

***CITY OF SPRINGFIELD, MASSACHUSETTS***

***REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS***

***FISCAL YEAR ENDED JUNE 30, 2009***

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## Independent Auditors' Report

To the Honorable Mayor and the City Council  
City of Springfield, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the City of Springfield, Massachusetts, as of and for the fiscal year ended June 30, 2009 (except for the Springfield Contributory Retirement System which is as of and for the year ended December 31, 2008), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Springfield, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above include the primary government of the City of Springfield, Massachusetts, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity along with the Springfield Contributory Retirement System blended component unit. The financial statements do not include financial data for the Springfield Water and Sewer Commission, the Springfield Redevelopment Authority, the Massachusetts Career Development Institute, Inc, and the Springfield Museums Association, four of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported as discretely presented component units.

In our opinion, except for the effects of the items described in the preceding paragraph, 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, the aggregate remaining fund information of the City of Springfield, Massachusetts, as of June 30, 2009, (except for the Springfield Contributory Retirement System which is as of and for the year ended December 31, 2008), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2009, on our consideration of the City of Springfield, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and the schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, other post employment benefits schedule of funding progress, schedule of employer contributions, and other post employment actuarial methods and assumptions, located after the notes to the basic financial statements, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Powers + Sullivan".

Wakefield, Massachusetts  
December 9, 2009

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

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

As management of the City of Springfield, Massachusetts, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City of Springfield for the fiscal year ended June 30, 2009. This is the eighth year our financial statements have been prepared under the Government Accounting Standards Board Statement 34 – Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments. We encourage readers to consider the information presented in this report.

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

Governments must adhere to GASB pronouncements in order to issue their financial statements in conformity with GAAP. The users of financial statements also rely on the independent auditor's opinion. If the City's financial statements have significant departures from GAAP the independent auditors' may issue a qualified opinion or a disclaimer (where no opinion is given). These types of opinions may have an adverse effect on the City's bond rating and our ability to borrow money at favorable interest rates. The financial statements of the primary government have received an unqualified auditor's opinion. However since the City's financial statements do not include, as discretely presented component units, the activities of the Springfield Water and Sewer Commission, the Springfield Redevelopment Authority, the Massachusetts Career Development Institute, Inc., and the Springfield Museums Association the auditor's cannot issue an unqualified opinion on the entity-wide statements since these entities are not presented.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Springfield's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the City as a whole. The fund financial statements focus on the individual components of the City government, reporting the City's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the City's accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, health and welfare, culture and recreation, claims and judgments, and interest. The business-type activities consist of the City's trash collection activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

The City's reports four major funds. The general fund is considered a major fund along with stabilization funds that are being used to accumulate resources for Financial, Capital, Energy and Self Insured claims and judgment related activities, the State Fiscal Stabilization Fund and the Springfield Promise Fund. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

**Proprietary funds.** The City maintains two types of propriety funds.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its trash activities. The trash enterprise fund is not intended to be self-supporting and requires a substantial subsidy from the general fund; \$2,754,000 in fiscal year 2009.

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among various functions. The City uses this fund to account for risk financing activities related to self-insured dental and eye care services, the fully insured health care plan, and a motor pool for gas and auto supplies operated by the Department of Public Works.

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

**Notes to the 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.

## **Finance Control Board**

Prior to FY2005 the City had been experiencing serious financial stress for several years and was facing a financial crisis. It was determined that the City needed the Commonwealth of Massachusetts to provide short and long term financial resources in order to avoid a financial collapse. The additional funding provided the much needed time for the City to work with the Commonwealth to turn around its financial condition.

On July 9, 2004, the Massachusetts legislature enacted Chapter 169 of the Acts of 2004 entitled "An Act Relative To The Financial Stability of Springfield." Under Chapter 169, a Finance Control Board (FCB) was established and vested with comprehensive authority over all of the City's finances, including appropriations, borrowings, transfers of funds, and municipal spending authorizations. Chapter 169 also established a \$52 million trust fund subject to the control of the Commonwealth's Secretary of Administration and Finance ("the Secretary") from which interest-free loans may be disbursed to the City from time to time on terms and conditions determined by the FCB and approved by the Secretary.

With the help of the FCB the City has implemented a series of policies and procedures during the past 5 years that have restored the City's fiscal stability. On June 30, 2009 the FCB held its last meeting and the City has once again returned to self-governance.

## **Financial Condition**

The financial focus of the past five years has been on resolving the deteriorating financial condition of the City's General Fund and Health Insurance Internal Service Fund. The Special Revenue Funds are self-supporting through charges for services, grants and contributions and therefore do not create deficits in their operations. The Capital Projects Fund is supported by grants and long-term bond issues but can create deficits due to the uncertainty of the final costs incurred during construction.

In order for long-term stability to be obtained the City needed to solve its short-term term budget problems for FY2005 and FY2006. The original budget projections for FY2005 and FY2006 estimated there would be a \$37 million and \$8 million deficit, respectively, that would be funded by loans from the state trust fund. During fiscal years 2005 to 2009 the FCB initiated a series of cost cutting measures, revenue enhancement processes, and established budgetary reserves and conservative revenue projections to minimize the structural deficit in the General Fund.

As a result of these measures the General Fund actually had budgetary surpluses of \$23 million, \$14 million, \$8 million, \$32 million and \$35 million in 2009, 2008, 2007, 2006 and 2005, respectively, where revenues exceeded expenditures and transfers out. These surpluses' are all exclusive of amounts transferred to the stabilization funds established by the FCB. The actual results far exceeded the initial expectations but the City believes the structural deficit still exists since some of the surplus was the one-time collection of past due amounts. The result of these favorable results has increased the General Fund total budgetary fund balance to \$71 million at June 30, 2009.

At June 30, 2009 the Health Insurance Internal Service Fund has positive net assets of \$4.5 million compared with \$4.1 million in the prior year. The fund experienced a \$375,000 increase during FY2009. Employee benefits increased from \$67.1 million in FY2008 to \$73.6 million in FY2009. During fiscal year 2007 the City joined the Commonwealth's Group Insurance Commission (GIC) program in order to gain access to more favorable health insurance rates and further the initiative to reduce costs while still providing quality health coverage to its employees and retirees. The GIC program is fully insured.



## Recent Improvements

Fiscal Year 2009 included many steps toward improved and streamlined financial management. The City codified financial policies and procedures in order to have greater financial control in all departments. Through the use of the MUNIS financial system, departments have access to real-time budget data and monthly financial reports are generated for all City departments as well as trend analyses generated by the Finance Department. The City also took steps to implement improvements in the individual departments by the hiring of key managers, outsource programs where appropriate, and mandatory training for all financial staff to become familiar with financial policies and procedures. Greater management of the City's large cost centers has also been implemented. This includes joining the state health insurance program (GIC) which is projected to provide significant savings for the City over the next several years. Debt service has been restructured to provide a declining payment schedule which will allow the City to address rising capital needs. Springfield has also invested in energy saving improvements in its facilities which has resulted in significant costs savings for the City.

## Awards

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City for its annual budget for the fiscal year beginning July 1, 2008. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The GFOA's Distinguished Budget Presentation Awards Program is the only national awards program in governmental budgeting.

## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of approximately \$210 million, an increase of approximately \$37.0 million from the prior year. The increase is primarily due to the operations of the general fund where revenue collections exceeded expenditures by approximately \$21 million and to current year bond proceeds in the amount of \$19.5 million.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was approximately \$41.7 million, while total fund balance was approximately \$58 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents approximately 7.9% of total general fund expenditures, while total fund balance represents approximately 10.9% of that same amount.

The FCB established four stabilization reserve funds which were initially funded by approximately \$21 million in transfers from the general fund and a \$20 million allocation of proceeds from the Commonwealth's \$52 million trust fund. These funds ended fiscal year 2009 with a balance of \$36.5 million after transferring approximately \$47 million (the unpaid balance of the \$52 million state loan) to the newly created *Springfield Promise Fund*. During fiscal year 2009 the general fund transferred an additional \$25.8 million into the Stabilization Funds. These funds support the City's long-term financial stability.

The state fiscal stabilization fund is used to account for federal funds that were received through the American Recovery and Reinvestment Act. During the last two months of the fiscal year, the City's state aid was reduced by approximately \$27.6 million. However, the state aid payment was replaced with a like amount of federal funds. The City's general fund budget was not adjusted for the late reduction in state funding; rather, eligible expenditures were transferred from the general fund to the state fiscal stabilization grant fund where an equal amount of federal revenues were also recorded.

The Springfield Promise Fund was established during fiscal year 2009 with a transfer from the stabilizations funds of the unpaid balance of the state loan in the amount of \$46.8 million, and another \$160,000 from the general fund. The principal of this fund will be appropriated annually to pay the state loan pursuant to the schedule established by Chapter 468 of the Acts of 2008. The interest earnings of this fund will be appropriated to provide Springfield students with financial aid counseling for post-secondary education and "last dollar scholarships".

### ***General Fund Budgetary Highlights***

The City of Springfield adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. Excluding the affects of the State Fiscal Stabilization Fund activities, discussed below, actual revenues were greater than budgeted amounts by \$13.2 million or a 2.6% surplus, while actual expenditures, including carryovers, were also less than budgeted amounts by \$10.5 million, or a 1.9% surplus. The City carried over \$7.4 million in appropriations to FY10.

During the last two months of the fiscal year, additional cuts in state aid were approved by the state, which reduced the June 30<sup>th</sup> state aid payment to the City by \$27.6 million and replaced it with a like amount of federal stimulus funds. The City's general fund budget was not changed for the late adjustment in state funding; rather, eligible expenditures were transferred from the general fund to a state fiscal stabilization grant fund where the federal revenues were recorded. This resulted in a revenue deficit and a corresponding under-expenditure in the applicable line items.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City of Springfield's governmental assets exceeded liabilities for governmental activities by approximately \$387 million. Key components of the City's activities are presented below.

