

***CITY OF SPRINGFIELD, MASSACHUSETTS***

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

***FISCAL YEAR ENDED JUNE 30, 2010***

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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, 2010 (except for the Springfield Contributory Retirement System which is as of and for the year ended December 31, 2009), 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, and the Springfield Museums Association, three 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, 2010, (except for the Springfield Contributory Retirement System which is as of and for the year ended December 31, 2009), 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 March 18, 2011, 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, retirement system of funding progress, retirement system of employer contributions, other postemployment benefits schedule of funding progress and schedule of employer contributions, and other postemployment 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, appearing to read "Pomeroy & Sullivan".

Wakefield, Massachusetts  
March 18, 2011

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

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## ***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, 2010. This is the ninth 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, 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, 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 three 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, 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; \$3,261,000 and \$2,754,000 in fiscal years 2010 and 2009, respectively.

*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.

## **Financial Condition**

The financial focus of the past six 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 City 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 \$12 million, \$23 million, \$14 million, \$8 million, \$32 million, and \$35 million in 2010, 2009, 2008, 2007, 2006, and 2005, respectively, where revenues exceeded expenditures and transfers out. These surpluses' are all exclusive of amounts transferred to/from the stabilization funds established by the City. 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 \$89 million at June 30, 2010.

At June 30, 2010 the Health Insurance Internal Service Fund has positive net assets of \$4.9 million compared with \$4.5 million in the prior year. The fund experienced a \$486,000 increase during FY2010. Employee benefits increased slightly from \$73.6 million in FY2009 to \$73.7 million in FY2010. 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 years 2010 and 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 three most recent annual budgets periods beginning July 1, 2008, 2009, and 2010. 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 \$166 million, a decrease of approximately (\$44) million from the prior year. The decrease is primarily due to the pay down of the state loan in the amount of \$46.8 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 \$47.3 million, while total fund balance was approximately \$75.5 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 8.6% of total general fund expenditures, while total fund balance represents approximately 13.8% of that same amount. Both percentages are net of the \$46.8 million state loan pay down.

The City 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 2010 with a balance of \$31.3 million after transferring approximately \$5.3 million to the general fund. These funds support the City's long-term financial stability.

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 was to be appropriated annually to pay the state loan pursuant to the schedule established by Chapter 468 of the Acts of 2008 however, the City and the state agreed to pay the loan off in full just prior to the end of the fiscal year.

As described in Note 3 the Commonwealth subsequently forgave \$8.7 million of the loan and in August 2010 this money was re-deposited back into the fund. 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. Actual revenues were greater than budgeted amounts by \$4.7 million or a 1% surplus, while actual expenditures, including carryovers, were also less than budgeted amounts by \$23.1 million, or a 3.9% surplus. The City carried over \$9.7 million in appropriations to FY11.

## 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 \$364 million. Key components of the City's activities are presented below.

### Governmental Activities

	2010	2009	2008	2007	2006	2005
<b>Assets:</b>						
Current assets.....	\$ 244,737,149	\$ 282,440,907	\$ 244,879,118	\$ 257,273,251	\$ 177,123,260	\$ 151,875,485
Noncurrent assets (excluding capital).....	89,460,210	101,315,954	112,842,938	117,275,061	124,735,643	135,409,430
Capital assets, non depreciable.....	31,615,974	26,771,402	26,771,402	26,491,402	26,581,317	2,991,755
Capital assets, net of accumulated depreciation.....	476,806,796	482,143,683	504,225,964	505,182,181	510,323,770	(1) 324,174,786
<b>Total assets.....</b>	<b>842,620,129</b>	<b>892,671,946</b>	<b>888,719,422</b>	<b>906,221,895</b>	<b>838,763,990</b>	<b>614,451,456</b>
<b>Liabilities:</b>						
Current liabilities (excluding debt).....	63,131,607	67,347,131	57,172,869	59,283,741	63,186,396	54,486,376
Noncurrent liabilities (excluding debt).....	93,740,411	58,546,695	48,801,501	29,012,915	23,405,752	35,214,465
Current debt.....	27,948,622	32,440,907	30,231,038	35,145,850	20,005,648	20,442,779
Noncurrent debt.....	294,045,219	346,761,755	358,769,235	375,245,212	325,732,687	337,322,532
<b>Total liabilities.....</b>	<b>478,865,859</b>	<b>505,096,488</b>	<b>494,974,643</b>	<b>498,687,718</b>	<b>432,330,483</b>	<b>447,466,152</b>
<b>Net Assets:</b>						
Capital assets net of related debt.....	320,198,349	325,029,046	341,183,744	355,316,577	337,293,007	(1) 152,135,812
Restricted.....	16,968,807	20,024,916	12,177,583	13,972,030	20,736,805	25,282,204
Unrestricted.....	26,587,114	42,521,496	40,383,452	38,245,570	48,403,695	16,537,288
<b>Total net assets.....</b>	<b>\$ 363,754,270</b>	<b>\$ 387,575,458</b>	<b>\$ 393,744,779</b>	<b>\$ 407,534,177</b>	<b>\$ 406,433,507</b>	<b>\$ 193,955,304</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 \$320.2 million (88%) 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 \$17.0 million (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$26.6 million (7%) may be used to meet the government's ongoing obligations to citizens and creditors.

The key element of change for FY2010, as well as for the previous two years, 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). GASB 45 has required the City to accrue a liability for other postemployment benefits cumulatively totaling approximately \$69 million as of June 30, 2010. The related expenses, \$29.8 million in 2010, have been allocated to the primary government's functions and programs in a similar manner as other employee benefits.

	2010	2009	2008	2007	2006	2005
<b>Program revenues:</b>						
Charges for services.....	\$ 29,722,401	\$ 28,887,368	\$ 26,189,441	\$ 26,277,897	\$ 32,314,359	\$ 34,060,055
Operating grants and contributions.....	419,677,283	413,665,113	394,416,551	363,885,595	353,032,208	347,386,326
Capital grants and contributions.....	10,232,406	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.....	165,886,816	158,972,646	148,523,101	145,877,117	137,981,258	137,984,170
Motor vehicle and other excise taxes.....	8,330,634	10,031,549	8,740,169	9,152,281	9,863,385	9,465,439
Penalties and interest on taxes.....	1,613,260	2,342,311	2,185,178	3,360,657	3,537,692	3,892,106
Grants and contributions not restricted to specific programs.....	35,073,838	42,560,162	45,286,984	46,897,842	37,288,365	35,367,054
Unrestricted investment income.....	807,832	3,850,833	8,405,541	7,742,338	3,845,110	1,263,014
Other revenues.....	6,551,383	5,844,277	7,012,889	7,866,292	6,413,562	12,008,623
<b>Total revenues.....</b>	<b>677,895,853</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.....	57,679,142	54,328,653	48,467,529	37,430,911	37,313,464	36,388,335
Public safety.....	110,835,785	101,547,545	103,672,758	92,037,703	85,728,406	81,568,471
Education.....	456,920,543	440,556,125	420,017,056	397,224,731	362,864,927	353,161,885
Public works.....	27,941,940	30,235,260	34,956,415	42,335,873	39,852,304	35,625,891
Health and welfare.....	9,813,743	8,244,515	12,075,838	10,665,056	14,629,017	14,070,853
Culture and recreation.....	21,807,015	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.....	13,458,084	14,352,351	15,314,660	14,415,119	16,128,784	14,413,659
<b>Total expenses.....</b>	<b>698,456,252</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>(20,560,399)</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>(3,260,789)</b>	<b>(2,754,000)</b>	<b>(2,688,359)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets.....</b>	<b>\$ (23,821,188)</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 24% of current resources.
- Other taxes and other revenues comprised a total of 10% of the governmental activity's resources. Other revenues consist mainly of grants and contributions and investment income earned on the City's deposits.
- Education is by far the largest governmental activity of the City. Approximately \$457 million in expenses were recorded in FY10. After accounting for \$403 million in program revenues an additional \$54 million in taxes and other revenues were needed to cover its Fiscal 2010 operating expenses. Approximately \$42 million of a pension contribution made by the state on-behalf of Springfield teachers has been recorded as an expense and grant revenue.

