

CITY OF SPRINGFIELD, MASSACHUSETTS

Financial Statements

For the Year Ended June 30, 1996

(With Independent Auditors' Report Thereon)

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Combined Balance Sheet - All Fund Types and Account Group	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Equity - All Governmental Fund Types and Expendable Trust Funds	4
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	5
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Equity - All Proprietary Fund Types and Similar Trust Funds	6
Combined Statement of Cash Flows - All Proprietary Fund Types and Similar Trust Funds	7
Notes to Financial Statements	8

MELANSON, GREENWOOD
& COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the general purpose financial statements of the City of Springfield, Massachusetts as of June 30, 1996 (December 31, 1995 for the Contributory Retirement System) and for the year(s) then ended. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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.

Under the terms of our engagement, we did not confirm the City's Municipal Hospital accounts receivable balances stated at \$ 4,265,132, nor did we satisfy ourselves as to the receivable balances by means of other auditing procedures. In addition, we did not obtain sufficient evidential matter to support the City's Enterprise Fund fixed asset balance stated at \$ 111,896,470. Finally, we did not observe the taking of the physical inventory of the Internal Service Fund as of June 30, 1996 stated at \$ 1,050,682, nor did we satisfy ourselves as to the inventory quantities by means of other auditing procedures.

The City does not maintain a record of its general fixed assets and, accordingly, a statement of general fixed assets required by generally accepted accounting principles is not included in the financial statements.

The City has established separate enterprise funds for water, sewer and parking activities; however, the City accounts for them on a modified accrual basis, which is not in accordance with generally accepted accounting principles (GAAP). GAAP requires enterprise funds to be accounted for using the accrual basis of accounting. As a result, the City does not report asset balances for inventories or liability balances for various accrued expenses and capital leases. The amount by which the actual values for the aforementioned accounts, as well as revenues and expenses, varies from the amounts recorded has not been determined.

The general purpose financial statements referred to above do not include financial activities of the Springfield Redevelopment Authority (a component unit of the City), which should be included in order to conform with generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, that might have been determined to be necessary had we been able to examine sufficient evidential matter supporting accounts receivable balances of the Springfield Municipal Hospital Department, fixed asset balances in the Enterprise Funds, and inventory balances in the Internal Service Fund, and except for the effects of the items described in the fourth through sixth paragraphs, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City of Springfield, Massachusetts as of June 30, 1996 (and December 31, 1995 for the Contributory Retirement System) and the results of its operations and cash flows of its proprietary fund types and similar trust funds for the year(s) then ended, in conformity with generally accepted accounting principles.

Melanson, Greenwood & Company, P.C.
Greenfield, Massachusetts
September 28, 1996

CITY OF SPRINGFIELD, MASSACHUSETTS

Combined Balance Sheet -
All Fund Types and Account Group

June 30, 1996

ASSETS	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types Trust and Agency	Account Group General Long-Term Debt	Totals (Memorandum Only)	Contributory Retirement System as of 12/31/95
	General	Special Revenue	Capital Project	Enterprise	Internal Service				
Cash and cash equivalents	\$ 32,717,695	\$ (2,271,798)	\$ (11,961,068)	\$ 24,676,568	\$ 696,851	\$ 3,014,755	\$ -	\$ 46,873,003	\$ 6,122,875
Investments held by others	-	-	-	-	-	20,846,672	-	20,846,672	-
Investments	-	-	-	-	-	310,446	-	310,446	188,200,249
Receivables:									
Property taxes	13,814,898	-	-	-	-	-	-	13,814,898	-
Tax liens and foreclosures	13,636,887	-	-	2,086,736	-	-	-	15,723,623	-
Excises	10,250,307	-	-	-	-	-	-	10,250,307	-
User charges	-	-	-	6,758,856	-	-	-	6,758,856	-
Other receivables, net of allowance	4,452,575	-	-	-	-	-	-	4,452,575	7,641,809
Due from other governments	2,000,000	-	4,000,000	2,263,458	-	-	-	32,403,898	-
Other assets	-	-	-	-	-	-	-	1,063	-
Due from other funds	510,000	-	-	-	-	-	-	566,555	-
Inventory	-	56,555	-	-	1,050,682	-	-	1,050,682	-
Property, plant and equipment	-	-	-	111,896,470	-	-	-	111,896,470	-
Amount to be provided for long-term obligations	-	-	-	-	-	-	-	65,961,681	-
Amount to be provided by Commonwealth	-	-	-	-	-	-	-	41,734,179	-
Total Assets	\$ 77,382,362	\$ 21,926,260	\$ (7,961,068)	\$ 147,682,088	\$ 1,747,533	\$ 24,171,873	\$ 107,695,860	\$ 372,644,908	\$ 181,964,933
LIABILITIES AND FUND EQUITY									
Liabilities:									
Warrants payable	\$ 6,100,113	\$ 3,786,666	\$ 3,154,534	\$ 3,209,676	\$ 415,840	\$ 47,099	\$ -	\$ 16,713,928	\$ -
Deferred revenues	41,271,877	14,937,989	-	8,845,592	-	-	-	65,055,458	-
Accrued payroll and withholdings	1,160,457	-	-	-	-	-	-	1,160,457	-
Notes payable	6,350,000	-	50,000,000	-	-	-	15,000,000	71,350,000	-
Advance payments	656,500	-	-	-	-	-	-	656,500	-
Due to other funds	55,305	450,000	-	-	-	-	2,764,548	2,764,548	-
Accrued compensated absences	-	-	-	-	-	61,250	-	566,555	-
Accrued health claims	-	-	-	-	-	-	5,451,110	5,451,110	-
General obligation long-term debt	-	-	-	6,333,372	3,418,784	-	-	3,418,784	-
Capital lease obligations	-	-	-	-	-	-	70,070,893	76,404,265	-
Deferred compensation	-	-	-	-	-	-	5,904,240	5,904,240	-
Landfill closure	-	-	-	-	-	20,846,672	-	20,846,672	-
Reserve for tax refund	-	-	-	-	-	-	4,755,069	4,755,069	-
Other liabilities	1,319,798	-	-	-	-	-	3,750,000	3,750,000	-
Total Liabilities	56,914,050	19,174,655	53,154,534	18,761,484	3,834,624	20,965,273	107,695,860	280,500,480	544,844
Fund Equity:									
Retained earnings	-	-	-	7,967,117	(2,087,091)	-	-	5,880,026	-
Reserved for endowments	-	-	-	-	-	712,552	-	712,552	-
Reserved for encumbrances	9,729,888	-	-	11,641,651	-	-	-	21,371,539	-
Reserved for retirement	-	-	-	-	-	-	-	-	-
Contributed capital	-	-	-	109,311,836	-	-	-	109,311,836	-
Unreserved undesignated	10,738,424	2,751,605	(61,115,602)	128,920,604	(2,087,091)	2,494,048	-	(45,131,525)	-
Total Fund Equity	20,468,312	2,751,605	(61,115,602)	128,920,604	(2,087,091)	3,206,600	-	92,144,428	181,420,089
Total Liabilities and Fund Equity	\$ 77,382,362	\$ 21,926,260	\$ (7,961,068)	\$ 147,682,088	\$ 1,747,533	\$ 24,171,873	\$ 107,695,860	\$ 372,644,908	\$ 181,964,933

