

# **CITY OF SPRINGFIELD, MASSACHUSETTS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

On the cover: A view of downtown Springfield from the historic McKnight neighborhood.



A view of downtown Springfield from the Memorial Bridge.

# **City of Springfield, Massachusetts**

## **Comprehensive Annual Financial Report**

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



**Prepared by:**

The Comptroller's Office of the City of Springfield, Massachusetts

CITY OF SPRINGFIELD, MASSACHUSETTS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2012

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# ***Introductory Section***



The Springfield Armory, the first armory in the nation commissioned by General George Washington in 1777.

**City of Springfield, Massachusetts  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2012**



An aerial view of the Basketball Hall of Fame Located on the water front.

# ***Introductory Section***

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# *The City of Springfield*

## *Department of Administration and Finance*

*36 Court Street, Room 312*

*Springfield, MA 01103*

LEE C. ERDMANN  
CHIEF ADMINISTRATIVE  
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### **Letter of Transmittal**

December 27, 2012

To the Honorable Mayor, Members of the City Council and Citizens of the City of Springfield, Massachusetts:

At the close of each fiscal year, Massachusetts General Law (MGL) requires the City of Springfield to publish a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), and that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the **Comprehensive Annual Financial Report (CAFR)** of the City of Springfield, Massachusetts, for the fiscal year ending June 30, 2012.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP.

The City of Springfield's financial statements have been audited by Powers & Sullivan, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Powers & Sullivan concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. An "unqualified opinion" means that the Auditors have no significant reservation regarding information provided in the financial statements. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Springfield's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement that analysis and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the City**

The City of Springfield is located in western Massachusetts along the east bank of the Connecticut River. Strategically Located, Springfield lies 90 miles west of Boston, 85 miles east of Albany, New York, 25 miles north of Hartford, Connecticut, 150 miles northeast of New York City, and 301 miles south of Montreal, Quebec, Canada. The City occupies a land area of approximately 33 square miles. The City is served by Bradley International Airport which is within 20 miles of downtown Springfield

Settled in 1636, Springfield is the cultural, commercial, and healthcare center of western Massachusetts. Springfield was incorporated as a town in 1641 and as city in 1852. In 2010, the City had a population of 153,060 making it the third largest city in The Commonwealth of Massachusetts. In 2009, Greater Springfield's population was estimated at 698,903. The City is governed by its Massachusetts Plan "A" charter, where voters elect a "strong" Mayor with broad powers to supervise City departments and to appoint their managers. A thirteen-member City Council, elected at large, serves as a Representative legislature.

The Springfield Metropolitan Area is one of the two metropolitan areas in Massachusetts – the other is Greater Boston. Historically the first Springfield in the New World, it is the largest city in Western New England, and the urban, economic, and cultural capital of Massachusetts' Connecticut River Valley, (colloquially known as the Pioneer Valley). It is the third largest city in Massachusetts and fourth largest in New England (after Boston, Worcester and Providence). Springfield has several nicknames – The City of Firsts, because of its many innovations, The City of Homes, due to its attractive Victorian residential architecture.

The City of Springfield has played an important role throughout American history – founded on New England's most fertile soil, next to one of America's most significant rivers, Springfield is located midway between the major North American ports of New York City, Boston, Albany, and Montreal. In 1777, Springfield's prime location led George Washington and Henry Knox to found the fledgling United States' National Armory at Springfield, which produced the first American musket in 1794, and later the famous Springfield rifle. From 1777 until its controversial closing during the Vietnam War, the Springfield Armory attracted skilled laborers to Springfield, making it the United States' longtime epicenter for precision manufacturing. Springfielders produced many of America's most significant innovations, including the first American-English dictionary (1805, Merriam Webster); the first use of interchangeable parts and the assembly line in manufacturing, (1819, Thomas Blanchard;) the first American horseless car, (1825, Thomas Blanchard;) the discovery and patent of vulcanized rubber, (1844, Charles Goodyear;) the first American, gasoline-powered car, (1893, Duryea Brothers); the first successful motorcycle company, (1901, "Indian"); America's first commercial radio station, (1921, WBZA from the Hotel Kimball); and most famously basketball, (1891, Dr. James Naismith).

### **Profile of Government**

The City of Springfield is governed by its Massachusetts Plan "A" charter, where voters elect a "strong" Mayor with broad powers to supervise City departments and to appoint their managers. A thirteen-member City Council serves as a representative legislature. With the enactment of Chapter 169 of the Acts of 2004 and the appointment of the Springfield Finance Control Board (SFCB), the authority of the City's executive officers and the City Council over financial matters was largely pre-empted by that of the SFCB between 2004 and 2009. The SFCB was dissolved effective June 30, 2009, and authority over financial matters returned to local control.

The Mayor is elected for four years in November with the latest term starting in January 2012. The Mayor is the administrative head of the City and chairman ex-officio of the School Committee, the Board of Library Trustees, and the Board of Trust Fund Commissioners. The Mayor acts with the City Council and School Committee to carry out city business. The Mayor appoints his or her office staff, the City Solicitor, and the Assistant City Solicitor without City Council confirmation. The appointments of most City department heads, and members of the various boards and commissions, however, require City Council confirmation. The Mayor has the right to veto any order, resolution, or ordinance passed by the Council. However, a veto may be overturned by a two-thirds

vote of all councilors. As the general administrator of all City departments, the Mayor is consulted by department heads pertaining to the City's welfare.

On January 9, 2009, the Commonwealth enacted Chapter 468 of the Acts of 2008. This legislation included the creation of the Chief Administrative and Financial Officer (CAFO) position and a Department of Administration and Finance, which is responsible for the overall budgetary and financial administration of the city. This department is under the control of the CAFO, who reports to the Mayor. The CAFO is appointed to a term no longer than three years. The CAFO is responsible for administering and supervising the City's financial services, which includes developing department's budgets, monitoring expenditures and implementing and maintaining uniform financial systems and control for all departments. The CAFO is also required to submit a four year financial plan and a five year capital plan to the Mayor and the city council.

The City Council is primarily the legislative branch of the City government. As the legislative body, the Council confirms appointments made by the Mayor and appropriates all monies necessary to City operation. It can approve, disapprove, or reduce the amount of appropriations, but not add to the appropriation. The Council receives orders of recommendation by the Mayor and petitions from the public, and acts on them after committee study. The City Council also has the power to enact the Ordinances and other regulations. A majority of the City Council constitutes a quorum, and the affirmative vote of a majority of all the members of the Council is necessary for the adoption of any motion resolution, or ordinance. In some instances, adoption by a two-thirds vote of the members is required by statute.

The level of budgetary control is established by City Council and defines the level at which expenditures may not exceed appropriations. The level is typically personnel services, expenditures, and capital at the individual department level. The City Comptroller's office is responsible for ensuring the budgetary controls are maintained before authorizing payment.

The City provides general governmental services for the territory within its boundaries including police and fire protection, disposal of garbage and rubbish, public education in grades K-12, including vocational technical education at the high school level, street maintenance, parks and recreation facilities. The fire department operates eight stations. Springfield also provides a library system with a main library and nine branches. Water and sewer facilities are provided to Springfield residents and five surrounding communities by the Springfield Water and Sewer Commission.

### **Local Economy**

Springfield is the regional employment center for Western Massachusetts, with a diverse and balanced mix of financial, manufacturing, commercial and service trade industries. The financial sector is characterized by a strong presence of insurance and regional banking operations that have continued to expand led by Massachusetts Mutual Insurance Company, Bank of America, and TD Bank. Springfield also serves as the largest manufacturing employer in the region producing a wide range of precision-manufactured parts, medical devices, chemicals, paper and metal products. The technology industry continues to experience sustained growth and through Springfield Technical Community College's nationally recognized expertise in technology education, Springfield is poised for future advances in information technology. Tourism continues to be an important component of the City's economic health due to the opening of the Mass Mutual Convention Center, Naismith Memorial Basketball Hall of Fame, Dr. Seuss Memorial Park and the success of the Six Flags Amusement Park in nearby Agawam. Marketing has been implemented as a facet of economic development to promote positive awareness of the City as a residential, commercial and recreational destination.

### **Technology**

Springfield Technical Community College Technology Park provides 465,000 square feet of lease space for telecommunication technology-based and light manufacturing companies. Currently the Technology Park is home to 23 tenant companies employing over 1,200 employees. Liberty Mutual, a fortune 100 company, established a Customer Response Center at the site. Complementing the city's existing technological infrastructure, the Commonwealth announced in 2010 the redevelopment of the former Tech High School into the state's new \$76 million data center. The center will house virtually all of the state's electronic records. The local facility is expected to generate about 70 full-time jobs. Construction will take two years and will employ another 200 people. Additionally, in 2009 the Massachusetts Broadband Institute (MBI), a division of Massachusetts Technology

Collaborative began a \$71.6 million project connecting 120 communities in western and north-central Massachusetts with more than 1,300 miles of fiber optic network.