## Governmental Activities

	2009	2008	2007	2006	2005
<b>Assets:</b>					
Current assets.....	\$ 282,440,907	\$ 244,879,118	\$ 257,273,251	\$ 177,123,260	\$ 151,875,485
Noncurrent assets (excluding capital).....	101,315,954	112,842,938	117,275,061	124,735,643	135,409,430
Capital assets, non depreciable.....	26,771,402	26,771,402	26,491,402	26,581,317	29,961,755
Capital assets, net of accumulated depreciation.....	<u>482,143,683</u>	<u>504,225,964</u>	<u>505,182,181</u>	<u>510,323,770</u>	<u>510,323,770</u> (1)
<b>Total assets.....</b>	<b><u>892,671,946</u></b>	<b><u>888,719,422</u></b>	<b><u>906,221,895</u></b>	<b><u>838,763,990</u></b>	<b><u>641,421,456</u></b>
<b>Liabilities:</b>					
Current liabilities (excluding debt).....	67,347,131	57,172,869	59,283,741	63,186,396	54,486,376
Noncurrent liabilities (excluding debt).....	58,546,695	48,801,501	29,012,915	23,405,752	35,214,465
Current debt.....	32,440,907	30,231,038	35,145,850	20,005,648	20,442,779
Noncurrent debt.....	<u>346,761,755</u>	<u>358,769,235</u>	<u>375,245,212</u>	<u>325,732,687</u>	<u>337,322,532</u>
<b>Total liabilities.....</b>	<b><u>505,096,488</u></b>	<b><u>494,974,643</u></b>	<b><u>498,687,718</u></b>	<b><u>432,330,483</u></b>	<b><u>447,466,152</u></b>
<b>Net Assets:</b>					
Capital assets net of related debt.....	325,029,046	341,183,744	355,316,577	337,293,007	152,135,812
Restricted.....	20,024,916	12,177,583	13,972,030	20,736,805	25,282,204
Unrestricted.....	<u>42,521,496</u>	<u>40,383,452</u>	<u>38,245,570</u>	<u>48,403,695</u>	<u>16,537,288</u>
<b>Total net assets.....</b>	<b><u>\$ 387,575,458</u></b>	<b><u>\$ 393,744,779</u></b>	<b><u>\$ 407,534,177</u></b>	<b><u>\$ 406,433,507</u></b>	<b><u>\$ 193,955,304</u></b>

(1) During FY2006 the City recorded its infrastructure capital assets acquired prior to FY2002, as allowed by GASB Statement 34, which increased the beginning net assets by \$199.8 million.

Governmental net assets of \$325 million (84%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, and machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets of \$20 million (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$43 million (11%) may be used to meet the government's ongoing obligations to citizens and creditors.

The key element of change for FY2009 (as well as for FY2008) as compared to previous years was the implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). The Statement required the City to accrue a liability for other post-employment benefits in the amount of approximately \$18.6 million and \$20.8 million for fiscal years 2009 and 2008, respectively. The related expenses have been allocated to the primary government's functions and programs in a similar manner as other employee benefits.

	2009	2008	2007	2006	2005
<b>Program revenues:</b>					
Charges for services.....	\$ 28,887,368	\$ 26,189,441	\$ 26,277,897	\$ 32,314,359	\$ 34,060,055
Operating grants and contributions.....	413,665,113	394,416,551	363,885,595	353,032,208	347,386,326
Capital grants and contributions.....	3,467,296	7,585,134	12,815,331	4,537,749	4,543,703
<b>General Revenues:</b>					
Real estate and personal property taxes.....	158,972,646	148,523,101	145,877,117	137,981,258	137,984,170
Motor vehicle and other excise taxes.....	10,031,549	8,740,169	9,152,281	9,863,385	9,465,439
Penalties and interest on taxes.....	2,342,311	2,185,178	3,360,657	3,537,692	3,892,106
Grants and contributions not restricted to specific programs.....	42,560,162	45,286,984	46,897,842	37,288,365	35,367,054
Unrestricted investment income.....	3,850,833	8,405,541	7,742,338	3,845,110	1,263,014
Other revenues.....	5,844,277	7,012,889	7,866,292	6,413,562	12,008,623
<b>Total revenues.....</b>	<b>669,621,555</b>	<b>648,344,988</b>	<b>623,875,350</b>	<b>588,813,688</b>	<b>585,970,490</b>
<b>Expenses:</b>					
General government.....	54,328,653	48,467,529	37,430,911	37,313,464	36,388,335
Public safety.....	101,547,545	103,672,758	92,037,703	85,728,406	81,568,471
Education.....	440,556,125	420,017,056	397,224,731	362,864,927	353,161,885
Public works.....	30,235,260	34,956,415	42,335,873	39,852,304	35,625,891
Health and welfare.....	8,244,515	12,075,838	10,665,056	14,629,017	14,070,853
Culture and recreation.....	23,275,504	22,120,662	18,500,551	17,056,712	14,854,349
Finance Control Board expenses.....	-	2,178,191	1,648,086	2,017,262	871,757
Claims and judgements.....	496,923	642,918	566,750	532,192	-
Interest.....	14,352,351	15,314,660	14,415,119	16,128,784	14,413,659
<b>Total expenses.....</b>	<b>673,036,876</b>	<b>659,446,027</b>	<b>614,824,780</b>	<b>576,123,068</b>	<b>550,955,200</b>
<b>Excess (Deficit) before transfers.....</b>	<b>(3,415,321)</b>	<b>(11,101,039)</b>	<b>9,050,570</b>	<b>12,690,620</b>	<b>35,015,290</b>
<b>Transfers.....</b>	<b>(2,754,000)</b>	<b>(2,688,359)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets.....</b>	<b>\$ (6,169,321)</b>	<b>\$ (13,789,398)</b>	<b>\$ 9,050,570</b>	<b>\$ 12,690,620</b>	<b>\$ 35,015,290</b>

*Other financial notes related to governmental activities:*

- Charges for services represent 4% of governmental activities resources. These charges have declined in the past several years relating mainly to former trash services which are now accounted for under the business-type activities and for the Springfield Water and Sewer Commission where the City no longer provides these services. The City can exercise more control over this category of revenue than any other. Fees charged for services rendered that are set by the City are included in this category.
- Operating and capital grants and contributions accounted for 62% of the governmental activities resources. Most of these resources apply to education operations. These resources offset costs within the school department in addition to their General Fund operating budget.
- Property taxes are a significant revenue source for the City's governmental activities. They comprised 23% of current resources.
- Other taxes and other revenues comprised a total of 11% of the governmental activity's resources. Other revenues consist mainly of grants and contributions and from investment income earned on the City's deposits.
- Education is by far the largest governmental activity of the City. Approximately \$441 million in expenses were recorded in FY09. After accounting for \$390 million in program revenues an additional \$51 million in taxes and other revenues were needed to cover its Fiscal 2009 operating expenses. Approximately \$40

million of a pension contribution made by the state on-behalf of Springfield teachers have been recorded as an expense and grant revenue.

- General government and Public safety are the third and fourth largest activities of the City. Approximately \$34 million and \$87 million, respectively, of taxes and other revenues were needed to cover their fiscal 2009 operating expenses.

**Business-type Activities.** Business-type activities increased the City's net assets by \$410,000 during fiscal year 2009. These activities consist of the Trash enterprise fund.

Trash business-type activities assets exceeded liabilities by \$1.2 million at the close of fiscal year 2009. Capital assets net of related debt was \$107,000 which related to the acquisition of capital assets through capital lease financing. Unrestricted net assets amounted to \$1.2 million. The increase in net assets is the result of \$3.8 million of charges for services and a transfer in from the general fund of \$2.8 million. Operating and depreciation expenses amounted to \$5.9 million and \$287,000, respectively.

	<u>2009</u>	<u>2008</u>
<b>Assets:</b>		
Current assets.....	\$ 1,525,661	\$ 1,331,230
Capital assets, net of accumulated depreciation.....	<u>1,652,400</u>	<u>1,939,774</u>
<b>Total assets.....</b>	<b><u>3,178,061</u></b>	<b><u>3,271,004</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	352,659	538,801
Non-current liabilities (excluding debt).....	122,010	64,500
Current debt.....	389,830	374,570
Noncurrent debt.....	<u>1,155,889</u>	<u>1,545,719</u>
<b>Total liabilities.....</b>	<b><u>2,020,388</u></b>	<b><u>2,523,590</u></b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	106,681	19,485
Unrestricted.....	<u>1,050,992</u>	<u>727,929</u>
<b>Total net assets.....</b>	<b><u>\$ 1,157,673</u></b>	<b><u>\$ 747,414</u></b>
<b>Program revenues:</b>		
Charges for services.....	\$ <u>3,814,824</u>	\$ <u>4,237,986</u>
<b>Total revenues.....</b>	<b><u>3,814,824</u></b>	<b><u>4,237,986</u></b>
<b>Expenses:</b>		
Trash.....	<u>6,158,565</u>	<u>6,178,931</u>
<b>Total expenses.....</b>	<b><u>6,158,565</u></b>	<b><u>6,178,931</u></b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(2,343,741)</b>	<b>(1,940,945)</b>
<b>Transfers.....</b>	<b><u>2,754,000</u></b>	<b><u>2,688,359</u></b>
<b>Change in net assets.....</b>	<b><u>\$ 410,259</u></b>	<b><u>\$ 747,414</u></b>

## ***Capital Asset and Debt Administration***

The City has been approved to receive school construction assistance through the Massachusetts School Building Authority (MSBA). The MSBA provides resources for eligible construction costs and related debt interest and borrowing costs. During fiscal year 2009, approximately \$16.6 million of such assistance was received. Approximately \$143 million is expected to be received in future fiscal years. Of this amount, \$39 million represents reimbursement of long-term interest costs, and \$104 million represents reimbursement of approved construction costs.

Major capital assets are funded by the issuance of long-term debt. During fiscal year 2009 the City issued \$19.5 million of long-term debt to be used for various projects including city-wide energy saving projects, schools renovation projects, various public safety building renovation and demolition projects, various recreational park renovations, and road construction projects. During FY2009 the City spent and capitalized additions totaling approximately \$12.9 million on the projects listed above. The unspent bond proceeds remain in the capital projects funds for these on-going improvement projects.

Outstanding long-term debt of the general government, as of June 30, 2009, totaled approximately \$319 million, state loan advances totaled \$46.8 million, unamortized premiums totaled \$8.1 million and guaranteed debt of \$2.7 million is to be reimbursed by the Springfield Water and Sewer Commission.