- General government and Public safety are the second and third largest activities of the City. Approximately \$36 million and \$97 million, respectively, of taxes and other revenues were needed to cover their fiscal 2010 operating expenses.

**Business-type Activities.** Business-type activities increased the City's net assets by \$1.2 million during fiscal year 2010. These activities consist of the Trash enterprise fund.

Trash business-type activities assets exceeded liabilities by \$2.4 million at the close of fiscal year 2010. Capital assets net of related debt was \$209,000 which related to the acquisition of capital assets through capital lease financing. Unrestricted net assets amounted to \$2.2 million. The increase in net assets is the result of \$3.9 million of charges for services and a transfer in from the general fund of \$3.3 million. Operating and depreciation expenses amounted to \$5.7 million and \$287,000, respectively.

	<u>2010</u>	<u>2009</u>
<b>Assets:</b>		
Current assets.....	\$ 2,555,010	\$ 1,525,661
Capital assets, net of accumulated depreciation.....	<u>1,365,026</u>	<u>1,652,400</u>
<b>Total assets.....</b>	<b><u>3,920,036</u></b>	<b><u>3,178,061</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	180,174	352,659
Non-current liabilities (excluding debt).....	214,520	122,010
Current debt.....	405,713	389,830
Noncurrent debt.....	<u>750,176</u>	<u>1,155,889</u>
<b>Total liabilities.....</b>	<b><u>1,550,583</u></b>	<b><u>2,020,388</u></b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	209,137	106,681
Unrestricted.....	<u>2,160,316</u>	<u>1,050,992</u>
<b>Total net assets.....</b>	<b><u>\$ 2,369,453</u></b>	<b><u>\$ 1,157,673</u></b>
<b>Program revenues:</b>		
Charges for services.....	\$ 3,913,653	\$ 3,814,824
<b>Total revenues.....</b>	<b><u>3,913,653</u></b>	<b><u>3,814,824</u></b>
<b>Expenses:</b>		
Trash.....	<u>5,962,662</u>	<u>6,158,565</u>
<b>Total expenses.....</b>	<b><u>5,962,662</u></b>	<b><u>6,158,565</u></b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(2,049,009)</b>	<b>(2,343,741)</b>
<b>Transfers.....</b>	<b><u>3,260,789</u></b>	<b><u>2,754,000</u></b>
<b>Change in net assets.....</b>	<b><u>\$ 1,211,780</u></b>	<b><u>\$ 410,259</u></b>

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

The City has been approved to receive school construction assistance on various older school construction projects 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 2010, approximately \$16.6 million of such assistance was received. Approximately \$127 million is expected to be received in future fiscal years. Of this amount, \$33 million represents reimbursement of long-term interest costs, and \$93.6 million represents reimbursement of approved construction costs.

More recently, the MSBA offers a construction grant program which pays the City the State's share of approved school construction costs and therefore eliminates the need for the City to fund the State's share through long-term debt. In addition to the construction of the new Putnam High School various on-going school projects are being funded by this grant program. The City has been approved for a grant of up to 90% or \$112,500,000 of eligible construction costs towards the new Putnam School. During the fiscal year the City received \$5.4 million and recorded a receivable for an additional \$3.2 million for these newer projects.

Major capital assets are funded by the issuance of long-term debt. During fiscal year 2010 the City issued \$17.9 million of long-term debt to be used for various school construction projects. During FY2010 the City spent and capitalized additions totaling approximately \$36.7 million on various City-wide projects. 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, 2010, totaled approximately \$311 million, unamortized premiums totaled \$7.1 million and guaranteed debt of \$2.3 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, 2010**

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 209,613,363	\$ 1,385,181	\$ 210,998,544
Restricted cash and cash equivalents.....	3,710,039	-	3,710,039
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	4,124,148	-	4,124,148
Tax liens.....	759,028	-	759,028
Motor vehicle excise taxes.....	2,848,355	-	2,848,355
Departmental and other.....	1,591,429	-	1,591,429
Trash fees.....	-	1,169,829	1,169,829
Intergovernmental.....	21,157,234	-	21,157,234
Loans.....	375,000	-	375,000
Working capital deposit.....	100,000	-	100,000
Due from Springfield Water and Sewer Commission.....	458,553	-	458,553
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	82,589,708	-	82,589,708
Loans.....	5,070,648	-	5,070,648
Due from Springfield Water and Sewer Commission.....	1,799,854	-	1,799,854
Capital assets, non depreciable.....	31,615,974	-	31,615,974
Capital assets, net of accumulated depreciation.....	476,806,796	1,365,026	478,171,822
<b>TOTAL ASSETS.....</b>	<b>842,620,129</b>	<b>3,920,036</b>	<b>846,540,165</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	17,605,584	175,887	17,781,471
Accrued unemployment liability.....	908,000	-	908,000
Accrued payroll.....	8,326,039	-	8,326,039
Employee contributions paid in advance.....	2,230,026	-	2,230,026
Health claims payable.....	99,070	-	99,070
Tax refunds payable.....	13,713,635	-	13,713,635
Accrued interest.....	5,964,359	-	5,964,359
Other liabilities.....	1,869,611	-	1,869,611
Taxes collected in advance.....	230,283	4,287	234,570
Capital lease obligations.....	523,403	405,713	929,116
Landfill closure.....	750,000	-	750,000
Compensated absences.....	6,527,000	-	6,527,000
Workers' compensation.....	1,076,000	-	1,076,000
Due to granting agencies.....	3,832,000	-	3,832,000
Bonds and notes payable.....	27,425,219	-	27,425,219
<b>NONCURRENT:</b>			
Capital lease obligations.....	1,111,487	750,176	1,861,663
Due to granting agencies.....	5,324,000	-	5,324,000
Compensated absences.....	12,960,470	-	12,960,470
Workers' compensation.....	2,510,000	-	2,510,000
Landfill closure.....	3,960,618	-	3,960,618
Other postemployment benefits.....	68,985,323	214,520	69,199,843
Bonds and notes payable.....	292,933,732	-	292,933,732
<b>TOTAL LIABILITIES.....</b>	<b>478,865,859</b>	<b>1,550,583</b>	<b>480,416,442</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	320,198,349	209,137	320,407,486
Restricted for:			
Chapter 656 Reserve.....	5,794,053	-	5,794,053
Loans.....	121,648	-	121,648
Permanent funds.....	1,758,634	-	1,758,634
Grants and gifts.....	9,294,472	-	9,294,472
Unrestricted.....	26,587,114	2,160,316	28,747,430
<b>TOTAL NET ASSETS.....</b>	<b>\$ 363,754,270</b>	<b>\$ 2,369,453</b>	<b>\$ 366,123,723</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2010

