	1	1	1	1	1
Water					
Water mains (miles).....	61	61	61	61	61
Sewer					
Sewers (miles).....	41	41	41	41	41

Source: Various departments

Fiscal Year				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1	1	1	1	1
1	1	1	1	1
3	3	3	3	3
6	6	6	6	6
4	4	4	4	4
44	44	44	44	44
1,805	1,805	1,771	1,771	1,771
47	47	53	53	53
1	1	1	1	1
61	61	61	61	61
41	41	41	41	41