CITY OF SPRINGFIELD, MASSACHUSETTS

Combined Statement of Revenues, Expenditures, and
Changes in Fund Equity
All Governmental Fund Types and Expendable Trust Funds

For the Year Ended June 30, 1996

	Governmental Fund Types			Fiduciary Fund Types Expendable Trust	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects		
Revenues:					
Property taxes	\$ 90,519,260	\$ -	\$ -	\$ -	\$ 90,519,260
Excise	5,670,065	-	-	-	5,670,065
Penalties, interest and other taxes	7,817,109	-	-	-	7,817,109
Charges for services	26,981,271	22,690	-	-	27,013,961
Intergovernmental	158,221,668	57,878,868	3,019,093	-	219,119,629
Licenses and permits	1,759,648	-	-	-	1,759,648
Fines and forfeitures	1,509,356	-	-	-	1,509,356
Interest earnings	502,267	38,329	-	302,435	843,031
Miscellaneous	733,813	-	-	-	733,813
Contributions	-	-	-	333,088	333,088
Total Revenues	293,724,457	57,939,887	3,019,093	635,523	355,318,960
Expenditures:					
General government	15,021,110	9,817,432	-	62,668	24,901,210
Public safety	42,621,113	2,924,193	-	77,161	45,622,467
Education	130,429,825	37,457,997	-	-	167,887,822
Public works	15,295,813	4,366,820	33,730,747	79,475	53,472,855
Human services	18,614,402	2,521,481	-	-	21,135,883
Culture and recreation	10,708,433	213,690	-	306,675	11,228,798
Debt service	14,402,308	-	-	-	14,402,308
Intergovernmental	2,762,569	-	-	-	2,762,569
Miscellaneous	38,211,909	-	-	-	38,211,909
Total Expenditures	288,067,482	57,301,613	33,730,747	525,979	379,625,821
Excess (deficiency) of revenues over expenditures	5,656,975	638,274	(30,711,654)	109,544	(24,306,861)
Other Financing Sources (Uses):					
Note proceeds	15,000,000	-	-	-	15,000,000
Operating transfers in	7,876,533	1,206,250	-	23,000	9,105,783
Operating transfers out	(4,059,223)	(450,000)	-	(61,250)	(4,570,473)
Total Other Financing Sources (Uses)	18,817,310	756,250	-	(38,250)	19,535,310
Excess (deficiency) of revenues and other sources over expenditures and other uses	24,474,285	1,394,524	(30,711,654)	71,294	(4,771,551)
Fund Equity, July 1, 1995	(4,005,973)	1,357,081	(30,403,948)	2,422,754	(30,630,086)
Fund Equity, June 30, 1996	\$ 20,468,312	\$ 2,751,605	\$ (61,115,602)	\$ 2,494,048	\$ (35,401,637)

See accompanying notes to financial statements.

CITY OF SPRINGFIELD, MASSACHUSETTS

Statement of Revenues and Other Sources,
and Expenditures and Other Uses
Budget and Actual - General Fund

For the Year Ended June 30, 1996

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues and Other Sources:			
Taxes	\$ 88,320,908	\$ 88,320,908	\$ -
Excise	5,335,000	5,670,065	335,065
Penalties, interest and other taxes	7,389,000	7,817,109	428,109
Charges for services	28,088,900	26,991,271	(1,097,629)
Intergovernmental	162,549,851	158,221,668	(4,328,183)
Fines and forfeits	1,650,000	1,509,356	(140,644)
Licenses and permits	1,411,400	1,759,648	348,248
Interest earnings	585,000	502,267	(82,733)
Miscellaneous	378,000	733,813	355,813
Transfers in	510,000	510,000	-
Borrowing	<u>14,638,650</u>	<u>15,000,000</u>	<u>361,350</u>
Total Revenues and Other Sources	310,856,709	307,036,105	(3,820,604)
Expenditures and Other Uses:			
General government	15,172,001	14,862,778	309,223
Public safety	42,667,495	42,609,289	58,206
Education	133,682,599	133,428,288	254,311
Public works	15,765,580	15,477,818	287,762
Human services	20,203,379	19,233,682	969,697
Culture and recreation	10,766,475	10,738,137	28,338
Debt service	14,546,434	14,520,840	25,594
Intergovernmental	2,899,507	2,762,569	136,938
Miscellaneous	38,730,245	38,407,600	322,645
Transfers out	2,802,928	4,059,223	(1,256,295)
Other uses	<u>13,620,066</u>	<u>13,620,066</u>	<u>-</u>
Total Expenditures and Other Uses	<u>310,856,709</u>	<u>309,720,290</u>	<u>1,136,419</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>(2,684,185)</u>	\$ <u>(2,684,185)</u>

See accompanying notes to financial statements.

CITY OF SPRINGFIELD, MASSACHUSETTS

Combined Statement of Revenues, Expenses and Changes in
Retained Earnings/Fund Equity -
All Proprietary Fund Types and Similar Trust Funds

For the Year Ended June 30, 1996
(and Contributory Retirement System For the Year Ended December 31, 1995)