Please refer to the notes to the financial statements for further discussion of the major capital and debt activity.

## ***Requests for Information***

This financial report is designed to provide a general overview of the City of Springfield's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Administrative and Financial Officer or the City Comptroller at, 36 Court Street, Springfield, MA 01103.

# ***Basic Financial Statements***

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**STATEMENT OF NET ASSETS**

**JUNE 30, 2009**

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 249,150,421	\$ 692,883	\$ 249,843,304
Restricted cash and cash equivalents.....	4,428,729	-	4,428,729
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	6,422,423	-	6,422,423
Tax liens.....	705,393	-	705,393
Motor vehicle excise taxes.....	2,878,668	-	2,878,668
Departmental and other.....	689,312	-	689,312
Trash fees.....	-	832,778	832,778
Intergovernmental.....	17,254,445	-	17,254,445
Loans.....	375,000	-	375,000
Working capital deposit.....	100,000	-	100,000
Due from Springfield Water and Sewer Commission.....	436,516	-	436,516
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	93,613,679	-	93,613,679
Loans.....	5,443,868	-	5,443,868
Due from Springfield Water and Sewer Commission.....	2,258,407	-	2,258,407
Capital assets, non depreciable.....	26,771,402	-	26,771,402
Capital assets, net of accumulated depreciation.....	482,143,683	1,652,400	483,796,083
<b>TOTAL ASSETS.....</b>	<b>892,671,946</b>	<b>3,178,061</b>	<b>895,850,007</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	14,851,168	337,471	15,188,639
Accrued unemployment liability.....	1,542,000	-	1,542,000
Accrued payroll.....	7,286,220	-	7,286,220
Employee contributions paid in advance.....	2,219,332	-	2,219,332
Health claims payable.....	114,222	-	114,222
Tax refunds payable.....	12,955,860	-	12,955,860
Accrued interest.....	6,202,228	-	6,202,228
Other liabilities.....	1,645,613	-	1,645,613
Taxes collected in advance.....	-	15,188	15,188
Capital lease obligations.....	502,914	389,830	892,744
Landfill closure.....	750,000	-	750,000
Compensated absences.....	14,572,000	-	14,572,000
Workers' compensation.....	1,182,000	-	1,182,000
Due to granting agencies.....	4,442,000	-	4,442,000
Bonds and notes payable.....	31,522,481	-	31,522,481
<b>NONCURRENT:</b>			
Capital lease obligations.....	1,634,890	1,155,889	2,790,779
Due to granting agencies.....	5,684,000	-	5,684,000
Compensated absences.....	7,390,510	-	7,390,510
Workers' compensation.....	2,758,000	-	2,758,000
Landfill closure.....	3,981,178	-	3,981,178
Other post-employment benefits.....	39,235,921	122,010	39,357,931
Bonds and notes payable.....	344,623,951	-	344,623,951
<b>TOTAL LIABILITIES.....</b>	<b>505,096,488</b>	<b>2,020,388</b>	<b>507,116,876</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	325,029,046	106,681	325,135,727
Restricted for:			
Chapter 656 Reserve.....	6,042,256	-	6,042,256
Loans.....	134,868	-	134,868
Permanent funds.....	1,638,295	-	1,638,295
Grants and gifts.....	12,209,497	-	12,209,497
Unrestricted.....	42,521,496	1,050,992	43,572,488
<b>TOTAL NET ASSETS.....</b>	<b>\$ 387,575,458</b>	<b>\$ 1,157,673</b>	<b>\$ 388,733,131</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 54,328,653	\$ 7,945,105	\$ 12,248,890	\$ -	\$ (34,134,658)
Public safety.....	101,547,545	9,190,168	5,263,235	-	(87,094,142)
Education.....	440,556,125	8,333,298	381,510,601	-	(50,712,226)
Public works.....	30,235,260	361,787	28,782	3,467,296	(26,377,395)
Health and welfare.....	8,244,515	309,425	6,549,878	-	(1,385,212)
Culture and recreation.....	23,275,504	2,747,585	1,157,138	-	(19,370,781)
Claims and judgments.....	496,923	-	-	-	(496,923)
Interest.....	14,352,351	-	6,906,589	-	(7,445,762)
Total Governmental Activities.....	<u>673,036,876</u>	<u>28,887,368</u>	<u>413,665,113</u>	<u>3,467,296</u>	<u>(227,017,099)</u>
<i>Business-Type Activities:</i>					
Trash.....	<u>6,158,565</u>	<u>3,814,824</u>	<u>-</u>	<u>-</u>	<u>(2,343,741)</u>
Total Primary Government.....	<u>\$ 679,195,441</u>	<u>\$ 32,702,192</u>	<u>\$ 413,665,113</u>	<u>\$ 3,467,296</u>	<u>\$ (229,360,840)</u>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2009

	<i>Primary Government</i>		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ (227,017,099)	\$ (2,343,741)	\$ (229,360,840)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	156,376,934	-	156,376,934
Tax liens.....	2,595,712	-	2,595,712
Motor vehicle and other excise taxes.....	9,155,042	-	9,155,042
Hotel/motel tax.....	876,507	-	876,507
Penalties and interest on taxes.....	2,342,311	-	2,342,311
Payments in lieu of taxes.....	5,820,090	-	5,820,090
Grants and contributions not restricted to specific programs.....	42,560,162	-	42,560,162
Unrestricted investment income.....	3,850,833	-	3,850,833
Miscellaneous.....	24,187	-	24,187
<i>Transfers, net</i> .....	(2,754,000)	2,754,000	-
Total general revenues.....	220,847,778	2,754,000	223,601,778
Change in net assets.....	(6,169,321)	410,259	(5,759,062)
<i>Net Assets:</i>			
Beginning of year.....	393,744,779	747,414	394,492,193
End of year.....	\$ 387,575,458	\$ 1,157,673	\$ 388,733,131

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2009

ASSET	GOVERNMENTAL FUNDS					
	General	Financial Reserve Stabilization	State Fiscal Stabilization Fund	Springfield Promise Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 86,624,866	\$ 36,528,216	\$ -	\$ 46,960,000	\$ 72,039,904	\$ 242,152,986
Restricted cash and cash equivalents.....	-	-	-	-	4,428,729	4,428,729
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	6,422,423	-	-	-	-	6,422,423
Tax liens .....	705,393	-	-	-	-	705,393
Motor vehicle excise taxes.....	2,878,668	-	-	-	-	2,878,668
Departmental and other.....	308,114	-	-	-	381,198	689,312
Intergovernmental.....	104,249,183	-	-	-	6,618,941	110,868,124
Loans.....	-	-	-	-	5,818,868	5,818,868
Working capital deposit.....	100,000	-	-	-	-	100,000
<b>TOTAL ASSETS.....</b>	<b>\$ 201,288,647</b>	<b>\$ 36,528,216</b>	<b>\$ -</b>	<b>\$ 46,960,000</b>	<b>\$ 89,287,640</b>	<b>\$ 374,064,503</b>
<b>LIABILITIES AND FUND BALANCES</b>						
LIABILITIES:						
Warrants payable.....	\$ 8,850,886	\$ -	\$ -	\$ -	\$ 5,794,959	\$ 14,645,845
Accrued unemployment liability.....	279,000	-	-	-	-	279,000
Accrued payroll.....	6,680,848	-	-	-	605,372	7,286,220
Tax refunds payable.....	12,955,860	-	-	-	-	12,955,860
Due to granting agencies.....	-	-	-	-	10,126,000	10,126,000
Other liabilities.....	1,642,966	-	-	-	2,647	1,645,613
Deferred revenues.....	112,844,469	-	-	-	4,289,779	117,134,248
<b>TOTAL LIABILITIES.....</b>	<b>143,254,029</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,818,757</b>	<b>164,072,786</b>
FUND BALANCES:						
Reserved for:						
Encumbrances and continuing appropriations.....	7,440,386	-	-	-	-	7,440,386
Chapter 656 Reserve.....	6,042,256	-	-	-	-	6,042,256
Unreserved:						
Designated for subsequent year's expenditures.....	2,845,611	-	-	-	-	2,845,611
Undesignated, reported in:						
General fund.....	41,706,365	-	-	-	-	41,706,365
Special revenue funds.....	-	36,528,216	-	46,960,000	26,176,497	109,664,713
Capital projects funds.....	-	-	-	-	40,654,091	40,654,091
Permanent funds.....	-	-	-	-	1,638,295	1,638,295
<b>TOTAL FUND BALANCES.....</b>	<b>58,034,618</b>	<b>36,528,216</b>	<b>-</b>	<b>46,960,000</b>	<b>68,468,883</b>	<b>209,991,717</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 201,288,647</b>	<b>\$ 36,528,216</b>	<b>\$ -</b>	<b>\$ 46,960,000</b>	<b>\$ 89,287,640</b>	<b>\$ 374,064,503</b>

See notes to basic financial statements.

