

City of Chelsea, Massachusetts

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2014

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Ned Keefe
Acting City Manager



Prepared by the Finance Division

CITY OF CHELSEA, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	Page
Introductory Section.....	1
Letter of Transmittal.....	2
Organizational Chart.....	13
Elected Officials.....	14
Principal Officials.....	15
GFOA Certificate of Achievement.....	16
Financial Section	17
Independent Auditors' Report.....	18
Management's Discussion and Analysis	21
Basic Financial Statements.....	31
Statement of Net Position	32
Statement of Activities	33
Governmental Funds – Balance Sheet.....	35
Reconciliation of the Governmental Funds Total Fund Balances to the Statement of Net Position	36
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances	37
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	38
Proprietary Funds – Statement of Fund Net Position.....	39
Proprietary Funds – Statement of Revenues, Expenses and Changes in Fund Net Position	40
Proprietary Funds – Statement of Cash Flows.....	41
Fiduciary Funds – Statement of Fiduciary Net Position.....	42
Fiduciary Funds – Statement of Changes in Fiduciary Net Position.....	43
Notes to Basic Financial Statements	44
Required Supplementary Information.....	76
General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	77
Pension Plan Schedules.....	87
Schedules of Funding Progress (System).....	87
Schedule of Employer Contributions (System).....	87
City Share of System ARC	87
Other Postemployment Benefits Schedules	88

Schedules of Funding Progress	88
Notes to Required Supplementary Information	89
Combining and Individual Fund Statements and Schedules	90
Nonmajor Governmental Funds	91
Narrative	91
Combining Balance Sheet	93
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	97
Internal Service Funds	100
Narrative	100
Combining Statement of Fund Net Position	101
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	102
Combining Statement of Cash Flows	103
Agency Funds	104
Narrative	104
Statement of Changes in Assets and Liabilities	105
Statistical Section	107
Table of Contents	108
Net Position by Component	109
Governmental Activities – Changes in Net Position	111
Business-Type Activities – Changes in Net Position	113
Primary Government – Changes in Net Position	115
Governmental Funds – Fund Balances	117
Governmental Funds – Changes in Fund Balances	119
Assessed Value and Estimated Actual Value of Taxable Property	121
Direct Property Tax Rates	122
Principal Property Taxpayers	123
Property Tax Levies and Collections	124
Ratios of Outstanding Debt by Type	125
Ratios of Net General Bonded Debt Outstanding	126
Legal Debt Margin Information	127
Direct and Overlapping Governmental Activities Debt	129
Demographic and Economic Statistics	130
Principal Employers	131
Employees by Function/Program	132
Operating Indicators by Function/Program	133
Capital Asset Statistics by Function/Program	135

Introductory Section



Ned Keefe
Acting City Manager

CITY OF CHELSEA

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January 29, 2015

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, 2014. 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.

The City is responsible for the accuracy, completeness and fairness of the data presented in the CAFR. The City is also responsible for establishing and maintaining a comprehensive framework of internal control designed to provide reasonable (rather than absolute) assurance that the financial statements are free from material misstatement. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed their anticipated benefits. Also, the evaluation of costs and benefits requires estimates and judgments.

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 announce. Rhetoric aside, the aforementioned financial management achievements, combined with burgeoning development, neighborhood advancements, community programming expansions, public safety gains and, perhaps most importantly, open and inclusive governing, are all indisputable results of our work together.

As is the case with much that has been accomplished in the nineteen 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, continue to demonstrate 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 complement 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 highlights concepts important to the overall context in which the attached CAFR places the administration of the City's financial processes.

REPORTING ENTITY AND SERVICES PROVIDED

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

The City has included the Chelsea Contributory Retirement System (System) as a component unit (blended) in the basic financial statements. The financial statements of the System are presented for the year ended December 31, 2013, 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 27% (43% when adjusted for inflation) 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 1991, City officials are constantly acting to ensure that history does not repeat itself. Budget management is priority one in order to maintain a balanced budget in fiscal year 2015, albeit one that required reserves 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 general increase in costs for just about everything else, from supplies to capital projects, are combining to place increasingly more burden on the local budget. To date and into the short-term future, that being the next five years, 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 2011 Massachusetts municipal health care reform law advocated by the City has provided a path to achieve some health insurance savings, meaning that City budget planners secured a \$1m savings in premiums and have experienced 6-8% increases, instead of the forecasted 10-12%, 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 continuing 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 recovery fails and the economy reverts back into recession.

As non-school local aid continues to be below fiscal year 2001 highs, the City continues to be focused upon issues that are more in local control. The City's economic development agenda continues to pay dividends, however long-term continued growth has to be questioned given the City's limited land availability. 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. Those efforts seek to promote higher density and, therefore, higher value projects. In addition to land and economy limitations, the City must continue to review the impacts that density may cause for the negative, like increased traffic concerns.

Despite the various concerns, 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 appropriate attention, the development pipeline in Chelsea has displayed a healthy resiliency rebounding from the tough times when even a new hotel and second phase of the Mystic Mall redevelopment were achieved – to today, where the City 'skyline' is being changed. Several anticipated projects have come to fruition including the 2nd phase of the ongoing construction of a residential development on Sixth Street, two additional hotel projects, and the biggest potential prize of them all, the construction of the FBI regional headquarters.

Unfortunately, though, that investment and the new tax revenues it is producing is mostly, if not fully, 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 gaps 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. The structural deficits that plagued the City for years and were successfully erased prior to the last recession – but returned in the downturn – are again erased, and recovery is secured. However, still uncertain economic conditions, potential revenue shocks, the

continued impact of increased costs, and new challenges to the City's services, like additional policing or more infrastructure needs, all continue to cause the City to be slightly pessimistic about financial surety going forward.

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 municipal health care reform 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 saved the City more than \$1m on annual premiums in 2012, and has lowered the rate of growth in costs going forward. That said, health insurance has since increased at rates greater than revenue growth and general budget spending, though 2015 may offer some relief with a 1-2% projected increase. Still more action may be required soon to bring further control to that cost center.

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 were negotiated fairly, although the impact of increased labor costs 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 public safety 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, have moderated but

continue to exert a negative impact the City's revenue prospects in fiscal year 2015 and likely for several additional fiscal years thereafter. Reserves, therefore, have been used in fiscal year 2015 and will need to be drawn from again in fiscal year 2016, 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 by a responsible City Council, as well as economic development opportunities that still exist to both provide local optimism at a time that pessimism still has the attention of many other communities. 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 producing projects, and City financial efforts are mitigating structural deficits swings and stabilizing financial projections. 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 nearly twenty years 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 eliminated during the downturn have not been restored, and while a plan is in place to supplement the workforce, there is also a plan for others to 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 occurred, 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 the fulfilled promise of backfilling positions which would have otherwise been cut as a result of disappearing federal aid. With this as a backdrop, and notwithstanding the various crises impacting all corners of the world, the City believes that manageable, albeit somewhat uncomfortable days will continue well into the future.

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 could be well exceeded. 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, and another 56-unit, market rate project, possibly 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 is soon to follow in the area of the Residence Inn and the Wyndham Hotel. While environmental cleanup work continues on that likely project, the new residential apartment complex known as "One North of Boston" on Sixth Street, achieved full occupancy within 4 months of its 'soft' opening in April, 2014, and followed this success with a construction start of the second phase this past fall. The long anticipated FBI regional headquarters in the City's urban renewal district is under construction - and will bring a new feature to the Chelsea skyline when it is completed in May, 2016, as well as make a significant impact on new growth revenues, and, more importantly, prospects for even further confidence in investing and development here in the future. Also, outside the EAURD, a Marriot TownePlace Suites hotel has progressed at record speed and will open by March, 2015, soon to be followed by an additional hotel permitted recently for another site, vindication that there is strength in the City's development agenda throughout the community.

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 collaborative planning, vision, action and achievement on the residential/industrial conflict agenda was recognized by the Urban Land Institute 2015 Jack Kemp Excellence in Affordable and Workforce Housing Award to the Chelsea-based Neighborhood Developers. The Box District includes 248 new mixed-income apartments and condominiums plus a new park that transformed a former blighted industrial site in Chelsea using a mix of new construction, adaptive reuse of old factories and modular building methods. The redevelopment of the Box District, now a smart growth district that will soon be home to a new Silver Line transit stop, is a result of long-term collaboration between The Neighborhood Developers, Mitchell Properties, and the City of Chelsea. The phased development began with The Neighborhood Developer’s purchase of a vacant factory in the district in 2006.

The collaboratively planned 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 through effective and coordinated efforts. While the work and its outcomes on Chelsea residents speaks for itself, the community garnered national recognition from the National Civic League All-America City 2014 Award for its collaborative community model highlighted by three efforts, the Healthy Chelsea Coalition, the North Bellingham Hill Action Plan, and Roca’s High-Risk Young Men Intervention programs.

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 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, including a sustained trend crime reduction, continues to have an even greater impact on the accomplishment of the City’s policing efforts. Critical federal funding helped spare significant cuts in Fire manpower during the recession, 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 funds, 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 “Occasional Forums for Public Input” to bring residents

together to talk about issues like trash, parking, health, economic development and drug use in the city. As a result, major initiatives have been adopted about each topic area. 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 and retired employees. 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 the liability is incurred.

CAPITAL FINANCING AND DEBT MANAGEMENT

The City’s debt burden is relatively low in relation to other communities its size. Outstanding long-term debt (related to governmental funds) as of June 30, 2014, totaled approximately \$20,270,000, of which \$800,000 relates to school remodeling projects and \$7,730,000 relates to urban renewal, leaving a balance of approximately \$11,740,000 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, 2014, the fund totaled approximately \$1,008,000.

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, 2014, general fund cash and cash equivalents totaled \$34,379,565.

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 CliftonLarsonAllen LLC performed the City's annual audit for the fiscal year ended June 30, 2014. The independent auditors' report on the basic financial statements, for the fiscal year ended June 30, 2014, is included herein and contains an unmodified opinion.

CERTIFICATES, AFFILIATIONS AND AWARDS

For the sixteenth 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, 2013 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 2014 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, and 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.

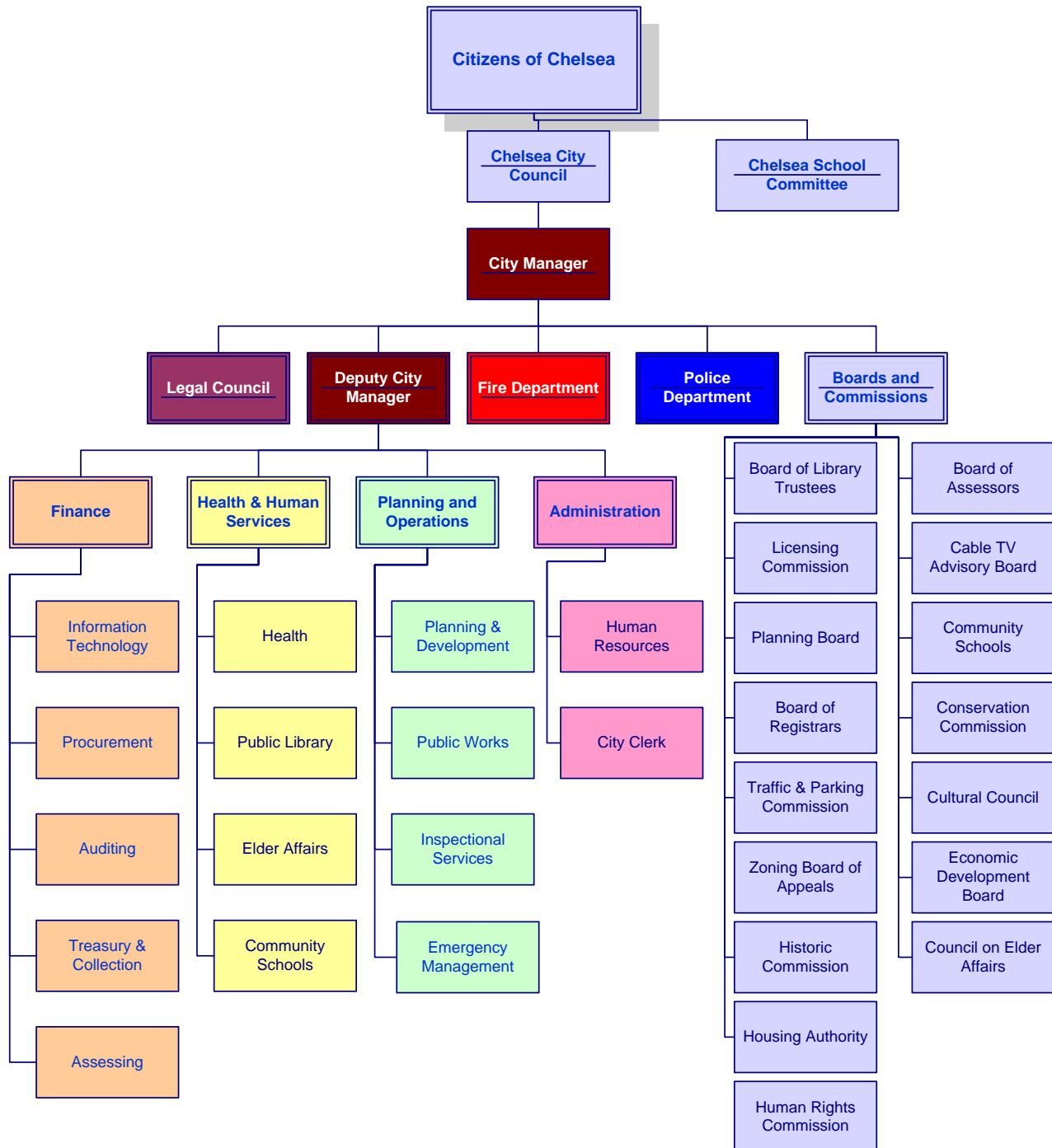
On behalf of all of us, including you, City Council, I am pleased to share with the public the City's fiscal year 2014 CAFR. Once again, municipal government is not only accurately and openly reporting on its operations, but also doing so in a manner which demonstrates why Chelsea City government is the transparent success it is.

Very truly yours,

A handwritten signature in black ink, appearing to read "Edward Keefe", written in a cursive style.

Ned Keefe
Acting City Manager

City of Chelsea Organization



Elected Officials - City Council

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

Elected Officials - School Committee

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

Principal Officials

Department	Official(s)	Additional Areas of Authority
Assessors	Ken Stein, Chairman Stephen Roche, Director	
Auditing	Edward Dunn, Auditor	
City Clerk	Deborah Clayman, City Clerk	Traffic & Parking
City Council	Matthew Frank, President Paul Casino, Administrator	
Executive	Jay Ash, City Manager Ned Keefe, Deputy City Manager	
Emergency Management	Allan I. Alpert, Director	E911
Fire	Robert Better, Jr., Chief	
Health & Human Services	Luis Prado, Director	Elder Affairs, Health, Library, Veterans Services, Community Schools
Human Resources	Robert Joy, Director	
Inspectional Services	Joseph Cooney, Director	
Legal	Cheryl Watson Fisher, City Solicitor	
M.I.S.	Ramon Garcia, 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	Jeanette Velez, Chairperson Mary M. Bourque, Superintendent	
Treasurer/Collector	Robert Boulrice, Director Treasurer/Collector	Central Billing and Research
Veteran Services	Francisco Toro, Director	



Government Finance Officers Association

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For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Financial Section

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chelsea, Massachusetts, as of and for the year ended June 30, 2014 (except for the Chelsea Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2013), and the related notes to the financial statements, which collectively comprise the City of Chelsea, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chelsea, Massachusetts, as of June 30, 2014 (except for the Chelsea Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2013), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 22 through 30) and general fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 77 through 89) 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.

Other Information

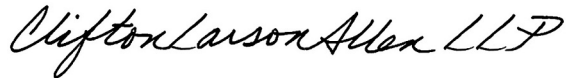
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Chelsea, Massachusetts' basic financial statements. The introductory section, combining and individual fund statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Chelsea, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen

January 29, 2015
Boston, Massachusetts

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, 2014.