### ***Manufacturing***

Approximately 15% of the City is zoned for industrial uses; employment in the sector has increased primarily among small and start-up companies, and remains an important sector of Springfield's economy providing jobs and income for the City. Major manufacturers in Springfield include:

- Smith and Wesson 1,300 employees
- Solutia Chemical 750 employees
- Farmland Foods 282 employees
- Nu Visions 219 employees
- TiteFlex 100 employees
- Clarity Imaging 130 employees

In 2010, City officials and the Commonwealth completed incentive proposals for Smith & Wesson Corporation and TiteFlex. TiteFlex agreed to remain in the City, invest \$3.4 million into their property, retain 100 manufacturing positions and demolish underutilized facilities on their property to create more available industrial space. The City proposed a multi-year Tax Increment Finance agreement that will save the company approximately \$300,000 in local property taxes. The company has since completed the work, invested \$4.1 million, retained all jobs and added an additional 20 positions.

In December, Smith & Wesson Corporation and the city announced the company's decision to relocate their long barrel rifle business from Rochester, New Hampshire to Springfield resulting in the creation of 225 new jobs in Springfield. The company also committed to investing an additional \$63 million dollars into facility improvements and new technology over the next five years. The Commonwealth approved \$6 million in tax credits and the City was poised to approve a 5-year STA agreement resulting in \$600,000 in savings to the company. Smith & Wesson has enjoyed continued growth over the last five years and is actively engaged with Springfield's Putnam Vocational Technical High School and Springfield Technical Community College to create training programs for new machinists. Smith & Wesson donated \$250,000 for equipment needs in the new Putnam High School that formally opened in August, 2012.

Recognizing the demand for new industrial land, in 2003 the City created the Springfield Smith & Wesson Industrial Park on 85 acres, next to the Smith & Wesson headquarters. The new park has the potential to produce 650,000 square feet of industrial, commercial and general office space and generate as many as 1,000 jobs. Grants in the amount of \$2.48 million from the Federal Economic Development Administration (EDA) and a Public Works Economic Development grant (PWED) was used to design and build the infrastructure in the park. The first investor was Performance Food Group (PFG) – a Fortune 500 company - purchased 35 acres and opened a 210K square foot facility in 2007. F.W. Webb has agreed to purchase 15 acres of the property for \$1,000,000 from the Springfield Redevelopment Authority to build a 70,000 square foot facility with showroom.

The Chicopee River Business Park, shared by Springfield and Chicopee, is ready for development and continues to be marketed by both cities and the Western Massachusetts Economic Development Corporation. The first tenant was Prima North America, an industrial laser company. Since its opening in 2003, the company expanded its building to 86,000 square feet.

### ***Housing Development***

A number of major single family development projects and rental housing rehabilitation and construction projects are currently underway or were recently completed in the City, aggregating 219 homes with work completed valued at an average of about \$134,500 each. It was estimated at the time the permits were issued that approximately \$40 million of private investment would be directed toward the construction and/or rehabilitation of 1,107 residential structures. A new downtown market rate housing complex is under construction with the redevelopment of 195 State Street, the former Springfield School Department Headquarters. The historic property will undergo an estimated \$3 million worth of renovations in being transformed to 33 market rate housing units by developer CSM North.

### ***Higher Education***

Higher education is available in Springfield at American International College, Springfield College, Western New England University and School of Law and Springfield Technical Community College. In addition, the main campuses of the University of Massachusetts (UMass-Amherst), Amherst College, Hampshire College, Mount Holyoke College, Smith College, Bay Path College, Elms College and Westfield State University are located in nearby communities. In 2010 UMass-Amherst established a presence in the City's downtown with the Urban Design Center. Enrollment at Springfield's institutions of higher education is approximately 19,000 full and part-time students. During the past several years, all three Colleges and the University have upgraded and expanded their facilities to accommodate student needs and remain competitive. In addition, a number of construction projects are underway or in the planning stages at these institutions.

### ***Healthcare and Social Assistance***

Baystate Health Systems is one of the largest employers in Western Massachusetts with approximately 9,115 employees in the region, of which an estimated 8,772 work in Springfield. In recent years, Baystate Health Systems was named one of the "Top 100 Most Highly Integrated Healthcare Networks" in the U.S. by Verispan for the eighth consecutive year and one of "America's Best Hospitals" by U.S. News and World Report. In 2007, Baystate Health Systems announced a \$259 million expansion of the Baystate Medical Center in Springfield. The project will expand the largest medical facility in Western Massachusetts with a new eight story, 600,000 square foot building. The expansion will provide 200 construction jobs plus permanent employment for 50 doctors and 500 staff members. The new wing opened in December 2012.

### ***Leisure and Hospitality***

Springfield has in excess of 300 leisure and hospitality firms employing in excess of 5,000 persons. The opening of the Naismith Basketball Hall of Fame in September 2002 marked a milestone for Springfield's tourism economy. Located inside the Hall of Fame complex, it contains 100,000 square feet of exhibition space. In addition, occupants of the complex include Subway, Samuel's Tavern, Reebok, Plan B Burger, Cold Stone Creamery, and Max's Tavern. In March 2008, the City completed the demolition of the former York Street Jail in anticipation of the potential redevelopment of a 3.3 acre parcel at the southern end of the site. The River's Landing Project, completed in the spring of 2008 is a \$14 million sports, fitness and entertainment destination in the former Naismith Memorial Basketball Hall of Fame along the City's waterfront. This 70,000 square foot entertainment and fitness center contains a LA Fitness facility, Mama Iguana's restaurant, and a Trillium Sports Medicine and Day Spa. A July 2001 economic analysis of downtown Springfield prepared by the Cecil Group, Inc. of Boston found that Springfield had a strong market for additional hotel development and tourism/entertainment related services. Since the report was completed, Springfield has continued to strengthen this sector of its economy with the opening of the new Basketball Hall of Fame, a Visitor Information Center, the Dr. Seuss Memorial Park, a Hilton Garden Inn, and a 3.5 mile bikeway/walkway that stretches the length of the Connecticut River in Springfield. Each of these projects complement the expanded Six Flags Amusement Park located across the river in Agawam, which attracts over one million visitors each year.

In addition, the Legislation enacted in 2011 is hoped to have a direct economic benefit to the City in the coming years. Currently, two major casino companies have submitted proposals for casino development in either the City's North End or South End of the downtown. Both proposals seek to invest over \$800 million in development along with bringing hundreds of jobs at all skill levels to the area. The City has hired a consultant to help evaluate the proposals and to develop a host agreement for the City. A casino must be voted on by either the impacted neighborhood or City-wide which has yet to be determined.

### ***Government Projects***

The State has and continues to be a strong partner and advocate in the disaster recovery efforts of the City as it continues to recover from the June 2011 tornado and October 2011 snow storm. The tornado, estimated to cost the City a total of \$89 million in damages, impacted two schools and the local armory, which was being used as a community center, along with various emergency protective measures such as police, fire and code enforcement support. The Elias Brookings Elementary School was a three story, 85-year old school directly in the path of the tornado. Based on the need to update the building to current codes and standards, and the fact that enrollment was higher than the current school could accommodate, the decision was made to build a new school for the neighborhood, as opposed to repairing the damaged building. The MSBA approved the \$27 million project and will provide 80% reimbursement to the City.

In addition to the Brookings project, the Mary Dryden Elementary School lost an entire wing of the building as a result of the tornado. The MSBA approved the rebuilding of the wing at a cost of approximately \$15 million, and will provide 80% reimbursement to the City.

In the meantime, both Schools are utilizing portable classrooms for the students during the current school year through the completion of the two projects.

In addition to School projects, the City recently authorized funding for the redevelopment of Union Station. The project, estimated to cost over \$78 million will be completed in two phases which will restore the terminal and central concourse along with demolishing the baggage claim to provide space for the bus terminal and parking. The project will integrate intercity rail service, PVTA bus service and Peter Pan bus service into one area.

### **Financial Overview**

Within 170 days after the annual organization of the city government (which is ordinarily in early January), the Mayor is required to submit a budget of proposed expenditures for the fiscal year beginning on July 1. The city council may make appropriations for the recommended purposes and may reduce or reject any item. Without a recommendation of the Mayor, the council may not make any appropriation for a purpose not included in the proposed budget, except by a two-thirds vote in case of a failure of the Mayor to recommend an appropriation for such a purpose within 7 days after a request from the city council. The council may not increase any item without the recommendation of the Mayor (except as provided by legislation, subject to local acceptance, under which the school budget or regional school district assessment can be increased upon recommendation of the school committee or regional district school committee and by two-thirds vote of the council, provided that such increase does not cause the total annual budget to exceed property tax limitations). If the council fails to act on any item of the proposed budget within 45 days, that item takes effect. If the Mayor does not make a timely budget submission, provision is made for preparation of a budget by the council. Provision is also made for supplementary appropriations upon recommendation of the Mayor.