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

JUNE 30, 2009

Total governmental fund balances.....		\$ 209,991,717
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		508,915,085
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		117,134,248
Internal service funds are used by management to account for health insurance and parts inventory.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....		4,458,558
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(6,202,228)
The City's component unit is responsible for the payment of certain bonds and the City has recorded an amount due from them equal to the outstanding bonds.....		2,694,923
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and notes payable.....	(376,146,432)	
Capital lease obligations.....	(2,137,804)	
Landfill closure liability.....	(4,731,178)	
Accrued unemployment liability.....	(1,263,000)	
Workers compensation liability.....	(3,940,000)	
Compensated absences.....	(21,962,510)	
Other post-employment benefits.....	(39,235,921)	
Net effect of reporting long-term liabilities.....		(449,416,845)
Net assets of governmental activities.....		\$ 387,575,458

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

	General	Financial Reserve Stabilization	State Fiscal Stabilization Fund	Springfield Promise Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Real estate and personal property taxes, net of tax refunds.....	\$ 157,510,645	\$ -	\$ -	\$ -	\$ -	\$ 157,510,645
Tax liens.....	3,309,149	-	-	-	-	3,309,149
Motor vehicle and other excise taxes.....	8,340,690	-	-	-	-	8,340,690
Hotel/motel tax.....	876,507	-	-	-	-	876,507
Charges for services.....	34,971	-	-	-	1,645,500	1,680,471
Penalties and interest on taxes.....	2,342,311	-	-	-	-	2,342,311
Payments in lieu of taxes.....	5,820,090	-	-	-	-	5,820,090
Licenses and permits.....	608,894	-	-	-	-	608,894
Fines and forfeitures.....	151,615	-	-	-	35,275	186,890
Intergovernmental.....	346,256,423	-	27,630,323	-	93,997,569	467,884,315
Departmental and other.....	21,467,425	-	-	-	5,037,518	26,504,943
Contributions.....	-	-	-	-	2,913,485	2,913,485
Investment income.....	2,301,580	1,274,320	-	-	216,430	3,792,330
<b>TOTAL REVENUES.....</b>	<b>549,020,300</b>	<b>1,274,320</b>	<b>27,630,323</b>	<b>-</b>	<b>103,845,777</b>	<b>681,770,720</b>
<b>EXPENDITURES:</b>						
Current:						
General government.....	30,566,851	-	-	-	13,495,123	44,061,974
Public safety.....	59,197,039	-	-	-	6,862,604	66,059,643
Education.....	315,711,414	-	27,630,323	-	71,427,176	414,768,913
Public works.....	13,273,361	-	-	-	7,033,915	20,307,276
Health and welfare.....	3,154,035	-	-	-	4,210,061	7,364,096
Culture and recreation.....	13,688,432	-	-	-	3,498,355	17,186,787
Pension benefits.....	20,844,905	-	-	-	-	20,844,905
Employee fringe benefits.....	1,607,929	-	-	-	-	1,607,929
Employee health benefits.....	25,026,409	-	-	-	-	25,026,409
Claims and judgments.....	496,923	-	-	-	-	496,923
State, county and district assessments.....	2,679,875	-	-	-	-	2,679,875
Debt service:						
Principal.....	26,269,682	-	-	-	-	26,269,682
Interest.....	15,532,168	-	-	-	-	15,532,168
<b>TOTAL EXPENDITURES.....</b>	<b>528,049,023</b>	<b>-</b>	<b>27,630,323</b>	<b>-</b>	<b>106,527,234</b>	<b>662,206,580</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>20,971,277</b>	<b>1,274,320</b>	<b>-</b>	<b>-</b>	<b>(2,681,457)</b>	<b>19,564,140</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Issuance of bonds and notes.....	-	-	-	-	19,500,000	19,500,000
Issuance of refunding bonds.....	4,805,000	-	-	-	-	4,805,000
State loan issuance.....	-	-	-	-	-	-
Premium from issuance of bonds.....	-	-	-	-	599,991	599,991
Premium from issuance of refunding bonds.....	112,181	-	-	-	-	112,181
Payments to refunded bond escrow agent.....	(4,875,932)	-	-	-	-	(4,875,932)
Capital lease financing.....	-	-	-	-	-	-
Sale of capital assets.....	-	-	-	-	-	-
Transfers in.....	11,540,009	36,584,632	-	46,960,000	12,452,158	107,536,799
Transfers out.....	(31,920,818)	(69,377,992)	-	-	(8,991,989)	(110,290,799)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(20,339,560)</b>	<b>(32,793,360)</b>	<b>-</b>	<b>46,960,000</b>	<b>23,560,160</b>	<b>17,387,240</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>631,717</b>	<b>(31,519,040)</b>	<b>-</b>	<b>46,960,000</b>	<b>20,878,703</b>	<b>36,951,380</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>57,402,901</b>	<b>68,047,256</b>	<b>-</b>	<b>-</b>	<b>47,590,180</b>	<b>173,040,337</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 58,034,618</b>	<b>\$ 36,528,216</b>	<b>\$ -</b>	<b>\$ 46,960,000</b>	<b>\$ 68,468,883</b>	<b>\$ 209,991,717</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds.....	\$	36,951,380
<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.</p>		
Capital outlay.....	12,929,798	
Depreciation expense.....	<u>(35,012,079)</u>	
Net effect of reporting capital assets.....		(22,082,281)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(10,672,150)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Proceeds from bonds and notes.....	(19,500,000)	
Capital lease principal payments.....	918,426	
Amortization of bond premiums.....	942,929	
Debt service principal payments.....	26,269,682	
Other changes in long term debt.....	<u>(452,580)</u>	
Net effect of reporting long-term debt.....		8,178,457
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(746,567)	
Net change in workers compensation accrual.....	431,371	
Net change in accrued interest on long-term debt.....	236,888	
Net change in unemployment liability accrual.....	(700,000)	
Net change in landfill accrual.....	156,404	
Other post-employment benefits.....	(18,493,455)	
Net change in other liabilities.....	<u>196,000</u>	
Net effect of recording long-term liabilities.....		(18,919,359)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>374,632</u>
Change in net assets of governmental activities.....	\$	<u><u>(6,169,321)</u></u>

See notes to basic financial statements.

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

JUNE 30, 2009

	Business-type Activities- Trash	Governmental Activities - Internal Service Funds
<b>ASSETS</b>		
CURRENT:		
Cash and cash equivalents.....	\$ 692,883	\$ 6,997,435
Receivables, net of allowance for uncollectibles:		
Trash fees.....	832,778	-
Total current assets.....	<u>1,525,661</u>	<u>6,997,435</u>
NONCURRENT:		
Capital assets, net of accumulated depreciation.....	<u>1,652,400</u>	-
TOTAL ASSETS.....	<u>3,178,061</u>	<u>6,997,435</u>
<b>LIABILITIES</b>		
CURRENT:		
Warrants payable.....	337,471	205,323
Unearned revenues.....	15,188	-
Capital lease obligations.....	389,830	-
Employee contributions paid in advance.....	-	2,219,332
Health claims payable.....	-	114,222
Total current liabilities.....	<u>742,489</u>	<u>2,538,877</u>
NONCURRENT:		
Capital lease obligations.....	1,155,889	-
Other post-employment benefits.....	122,010	-
Total noncurrent liabilities.....	<u>1,277,899</u>	-
TOTAL LIABILITIES.....	<u>2,020,388</u>	<u>2,538,877</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt.....	106,681	-
Unrestricted.....	<u>1,050,992</u>	<u>4,458,558</u>
TOTAL NET ASSETS.....	<u>\$ 1,157,673</u>	<u>\$ 4,458,558</u>

See notes to basic financial statements.



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

FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities- Trash	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES:</b>		
Employee contributions .....	\$ -	\$ 17,126,431
Employer contributions .....	-	56,828,575
Charges for services.....	3,814,824	-
<b>TOTAL OPERATING REVENUES .....</b>	<b>3,814,824</b>	<b>73,955,006</b>
<b>OPERATING EXPENSES:</b>		
Cost of services and administration .....	5,871,191	31,231
Depreciation.....	287,374	-
Employee benefits .....	-	73,607,646
<b>TOTAL OPERATING EXPENSES .....</b>	<b>6,158,565</b>	<b>73,638,877</b>
<b>OPERATING INCOME.....</b>	<b>(2,343,741)</b>	<b>316,129</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income.....	-	58,503
<b>NET INCOME (LOSS).....</b>	<b>(2,343,741)</b>	<b>374,632</b>
<b>TRANSFERS:</b>		
Transfers in.....	2,754,000	-
<b>CHANGE IN NET ASSETS.....</b>	<b>410,259</b>	<b>374,632</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>747,414</b>	<b>4,083,926</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 1,157,673</b>	<b>\$ 4,458,558</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2009

	Business-type Activities- Trash	Governmental Activities - Internal Service Funds
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Receipts from customers and users.....	\$ 3,367,577	\$ 17,596,794
Receipts from interfund services provided.....	-	56,910,076
Payments to vendors.....	(4,857,830)	-
Payments to employees.....	(958,367)	-
Payments for interfund services used.....	-	(73,638,877)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>(2,448,620)</b>	<b>867,993</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>		
Transfers in.....	2,754,000	-
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>		
Capital lease payments.....	(374,570)	-
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Investment income.....	-	58,503
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(69,190)</b>	<b>926,496</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>762,073</b>	<b>6,070,939</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 692,883</b>	<b>\$ 6,997,435</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>		
Operating income.....	\$ (2,343,741)	\$ 316,129
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation.....	287,374	-
Changes in assets and liabilities:		
Trash fees.....	(263,621)	-
Warrants payable.....	(2,516)	72,435
Unearned revenues.....	(183,626)	-
Other post-employment benefits.....	57,510	-
Employee contributions paid in advance.....	-	470,363
Health claims payable.....	-	9,066
Total adjustments.....	(104,879)	551,864
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ (2,448,620)</b>	<b>\$ 867,993</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Pension Trust Fund (as of December 31, 2008)	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 1,898,513	\$ 1,834,120
Investments.....	206,889,073	-
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	623,930	-
<b>TOTAL ASSETS</b> .....	<u>209,411,516</u>	<u>1,834,120</u>
<b>LIABILITIES</b>		
Warrants payable.....	<u>17,484</u>	<u>1,834,120</u>
<b>NET ASSETS</b>		
Held in trust for pension plan participants.....	<u>\$ 209,394,032</u>	<u>\$ -</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2009

	Pension Trust Fund (year ended December 31, 2008)
<u>ADDITIONS:</u>	
Contributions:	
Employer.....	\$ 29,906,316
Plan members.....	11,649,786
Total contributions.....	41,556,102
Net investment income:	
Net change in fair value of investments.....	(96,335,439)
PRIT investment income.....	8,909,291
Total investment income.....	(87,426,148)
Less: investment expense.....	(1,370,322)
Net investment income.....	(88,796,470)
Intergovernmental.....	1,349,791
Transfers from other systems.....	974,727
TOTAL ADDITIONS.....	(44,915,850)
<u>DEDUCTIONS:</u>	
Administration.....	709,927
Transfers to other systems.....	2,248,331
Retirement benefits and refunds.....	54,772,349
TOTAL DEDUCTIONS.....	57,730,607
CHANGE IN NET ASSETS.....	(102,646,457)
NET ASSETS AT BEGINNING OF YEAR.....	312,040,489
NET ASSETS AT END OF YEAR.....	\$ 209,394,032

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the City of Springfield, Massachusetts (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), except as indicated in Note 2. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant City accounting policies are described herein.