Financial Highlights

- The assets of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$98,428,728 (net position).
- The City's total net position increased \$4,795,738.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$33,680,292, or 23.0 percent of total general fund revenues and transfers in from other funds.
- The City's total outstanding long-term debt principal decreased by \$1,796,941 during the fiscal year. The City issued \$4,491,050 in general obligation bonds, current refunding 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 position** presents information on all of the City's non-fiduciary assets and liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, 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 91-99 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 100-103 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 44-74 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 76-89 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 Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities and deferred inflows of resources by \$98,428,728 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2014	2013	2014	2013	2014	2013
Assets						
Current assets.....	\$ 75,095,249	\$ 66,820,768	\$ 21,223,075	\$ 19,105,523	\$ 96,318,324	\$ 85,926,291
Noncurrent assets (excluding capital assets).....	1,371,916	1,222,707	-	-	1,371,916	1,222,707
Capital assets (net).....	<u>129,667,799</u>	<u>130,359,112</u>	<u>25,887,728</u>	<u>24,160,393</u>	<u>155,555,527</u>	<u>154,519,505</u>
Total assets.....	<u>206,134,964</u>	<u>198,402,587</u>	<u>47,110,803</u>	<u>43,265,916</u>	<u>253,245,767</u>	<u>241,668,503</u>
Liabilities						
Current liabilities (excluding debt).....	6,193,547	8,723,365	365,804	388,270	6,559,351	9,111,635
Noncurrent liabilities (excluding debt).....	113,857,054	102,785,823	1,150,428	1,090,908	115,007,482	103,876,731
Current debt.....	3,999,460	2,627,887	2,567,541	2,260,104	6,567,001	4,887,991
Noncurrent debt.....	<u>15,047,047</u>	<u>19,043,650</u>	<u>11,636,158</u>	<u>11,115,506</u>	<u>26,683,205</u>	<u>30,159,156</u>
Total liabilities.....	<u>139,097,108</u>	<u>133,180,725</u>	<u>15,719,931</u>	<u>14,854,788</u>	<u>154,817,039</u>	<u>148,035,513</u>
Net Position						
Net investment in capital asse	113,957,937	112,646,295	18,376,165	16,948,277	132,334,102	129,594,572
Restricted.....	23,010,803	19,798,007	-	-	23,010,803	19,798,007
Unrestricted.....	<u>(69,930,884)</u>	<u>(67,222,440)</u>	<u>13,014,707</u>	<u>11,462,851</u>	<u>(56,916,177)</u>	<u>(55,759,589)</u>
Total net position.....	<u>\$ 67,037,856</u>	<u>\$ 65,221,862</u>	<u>\$ 31,390,872</u>	<u>\$ 28,411,128</u>	<u>\$ 98,428,728</u>	<u>\$ 93,632,990</u>

The largest portion of the City's net position (\$132,334,102) reflects its net investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and infrastructure). These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the net 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 position (\$23,014,757) represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position of \$13,014,707 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 position available for the support of governmental activities. Such resources have been consumed with the recognition of postemployment benefits liabilities.

Changes in Net Position

For the fiscal year ended June 30, 2014, the City's total net position increased by \$4,795,738, compared to a decrease of \$7,165,465 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2014	2013	2014	2013	2014	2013
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 9,726,220	\$ 9,431,480	\$ 18,392,096	\$ 18,474,949	\$ 28,118,316	\$ 27,906,429
Operating grants and contributions.....	91,442,874	83,700,933	999	2,412	91,443,873	83,703,345
Capital grants and contributions.....	243,646	310,844	282,150	320,320	525,796	631,164
<i>General Revenues:</i>						
Real estate and personal property taxes.....	44,226,062	42,040,017	-	-	44,226,062	42,040,017
Motor vehicle and other excise taxes.....	9,945,067	8,198,951	-	-	9,945,067	8,198,951
Meals and room taxes.....	1,108,668	871,300	-	-	1,108,668	871,300
Penalties and interest on taxes.....	472,452	375,953	-	-	472,452	375,953
Payments in lieu of taxes.....	2,139,017	1,221,631	-	-	2,139,017	1,221,631
Grants and contributions not restricted to specific programs.....	7,837,799	7,538,595	-	-	7,837,799	7,538,595
Unrestricted investment income.....	737,599	142,796	-	-	737,599	142,796
Gain on sale of permanent easement.....	654,000	-	-	-	654,000	-
Total revenues.....	168,533,404	153,832,500	18,675,245	18,797,681	187,208,649	172,630,181
Expenses						
General government.....	6,396,204	6,753,023	-	-	6,396,204	6,753,023
Public safety.....	37,333,683	37,168,245	-	-	37,333,683	37,168,245
Education.....	108,824,624	106,039,385	-	-	108,824,624	106,039,385
Public works.....	7,330,891	7,054,957	-	-	7,330,891	7,054,957
Health and human services.....	4,397,671	4,311,783	-	-	4,397,671	4,311,783
Culture and recreation.....	818,969	980,683	-	-	818,969	980,683
Community development.....	2,535,337	3,324,674	-	-	2,535,337	3,324,674
Debt service - interest.....	832,886	977,150	-	-	832,886	977,150
Water and sewer.....	-	-	13,942,646	13,185,746	13,942,646	13,185,746
Total expenses.....	168,470,265	166,609,900	13,942,646	13,185,746	182,412,911	179,795,646
Change in net position before transfers.....	63,139	(12,777,400)	4,732,599	5,611,935	4,795,738	(7,165,465)
Transfers, net.....	1,752,855	1,710,103	(1,752,855)	(1,710,103)	-	-
Change in net position.....	1,815,994	(11,067,297)	2,979,744	3,901,832	4,795,738	(7,165,465)
Net position - beginning of year.....	65,221,862	76,289,159	28,411,128	24,509,296	93,632,990	100,798,455
Net position - end of year.....	\$ 67,037,856	\$ 65,221,862	\$ 31,390,872	\$ 28,411,128	\$ 98,428,728	\$ 93,632,990

Governmental activities increased the City's net position by \$1,815,994. In the prior year, governmental activities decreased the City's net position by \$11,067,297. The increase in the overall net position of governmental activities is primarily the result of significant increase in state aid to the general fund operations of approximately \$7,000,000; increase in local revenues of approximately \$1,500,000; increase in payment in lieu of taxes (PILOT) agreement of approximately \$1,200,000 and at the same time, expenditures only increased 1% from prior year.

Business-type activities increased the City's net position by \$2,979,744. In the prior year, business-type activities increased the City's net position by \$3,901,832. The increase in the overall net position of business-type activities is primarily the result of planned operating revenues exceeding expenditures, consistent with the prior year.

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 \$67,506,745, an increase of \$12,090,683 in comparison with the prior year. Approximately \$33,490,000 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$739,250)
- Restricted (\$24,335,587)
- Committed (\$3,057,530)
- Assigned (\$5,884,258)

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 \$33,680,292, while total fund balance was \$43,126,934. 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 revenues and transfers in from other funds. Unassigned fund balance represents 23% of total general fund revenues and transfers in from other funds, while total fund balance represents 29% of that same amount.

The balance of the City's general fund increased \$9,849,787 during fiscal year 2014. The City recognized a positive budget to actual variance totaling approximately \$13,706,000. Approximately \$8,254,000 of reserves were intended to be used to fund the fiscal year 2014 budget; however, none were required.

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 position of the water and sewer enterprise fund at the end of the year amounted to \$13,014,707. The water and sewer enterprise fund had an increase in net position for the year of \$2,979,744. 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 \$131,437,664 was increased by \$3,743,169 (2.9%) during the fiscal year. The following table summarizes the increase:

Purpose of Increase/Decrease	Amount	Funding Source
Transfer to capital projects - various.....	2,613,095	Unassigned fund balance
Police and Fire personal services.....	1,531,991	Unassigned fund balance
Various departments' personal services.....	503,520	Unassigned fund balance
Police department.....	475,000	Unassigned fund balance
Transfers to trust funds - various.....	396,384	Unassigned fund balance
Department of Public Works.....	210,288	Unassigned fund balance
Transfers to health claims trust.....	175,000	Unassigned fund balance
Board of health.....	125,000	Unassigned fund balance
Inspectional services.....	88,819	Unassigned fund balance
Auditor's office.....	61,097	Unassigned fund balance
City Clerk.....	49,885	Unassigned fund balance
Executive department.....	48,690	Unassigned fund balance
Emergency management.....	42,415	Unassigned fund balance
City council.....	42,322	Unassigned fund balance
Payroll taxes.....	40,108	Unassigned fund balance
Veterans services.....	26,548	Unassigned fund balance
MIS department.....	29,986	Unassigned fund balance
Procurement.....	4,451	Unassigned fund balance
Transfers to special revenue - various.....	400	Unassigned fund balance
Canceled encumbrances.....	(30,088)	Assigned fund balance
School department.....	(945,208)	Unassigned fund balance
Salary reserve.....	(1,746,534)	Unassigned fund balance
Total net increase.....	\$ 3,743,169	

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 \$13,706,000.

Capital Asset and Debt AdministrationCapital assets

The City's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$155,555,527 (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 0.7% (a 0.4% decrease for governmental activities and a 1.1% 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 (\$3,018,000)
- Continued reconstruction of roadways, sidewalks and drains (\$2,456,000)
- Various public safety and public works machinery and equipment purchases (\$939,000)
- Fire station construction in progress (\$773,000)

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

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2014	2013	2014	2013	2014	2013
Land.....	\$ 17,878,663	\$ 18,620,663	\$ -	\$ -	\$ 17,878,663	\$ 18,620,663
Construction in progress.....	2,045,903	1,272,906	-	560,989	2,045,903	1,833,895
Buildings and improvements.....	89,788,991	92,726,533	-	-	89,788,991	92,726,533
Machinery and equipment.....	3,292,929	2,996,966	-	-	3,292,929	2,996,966
Infrastructure.....	16,661,313	14,742,044	25,887,728	23,599,404	42,549,041	38,341,448
Total capital assets.....	<u>\$ 129,667,799</u>	<u>\$ 130,359,112</u>	<u>\$ 25,887,728</u>	<u>\$ 24,160,393</u>	<u>\$ 155,555,527</u>	<u>\$ 154,519,505</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 debt outstanding was \$33,250,206, 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>	
	2014	2013	2014	2013	2014	2013
General obligation bonds.....	\$ 17,481,507	\$ 20,021,537	\$ 9,588,493	\$ 9,273,463	\$ 27,070,000	\$ 29,295,000
State House notes.....	165,000	250,000	-	-	165,000	250,000
Private loans.....	1,400,000	1,400,000	-	-	1,400,000	1,400,000
MWPAT notes.....	-	-	214,196	224,670	214,196	224,670
MWRA notes.....	-	-	4,401,010	3,877,477	4,401,010	3,877,477
Total bonds, notes and loans.....	<u>\$ 19,046,507</u>	<u>\$ 21,671,537</u>	<u>\$ 14,203,699</u>	<u>\$ 13,375,610</u>	<u>\$ 33,250,206</u>	<u>\$ 35,047,147</u>

The City's total debt decreased \$1,796,941 (or 5.1%) during the fiscal year. The City issued \$4,491,050 in general obligation bonds, current refunding 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 March 13, 2014.

Additional information on the City's long-term debt can be found in Note 10 on pages 61-66 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.

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Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 34,379,565	\$ 10,289,001	\$ 44,668,566
Restricted cash and cash equivalents.....	22,771,995	6,710,282	29,482,277
Investments.....	11,479,405	-	11,479,405
Restricted investments.....	2,313,552	-	2,313,552
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	1,226,009	-	1,226,009
Tax, trash and utility liens.....	895,365	320,311	1,215,676
Motor vehicle and other excise taxes.....	245,854	-	245,854
User charges.....	-	3,903,481	3,903,481
Trash.....	297,945	-	297,945
Departmental and other.....	1,208,905	-	1,208,905
Intergovernmental.....	226,070	-	226,070
Loans.....	50,584	-	50,584
Total current assets.....	75,095,249	21,223,075	96,318,324
Noncurrent assets:			
Restricted cash and cash equivalents.....	156,492	-	156,492
Restricted investments.....	348,362	-	348,362
Receivables, net of allowance for uncollectible amounts:			
Loans.....	666,274	-	666,274
Tax foreclosures.....	200,788	-	200,788
Capital assets not being depreciated.....	19,924,566	-	19,924,566
Capital assets, net of accumulated depreciation.....	109,743,233	25,887,728	135,630,961
Total noncurrent assets.....	131,039,715	25,887,728	156,927,443
Total assets.....	206,134,964	47,110,803	253,245,767
LIABILITIES			
Current liabilities:			
Warrants payable.....	3,195,787	247,964	3,443,751
Accrued payroll.....	1,121,600	5,244	1,126,844
Tax refunds payable.....	193,800	-	193,800
Other liabilities.....	2,768	-	2,768
Abandoned property.....	138,771	-	138,771
Customer deposits.....	-	18,146	18,146
Accrued interest.....	283,371	94,450	377,821
Workers' compensation claims.....	206,450	-	206,450
Compensated absences.....	1,051,000	-	1,051,000
Long-term bonds, notes and loans payable.....	3,999,460	2,567,541	6,567,001
Total current liabilities.....	10,193,007	2,933,345	13,126,352
Noncurrent liabilities:			
Workers' compensation claims.....	148,359	-	148,359
Compensated absences.....	5,259,000	-	5,259,000
Net OPEB obligation.....	108,449,695	1,150,428	109,600,123
Long-term bonds, notes and loans payable.....	15,047,047	11,636,158	26,683,205
Total noncurrent liabilities.....	128,904,101	12,786,586	141,690,687
Total liabilities.....	139,097,108	15,719,931	154,817,039
NET POSITION			
Net investment in capital assets.....	113,957,937	18,376,165	132,334,102
Restricted for:			
OPEB.....	504,854	-	504,854
Loans.....	716,858	-	716,858
Permanent funds:			
Expendable.....	102,082	-	102,082
Nonexpendable.....	22,392	-	22,392
Community development and redevelopment.....	4,122,384	-	4,122,384
Receipts reserved.....	3,773,294	-	3,773,294
Gifts and grants.....	4,369,357	-	4,369,357
School lunch and other school revolving.....	3,717,497	-	3,717,497
Capital.....	5,682,085	-	5,682,085
Unrestricted.....	(69,930,884)	13,014,707	(56,916,177)
Total net position.....	\$ 67,037,856	\$ 31,390,872	\$ 98,428,728

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		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.....	\$ 6,396,204	\$ 1,411,736	\$ 447,025	\$ -	\$ (4,537,443)
Public safety.....	37,333,683	5,601,755	3,226,991	45,997	(28,458,940)
Education.....	108,824,624	825,287	84,198,821	-	(23,800,516)
Public works.....	7,330,891	1,434,557	122,720	197,649	(5,575,965)
Health and human services.....	4,397,671	74,852	820,427	-	(3,502,392)
Culture and recreation.....	818,969	30,699	53,043	-	(735,227)
Community development.....	2,535,337	347,334	2,496,795	-	308,792
Debt service - interest.....	832,886	-	77,052	-	(755,834)
Total governmental activities.....	168,470,265	9,726,220	91,442,874	243,646	(67,057,525)
Business-type activities:					
Water and sewer.....	13,942,646	18,392,096	999	282,150	4,732,599
Total business-type activities.....	13,942,646	18,392,096	999	282,150	4,732,599
Total primary government.....	\$ 182,412,911	\$ 28,118,316	\$ 91,443,873	\$ 525,796	\$ (62,324,926)

(continued)

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense)/revenue (from previous page).....	\$ (67,057,525)	\$ 4,732,599	\$ (62,324,926)
<i>General revenues:</i>			
Real estate and personal property taxes.....	44,226,062	-	44,226,062
Motor vehicle and other excise taxes.....	9,945,067	-	9,945,067
Meals and room taxes.....	1,108,668	-	1,108,668
Penalties and interest on taxes.....	472,452	-	472,452
Payments in lieu of taxes.....	2,139,017	-	2,139,017
Grants and contributions not restricted to specific programs.....	7,837,799	-	7,837,799
Unrestricted investment income.....	737,599	-	737,599
Proceeds of bonds and notes.....	-	-	-
Premium from issuance of bonds and notes.....	-	-	-
Proceeds of refunding bonds.....	-	-	-
Premium from issuance of refunding bonds.....	-	-	-
Gain on sale of capital assets.....	654,000	-	654,000
Proceeds from capital leases.....	-	-	-
Other.....	-	-	-
Special item - DESCRIBE	-	-	-
Extraordinary item - DESCRIBE	-	-	-
Transfers, net	1,752,855	(1,752,855)	-
Total general revenues and transfers.....	68,873,519	(1,752,855)	67,120,664
Change in net position.....	1,815,994	2,979,744	4,795,738
Net position - beginning of year.....	65,221,862	28,411,128	93,632,990
Net position - end of year.....	\$ 67,037,856	\$ 31,390,872	\$ 98,428,728

See notes to basic financial statements.

(concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2014

ASSETS	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 34,379,565	\$ -	\$ 34,379,565
Investments.....	11,394,270	85,135	11,479,405
Restricted cash and cash equivalents.....	156,492	21,937,021	22,093,513
Restricted investments.....	348,362	2,313,552	2,661,914
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	1,226,009	-	1,226,009
Tax and trash liens.....	895,365	-	895,365
Motor vehicle and other excise taxes.....	245,854	-	245,854
Trash.....	297,945	-	297,945
Departmental and other.....	904,210	304,695	1,208,905
Intergovernmental.....	-	226,070	226,070
Loans.....	-	716,858	716,858
Due from other funds.....	323,772	-	323,772
Tax foreclosures.....	200,788	-	200,788
TOTAL ASSETS.....	\$ 50,372,632	\$ 25,583,331	\$ 75,955,963
LIABILITIES			
LIABILITIES:			
Warrants payable.....	\$ 2,473,614	\$ 712,850	\$ 3,186,464
Accrued payroll.....	945,752	166,898	1,112,650
Tax refunds payable.....	193,800	-	193,800
Other liabilities.....	2,768	-	2,768
Abandoned property.....	136,423	-	136,423
Due to other funds.....	-	323,772	323,772
TOTAL LIABILITIES.....	3,752,357	1,203,520	4,955,877
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue.....	3,493,341	-	3,493,341
FUND BALANCES:			
Nonspendable.....	-	739,250	739,250
Restricted.....	504,854	23,830,733	24,335,587
Committed.....	3,057,530	-	3,057,530
Assigned.....	5,884,258	-	5,884,258
Unassigned.....	33,680,292	(190,172)	33,490,120
TOTAL FUND BALANCES.....	43,126,934	24,379,811	67,506,745
TOTAL LIABILITIES , DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 50,372,632	\$ 25,583,331	\$ 75,955,963

See notes to basic financial statements.