	Proprietary Fund Types		Fiduciary	Totals	Contributory
	Enterprise	Internal Service	Fund Type Non-Expendable Trust	(Memorandum Only)	Retirement System
Operating Revenues:					
Charges for services	\$ 36,858,030	\$ 1,629,430	\$ -	\$ 38,487,460	\$ -
Intergovernmental	-	-	-	-	5,911,267
Contributions	-	34,029,398	2,194	34,031,592	7,329,860
Other	2,442,515	-	-	2,442,515	15,815,224
Total Operating Revenues	<u>39,300,545</u>	<u>35,658,828</u>	<u>2,194</u>	<u>74,961,567</u>	<u>29,056,351</u>
Operating Expenses:					
Personnel	10,584,464	-	-	10,584,464	-
Operating	16,805,405	-	-	16,805,405	-
Materials and supplies	2,581,281	-	-	2,581,281	-
Depreciation	306,719	-	-	306,719	-
Other	308,724	1,629,430	-	1,938,154	2,628,944
Capital	4,301,489	-	-	4,301,489	-
Claims paid	-	35,389,172	-	35,389,172	27,891,200
Total Operating Expenses	<u>34,888,082</u>	<u>37,018,602</u>	<u>-</u>	<u>71,906,684</u>	<u>30,520,144</u>
Operating Income (Loss)	4,412,463	(1,359,774)	2,194	3,054,883	(1,463,793)
Nonoperating Revenue (Expenses):					
Realized gain (loss) on investment	-	-	-	-	2,653,681
Unrealized gain on investment	-	-	51,842	51,842	14,839,140
Investment income	-	-	24,570	24,570	8,026,698
Interest expense	(255,870)	-	-	(255,870)	-
Other	233,814	-	-	233,814	-
Total Nonoperating Revenues (Expenses)	<u>(22,056)</u>	<u>-</u>	<u>76,412</u>	<u>54,356</u>	<u>25,519,519</u>
Net Income (Loss)	4,390,407	(1,359,774)	78,606	3,109,239	24,055,726
Transfers in/(out)	<u>(5,846,956)</u>	<u>1,311,646</u>	<u>-</u>	<u>(4,535,310)</u>	<u>-</u>
Increase (decrease) in retained earnings/fund equity	(1,456,549)	(48,128)	78,606	(1,426,071)	24,055,726
Retained Earnings, beginning of year, restated	<u>21,065,317</u>	<u>(2,038,963)</u>	<u>633,946</u>	<u>19,660,300</u>	<u>157,364,363</u>
Retained Earnings, end of year	<u>\$ 19,608,768</u>	<u>\$ (2,087,091)</u>	<u>\$ 712,552</u>	<u>\$ 18,234,229</u>	<u>\$ 181,420,089</u>

See accompanying notes to financial statements.

CITY OF SPRINGFIELD, MASSACHUSETTS
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Similar Trust Funds
 For the Year Ended June 30, 1996

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
Cash Flows From Operating Activities:				
Operating income (loss)	\$ 4,412,463	\$ (1,359,774)	\$ 2,194	\$ 3,054,883
Adjustments to reconcile operating income to net cash:				
Provided for operating activities:				
Depreciation	306,719	-	-	306,719
Other income	233,814	-	-	233,814
(Increase) decrease in current assets:				
Inventory	-	(183,025)		(183,025)
Due to/from other funds	(6,924)	-		(6,924)
Due from Commonwealth	(2,263,458)	-	-	(2,263,458)
Accounts receivable	3,931,173	-		3,931,173
Increase (decrease) in current liabilities:				
Warrants and accounts payable	(3,264,899)	284,871		(2,980,028)
Deferred revenue	(3,931,173)	-		(3,931,173)
Other liabilities	372,844	-		372,844
Accrued claims	-	327,789		327,789
Net Cash Used for Operating Activities	(209,441)	(930,139)	2,194	(1,137,386)
Cash Flows for Investing Activities:				
Interest expenses	(255,870)	-	-	(255,870)
Interest income	-	-	24,570	24,570
Net Cash Used for Investing Activities	(255,870)	-	24,570	(231,300)
Cash Flows from Capital-Related Financing Activities:				
Principal repayments	(306,719)	-	-	(306,719)
Loan proceeds	3,750,091	-	-	3,750,091
Net Cash Provided by Capital-Related Financing Activities	3,443,372	-	-	3,443,372
Cash Flows for Non-Capital Related Financing Activities:				
Transfers (to)/from other funds	(5,846,956)	1,311,646	-	(4,535,310)
Net increase (decrease) in cash	(2,868,895)	381,507	26,764	(2,460,624)
Cash and Cash Equivalents, July 1, 1995	27,545,463	315,344	375,342	28,236,149
Cash and Cash Equivalents, June 30, 1996	\$ 24,676,568	\$ 696,851	\$ 402,106	\$ 25,775,525
Reconciliation of trust and agency fund cash:				
Nonexpendable			\$ 402,106	
Expendable			2,602,397	
Agency			10,252	
Total			\$ 3,014,755	

See accompanying notes to financial statements.

City of Springfield, Massachusetts
Notes to General Purpose Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the City of Springfield (the City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units, except as indicated in Note 2. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected City Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable, except as described in the following paragraph.

In fiscal year 1996, it was determined the Springfield Redevelopment Authority met the required GASB-14 criteria of a component unit; however, their financial activities are not included in the City's financial statements.

B. Basis of Presentation - Fund Accounting

For reporting purposes, the financial activities of the City are accounted for through the use of several funds and account groups. Each fund is a separate accounting entity with self-balancing accounts. The following types of funds and account groups are used by the City:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in fiduciary and proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental fund types:

General Fund - To account for all financial activities of the City, except those required to be accounted for in another fund. Most revenues and

expenditures of a general governmental nature are accounted for in this fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for special purposes.

Capital Project Funds - Transactions related to resources obtained and used for the acquisition, construction, or improvement of major capital facilities are accounted for in capital project funds. Such resources are derived principally from proceeds of general obligation bond issues and from Federal and State grants.

Proprietary Fund Types

Proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following are the City's proprietary fund types:

Enterprise Funds - To account for operations which are supported primarily by user charges.

Internal Service Funds - To account for goods or services provided by one City department or agency to other City departments or agencies. The City accounts for its self-insured health insurance fund as an internal service fund.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the City in a trustee capacity. The City maintains the following fiduciary fund types:

Expendable Trust Funds - These funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds are used to account for assets held by the City in a trustee capacity. The principal balance cannot be spent; however, investment earnings may be spent for intended purposes.

Pension Trust Fund - This fund is used to account for the accumulation of assets used to fund current and future pension benefits.

Agency Funds - These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

Account groups are used to establish accounting control and accountability for the City's general long-term obligations. The following account group is maintained by the City.

General Long-Term Debt Account Group - This account group is used to account for all long-term obligations of the City, except for debt issued through proprietary funds.

C. Basis of Accounting

The basis of accounting used for each fund is as follows:

Modified Accrual Basis (Governmental, Expendable Trust and Agency Funds)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is applied in all governmental, expendable trust and agency fund types. Accordingly, revenues are recorded when susceptible to accrual, that is, both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property tax revenue available if received within 60 days after the close of the fiscal year. All other amounts not received during that period are deferred and recognized in future accounting periods.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues: (1) revenues recognized based upon the expenditures recorded, and (2) revenues recognized at the time of receipt or earlier, if the susceptible to accrual criteria is met.

Other revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Expenditures, except for interest on long-term debt which is recorded when due, landfill closure and postclosure costs, unfunded tax refunds, and vacation, sick and pension costs because these amounts are not expected to be relieved within the current accounting period, are recorded when the related fund liability is incurred.

Accrual Basis (Proprietary, Nonexpendable and Pension Trust Funds)

All proprietary, nonexpendable and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is used by proprietary, nonexpendable and pension trust funds. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The City has elected to apply to the proprietary funds accounting principles applicable to the private sector issued through November 30, 1989, unless those principles conflict with or contradict pronouncements of the Governmental Accounting Standards Board.