**A. Reporting Entity**

The City is a municipal corporation governed by its Massachusetts Plan A charter, by which voters elect a "strong" Mayor with broad powers to supervise City departments and to appoint their managers. A nine-member City Council, elected at large, serves as a representative legislature.

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and institutions. The City has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the City (the primary government) and its component units, except as described below and in Note 2.

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

In the Fiduciary Funds:

- (1) The Springfield Contributory Retirement System (the System) was established to provide retirement benefits to City 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 membership, one member appointed by the System's four other Board members, and one member appointed by the City's Mayor. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

Management has determined that the Springfield Water and Sewer Commission, the Springfield Redevelopment Authority, the Massachusetts Career Development Institute, Inc, and the Springfield Museums Association meet the GASB criteria that consider these organizations as component units of the City. The audited financial statements for these entities are not available for inclusion in these financial statements as discretely presented component units which is a departure from GAAP.

**Availability of Financial Information for Component Units**

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 70 Tapley Street, Springfield, MA 01104.

## B. Government-Wide and Fund Financial Statements

### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units.

*Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

### *Fund Financial Statements*

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

#### *Major Fund Criteria*

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

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

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

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

## C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

### *Government-Wide Financial Statements*

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

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

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

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

The *financial reserve stabilization fund* is used to account for the accumulation of resources to provide *Financial Reserves, Capital Reserves, Energy Services*, and non employee benefit related *Self Insurance Reserves*, and planning and development's ongoing and future operations.

The *state fiscal stabilization fund* is used to account for federal grant funds received through the American Recovery and Reinvestment Act.

The Springfield Promise Fund was established during fiscal year 2009 with a transfer from the stabilizations funds of the unpaid balance of the state loan in the amount of \$48.6 million, and another \$160,000 from the general fund. The principal of this fund will be appropriated annually to pay the state loan pursuant to the schedule established by Chapter 468 of the Acts of 2008. The interest earnings of this fund will be appropriated to provide Springfield students with financial aid counseling for post-secondary education and "last dollar".

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

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

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

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

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

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

The following proprietary fund 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 the remaining self-insured dental and eye care services, the fully insured health care plan, and a motor pool for gas and auto supplies operated by the Department of Public Works.

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

The following fiduciary fund types are reported:

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and propriety fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.



#### D. Cash and Investments

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

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

##### *Restricted cash and cash equivalents*

Restricted cash and cash equivalents in the amount of \$4,428,729 represents amounts collected on HUD Section 108 loans that are being repaid to the granting agency.

#### E. Accounts Receivable

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

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

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

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

Real estate tax liens are processed on delinquent properties and are recorded as receivables in the fiscal year they are processed. Real estate receivables that are secured via the tax lien process are considered more likely to be collected. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

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

##### ***Motor Vehicle Excise***

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

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

##### ***Intergovernmental***

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

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

**Other**

Departmental, special assessment and loan receivables are recorded as receivables in the fiscal year the revenue is earned. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

F. Inventories

*Government-Wide and Fund Financial Statements*

Inventories of the governmental funds are recorded as expenditures at the time of purchase. Such inventories are not material in total to the basic financial statements, and therefore are not reported.

G. Capital Assets

*Government-Wide and Proprietary Fund Financial Statements*

Capital assets, including land, construction in process, buildings and improvements, infrastructure, and vehicles and equipment, are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and in the proprietary fund financial statements, where applicable. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Infrastructure.....	40-100
Buildings.....	40
Building improvements.....	20
Vehicles.....	5-10
Office equipment.....	5-10
Computer equipment.....	5-10

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.

#### H. Interfund Receivables and Payables

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

##### *Government-Wide Financial Statements*

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

##### *Fund Financial Statements*

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

#### I. Interfund Transfers

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

##### *Government-Wide Financial Statements*

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

##### *Fund Financial Statements*

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

#### J. Deferred Revenue

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

#### K. Net Assets and Fund Equity

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

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets reported as "invested in capital assets, net of related debt" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of

capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state's school building program is not considered to be capital related debt.

Net assets have been "restricted for" the following:

"MGL Chapter 656; An Act relative to reorganization of the financial management structure of the City of Springfield" requires the City to raise an amount equal to 1% of the prior year's gross amounts to be raised. The City may reduce this amount by any funds remaining in the reserve from the prior year. Expenditures may be made for extraordinary and unforeseen expenses as determined by the Mayor with the approval of the City Council.

"Loans" represents the City's Community Development outstanding loans receivable balances, net of the amounts due back to granting agencies.

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

"Grants and gifts" represents amounts held for school and other grants, as well as gift funds.

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

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

Fund balances have been "reserved for" the following:

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

"MGL Chapter 656; An Act relative to reorganization of the financial management structure of the City of Springfield" requires the City to raise an amount equal to 1% of the prior year's gross amounts to be raised. The City may reduce this amount by any funds remaining in the reserve from the prior year. Expenditures may be made for extraordinary and unforeseen expenses as determined by the Mayor with the approval of the City Council.

#### L. Long-term Debt

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

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

##### *Governmental Fund Financial Statements*

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

### M. Investment Income

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

### N. 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.

### O. Individual Fund Deficits

There are individual fund deficits with the special revenue and capital project funds at June 30, 2009. The deficits will be funded by grants and other available funds during fiscal year 2010.

### P. Use of Estimates

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

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

### Q. Total Column

#### *Fund Financial Statements*

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

## **NOTE 2 – DEPARTURES FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

It has been determined that the Springfield Water and Sewer Commission, the Springfield Redevelopment Authority, the Massachusetts Career Development Institute, Inc., and the Springfield Museums Association met the required GASB 39 criteria of component units of the City; however because audited financial statements for these entities are not available for inclusion as of the date of this report, these entities have not been included with the City's basic financial statements. These entities should be included in order to conform to generally accepted accounting principles.

**NOTE 3 – FINANCE CONTROL BOARD AND STATE LOAN**

On July 9, 2004, the Massachusetts legislature enacted Chapter 169 of the Acts of 2004 entitled "An Act Relative To The Financial Stability of Springfield." Under Chapter 169, there is an established Finance Control Board (FCB) vested with comprehensive authority over all of the City's finances, including appropriations, borrowings, transfers of funds, and municipal spending authorizations. Chapter 169 also established a \$52 million trust fund subject to the control of the Commonwealth's Secretary of Administration and Finance ("the Secretary") from which interest-free loans may be disbursed to the City from time to time on terms and conditions determined by the FCB and approved by the Secretary. The City relied upon loans from the trust fund to offset its budgetary deficits. As of June 30, 2008 the City had drawn down the \$52 million from the trust fund to be used as a funding source to balance its budget through fiscal year 2009. In January 2009, new legislation was enacted (Chapter 458) that extended the loan repayment period from 12 years to 15 years.

With the help of the FCB the City has implemented a series of policies and procedures during the past 5 years that have restored the City's fiscal stability. On June 30, 2009 the FCB held its last meeting and the City has once again returned to self-governance.

**NOTE 4 – CASH AND INVESTMENTS**

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

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

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

**Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$84,993,175 and the bank balance totaled \$98,440,193. Of the bank balance, \$693,409 was covered by Federal Depository Insurance, \$16,590,983 was insured under the FDIC Transaction Account Guarantee Program and \$81,155,801 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2008, the carrying amount of deposits for the Retirement System was covered by Federal Depository Insurance.

Investments

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

<b>Investment Type</b>	<b>Fair Value</b>
<u>Other Investments</u>	
Money Market Mutual Funds.....	\$ 5,612,031
MMDT.....	<u>165,500,947</u>
Total Investments.....	<u>\$ 171,112,978</u>

As of December 31, 2008, the Retirement System had the following investments:

<b>Investment Type</b>	<b>Fair Value</b>
<u>Other Investments</u>	
Alternative Investments.....	\$ 5,889,130
Pension Reserve Investment Trust (PRIT).....	<u>200,999,943</u>
Total Investments.....	<u>\$ 206,889,073</u>

Custodial Credit Risk – Investments

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

The City does not have an investment policy for custodial credit risk.

Of the Retirement System's total investments of \$206,889,073 there was custodial credit risk exposure of \$5,889,130 in alternative investments because the related securities are uninsured, unregistered and held by the counterparty.

Investment Rate Risk

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

Credit Risk

The City has not adopted a formal policy related to Credit Risk.

Concentration Credit Risk

The City places no limit on the amount it may invest in any one issuer.

**NOTE 5 – RECEIVABLES**

At June 30, 2009, receivables for the individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 10,418,789	\$ (3,996,366)	\$ 6,422,423
Tax liens.....	2,821,572	(2,116,179)	705,393
Motor vehicle and other excise taxes.....	7,434,005	(4,555,337)	2,878,668
Departmental and other .....	689,312	-	689,312
Intergovernmental.....	110,868,124	-	110,868,124
Loans.....	5,818,868	-	5,818,868
Total.....	<u>\$ 138,050,670</u>	<u>\$ (10,667,882)</u>	<u>\$ 127,382,788</u>

At June 30, 2009 receivables for the trash enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Trash fees.....	\$ 832,778	\$ -	\$ 832,778

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

	General Fund	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 4,703,111	\$ -	\$ 4,703,111
Tax liens.....	705,393	-	705,393
Motor vehicle excise.....	2,878,668	-	2,878,668
Departmental and other.....	308,114	381,198	689,312
Intergovernmental.....	104,249,183	3,773,713	108,022,896
Loans.....	-	134,868	134,868
Total.....	<u>\$ 112,844,469</u>	<u>\$ 4,289,779</u>	<u>\$ 117,134,248</u>