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

JUNE 30, 2014

Total governmental fund balances (page 35).....	\$ 67,506,745
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....	129,667,799
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....	3,493,341
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....	(283,371)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds, notes and loans payable.....	(19,046,507)
Compensated absences.....	(6,310,000)
Net OPEB obligation.....	(108,449,695)
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 position.....	459,544
Net position of governmental activities (page 32).....	\$ 67,037,856

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Real estate and personal property taxes.....	\$ 43,530,062	\$ -	\$ 43,530,062
Motor vehicle and other excise taxes.....	10,305,740	-	10,305,740
Meals and room taxes.....	1,108,668	-	1,108,668
Tax and trash liens.....	1,240,594	-	1,240,594
Payments in lieu of taxes.....	2,139,017	-	2,139,017
Charges for services.....	-	2,824,712	2,824,712
Trash disposal.....	1,403,215	-	1,403,215
Intergovernmental.....	79,444,589	18,865,421	98,310,010
Penalties and interest on taxes.....	472,452	-	472,452
Licenses and permits.....	1,342,675	-	1,342,675
Fines and forfeitures.....	2,348,181	-	2,348,181
Departmental and other.....	1,014,905	551,288	1,566,193
Contributions.....	-	975,896	975,896
Investment income.....	708,922	192,945	901,867
TOTAL REVENUES.....	145,059,020	23,410,262	168,469,282
EXPENDITURES			
Current:			
General government.....	3,760,899	337,481	4,098,380
Public safety.....	21,142,489	4,675,821	25,818,310
Education.....	71,198,322	13,301,698	84,500,020
Public works.....	4,858,004	2,910,292	7,768,296
Health and human services.....	1,319,037	402,826	1,721,863
Culture and recreation.....	480,146	78,254	558,400
Community development.....	-	3,923,532	3,923,532
Pension benefits.....	13,078,542	-	13,078,542
Employee benefits.....	6,093,715	-	6,093,715
Property and liability insurance.....	450,000	-	450,000
Claims and judgments.....	30,453	-	30,453
State and county charges.....	8,011,029	-	8,011,029
Debt service:			
Principal.....	3,427,887	-	3,427,887
Interest.....	926,936	-	926,936
TOTAL EXPENDITURES.....	134,777,459	25,629,904	160,407,363
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	10,281,561	(2,219,642)	8,061,919
OTHER FINANCING SOURCES (USES)			
Premium from issuance of bonds and notes.....	77,052	-	77,052
Issuance of refunding bonds.....	802,857	-	802,857
Sale of capital assets.....	-	1,396,000	1,396,000
Transfers in.....	2,013,096	3,749,779	5,762,875
Transfers out.....	(3,324,779)	(685,241)	(4,010,020)
TOTAL OTHER FINANCING SOURCES (USES).....	(431,774)	4,460,538	4,028,764
NET CHANGE IN FUND BALANCES.....	9,849,787	2,240,896	12,090,683
FUND BALANCES AT BEGINNING OF YEAR.....	33,277,147	22,138,915	55,416,062
FUND BALANCES AT END OF YEAR.....	\$ 43,126,934	\$ 24,379,811	\$ 67,506,745

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, 2014

Net change in fund balances - total governmental funds (page 37).....	\$ 12,090,683
<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.....	4,715,996
Depreciation.....	(5,407,309)
<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 inflows.....</p>	
	(666,929)
<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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Proceeds of refunding bonds.....	(802,857)
Bond maturities.....	3,427,887
<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>	
	94,050
<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.....	(958,000)
Net OPEB obligation.....	(10,569,112)
<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>	
	(108,415)
Changes in net position of governmental activities (page 34).....	\$ <u>1,815,994</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION

JUNE 30, 2014

	Business-Type Activities - Water & Sewer Enterprise	Governmental Activities - Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 10,289,001	\$ -
Restricted cash and cash equivalents.....	6,710,282	834,976
Receivables, net of allowance for uncollectible amounts:		
User charges.....	3,903,481	-
Utility liens.....	320,311	-
Total current assets.....	21,223,075	834,976
Noncurrent assets:		
Capital assets, net of accumulated depreciation.....	25,887,728	-
Total noncurrent assets.....	25,887,728	-
Total assets.....	47,110,803	834,976
LIABILITIES		
Current liabilities:		
Warrants payable.....	247,964	9,325
Accrued payroll.....	5,244	8,950
Other liabilities.....	-	2,348
Customer deposits.....	18,146	-
Accrued interest.....	94,450	-
Workers' compensation claims.....	-	206,450
Long-term bonds and notes payable.....	2,567,541	-
Total current liabilities.....	2,933,345	227,073
Noncurrent liabilities:		
Workers' compensation claims.....	-	148,359
Net OPEB obligation.....	1,150,428	-
Long-term bonds and notes payable.....	11,636,158	-
Total noncurrent liabilities.....	12,786,586	148,359
Total liabilities.....	15,719,931	375,432
FUND NET POSITION		
Net investment in capital assets.....	18,376,165	-
Unrestricted.....	13,014,707	459,544
Total fund net position.....	\$ 31,390,872	\$ 459,544

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Water & Sewer Enterprise	Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Charges for services.....	\$ 18,392,096	\$ -
Employer contributions.....	-	50,000
TOTAL OPERATING REVENUES.....	18,392,096	50,000
OPERATING EXPENSES		
Cost of service and administration.....	1,930,113	-
MWRA assessment.....	10,357,916	-
Repairs and maintenance.....	615,650	-
Depreciation.....	730,163	-
Employee benefits.....	-	158,480
TOTAL OPERATING EXPENSES.....	13,633,842	158,480
OPERATING INCOME (LOSS).....	4,758,254	(108,480)
NONOPERATING REVENUES (EXPENSES)		
Investment income.....	999	65
Interest expense.....	(308,804)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(307,805)	65
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	4,450,449	(108,415)
Capital contributions.....	282,150	-
Transfers out.....	(1,752,855)	-
Payments to refunded bond escrow agent.....	-	-
CHANGES IN FUND NET POSITION.....	2,979,744	(108,415)
FUND NET POSITION AT BEGINNING OF YEAR.....	28,411,128	567,959
FUND NET POSITION AT END OF YEAR.....	\$ 31,390,872	\$ 459,544

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Water & Sewer Enterprise	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users.....	\$ 18,591,319	\$ -
Receipts from interfund services provided.....	-	50,000
Payments to vendors.....	(12,623,045)	-
Payments to employees.....	(234,195)	(130,007)
NET CASH FROM OPERATING ACTIVITIES.....	5,734,079	(80,007)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers out.....	(1,752,855)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the issuance of bonds and notes.....	3,086,050	-
Proceeds from the issuance of refunding bonds.....	602,143	-
Capital contributions.....	282,150	-
Acquisition and construction of capital assets.....	(2,457,498)	-
Principal payments on bonds and notes.....	(2,860,104)	-
Interest expense.....	(318,189)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,665,448)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income.....	999	65
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	2,316,775	(79,942)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Includes \$6,183,840 and \$914,918 reported as restricted in the Water/Sewer enterprise fund and internal service fund, respectively).....	14,682,508	914,918
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$6,710,282 and \$834,976 reported as restricted in the Water/Sewer enterprise fund and internal service fund, respectively).....	\$ 16,999,283	\$ 834,976
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES	-	
Operating income.....	\$ 4,758,254	\$ (108,480)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Adjustments not requiring current cash flows:		
Depreciation.....	730,163	-
Adjustments requiring current cash flows:		
Effect of changes in operating assets and liabilities:		
Utility liens.....	30,699	-
User charges.....	168,524	-
Warrants payable.....	(16,125)	9,325
Accrued payroll.....	5,244	8,950
Customer deposits.....	(2,200)	-
Workers' compensation claims.....	-	10,198
Net OPEB obligation.....	59,520	-
Total adjustments.....	975,825	28,473
NET CASH FROM OPERATING ACTIVITIES.....	\$ 5,734,079	\$ (80,007)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

ASSETS	Pension Trust Fund (As of 12/31/13)	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 1,082,481	\$ 546,755	\$ 835,287
Investments:			
External investment pools.....	105,898,874	-	-
Receivables, net of allowance for uncollectible amounts:			
Employer contributions.....	<u>4,898,847</u>	<u>-</u>	<u>-</u>
Total assets.....	<u>111,880,202</u>	<u>546,755</u>	<u>\$ 835,287</u>
LIABILITIES			
Warrants payable.....	166	2,300	\$ 16,107
Liabilities due depositors.....	<u>-</u>	<u>-</u>	<u>819,180</u>
Total liabilities.....	<u>166</u>	<u>2,300</u>	<u>\$ 835,287</u>
NET POSITION			
Assets held in trust for pension benefits and other purposes.....	<u>\$ 111,880,036</u>	<u>\$ 544,455</u>	

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Pension Trust Fund (As of 12/31/13)	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer.....	\$ 9,655,593	\$ -
Plan members.....	3,321,281	-
Private donations.....	-	68,907
Total contributions.....	12,976,874	68,907
Net investment income:		
Net appreciation/(depreciation) in fair value of investments.....	11,236,292	-
Interest.....	2,895,272	2,501
Total investment income (loss).....	14,131,564	2,501
Less investment expense.....	(554,936)	-
Net investment income (loss).....	13,576,628	2,501
Intergovernmental.....	490,092	-
Transfers from other systems.....	509,552	-
TOTAL ADDITIONS.....	27,553,146	71,408
DEDUCTIONS		
Administration.....	227,318	-
Retirement benefits and refunds.....	9,640,537	-
Transfers to other systems.....	619,167	-
Scholarships awarded.....	-	43,585
TOTAL DEDUCTIONS.....	10,487,022	43,585
CHANGE IN NET POSITION.....	17,066,124	27,823
NET POSITION AT BEGINNING OF YEAR.....	94,813,912	516,632
NET POSITION AT END OF YEAR.....	\$ 111,880,036	\$ 544,455

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 2014 Assessment
Northeast Metropolitan Regional Vocational School District	To provide vocational education services	100 Hemlock Road Wakefield, MA 01880	\$ 686,680

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. Implementation of New Accounting Principles

For the year ending June 30, 2014, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*
- GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statement No.10 and No. 62*
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

The implementation of GASB Statement No. 65 introduced the reporting of deferred inflows of resources, which represents the acquisition of net position/fund balance that apply to a future period(s) and so will not be recognized as an inflow of resources until that time.

The implementation of GASB Statement No. 66 and 70 had no reporting impact for the City.

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (statement of net position 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.

*E. Measurement Focus, Basis of Accounting and Basis of Presentation*Government-Wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a 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 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 have a measurement focus or present the results of operations.

F. 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.

G. 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 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date.

Real estate 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.

H. 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.

I. 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.

J. 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.

K. Capital AssetsGovernment-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 and the enterprise fund 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:

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

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

Governmental Fund Financial Statements

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

L. 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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position 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.

M. 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 position. Transfers 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.

N. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has unavailable revenue that is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion for revenue recognition in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

O. Net Position and Fund Balances**Government-Wide Financial Statements and Proprietary Fund Financial Statements (Net Position)**

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

Net position has been "restricted" for the following:

"OPEB" represents amounts restricted for other postemployment benefits.

"Loans" represents amounts restricted for outstanding Department of Planning and Development loans.

"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.

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

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

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

“School lunch and other school revolving” represents amounts restricted for the activity of the school lunch program (which includes charges for services and state and federal reimbursements for meals served) and activity of the school department’s other revolving funds.

“Capital” represents amounts restricted for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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. The formal action required to establish, modify, or rescind committed amounts is majority Council approval through a Council Order.

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. The policy established by the governing body (i.e., City Council) pursuant to which this authorization is given is based on applicable Massachusetts General Laws (MGL) related to encumbrances.

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.

P. 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 position. 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.

Q. 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 MGL. Investment income derived from proprietary funds are retained in the funds.

R. 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.

S. 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.

T. 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.

U. Total Column**Government-Wide Financial Statements**

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

Fund Financial Statements

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***A. Budgetary Information***

Municipal Law requires the adoption of a balanced budget that is approved by the 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.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2014 approved budget for the general fund authorized \$131,437,664 in appropriations and other amounts to be raised. During fiscal year 2014, supplemental appropriations totaling \$3,743,169 were authorized.

The Auditor's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system. Generally, expenditures may not exceed the level of spending (salaries, expenses and capital) authorized for an appropriation account authorized by the Council. However, the City is statutorily required to pay debt service and certain other obligations, regardless of whether such amounts are appropriated.

The budgetary comparison schedule presented in the accompanying required supplementary information presents a comparison of the legally adopted budget, as amended, with actual results. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2014, expenditures exceeded appropriations by \$99,877 for state and county charges. This amount is funded by available fund balance.

C. Fund Deficits

At June 30, 2014, fund deficits existed in the city revolving (special revenue) and school federal grants (special revenue) funds in the amounts of \$72,491 and \$117,681, respectively. These amounts will be funded in future fiscal years through charges for services, federal grants and/or other available funds.

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, 2013, \$28,303,392 of the City's bank balance of \$48,215,825 was uninsured and uncollateralized and exposed to custodial credit risk.

Investments Summary

The City's investments at June 30, 2014 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.....	\$ 3,594,307	\$ -	\$ 2,799,964	\$ 794,343	
U.S. Treasuries.....	2,383,320	-	2,383,320	-	
Corporate bonds.....	2,889,578	401,462	2,488,116	-	
Money market mutual funds.....	1,060,663	1,060,663	-	-	
Certificates of deposit.....	4,582,507	3,593,706	988,801	-	
Mutual bond funds.....	2,417,599	2,417,599	-	-	
External investment pools.....	25,135,211	25,135,211	-	-	
Total debt securities.....	42,063,185	\$ 32,608,641	\$ 8,660,201	\$ 794,343	
<u>Other Investments:</u>					
Equity securities.....	2,631,776				
Equity mutual funds.....	224,739				
Total other investments.....	2,856,515				
Total investments.....	\$ 44,919,700				

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, 2014, 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. As of June 30, 2014, the credit quality ratings of the City's debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *				
		AA+	A+	A-	BBB+	Unrated
U.S. Agencies.....	\$ 3,594,307	\$ 3,594,307	\$ -	\$ -	\$ -	\$ -
Corporate bonds.....	2,889,578	1,051,780	214,814	553,369	1,069,615	-
Money market mutual funds.....	1,060,663	-	-	-	-	1,060,663
Certificates of deposit.....	4,582,507	-	-	-	-	4,582,507
Mutual bond funds.....	2,417,599	-	-	-	-	2,417,599
External investment pools.....	25,135,211	-	-	-	-	25,135,211
Total.....	\$ 36,085,558	\$ 1,051,780	\$ 214,814	\$ 553,369	\$ 1,069,615	\$ 33,195,980

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

Concentration of Credit Risk

The City's policy is to place no limit on the amount of investments in United States Government Agencies and MMDT External investment pool, and to purchase other debt securities with a high concentration of A credit ratings or better. As of June 30, 2014, the City's investments were not exposed to concentration of risk.

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, 2013, the System's bank balance of \$1,203,940 was not exposed to custodial credit risk.

Investments Summary

The System's investments of \$105,898,874 at December 31, 2013 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, 2013, 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, 2013, the System's investment in PRIT was unrated by a national credit rating organization.