As a result of an initiative law adopted in November 1980, school committees are no longer autonomous with respect to school expenditures for current purposes. The school budget is limited to the total amount appropriated by the city council, but the school committee retains full power to allocate the funds appropriated. City department heads are generally required to submit their budget requests to the Mayor in January. This does not apply to the school department, which must submit its requests in time for the Mayor to include them in his submission to the council. State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy.

### *History of Prior Financial Problems (1989-2004)*

Since 1989 the City has experienced varying periods of financial stress. Contributing factors included the regional economic downturn, increases in employee health care costs, cutbacks in state aid and deficits associated with the operation of a municipal hospital. The City undertook a series of steps between 1989 and 1995 to address these issues, but a structural imbalance remained into FY96. In response, the City sold its municipal hospital in 1996 to end the structural deficits this enterprise was creating for the City. The State Legislature acted in 1989 to assist the City in overcoming its financial difficulties. Chapter 656 of the Acts of 1989 established a Department of Finance under the direction of a Chief Financial Officer. The position of Chief Financial Officer allowed the City to consolidate and centralize financial management under a professional with specific skills and experience as a financial manager. Chapter 656 of the Acts of 1989 also provided for the consolidation of personnel activities under the City's Human Resources Director. Both operational reforms were designed to improve the City's ability to manage two of its largest and most important areas – finance and personnel. Chapter 656 also established a fiscal stability reserve fund and created personal liability for department heads who failed to manage within their budgets. The Chapter 656 reserve is currently 1 percent of the gross amount to be raised as shown on the assessors' tax recapitulation sheet approved by the Department of Revenue. During FY96 it was determined that various hospital revenue deficits from prior years had not been raised as required by Massachusetts General Law. The City sought and received special legislative authority to issue in June 1996 deficit notes to eliminate this deficit and permit its amortization over a ten year period. In addition to budgetary reductions, service shedding through sale of the municipal hospital and operational reforms, the City undertook a successful operational

override of Proposition 2 ½ in June 1990. This created \$10.8 million in additional, recurring, tax revenue. Combined with the issuance of deficit notes, these actions assisted the City in achieving some financial flexibility and stability. In FY03, the Commonwealth received lower than anticipated revenue. The State Legislature authorized the Governor to make significant budgetary reductions to compensate for this loss of revenue, including significant reductions in the amount of state aid originally appropriated for cities and towns. As a result, state aid for Springfield was reduced by \$3.4 million mid-year, after its tax rate had been set. The City took steps to reduce expenditures to absorb the cuts and in doing so, reduced its workforce by 295 employees. This reduced expenditures by approximately \$2.5 million. The City saved another \$1.5 million by reducing work hours for some personnel, reducing non-personnel expenditures, and through the receipt of additional grant funds. Continued changes in the local economy, significant growth in certain cost areas and management difficulty continued to impact the City's financial performance. In FY04 these difficulties resulted in a budget deficit of approximately \$20 million. Exercising authority granted to the City under Chapter 656 of the Acts of 1989, the City imposed a wage freeze on all collective bargaining units, and utilized non-recurring revenue to address this deficit.

### *Springfield Finance Control Board (SFCB)*

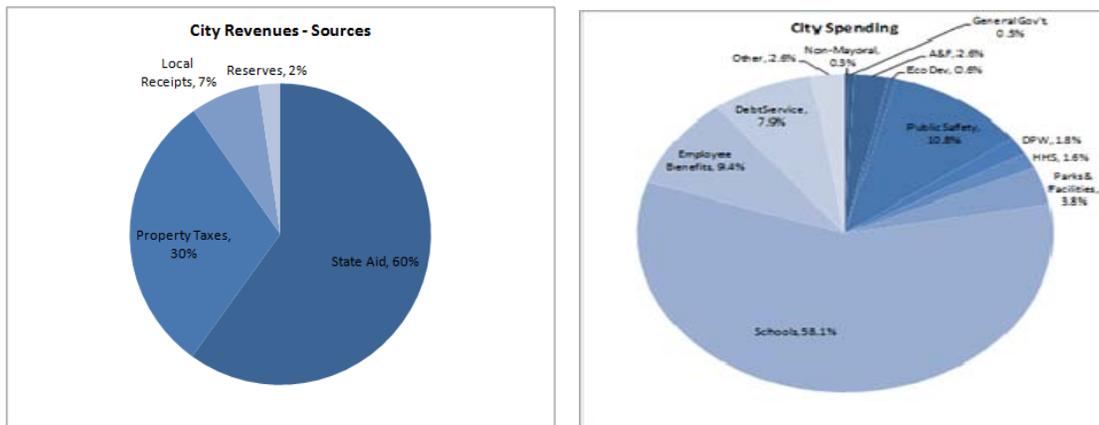
Over two decades, the City of Springfield experienced varying periods of financial stress, culminating in a \$41 million deficit for FY05. In response to this fiscal crisis on June 9, 2004, the Massachusetts Legislature enacted Chapter 169 of the Acts of 2004, An Act Relative to the Financial Stability of the City of Springfield. This legislation provided a \$52 million no interest loan to the City and created the SFCB. The SFCB consisted of five members including the Mayor, the President of the City Council and three members appointed by the Secretary of Administration and Finance. The SFCB acts by a majority vote of its members. The SFCB dissolved June 30, 2009. The \$52 million Loan was deposited into a Trust Fund which was subject to the control of the Secretary and from which interest-free loans were disbursed to the City from time to time on terms and conditions determined by the SFCB and approved by the Secretary. Over the ensuing years, the SFCB improved the City's finances by renegotiating all collective bargaining agreements; implementing an integrated financial software system MUNIS; collecting tens of millions of dollars in unpaid taxes; investing in infrastructure through the Capital Improvement Plan; restructuring the City's debt structure; enrolling in the state Group Insurance Commission (GIC) for group health insurance; consistently certifying Free Cash and steadily increasing the reserves each year; implementing a time and attendance system; and improving the effectiveness and efficiency of delivering municipal services through a variety of means, including the establishment of the CitiStat Department and 311 Call Center.

In anticipation of the expiration of the SFCB on June 30, 2009 and continuing a structured transition to local control July 1, 2009, on January 9, 2009, the Commonwealth enacted Chapter 468 of the Acts of 2008 (Chapter 468). This legislation included a series of governance changes, including the creation of the CAFO and the affirmation of the Director of Internal Audit and Comptroller positions created by the SFCB. In addition, the legislation extended the \$52 million loan payback schedule from five years to fifteen years. The CAFO is responsible for administering and supervising the City's financial services, which includes developing department budgets, monitoring expenditures, reviewing transfers and allotments and implementing and maintaining uniform financial systems and controls for all departments. The CAFO is also required to submit a four year financial plan and a five year capital plan to the Mayor and city council. The Board of Assessors, Treasurer/Collector, Budget Director, Comptroller, Director of Information Technology, Office of Procurement, Director of Human Resources, Labor Relations Director, Director of Capital Asset Construction and any other positions or departments approved by the Mayor are under the direction of the CAFO. The business and financial services of the School Department are under the authority of the CAFO as well. The City and school financial operations were formally consolidated by a vote of the school committee on December 2, 2010, and are overseen by the Director of Finance pursuant to an interdepartmental agreement. The Office of Comptroller is responsible for maintaining the City's financial records, including the general ledger and subsidiary ledgers, verifying that all payments are lawful and funding exists, and preparing financial statements and reports. The Director of Internal Audit examines the City's financial records and conducts financial and performance audits to prevent and detect waste, fraud and abuse as well as improve the efficiency, effectiveness and quality of municipal services. The Director of Internal Audit is also responsible for administering the City's Fraud Hotline. Previously, the responsibilities of Comptroller and Director of Internal Audit were combined under the position of City Auditor.