**NOTE 6 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 26,771,402	\$ -	\$ -	\$ 26,771,402
<u>Capital assets being depreciated:</u>				
Land improvements.....	52,978,065	2,086,748	-	55,064,813
Buildings and improvements.....	362,251,836	4,528,475	-	366,780,311
Machinery and equipment.....	93,422,270	3,265,312	-	96,687,582
Infrastructure.....	421,358,335	3,049,263	(1,524,631)	422,882,967
Total capital assets being depreciated.....	930,010,506	12,929,798	(1,524,631)	941,415,673
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(11,050,643)	(1,726,579)	-	(12,777,222)
Buildings and improvements.....	(105,022,470)	(12,663,737)	-	(117,686,207)
Machinery and equipment.....	(71,888,871)	(11,879,915)	-	(83,768,786)
Infrastructure.....	(237,822,558)	(8,741,848)	1,524,631	(245,039,775)
Total accumulated depreciation.....	(425,784,542)	(35,012,079)	1,524,631	(459,271,990)
Total capital assets being depreciated, net.....	504,225,964	(22,082,281)	-	482,143,683
Total governmental activities capital assets, net.....	\$ 530,997,366	\$ (22,082,281)	\$ -	\$ 508,915,085
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 2,011,618	\$ -	\$ -	\$ 2,011,618
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(71,844)	(287,374)	-	(359,218)
Total business-type activities capital assets, net.....	\$ 1,939,774	\$ (287,374)	\$ -	\$ 1,652,400

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

	<u>2009</u>
<b>Governmental Activities:</b>	
General government.....	\$ 2,594,691
Public safety.....	2,981,670
Education.....	16,642,854
Public works.....	10,524,252
Human services.....	11,144
Culture and recreation.....	<u>2,257,468</u>
Total depreciation expense - governmental activities.....	<u>\$ 35,012,079</u>
<b>Business-Type Activities:</b>	
Trash.....	<u>\$ 287,374</u>

**NOTE 7 – INTERFUND TRANSFERS**

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

<u>Transfers Out</u>	<u>Transfers In</u>					<u>Total</u>
	<u>General Fund</u>	<u>Financial Reserve Stabilization</u>	<u>Springfield Promise Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Trash Enterprise Fund</u>	
General Fund.....	\$ -	\$ 25,810,860	\$ -	\$ 3,355,958	\$ 2,754,000	\$ 31,920,818 (1)
Financial Reserve Stabilization.....	11,304,220	10,773,772	46,960,000	340,000	-	69,377,992 (2)
Nonmajor Governmental Funds.....	<u>235,789</u>	<u>-</u>	<u>-</u>	<u>8,756,200</u>	<u>-</u>	<u>8,991,989 (3)</u>
Total.....	<u>\$ 11,540,009</u>	<u>\$ 36,584,632</u>	<u>\$ 46,960,000</u>	<u>\$ 12,452,158</u>	<u>\$ 2,754,000</u>	<u>\$ 110,290,799</u>

- (1) Represents budgeted transfers from the general fund to the financial reserve stabilization fund, to various nonmajor capital project funds, and to the trash enterprise fund for operations.
- (2) Represents budgeted transfers from the financial reserve stabilization fund to the general fund, to establish the promise fund, and to various nonmajor capital project funds.
- (3) Represents budgeted transfers between nonmajor funds, a transfer to the general fund for debt service, and transfers to the financial reserve stabilization fund.

**NOTE 8 – LEASES**

Capital Leases

The City has entered into lease agreements to finance the acquisition of machinery and equipment for public safety, public works, general governmental, and for trash activities. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The following identifies the assets acquired through capital lease agreements:

	Governmental Activities	Business-Type Activities
<u>Asset description:</u>		
Machinery and equipment.....	\$ 10,007,489	\$ 2,011,618
Less: accumulated depreciation.....	(7,938,685)	(359,218)
Total.....	\$ 2,068,804	\$ 1,652,400

Future minimum lease payments under capitalized leases consist of the following at June 30:

Fiscal Years Ending June 30	Governmental Activities	Business-Type Activities
2010.....	\$ 579,279	\$ 444,564
2011.....	579,279	444,564
2012.....	579,279	444,564
2013.....	579,279	333,423
Total minimum lease payments.....	2,317,116	1,667,115
Less: amounts representing interest.....	(179,312)	(121,396)
Present value of minimum lease payments.....	\$ 2,137,804	\$ 1,545,719

Operating Leases

The City leases office equipment, vehicles, and various facilities utilized primarily by the school system, the department of public works and the animal control center under noncancelable operating leases that expire on various dates through fiscal year 2028. The cost of the leases for the fiscal year ended June 30, 2009, totaled approximately \$1,804,000, and is reported as educational, public works, and general governmental expenditures in the general fund and special revenue funds.

The future minimum lease payments are as follows:

Fiscal Years Ending June 30	Governmental Activities
2010.....	\$ 863,522
2011.....	715,708
2012.....	548,145
2013.....	488,612
2014.....	425,600
2015 to 2019.....	2,402,511
2020 to 2024.....	2,844,431
2025 to 2028.....	1,480,927
	\$ 9,769,456

**NOTE 9 – SHORT-TERM FINANCING**

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2009, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2008	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2009
BAN	Various public building projects.....	2.50%	10/30/08	\$ 2,100,000	\$ -	\$ 2,100,000	\$ -
BAN	Various public building projects.....	3.25%	04/30/09	-	2,100,000	2,100,000	-
				<u>\$ 2,100,000</u>	<u>\$ 2,100,000</u>	<u>\$ 4,200,000</u>	<u>\$ -</u>

**NOTE 10 – LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2009, and the debt service requirements are as follows:

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Interest Rate (%)	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
State Qualified Bonds Dated August 15, 1996.....	4.55 - 6.375	\$ 6,250,000	\$ -	\$ 6,250,000	\$ -
State Qualified Bonds Dated November 15, 1998.....	3.55 - 5.0	2,810,000	-	2,810,000	-
State Qualified Bonds Dated December 1, 1999.....	4.5 - 5.0	4,450,000	-	2,170,000	2,280,000
State Qualified Bonds Dated August 1, 2001.....	3.50 - 5.0	16,850,000	-	2,470,000	14,380,000
Qualified Zone Academy Bonds Dated July 25, 2002.....	1.28	4,500,000	-	500,000	4,000,000
State Qualified Refunding Bonds Dated February 15, 2003.....	2.0 - 5.0	18,000,632	-	3,377,102	14,623,530
State Qualified Refunding Bonds Dated July 7, 2005.....	3.0 - 5.25	97,330,000	-	3,465,000	93,865,000
State Qualified New Money Bonds Dated July 7, 2005.....	3.0 - 5.25	45,400,000	-	2,005,000	43,395,000
State Qualified New Money Bonds Dated February 7, 2007.....	4.5 - 5.75	50,325,000	-	2,365,000	47,960,000
State Qualified Refunding Bonds Dated February 7, 2007.....	4.5 - 5.75	73,760,001	-	10,000	73,750,001
State Qualified Refunding Bonds Dated April 15, 2009.....	3.00	-	19,500,000	-	19,500,000
State Qualified New Money Bonds Dated April 15, 2009.....	2.0 - 4.0	-	4,805,000	-	4,805,000
Total General Obligation Bonds.....		<u>319,675,633</u>	<u>24,305,000</u>	<u>25,422,102</u>	<u>318,558,531</u>
State Loan.....	0.00	<u>52,000,000</u>	<u>-</u>	<u>5,200,000</u>	<u>46,800,000</u>
Total face value of bonds and loans.....		<u>371,675,633</u>	<u>24,305,000</u>	<u>30,622,102</u>	<u>365,358,531</u>
Unamortized Premiums on Bonds.....		<u>9,035,907</u>	<u>-</u>	<u>942,929</u>	<u>8,092,978</u>
Total Long Term Debt.....		<u>\$ 380,711,540</u>	<u>\$ 24,305,000</u>	<u>\$ 31,565,031</u>	<u>\$ 373,451,509</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ 30,135,800	\$ 14,339,821	\$ 44,475,621
2011.....	30,730,555	13,391,790	44,122,345
2012.....	30,447,165	12,242,332	42,689,497
2013.....	31,231,011	11,039,112	42,270,123
2014.....	32,310,000	9,662,547	41,972,547
2015.....	30,395,001	8,323,304	38,718,305
2016.....	29,724,995	7,037,755	36,762,750
2017.....	28,925,000	5,856,487	34,781,487
2018.....	24,650,000	4,799,971	29,449,971
2019.....	25,669,999	3,804,070	29,474,069
2020.....	17,660,000	2,865,486	20,525,486
2021.....	17,744,999	2,041,552	19,786,551
2022.....	15,104,999	1,298,212	16,403,211
2023.....	10,829,007	699,150	11,528,157
2024.....	4,150,000	351,031	4,501,031
2025.....	1,830,000	213,075	2,043,075
2026.....	1,885,000	129,487	2,014,487
2027.....	1,935,000	43,538	1,978,538
Total.....	\$ <u>365,358,531</u>	\$ <u>98,138,720</u>	\$ <u>463,497,251</u>

### Guaranteed Loans

The City issued debt through general obligation bonds and the Massachusetts Water Pollution Abatement Trust (MWPAT) on behalf of the Water and Sewer Commission, a separate reporting entity. At the time of its creation, the Water and Sewer Commission assumed this debt and is responsible for reimbursing the City for the debt service payments. The City has recorded a corresponding asset of due from the Springfield Water and Sewer Commission to offset the liability. As of June 30, 2009, the following amounts are included in long-term debt of the City:

	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2008</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2009</u>
August 1, 2001 MWPAT 91-59.....	5.0 - 6.13	\$ 710,269	\$ -	\$ 85,548	\$ 624,721
August 1, 2001 Phase 1 MWPAT 94-24.....	5.0 - 6.13	1,777,865	-	214,134	1,563,731
State Qualified New Money Bonds Dated February 15, 2003.....	2.0 - 5.0	644,369	-	137,898	506,471
Total Guaranteed Loans.....		\$ <u>3,132,503</u>	\$ <u>-</u>	\$ <u>437,580</u>	\$ <u>2,694,923</u>

### School Building Assistance

The City has been approved to receive school construction assistance through the Massachusetts School Building Authority (MSBA). The MSBA provides resources for eligible construction costs and related debt interest and borrowing costs. During fiscal year 2009, approximately \$16.6 million of such assistance was received.

Approximately \$143 million is expected to be received in future fiscal years. Of this amount, \$39 million represents reimbursement of long-term interest costs, and \$104 million represents reimbursement of approved construction costs. Accordingly, a \$104 million intergovernmental receivable and corresponding deferred revenue have been reported in governmental fund financial statements. The deferred revenue for the entire grant has been recognized as revenue in the conversion to the government-wide financial statements for prior fiscal years.

#### Advance Refunding and Defeased Bonds

In 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 financial statements. At June 30, 2009, \$104,480,000 of the bonds refunded remain outstanding and are considered defeased.