NOTE 4 - ACCOUNTS RECEIVABLE

At June 30, 2014, 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.....	\$ 1,369,683	\$ (143,674)	\$ 1,226,009
Tax and trash liens.....	895,365	-	895,365
Motor vehicle and other excise taxes.....	1,212,770	(966,916)	245,854
Trash.....	297,945	-	297,945
Departmental and other.....	2,997,618	(1,788,713)	1,208,905
Intergovernmental.....	226,070	-	226,070
Loans.....	716,858	-	716,858
Employer contributions.....	4,898,847	-	4,898,847
	<u>\$ 12,615,156</u>	<u>\$ (2,899,303)</u>	<u>\$ 9,715,853</u>

At June 30, 2014, receivables for the water and sewer enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 3,903,481	\$ -	\$ 3,903,481
Utility liens.....	320,311	-	320,311
	<u>\$ 4,223,792</u>	<u>\$ -</u>	<u>\$ 4,223,792</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 18,620,663	\$ -	\$ (742,000)	\$ 17,878,663
Construction in progress.....	1,272,906	772,997	-	2,045,903
Total capital assets not being depreciated.....	19,893,569	772,997	(742,000)	19,924,566
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	153,172,276	1,044,986	-	154,217,262
Machinery and equipment.....	14,013,384	1,184,478	-	15,197,862
Infrastructure.....	21,191,931	2,455,535	-	23,647,466
Total capital assets being depreciated.....	188,377,591	4,684,999	-	193,062,590
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(60,445,743)	(3,982,528)	-	(64,428,271)
Machinery and equipment.....	(11,016,418)	(888,515)	-	(11,904,933)
Infrastructure.....	(6,449,887)	(536,266)	-	(6,986,153)
Total accumulated depreciation.....	(77,912,048)	(5,407,309)	-	(83,319,357)
Total capital assets being depreciated, net.....	110,465,543	(722,310)	-	109,743,233
Total governmental activities capital assets, net.....	\$ 130,359,112	\$ 50,687	\$ (742,000)	\$ 129,667,799
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 560,989	\$ -	\$ (560,989)	\$ -
<u>Capital assets being depreciated:</u>				
Infrastructure.....	33,776,041	3,018,487	-	36,794,528
<u>Less accumulated depreciation for:</u>				
Infrastructure.....	(10,176,637)	(730,163)	-	(10,906,800)
Total capital assets being depreciated, net.....	23,599,404	2,288,324	-	25,887,728
Total business-type activities capital assets, net.....	\$ 24,160,393	\$ 2,288,324	\$ (560,989)	\$ 25,887,728

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

Governmental Activities:

General government.....	\$ 118,172
Public safety.....	499,776
Education.....	3,755,321
Public works.....	614,383
Health and human services.....	9,363
Culture and recreation.....	155,776
Community development.....	<u>254,518</u>

Total depreciation expense - governmental activities.....	\$ <u>5,407,309</u>
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Business-Type Activities:

Water and sewer.....	\$ <u>730,163</u>
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NOTE 6 - NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets at June 30, 2014 is summarized as follows:

Governmental Activities

Capital assets.....	\$ 212,987,157
Less accumulated depreciation.....	(83,319,358)
Less outstanding bonds, notes and loans payable.....	(19,046,507)
Add outstanding bonds, notes and loans payable that is not capital related.....	1,400,000
Add unspent proceeds of capital related debt.....	<u>1,936,645</u>
Net investment in capital assets.....	\$ <u>113,957,937</u>

Business-Type Activities

Capital assets.....	\$ 36,794,528
Less accumulated depreciation.....	(10,906,800)
Less outstanding bonds and notes payable.....	(14,203,699)
Add unspent proceeds of capital related debt.....	<u>6,692,136</u>
Net investment in capital assets.....	\$ <u>18,376,165</u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Receivables and payables between funds at June 30, 2014, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund.....	Nonmajor governmental funds (City revolving).....	\$ 314,987 (1)
General Fund.....	Nonmajor governmental funds (School federal grants).....	<u>8,785 (2)</u>
		<u>\$ 323,772</u>

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

(2) Represents advance-funding of various school federal grants

Interfund transfers for the fiscal year ended June 30, 2014, are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund.....	\$ -	\$ 3,324,779	\$ 3,324,779 (1)
Nonmajor Governmental Funds.....	260,241	425,000	685,241 (2)
Water/Sewer Enterprise Fund.....	<u>1,752,855</u>	<u>-</u>	<u>1,752,855 (3)</u>
	<u>\$ 2,013,096</u>	<u>\$ 3,749,779</u>	<u>\$ 5,762,875</u>

(1) Represents budgeted transfers to various capital projects funds (\$3,113,095), redevelopment special revenue fund (\$175,400). Also represents transfers from the operating stabilization fund to the redevelopment special revenue fund (\$32,670) and the community school rental special revenue fund (\$3,614)

(2) Represents budgeted transfers to the general fund from the parking meters special revenue fund (\$225,000) and the capital project funds (\$35,241). Also represents transfers between capital project funds (\$425,000)

(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, 2014, 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, 2014:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion
Governmental Activities:					
Bonds, notes and loans payable.....	\$ 21,671,537	\$ 802,857	\$ (3,427,887)	\$ 19,046,507	\$ 3,999,460
Workers' compensation claims.....	344,611	149,530	(139,332)	354,809	206,450
Net OPEB obligation.....	97,880,583	14,917,763	(4,348,651)	108,449,695	-
Compensated absences.....	5,352,000	958,000	-	6,310,000	1,051,000
Total.....	<u>\$ 125,248,731</u>	<u>\$ 16,828,150</u>	<u>\$ (7,915,870)</u>	<u>\$ 134,161,011</u>	<u>\$ 5,256,910</u>
Business-type Activities:					
Bonds and notes payable.....	\$ 13,375,610	\$ 3,688,193	\$ (2,860,104)	\$ 14,203,699	\$ 2,567,541
Net OPEB obligation.....	1,090,908	84,010	(24,490)	1,150,428	-
Total.....	<u>\$ 14,466,518</u>	<u>\$ 3,772,203</u>	<u>\$ (2,884,594)</u>	<u>\$ 15,354,127</u>	<u>\$ 2,567,541</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, \$354,809 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, 2014, \$3,475,000 of bonds outstanding from the advance refundings are considered defeased.

Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements are as follows:

Bonds, Notes and Loans Payable – Governmental Funds

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2013	Additions	Reductions	Outstanding at June 30, 2014
School building remodeling.....	04/01/04	2.37 - 4.75%	\$ 880,000	\$ -	\$ (880,000)	\$ -
Municipal purpose.....	05/01/15	3.00 - 4.00%	125,200	-	(62,600)	62,600
Municipal purpose refunding.....	04/01/18	3.00 - 4.50%	396,650	-	(92,833)	303,817
Renovations.....	09/15/15	3.75 - 4.00%	78,900	-	(26,300)	52,600
Sidewalks.....	09/15/15	3.75 - 4.00%	15,000	-	(5,000)	10,000
Municipal purpose.....	09/15/16	3.50 - 4.00%	154,000	-	(38,500)	115,500
Municipal purpose.....	09/15/17	3.50 - 5.25%	206,500	-	(41,300)	165,200
Municipal purpose.....	01/15/19	3.50 - 5.00%	1,958,444	-	(330,086)	1,628,358
Municipal purpose refunding, series B.....	01/15/19	3.00 - 5.00%	75,625	-	(13,125)	62,500
Municipal purpose, series C.....	01/15/25	5.125 - 6.060%	7,100,000	-	(595,000)	6,505,000
Municipal purpose refunding, series C.....	03/01/19	3.0 - 5.0%	2,455,000	-	(420,000)	2,035,000
Municipal purpose, series A.....	01/15/20	3.00 - 4.00%	1,026,500	-	(199,500)	827,000
Urban renewal.....	09/01/24	3.00 - 4.00%	1,340,000	-	(115,000)	1,225,000
Municipal purpose.....	09/01/24	3.00 - 4.00%	2,448,000	-	(345,375)	2,102,625
Permanent state house loan notes.....	09/01/15	4.25%	250,000	-	(85,000)	165,000
Municipal purpose refunding.....	09/01/24	3.00 - 4.00%	78,500	-	(10,500)	68,000
Dump Trucks.....	03/01/17	2.00 - 2.25%	108,600	-	(27,400)	81,200
Rack Truck.....	03/01/17	2.00 - 2.25%	54,400	-	(13,600)	40,800
Senior Center Roof.....	03/01/23	2.00 - 3.00%	13,636	-	(1,364)	12,272
City Yard Roof.....	03/01/23	2.00 - 3.00%	95,454	-	(9,546)	85,908
Library Carpet.....	03/01/22	2.00 - 3.00%	31,500	-	(3,500)	28,000
City Hall Door.....	03/01/17	2.0-2.25%	28,000	-	(7,000)	21,000
Public Way/Outdoor Recreational Facility.....	05/15/23	2.0-2.25%	590,300	-	(59,030)	531,270
ESCO.....	05/15/28	2.0-2.75%	761,328	-	(46,328)	715,000
Everett Avenue.....	11/20/14	0.00%	1,400,000	-	-	1,400,000
Building refunding - school refunding.....	04/01/24	2.0-2.50%	-	802,857	-	802,857
Total.....			\$ 21,671,537	\$ 802,857	\$ (3,427,887)	\$ 19,046,507

During fiscal year 2014, the City issued \$802,857 of current refunding bonds for school building remodeling.

In June 2013, the City received \$1,400,000 of loan proceeds from Lawrenceville, LLC (Lawrenceville) to fund site improvements on property that is expected to be acquired and redeveloped by Lawrenceville. The City shall repay the loan upon demand, on or before February 27, 2015, in the event Lawrenceville does not acquire the property. In the event Lawrenceville acquires the property, the loan shall be deemed to have been paid in full as additional consideration for the purchase of the property.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015.....	\$ 3,999,460	\$ 779,618	\$ 4,779,078
2016.....	2,486,860	671,297	3,158,157
2017.....	2,298,185	566,148	2,864,333
2018.....	2,145,314	461,280	2,606,594
2019.....	2,048,185	358,655	2,406,840
2020.....	1,324,813	279,403	1,604,216
2021.....	1,192,456	222,124	1,414,580
2022.....	900,581	169,869	1,070,450
2023.....	894,224	127,829	1,022,053
2024.....	826,429	7,477	833,906
2025.....	755,000	4,676	759,676
2026.....	55,000	3,576	58,576
2027.....	60,000	2,476	62,476
2028.....	60,000	1,261	61,261
Total.....	\$ <u>19,046,507</u>	\$ <u>3,655,689</u>	\$ <u>22,702,196</u>

Bonds and Notes Payable – Enterprise Funds

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2013	Additions	Reductions	Outstanding at June 30, 2014
Water notes (MWRA).....	06/01/14	0.00%	\$ 19,292	\$ -	\$ (19,292)	\$ -
Water notes (MWRA).....	05/15/16	0.00%	29,928	-	(9,976)	19,952
Water notes (MWRA).....	05/15/18	0.00%	95,000	-	(19,000)	76,000
Water.....	03/13/14	2.37 - 4.75%	165,000	-	(165,000)	-
Sewer.....	03/13/14	2.37 - 4.75%	495,000	-	(495,000)	-
Water and sewer bonds.....	05/01/15	3.00 - 4.00%	384,800	-	(192,400)	192,400
Water and sewer refunding.....	04/01/18	3.00 - 4.50%	778,350	-	(182,167)	596,183
Water - meters.....	09/15/15	3.75 - 4.00%	134,400	-	(44,800)	89,600
Sewer - Crescent Street.....	09/15/15	3.75 - 4.00%	284,200	-	(96,400)	187,800
Water - Crescent Street.....	09/15/15	3.75 - 4.00%	6,900	-	(2,300)	4,600
Sewer - meters.....	09/15/15	3.75 - 4.00%	225,600	-	(75,200)	150,400
Water and sewer bonds.....	09/15/16	3.50 - 4.00%	1,006,000	-	(251,500)	754,500
Water and sewer bonds.....	09/05/17	3.50 - 5.25%	328,500	-	(68,700)	259,800
Water and sewer bonds.....	01/15/19	3.50 - 5.00%	231,556	-	(54,914)	176,642
Water notes (MWRA).....	11/15/18	0.00%	696,046	-	(116,007)	580,039
Municipal purpose refunding, series B.....	07/15/18	3.00%	529,375	-	(91,875)	437,500
Water notes (MWRA).....	05/15/20	0.00%	70,000	-	(10,000)	60,000
Water notes (MWRA).....	02/15/20	0.00%	157,500	-	(22,500)	135,000
Municipal purpose refunding, series A.....	01/15/20	3.00 - 4.00%	388,500	-	(55,500)	333,000
Sewer.....	09/01/20	3.00 - 4.00	1,652,000	-	(204,625)	1,447,375
Water notes (MWRA).....	05/15/21	0.00%	964,291	-	(120,537)	843,754
Refunded bonds.....	09/01/20	3.00 - 4.00%	706,500	-	(94,500)	612,000
Sewer notes (MWRA).....	05/15/16	0.00%	239,910	-	(79,970)	159,940
Water (MWPAT).....	07/15/30	2.00%	224,670	-	(10,474)	214,196
Broadway sewer.....	03/01/23	2.00 - 3.00%	132,002	-	(18,637)	113,365
Broadway water line.....	03/01/23	2.00 - 3.00%	108,136	-	(11,364)	96,772
Storm water management plan.....	03/01/17	2.00 - 2.25%	40,000	-	(10,000)	30,000
Everett avenue redirect.....	03/01/23	2.00 - 3.00%	223,272	-	(27,589)	195,683
Water (MWRA).....	05/13/22	0.00%	421,551	-	(46,839)	374,712
Water and sewer refunding bonds.....	03/01/22	2.00 - 3.00%	505,000	-	(65,000)	440,000
Water (MWRA).....	08/15/22	0.00%	1,183,959	-	(118,396)	1,065,563
Sewer.....	05/15/28	2.00-2.75%	948,372	-	(79,642)	868,730
Water notes (MWRA).....	08/15/23	0.00%	-	350,000	-	350,000
Sewer notes (MWRA).....	02/15/19	0.00%	-	344,850	-	344,850
Water notes (MWRA).....	02/15/24	0.00%	-	391,200	-	391,200
Water/Sewer general obligation bonds.....	04/01/24	2.00-2.50%	-	2,000,000	-	2,000,000
Sewer refunding.....	04/01/24	2.00-2.50%	-	451,607	-	451,607
Water refunding.....	04/01/24	2.00-2.50%	-	150,536	-	150,536
Total.....			\$ 13,375,610	\$ 3,688,193	\$ (2,860,104)	\$ 14,203,699

During fiscal year 2014, the city issued \$2,000,000 of general obligation bonds for various water/sewer infrastructure projects and \$602,143 of current refunding bonds.

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 2014, \$1,086,050 was received from the program, all of which was a loan. At June 30, 2014, the outstanding principal amount of MWRA loans totaled \$4,401,010.

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>
2015.....	\$ 2,567,541	\$ 288,520	\$ 2,856,061
2016.....	2,360,355	224,545	2,584,900
2017.....	2,044,306	172,028	2,216,334
2018.....	1,657,400	127,953	1,785,353
2019.....	1,480,763	95,356	1,576,119
2020.....	1,124,388	68,602	1,192,990
2021.....	1,034,479	46,467	1,080,946
2022.....	636,065	31,592	667,657
2023.....	590,832	22,014	612,846
2024.....	385,485	13,904	399,389
2025.....	73,051	6,571	79,622
2026.....	73,315	5,107	78,422
2027.....	68,584	3,638	72,222
2028.....	63,858	2,153	66,011
2029.....	14,138	724	14,862
2030.....	14,424	438	14,862
2031.....	14,715	147	14,862
Total.....	\$ <u>14,203,699</u>	\$ <u>1,109,759</u>	\$ <u>15,313,458</u>

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2014, the City had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Pension obligation bonds.....	\$ 47,000,000
Capital Improvement Plans.....	1,467,430
Corcoran Park construction.....	1,482,865
Chelsea High School extension.....	1,150,000
Highland Park improvement.....	1,000,000
Washington Park renovation.....	500,000
Park renovation - Washington Avenue.....	587,087
Refunding.....	265,000
Quigley Park renovation.....	254,000
Energy conservation improvements.....	28,672
Total.....	\$ <u>53,735,054</u>

Current Refunding – March 2014

On March 13, 2014, the City issued \$1,405,000 in current refunding bonds to refund \$1,400,000 of previously issued and outstanding bonds with an average interest rate of approximately 3.8%. The average interest rate of the current refunding bonds is approximately 2.1%

The net proceeds of approximately \$1,489,000 (after payment of approximately \$24,000 in bond issuance costs, plus premium of approximately \$37,000, planner issuer equity contribution of approximately \$29,000 and an equity contribution of approximately \$1,447,000 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 \$190,000 and will realize an economic gain (different between the present values of the debt service payments on the old and new debt) of approximately \$148,000.

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, 2013, the latest actuarial valuation, is as follows:

Active employees.....	1,229
Retired employees and spouses.....	<u>451</u>
Total.....	<u>1,680</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.....	\$ 19,117,885
Interest on net OPEB obligation.....	3,958,857
Adjustment to annual required contribution.....	<u>(8,074,969)</u>
Annual OPEB cost.....	15,001,773
Contributions made.....	<u>(4,373,141)</u>
Increase in net OPEB obligation.....	10,628,632
Net OPEB obligation at beginning of year.....	<u>98,971,491</u>
Net OPEB obligation at end of year.....	<u><u>\$ 109,600,123</u></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, 2012.....	\$ 17,745,250	26.6%	\$ 84,711,397
June 30, 2013.....	18,371,991	22.4%	98,971,491
June 30, 2014.....	15,001,773	29.2%	109,600,123

Funded Status and Funding Progress – The funded status of the Plan at July 1, 2013, the most recent actuarial valuation, was as follows:

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)
07/01/13	\$ -	\$ 164,767,775	\$ 164,767,775	-	\$ 66,431,592	248%

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, 2013
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level dollar
Remaining amortization period:	26 years
Interest discount rate:	4.0%
Inflation rate:	2.5%
Healthcare/Medical cost trend rate:	Medical -5.0% per year Dental -5.0% per year
Projected salary increases:	3.0%

Allocation of AOPEBC - AOPEBC costs were allocated to the City's functions as follows:

Governmental Activities:

General government.....	\$ 892,605
Public safety.....	4,515,534
Education.....	8,626,019
Public works.....	430,551
Health and human services.....	223,526
Culture and recreation.....	123,015
Community development.....	106,513

Total AOPEBC - governmental activities.....	<u>14,917,763</u>
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Business-Type Activities:

Water/Sewer.....	<u>84,010</u>
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Total AOPEBC.....	<u><u>\$ 15,001,773</u></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.

A. Health Insurance

Prior to May 1, 2012, the City was self-insured for a portion of its retirees' health insurance activities, which were accounted for in the internal service fund. Since that date, the retirees' health insurance internal service fund has been accounting for the activities (i.e., run-off claims) related to when the City was self-insured. As of June 30, 2014, there are no material outstanding health insurance claims payable.

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.