The City has elected to apply to the nonexpendable trust funds accounting principles applicable to the private sector unless those principles conflict with or contradict pronouncements of the Governmental Accounting Standards Board.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue funds and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. The City maintains a

cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents". The interest earnings attributable to each fund type is included under earnings on investments.

For purpose of the statement of cash flows, the proprietary funds and nonexpendable trust funds consider investments with original maturities of three months or less to be cash equivalents.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investment available to the City. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Contributory Retirement System and Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments in the Trust Funds are carried at market value, investments in the Retirement System are carried in accordance with State PERA guidelines (equity investments at market value and debt investments at amortized cost), and deferred compensation plan investments are carried at market value.

F. Property Tax Limitations

Legislation known as "Proposition 2 1/2" limits the amount of revenue the City can derive from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 1996 tax levy reflected an excess capacity of \$ 8,448.

G. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

H. Long-Term Obligations

The government reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

I. Accrued Employee Benefits

City employees are granted vacation and sick leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused sick and vacation leave which is (subject to certain limitations) at their then current rates of pay. The cost of this unused sick and vacation leave, which is expected to be paid from future financial resources, is accounted for as a liability of the general long-term debt account group.

J. Fund Equity

Reservations of fund balance represent amounts that are not appropriate or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. The proprietary fund's contributed capital represents the value of its fixed assets at the time the enterprise funds were established.

K. Encumbrance Accounting and Reporting

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities.

L. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

2. Departures from Generally Accepted Accounting Principles

The significant departures of the City's financial statements from generally accepted accounting principles are as follows:

- General fixed asset acquisitions (non-enterprise) are not capitalized in a general fixed asset group of accounts.
- The City has established separate enterprise funds; however, the City continues to account for activities on a modified accrual basis similar to governmental funds. As a result, certain assets, such as inventories of supplies, capital projects and fixed assets, certain liabilities, such as capital leases and accrued expenses, and certain expenses, such as depreciation, have not been recorded as required by generally accepted accounting principles for enterprise funds. The amount by which the actual value for these accounts varies from amounts recorded cannot be determined at this time.
- Fixed assets recorded in the City's Enterprise Funds are not supported by a fixed asset ledger and in some cases have been recorded to equal the capital acquisitions funded by debt, rather than on historical costs, as required by generally accepted accounting principles. Also, annual depreciation is reported at an amount equal to principal debt service payments. The amount by which reported amounts differ from generally accepted accounting principles could not be determined.
- Activity related to the Springfield Redevelopment Authority, a component unit, should be included to conform to generally accepted accounting principles.

3. Stewardship, Compliance and Accountability

A. Budgetary Information

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the City Council, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at City Council meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the City Council is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes

expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time the annual appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The General Fund appropriation appearing on page 5 of the financial statements represents the final amended budget of the City and was authorized as follows:

1996 annual appropriations	\$ 285,572,510
1996 supplemental appropriations	20,971,815
Statutory County and State assessments	2,875,960
Other uses legally required to be raised	<u>1,436,424</u>
Total Appropriation	\$ <u>310,856,709</u>

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 293,724,457	\$ 288,067,482
Other financing sources/uses (GAAP basis)	22,876,533	4,059,223
Adjust tax revenue to accrual basis	(2,198,352)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(5,458,216)
Add end of year appropriation carryforwards to expenditures	-	9,729,888
Adjust for debt service budgeted in another fund	(50,600)	(50,600)
Remove interfund transfer bud- geted in fiscal year 1997	(7,315,933)	-
Adjust for GAAP accrual entries budgeted in a previous or subse- quent year	-	(247,553)
Recognize budgeted, non-cash uses of funds	<u>-</u>	<u>13,620,066</u>
Budgetary basis	\$ <u>307,036,105</u>	\$ <u>309,720,290</u>

D. Deficit Fund Equity

The following Special Revenue funds had deficits as of June 30, 1996:

School Lunch	\$ 985,807 -
Police Outside Detail	282,323 ✓
Job Training	1,296,107 ✓
Springfield Day Nursery	200,278 ·
Route 21 Railroad	70,512
BSSC Enterprise	82,386
Magnet School	629,932
Fund 2600, State Grants	1,174,131
Federal Home Program	712,528

The deficits in these funds will be eliminated through future departmental and intergovernmental revenues, bond proceeds, and transfers from other funds.

The Capital Projects fund reflects a deficit which is the result of the City financing projects in advance of permanent borrowing. This deficit will be eliminated when bonds are issued for these projects.

The Internal Service fund reflects a deficit which is the result of an accrual for incurred but not reported claims. This deficit will be eliminated with future City and employee contributions.

4. Cash and Cash Equivalents

The carrying amount of the City's and Retirement System's deposits with financial institutions at June 30, 1996 and December 31, 1995 was \$ 46,873,003 and \$ 6,122,875, respectively. The bank balances are categorized as follows:

	<u>City Deposits June 30, 1996</u>	<u>Retirement System Deposits December 31, 1995</u>
Amount insured by the FDIC and DIFM, or collateralized with securities held by the City in its name	\$ 5,732,742	\$ 103,249
Uncollateralized	44,122,843	1,419,153
U.S. Treasury money markets	-	6,747,668
State investment pool	<u>10,011,917</u>	<u>-</u>
Total Bank Balance	<u>\$ 59,867,502</u>	<u>\$ 8,270,070</u>

5. Investments

The City's investments are categorized into the following three categories of credit risk:

- (1) Insured or registered, or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

At year end, the government's investment balances were as follows (in thousands):

	Category			Carrying Amount	Market Value
	1	2	3		
Corporate stock	\$ 310	\$ -	\$ -	\$ 310	\$ 310
Investments not subject to categorization:					
Deferred compensation	-	-	-	20,847	20,847
Total Investments	\$ 310	\$ -	\$ -	\$ 21,157	\$ 21,157

For the purposes of valuation, the Nonexpendable Trust fund investments are categorized as available for sale and are recorded at market value.

At December 31, 1995, the City's Retirement System's investment balances were as follows (in thousands):

	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Government securities	\$ -	\$ -	\$ 57,414	\$ 57,414	\$ 60,374
Corporate equity	-	-	63,347	63,347	63,347
Corporate bonds	-	-	47,439	47,439	48,903
Total	\$ -	\$ -	\$ 168,200	\$ 168,200	\$ 172,624

6. Taxes Receivable

Real and personal property taxes are based on assessed values as of the previous January 1 and are normally due on a quarterly basis. By law, all taxable property must be assessed at 100% of fair cash value. Taxes due and unpaid after the due dates are subject to interest and penalties. The City has an ultimate right to foreclose on property for unpaid taxes.