In order to take advantage of favorable interest rates, the City issued \$4,805,000 of General Obligation Refunding Bonds during fiscal year 2009. \$4,790,000 of general obligation bonds were defeased by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$108,582. This advance refunding was undertaken to reduce total debt service payments over a 3 year period by \$197,243 and resulted in an economic gain of \$192,493. At June 30, 2009, approximately \$4,790,000 of bonds outstanding from the advance refunding is considered defeased.

#### Authorized and Unissued Debt

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2009, the City has \$12 million of authorized and unissued debt for various City-wide projects.

Changes in Long-term Liabilities

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

	Balance June 30, 2008	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases (Decreases)	Balance June 30, 2009	Current Amount Due
<b><u>Governmental Activities:</u></b>						
Long-Term Bonds and Notes.....	\$ 371,675,633	\$ 24,305,000	\$ (30,622,102)	\$ -	\$ 365,358,531	\$ 30,135,800
Capital Lease Obligations.....	3,056,230	-	-	(918,426)	2,137,804	502,914
Guaranteed Loans.....	3,132,503	-	(437,580)	-	2,694,923	436,516
Unamortized Bond Premium.....	9,035,907	-	(942,929)	-	8,092,978	950,165
Compensated Absences.....	21,215,943	-	-	746,567	21,962,510	14,572,000
Workers' Compensation.....	5,586,269	-	-	(1,646,269)	3,940,000	1,182,000
Due to Granting Agencies.....	11,357,000	-	-	(1,231,000)	10,126,000	4,442,000
Landfill Closure.....	4,887,582	-	-	(156,404)	4,731,178	750,000
Other Post-employment Benefits.....	20,742,466	-	-	18,493,455	39,235,921	-
Total governmental activity long-term liabilities.....	<u>450,689,533</u>	<u>24,305,000</u>	<u>(32,002,611)</u>	<u>15,287,923</u>	<u>458,279,845</u>	<u>52,971,395</u>
<b><u>Business-Type Activities:</u></b>						
Capital Lease Obligations.....	1,920,289	-	-	(374,570)	1,545,719	389,830
Other Post-employment Benefits.....	64,500	-	-	57,510	122,010	-
Total business-type activity long-term liabilities.....	<u>1,984,789</u>	<u>-</u>	<u>-</u>	<u>(317,060)</u>	<u>1,667,729</u>	<u>389,830</u>
Total.....	<u>\$ 452,674,322</u>	<u>\$ 24,305,000</u>	<u>\$ (32,002,611)</u>	<u>\$ 14,970,863</u>	<u>\$ 459,947,574</u>	<u>\$ 53,361,225</u>

Compensated absences liabilities related to both governmental activities are normally paid from the funds reporting the payroll and related expenditures; namely the general fund.

**NOTE 11 - LANDFILL CLOSURE AND POST CLOSURE CARE**

State and federal laws and regulations require the City to construct a final capping system on the Bondi Island and Amory Street landfill sites as it stops accepting waste and to perform certain maintenance and monitoring functions at the sites after closure. The City closed various portions of the landfills beginning in 1992 and is currently implementing a closure and post closure care plan. To date, the City has expended approximately \$6,776,000 and has reflected \$4,731,000 as the estimate of the remaining liability at June 30, 2009. This amount is based upon estimates of what it would cost the City to perform all closure and post closure care as of June 30, 2009. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

**NOTE 12 – RISK FINANCING**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The City established a Self Insured Stabilization fund to set aside amounts to be used by the law department to settle certain claims and judgments issues as they arise.



The City is self-insured for its dental and eye care insurance, workers' compensation insurance, and unemployment insurance activities. In January 2007 the City began purchasing fully insured health insurance through the Commonwealth's Group Insurance Commission (GIC). These fully insured health insurance activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. The City contracts out the administration of the dental and eye care and the workers' compensation activities. The unemployment claims are administered by the City. Claims are funded on a pay-as-you-go basis from annual appropriations.

Liabilities are reported when it's probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends and other economic and social factors.

(a) *Dental and Eye Care Insurance*

The estimate of Incurred But Not Reported (IBNR) claims based on an estimate of claims incurred but unpaid at year end. At June 30, 2009, the liability for dental and eye care insurance claims totaled approximately \$114,000. This liability is the best estimate based on available information. Changes in the reported liability since July 1, 2007, are as follows:

	<u>Balance at Beginning of Fiscal Year</u>		<u>Current Year Claims and Changes in Estimate</u>		<u>Claim Payments</u>		<u>Balance at Fiscal Year-End Currently Due</u>
Fiscal Year 2008.....	\$ 209,687	\$	2,629,529	\$	(2,734,060)	\$	105,156
Fiscal Year 2009.....	105,156		2,576,492		(2,567,426)		114,222

(b) *Workers' Compensation*

The estimated future workers' compensation liability is based on history and injury type. At June 30, 2009, the amount of the estimated liability for workers' compensation claims totaled approximately \$3.9 million. Changes in the reported liability since July 1, 2007 are as follows:

	<u>Balance at Beginning of Fiscal Year</u>		<u>Current Year Claims and Changes in Estimate</u>		<u>Claim Payments</u>		<u>Balance at Fiscal Year-End</u>		<u>Current Portion</u>
Fiscal Year 2008.....	\$ 5,586,269	\$	2,712,681	\$	(3,927,579)	\$	4,371,371	\$	1,311,412
Fiscal Year 2009.....	4,371,371		4,304,813		(4,736,184)		3,940,000		1,182,000

The liability for unemployment claims at June 30, 2009 is based on known claims reported to the Massachusetts Division of Unemployment Assistance and the future liability at year end was estimated to be approximately \$1,542,000.

**NOTE 13 – PENSION PLAN**

*Plan Description* - The City contributes to the System, a multi-employer defined benefit pension plan administered by the Springfield Contributory Retirement System (System). Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts

Teachers Retirement System, to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$39.6 for the fiscal year ended June 30, 2009, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the System and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 70 Tapley Street, Springfield, MA 01104.

At December 31, 2008, the System's membership consists of the following:

Active members.....	3,882
Inactive members.....	862
Disabled members.....	448
Retirees and beneficiaries currently receiving benefits.....	<u>2,492</u>
Total.....	<u><u>7,684</u></u>

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

*Annual Pension Cost* - The City contributions to the System for the fiscal years ended June 30, 2009, 2008, and 2007 were \$28,597,332, \$26,987,363 and \$23,657,210, respectively, which equaled its required contribution for each fiscal year. At June 30, 2009, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.5% investment rate of return and projected salary increases of 4.0% per year. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at January 1, 2008, was 20 years with payments increasing at 4.0% per year.

**Schedule of Funding Progress  
(Dollar amounts in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/08	\$ 296,522	\$ 699,026	\$ 402,504	42.4%	\$ 126,478	318.2%
1/1/05	276,286	649,023	372,737	42.6%	115,383	323.0%
1/1/04	291,017	615,605	324,588	47.3%	109,937	295.2%
1/1/03	266,402	573,138	306,736	46.5%	113,848	269.4%
1/1/02	268,001	570,958	302,957	46.9%	137,353	220.6%
1/1/01	291,264	539,502	248,238	54.0%	131,363	189.0%
1/1/00	292,172	515,716	223,544	56.7%	126,095	177.3%
1/1/99	266,826	490,551	223,725	54.4%	110,832	201.9%
1/1/98	237,262	439,441	202,179	54.0%	104,251	193.9%
1/1/94	164,561	298,111	133,550	55.2%	89,978	148.4%
1/1/93	151,322	289,821	138,499	52.2%	81,489	170.0%
1/1/92	142,305	282,780	140,475	50.3%	81,980	171.4%
1/1/90	114,439	260,553	146,114	43.9%	75,169	194.4%

*Noncontributory Retirement Allowance* - The City pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for fiscal year 2009 totaled approximately \$313,000.

**NOTE 14 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Fiscal year 2008 was the initial year that the City has implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions* (GASB 45). As allowed by GASB 45, the City has established the net Other Post Employment Benefit (OPEB) obligation at zero at the beginning of the transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

*Plan Description* –The City maintains a single employer defined benefit healthcare plan. The plan provides lifetime medical, dental, and vision benefits for eligible retirees and their spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the Plan. The plan provides the benefits by participating in Commonwealth of Massachusetts' Group Insurance Commission (GIC). Medical, prescription drugs, dental and vision benefits are provided to all eligible retirees through a variety of plans offered by the GIC. Benefit provisions are negotiated between the City and the unions representing City employees and are renegotiated each bargaining period.

At June 30, 2009, the Plan's membership consisted of the following:

Current retirees, beneficiaries, and dependents.....	4,917
Current active members.....	4,179
Total	9,096

*Funding Policy*—Contributions requirements are also negotiated between the City and union representatives. Retired plan members and beneficiaries currently receiving benefits are required to contribute 25% of the cost of benefits provided depending on the plan they choose. There is also a relatively small group of retirees that are required to contribute between 13%, increasing to 25% in the year 2014. For the year ended June 30, 2009, plan members contributed approximately \$6,923,000 (including approximately \$1.2 million of negotiated funds provided by the City) through their required contributions. The City is required to contribute the balance of the current premiums and may contribute additional amounts to pre-fund benefits. The City contributed approximately \$25 million during fiscal year 2009 towards these benefits. Administrative costs of the Plan are assumed to be included in the fully insured premium rates.