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, 2014, totaled \$354,809. Changes in the reported liability since July 1, 2012, 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 2013.....	\$ 358,201	\$ 85,070	\$ (98,660)	\$ 344,611
Fiscal year 2014.....	344,611	149,530	(139,332)	354,809

NOTE 13 - FUND BALANCES

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

	General	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Loans.....	\$ -	\$ 716,858	\$ 716,858
Permanent fund principal.....	-	22,392	22,392
Sub-total - Nonspendable.....	-	739,250	739,250
Restricted:			
Other postemployment benefits (OPEB).....	504,854	-	504,854
Redevelopment.....		3,183,196	3,183,196
Other community development.....	-	1,066,577	1,066,577
Receipts reserved.....	-	3,773,294	3,773,294
City gifts.....	-	1,079,963	1,079,963
City state grants.....	-	467,999	467,999
City federal grants.....	-	986,995	986,995
School lunch.....	-	2,340,424	2,340,424
School revolving.....	-	1,377,073	1,377,073
School gifts.....	-	766,950	766,950
State school grants.....	-	1,067,450	1,067,450
Urban I & II renewal.....	-	1,304,245	1,304,245
Other capital.....	-	4,253,607	4,253,607
School capital reserve.....	-	2,060,878	2,060,878
Permanent funds - health and human services.....	-	749	749
Permanent funds - culture and recreation.....	-	101,333	101,333
Sub-total - Restricted.....	504,854	23,830,733	24,335,587
Committed:			
Subsequent year's expenditures.....	1,881,293	-	1,881,293
Capital stabilization.....	1,008,631	-	1,008,631
Redevelopment stabilization.....	167,606	-	167,606
Sub-total - Committed.....	3,057,530	-	3,057,530
Assigned:			
Encumbrances - school.....	5,030,890	-	5,030,890
Encumbrances - other.....	853,368	-	853,368
Sub-total - Assigned.....	5,884,258	-	5,884,258
Unassigned.....	33,680,292	(190,172)	33,490,120
Total fund balances.....	\$ 43,126,934	\$ 24,379,811	\$ 67,506,745

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, 2014 total \$4,352,482, \$3,116,487, \$1,008,631 and \$167,606, 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, 2013, the System's membership consists of the following:

Active members.....	664
Inactive members.....	177
Retirees and beneficiaries currently receiving benefits...	<u>380</u>
Total.....	<u><u>1,221</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, 2014, 2013, and 2012 were \$9,007,273, \$8,516,467, and \$8,257,705, respectively, which equaled its actuarially required contribution for each fiscal year. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the City to contribute between approximately 91-93% of the total. At June 30, 2014, the City did not have a net pension obligation.

Funded Status and Funding Progress – The funded status of the plan at January 1, 2013, 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)
01/01/13	\$ 92,679,560	\$ 174,719,158	\$ 82,039,598	53.0%	\$ 31,121,488	263.6%

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, 2013
Actuarial cost method:	Entry age normal
Amortization method:	Increasing payments 4.6%
Remaining amortization period:	15
Asset valuation method:	Actuarial value, 5-year smoothing

Actuarial assumptions:

Investment rate of return:	7.75%
Projected salary increases:	4.25% - 4.75%
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, 2013 are as follows:

Description	Amount	Purpose
Annuity Savings Fund.....	\$ 34,187,828	Active members' contribution balance
Annuity Reserve Fund.....	6,340,307	Retired members' contribution account
Military Service Fund.....	2,407	Military leave of absence contribution balance
Pension Reserve Fund.....	54,186,538	Amounts appropriated to fund future retiremer
Pension Fund.....	<u>17,162,956</u>	Remaining net assets
Total.....	<u>\$ 111,880,036</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 \$6,778,000 for the fiscal year ended June 30, 2014, 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 \$6,000,000 for parks, buildings and facilities improvements and infrastructure in accordance with its five-year capital improvement plan.

Other significant commitments include the encumbrances outstanding for the general fund, which totaled approximately \$5,900,000 at June 30, 2014.

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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2014.

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, 2014, 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. 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.
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will require the Town, in the transition year of Statement No. 68, to recognize contributions to defined benefit pension plans between the measurement date of the reported net pension liability and the end of the government's reporting period as a deferred outflow of resources.

These pronouncements will be implemented by their respective implementation dates. The City has not determined the impact that these standards will have on its financial statements.

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Required Supplementary Information

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 42,245,370	\$ -	\$ 42,245,370
Motor vehicle and other excise taxes.....	-	5,185,000	-	5,185,000
Meals and room taxes.....	-	885,000	-	885,000
Tax and trash liens.....	-	-	-	-
Payments in lieu of taxes.....	-	1,799,293	-	1,799,293
Trash disposal.....	-	1,602,203	-	1,602,203
Intergovernmental	-	71,771,938	-	71,771,938
Penalties and interest on taxes.....	-	350,000	-	350,000
Licenses and permits.....	-	1,607,950	-	1,607,950
Fines and forfeitures.....	-	2,113,400	-	2,113,400
Departmental and other.....	-	560,000	-	560,000
Investment income.....	-	175,000	-	175,000
TOTAL REVENUES.....	-	128,295,154	-	128,295,154
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative				
Personal services.....	-	133,784	33,322	167,106
Expenditures.....	98	65,300	9,000	74,398
Total.....	98	199,084	42,322	241,504
Executive Office				
Personal services.....	-	324,505	3,690	328,195
Expenditures.....	10	36,445	45,000	81,455
Total.....	10	360,950	48,690	409,650
Auditor's Office				
Personal services.....	-	271,787	11,097	282,884
Expenditures.....	17,000	32,521	50,000	99,521
Total.....	17,000	304,308	61,097	382,405
Treasurer's/Collector's Office				
Personal services.....	-	385,743	41,913	427,656
Expenditures.....	13,935	235,902	-	249,837
Total.....	13,935	621,645	41,913	677,493
Assessing				
Personal services.....	-	201,593	44,291	245,884
Expenditures.....	-	47,650	-	47,650
Total.....	-	249,243	44,291	293,534
Procurement				
Personal services.....	-	93,424	(2,549)	90,875
Expenditures.....	-	10,205	7,000	17,205
Total.....	-	103,629	4,451	108,080
Central Billing				
Personal services.....	-	87,659	11,648	99,307
Expenditures.....	-	64,100	-	64,100
Total.....	-	151,759	11,648	163,407

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	43,494,718	\$ -	\$ 43,494,718	\$ 1,249,348
	10,017,674	-	10,017,674	4,832,674
	1,108,668	-	1,108,668	223,668
	1,240,594	-	1,240,594	1,240,594
	2,139,017	-	2,139,017	339,724
	1,403,215	-	1,403,215	(198,988)
	72,666,221	-	72,666,221	894,283
	472,452	-	472,452	122,452
	1,342,675	-	1,342,675	(265,275)
	2,348,181	-	2,348,181	234,781
	1,014,905	-	1,014,905	454,905
	246,772	-	246,772	71,772
	<u>137,495,092</u>	<u>-</u>	<u>137,495,092</u>	<u>9,199,938</u>
	167,106	-	167,106	-
	72,848	-	72,848	1,550
	<u>239,954</u>	<u>-</u>	<u>239,954</u>	<u>1,550</u>
	328,091	-	328,091	104
	66,328	-	66,328	15,127
	<u>394,419</u>	<u>-</u>	<u>394,419</u>	<u>15,231</u>
	239,683	-	239,683	43,201
	34,607	64,673	99,280	241
	<u>274,290</u>	<u>64,673</u>	<u>338,963</u>	<u>43,442</u>
	426,456	-	426,456	1,200
	206,138	31,901	238,039	11,798
	<u>632,594</u>	<u>31,901</u>	<u>664,495</u>	<u>12,998</u>
	245,634	-	245,634	250
	47,244	-	47,244	406
	<u>292,878</u>	<u>-</u>	<u>292,878</u>	<u>656</u>
	90,847	-	90,847	28
	14,156	1,224	15,380	1,825
	<u>105,003</u>	<u>1,224</u>	<u>106,227</u>	<u>1,853</u>
	99,307	-	99,307	-
	61,330	-	61,330	2,770
	<u>160,637</u>	<u>-</u>	<u>160,637</u>	<u>2,770</u>
				(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
Law Department				
Personal services.....	-	179,529	-	179,529
Expenditures.....	17,167	69,000	24,482	110,649
Total.....	17,167	248,529	24,482	290,178
Personnel Department				
Personal services.....	-	176,669	14,684	191,353
Expenditures.....	3,278	44,855	-	48,133
Total.....	3,278	221,524	14,684	239,486
Information System				
Personal services.....	-	264,374	6,006	270,380
Expenditures.....	53,780	399,695	23,980	477,455
Capital outlay.....	24,873	35,000	-	59,873
Total.....	78,653	699,069	29,986	807,708
City Clerk				
Personal services.....	-	207,216	43,773	250,989
Expenditures.....	2,452	39,088	6,112	47,652
Total.....	2,452	246,304	49,885	298,641
Office of Planning and Development				
Personal services.....	-	58,300	10,502	68,802
Expenditures.....	439	23,280	-	23,719
Total.....	439	81,580	10,502	92,521
Salary reserve.....	-	1,929,998	(1,746,535)	183,463
TOTAL GENERAL GOVERNMENT.....	133,032	5,417,622	(1,362,584)	4,188,070
PUBLIC SAFETY				
Police Department				
Personal services.....	-	8,216,925	917,926	9,134,851
Expenditures.....	17,742	819,281	475,000	1,312,023
Total.....	17,742	9,036,206	1,392,926	10,446,874
Fire Department				
Personal services.....	-	7,322,097	768,545	8,090,642
Expenditures.....	5,180	431,799	-	436,979
Capital outlay.....	50,000	52,800	-	102,800
Total.....	55,180	7,806,696	768,545	8,630,421
Inspectional Services				
Personal services.....	-	655,469	26,390	681,859
Expenditures.....	716	28,917	88,819	118,452
Total.....	716	684,386	115,209	800,311
Traffic and Parking				
Personal services.....	-	83,079	13,562	96,641
Expenditures.....	9,630	824,726	-	834,356
Total.....	9,630	907,805	13,562	930,997

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
171,482	-	171,482	8,047
89,363	-	89,363	21,286
260,845	-	260,845	29,333
191,352	-	191,352	1
35,444	7,905	43,349	4,784
226,796	7,905	234,701	4,785
270,349	-	270,349	31
434,404	-	434,404	43,051
52,593	-	52,593	7,280
757,346	-	757,346	50,362
248,726	-	248,726	2,263
42,322	-	42,322	5,330
291,048	-	291,048	7,593
68,802	-	68,802	-
20,172	459	20,631	3,088
88,974	459	89,433	3,088
-	-	-	183,463
3,724,784	106,162	3,830,946	357,124
9,001,696	-	9,001,696	133,155
760,190	5,959	766,149	545,874
9,761,886	5,959	9,767,845	679,029
8,090,642	-	8,090,642	-
363,751	50,824	414,575	22,404
52,800	-	52,800	50,000
8,507,193	50,824	8,558,017	72,404
667,080	-	667,080	14,779
31,529	72,242	103,771	14,681
698,609	72,242	770,851	29,460
96,360	-	96,360	281
725,032	23,000	748,032	86,324
821,392	23,000	844,392	86,605

(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
Emergency Management				
Personal services.....	-	836,769	42,415	879,184
Expenditures.....	2,936	32,967	-	35,903
Total.....	2,936	869,736	42,415	915,087
TOTAL PUBLIC SAFETY.....	86,204	19,304,829	2,332,657	21,723,690
EDUCATION				
Operational.....	3,022,535	73,280,131	(1,019,764)	75,282,902
Northeast Regional Vocational High School Assessment.....	-	642,142	44,538	686,680
TOTAL EDUCATION.....	3,022,535	73,922,273	(975,226)	75,969,582
PUBLIC WORKS				
Administration				
Personal services.....	-	184,514	47,309	231,823
Expenditures.....	379	15,894	-	16,273
Total.....	379	200,408	47,309	248,096
Streets and Sidewalks				
Personal services.....	-	734,643	20,608	755,251
Expenditures.....	109,876	980,472	-	1,090,348
Capital outlay.....	150,000	260,000	35,241	445,241
Total.....	259,876	1,975,115	55,849	2,290,840
Solid Waste/Recycling				
Personal services.....	-	40,900	5,877	46,777
Expenditures.....	74,457	1,831,560	-	1,906,017
Total.....	74,457	1,872,460	5,877	1,952,794
Structure and Grounds				
Personal services.....	-	259,519	11,127	270,646
Expenditures.....	65,243	867,888	-	933,131
Capital outlay.....	9,500	53,000	-	62,500
Total.....	74,743	1,180,407	11,127	1,266,277
Snow and Ice Removal				
Personal services.....	-	25,000	18,151	43,151
Expenditures.....	-	76,260	73,075	149,335
Total.....	-	101,260	91,226	192,486
TOTAL PUBLIC WORKS.....	409,455	5,329,650	211,388	5,950,493
HEALTH AND HUMAN SERVICES				
Administration				
Personal services.....	-	134,495	9,242	143,737
Health Division				
Personal services.....	-	174,259	24,086	198,345
Expenditures.....	-	1,125	125,000	126,125
Total.....	-	175,384	149,086	324,470

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
879,184	-	879,184	-
30,655	373	31,028	4,875
909,839	373	910,212	4,875
20,698,919	152,398	20,851,317	872,373
70,189,922	5,030,890	75,220,812	62,090
686,680	-	686,680	-
70,876,602	5,030,890	75,907,492	62,090
231,822	-	231,822	1
5,276	90	5,366	10,907
237,098	90	237,188	10,908
684,955	-	684,955	70,296
879,690	128,718	1,008,408	81,940
190,939	146,930	337,869	107,372
1,755,584	275,648	2,031,232	259,608
46,776	-	46,776	1
1,643,869	66,497	1,710,366	195,651
1,690,645	66,497	1,757,142	195,652
217,515	-	217,515	53,131
735,474	29,177	764,651	168,480
9,500	6,848	16,348	46,152
962,489	36,025	998,514	267,763
43,150	-	43,150	1
148,801	1	148,802	533
191,951	1	191,952	534
4,837,767	378,261	5,216,028	734,465
67,275	-	67,275	76,462
198,345	-	198,345	-
977	-	977	125,148
199,322	-	199,322	125,148

(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
Veteran's Services				
Personal services.....	-	56,595	10,759	67,354
Expenditures.....	3,133	702,650	15,789	721,572
Total.....	3,133	759,245	26,548	788,926
Elder Affairs				
Personal services.....	-	164,194	27,817	192,011
Expenditures.....	-	31,250	-	31,250
Total.....	-	195,444	27,817	223,261
TOTAL HEALTH AND HUMAN SERVICES.....	3,133	1,264,568	281,368	1,549,069
CULTURE AND RECREATION				
Recreation and Cultural Affairs				
Personal services.....	-	71,283	10,814	82,097
Expenditures.....	50,000	78,000	-	128,000
Total.....	50,000	149,283	10,814	210,097
Public Library				
Personal services.....	-	242,054	19,835	261,889
Expenditures.....	100	26,074	(70)	26,104
Capital outlay.....	975	-	-	975
Total.....	1,075	268,128	19,765	288,968
TOTAL CULTURE AND RECREATION.....	51,075	417,411	30,579	499,065
PENSION BENEFITS				
Contributory Retirement System				
Expenditures.....	-	6,283,764	-	6,283,764
Non-Contributory Pension Benefits				
Expenditures.....	-	17,000	-	17,000
TOTAL PENSION BENEFITS.....	-	6,300,764	-	6,300,764
EMPLOYEE BENEFITS				
Unemployment Compensation				
Expenditures.....	18,860	30,000	20,000	68,860
Health Insurance				
Expenditures.....	-	6,167,800	-	6,167,800
Worker's Compensation				
Expenditures.....	143	300,000	(20,000)	280,143
Payroll Taxes				
Expenditures.....	-	300,000	40,108	340,108

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
67,354	-	67,354	-
683,618	972	684,590	36,982
750,972	972	751,944	36,982
191,411	-	191,411	600
29,922	181	30,103	1,147
221,333	181	221,514	1,747
1,307,577	1,153	1,308,730	240,339
62,558	-	62,558	19,539
125,298	-	125,298	2,702
187,856	-	187,856	22,241
259,580	-	259,580	2,309
25,428	359	25,787	317
944	-	944	31
285,952	359	286,311	2,657
473,808	359	474,167	24,898
6,283,764	-	6,283,764	-
16,410	-	16,410	590
6,300,174	-	6,300,174	590
42,975	-	42,975	25,885
5,425,822	214,817	5,640,639	527,161
267,594	-	267,594	12,549
336,871	-	336,871	3,237
			(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
Life Insurance				
Expenditures.....	-	13,500	-	13,500
TOTAL EMPLOYEE BENEFITS.....	19,003	6,811,300	40,108	6,870,411
PROPERTY AND LIABILITY INSURANCE				
Expenditures.....	-	500,000	-	500,000
CLAIMS AND JUDGMENTS				
Expenditures.....	16,998	25,000	-	41,998
STATE AND COUNTY CHARGES				
Expenditures.....	-	7,911,152	-	7,911,152
DEBT SERVICE PRINCIPAL				
Expenditures.....	-	2,627,888	-	2,627,888
DEBT SERVICE INTEREST				
Expenditures.....	-	930,207	-	930,207
TOTAL EXPENDITURES.....	3,741,435	130,762,664	558,290	135,062,389
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES.....	(3,741,435)	(2,467,510)	(558,290)	(6,767,235)
OTHER FINANCING SOURCES (USES):				
Premium from issuance of bonds.....	-	-	-	-
Proceeds of refunding bonds.....	-	-	-	-
Transfers in.....	-	2,373,196	-	2,373,196
Transfers out.....	-	(675,000)	(3,184,879)	(3,859,879)
Debt service - principal - current refunding.....	-	-	-	-
Total other financing sources (uses).....	-	1,698,196	(3,184,879)	(1,486,683)
NET CHANGE IN FUND BALANCE.....	(3,741,435)	(769,314)	(3,743,169)	(8,253,918)
FUND BALANCE AT BEGINNING OF YEAR.....	24,828,396	24,828,396	24,828,396	24,828,396
FUND BALANCE AT END OF YEAR.....	\$ 21,086,961	\$ 24,059,082	\$ 21,085,227	\$ 16,574,478

See notes to required supplementary information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
12,911	-	12,911	589
6,086,173	214,817	6,300,990	569,421
450,000	-	450,000	50,000
30,453	-	30,453	11,545
8,011,029	-	8,011,029	(99,877)
2,627,888	-	2,627,888	-
926,936	-	926,936	3,271
126,352,110	5,884,040	132,236,150	2,826,239
11,142,982	(5,884,040)	5,258,942	12,026,177
77,052	-	77,052	77,052
802,857	-	802,857	802,857
2,373,196	-	2,373,196	-
(3,859,879)	-	(3,859,879)	-
(800,000)	-	(800,000)	800,000
(1,406,774)	-	(1,406,774)	1,679,909
9,736,208	(5,884,040)	3,852,168	13,706,086
24,828,396	24,828,396	24,828,396	-
\$ 34,564,604	\$ 18,944,356	\$ 28,680,564	\$ 13,706,086 (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)
01/01/13	\$ 92,679,560	\$ 174,719,158	\$ 82,039,598	53.0%	\$ 31,121,488	263.6%
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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2008	\$ 7,943,591	100
2009	8,260,223	100
2010	8,539,697	100
2011	8,949,178	100
2012	9,364,656	100
2013	9,655,593	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 (%)
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%
2013	8,516,467	100	90.9%
2014	9,007,273	100	93.3%

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)
07/01/13	\$ -	\$ 164,767,775	\$ 164,767,775	-	\$ 66,431,592	248%
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:

- For the period 07/01/11 to 07/01/13, plan experience was more favorable than expected. This was mainly due to post 65 premiums increasing by 8% vs. an expected 11% increase and changes in cost sharing. This was somewhat offset by the introduction of a more conservative mortality table and the inclusion of the ACA excise tax. The actuarial experience gain is amortized into the annual OPEB costs over a 30-year period. The net impact of plan experience is a decrease in the annual OPEB cost.
- The 07/01/13 valuation recognized medical premiums as of the 2015 fiscal year. For years beyond the 2015 fiscal year, medical care costs are assumed to increase by 5.0% per year. If costs increase at rates higher than assumed, plan liabilities will escalate while costs less than those assumed will yield lower liabilities in the future.