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.....	\$ 57,679,142	\$ 8,154,378	\$ 13,932,043	\$ -	\$ (35,592,721)
Public safety.....	110,835,785	7,743,422	5,826,612	-	(97,265,751)
Education.....	456,920,543	7,903,176	386,033,626	8,620,036	(54,363,705)
Public works.....	27,941,940	1,949,564	5,766	1,612,370	(24,374,240)
Health and welfare.....	9,813,743	263,656	7,201,635	-	(2,348,452)
Culture and recreation.....	21,807,015	3,708,205	733,562	-	(17,365,248)
Interest.....	13,458,084	-	5,944,039	-	(7,514,045)
Total Governmental Activities.....	<u>698,456,252</u>	<u>29,722,401</u>	<u>419,677,283</u>	<u>10,232,406</u>	<u>(238,824,162)</u>
<i>Business-Type Activities:</i>					
Trash.....	<u>5,962,662</u>	<u>3,913,653</u>	<u>-</u>	<u>-</u>	<u>(2,049,009)</u>
Total Primary Government.....	<u>\$ 704,418,914</u>	<u>\$ 33,636,054</u>	<u>\$ 419,677,283</u>	<u>\$ 10,232,406</u>	<u>\$ (240,873,171)</u>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2010

	<i>Primary Government</i>		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ (238,824,162)	\$ (2,049,009)	\$ (240,873,171)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	162,066,493	-	162,066,493
Tax liens.....	3,820,323	-	3,820,323
Motor vehicle and other excise taxes.....	7,602,869	-	7,602,869
Hotel/motel tax.....	727,765	-	727,765
Penalties and interest on taxes.....	1,613,260	-	1,613,260
Payments in lieu of taxes.....	6,523,169	-	6,523,169
Grants and contributions not restricted to specific programs.....	35,073,838	-	35,073,838
Unrestricted investment income.....	807,832	-	807,832
Miscellaneous.....	28,214	-	28,214
<i>Transfers, net</i> .....	(3,260,789)	3,260,789	-
Total general revenues.....	215,002,974	3,260,789	218,263,763
Change in net assets.....	(23,821,188)	1,211,780	(22,609,408)
<i>Net Assets:</i>			
Beginning of year.....	387,575,458	1,157,673	388,733,131
End of year.....	\$ 363,754,270	\$ 2,369,453	\$ 366,123,723

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2010

<b>ASSET</b>	General	Financial Reserve Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 104,572,121	\$ 31,349,676	\$ 66,110,812	\$ 202,032,609
Restricted cash and cash equivalents.....	-	-	3,710,039	3,710,039
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	4,124,148	-	-	4,124,148
Tax liens .....	759,028	-	-	759,028
Motor vehicle excise taxes.....	2,848,355	-	-	2,848,355
Departmental and other.....	1,075,096	-	496,956	1,572,052
Intergovernmental.....	96,801,826	-	6,945,116	103,746,942
Loans.....	-	-	5,445,648	5,445,648
Working capital deposit.....	100,000	-	-	100,000
<b>TOTAL ASSETS.....</b>	<b>\$ 210,280,574</b>	<b>\$ 31,349,676</b>	<b>\$ 82,708,571</b>	<b>\$ 324,338,821</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Warrants payable.....	\$ 8,084,059	\$ -	\$ 9,425,825	\$ 17,509,884
Accrued unemployment liability.....	258,000	-	-	258,000
Accrued payroll.....	7,183,427	-	1,142,612	8,326,039
Tax refunds payable.....	13,713,635	-	-	13,713,635
Due to granting agencies.....	-	-	9,156,000	9,156,000
Other liabilities.....	1,866,964	-	2,647	1,869,611
Deferred revenues.....	103,678,925	-	3,463,055	107,141,980
<b>TOTAL LIABILITIES.....</b>	<b>134,785,010</b>	<b>-</b>	<b>23,190,139</b>	<b>157,975,149</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Encumbrances and continuing appropriations.....	9,660,020	-	-	9,660,020
Chapter 656 Reserve.....	5,794,053	-	-	5,794,053
Schools.....	10,881,300	-	-	10,881,300
Unreserved:				
Designated for subsequent year's expenditures....	1,897,128	-	-	1,897,128
Undesignated, reported in:				
General fund.....	47,263,063	-	-	47,263,063
Special revenue funds.....	-	31,349,676	23,050,611	54,400,287
Capital projects funds.....	-	-	34,709,187	34,709,187
Permanent funds.....	-	-	1,758,634	1,758,634
<b>TOTAL FUND BALANCES.....</b>	<b>75,495,564</b>	<b>31,349,676</b>	<b>59,518,432</b>	<b>166,363,672</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 210,280,574</b>	<b>\$ 31,349,676</b>	<b>\$ 82,708,571</b>	<b>\$ 324,338,821</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, 2010

Total governmental fund balances.....		\$ 166,363,672
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		508,422,770
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		107,141,980
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.....		4,945,052
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(5,964,359)
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.....		2,258,407
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.....	(320,358,951)	
Capital lease obligations.....	(1,634,890)	
Landfill closure liability.....	(4,710,618)	
Accrued unemployment liability.....	(650,000)	
Workers compensation liability.....	(3,586,000)	
Compensated absences.....	(19,487,470)	
Other postemployment benefits.....	<u>(68,985,323)</u>	
Net effect of reporting long-term liabilities.....		<u>(419,413,252)</u>
Net assets of governmental activities.....		<u>\$ 363,754,270</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	General	Financial Reserve Stabilization	Springfield Promise Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 164,367,177	\$ -	\$ -	\$ -	\$ 164,367,177
Tax liens.....	3,768,128	-	-	-	3,768,128
Motor vehicle and other excise taxes.....	7,839,549	-	-	-	7,839,549
Hotel/motel tax.....	727,765	-	-	-	727,765
Charges for services.....	32,390	-	-	1,941,398	1,973,788
Penalties and interest on taxes.....	1,613,260	-	-	-	1,613,260
Payments in lieu of taxes.....	6,523,169	-	-	-	6,523,169
Licenses and permits.....	616,423	-	-	-	616,423
Fines and forfeitures.....	157,823	-	-	24,125	181,948
Intergovernmental.....	364,045,468	-	-	111,827,653	475,873,121
Departmental and other.....	14,258,853	-	-	5,493,444	19,752,297
Contributions.....	-	-	-	2,888,734	2,888,734
Investment income.....	614,942	121,460	-	51,568	787,970
<b>TOTAL REVENUES.....</b>	<b>564,564,947</b>	<b>121,460</b>	<b>-</b>	<b>122,226,922</b>	<b>686,913,329</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	36,999,622	-	-	22,237,235	59,236,857
Public safety.....	57,533,464	-	-	16,156,555	73,690,019
Education.....	338,723,939	-	160,000	99,505,530	438,389,469
Public works.....	9,060,906	-	-	4,689,728	13,750,634
Health and welfare.....	3,373,044	-	-	5,455,500	8,828,544
Culture and recreation.....	13,306,443	-	-	2,916,041	16,222,484
Pension benefits.....	22,372,681	-	-	-	22,372,681
Employee fringe benefits.....	427,412	-	-	-	427,412
Employee health benefits.....	22,221,484	-	-	-	22,221,484
State, county and district assessments.....	2,657,567	-	-	-	2,657,567
Debt service:					
Principal.....	72,701,316	-	-	-	72,701,316
Interest.....	14,646,118	-	-	-	14,646,118
<b>TOTAL EXPENDITURES.....</b>	<b>594,023,996</b>	<b>-</b>	<b>160,000</b>	<b>150,960,589</b>	<b>745,144,585</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(29,459,049)</b>	<b>121,460</b>	<b>(160,000)</b>	<b>(28,733,667)</b>	<b>(58,231,256)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of bonds and notes.....	-	-	-	17,864,000	17,864,000
Transfers in.....	58,329,210	5,000,000	-	5,058,658	68,387,868
Transfers out.....	(11,409,215)	(10,300,000)	(46,800,000)	(3,139,442)	(71,646,657)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>46,919,995</b>	<b>(5,300,000)</b>	<b>(46,800,000)</b>	<b>19,783,216</b>	<b>14,603,211</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>17,460,946</b>	<b>(5,178,540)</b>	<b>(46,960,000)</b>	<b>(8,950,451)</b>	<b>(43,628,045)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>58,034,618</b>	<b>36,528,216</b>	<b>46,960,000</b>	<b>68,468,883</b>	<b>209,991,717</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 75,495,564</b>	<b>\$ 31,349,676</b>	<b>\$ -</b>	<b>\$ 59,518,432</b>	<b>\$ 166,363,672</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, 2010