*Budget Highlights*

- Fiscal Year 2011** - The City Council approved its first budget under local control for FY11 totaling \$533.5 million. At the beginning of the budget process in January 2010, initial estimates suggested a \$45.5 million gap based on departmental budget requests and revenue projections. This gap was closed by a careful review of all spending and revenue and use of Municipal Relief in the City's pension schedule offered by the Commonwealth, along with a conservative use of reserves. The FY11 adopted budget experienced a drop in the budgeted levy based on initial projections by the Assessor's office. This reduction was built into the initial budget planning and spending was adjusted accordingly. In the fall of 2010 as part of the tax rate setting process, the tax levy was finalized and did not see the magnitude of the reduction originally projected during the budget process. Overall, state aid increased by 1.2%, the major driver of which was the increase in Chapter 70 aid, which increased by \$5.2 million or 2% over FY10. Unrestricted General Government Aid decreased by \$1.3 million or 4% below FY10. This represented the fourth consecutive year of reductions in this category totaling 30% since fiscal year 2008. The City utilized \$12.5 million in stabilization reserves to balance the FY11 budget. The FY11 adopted budget included appropriations 1.2% higher than FY10. Employee costs continue to be the main driver of the City's expenses, with 1,460 budgeted employees. Collective bargaining increases were honored within this year's budget, that range from 2.0 to 2.5% increases across all unions. This City maintains its health insurance with the State's GIC that has increased at lesser amounts than experienced prior to joining the GIC. Enrollment in health insurance this year has experienced increases due to health insurance changes at other local businesses, however, that has been offset by the City's policy to educate employees about less expensive plans. This year the City's pension schedule increased by 9%, however, the funding schedule was also extended to 2039 per State legislation; otherwise a more significant increase would have been budgeted. Although the City has been aggressive about debt restructuring and is currently on a declining schedule, there was a 2.9% budgeted increase to account for the Qualified School Construction Bonds issued at the end of FY10. The City continues to support the trash fee enterprise fund with a supplement of \$4.6 million in fiscal year 2011. A \$75 trash fee and late fees and interest payments will support the remaining trash costs of \$3.7 million. On June 1, 2011, the City experienced a category F3 tornado that impacted a 1 mile swath across the entire City. Estimated costs to the City total \$89 million. The City has segregated all tornado related costs and is continuing recovery efforts which will include Federal and State reimbursements.

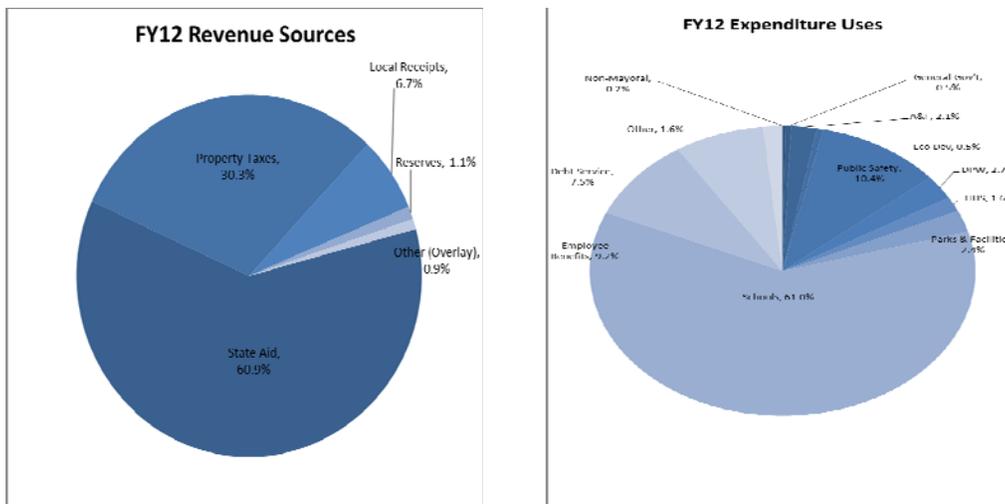
**FY11 Sources & Uses**



- Fiscal Year 2012** - On May 16, 2011, the Mayor presented the FY12 budget recommendation to the City Council. The FY12 budget recommendation totaled \$544.9 million and represented a 2.1% increase over the FY11 Adopted budget and a 0.7% decrease from the FY11 Projected Budget for the City. The City began the budget process with a projected \$49.4 million gap driven by increases in spending for health insurances and departmental fixed costs and revenue decreases assuming no reserves would be used, the trash fee would be eliminated, State Aid would be reduced and locally generated revenue would remain level. Ultimately, \$25.6 million in spending reductions were implemented including updating the pension valuation schedule based on a 2039 schedule, updating health insurance estimates based on approved GIC rates, elimination of

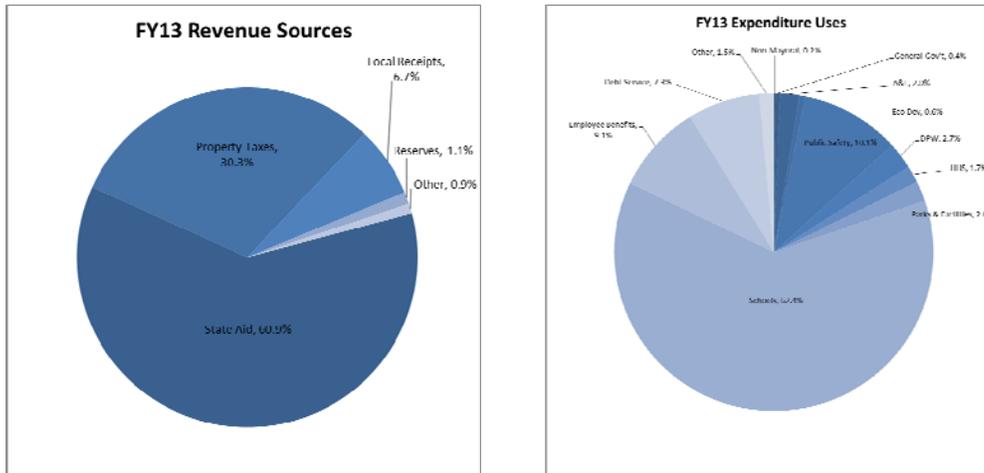
vacant positions, 13.5 layoffs, a wage freeze and 12 furlough days, tiered by salary, for non-bargaining employees and departmental budget reductions to supplies, professional services, training, travel, and overtime, among other categories. In addition, revenue solutions including updated locally generated revenue based on actual collections, implementing the trash fee in the same \$75 structure as the current year and using \$6.2 million in stabilization reserves and \$5 million in overlay surplus certified by the Board of Assessors, balanced the FY12 budget. The City continues to be reliant on State Aid for 60% of its revenue. The State FY12 budget reduced Unrestricted General Government Aid by 7.2%. The City is currently at its Levy ceiling and could not recognize new growth as part the FY12 tax rate setting process. The City continues to maintain a healthy reserve balance but FY11 will be the first year that the City will not re-pay what was borrowed to balance the budget. On June 22, the City Council held its formal budget meeting to adopt an FY12 budget. Before adoption, the Council voted to reduce the budget by \$2.7 million which included a 5% across the board reduction to all departmental “other than personal services” accounts, the elimination of the CitiStat department and other targeted reductions in Finance, Audit, Information Technology and Procurement, among others. With these reductions the bottom line of the FY12 budget is \$542,203,022 which is a 1.6% increase from the FY11 adopted budget.

### FY12 Sources & Uses



- Fiscal Year 2013 -** The Mayor's Recommended Budget for Fiscal Year 13 is \$551,776,343. This represents a 1.8% increase over the FY12 Adopted Budget and a 1.8% decrease from the FY12 Projected Budget. For FY13, the projected gap at the beginning of the process totaled \$30.1 million. A balanced approach was used to solve the projected budget gap. This approach relied upon spending reductions, revenue increases and a use of stabilization reserves. All of these things were considered in the context of providing vital programs and services to the City with the intention of minimizing layoffs that would impact vital services. Every department was impacted by budget reductions in the Fiscal Year 2013 budget planning process. Including \$10.2 million in reductions from personal services (salaries, benefits, elimination of vacant positions, layoffs), \$4.6 million in reductions from other than personal services (OTPS), and \$269,000 in reductions to capital expenditures. Overall, the budget reductions across departments impacted 108.0 requested FTEs which are divided into the elimination of 96.0 FTE vacancies and the layoff of 12.0 FTEs. The General Fund FTE complement is at its lowest to date at 1,207.3 FTEs. That is a reduction of 374 FTEs (-24%) since Fiscal Year 2008. The City is using a total of \$8 million in reserves from its \$40 million reserve account. This amount leaves the fund balance at 6% of the overall budget which complies with the City's financial ordinances. Utilizing reserves is necessary to fund programs and services that would otherwise be decimated by that level of reductions. The City utilized revenue growth intuitive including enacting the final municipal partnership act local option for an increase to the hotel/motel tax from 4% to 5%, an increase to the trash fee from \$75 to \$90, and targeted increases in Departmental Fees. The City is currently at its Levy ceiling and could not recognize new growth as part the FY13 tax rate setting process. On June 29, the City Council held its formal budget meeting to adopt an FY13 budget. The Council approved the Mayor's budget as submitted.

## FY13 Sources & Uses



### Long Term Financial Planning

The City's Chief Administrative and Financial Officer and Finance Department prepares a 4-year forecast and updates it annually. The instrument provides an initial roadmap of the City's financial future, aids in planning for upcoming budget years, and provides stakeholders with information about the upcoming challenges facing the City. The City engages in the planning process to illustrate how budget and operational decisions today impact the City in the future. The process and the final report helps the City understand and think through budget decisions. By knowing the projected gap in the future, the City is required to make decisions that may not have an immediate impact but will help alleviate future budgetary gaps. The plan outlines and explores the environment the City operates in (the nationwide economic situation, upcoming issues, the state economy) and the environment's impact on the City's future.