The following is a summary of the property tax calendar used for the 1996 tax levies:

July 1, 1995:

First quarterly real estate tax bills are mailed to taxpayers. This bill is approximately equal to one quarter of the prior year's tax levy.

August 1, 1995:

First quarter preliminary tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

October 1, 1995:

The second quarter real estate tax bills are mailed to taxpayers. This bill is approximately equal to one quarter of the prior year's tax levy.

November 1, 1995:

The second quarter preliminary tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

January 1, 1996:

The third quarter real estate and personal property tax bills are mailed to taxpayers. This bill is approximately equal to one half of the current tax levy less preliminary payments.

February 1, 1996:

The third quarter tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

April 1, 1996:

The fourth quarter real estate and personal property tax bills are mailed to taxpayers. This is for the remainder of the tax levy.

May 1, 1996:

The fourth quarter tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

Fourteen days after the due date for the fourth quarter tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property.

Taxes receivable at June 30, 1996 consist of the following (in thousands):

Real Estate		
1996	\$ 6,597	
1995	4,210	
1994	191	
Prior	<u>655</u>	
		11,653
Personal Property		
1996	344	
1995	321	
1994	275	
Prior	<u>1,222</u>	
		<u>2,162</u>
Total		\$ <u>13,815</u>

7. Other Receivables

The other receivable balance in the general fund is shown net of a reserve for uncollectible accounts for the Veterans Department of \$ 277,088.

8. Due From Other Governments

The due from other governments balance in the General Fund represents State reimbursement for the Municipal Hospital which was received in July 1996. The due from other governments balance in the other funds represents various grant awards reimbursement requests expected to be received in fiscal year 1997.

9. Due From/Due To Other Funds

The due from/due to balances appearing on the balance sheet are comprised of the following:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 510,000	\$ 55,305
Special Revenue Funds:		
Telephone revolving	-	450,000
Greens fee revolving	35,305	-
Demolition lien revolving	20,000	-
Other special revenue funds	1,250	-
Trust Funds:		
EMS trust	-	60,000
Other trust funds	-	1,250
Total All Funds	<u>\$ 566,555</u>	<u>\$ 566,555</u>

10. Amount to be Provided by Commonwealth

The balance in this account represents the portion of bonds payable expected to be reimbursed through the Commonwealth's School Building Assistance Bureau (SBAB). SBAB reimburses the City for 75 to 90 percent of certain qualifying bond issues. These reimbursements are subject to annual appropriations by the State legislature.

11. Warrants Payable

Warrants payable represent 1996 expenditures paid by July 15, 1996 as permitted by law.

12. Deferred Revenue

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 1996 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections. The City's statutory "allowance for abatements and exemptions" (overlay) account, with a balance of \$ 15,347,149 has been reclassified to deferred revenue for reporting purposes.

13. Anticipation Notes Payable

The City had the following notes outstanding at June 30, 1996:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 1996</u>
Bond anticipation	4.50%	2/09/96	8/09/96	\$ 15,000,000
Bond anticipation	4.60%	2/09/96	7/12/96	20,000,000
Bond anticipation	4.50%	6/28/96	6/27/97	15,000,000
Bond anticipation	4.25%	6/28/96	2/14/97	<u>6,350,000</u>
Total				\$ <u>56,350,000</u>

The City had an additional \$15,000,000 in notes payable which was classified as long-term debt at June 30, 1996. See Footnotes 15 and 30.

14. Advance Payments

The balance in this account represents advance Medicaid reimbursements requested and received in June 1996. These will be recognized as revenue in fiscal year 1997.

15. Long-Term Debt

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. The bonds reported in the proprietary funds are expected to be repaid from proprietary fund revenues. Payment is not limited to a particular revenue source. However, as previously noted, the City's ability to raise property taxes is restricted by the enactment of legislation known as "Proposition 2 1/2". General obligation bonds currently outstanding are as follows:

<u>Governmental Funds:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate (s)%</u>	<u>Amount Outstanding as of June 30, 1996</u>
<u>Bonds Payable:</u>			
<u>Inside Debt Limit:</u>			
Multi-purpose	8/01/97	9.534	\$ 100,000
Multi-purpose remodeling	12/01/97	7.0 - 7.4	500,000
Multi-purpose parks	12/01/02	7.0	175,000
Artery streets	12/01/97	7.0	60,000
Landfill	11/01/02	6.9 - 7.0	1,120,000
Parks	11/01/02	6.9 - 7.0	205,000
Building remodeling	11/01/98	6.9	1,920,000
Multi-purpose	5/01/06	7.75 - 7.80	3,765,000
Refunding bonds	9/01/03	3.40 - 6.25	5,110,000
Multi-purpose	1/15/13	4.75 - 6.00	<u>11,836,000</u>
Total Inside Debt Limit:			24,791,000
<u>Outside Debt Limit:</u>			
Multi-purpose	8/01/06	7.0 - 7.3	7,250,000
Putnam High	12/01/05	7.0 - 7.4	6,410,000
Putnam High	11/01/07	6.9 - 7.0	6,920,000
RMJ School	3/01/09	3.40 - 6.25	17,600,000
Refunding bonds	9/01/04	2.75 - 5.05	4,875,000
EPA asbestos removal	7/28/06	-	960,122 ***
Infiltration/inflow (MWPAT)	2/01/15	5.6	<u>1,264,771 **</u>
Total Outside Debt Limit:			<u>45,279,893</u>
Total Bonds Payable			70,070,893
<u>Notes Payable:</u>			
Hospital deficit bond anticipation note	2/14/97	4.25%	<u>15,000,000 *</u>
Total Governmental Funds			85,070,893
<u>Enterprise Fund:</u>			
<u>Inside Debt Limit:</u>			
Sewer bonds	12/01/97	7.0	30,000
Sewer bonds	5/01/06	7.0 - 7.8	75,000
Refunding sewer bonds	9/01/03	3.40 - 6.25	760,000
Sewer bonds	1/15/13	4.75 - 6.00	1,834,000
Aeration project (MWPAT)	2/01/15	5.6	<u>3,634,372 **</u>
Total Enterprise Fund			<u>6,333,372</u>
Total Debt			<u>\$ 91,404,265</u>

* The City's hospital deficit bond anticipation note will be converted to permanent borrowing in fiscal year 1997.

**** State Revolving Loan**

The U.S. Environmental Protection Agency sponsors a low interest rate loan program. The loans are administered by the States and are used by local communities to improve their sewer systems.

In 1995, the City was issued loans through the Massachusetts Water Pollution Abatement Trust (MWPAT) Revolving Loan Program for the following projects. This total is included in the City's General Long-Term Debt Account Group and proprietary fund.