Net change in fund balances - total governmental funds.....		\$ (43,628,045)
<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.....	36,715,220	
Depreciation expense.....	<u>(37,207,535)</u>	
Net effect of reporting capital assets.....		(492,315)
<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>		
		(9,992,268)
<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.....	(17,864,000)	
Capital lease principal payments.....	502,914	
Amortization of bond premiums.....	950,165	
Debt service principal payments.....	72,701,316	
Other changes in long term debt.....	<u>(436,516)</u>	
Net effect of reporting long-term debt.....		55,853,879
<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.....	2,475,040	
Net change in workers compensation accrual.....	354,000	
Net change in accrued interest on long-term debt.....	237,869	
Net change in unemployment liability accrual.....	613,000	
Net change in landfill accrual.....	20,560	
Other postemployment benefits.....	<u>(29,749,402)</u>	
Net effect of recording long-term liabilities.....		(26,048,933)
<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>486,494</u>
Change in net assets of governmental activities.....		<u>\$ (23,821,188)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET ASSETS

JUNE 30, 2010

	Business-type Activities- Trash	Governmental Activities - Internal Service Funds
<b>ASSETS</b>		
CURRENT:		
Cash and cash equivalents.....	\$ 1,385,181	\$ 7,580,754
Receivables, net of allowance for uncollectibles:		
Trash fees.....	1,169,829	-
Departmental and other.....	-	19,377
Total current assets.....	2,555,010	7,600,131
NONCURRENT:		
Capital assets, net of accumulated depreciation.....	1,365,026	-
TOTAL ASSETS.....	3,920,036	7,600,131
<b>LIABILITIES</b>		
CURRENT:		
Warrants payable.....	175,887	95,700
Unearned revenues.....	4,287	230,283
Capital lease obligations.....	405,713	-
Employee contributions paid in advance.....	-	2,230,026
Health claims payable.....	-	99,070
Total current liabilities.....	585,887	2,655,079
NONCURRENT:		
Capital lease obligations.....	750,176	-
Other postemployment benefits.....	214,520	-
Total noncurrent liabilities.....	964,696	-
TOTAL LIABILITIES.....	1,550,583	2,655,079
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt.....	209,137	-
Unrestricted.....	2,160,316	4,945,052
TOTAL NET ASSETS.....	\$ 2,369,453	\$ 4,945,052

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities- Trash	Governmental Activities - Internal Service Funds
<b><u>OPERATING REVENUES:</u></b>		
Employee contributions .....	\$ -	\$ 17,636,418
Employer contributions .....	-	56,488,711
Charges for services.....	3,913,653	1,391,446
<b>TOTAL OPERATING REVENUES .....</b>	<b>3,913,653</b>	<b>75,516,575</b>
<b><u>OPERATING EXPENSES:</u></b>		
Cost of services and administration .....	5,206,016	1,301,174
Depreciation.....	287,374	-
Employee benefits .....	469,272	73,748,769
<b>TOTAL OPERATING EXPENSES .....</b>	<b>5,962,662</b>	<b>75,049,943</b>
<b>OPERATING INCOME.....</b>	<b>(2,049,009)</b>	<b>466,632</b>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>		
Investment income.....	-	19,862
<b>NET INCOME (LOSS).....</b>	<b>(2,049,009)</b>	<b>486,494</b>
<b><u>TRANSFERS:</u></b>		
Transfers in.....	3,260,789	-
<b>CHANGE IN NET ASSETS.....</b>	<b>1,211,780</b>	<b>486,494</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>1,157,673</b>	<b>4,458,558</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 2,369,453</b>	<b>\$ 4,945,052</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2010

	Business-type Activities- Trash	Governmental Activities - Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users.....	\$ 3,565,701	\$ 17,647,112
Receipts from interfund services provided.....	-	56,574,842
Charges for services.....	-	1,391,446
Payments to vendors.....	(4,823,441)	-
Payments to employees.....	(920,921)	-
Payments for interfund services used.....	-	(75,049,943)
NET CASH FROM OPERATING ACTIVITIES.....	(2,178,661)	563,457
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Transfers in.....	3,260,789	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Capital lease payments.....	(389,830)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment income.....	-	19,862
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	692,298	583,319
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	692,883	6,997,435
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,385,181	\$ 7,580,754
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>		
Operating income.....	\$ (2,049,009)	\$ 466,632
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation.....	287,374	-
Changes in assets and liabilities:		
Trash fees.....	(337,051)	-
Departmental and other.....	-	(19,377)
Warrants payable.....	(161,584)	(109,623)
Unearned revenues.....	(10,901)	230,283
Other postemployment benefits.....	92,510	-
Employee contributions paid in advance.....	-	10,694
Health claims payable.....	-	(15,152)
Total adjustments.....	(129,652)	96,825
NET CASH FROM OPERATING ACTIVITIES.....	\$ (2,178,661)	\$ 563,457

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	Pension Trust Fund (as of December 31, 2009)	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 1,238,413	\$ 1,101,852
Investments.....	230,596,072	-
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	151,654	-
<b>TOTAL ASSETS</b> .....	<u>231,986,139</u>	<u>1,101,852</u>
<b>LIABILITIES</b>		
Warrants payable.....	<u>5,300</u>	<u>1,101,852</u>
<b>NET ASSETS</b>		
Held in trust for pension plan participants.....	<u>\$ 231,980,839</u>	<u>\$ -</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	Pension Trust Fund (year ended December 31, 2009)
<u>ADDITIONS:</u>	
Contributions:	
Employer.....	\$ 35,919,195
Plan members.....	11,886,477
Total contributions.....	47,805,672
Net investment income:	
Net change in fair value of investments.....	26,543,609
PRIT investment income.....	5,981,334
Dividends from other investments.....	20,482
Total investment income.....	32,545,425
Less: investment expense.....	(1,267,796)
Net investment income.....	31,277,629
Intergovernmental.....	1,252,550
Transfers from other systems.....	787,401
TOTAL ADDITIONS.....	81,123,252
<u>DEDUCTIONS:</u>	
Administration.....	651,701
Transfers to other systems.....	1,648,491
Retirement benefits and refunds.....	56,236,253
TOTAL DEDUCTIONS.....	58,536,445
CHANGE IN NET ASSETS.....	22,586,807
NET ASSETS AT BEGINNING OF YEAR.....	209,394,032
NET ASSETS AT END OF YEAR.....	\$ 231,980,839

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 thirteen member City Council, consisting of five members elected at large and one from each of the eight wards 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 Director of Internal Audit (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 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 was to be appropriated annually to pay the state loan pursuant to the schedule established by Chapter 468 of the Acts of 2008. However, in June 2010 the City and state officials came to an agreement to pay the loan down early and the funds were returned to the state.