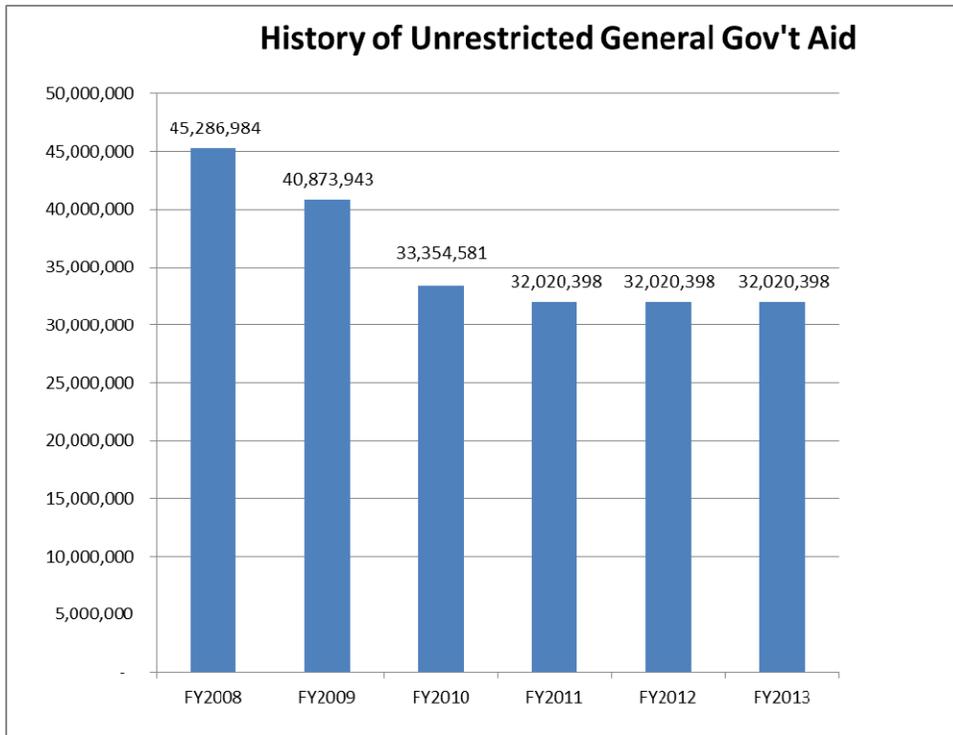
	FISCAL 2013 REVISED	FISCAL 2014 MYFP - PROJECTED	FISCAL 2015 MYFP - PROJECTED	FISCAL 2016 MYFP - PROJECTED	FISCAL 2017 MYFP - PROJECTED
<b>SPENDING ASSUMPTIONS</b>					
Administration and Finance Division	10,789,975	11,515,775	11,740,090	11,968,892	12,052,270
Development Division	3,266,558	3,581,889	3,653,527	3,726,598	3,801,130
General Government Division	2,727,209	2,645,254	2,598,159	2,650,122	2,703,124
Non-Mayoral Division	1,226,186	1,250,710	1,275,724	1,301,238	1,327,263
Health and Human Services Division	9,760,596	10,865,808	11,508,124	12,163,286	12,831,552
Public Safety Division	55,751,491	61,018,463	62,535,072	64,089,420	65,682,446
Public Works Division	15,262,753	15,883,008	16,200,668	16,524,682	16,855,176
Parks & Facilities Division	11,265,122	12,215,424	12,459,732	12,708,927	12,963,106
School Department	354,286,266	355,821,454	364,969,488	374,489,716	384,543,757
Debt	40,381,571	40,381,571	40,381,571	40,381,571	40,381,571
Health Insurance & Fringe	25,365,377	26,582,920	27,793,162	29,063,917	30,398,209
Pensions	24,622,157	25,561,067	26,824,120	28,415,567	30,102,502
Other Spending	7,971,082	8,324,656	8,430,554	8,539,439	8,650,890
<b>TOTAL</b>	<b>562,676,343</b>	<b>575,647,997</b>	<b>590,369,992</b>	<b>606,023,375</b>	<b>622,292,995</b>
<b>REVENUE ASSUMPTIONS</b>					
Property Taxes	157,492,170	161,908,833	161,908,833	161,908,833	161,908,833
Local Receipts	39,275,508	34,354,951	34,322,951	34,322,951	34,322,951
State Aid	341,713,665	351,573,498	358,272,711	364,880,213	371,867,211
Reserves	8,575,000	5,000,000	2,000,000	-	-
Net School Spending	10,000,000	-	-	-	-
Other Financing Sources	5,620,000	2,000,000	1,500,000	-	-
<b>TOTAL</b>	<b>562,676,343</b>	<b>554,837,282</b>	<b>558,004,495</b>	<b>561,111,997</b>	<b>568,098,995</b>
<b>SURPLUS / (GAP)</b>	<b>0</b>	<b>(20,810,715)</b>	<b>(32,365,497)</b>	<b>(44,911,379)</b>	<b>(54,194,000)</b>

As with any large organization long-term liabilities are continually evaluated and help drive decisions on current year services.

- Property Tax Limitations** - From 1996 to 2000 Springfield's tax levy was up against its 2.5 percent levy ceiling, limiting the City's ability to increase property taxes. Since 2004, the City increased its room between the tax levy and the tax ceiling through additional economic development and higher assessed values. In 2011, Springfield's assessed values decreased by 2.1 percent and, in 2012, decreased by an additional 1.1 percent. Although a lesser decline than originally expected was encountered in FY12, the City made an effort to reduce property taxes for the majority of businesses and residents.

	FY11	FY12	FY13	FY14	FY15	FY16	FY17
	Levy Calculation	Levy Calculation	Levy Calculation	Levy Calculation	Levy Calculation	Levy Calculation	Levy Calculation
Tax Levy	170,824,032	171,233,218	169,400,199	167,408,833	165,734,744	164,077,397	164,077,397
Increase Levy 2.5%	4,292,701	4,318,594	4,452,106	4,185,221	4,143,369	4,101,935	4,101,935
<b>Subtotal</b>	<b>175,116,733</b>	<b>175,551,812</b>	<b>173,852,305</b>	<b>171,594,054</b>	<b>169,878,113</b>	<b>168,179,332</b>	<b>168,179,332</b>
New Growth	3,482,214	4,526,534	5,868,281	4,000,000	4,000,000	4,000,000	32,000,000
<b>Subtotal of Gross Tax Levy</b>	<b>178,598,947</b>	<b>180,078,346</b>	<b>179,720,586</b>	<b>175,594,054</b>	<b>173,878,113</b>	<b>172,179,332</b>	<b>200,179,332</b>
<b>Levy Ceiling</b>	<b>171,233,218</b>	<b>169,400,199</b>	<b>167,408,833</b>	<b>165,734,744</b>	<b>164,077,397</b>	<b>164,077,397</b>	<b>181,577,397</b>
<b>LOST REVENUE</b>	<b>7,365,729</b>	<b>10,678,147</b>	<b>12,311,753</b>	<b>9,859,310</b>	<b>9,800,716</b>	<b>8,101,935</b>	<b>18,601,935</b>
<b>To Support Operations</b>							
	<i>Total lost to date FY11-FY13:</i>		<b>30,355,629</b>	<i>Total estimated lost FY11-FY17:</i>		<b>76,719,525</b>	

- State Aid** - The Commonwealth reduced state aid (Unrestricted General Government Aid) to Springfield by 30% since FY08. Chapter 70 Aid continues to grow, however, so do our education expenses including the City's required contribution and the non-School eligible spending cost for transportation. Because the City's budget is reliant on State Aid for 60% of our revenues, our budget follows the same economic cycles experienced by the State.



- **Personnel** - One of the largest costs in the City's budget is personnel. The City is able to manage these costs through strict control mechanisms such as the Personnel Review Committee. This Committee reviews every hire, backfill, and promotion prior to filling a vacancy and frequently drives a re-examination and modernization of departmental structures as part of its review. Department heads must justify and/or reaffirm the need for every position when a vacancy occurs. Union positions make up the majority of the City's FTEs along with the need to address their annual contractual pay increases.