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, 2014, 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.....	\$ 137,495,092	\$ 132,236,150	\$ (1,406,774)
<u>Adjustments</u>			
Activity of general stabilization fund recorded in the general fund for GAAP purposes.....	321,664	-	-
Activity of operating stabilization fund recorded in the general fund for GAAP purposes.....	40,272	-	-
Activity of capital stabilization fund recorded in the general fund for GAAP purposes.....	10,391	-	-
Activity of redevelopment stabilization fund recorded in the general fund for GAAP purposes.....	1,509	-	-
Activity of other postemployment benefits fund recorded in the general fund for GAAP purposes.....	21,087	-	175,000
Net change in recording 60-day receipts.....	8,552	-	-
Net change in recording tax refunds payable.....	314,858	-	-
Net change in investment market value.....	67,227	-	-
To record additional accrued payroll.....	-	846,981	-
To record MTRS on-behalf payments.....	6,778,368	6,778,368	-
To record encumbrances and continuing appropriations.....	-	(5,884,040)	-
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ <u>145,059,020</u>	\$ <u>133,977,459</u>	\$ <u>(1,231,774)</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.

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

School Federal Grants – accounts for grant funds received from the federal government that 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, 2014

<i>Special Revenue Funds</i>						
	Redevelopment	Other Community Development	City Revolving	Receipts Reserved	City Gifts	City State Grants
ASSETS						
Investments.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents.....	1,570,793	713,128	-	3,783,708	1,082,703	497,854
Restricted investments.....	1,620,481	693,071	-	-	-	-
Receivables, net of uncollectibles:						
Departmental and other.....	-	-	304,695	-	-	-
Intergovernmental.....	-	-	-	-	-	-
Loans.....	-	716,858	-	-	-	-
TOTAL ASSETS.....	\$ 3,191,274	\$ 2,123,057	\$ 304,695	\$ 3,783,708	\$ 1,082,703	\$ 497,854
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants payable.....	\$ -	\$ 336,938	\$ 14,917	\$ 10,414	\$ 710	\$ 28,284
Accrued payroll.....	8,078	2,684	47,282	-	2,030	1,571
Due to other funds.....	-	-	314,987	-	-	-
TOTAL LIABILITIES.....	8,078	339,622	377,186	10,414	2,740	29,855
FUND BALANCES:						
Nonspendable.....	-	716,858	-	-	-	-
Restricted.....	3,183,196	1,066,577	-	3,773,294	1,079,963	467,999
Unassigned.....	-	-	(72,491)	-	-	-
TOTAL FUND BALANCES.....	3,183,196	1,783,435	(72,491)	3,773,294	1,079,963	467,999
TOTAL LIABILITIES AND FUND BALANCES....	\$ 3,191,274	\$ 2,123,057	\$ 304,695	\$ 3,783,708	\$ 1,082,703	\$ 497,854

<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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,094,105	2,346,964	1,383,465	779,407	933,376	-	14,185,503	1,308,868	4,342,433
-	-	-	-	-	-	2,313,552	-	-
-	-	-	-	-	-	304,695	-	-
-	-	-	-	226,070	-	226,070	-	-
-	-	-	-	-	-	716,858	-	-
<u>\$ 1,094,105</u>	<u>\$ 2,346,964</u>	<u>\$ 1,383,465</u>	<u>\$ 779,407</u>	<u>\$ 1,159,446</u>	<u>\$ -</u>	<u>\$ 17,746,678</u>	<u>\$ 1,308,868</u>	<u>\$ 4,342,433</u>
\$ 100,233	\$ 677	\$ 902	\$ 4,477	\$ 68,555	\$ 53,294	\$ 619,401	\$ 4,623	\$ 88,826
6,877	5,863	5,490	7,980	23,441	55,602	166,898	-	-
-	-	-	-	-	8,785	323,772	-	-
<u>107,110</u>	<u>6,540</u>	<u>6,392</u>	<u>12,457</u>	<u>91,996</u>	<u>117,681</u>	<u>1,110,071</u>	<u>4,623</u>	<u>88,826</u>
-	-	-	-	-	-	716,858	-	-
986,995	2,340,424	1,377,073	766,950	1,067,450	-	16,109,921	1,304,245	4,253,607
-	-	-	-	-	(117,681)	(190,172)	-	-
<u>986,995</u>	<u>2,340,424</u>	<u>1,377,073</u>	<u>766,950</u>	<u>1,067,450</u>	<u>(117,681)</u>	<u>16,636,607</u>	<u>1,304,245</u>	<u>4,253,607</u>
<u>\$ 1,094,105</u>	<u>\$ 2,346,964</u>	<u>\$ 1,383,465</u>	<u>\$ 779,407</u>	<u>\$ 1,159,446</u>	<u>\$ -</u>	<u>\$ 17,746,678</u>	<u>\$ 1,308,868</u>	<u>\$ 4,342,433</u>

(continued)

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2014

	<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
ASSETS						
Investments.....	\$ -	\$ -	\$ -	\$ 85,135	\$ 85,135	\$ 85,135
Restricted cash and cash equivalents.....	2,060,878	7,712,179	12,745	26,594	39,339	21,937,021
Restricted investments.....	-	-	-	-	-	2,313,552
Receivables, net of uncollectibles:						
Departmental and other.....	-	-	-	-	-	304,695
Intergovernmental.....	-	-	-	-	-	226,070
Loans.....	-	-	-	-	-	716,858
TOTAL ASSETS.....	\$ 2,060,878	\$ 7,712,179	\$ 12,745	\$ 111,729	\$ 124,474	\$ 25,583,331
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants payable.....	\$ -	\$ 93,449	\$ -	\$ -	\$ -	\$ 712,850
Accrued payroll.....	-	-	-	-	-	166,898
Due to other funds.....	-	-	-	-	-	323,772
TOTAL LIABILITIES.....	-	93,449	-	-	-	1,203,520
FUND BALANCES:						
Nonspendable.....	-	-	11,996	10,396	22,392	739,250
Restricted.....	2,060,878	7,618,730	749	101,333	102,082	23,830,733
Unassigned.....	-	-	-	-	-	(190,172)
TOTAL FUND BALANCES.....	2,060,878	7,618,730	12,745	111,729	124,474	24,379,811
TOTAL LIABILITIES AND FUND BALANCES....	\$ 2,060,878	\$ 7,712,179	\$ 12,745	\$ 111,729	\$ 124,474	\$ 25,583,331

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NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<i>Special Revenue Funds</i>					
	Redevelopment	Other Community Development	City Revolving	Receipts Reserved	City Gifts	City State Grants
REVENUES						
Charges for services.....	\$ -	\$ -	\$ 1,617,226	\$ 361,304	\$ -	\$ -
Intergovernmental	-	1,904,199	-	-	-	1,541,051
Departmental and other.....	-	97,334	91,467	108,287	4,200	-
Contributions.....	-	-	-	-	640,094	-
Investment income.....	71,856	83,394	-	-	-	-
TOTAL REVENUES.....	71,856	2,084,927	1,708,693	469,591	644,294	1,541,051
EXPENDITURES						
Current:						
General government.....	-	-	-	57,373	203,435	5,352
Public safety.....	-	-	1,648,269	22,800	29,080	773,001
Education.....	-	-	-	-	5,865	24,731
Public works.....	-	-	-	-	9,892	322,614
Health and human services.....	-	-	76,412	-	274,179	43,145
Culture and recreation.....	-	-	29,843	-	1,900	46,388
Community development.....	236,556	2,596,451	-	-	-	-
TOTAL EXPENDITURES.....	236,556	2,596,451	1,754,524	80,173	524,351	1,215,231
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(164,700)	(511,524)	(45,831)	389,418	119,943	325,820
OTHER FINANCING SOURCES (USES)						
Transfers in.....	208,070	-	3,614	-	-	-
Sale of capital assets.....	-	-	-	1,396,000	-	-
Transfers out.....	-	-	-	(225,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	208,070	-	3,614	1,171,000	-	-
NET CHANGE IN FUND BALANCES.....	43,370	(511,524)	(42,217)	1,560,418	119,943	325,820
FUND BALANCES AT BEGINNING OF YEAR.....	3,139,826	2,294,959	(30,274)	2,212,876	960,020	142,179
FUND BALANCES AT END OF YEAR.....	\$ 3,183,196	\$ 1,783,435	\$ (72,491)	\$ 3,773,294	\$ 1,079,963	\$ 467,999

<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
\$ 20,895	\$ 436,575	\$ 388,712	\$ -	\$ -	\$ -	\$ 2,824,712	\$ -	\$ -
2,224,362	3,644,835	8,838	-	2,151,805	6,891,817	18,366,907	-	498,514
-	-	-	-	-	-	301,288	250,000	-
-	-	-	335,802	-	-	975,896	-	-
4,773	-	-	-	-	-	160,023	-	-
<u>2,250,030</u>	<u>4,081,410</u>	<u>397,550</u>	<u>335,802</u>	<u>2,151,805</u>	<u>6,891,817</u>	<u>22,628,826</u>	<u>250,000</u>	<u>498,514</u>
-	-	-	-	-	-	266,160	-	71,321
1,625,608	-	-	-	-	-	4,098,758	-	577,063
-	3,305,997	289,251	415,090	1,945,304	7,061,361	13,047,599	-	254,099
-	-	-	-	-	-	332,506	-	2,577,786
9,090	-	-	-	-	-	402,826	-	-
-	-	-	-	-	-	78,131	-	-
-	-	-	-	-	-	2,833,007	526,988	563,537
<u>1,634,698</u>	<u>3,305,997</u>	<u>289,251</u>	<u>415,090</u>	<u>1,945,304</u>	<u>7,061,361</u>	<u>21,058,987</u>	<u>526,988</u>	<u>4,043,806</u>
<u>615,332</u>	<u>775,413</u>	<u>108,299</u>	<u>(79,288)</u>	<u>206,501</u>	<u>(169,544)</u>	<u>1,569,839</u>	<u>(276,988)</u>	<u>(3,545,292)</u>
140,000	-	-	-	-	-	351,684	-	3,398,095
-	-	-	-	-	-	1,396,000	-	-
-	-	-	-	-	-	(225,000)	-	(35,241)
<u>140,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,522,684</u>	<u>-</u>	<u>3,362,854</u>
755,332	775,413	108,299	(79,288)	206,501	(169,544)	3,092,523	(276,988)	(182,438)
<u>231,663</u>	<u>1,565,011</u>	<u>1,268,774</u>	<u>846,238</u>	<u>860,949</u>	<u>51,863</u>	<u>13,544,084</u>	<u>1,581,233</u>	<u>4,436,045</u>
<u>\$ 986,995</u>	<u>\$ 2,340,424</u>	<u>\$ 1,377,073</u>	<u>\$ 766,950</u>	<u>\$ 1,067,450</u>	<u>\$ (117,681)</u>	<u>\$ 16,636,607</u>	<u>\$ 1,304,245</u>	<u>\$ 4,253,607</u>

(continued)

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<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
REVENUES						
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,824,712
Intergovernmental	-	498,514	-	-	-	18,865,421
Departmental and other.....	-	250,000	-	-	-	551,288
Contributions.....	-	-	-	-	-	975,896
Investment income.....	29,657	29,657	-	3,265	3,265	192,945
TOTAL REVENUES.....	29,657	778,171	-	3,265	3,265	23,410,262
EXPENDITURES						
Current:						
General government.....	-	71,321	-	-	-	337,481
Public safety.....	-	577,063	-	-	-	4,675,821
Education.....	-	254,099	-	-	-	13,301,698
Public works.....	-	2,577,786	-	-	-	2,910,292
Health and human services.....	-	-	-	-	-	402,826
Culture and recreation.....	-	-	-	123	123	78,254
Community development.....	-	1,090,525	-	-	-	3,923,532
TOTAL EXPENDITURES.....	-	4,570,794	-	123	123	25,629,904
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	29,657	(3,792,623)	-	3,142	3,142	(2,219,642)
OTHER FINANCING SOURCES (USES)						
Transfers in.....	-	3,398,095	-	-	-	3,749,779
Sale of capital assets.....	-	-	-	-	-	1,396,000
Transfers out.....	(425,000)	(460,241)	-	-	-	(685,241)
TOTAL OTHER FINANCING SOURCES (USES).....	(425,000)	2,937,854	-	-	-	4,460,538
NET CHANGE IN FUND BALANCES.....	(395,343)	(854,769)	-	3,142	3,142	2,240,896
FUND BALANCES AT BEGINNING OF YEAR.....	2,456,221	8,473,499	12,745	108,587	121,332	22,138,915
FUND BALANCES AT END OF YEAR.....	\$ 2,060,878	\$ 7,618,730	\$ 12,745	\$ 111,729	\$ 124,474	\$ 24,379,811

(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 POSITION

JUNE 30, 2014

			<u>Total</u>
	Retirees' Health Insurance	Workers' Compensation	Internal Service Funds
ASSETS			
Current assets:			
Restricted cash and cash equivalents.....	\$ 235,643	\$ 599,333	\$ 834,976
LIABILITIES			
Current liabilities:			
Warrants payable.....	\$ -	\$ 9,325	\$ 9,325
Accrued payroll.....	-	8,950	8,950
Other liabilities.....	-	2,348	2,348
Workers' compensation claims.....	-	206,450	206,450
Total current liabilities.....	-	227,073	227,073
Noncurrent liabilities:			
Workers' compensation claims.....	-	148,359	148,359
Total liabilities.....	-	375,432	375,432
NET POSITION			
Unrestricted.....	\$ 235,643	\$ 223,901	\$ 459,544

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

			<u>Total</u>
	Retirees' Health Insurance	Workers' Compensation	Internal Service Funds
OPERATING REVENUES			
Employer contributions.....	\$ -	\$ 50,000	\$ 50,000
OPERATING EXPENSES			
Employee benefits.....	-	158,480	158,480
OPERATING INCOME (LOSS).....	-	(108,480)	(108,480)
NONOPERATING REVENUES (EXPENSES)			
Investment income.....	-	65	65
CHANGE IN NET POSITION.....	-	(108,415)	(108,415)
NET POSITION AT BEGINNING OF YEAR.....	235,643	332,316	567,959
NET POSITION AT END OF YEAR.....	\$ <u>235,643</u>	\$ <u>223,901</u>	\$ <u>459,544</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

			<u>Total</u>
	Retirees' Health Insurance	Workers' Compensation	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided.....	\$ -	\$ 50,000	\$ 50,000
Payments for interfund services used.....	<u>-</u>	<u>(130,007)</u>	<u>(130,007)</u>
NET CASH FROM OPERATING ACTIVITIES.....	-	(80,007)	(80,007)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income.....	<u>-</u>	<u>65</u>	<u>65</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	-	(79,942)	(79,942)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
(Includes \$245,943 and \$394,156 reported as restricted in the retirees' health insurance and workers' compensation fund, respectively).....	<u>235,643</u>	<u>679,275</u>	<u>914,918</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
(Includes \$235,643 and \$679,275 reported as restricted in the retirees' health insurance and workers' compensation fund, respectively).....	<u>\$ 235,643</u>	<u>\$ 599,333</u>	<u>\$ 834,976</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss).....	\$ -	\$ (108,480)	\$ (108,480)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Adjustments requiring current cash flows:			
Changes in assets and liabilities:			
Warrants payable.....	-	9,325	9,325
Accrued payroll.....	-	8,950	8,950
Workers' compensation claims.....	<u>-</u>	<u>10,198</u>	<u>10,198</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ -</u>	<u>\$ (80,007)</u>	<u>\$ (80,007)</u>