As described in Note 3, the state agreed to subsequently forgive \$8.7 million of the loan balance and this amount was deposited back into the Promise fund in August of 2010. The fund will be used to provide Springfield students with financial aid counseling for post-secondary education and "last dollar" scholarships of up to \$1,000 to City students.

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

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

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

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

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

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

The following proprietary funds are reported:

The *trash enterprise fund* is used to account for the Cities trash pick-up activities.

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.

#### 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", as described above.

Reserved for "schools" represents a deficit in the Net School Spending requirement imposed by the Commonwealth of Massachusetts.

#### 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, 2010. The deficits will be funded by grants and other available funds during fiscal year 2011.

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, 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 – SUBSEQUENT EVENT, FORGIVENESS OF DEBT**

Beginning in fiscal year 2005 the Commonwealth of Massachusetts provided the City with a \$52 million state loan to assist the City in balancing its budget. After the establishment of an agreed upon repayment schedule the unspent loan proceeds totaling \$46.8 million were transferred into the Springfield Promise fund where the interest earnings were to be appropriated annually to provide Springfield students financial aid counseling for post-secondary education and "last dollar" scholarships of up to \$1,000 to City students. In June 2010 the City and the state agreed to repay the state loan in full. Subsequently, in August of 2010, the state agreed to forgive a portion of the loan and they returned \$8.7 million to the Springfield Promise fund.

**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 \$56,982,827 and the bank balance totaled \$28,860,570 (the bank balance is lower because of in-transit transactions). Of the bank balance, \$854,853 was covered by Federal Depository Insurance, \$27,632,639 was insured under the FDIC Transaction Account Guarantee Program, and \$373,078 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2009, the carrying amount of deposits for the Retirement System totaled \$1,238,413 and the bank balance totaled \$2,357,973. The entire bank balance of \$2,357,973 was covered by Federal Depository Insurance.

Investments

As of June 30, 2010, the City had the following investments:

<b>Investment Type</b>	<b><u>Fair Value</u></b>
<u>Other Investments</u>	
Money Market Mutual Funds.....	\$ 4,893,543
MMDT.....	<u>153,934,065</u>
 Total Investments.....	 \$ <u><u>158,827,608</u></u>

As of December 31, 2009, the Retirement System had the following investments:

<b>Investment Type</b>	<b><u>Fair Value</u></b>
<u>Other Investments</u>	
Alternative Investments.....	\$ 5,263,238
Pension Reserve Investment Trust (PRIT).....	<u>225,332,834</u>
 Total Investments.....	 \$ <u><u>230,596,072</u></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 \$230,596,072 there was custodial credit risk exposure of \$5,263,238 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, 2010, 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.....	\$ 7,958,960	\$ (3,834,812)	\$ 4,124,148
Tax liens.....	3,036,114	(2,277,086)	759,028
Motor vehicle and other excise taxes.....	7,474,066	(4,625,711)	2,848,355
Departmental and other .....	1,572,052	-	1,572,052
Intergovernmental.....	103,746,942	-	103,746,942
Loans.....	5,445,648	-	5,445,648
Total.....	<u>\$ 129,233,782</u>	<u>\$ (10,737,609)</u>	<u>\$ 118,496,173</u>

The internal service fund has \$19,377 of departmental and other receivables at June 30, 2010.

At June 30, 2010 receivables for the trash enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Trash fees.....	\$ 1,169,829	\$ -	\$ 1,169,829

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.....	\$ 2,194,620	\$ -	\$ 2,194,620
Tax liens.....	759,028	-	759,028
Motor vehicle excise.....	2,848,355	-	2,848,355
Departmental and other.....	1,075,096	496,956	1,572,052
Intergovernmental.....	96,801,826	2,844,451	99,646,277
Loans.....	-	121,648	121,648
Total.....	<u>\$ 103,678,925</u>	<u>\$ 3,463,055</u>	<u>\$ 107,141,980</u>

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, 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
Construction in progress.....	-	4,844,572	-	4,844,572
Total capital assets not being depreciated.....	<u>26,771,402</u>	<u>4,844,572</u>	<u>-</u>	<u>31,615,974</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	45,919,824	3,905,121	-	49,824,945
Buildings and improvements.....	375,925,300	19,544,647	-	395,469,947
Machinery and equipment.....	96,687,582	5,959,208	-	102,646,790
Infrastructure.....	422,882,967	2,461,672	(1,230,835)	424,113,804
Total capital assets being depreciated.....	<u>941,415,673</u>	<u>31,870,648</u>	<u>(1,230,835)</u>	<u>972,055,486</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(12,777,222)	(1,888,493)	-	(14,665,715)
Buildings and improvements.....	(117,686,207)	(13,460,259)	-	(131,146,466)
Machinery and equipment.....	(83,768,786)	(12,686,434)	-	(96,455,220)
Infrastructure.....	(245,039,775)	(9,172,349)	1,230,835	(252,981,289)
Total accumulated depreciation.....	<u>(459,271,990)</u>	<u>(37,207,535)</u>	<u>1,230,835</u>	<u>(495,248,690)</u>
Total capital assets being depreciated, net.....	<u>482,143,683</u>	<u>(5,336,887)</u>	<u>-</u>	<u>476,806,796</u>
Total governmental activities capital assets, net.....	<u>\$ 508,915,085</u>	<u>\$ (492,315)</u>	<u>\$ -</u>	<u>\$ 508,422,770</u>
	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.....	(359,218)	(287,374)	-	(646,592)
Total business-type activities capital assets, net.....	<u>\$ 1,652,400</u>	<u>\$ (287,374)</u>	<u>\$ -</u>	<u>\$ 1,365,026</u>

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

	<u>2010</u>
<b>Governmental Activities:</b>	
General government.....	\$ 3,336,438
Public safety.....	3,304,065
Education.....	17,249,415
Public works.....	10,997,439
Human services.....	11,144
Culture and recreation.....	<u>2,309,034</u>
Total depreciation expense - governmental activities.....	<u>\$ 37,207,535</u>
<b>Business-Type Activities:</b>	
Trash.....	<u>\$ 287,374</u>

**NOTE 7 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2010, 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>Nonmajor Governmental Funds</u>	<u>Trash Enterprise Fund</u>	
General Fund.....	\$ -	\$ 5,000,000	\$ 3,148,426	\$ 3,260,789	\$ 11,409,215 (1)
Financial Reserve Stabilization.....	10,300,000	-	-	-	10,300,000 (2)
Promise Fund.....	46,800,000	-	-	-	46,800,000 (3)
Nonmajor Governmental Funds.....	<u>1,229,210</u>	-	<u>1,910,232</u>	-	<u>3,139,442 (4)</u>
Total.....	<u>\$ 58,329,210</u>	<u>\$ 5,000,000</u>	<u>\$ 5,058,658</u>	<u>\$ 3,260,789</u>	<u>\$ 71,648,657</u>

- (1) Represents budgeted transfers from the general fund to the financial reserve stabilization fund, to various nonmajor capital projects funds, and to the trash enterprise fund for operations.
- (2) Represents budgeted transfers from the financial reserve stabilization fund to the general fund.
- (3) Represents a transfer of the Promise Fund to the general fund to pay down the state loan.
- (4) Represents budgeted transfers between nonmajor funds and a transfer in to the general fund for various purposes.