<u>Governmental Funds</u>	<u>Loan Authoriz.</u>	<u>Principal Subsidy</u>	<u>Repayment Obligation</u>	<u>Balance at June 30, 1996</u>
Infiltration/inflow	\$ 1,513,116	\$ 197,745	\$ 1,315,371	\$ 1,264,771
<u>Enterprise Fund</u>				
Aeration Project	3,750,091	-	3,750,091	3,634,372

In addition to the above projects, the City has loans pending with MWPAT for the following projects:

Infiltration/inflow (part 2)	\$ 400,000
Aeration project (part 2)	6,158,009

These loans are expected to be financed in fiscal year 1997.

***** EPA Loan**

In 1986, the U.S. Environmental Protection Agency sponsored a no interest rate loan program to enable the City to remove asbestos from public buildings. The loan amount was revised in 1993 at the project's completion. The revised 1993 loan amount was \$ 1,785,709. The balance at June 1996 was \$ 960,122, which the City will repay in annual installments of \$ 99,206 until 2006.

B. Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding (excluding notes payable) as of June 30, 1996 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1997	\$ 6,805,087	\$ 4,164,115	\$ 10,969,202
1998	6,756,512	3,762,230	10,518,742
1999	6,387,315	3,372,352	9,759,667
2000	5,649,227	3,013,023	8,662,250
2001	5,391,257	2,677,388	8,068,645
Thereafter	<u>39,081,495</u>	<u>10,996,987</u>	<u>50,078,482</u>
Total	\$ <u>70,070,893</u>	\$ <u>27,986,095</u>	\$ <u>98,056,988</u>
<u>Proprietary</u>			
1997	\$ 310,210	\$ 268,918	\$ 579,128
1998	325,854	253,115	578,969
1999	317,506	237,678	555,184
2000	323,545	222,318	545,863
2001	330,003	206,571	536,574
Thereafter	<u>4,726,254</u>	<u>1,300,468</u>	<u>6,026,722</u>
Total	\$ <u>6,333,372</u>	\$ <u>2,489,068</u>	\$ <u>8,822,440</u>

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 1996 are as follows:

<u>Purpose</u>	<u>Amount</u>
Departmental equipment	\$ 4,545
Remodel public buildings	970
City Hall remodeling	4,000
Remodel public buildings	2,000
Departmental equipment	1,500
Milton Bradley Elementary	10,400,000 *
School department computer equipment	3,500,000
Remodel public building	1,060,000
Departmental equipment	530,000
Street construction	1,700,000
Sidewalk construction	500,000
Traffic signal replacement	150,000
Franconia and veterans golf courses	380,000
Sewer construction	40,000
Repair school roofs	835,000
Composting facility	400,000
Landfill closeout	5,000,000
Aerial mapping	445,000

(continued)

(continued)	<u>Purpose</u>	<u>Amount</u>
	North end industrial park	600,000
	Improvements to wastewater treatment plant	410,000
	Milton Bradley School increase	3,600,000 *
	Monarch High School acquisition	8,750,000 *
	Indian Orchard Elementary School architectural design and engineering	422,430
	Commerce High School architectural design and engineering	1,110,000
	Sumner Avenue School architectural design and engineering	422,430
	Chestnut Middle School architectural design and engineering	1,004,500
	Monarch High School renovation	24,250,000 *
	Five Mile Pond Park renovations	500,000
	Aeration basin upgrade	4,749,909
	Repair school roofs	835,000
	Construction of facility and trailway	250,000
	Develop and design computer software	242,000
	Appraisal costs for school purposes	100,000
	Remodel public buildings	3,996,400
	Tapley Street design and improvements	1,700,000
	Baseball stadium design and construction	2,000,000
	Forest Park aquatic garden restoration	800,000
	Departmental equipment	240,000
	Departmental equipment	627,000
	Acquire land - Boston Road/Parker Street	2,000,000
	Remodel public buildings	2,000,000
	Street construction	1,375,000
	Sidewalk construction	500,000
	Remodel public buildings	2,000,000
	Remodel/reconstruct Commerce High	31,900,000
	Removal/reconstruct Indian Orchard School	10,500,000
	Remodel/reconstruct New Chestnut Middle School	34,350,000
	Removal/reconstruct Sumner Avenue School	9,900,000
	Replace radio tower - Police Dept.	150,000
	Remodel/reconstruct Gerena School	10,000,000
	Infiltration/inflow pilot rehab.	400,000
	Aeration basin upgrade	1,406,585
	Dept. equipment - library and museums	300,000
	West Columbus urban renewal Amend. #3	9,700,000
	Furnish and equip High School tech/science	3,200,000
	Furnish and equip Milton Bradley School	1,500,000
	Hospital deficit bond	21,350,000 *
	Relocation - York St. pump station	7,000,000
	Land acquisition - Chestnut Middle School	<u>3,250,000 *</u>
	Total	\$ <u>234,344,269</u>

* Bond anticipation notes have been issued against these authorizations.

D. Overlapping Debt

The City's proportionate share of debt of other governmental units which provide services within the City's boundaries, and which must be borne by the resources of the City, is summarized below (in thousands of dollars) (unaudited):

<u>Related Entity</u>	<u>Total Principal</u>	<u>City's Percent</u>	<u>City's Share</u>
Hampden County	\$ 4,955	24.77%	\$ 1,227
Pioneer Valley Transit Authority	<u>15,000</u>	39.05%	<u>5,857</u>
Total	\$ <u>19,955</u>		\$ <u>7,084</u>

This liability is appropriately not reported in the accompanying financial statements.

E. Legal Debt Margin

The City is subject to the General Laws of the Commonwealth of Massachusetts which limits the amount of bonded debt the City may have outstanding to 5 percent of the valuation of taxable property as last equalized by the Commonwealth's Department of Revenue. The following is a computation of the legal debt margin as of June 30, 1996 (in thousands of dollars):

Equalized valuation - January 1, 1995		\$ <u>4,777,178</u>
Debt limit - 5% of equalized valuation		\$ 238,859
Total debt outstanding	76,404	
Less: debt exempt from limit	<u>(45,280)</u>	<u>(31,124)</u>
Legal Debt Margin		\$ <u>207,735</u>

F. Changes in General Long-Term Liabilities

During the year ended June 30, 1996, the following changes occurred in liabilities reported in the general long-term debt account group:

	Balance July 1, 1995 <u>Restated</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 1996
Notes payable	\$ -	\$ 15,000,000	\$ -	\$ 15,000,000
Due to other governments	2,164,818	1,021,550	421,820	2,764,548
Accrued employee benefits	3,909,001	1,542,109	-	5,451,110
General obligation debt	77,629,699	-	7,558,806	70,070,893
Capital leases	2,797,625	3,106,615	-	5,904,240
Landfill closure cost	4,490,899	264,170	-	4,755,069
Reserve for tax refund	<u>8,674,872</u>	<u>-</u>	<u>4,924,872</u>	<u>3,750,000</u>
Totals	<u>\$ 99,666,914</u>	<u>\$ 20,934,444</u>	<u>\$ 12,905,498</u>	<u>\$ 107,695,860</u>

The July 1, 1995 balance in general obligation debt has been restated to include a MWPAT loan of \$ 1,315,371 issued June 1, 1995.