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, 2014

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
ASSETS				
Cash and cash equivalents.....	\$ 986,135	\$ 7,990,168	\$ (8,141,016)	\$ 835,287
LIABILITIES				
Warrants payable.....	2,500	8,154,624	(8,141,017)	16,107
Liabilities due depositors.....	983,635	7,924,082	(8,088,537)	819,180
TOTAL LIABILITIES.....	\$ 986,135	\$ 16,078,706	\$ (16,229,554)	\$ 835,287

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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 109 – 120)

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 121 – 124)

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

Debt Capacity (pages 125 – 129)

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 130 - 131)

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 132 – 136)

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 POSITION BY COMPONENT (1)
(ACCRUAL BASIS OF ACCOUNTING)

LAST TEN FISCAL YEARS

	2005	2006	2007	2008
Governmental Activities				
Net investment in capital assets (1).....	\$ 104,156,143	\$ 102,535,541	\$ 103,040,202	\$ 109,699,755
Restricted.....	14,856,655	13,532,009	12,836,617	14,156,898
Unrestricted.....	<u>24,393,261</u>	<u>22,882,562</u>	<u>27,331,951</u>	<u>3,182,167</u>
Total governmental activities net position (1).....	<u>\$ 143,406,059</u>	<u>\$ 138,950,112</u>	<u>\$ 143,208,770</u>	<u>\$ 127,038,820</u>
Business-Type Activities				
Net investment in capital assets (1).....	\$ 3,445,938	\$ 4,197,376	\$ 3,382,731	\$ 4,293,753
Restricted.....	-	-	-	-
Unrestricted.....	<u>4,101,194</u>	<u>3,966,040</u>	<u>4,994,535</u>	<u>4,377,713</u>
Total business-type activities net position (1).....	<u>\$ 7,547,132</u>	<u>\$ 8,163,416</u>	<u>\$ 8,377,266</u>	<u>\$ 8,671,466</u>
Primary Government				
Net investment in capital assets (1).....	\$ 107,602,081	\$ 106,732,917	\$ 106,422,933	\$ 113,993,508
Restricted.....	14,856,655	13,532,009	12,836,617	14,156,898
Unrestricted.....	<u>28,494,455</u>	<u>26,848,602</u>	<u>32,326,486</u>	<u>7,559,880</u>
Total primary government net position (1).....	<u>\$ 150,953,191</u>	<u>\$ 147,113,528</u>	<u>\$ 151,586,036</u>	<u>\$ 135,710,286</u>

(1) Net position and net investment in capital assets terminology per GASB Statement # 63 is being utilized

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 113,168,275	\$ 115,802,386	\$ 123,198,732	\$ 110,297,865	\$ 112,646,295	\$ 113,957,937
15,843,439	16,877,352	5,330,361	21,541,560	19,798,007	23,010,803
<u>(18,524,343)</u>	<u>(33,438,542)</u>	<u>(41,789,700)</u>	<u>(55,550,266)</u>	<u>(67,222,440)</u>	<u>(69,930,884)</u>
<u>\$ 110,487,371</u>	<u>\$ 99,241,196</u>	<u>\$ 86,739,393</u>	<u>\$ 76,289,159</u>	<u>\$ 65,221,862</u>	<u>\$ 67,037,856</u>
\$ 5,079,857	\$ 9,731,672	\$ 13,645,212	\$ 15,188,269	\$ 16,948,277	\$ 18,376,165
-	-	-	-	-	-
<u>7,437,258</u>	<u>6,073,506</u>	<u>6,752,021</u>	<u>9,321,027</u>	<u>11,462,851</u>	<u>13,014,707</u>
<u>\$ 12,517,115</u>	<u>\$ 15,805,178</u>	<u>\$ 20,397,233</u>	<u>\$ 24,509,296</u>	<u>\$ 28,411,128</u>	<u>\$ 31,390,872</u>
\$ 118,248,132	\$ 125,534,058	\$ 136,843,944	\$ 125,486,134	\$ 129,594,572	\$ 132,334,102
15,843,439	16,877,352	5,330,361	21,541,560	19,798,007	23,010,803
<u>(11,087,085)</u>	<u>(27,365,036)</u>	<u>(35,037,679)</u>	<u>(46,229,239)</u>	<u>(55,759,589)</u>	<u>(56,916,177)</u>
<u>\$ 123,004,486</u>	<u>\$ 115,046,374</u>	<u>\$ 107,136,616</u>	<u>\$ 100,798,455</u>	<u>\$ 93,632,990</u>	<u>\$ 98,428,728</u>

GOVERNMENTAL ACTIVITIES
CHANGES IN NET POSITION (1)

LAST TEN FISCAL YEARS

	2005	2006	2007
Expenses			
General government.....	\$ 6,368,641	\$ 6,633,250	\$ 6,749,810
Public safety.....	23,411,640	25,120,329	26,964,061
Education.....	72,144,706	75,452,209	75,539,107
Public works.....	6,352,279	5,135,556	5,738,727
Health and human services.....	2,645,046	2,876,211	2,221,478
Culture and recreation.....	645,308	708,300	728,672
Community development.....	1,824,233	1,481,448	1,760,889
Debt service - interest.....	4,114,478	3,507,512	3,460,180
Total expenses.....	117,506,331	120,914,815	123,162,924
Program Revenues			
Charges for services:			
Public safety.....	3,467,600	3,831,602	4,998,734
Public works.....	1,207,394	1,223,069	1,358,377
Other activities.....	2,315,573	2,174,234	2,302,399
Operating grants and contributions.....	63,868,631	63,410,195	67,520,030
Capital grants and contributions.....	17,262,055	1,021,324	3,786,207
Total program revenues.....	88,121,253	71,660,424	79,965,747
Net (expense)/revenue.....	(29,385,078)	(49,254,391)	(43,197,177)
General Revenues and Other Changes in Net Position (1)			
Real estate and personal property taxes.....	26,583,428	28,161,050	30,114,992
Meals and room taxes.....	-	-	-
Motor vehicle and other excise taxes.....	2,890,852	2,829,277	2,111,357
Penalties and interest on taxes.....	331,215	380,239	301,942
Payments in lieu of taxes.....	609,949	1,195,899	1,185,030
Unrestricted grants and contributions.....	9,035,989	9,050,539	10,539,794
Unrestricted investment income.....	525,769	1,245,853	1,695,467
Gain on sale of capital assets.....	25,000	297,780	-
Miscellaneous.....	23,717	282,085	-
Transfers, net.....	1,270,254	1,355,722	1,507,253
Total general revenues and other changes in net position (1).....	41,296,173	44,798,444	47,455,835
Change in net position (1).....	\$ 11,911,095	\$ (4,455,947)	\$ 4,258,658

(1) Net position terminology per GASB Statement # 63 is being utilized

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

(2)							
2008	2009	2010	2011	2012	2013	2014	
\$ 8,802,344	\$ 9,465,362	\$ 8,584,122	\$ 8,878,505	\$ 6,303,492	\$ 6,753,023	\$ 6,396,204	
33,766,246	35,665,589	36,002,662	38,057,558	34,245,664	37,168,245	37,333,683	
89,459,187	92,186,880	97,560,358	97,529,142	101,583,304	106,039,385	108,824,624	
6,296,006	6,336,398	6,187,990	6,888,278	6,392,827	7,054,957	7,330,891	
2,542,823	2,699,727	1,854,061	1,845,688	4,003,944	4,311,783	4,397,671	
1,150,914	1,355,992	916,324	990,915	909,974	980,683	818,969	
1,833,093	1,372,317	1,546,870	1,345,920	1,774,591	3,324,674	2,535,337	
3,162,519	2,527,602	2,756,957	1,918,692	742,879	977,150	832,886	
147,013,132	151,609,867	155,409,344	157,454,698	155,956,675	166,609,900	168,470,265	
4,514,069	4,700,260	4,276,170	4,377,770	4,335,583	5,215,386	5,601,755	
1,210,082	1,446,499	1,529,503	1,346,420	1,421,310	1,434,148	1,436,700	
2,039,329	2,563,792	2,711,537	2,872,521	3,177,176	2,781,946	2,689,908	
72,252,579	73,086,636	77,955,416	78,148,183	78,837,387	83,700,933	91,442,874	
580,592	1,890,029	2,389,700	408,766	(1,065,126)	310,844	243,646	
80,596,651	83,687,216	88,862,326	87,153,660	86,706,330	93,443,257	101,414,883	
(66,416,481)	(67,922,651)	(66,547,018)	(70,301,038)	(69,250,345)	(73,166,643)	(67,055,382)	
31,523,741	34,562,918	34,585,525	37,049,408	38,375,534	42,040,017	44,226,062	
-	-	83,513	556,526	602,918	871,300	1,108,668	
2,846,327	2,841,288	7,467,078	7,001,354	8,253,392	8,198,951	9,945,067	
273,865	312,440	576,893	457,401	553,029	375,953	472,452	
1,792,342	1,537,180	1,738,295	1,483,189	1,221,920	1,221,631	2,139,017	
10,560,559	10,440,670	8,629,072	7,698,509	7,718,417	7,538,595	7,837,799	
1,710,427	2,100,745	1,352,951	940,588	406,508	142,796	737,599	
-	-	-	2,115,000	-	-	654,000	
-	-	-	-	-	-	-	
1,539,270	(424,039)	867,506	497,270	1,668,393	1,710,103	1,752,855	
50,246,531	51,371,202	55,300,833	57,799,245	58,800,111	62,099,346	68,873,519	
\$ (16,169,950)	\$ (16,551,449)	\$ (11,246,185)	\$ (12,501,793)	\$ (10,450,234)	\$ (11,067,297)	\$ 1,818,137	

BUSINESS-TYPE ACTIVITIES
CHANGES IN NET POSITION (1)

LAST TEN FISCAL YEARS

	2005	2006	2007	2008
Expenses				
Water and Sewer.....	\$ 9,085,256	\$ 9,460,948	\$ 9,625,649	\$ 10,265,022
Program Revenues				
Charges for services.....	10,365,205	10,967,624	11,219,309	11,791,807
Operating grants and contributions.....	14,844	54,722	86,085	69,906
Capital grants and contributions.....	14,176	410,608	41,358	236,779
Total program revenues.....	10,394,225	11,432,954	11,346,752	12,098,492
Net (expense)/revenue.....	1,308,969	1,972,006	1,721,103	1,833,470
General Revenues and Transfers				
Transfers, net.....	(1,270,254)	(1,355,722)	(1,507,253)	(1,539,270)
Change in net position (1).....	\$ 38,715	\$ 616,284	\$ 213,850	\$ 294,200

(1) Net position terminology per GASB Statement # 63 is being utilized

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ <u>10,442,575</u>	\$ <u>11,932,616</u>	\$ <u>12,619,962</u>	\$ <u>12,587,797</u>	\$ <u>13,185,746</u>	\$ <u>13,942,646</u>
13,864,185	16,012,276	17,304,563	18,344,616	18,474,949	18,389,953
-	75,909	-	21,966	2,412	999
<u>-</u>	<u>-</u>	<u>404,724</u>	<u>1,671</u>	<u>320,320</u>	<u>282,150</u>
<u>13,864,185</u>	<u>16,088,185</u>	<u>17,709,287</u>	<u>18,368,253</u>	<u>18,797,681</u>	<u>18,673,102</u>
3,421,610	4,155,569	5,089,325	5,780,456	5,611,935	4,730,456
<u>424,039</u>	<u>(867,506)</u>	<u>(497,270)</u>	<u>(1,668,393)</u>	<u>(1,710,103)</u>	<u>(1,752,855)</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>	\$ <u><u>3,901,832</u></u>	\$ <u><u>2,977,601</u></u>

**PRIMARY GOVERNMENT
CHANGES IN NET POSITION (1)**

LAST TEN FISCAL YEARS

	2005	2006	2007
Total expenses.....	\$ 126,591,587	\$ 130,375,763	\$ 132,788,573
Total program revenues.....	<u>98,515,478</u>	<u>83,093,378</u>	<u>91,312,499</u>
Net (expense)/revenue.....	(28,076,109)	(47,282,385)	(41,476,074)
Total general revenues, transfers and other changes in net position (1).....	<u>40,025,919</u>	<u>43,442,722</u>	<u>45,948,582</u>
Change in net position (1).....	<u>\$ 11,949,810</u>	<u>\$ (3,839,663)</u>	<u>\$ 4,472,508</u>

(1) Net position terminology per GASB Statement # 63 is being utilized

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 157,278,154	\$ 162,052,442	\$ 167,341,960	\$ 170,074,660	\$ 168,544,472	\$ 179,795,646	\$ 182,412,911
<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>	<u>112,240,938</u>	<u>120,087,985</u>
(64,583,011)	(64,501,041)	(62,391,449)	(65,211,713)	(63,469,889)	(67,554,708)	(62,324,926)
<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>60,389,243</u>	<u>67,120,664</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>	<u>\$ (7,165,465)</u>	<u>\$ 4,795,738</u>

GOVERNMENTAL FUNDS
FUND BALANCES (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

LAST TEN FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund				
Reserved.....	\$ 2,190,036	\$ 1,753,717	\$ 2,637,577	\$ 4,843,824
Unreserved.....	9,087,501	8,307,212	10,218,873	11,257,433
Nonspendable.....	-	-	-	-
Restricted.....	-	-	-	-
Committed.....	-	-	-	-
Assigned.....	-	-	-	-
Unassigned.....	-	-	-	-
Total general fund.....	<u>\$ 11,277,537</u>	<u>\$ 10,060,929</u>	<u>\$ 12,856,450</u>	<u>\$ 16,101,257</u>
All Other Governmental Funds				
Reserved.....	\$ 4,489,363	\$ 4,062,188	\$ 3,305,523	\$ 3,305,523
Unreserved, reported in:				
Special revenue funds.....	11,933,024	13,027,339	14,327,473	14,327,473
Debt service funds.....	10,279,367	9,370,978	9,430,547	9,430,547
Capital projects funds.....	(1,274,477)	(1,246,189)	(5,346,118)	(5,346,118)
Permanent funds.....	87,925	98,843	100,547	100,547
Nonspendable.....	-	-	-	-
Restricted.....	-	-	-	-
Unassigned.....	-	-	-	-
Total all other governmental funds.....	<u>\$ 25,515,202</u>	<u>\$ 25,313,159</u>	<u>\$ 21,817,972</u>	<u>\$ 21,817,972</u>

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

<u>2009</u>	<u>2010</u>	<u>(1)</u> <u>2011</u>	<u>(1)</u> <u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 3,025,808	\$ 2,915,917	\$ -	\$ -	\$ -	\$ -
11,379,449	14,297,478	-	-	-	-
-	-	-	9,506	3,853	-
-	-	-	150,000	308,767	504,854
-	-	-	2,099,166	2,328,995	3,057,530
-	-	2,385,892	3,049,473	3,741,435	5,884,258
-	-	24,345,161	24,079,453	26,894,097	33,680,292
<u>\$ 14,405,257</u>	<u>\$ 17,213,395</u>	<u>\$ 26,731,053</u>	<u>\$ 29,387,598</u>	<u>\$ 33,277,147</u>	<u>\$ 43,126,934</u>
\$ 3,880,532	\$ 1,381,756	\$ -	\$ -	\$ -	\$ -
13,470,775	14,542,816	-	-	-	-
9,927,538	10,648,346	-	-	-	-
(8,762,135)	984,799	-	-	-	-
100,886	101,095	-	-	-	-
-	-	22,392	1,060,180	1,060,180	739,250
-	-	21,683,498	20,481,622	20,481,622	23,830,733
-	-	-	-	-	(190,172)
<u>\$ 18,617,596</u>	<u>\$ 27,658,812</u>	<u>\$ 21,705,890</u>	<u>\$ 21,541,802</u>	<u>\$ 21,541,802</u>	<u>\$ 24,379,811</u>