**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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Asset description:</u>		
Machinery and equipment.....	\$ 10,007,489	\$ 2,011,618
Less: accumulated depreciation.....	<u>(8,773,353)</u>	<u>(646,592)</u>
Total.....	<u>\$ 1,234,136</u>	<u>\$ 1,365,026</u>

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

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2011.....	\$ 579,279	\$ 444,564
2012.....	579,279	444,564
2013.....	<u>579,279</u>	<u>333,423</u>
Total minimum lease payments.....	1,737,837	1,222,551
Less: amounts representing interest.....	<u>(102,947)</u>	<u>(66,662)</u>
Present value of minimum lease payments.....	<u>\$ 1,634,890</u>	<u>\$ 1,155,889</u>

Operating Leases

The City leases office equipment, vehicles, and various facilities utilized primarily by the school system, the department of public works, parks and recreation, and the animal control center under non-cancelable operating leases that expire on various dates through fiscal year 2028. The cost of the leases for the fiscal year ended June 30, 2010, totaled approximately \$1,972,000, 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:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2011.....	\$ 2,502,384
2012.....	2,324,781
2013.....	1,689,424
2014.....	1,565,177
2015.....	1,592,691
2016 to 2020.....	7,546,645
2021 to 2025.....	2,859,508
2026 to 2028.....	<u>1,480,927</u>
	<u>\$ 21,561,537</u>

**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.

The City had no short-term debt activity or outstanding balances at June 30, 2010.

**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, 2010, and the debt service requirements are as follows:

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

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
State Qualified Bonds Dated December 1, 1999.....	4.5 - 5.0	\$ 2,280,000	\$ -	\$ 2,280,000	\$ -
State Qualified Bonds Dated August 1, 2001.....	3.50 - 5.0	14,380,000	-	2,595,000	11,785,000
Qualified Zone Academy Bonds Dated July 25, 2002.....	1.28	4,000,000	-	500,000	3,500,000
State Qualified Refunding Bonds Dated February 15, 2003.....	2.0 - 5.0	14,623,530	-	3,489,800	11,133,730
State Qualified Refunding Bonds Dated July 7, 2005.....	3.0 - 5.25	93,865,000	-	6,435,000	87,430,000
State Qualified New Money Bonds Dated July 7, 2005.....	3.0 - 5.25	43,395,000	-	2,080,000	41,315,000
State Qualified New Money Bonds Dated February 7, 2007.....	4.5 - 5.75	47,960,000	-	2,710,000	45,250,000
State Qualified Refunding Bonds Dated February 7, 2007.....	4.5 - 5.75	73,750,001	-	10,000	73,740,001
State Qualified Refunding Bonds Dated April 15, 2009.....	3.00	19,500,000	-	3,775,000	15,725,000
State Qualified New Money Bonds Dated April 15, 2009.....	2.0 - 4.0	4,805,000	-	1,590,000	3,215,000
State Qualified General Obligation School Bonds.....	6.00	-	17,864,000	-	17,864,000
Total General Obligation Bonds.....		318,558,531	17,864,000	25,464,800	310,957,731
State Loan.....	0.00	46,800,000	-	46,800,000	-
Total face value of bonds and loans.....		365,358,531	17,864,000	72,264,800	310,957,731
Unamortized Premiums on Bonds.....		8,092,978	-	950,165	7,142,813
Total Long Term Debt.....		\$ 373,451,509	\$ 17,864,000	\$ 73,214,965	\$ 318,100,544

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>
2011.....	\$ 26,050,555	\$ 14,395,152	\$ 40,445,707
2012.....	25,767,165	13,314,172	39,081,337
2013.....	26,551,011	12,110,952	38,661,963
2014.....	27,630,000	10,734,387	38,364,387
2015.....	25,715,001	9,395,144	35,110,145
2016.....	25,044,995	8,109,595	33,154,590
2017.....	24,245,000	6,928,327	31,173,327
2018.....	19,970,000	5,871,811	25,841,811
2019.....	20,989,999	4,875,910	25,865,909
2020.....	17,660,000	3,937,326	21,597,326
2021.....	17,744,999	3,113,392	20,858,391
2022.....	15,104,999	2,370,052	17,475,051
2023.....	10,820,007	1,770,990	12,590,997
2024.....	4,150,000	1,422,871	5,572,871
2025.....	1,830,000	1,284,915	3,114,915
2026.....	1,885,000	1,201,327	3,086,327
2027.....	<u>19,799,000</u>	<u>1,115,377</u>	<u>20,914,377</u>
Total.....	\$ <u>310,957,731</u>	\$ <u>101,951,700</u>	\$ <u>412,909,431</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, 2010, the following amounts are included in long-term debt of the City:

	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2009</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2010</u>
August 1, 2001 MWPAT 91-59.....	5.0 - 6.13	\$ 624,721	\$ -	\$ 90,296	\$ 534,425
August 1, 2001 Phase 1 MWPAT 94-24.....	5.0 - 6.13	1,563,731	-	226,018	1,337,713
State Qualified New Money Bonds Dated February 15, 2003....	2.0 - 5.0	<u>506,471</u>	<u>-</u>	<u>120,202</u>	<u>386,269</u>
Total Guaranteed Loans.....		\$ <u>2,694,923</u>	\$ <u>-</u>	\$ <u>436,516</u>	\$ <u>2,258,407</u>

Qualified School Construction

On June 24, 2010 the City issued \$17,864,000 State Qualified General Obligation School Bonds at a 6.00% interest rate, maturing June 1, 2027 with mandatory sinking fund installments payable annually on December 1, 2010 through December 1, 2026. The Bonds were underwritten on a negotiated basis by Wells Fargo Securities. The Bonds were designated as Qualified School Construction Bonds under the provisions of the American Recovery and Reinvestment Act of 2009 (“ARRA”). The Bonds are federally taxable and will receive a cash

subsidy from the United States Department of the Treasury of 5.41% of the interest payable on the Bonds, which is equal to the amount of the applicable tax credit rate established on the sale date of the Bonds. On July 15, 2010 the City entered into an Investment Repurchase Agreement with Bayerische Landesbank wherein the City agreed to deposit \$776,911 annually on December 1, 2010 through December 1, 2026 into a sinking fund held by Wells Fargo Bank, National Association, acting as custodian and trustee for the agreement between the City and Bayerische Landesbank; the City's annual deposit of \$776,911 will be invested by Bayerische Landesbank, and at termination of the agreement on June 1, 2027 \$17,864,000 will be made available to the City to retire the maturing Bonds. The City's annual deposits are fully collateralized with either cash, obligations of the United States of America (i.e. treasury securities), Government National Mortgage Association securities (GNMAs), or Small Business Administration securities (SBAs); and the resulting fixed interest rate the City will earn over the life of the investment agreement is guaranteed at 3.42%. The use of the repurchase agreement reduced the City's net borrowing cost to approximately (0.9509) %.

#### School Building Assistance

The City has been approved to receive school construction assistance on various older school construction projects 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 2010, approximately \$16.6 million of such assistance was received. Approximately \$127 million is expected to be received in future fiscal years. Of this amount, \$33 million represents reimbursement of long-term interest costs, and \$94 million represents reimbursement of approved construction costs. Accordingly, a \$94 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.