16. Capital Lease Obligations

The City is the lessee of certain equipment under capital leases expiring in various years through 2005. Future minimum lease payments under the capital leases consisted of the following as of June 30, 1996:

1997	\$ 1,654,117
1998	1,170,690
1999	612,990
2000	582,020
2001	582,020
Thereafter	<u>1,414,962</u>
Total minimum lease payments	6,016,799
Less amount representing interest	(<u>112,559</u>)
Present Value of Minimum Lease Payments	\$ <u>5,904,240</u>

17. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as a liability in the general long-term debt account group in each period based on landfill capacity used as of each balance sheet date. In 1993, the City authorized borrowing \$ 5,000,000 to fund the expected costs of closure and monitoring.

The \$ 4,755,069 reported as landfill closure and post-closure care liability at June 30, 1996 represents that cumulative amount reported to date based on

the use of 90% of the estimated capacity of landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$ 528,341 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 1996. The City expects to close the landfill in the year 2003. The actual life of the landfill may be longer due to increased recycling efforts. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

18. Reserve for Tax Refunds

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

19. Other Liabilities

This balance consists primarily of accrued interest payable and unclaimed items (tailings).

20. Reserves and Designations of Fund Equity

The City has established "reserves" of fund equity to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The City reported the following types of reserves at June 30, 1996:

Reserved for Endowments - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

21. General Fund Undesignated Fund Balance

The undesignated general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

Massachusetts General Laws include provisions to allow municipalities to raise overexpended State and County assessment in the subsequent year's tax rate.

The following summarizes the specific differences between GAAP basis and statutory basis of reporting the general fund undesignated fund balance:

GAAP basis balance	\$ 10,738,424
State and County over/under assessments	<u>329,476</u>
Statutory (UMAS) Balance	\$ <u>11,067,900</u>

22. Beginning Fund Balance Restatement

The beginning (July 1, 1995) fund balances of the City have been restated as follows:

	<u>Nonexpendable Trust Fund</u>
As previously reported	\$ 485,724
To adjust investment balances to market value	<u>148,222</u>
As restated	\$ <u>633,946</u>

23. Segment Information For Enterprise Funds

The City maintains enterprise funds which provide water, sewer and solid waste disposal services. Segment information for the year ended June 30, 1996 follows (in thousands):

	<u>Water Fund</u>	<u>Parking Fund</u>	<u>Sewer Local Fund</u>	<u>Sewer Regional</u>	<u>Sewer Industrial</u>	<u>Total</u>
Operating revenues	\$ 11,919	\$ 441	\$ 8,869	\$ 17,537	\$ 534	\$ 39,300
Depreciation expense	-	-	-	307	-	307
Operating income (loss)	3,366	(315)	(2)	1,295	68	4,412
Net income (loss)	(3,902)	966	(2)	1,414	68	(1,456)
Total assets	84,181	41	6,277	57,157	26	147,682
Bonds payable	-	-	-	6,333	-	6,333
Interfund transfers	(7,316)	1,281	188	-	-	(5,847)
Retained earnings	19,592	(248)	(945)	(10,230)	(202)	7,967
Total equity	79,388	-	(200)	49,922	(189)	128,921

24. Subsequent Events

Temporary Debt

On July 12, 1996, the City renewed a \$ 20,000,000 bond anticipation note, with an interest rate of 4.6%, maturing on February 14, 1997. In addition, subsequent to June 30, 1996, the City has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$ 10,000,000	4.6%	7/12/96	7/11/97

Subsequent Budget Authorization

The financial statements for the City as of June 30, 1996 do not reflect the fiscal 1997 annual budget authorized in June 1996. The amount authorized in June 1996 (all funds) totaled \$ 331,292,263.

25. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits in which the City is involved. The City's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Springfield Municipal Hospital - In August 1996, the City signed a purchase and sale agreement with an independent purchaser for the sale of Municipal Hospital. The City expects the sale to be completed by December 1996. The City also estimates that any post-closure and accrued employee benefit costs related to the sale will be minimal. These costs are expected to be funded through annual appropriations or hospital deficit bond proceeds.

26. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available

to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The City funds all amounts of compensation deferred under the Plan, at the direction of the covered employee, through investments underwritten by the London Agency, Ltd.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City, subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

On August 20, 1996, the Small Business Reform Act changed Section 457 to require that all assets of a plan be held in a trust for the exclusive benefit of participants and their beneficiaries, thus eliminating the ability of the City's creditors to obtain funds from the plan.

The City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

27. Post-Retirement Health Care and Life Insurance Benefits

The City's employee contracts provide for health care and life insurance benefits to retirees, their dependent, or their survivors. These benefits are provided through the City's group plans. The cost of these benefits are included in the total cost of benefits for both active and retired employees. The number of participants currently eligible to receive benefits, and cost of benefits for retirees, their dependents, or their survivors for the year ended June 30, 1996 was not available.

28. Contributory Retirement System

A. Plan Description

Substantially all employees of the City (except teachers and administrators under contract employed by the School Department) are members of the Springfield Contributory Retirement System (SCRS), a cost sharing, multiple employer PERS. The retirement system is partially funded by employee contributions.

Eligible employees must participate in the SCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after reaching age 55 with 10 years of creditable service, or with no age requirement after 20 years of service. Members become vested after 10 full years of creditable service.

Retirement allowance is based on the following factors: age, length of creditable service, level of salary, and group classification. Age at retirement and group classification determine a benefit rate. This rate, multiplied by the length of creditable service, is multiplied by the average of the three highest (consecutive) years' compensation. Percentages are specified in Chapter 32 of the Massachusetts General Laws. Participants have three options for the allotment of their retirement allowance.

B. Contributions Required and Made

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross regular earnings into the pension fund. The percentage is determined by the participant's date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$ 30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
Since January 1, 1984	8%

The City makes annual contributions to the pension plan equal to the amount set forth in the funding schedule approved by PERA in fiscal 1995. The City currently owes the retirement system \$ 2,764,548 for prior fiscal years. This amount is reflected in the City's General Long-Term Debt Account Group.

The total contribution required for fiscal year 1996 was \$ 22,246,271: (\$ 15,939,471 from the City and \$ 6,306,800 from its employees). This figure represents approximately 19% (City) and 7% (employees) of the City's covered payroll of \$ 85,785,864 for the calendar year 1995. The total gross payroll for the period January 1, 1995 through December 31, 1995 was \$ 227,728,175.