	FY08	FY09	FY10	FY11	FY12	FY13
<b>City GRAND TOTAL</b>	<b>1,581.5</b>	<b>1,557.9</b>	<b>1,433.2</b>	<b>1,410.3</b>	<b>1,302.8</b>	<b>1,207.3</b>

- **Benefits** - Prior to Fiscal Year 2007, the City's health insurance costs were increasing at a rate of 18 percent annually. The City became the first community to join the Group Insurance Commission (GIC). The GIC purchases health insurance for 265,000 state employees and retirees and has significant purchasing power. Over the last number of years, GIC premiums increased at an average 5% annually which is significant growth but much more controlled than under the previous situation.
- **Retirement** - Retirement benefits for local and state employees are uniform across the Commonwealth. Until July 2009, Chapter 32 of the Massachusetts General Laws required municipalities to fully fund their retirement liability by 2028. The Commonwealth's Fiscal Year 2010 budget included an extension of this requirement to 2030, and further modifications to 2040 were adopted in FY11. The City must revalue its schedule every 3 years and adjust the schedule accordingly. Springfield's most recent actuarial valuation estimated the City's unfunded actuarial accrued liability (UAAL) at \$657.2 million as of January 1, 2012. Our funded status is 29.0%.
- **Other Postemployment Benefits** - In addition to providing pension benefits, the City provides health, dental, vision and life insurance to retired employees and their survivors, in accordance with Chapter 32 of the Massachusetts General Laws. The City's OPEB unfunded actuarial accrued liability is estimated at \$1,029 million as of June 30, 2012. In order to fully fund this liability in 30 years, as it does with retirement, the City would have to appropriate \$65.8 million on an annual basis. We currently fund 43.6% of this amount.
- **Debt Service and Capital Needs** - The City has a \$540.4 million Capital Improvement Plan that identifies major equipment and construction needs over the next five years. Due to previous deferred maintenance and the number of facilities and parks, the City has significant capital needs. Based on the October 2012 report entitled "Analysis of Outstanding Debt" we are currently evaluating our capacity to sell notes and bonds in calendar year 2013.

### Awards & Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Distinguished Budget Presentation Award to the City of Springfield for its budget document for the fiscal years 2009, 2010, 2011, 2012 and 2013. The GFOA established the Distinguished Budget Award in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's recommended practices on budgeting and then to recognize individual governments that succeed in achieving that goal.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Springfield for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the first year that the City submitted for and achieved this prestigious award. In order to be awarded a certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

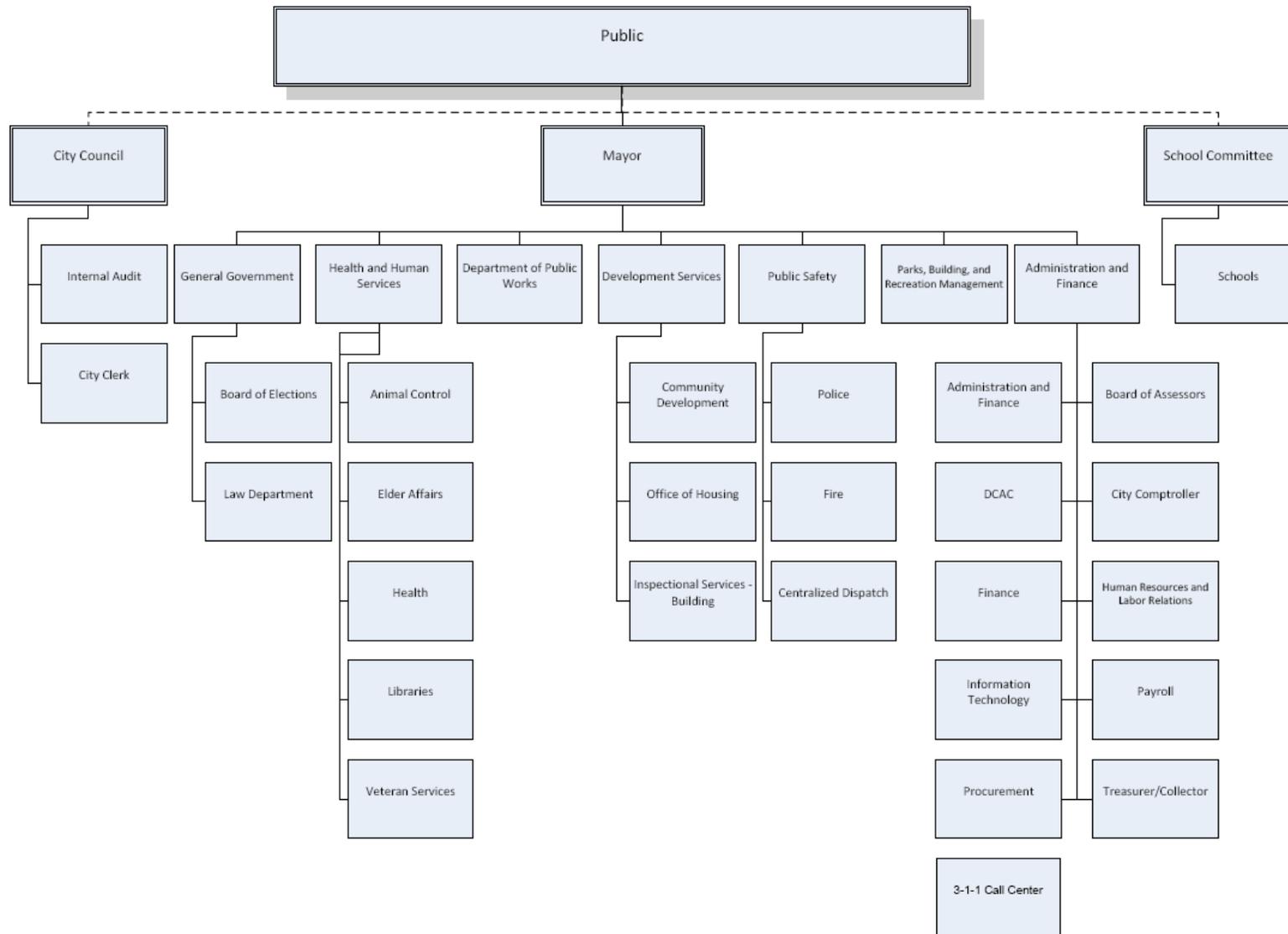
The preparation of both the CAFR and the Distinguished Budget Presentation Award would not have been possible without the efficient and dedicated services of the Administration and Finance Division staff. We would like to express our appreciation to all the members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the City Council and Mayor for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Springfield's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lee C. Erdmann". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Lee C. Erdmann  
Chief Administrative & Financial Officer

# Organizational Chart



**Fiscal Year 2012**

**Directory of Officials**

**Mayor**

Domenic J Sarno

**City Council**

James Ferrera At Large (President)

Kateri Walsh At Large

Zaida Luna Ward 1

Michael Fenton Ward 2

Melvin Edwards Ward 3

E. Henry Twiggs Ward 4

Clodovaldo Concepcion Ward 5

Kenneth Shea Ward 6

Timothy Allen Ward 7

John Lysak Ward 8 (Vice President)

Thomas Ashe At Large

Bud Williams At Large

Timothy Rooke At Large

**School Committee**

Mayor Domenic J Sarno (Chairman)

Christopher Collins District 3 (Vice-Chairman)

Norman Roldan District1

Barbara Gresham District 2

Denise Hurst At Large

Attorney Peter Murphy District 4

Antonette Pepe At Large

**Appointed City Executive Branch**

Chief Administrative and Financial Officer

Lee C. Erdmann

Finance Director

Timothy J. Plante

Comptroller

Patrick Burns

Budget Director

LeeAnn Pasquini

Acting Director of Internal Audit

Cecelia Goulet

Treasurer/Collector

Stephen Lonergan

Chairman of the Board of Assessors

Richard J. Allen

City Clerk

Wayman Lee, Esq

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Springfield  
Massachusetts

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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