More recently, the MSBA offers a construction grant program which pays the City the State's share of approved school construction costs and therefore eliminates the need for the City to fund the State's share through long-term debt. In addition to the construction of the new Putnam High School various on-going school projects are being funded by this grant program. The City has been approved for a grant of up to 90% or \$112,500,000 of eligible construction costs towards the new Putnam School. During the fiscal year the City received \$5.4 million and recorded a receivable for an additional \$3.2 million for these newer projects.

#### Advance Refunding and Defeased Bonds

In prior fiscal years, in order to take advantage of favorable interest rates, 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, 2010, \$76,800,000 of the bonds refunded remain outstanding and are 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, 2010, the City has \$31.5 million of authorized and unissued debt for various City-wide projects.

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Balance June 30, 2009	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases (Decreases)	Balance June 30, 2010	Current Amount Due
<b><u>Governmental Activities:</u></b>						
Long-Term Bonds and Notes.....	\$ 365,358,531	\$ 17,864,000	\$ (72,264,800)	\$ -	\$ 310,957,731	\$ 26,050,555
Capital Lease Obligations.....	2,137,804	-	-	(502,914)	1,634,890	523,403
Guaranteed Loans.....	2,694,923	-	(436,516)	-	2,258,407	458,553
Unamortized Bond Premium.....	8,092,978	-	(950,165)	-	7,142,813	916,111
Compensated Absences.....	21,962,510	-	-	(2,475,040)	19,487,470	6,527,000
Workers' Compensation.....	3,940,000	-	-	(354,000)	3,586,000	1,076,000
Due to Granting Agencies.....	10,126,000	-	-	(970,000)	9,156,000	3,832,000
Landfill Closure.....	4,731,178	-	-	(20,560)	4,710,618	750,000
Other Postemployment Benefits.....	39,235,921	-	-	29,749,402	68,985,323	-
Total governmental activity long-term liabilities.....	<u>458,279,845</u>	<u>17,864,000</u>	<u>(73,651,481)</u>	<u>25,426,888</u>	<u>427,919,252</u>	<u>40,133,622</u>
<b><u>Business-Type Activities:</u></b>						
Capital Lease Obligations.....	1,545,719	-	-	(389,830)	1,155,889	405,713
Other Postemployment Benefits.....	122,010	-	-	92,510	214,520	-
Total business-type activity long-term liabilities.....	<u>1,667,729</u>	<u>-</u>	<u>-</u>	<u>(297,320)</u>	<u>1,370,409</u>	<u>405,713</u>
Total.....	<u>\$ 459,947,574</u>	<u>\$ 17,864,000</u>	<u>\$ (73,651,481)</u>	<u>\$ 25,129,568</u>	<u>\$ 429,289,661</u>	<u>\$ 40,539,335</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 \$6,796,000 and has reflected \$4,711,000 as the estimate of the remaining liability at June 30, 2010. 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, 2010. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

**NOTE 12 – RISK FINANCING**

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, 2010, the liability for dental and eye care insurance claims totaled approximately \$99,000. This liability is the best estimate based on available information. Changes in the reported liability since July 1, 2007, are as follows:

	Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Claim Payments		Balance at Fiscal Year-End Currently Due
Fiscal Year 2009.....	\$ 105,156	\$	2,576,492	\$	(2,567,426)	\$	114,222
Fiscal Year 2010.....	114,222		2,877,034		(2,892,186)		99,070

(b) *Workers' Compensation*

The estimated future workers' compensation liability is based on history and injury type. At June 30, 2010, the amount of the estimated liability for workers' compensation claims totaled approximately \$3.6 million. Changes in the reported liability since July 1, 2007 are as follows:

	Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Claim Payments		Balance at Fiscal Year-End		Current Portion
Fiscal Year 2009.....	\$ 4,371,371	\$	4,304,813	\$	(4,736,184)	\$	3,940,000	\$	1,182,000
Fiscal Year 2010.....	3,940,000		3,684,146		(4,038,146)		3,586,000		1,076,000

The liability for unemployment claims at June 30, 2010 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 \$908,000.

**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 \$41,858,000 for the fiscal year ended June 30, 2010, 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, 2009, the System’s membership consists of the following:

Active members.....	3,661
Inactive members.....	1,150
Disabled members.....	450
Retirees and beneficiaries currently receiving benefits.....	<u>2,684</u>
Total.....	<u><u>7,945</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, 2010, 2009, and 2008 were \$31,039,501, \$28,597,332 and \$27,018,766, respectively, which equaled its required contribution for each fiscal year. At June 30, 2010, 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 a 4% rate of salary increases per year. The actuarial value of the System’s assets was determined using the fair value of the assets. The System’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at January 1, 2009, was 19 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)
1/1/10	\$ 278,377	\$ 799,916	\$ 521,539	34.8%	\$ 124,130	420.2%
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%

*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 2010 totaled approximately \$321,734.

**NOTE 14 – POSTEMPLOYMENT 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 Postemployment Benefits Other than Pensions* (GASB 45). As allowed by GASB 45, the City has established the net Other Postemployment 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, 2010, the Plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependents.....	3,289
Current active members.....	<u>5,701</u>
Total.....	<u><u>8,990</u></u>

*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 2016. 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 \$20.9 million during fiscal year 2010 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 postemployment 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 2010 fiscal year, the estimated amount actually contributed to the plan, and changes in the City’s net OPEB obligations are summarized in the following table:

Annual required contribution.....	\$	50,553,704
Interest on net OPEB obligation.....		1,377,528
Adjustments to annual required contribution.....		<u>(1,156,983)</u>
Annual OPEB cost/expense.....		50,774,249
Contributions made.....		<u>(20,932,337)</u>
Increase/(Decrease) in net OPEB obligation.....		29,841,912
Net OPEB obligation - beginning of year.....		<u>39,357,931</u>
Net OPEB obligation - end of year.....	\$	<u><u>69,199,843</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two 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>
6/30/2010	\$ 50,774,249	41.2%	\$ 69,199,843
6/30/2009	43,555,361	57.4%	39,357,931
6/30/2008	41,830,041	50.3%	20,806,966

*Funded Status and Funding Progress* — The funded status of the Plan as of the most recent actuarial valuation date, June 30, 2010, 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)
6/30/2010	\$ -	\$ 854,411,443	\$ 854,411,443	0.00%	\$ 250,719,136	340.78%

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:

Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4.50%
Remaining amortization period.....	27 years as of July 1, 2010, 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.....	8.38% decreasing to 5.00% in year 2019 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 a 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, 2010, the City's costs under the Service Agreement were approximately \$3.2 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, 2010. 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, 2010, 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 2010, the following GASB pronouncements were implemented:

- The GASB issued Statement #57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The standards in this statement permits an agent employer that has an individual employer OPEB plan with fewer than 100 members to use an alternative measurement method to produce actuarially based information for purposes of financial reporting, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Management elected to implement this standard early and this standard did not impact the basic financial statements.
- The GASB issued Statement #58, Accounting and Financial Reporting for Chapter 9 Bankruptcies. The standards in this statement provide guidance for bankrupt state and local governments by establishing requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities and for classifying changes in those items and related costs. Management elected to implement this standard early and this standard did not impact the basic financial statements.