C. Funding Status and Progress

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB-5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that

will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

The City accepted Section 22D of Chapter 32 of the Massachusetts General Laws in June 1992. This acceptance changes the funding of the Springfield Contributory Retirement System from "pay-as-you-go" to an actuarially determined funding schedule. The funding schedule was approved by the Public Employee Retirement Administration (PERA) and was in effect at the beginning of the City's fiscal year 1992.

The latest actuarial study was prepared by Coopers & Lybrand as of January 1, 1994. The funding schedule uses a 32-year amortization period to comply with the Chapter 697 requirement that the unfunded liability be fully amortized by June 30, 2029.

Accumulated plan benefits and plan net assets as of January 1, 1994 are presented below.

	<u>Unaudited</u>
Current employees:	
Employee contributions	\$ 68,180,880
Employer-financed - vested	23,400,763
Employer-financed - nonvested	45,089,489
Non-active participants:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits or a return of contributions	<u>156,277,425</u>
Total pension benefit obligation	292,948,557
Assets at market value as of January 1, 1994	<u>168,137,941</u>
Unfunded pension benefit obligation	\$ <u>124,810,616</u>

The principal actuarial assumptions used in the valuation and the contribution requirement are as follows:

- Amortization of unfunded actuarial liability
 - 15 year schedule of the unfunded liability for early retirement incentive
 - 32 year schedule for active and

- inactive unfunded liability
 - 1984 Unisex Pension Mortality Table with females set back 4 years and males set forward 1 year
- Mortality
- Inflation rate - 4.5% per annum
- Investment return - 8.5% per annum
- Salary increases - 6.0% per annum
- Disability, turnover and retirements based on an analysis of the system's experience.
- Interest rate credited to the Annuity Savings Fund - 2.5% per annum
- Asset valuation
 - Short-term securities valued at cost
 - Fixed income securities valued at amortized value
 - Equities valued at market value
- Cost of living increases have been assumed to be funded by the State.

D. Trend Information

Historical trend information for the Springfield Contributory Retirement System is presented below:

	<u>1995</u>	<u>1994</u>	<u>1993</u>
Net assets available for benefits as a percentage of the pension benefit obligation applicable to the City's employees	57.4%	57.4%	52.2%
Unfunded pension benefit obligation as a percentage of the City's annual covered payroll	145.5%	138.7%	170.0%
City's contribution to the pension plan as a percentage of annual covered payroll	18.6%	16.9%	18.5%

<u>January 1</u>	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1)/(2)	(4) Unfunded Pension Benefit Obligation (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a % of Covered Payroll (4)/(5)
1986	\$ 71,187,000	\$ 279,412,000	25.48%	\$ 208,225,000	\$ 73,304,000	284%
1990	114,439,173	260,553,413	43.92%	146,114,240	75,169,428	194%
1992	142,304,681	278,207,187	51.15%	135,902,506	81,979,502	166%
1993	151,322,331	289,821,000	52.21%	138,498,669	81,489,099	170%
1994	168,137,941	292,948,557	57.40%	124,810,616	89,978,000	139%

Information is only provided for those years in which an actuarial valuation or actuarial update was performed. Information prior to 1986 is not available.

E. Related-Party Investments

During calendar year 1995 and currently, the Springfield Contributory Retirement System holds no securities issued by the City or other related parties.

Teachers

As required by State statutes, teachers of the City are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees. The City is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Under the pension plan, benefits are vested immediately if the employee is under 55 years of age. Participants are eligible to receive a retirement allowance once they have completed 20 years of service or have reached age 55. If participants have joined the system since January 1, 1978, they must complete 10 years of service before receiving a retirement allowance.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participants date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1985-December 31, 1983	7%
Since January 1, 1984	8%

Effective January 1, 1990, all participants hired after January 1, 1979, must pay an additional 2% of salary in excess of \$ 30,000. The City's current year covered payroll for teachers was not available

29. Self Insurance

The City self insures for health insurance, contracting with an insurance carrier for excess liability coverage and claims processing. The self-insured health coverage is offered to City employees (active and retired). Under the terms of its insurance coverage, the City is liable for \$ 115,000 per individual, with a maximum per person lifetime coverage of \$ 3,000,000. One of the City's insurance plans is a retrospectively rated plan. In this type of plan, the City contributes a predetermined premium which is periodically adjusted to equal claims actually paid.

In fiscal year 1995, the City implemented GASB No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." Among other things, GASB 10 requires the City to report activity related to its self-insurance trust as an Internal Service (Proprietary) Fund. In addition, GASB 10 requires the City to accrue a liability for "incurred but not reported" (IBNR) claims. As a result, the City recorded a liability at June 30, 1996 of \$ 3,418,784 for IBNR claims.

The self-insurance fund equity reflected a deficit of approximately \$ 3,500,000 at June 30, 1996, which was the result of the accrual described above.

Claims Liability

Changes in the aggregate liability for claims for the year ended June 30, 1996 are as follows:

Claims liability, July 1, 1995	\$ 3,090,995
Claims incurred/recognized in fiscal year 1996	35,716,961
Claims paid in fiscal year 1996	<u>(35,389,172)</u>
Claims liability, June 30, 1996	\$ <u>3,418,784</u>

30. Special Legislation and Appropriations

Hospital Deficit Bonds

In 1996, the Commonwealth passed special legislation (Chapter 112) which allowed the City to issue up to \$ 30,000,00 in "Hospital Deficit" bonds. The act provides, among other things, that the bond proceeds be used to defray costs, expenses and liabilities of the Municipal Hospital or to fund deficits resulting directly or indirectly from hospital operations. At June 30, 1996, the City had issued \$ 21,350,000 in hospital deficit bond anticipation notes. The Massachusetts Department of Revenue has required the City to issue permanent bonds in fiscal year 1997.

Water and Sewer Commission

In March 1996, the City Council and Mayor approved acceptance of MGL Ch. 40 N, the "Model Water and Sewer Reorganization Act." Acceptance of this legislation established a separate body politic known as the Water and Sewer Commission of Springfield (the Commission).

In June 1996, the Commission authorized payment of \$ 7,315,933 to the City of Springfield as reimbursement for costs incurred by the City's general fund to construct and install various water and sewer infrastructure. In return for this payment, the Commission was given all rights, title and interest in this infrastructure. The transfer of funds is reflected in the City's 1996 financial statements. The City intends to use the transfer in its fiscal year 1997 budget to fund the teachers' deferral and Chapter 656 budgetary deficits.

While the Commission was established as a separate entity effective in fiscal year 1997, financial activities are not expected to be fully separated from the City's records until fiscal year 1998.