*Christopher P. Morrell*

President

*Jeffrey R. Emer*

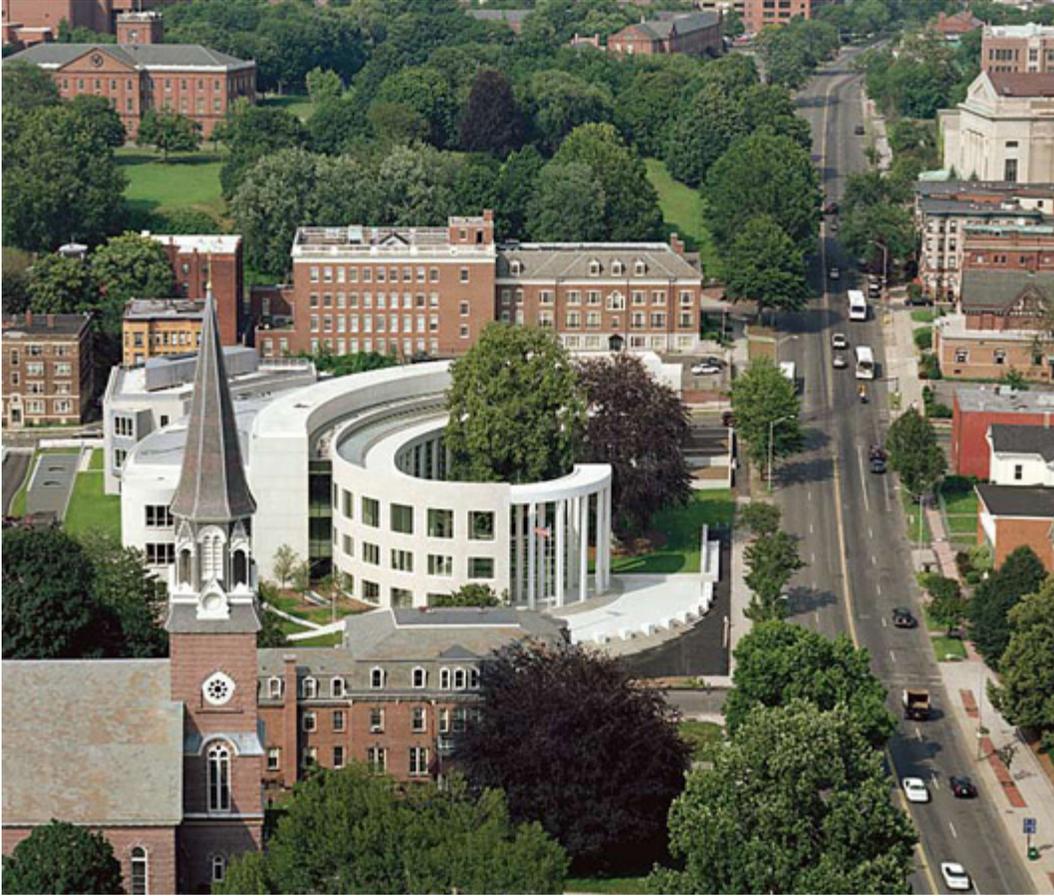
Executive Director

# ***Financial Section***



A bridge spanning the Mill River in the scenic Forest Park.

City of Springfield, Massachusetts  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2012



An aerial view of the Springfield Federal Courthouse on State Street built in 2008.

# ***Financial Section***

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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, and the aggregate remaining fund information of the City of Springfield, Massachusetts, as of and for the fiscal year ended June 30, 2012 (except for the Springfield Contributory Retirement System which is as of and for the year ended December 31, 2011), 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 did not audit the financial statements of the Springfield Redevelopment Authority and the Springfield Library and Museums Association, which represent 100% of the discretely presented component unit activities and net assets. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Springfield Redevelopment Authority and the Springfield Library and Museums Association are based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, 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, 2012, (except for the Springfield Contributory Retirement System which is as of and for the year ended December 31, 2011), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Springfield's basic financial statements. The combining statements, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

The introductory section and statistical tables, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Poway + Johnson, LLC*

December 27, 2012

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

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

As management of the City of Springfield, Massachusetts, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City of Springfield for the fiscal year ended June 30, 2012. This is the eleventh 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.

### **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, storm damage associated with the October 2011 snow storm, 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 schedule has been provided for the general fund to demonstrate compliance with this budget.

The City reports three major governmental funds that are presented separately in the governmental fund financial statements. The remaining non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**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; \$4,699,000 and \$5,009,000 in fiscal years 2012 and 2011, 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 statements 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 several 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/(deficits) of \$300,000, (\$8) million, \$12 million, \$23 million, \$14 million, and \$8 million, in 2012, 2011, 2010, 2009, 2008, and 2007, respectively, where revenues and transfers in 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 \$71 million at June 30, 2012.

At June 30, 2012 the Health Insurance Internal Service Fund has positive net assets of \$4.5 million compared with \$4.0 million in the prior year. The fund experienced a \$531,000 increase during FY2012. Employee benefits increased from \$77 million in FY2011 to \$79 million in FY2012. 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**

The last several years have 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) in 2007 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.

## 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 \$355 million. Key components of the City's activities are presented below.

### Governmental Activities

	<u>2012</u>	<u>2011</u>
<b>Assets:</b>		
Current assets.....	\$ 217,518,908	\$ 241,691,382
Noncurrent assets (excluding capital).....	67,428,324	78,647,932
Capital assets, non depreciable.....	115,526,356	77,100,462
Capital assets, net of accumulated depreciation.....	<u>450,957,615</u>	<u>464,347,548</u>
<b>Total assets.....</b>	<b><u>851,431,203</u></b>	<b><u>861,787,324</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	67,391,964	66,935,511
Noncurrent liabilities (excluding debt).....	161,095,591	127,118,554
Current debt.....	28,935,471	27,879,128
Noncurrent debt.....	<u>239,147,646</u>	<u>267,402,742</u>
<b>Total liabilities.....</b>	<b><u>496,570,672</u></b>	<b><u>489,335,935</u></b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt.....	374,981,234	332,597,837
Restricted.....	22,794,687	19,757,080
Unrestricted.....	<u>(42,915,390)</u>	<u>20,096,472</u>
<b>Total net assets.....</b>	<b><u>\$ 354,860,531</u></b>	<b><u>\$ 372,451,389</u></b>

Governmental net assets of \$375 million 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 \$22.8 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* resulted in a (\$42.9) million deficit mainly relating to the cumulative effect of recording \$137 million of other postemployment benefit liabilities through June 30, 2012.

Net assets decreased by (\$17.6) million for the fiscal year 2012 compared with an increase of \$8.7 million in 2011. The increase in 2011 was almost entirely related to the forgiveness of debt from the state loan as the governmental activities basically broke even after transferring \$5 million to the trash enterprise fund. In 2012 revenues increased by just over \$13 million while expenses increased \$31 million. The City had two natural disasters occur during fiscal 2012. Expenses relating to the June 2011 tornado of \$20 million were offset with federal and state assistance, however the \$28 million of expenses for the October snow storm have not been fully recovered leaving the City with a deficit of (\$12) million as of June 30, 2012. Net assets also continue to decrease from the recording of the City's other postemployment liability (OPEB) which increased by over \$37 million this year. This was an increase of approximately \$6.4 million over the previous year's OPEB expense.

	<u>2012</u>	<u>2011</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 29,668,976	\$ 28,040,290
Operating grants and contributions.....	452,149,037	438,860,676
Capital grants and contributions.....	37,356,599	43,524,730
<b>General Revenues:</b>		
Real estate and personal property taxes.....	166,713,377	164,293,333
Motor vehicle and other excise taxes.....	12,096,067	9,604,605
Penalties and interest on taxes.....	1,802,033	1,677,741
Grants and contributions not restricted to specific programs.....	32,059,135	32,062,000
Unrestricted investment income.....	458,708	669,539
Payments in lieu of taxes.....	5,054,420	5,082,080
Other revenues.....	42,044	92,752
<b>Total revenues.....</b>	<b><u>737,400,396</u></b>	<b><u>723,907,746</u></b>
<b>Expenses:</b>		
General government.....	55,175,091	62,794,736
Public safety.....	111,769,805	110,047,282
Education.....	481,476,353	466,952,480
Public works.....	30,608,396	33,422,502
Health and welfare.....	10,241,088	10,299,084
Culture and recreation.....	20,769,658	22,118,556
Storm damage - October 2011 snow storm.....	27,596,332	-
Interest.....	12,170,740	13,266,838
<b>Total expenses.....</b>	<b><u>749,807,463</u></b>	<b><u>718,901,478</u></b>
<b>Excess (Deficiency) before special items, extraordinary items, and transfers.....</b>	<b>(12,407,067)</b>	<b>5,006,268</b>
<b>Special item - forgiveness of debt, state loan.....</b>	<b>-</b>	<b>8,700,000</b>
<b>Extraordinary item - tornado reimbursements.....</b>	<b>20,000,450</b>	<b>-</b>
<b>Extraordinary item - tornado expenses.....</b>	<b>(20,485,451)</b>	<b>-</b>
<b>Transfers.....</b>	<b><u>(4,698,790)</u></b>	<b><u>(5,009,149)</u></b>
<b>Change in net assets.....</b>	<b>\$ <u>(17,590,858)</u></b>	<b>\$ <u>8,697,119</u></b>

### *2011 Forgiveness of debt – state loan*

In 2009 the City established the Springfield Promise Fund with monies transferred from stabilization funds provided to the City as loans. The principal of this fund was to be appropriated annually to pay down the loan as scheduled, however the City agreed to pay the loan off in full as of June 30, 2010. As described in Note 3, the Commonwealth subsequently forgave \$8.7 million of the loan and this money was re-deposited back into the fund. This fund will be used to provide Springfield students with financial aid counseling for post-secondary education and “last dollar scholarships”.

### *Other financial notes related to governmental activities:*

- Charges for services represent 4% of governmental activities resources. These charges no longer include trash services which are now accounted for under the business-type activities or for the activities of 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 66% 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. For 2012, operating grants include approximately \$15.6 million of federal and state assistance for the October 2011 snow storm.
- Property and excise 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 6% 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 \$481 million in expenses were recorded in FY12. After accounting for \$441 million in program revenues, an additional \$40 million in taxes and other revenues were needed to cover its fiscal 2012 operating expenses. Approximately \$48 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 \$26 million and \$102 million, respectively, of taxes and other revenues were needed to cover their fiscal 2012 operating expenses.