*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.
- The GASB issued Statement #59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010.
- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. This Statement addresses service concession arrangements, which are a type of public-private or public-public partnership. Management is evaluating whether this pronouncement will require additional disclosure or impact the basic financial statements.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No.34*, which is required to be implemented in fiscal year 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.
- The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that does not conflict with or contradict GASB pronouncements. Management does not believe that this pronouncement will require additional disclosure or 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, 2010

	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.....	\$ 162,138,123	\$ 162,138,123	\$ 165,258,201	\$ -	\$ 3,120,078
Tax liens.....	-	-	3,768,128	-	3,768,128
Motor vehicle and other excise taxes.....	7,750,000	7,750,000	7,839,549	-	89,549
Hotel/motel tax.....	900,000	900,000	727,765	-	(172,235)
Charges for services.....	-	-	32,390	-	32,390
Penalties and interest on taxes.....	1,090,000	1,090,000	1,613,260	-	523,260
Payments in lieu of taxes.....	6,033,036	6,033,036	6,523,169	-	490,133
Licenses and permits.....	626,000	626,000	616,423	-	(9,577)
Fines and forfeitures.....	175,100	175,100	157,823	-	(17,277)
Intergovernmental.....	324,628,157	324,628,157	322,187,060	-	(2,441,097)
Departmental and other.....	12,822,726	12,822,726	14,258,853	-	1,436,127
Investment income.....	2,750,000	2,750,000	614,942	-	(2,135,058)
<b>TOTAL REVENUES.....</b>	<b>518,913,142</b>	<b>518,913,142</b>	<b>523,597,563</b>	<b>-</b>	<b>4,684,421</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	43,936,827	45,440,404	36,634,945	3,200,921	5,604,538
Public safety.....	60,425,366	60,425,366	57,514,297	596,138	2,314,931
Education.....	310,605,018	314,992,258	298,170,051	4,673,895	12,148,312
Public works.....	9,875,684	9,984,684	9,047,306	489,131	448,247
Health and welfare.....	3,580,241	3,580,241	3,373,044	9,117	198,080
Culture and recreation.....	14,060,286	14,060,286	13,287,798	443,412	329,076
Pension benefits.....	22,420,845	22,420,845	22,372,681	-	48,164
Employee fringe benefits.....	601,525	601,525	422,434	-	179,091
Employee health benefits.....	23,646,739	23,755,198	22,221,484	247,406	1,286,308
State, county and district assessments.....	2,657,567	2,657,567	2,657,567	-	-
Debt service:					
Principal.....	26,407,314	73,207,314	72,701,316	-	505,998
Interest.....	14,694,628	14,694,628	14,646,118	-	48,510
<b>TOTAL EXPENDITURES.....</b>	<b>532,912,040</b>	<b>585,820,316</b>	<b>553,049,041</b>	<b>9,660,020</b>	<b>23,111,255</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(13,998,898)</b>	<b>(66,907,174)</b>	<b>(29,451,478)</b>	<b>(9,660,020)</b>	<b>27,795,676</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in.....	10,000,000	58,303,577	58,329,210	-	25,633
Transfers out.....	(3,920,973)	(11,409,215)	(11,409,215)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>6,079,027</b>	<b>46,894,362</b>	<b>46,919,995</b>	<b>-</b>	<b>25,633</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(7,919,871)</b>	<b>(20,012,812)</b>	<b>17,468,517</b>	<b>(9,660,020)</b>	<b>27,821,309</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>71,475,111</b>	<b>71,475,111</b>	<b>71,475,111</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 63,555,240</b>	<b>\$ 51,462,299</b>	<b>\$ 88,943,628</b>	<b>\$ (9,660,020)</b>	<b>\$ 27,821,309</b>

See notes to required supplementary information.

**SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/10	\$ 278,377,005	\$ 799,915,756	\$ 521,538,751	34.8%	\$ 124,129,569	420.2%
1/1/08	296,522,245	699,026,798	402,504,553	42.4%	126,478,597	318.2%
1/1/05	276,286,563	649,023,965	372,737,402	42.6%	115,383,642	323.0%
1/1/04	291,017,758	615,605,168	324,587,410	47.3%	109,937,408	295.2%
1/1/03	266,402,470	573,138,293	306,735,823	46.5%	113,848,147	269.4%
1/1/02	268,001,414	570,958,349	302,956,935	46.9%	137,353,027	220.6%
1/1/01	291,264,389	539,502,444	248,238,055	54.0%	131,363,563	189.0%
1/1/00	292,172,562	515,716,954	223,544,392	56.7%	126,095,614	177.3%

See notes to required supplementary information.

**SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>System-Wide</u>				<u>City of Springfield</u>	
Fiscal Year Ended June 30,	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) City's Percentage of System-Wide Actual Contributions
2010	\$ 34,785,581	\$ 34,785,581	100%	\$ 31,039,501	\$ 89.23%
2009	31,709,642	31,709,642	100%	28,597,332	90.18%
2008	30,788,044	30,788,044	100%	27,018,766	87.76%
2007	26,367,000	26,367,000	100%	23,657,210	89.72%
2006	25,400,000	25,400,000	100%	23,123,004	91.04%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

**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)
6/30/2010	\$ -	\$ 854,411,443	\$ 854,411,443	0.00%	\$ 250,719,136	340.78%
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 (ARC)	Actual Contributions Made	Percentage of the ARC Contributed
2010	\$ 50,553,704	\$ 20,932,337	41.4%
2009	43,518,685	25,004,396	57.5%
2008	41,830,041	21,023,075	50.3%

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

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

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Actuarial Methods:

Valuation date.....	June 30, 2010
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4.50%
Remaining amortization period.....	27 years as of July 1, 2010, 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.....	8.38% decreasing to 5.00% in year 2019 and thereafter

Plan Membership:

Current retirees, beneficiaries, and dependents.....	3,289
Current active members.....	<u>5,701</u>
Total.....	<u><u>8,990</u></u>

See notes to required supplementary information.

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

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by the Mayor and the City Council (the “Council”). The Mayor presents an annual budget to the Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses.

Supplementary appropriations are made upon recommendation of the Mayor and approval of the Council.

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

Generally, expenditures may not exceed the legal level of spending 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 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 2010 approved budget authorized approximately \$536.8 million in appropriations and other amounts to be raised. During the fiscal year the City approved additional appropriations totaling approximately \$60.4 million, including the pay down of the state loan in the amount of \$46.8 million and additional transfers out of \$7.5 million to the stabilization fund and to other funds. 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, 2010, is presented below:

Net change in fund balance - budgetary basis.....	\$ 17,468,517
<u>Basis of accounting differences:</u>	
Increase in revenues due to on-behalf payments.....	41,858,408
Increase in expenditures due to on-behalf payments.....	(41,858,408)
Net change in recording 60 day receipts and other accrued revenues.....	(177,024)
Net change in recording other accrued expenses.....	883,453
Net change in recording tax refunds payable.....	<u>(714,000)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 17,460,946</u>

**NOTE B – PENSION PLAN**

The City contributes to the System, a cost-sharing, multiple-employer defined benefit pension plan (Plan) administered by the Springfield Contributory Retirement Board. 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. The City is required to pay into the System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, presents multi-year trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the City is one participating employer, as well as the City’s proportionate share of the plan’s annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the City.

The following actuarial methods and assumptions were used in the Retirement System’s most recent actuarial valuation:

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2010
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 3.75% per year
Remaining Amortization Period.....	30 years remaining as of July 1, 2010
Asset Valuation Method.....	Market Value as reported by the Public Employees' Retirement Administration Commission (PERAC). The actuarial value is based on a 5 year smoothing of realized and unrealized earnings greater than or less than the expected return.
Investment Rate of Return.....	8.500%
Projected Salary Increases.....	4.00%
Cost of Living Adjustments.....	3.00% for the first \$12,000 of retirement income.

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The City administers a single-employer defined benefit healthcare plan (“The Other Postemployment 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 postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarially accrued liability) was 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.