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

LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009
REVENUES					
Real estate and personal property taxes.....	\$ 25,996,104	\$ 27,786,205	\$ 28,944,381	\$ 30,782,138	\$ 32,522,544
Motor vehicle and other excise taxes.....	2,933,506	2,737,502	2,332,484	2,557,448	2,858,058
Meals and room taxes.....	-	-	-	-	-
Tax and trash liens.....	338,515	505,964	366,997	382,714	305,512
Payments in lieu of taxes.....	609,949	1,195,899	1,185,030	1,792,342	1,537,180
Charges for services.....	2,123,881	2,409,626	2,491,044	2,296,533	2,522,413
Trash disposal.....	1,120,391	1,230,498	1,270,801	1,230,237	1,421,920
Intergovernmental	90,513,250	81,556,455	84,823,330	86,499,436	89,664,616
Penalties and interest on taxes.....	331,215	380,239	301,942	273,865	325,535
Licenses, permits and fees.....	1,623,212	1,634,239	2,283,402	2,146,030	2,111,520
Fines and forfeitures.....	1,509,779	1,578,152	1,534,903	1,792,603	1,807,763
Departmental.....	633,612	1,167,669	642,619	287,836	513,831
Contributions.....	331,998	664,958	690,561	1,083,262	1,408,736
Investment income.....	1,810,607	1,091,025	2,521,329	2,943,049	2,077,494
TOTAL REVENUES.....	129,876,019	123,938,431	129,388,823	134,067,493	139,077,122
EXPENDITURES					
Current:					
General government.....	3,260,371	3,050,989	3,428,427	3,628,137	4,456,416
Public safety.....	18,612,071	17,858,180	18,157,315	19,180,605	20,102,805
Education (1).....	58,334,323	59,939,592	67,868,326	71,149,773	75,392,603
Public works.....	6,214,350	4,535,429	5,112,018	5,374,352	8,526,985
Health and human services.....	2,072,138	1,916,395	1,643,909	1,573,840	1,637,992
Culture and recreation.....	432,059	480,202	460,047	541,176	476,234
Community development.....	2,024,964	5,348,708	6,784,769	4,631,470	3,447,654
Pension benefits (1).....	9,203,469	9,991,344	9,001,662	9,807,679	10,366,861
Employee benefits (1).....	9,222,562	10,672,888	5,839,623	6,209,239	6,877,797
Property and liability insurance.....	473,443	426,165	558,328	463,140	440,049
Claims and judgments.....	20,498	9,210	21,180	3,473	25,215
State and county charges.....	2,883,357	2,977,746	3,310,117	4,021,544	4,234,195
Debt service:					
Principal.....	6,911,246	6,970,284	6,857,391	6,797,357	6,913,970
Interest.....	4,136,328	3,549,065	3,497,188	3,181,787	2,543,985
TOTAL EXPENDITURES.....	123,801,179	127,726,197	132,540,300	136,563,572	145,442,761
EXCESS (DEFICIENCY) OF REVENUES					
OVER EXPENDITURES.....	6,074,840	(3,787,766)	(3,151,477)	(2,496,079)	(6,365,639)
OTHER FINANCING SOURCES (USES)					
Transfers in.....	5,636,392	2,416,211	3,959,770	2,897,989	4,271,345
Issuance of bonds and notes.....	641,000	691,000	653,000	743,000	12,828,352
Premium from issuance of bonds and notes.....	28,516	12,185	29,287	-	61,562
Issuance of refunding bonds.....	1,007,661	-	-	-	4,410,625
Premium from issuance of refunding bonds.....	18,978	-	-	-	121,901
Sale of capital assets.....	25,000	297,780	250,000	10,663	-
Capital leases.....	-	-	-	232,355	-
Transfers out.....	(4,354,515)	(1,048,061)	(2,440,246)	(1,343,497)	(4,695,384)
Refunded bonds redeemed.....	-	-	-	-	-
Payments to refunding bond escrow agent.....	(1,001,620)	-	-	-	(4,451,847)
TOTAL OTHER FINANCING SOURCES (USES).....	2,001,412	2,369,115	2,451,811	2,540,510	12,546,554
NET CHANGE IN FUND BALANCES.....	\$ 8,076,252	\$ (1,418,651)	\$ (699,666)	\$ 44,431	\$ 6,180,915

DEBT SERVICE EXPENDITURES AS A PERCENTAGE

OF NONCAPITAL EXPENDITURES.....	9.08%	8.42%	8.17%	7.51%	6.90%
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(1) Beginning in fiscal year 2007, the City began reporting the School Department's share of pension and employee benefit costs as Education expenditures

2010	2011	2012	2013	2014
\$ 33,656,465	\$ 35,997,749	\$ 37,851,061	\$ 40,349,818	\$ 43,530,062
7,241,592	7,111,447	7,161,510	9,340,599	10,305,740
83,513	556,526	602,918	871,300	1,108,668
1,058,925	907,060	697,979	1,836,771	1,240,594
1,738,295	1,483,189	1,221,920	1,221,631	2,139,017
2,768,668	3,142,666	3,403,374	3,400,408	2,824,712
1,492,690	1,509,421	1,417,444	1,351,774	1,403,215
89,848,841	102,461,524	85,285,276	89,997,970	98,310,010
576,893	457,401	553,029	375,953	472,452
1,661,067	1,686,406	1,217,335	1,544,748	1,342,675
1,791,144	1,811,801	1,660,704	2,007,744	2,348,181
321,045	371,243	1,408,644	1,133,145	1,566,193
1,805,273	976,743	1,356,822	1,483,355	975,896
1,347,159	936,009	677,185	201,303	901,867
<u>145,391,570</u>	<u>159,409,185</u>	<u>144,515,201</u>	<u>155,116,519</u>	<u>168,469,282</u>
3,647,141	4,116,985	3,705,904	4,521,689	4,098,380
21,218,465	21,857,267	21,330,776	26,344,654	25,818,310
77,835,710	78,049,056	78,478,431	80,609,369	84,500,020
5,142,611	6,205,921	6,974,591	6,467,158	7,768,296
1,395,638	1,247,303	1,250,883	1,536,981	1,721,863
449,369	530,524	452,279	418,499	558,400
1,869,328	1,762,797	3,117,710	5,264,289	3,923,532
10,778,985	11,459,731	12,258,832	12,731,118	13,078,542
6,511,415	6,259,620	6,763,964	6,022,290	6,093,715
484,181	450,000	373,711	475,362	450,000
38,920	46,059	29,167	36,098	30,453
4,720,440	5,032,659	5,507,326	6,900,308	8,011,029
7,439,494	25,196,312	2,761,359	2,756,573	2,627,887
2,483,699	1,619,804	1,118,855	1,007,448	926,936
<u>144,015,396</u>	<u>163,834,038</u>	<u>144,123,788</u>	<u>155,091,836</u>	<u>159,607,363</u>
<u>1,376,174</u>	<u>(4,424,853)</u>	<u>391,413</u>	<u>24,683</u>	<u>8,861,919</u>
4,372,919	27,034,339	6,230,321	5,747,213	5,762,875
1,625,950	5,136,656	394,000	2,751,628	-
-	239,006	38,651	248	77,052
-	99,500	-	-	802,857
-	4,991	-	-	1,396,000
-	2,115,000	-	-	-
102,809	-	-	-	-
(3,505,413)	(26,537,069)	(4,561,928)	(4,037,110)	(4,010,020)
-	(102,834)	-	-	(800,000)
-	-	-	-	-
<u>2,596,265</u>	<u>7,989,589</u>	<u>2,101,044</u>	<u>4,461,979</u>	<u>3,228,764</u>
\$ <u>3,972,439</u>	\$ <u>3,564,736</u>	\$ <u>2,492,457</u>	\$ <u>4,486,662</u>	\$ <u>12,090,683</u>
7.06%	16.82%	2.79%	2.52%	2.30%

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				
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	84.25%
2013	1,264,203,453	571,459,665	111,145,390	1,946,808,508	20.75	2,237,742,500	87.00%
2014	1,275,660,981	567,198,165	117,035,520	1,959,894,666	21.85	2,234,376,700	87.72%

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

DIRECT PROPERTY TAX RATES (1) (2)

LAST TEN FISCAL YEARS

Fiscal Year	Residential Real Property	Commercial and Industrial Real Property	Personal Property	Total Direct (3)
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
2013	14.13	34.20	34.20	20.75
2014	14.88	36.04	36.04	21.85

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	2014			2005		
	Amount of Tax	Rank	Percentage of Total Tax Levy	Amount of Tax	Rank	Percentage of Total Tax Levy
Nstar Services	\$ 2,428,966	1	5.67%	\$ 559,562	4	2.12%
Urban Growth Properties	1,447,644	2	3.38%	-		-
Demoulas Super Markets Inc.	1,324,856	3	3.09%	-		-
Anthony C Simboli	1,195,191	4	2.79%	818,628	1	3.09%
Griffin Way LLC	968,290	5	2.26%	590,717	3	2.23%
Boston Gas	603,012	6	1.41%	-		-
FR Chelsea Commons	489,092	7	1.14%	-		-
Catamount Petroleum Limited Partnership	483,978	8	1.13%	300,851	8	1.14%
New England Produce Center	458,458	9	1.07%	334,219	6	1.26%
Parkside Commons	433,916	10	1.01%	-		-
Chelsea Development Associates	-		-	723,441	2	2.73%
Darman Sumner, Trustee	-		-	470,912	5	1.78%
Stanton Black	-		-	322,680	7	1.22%
Pillsbury	-		-	205,514	9	0.78%
Patrick Glynn, Trustee	-		-	200,949	10	0.76%
Total	\$ 9,833,403		22.96%	\$ 4,527,473		17.11%

Source: Assessing Department

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year			Collected within the Fiscal Year of the Levy				Total Collections to Date
			Current Tax Collections	Percent of Net Levy Collected	Actual Subsequent Collections	Total Tax Collections	Total Collections as a % of Net Levy
2005	\$	26,455,080	\$ 25,919,327	98.0%	\$ 333,804	\$ 26,253,131	99.2%
2006		28,013,781	27,239,392	97.2%	178,276	27,417,668	97.9%
2007		29,542,591	28,584,863	96.8%	87,245	28,672,108	97.1%
2008		31,094,201	30,159,309	97.0%	554,283	30,713,592	98.8%
2009		32,533,065	31,721,963	97.5%	561,502	32,283,465	99.2%
2010		34,888,374	33,582,088	96.3%	656,313	34,238,401	98.1%
2011		36,340,614	35,212,941	96.9%	786,348	35,999,289	99.1%
2012		37,698,372	37,043,761	98.3%	752,928	37,796,689	100.3%
2013		40,399,463	39,627,287	98.1%	839,373	40,466,660	100.2%
2014		42,820,454	42,549,387	99.4%	-	42,549,387	99.4%

Source: Department of the Treasurer/Collector

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities			Percentage of Median Family Income (1)	Per Capita (1)
	General Obligation Bonds	State House Notes	Loans	General Obligation Bonds	MWRA and MWPAT Notes	Total Primary Government		
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
2013	20,021,537	250,000	1,400,000	9,273,463	4,102,147	35,047,147	2.31%	996
2014	17,481,507	165,000	1,400,000	9,588,493	4,615,206	33,250,206	1.87%	883

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
	Total Gross General Bonded Debt	Less: Resources Restricted for Debt Principal	Total Net General Bonded Debt		
2005	\$ 71,196,996	\$ 10,279,367	\$ 60,917,629	2.92%	\$ 1,737
2006	66,484,996	9,370,978	57,114,018	2.53%	1,628
2007	62,034,997	9,430,547	52,604,450	2.15%	1,500
2008	55,551,997	9,927,538	45,624,459	1.89%	1,301
2009	61,135,488	10,400,021	50,735,467	2.28%	1,446
2010	54,003,947	10,648,346	43,355,601	2.20%	1,236
2011	34,922,908	-	34,922,908	1.81%	993
2012	31,593,937	-	31,593,937	1.68%	898
2013	29,295,000	-	29,295,000	1.50%	833
2014	27,070,000	-	27,070,000	1.38%	719

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 2014			
Fiscal year 2014 equalized valuation.....	\$	2,234,376,700	
Normal debt limit (5% of equalized valuation).....		111,718,835	
Debt applicable to limit:			
Total bonded debt.....		17,481,507	
Less: General obligation bonds exempted by authority of state legislature.....		(3,825,250)	
Total net debt applicable to limit.....		13,656,257	
Legal debt margin.....	\$	98,062,578	
		Fiscal Year	
		2005	2006
			2007
Normal debt limit.....	\$	110,329,940	\$ 132,105,790 \$ 132,105,791
Total net debt applicable to limit.....		3,200,318	4,656,787 4,831,891
Legal debt margin.....	\$	107,129,622	\$ 127,449,003 \$ 127,273,900
Total net debt applicable to the limit as a percentage of normal debt limit.....		2.90%	3.53% 3.66%

Fiscal Year						
2008	2009	2010	2011	2012	2013	2014
\$ 142,817,356	\$ 142,817,357	\$ 117,208,420	\$ 117,208,420	\$ 111,887,125	\$ 111,887,125	\$ 111,718,835
<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>16,196,287</u>	<u>13,656,257</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>	<u>\$ 95,690,838</u>	<u>\$ 98,062,578</u>
3.46%	11.96%	17.74%	20.51%	15.16%	14.48%	12.22%

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

JUNE 30, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Massachusetts Water Resource Authority.....	\$ 6,009,972,000	1.70%	\$ 102,019,701
City direct debt.....			<u>19,046,507</u>
Total direct and overlapping debt.....			<u><u>\$ 121,066,208</u></u>

Source: Massachusetts Water Resource Authority

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

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

Year	Population (1)	Median Family Income (1) (4)	Unemployment Rate (%) (2)
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%
2012	35,177	43,155	8.7%
2013	37,670	47,291	9.7%

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 NINE YEARS AGO

Employer	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of Chelsea	1,249	1	9.37%	1,214	2	9.79%
Market Basket	1,100	2	8.25%	315	7	2.54%
MITC	1,000	3	7.50%	1,300	1	10.49%
MWRA	549	4	4.12%	516	3	4.16%
State Garden	500	5	3.75%	N/A	N/A	N/A
Kayem Foods	323	6	2.42%	390	6	N/A
Massachusetts General Hospital	248	7	1.86%	225	8	1.81%
Metropolitan Credit Union	216	8	1.62%	N/A	N/A	N/A
Signature Breads	170	9	1.28%	N/A	N/A	N/A
Stop & Shop	140	10	1.05%	162	10	1.31%
General Mills	N/A	N/A	N/A	443	4	3.57%
Paul Reverse Transportation	N/A	N/A	N/A	412	5	3.32%
H.P. Hood	N/A	N/A	N/A	164	9	1.32%
Total	5,495		41.22%	5,141		38.32%

Source: Department of Planning and Development

EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Full-Time Equivalent Employees as of June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government.....	52	52	54	55	55	55	48	48	49	50
Public safety.....	197	200	212	215	216	225	218	225	227	231
Education.....	879	879	871	901	926	930	907	910	918	894
Public works	26	25	25	25	25	25	22	24	24	26
Health and human services....	36	39	37	37	37	30	30	30	30	31
Culture and recreation.....	9	8	8	8	8	8	7	7	7	7
Community development.....	10	10	10	9	8	7	7	7	7	7
Water and sewer.....	5	5	5	5	5	3	3	3	3	3
Total.....	<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>	<u>1,265</u>	<u>1,249</u>

Source: Various departments

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	2005	2006	2007	2008	2009
Public safety					
Police					
Offenses committed.....	6,784	7,460	7,632	8,795	9,110
Crime-related incidents.....	3,586	3,552	3,543	3,878	3,744
Non-crime related incidents.....	1,377	1,676	1,707	1,636	1,611
Arrests (on view).....	1,427	1,664	1,577	1,713	1,793
Arrests (based on incident/warrants).....	277	343	408	388	399
Summons arrests.....	-	5	10	6	5
Total arrests.....	1,704	2,012	1,995	2,107	2,197
Juvenile arrests.....	143	162	137	124	95
Hearings.....	457	532	533	559	589
Summons.....	240	259	340	383	573
Restraint orders.....	406	393	373	367	381
Citations.....	4,786	4,610	3,561	6,966	7,795
Fire					
Fires extinguished (1).....	181	268	326	268	271
Education					
Public school enrollment.....	5,873	5,500	5,571	5,603	5,641
Culture and recreation					
Library volumes in collection.....	73,635	74,928	76,633	77,103	79,025
Library volumes borrowed.....	44,766	45,164	49,459	53,136	61,501
Water					
Average daily consumption (1)					
(million gallons/day).....	3.285	2.999	3.010	2.750	3.040
Peak daily consumption (1)					
(million gallons/day).....	4.170	3.634	4.400	3.700	3.940
Sewer					
Average daily sewage treatment (1)					
(million gallons/day).....	4.110	4.440	4.030	4.350	4.130

Source: Various departments

(1) Data is on a calendar year basis

(2) Data is not available

Fiscal Year				
2010	2011	2012	2013	2014
9,450	8,624	8,483	7,227	6,948
3,626	3,244	3,406	3,296	3,134
1,846	1,857	1,789	1,865	2,092
1,825	1,871	1,630	1,468	1,306
429	500	413	390	452
4	2	3	4	8
2,258	2,373	2,046	1,862	1,766
70	118	70	101	106
834	585	640	471	438
652	510	498	374	349
352	379	335	407	346
8,325	7,799	8,188	6,371	7,126
376	317	425	395	(2)
5,699	5,709	5,883	6,044	6,288
80,443	71,260	72,348	66,487	72,617
74,340	68,649	67,912	64,721	63,588
3.048	3.064	3.077	3.078	3.206
3.700	3.418	3.800	3.700	(2)
3.900	5.080	5.490	4.350	4.870

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
General Government							
Buildings.....	1	1	1	1	1	1	1
Public safety							
Police							
Stations.....	1	1	1	1	1	1	1
Fire							
Stations.....	3	3	3	3	3	3	3
Trucks.....	6	6	6	6	6	6	6
Education							
Public school buildings.....	4	4	4	4	4	4	4
Public works							
Streets (miles).....	44	44	44	44	44	44	44
Streetlights.....	1,680	1,683	1,708	1,805	1,805	1,771	1,771
Traffic signals.....	46	46	47	47	47	53	53
Culture and recreation							
Community centers.....	1	1	1	1	1	1	1
Water							
Water mains (miles).....	61	61	61	61	61	61	61
Sewer							
Sewers (miles).....	41	41	41	41	41	41	41

Source: Various departments

Fiscal Year		
2012	2013	2014
1	1	1
1	1	1
3	3	3
6	6	6
4	4	4
44	44	44
1,771	1,771	1,771
53	53	53
1	1	1
61	61	61
41	41	41