*Annual OPEB Costs and Net OPEB Obligation* – The City’s annual other post employment benefit (OPEB) cost/expense is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the City’s annual OPEB cost for the 2009 fiscal year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligations are summarized in the following table:

Normal Cost.....	\$	20,815,416
Amortization of unfunded actuarial accrued liability.....		22,703,269
Adjustments to annual required contribution.....		<u>36,676</u>
Annual OPEB cost/expense.....		43,555,361
Contributions made.....		<u>(25,004,396)</u>
Increase/(Decrease) in net OPEB obligation.....		18,550,965
Net OPEB obligation - beginning of year.....		<u>20,806,966</u>
Net OPEB obligation - end of year.....	\$	<u><u>39,357,931</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the preceding year is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2008	\$ 41,830,041	50.3%	\$ 20,806,966
6/30/2009	43,555,361	57.4%	39,357,931

*Funded Status and Funding Progress* — The funded status of the Plan as of the most recent actuarial valuation date, June 30, 2008, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2008	\$ -	\$ 761,576,067	\$ 761,576,067	0.00%	\$ 299,998,526	253.86%

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

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

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

Valuation date.....	June 30, 2008
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4.50%
Remaining amortization period.....	28 years as of July 1, 2009, closed
Actuarial Assumptions:	
Investment rate of return.....	3.50%, pay-as-you-go scenario
Inflation rate.....	3.2%
Projected salary increases.....	4.0%
Medical/drug cost trend rate.....	9.02% decreasing to 5.0% in year 2016 and thereafter

## NOTE 15 – COMMITMENTS

### *Museum Services Agreement*

With the approval of Special Legislation (Chapter 54 of the Acts of 2008) in March of 2008, the City entered into an agreement with the Springfield Museums Association (SMA) where the City has agreed to pay SMA \$1,320,000 per year for a minimum of 25 years. SMA has agreed to provide certain museum services to

residents and visitors of the City and to transfer its branch libraries and their contents to the City under individual lease agreements. The 4 branch libraries and their respective contents are being leased to the City for the same 25 year term for the sum of \$1 each per year. The City can extend this agreement with successive 5 year options at terms to be mutually agreed upon.

#### *Waste Services Agreement*

In August 1998, the City of Springfield and 6 other communities entered into nearly identical "Service Agreements" with what is now eco/Springfield, LLC, a company that owns and operates 240 ton per day waste-to-energy facility located on Bondi's Island, Agawam, Massachusetts. Under the Service Agreement, the City has agreed to deliver for disposal at the facility, in each year for a period of 25 years, specified quantities of solid waste and to pay a specified monthly service fee. The City's obligation to pay the monthly service fee is absolute and unconditional and is payable whether or not it receives solid waste disposal services from the facility. For the fiscal year ending June 30, 2009, the City's costs under the Service Agreement were approximately \$3.6 million.

### **NOTE 16 – CONTINGENCIES**

#### *Litigation*

Various lawsuits, claims and proceedings have been or may be instituted or asserted against the City of Springfield, including those pertaining to water and sewer breaks, motor vehicle accidents, eminent domain cases, premise liability cases, civil rights/discrimination cases, and labor and employment case matters. While the amounts claimed may be substantial, the ultimate liability cannot be determined because of the considerable uncertainties that exist. Therefore, it is possible that there could be material negative outcomes affected by certain contingencies existing as of June 30, 2009. However, management believes that the disposition of matters that are pending or asserted will not have a materially adverse affect on the financial statements.

#### *Federal Grants*

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2009, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

### **NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

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

- The GASB issued Statement #55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which was implemented in fiscal year 2009. The basic financial statements were not impacted by this pronouncement.
- The GASB issued Statement #56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which was implemented in fiscal year 2009. This statement establishes accounting and financial reporting standards for related party transactions, subsequent events and going concern considerations. The basic financial statements were not impacted by this pronouncement.

Future Implementation of GASB Pronouncements:

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

# ***Required Supplementary Information***



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

FISCAL YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 152,219,875	\$ 152,219,875	\$ 158,092,645	\$ -	\$ 5,872,770
Tax liens.....	-	-	3,309,149	-	3,309,149
Motor vehicle and other excise taxes.....	8,500,000	8,500,000	8,340,690	-	(159,310)
Hotel/motel tax.....	900,000	900,000	876,507	-	(23,493)
Charges for services.....	-	-	34,971	-	34,971
Penalties and interest on taxes.....	1,050,000	1,050,000	2,342,311	-	1,292,311
Payments in lieu of taxes.....	7,033,036	7,033,036	5,820,090	-	(1,212,946)
Licenses and permits.....	610,000	610,000	608,894	-	(1,106)
Fines and forfeitures.....	401,000	170,000	151,615	-	(18,385)
Intergovernmental.....	336,370,725	332,632,166	306,700,349	-	(25,931,817)
Departmental and other.....	17,956,481	17,334,722	21,467,425	-	4,132,703
Investment income.....	4,000,000	4,000,000	2,301,580	-	(1,698,420)
<b>TOTAL REVENUES.....</b>	<b>529,041,117</b>	<b>524,449,799</b>	<b>510,046,226</b>	<b>-</b>	<b>(14,403,573)</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	36,811,892	33,309,873	30,664,673	1,392,546	1,252,654
Public safety.....	63,359,309	60,360,765	59,450,580	214,954	695,231
Education.....	304,211,026	312,490,249	274,709,116	4,896,944	32,884,189
Public works.....	13,568,031	13,877,451	13,273,361	413,637	190,453
Health and welfare.....	3,321,378	3,441,699	3,378,277	10,180	53,242
Culture and recreation.....	14,536,064	14,277,287	13,627,881	317,499	331,907
Pension benefits.....	21,194,860	21,094,860	20,844,905	-	249,955
Employee fringe benefits.....	1,962,673	1,962,673	1,521,929	190,000	250,744
Employee health benefits.....	26,523,554	26,523,554	25,026,409	-	1,497,145
Claims and judgments.....	513,375	513,375	496,923	-	16,452
State, county and district assessments.....	2,795,432	2,795,432	2,679,875	4,626	110,931
Debt service:					
Principal.....	26,308,993	26,308,993	26,269,682	-	39,311
Interest.....	16,130,528	16,130,528	15,532,168	-	598,360
<b>TOTAL EXPENDITURES.....</b>	<b>531,237,115</b>	<b>533,086,739</b>	<b>487,475,779</b>	<b>7,440,386</b>	<b>38,170,574</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(2,195,998)</b>	<b>(8,636,940)</b>	<b>22,570,447</b>	<b>(7,440,386)</b>	<b>23,767,001</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in.....	11,304,220	11,304,220	11,540,009	-	235,789
Transfers out.....	(31,920,818)	(31,920,818)	(31,920,818)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(20,616,598)</b>	<b>(20,616,598)</b>	<b>(20,380,809)</b>	<b>-</b>	<b>235,789</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(22,812,596)</b>	<b>(29,253,538)</b>	<b>2,189,638</b>	<b>(7,440,386)</b>	<b>24,002,790</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>69,285,473</b>	<b>69,285,473</b>	<b>69,285,473</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 46,472,877</b>	<b>\$ 40,031,935</b>	<b>\$ 71,475,111</b>	<b>\$ (7,440,386)</b>	<b>\$ 24,002,790</b>

See notes to required supplementary information.

**OTHER POST-EMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

JUNE 30, 2009

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2008	\$ -	\$ 761,576,067	\$ 761,576,067	0.00%	\$ 299,998,526	253.86%

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2008	\$ 41,830,041	\$ 21,023,075	50.3%
2009	43,555,361	25,004,396	57.4%

The City implemented GASB Statement No. 45 for the fiscal year ended June 30, 2008.

See notes to required supplementary information.

**OTHER POST-EMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

JUNE 30, 2009

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Actuarial Methods:

Valuation date..... June 30, 2008

Actuarial cost method..... Projected Unit Credit

Amortization method..... Amortization payments increasing at 4.50%

Remaining amortization period..... 28 years as of July 1, 2009, closed

Actuarial Assumptions:

Investment rate of return..... 3.50%, pay-as-you-go scenario

Inflation rate..... 3.2%

Projected salary increases..... 4.0%

Medical/drug cost trend rate..... 9.02% decreasing to 5.0% in year 2016 and thereafter

Plan Membership:

Current retirees, beneficiaries, and dependents.....	4,917
Current active members.....	<u>4,179</u>
 Total	 <u><u>9,096</u></u>

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is certified by the Massachusetts Department of Revenue. On July 9, 2004, the Massachusetts legislature enacted Chapter 169 of the Acts of 2004 entitled “An Act Relative To The Financial Stability of Springfield.” Under Chapter 169, there is an established Finance Control Board (FCB) vested with comprehensive authority over all of the City’s finances, including appropriations, borrowings, transfers of funds, and municipal spending authorizations. Therefore the budget process for the City has changed under the direction of the FCB. The FCB has the authority to amend the original budget throughout the fiscal year.

With the help of the FCB the City has implemented a series of policies and procedures during the past 5 years that have restored the City’s fiscal stability. On June 30, 2009 the FCB held its last meeting and the City has once again returned to self-governance.

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

Generally, expenditures may not exceed the legal level of spending authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the City Council and written approval from the Massachusetts Department of Revenue.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2009 approved budget authorized approximately \$563 million in appropriations and other amounts to be raised. The City Comptroller’s office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2009, is presented below:

Net change in fund balance - budgetary basis.....	\$	2,189,638
<u>Basis of accounting differences:</u>		
Increase in revenues due to on-behalf payments.....		39,556,074
Increase in expenditures due to on-behalf payments.....		(39,556,074)
Net change in recording 60 day receipts and other accrued revenues.....		(653,000)
Net change in recording other accrued expenses.....		(975,921)
Net change in recording tax refunds payable.....		71,000
		<hr/>
Net change in fund balance - GAAP basis.....	\$	<u>631,717</u>

### C. Late Reductions of State Aid

During the last two months of the fiscal year, additional cuts in state aid were approved by the state, which reduced the June 30<sup>th</sup> state aid payment to the City by \$27.6 million and replaced it with a like amount of federal stimulus funds. The City's general fund budget was not changed for the late adjustment in state funding; rather, eligible expenditures were transferred from the general fund to a state fiscal stabilization grant fund where the federal revenues were recorded. This resulted in a revenue deficit and a corresponding under-expenditure in the intergovernmental revenue and educational expenditure line items, respectively.

### **NOTE B – OTHER POST-EMPLOYMENT BENEFITS**

The City administers a single-employer defined benefit healthcare plan (“The Other Post Employment Benefit Plan”). The plan provides lifetime medical, dental, and vision benefits for eligible retirees and their spouses through the City's participation in the Commonwealth of Massachusetts' Group Insurance Commission (GIC), which covers both active and retired members.

The City currently finances its other post-employment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarially accrued liability) was zero. In accordance with Governmental Accounting Standards, the City has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets. Since the City's initial year of implementation of GASB Statement 45 was fiscal year 2008, information for prior years is not available.

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

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