**Business-type Activities.** Business-type activities decreased the City’s net assets by \$193,000 during fiscal year 2012. These activities consist of the Trash enterprise fund.

Trash business-type activities assets exceeded liabilities by \$2.7 million at the close of fiscal year 2012. Capital assets net of related debt was \$412,000 which related to the acquisition of capital assets through capital lease financing. Unrestricted net assets amounted to \$2.3 million. The general fund subsidized the activities in the amount of \$4.7 million and \$5.0 million in fiscal years 2012 and 2011, respectively. Operating and depreciation expenses amounted to \$8.3 million and \$531,000, respectively.

	<u>2012</u>	<u>2011</u>
<b>Assets:</b>		
Current assets.....	\$ 2,967,975	\$ 3,232,093
Capital assets, net of accumulated depreciation.....	<u>1,956,547</u>	<u>2,013,867</u>
<b>Total assets.....</b>	<b><u>4,924,522</u></b>	<b><u>5,245,960</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	206,086	246,437
Non-current liabilities (excluding debt).....	424,621	309,551
Current debt.....	648,834	585,609
Noncurrent debt.....	<u>895,437</u>	<u>1,161,560</u>
<b>Total liabilities.....</b>	<b><u>2,174,978</u></b>	<b><u>2,303,157</u></b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt.....	412,276	266,698
Unrestricted.....	<u>2,337,268</u>	<u>2,676,105</u>
<b>Total net assets.....</b>	<b><u>\$ 2,749,544</u></b>	<b><u>\$ 2,942,803</u></b>
<b>Program revenues:</b>		
Charges for services.....	\$ <u>3,982,627</u>	\$ <u>4,101,890</u>
<b>Total revenues.....</b>	<b><u>3,982,627</u></b>	<b><u>4,101,890</u></b>
<b>Expenses:</b>		
Trash.....	<u>8,874,676</u>	<u>8,537,689</u>
<b>Total expenses.....</b>	<b><u>8,874,676</u></b>	<b><u>8,537,689</u></b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(4,892,049)</b>	<b>(4,435,799)</b>
<b>Transfers.....</b>	<b><u>4,698,790</u></b>	<b><u>5,009,149</u></b>
<b>Change in net assets.....</b>	<b><u>\$ (193,259)</u></b>	<b><u>\$ 573,350</u></b>

## 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 the City of Springfield's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Springfield's financing requirements. In particular, unassigned 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 \$139.6 million, a decrease of approximately \$24.2 million from the prior year. The decrease is primarily due to the \$12.0 million decrease in the October 2011 snow storm fund cleanup activities and from a similar decrease in the nonmajor funds relating to the timing of when revenues and expenditures are recorded.

### *General Fund*

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$60.2 million, while total fund balance was approximately \$98.3 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 10% of total general fund expenditures, while total fund balance represents approximately 17% of that same amount. The General fund virtually broke even for the year after transferring \$4.7 million to the trash enterprise fund, \$809,000 to the Tornado Relief fund, and approximately \$2 million to various capital project funds.

### *October 29, 2011 Snow Storm Fund*

The City was hit with a major snow storm on October 29, 2011 that closed over 2,000 roads and downed power lines throughout the City. Clean-up costs as of June 30, 2012 amounted to \$27.6 million of which the City has received federal and state assistance of approximately \$15.6 million. The fund has an accumulated deficit of just over \$12 million at June 30, 2012.

### *Tornado Relief Fund*

A major tornado touched down in the City on June 2, 2011 devastating large sections of the City. The storm killed 3 people, injured 300 others, and left over 500 people homeless in addition to leaving 48,000 electric customers without power. The Governor of Massachusetts declared a state of emergency and President Obama declared Springfield and the surrounding area a Federal disaster area. Relief expenditures and federal and state assistance of approximately \$20 million each have been recorded as extraordinary items in the financial statements. The City's general fund transferred in \$809,000 to eliminate any deficit in the fund at June 30, 2012.

## **General Fund Budgetary Highlights**

The City of Springfield adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. Actual revenues exceed budgeted revenues by \$4.5 million or just less than 1%, while actual expenditures, including carryovers, were less than budgeted amounts by \$4.0 million, or again just less than 1%. The City carried over \$29.5 million in appropriations to FY13.

## ***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 2012, approximately \$15.6 million of such assistance was received. Approximately \$94.2 million is expected to be received in future fiscal years. Of this amount, \$22.4 million represents reimbursement of long-term interest costs, and \$71.8 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 and up to 80% or \$19,069,165 of eligible construction costs in conjunction with the new Green Repair agreement which consists of roof, exterior window, and exterior door replacement and associated work for 18 City schools. During the fiscal year the City received \$32.8 million for these projects.

Major capital assets are funded by the issuance of long-term debt. During FY2012 the City spent and capitalized additions totaling approximately \$32 million on the new Putnam Vocational School and an additional \$24 million on other City-wide projects. The Business-Type Activities acquired \$461,000 of new vehicles under capital leases.

Outstanding long-term debt of the general government, as of June 30, 2012, totaled approximately \$265.8 million, including unamortized premiums of \$5.3 million.

Please refer to notes 6, 8, 9, and 10 to the financial statements for further discussion of the major capital asset 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.

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# ***Basic Financial Statements***

**STATEMENT OF NET ASSETS**

JUNE 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Springfield Redevelopment Authority	Springfield Library and Museums Association
<b>ASSETS</b>					
<b>CURRENT:</b>					
Cash and cash equivalents.....	\$ 164,304,931	\$ 1,861,228	\$ 166,166,159	\$ 660,205	\$ 26,415
Restricted cash and cash equivalents.....	2,938,444	-	2,938,444	3,322,485	-
Investments.....	1,947,721	-	1,947,721	-	7,832,132
Receivables, net of allowance for uncollectibles:					
Real estate and personal property taxes.....	3,723,657	-	3,723,657	-	-
Tax liens.....	1,063,574	-	1,063,574	-	-
Motor vehicle excise taxes.....	3,059,210	-	3,059,210	-	-
Departmental and other.....	2,520,202	-	2,520,202	-	-
Trash fees.....	-	1,106,747	1,106,747	-	-
Intergovernmental.....	37,486,169	-	37,486,169	8,989,381	-
Loans.....	375,000	-	375,000	-	-
Contributions and other.....	-	-	-	-	481,535
Prepaid expenses and supplies.....	-	-	-	-	351,635
Working capital deposit.....	100,000	-	100,000	-	-
<b>NONCURRENT:</b>					
Restricted cash and cash equivalents held by custodian.....	1,607,648	-	1,607,648	-	-
Receivables, net of allowance for uncollectibles:					
Departmental and other.....	811,602	-	811,602	-	-
Intergovernmental.....	60,581,530	-	60,581,530	-	-
Loans.....	4,427,544	-	4,427,544	-	-
Contributions.....	-	-	-	-	2,960,239
Beneficial interest in perpetual trusts.....	-	-	-	-	24,015,478
Capital assets, non depreciable.....	115,526,356	-	115,526,356	4,228,577	-
Capital assets, net of accumulated depreciation.....	450,957,615	1,956,547	452,914,162	3,043,418	18,851,372
<b>TOTAL ASSETS.....</b>	<b>851,431,203</b>	<b>4,924,522</b>	<b>856,355,725</b>	<b>20,244,066</b>	<b>54,518,806</b>
<b>LIABILITIES</b>					
<b>CURRENT:</b>					
Warrants payable.....	12,611,789	161,335	12,773,124	187,091	609,195
Accrued unemployment liability.....	1,737,000	-	1,737,000	-	-
Accrued payroll.....	12,374,376	44,751	12,419,127	-	-
Employee contributions paid in advance.....	2,146,667	-	2,146,667	-	-
Health claims payable.....	111,117	-	111,117	-	-
Tax refunds payable.....	14,704,006	-	14,704,006	-	-
Accrued interest.....	4,986,833	-	4,986,833	28,878	-
Other liabilities.....	7,543,859	-	7,543,859	16,234	306,870
Taxes collected in advance and unearned revenue.....	14,687	-	14,687	8,979,381	-
Capital lease obligations.....	1,030,346	648,834	1,679,180	-	-
Landfill closure.....	750,000	-	750,000	-	-
Compensated absences.....	6,041,630	-	6,041,630	-	-
Workers' compensation.....	1,008,000	-	1,008,000	-	-
Due to granting agencies.....	3,362,000	-	3,362,000	-	-
Lines of credit.....	-	-	-	-	430,200
Bonds payable.....	27,905,125	-	27,905,125	2,121,773	82,570
<b>NONCURRENT:</b>					
Capital lease obligations.....	1,243,015	895,437	2,138,452	-	-
Due to granting agencies.....	4,644,000	-	4,644,000	-	-
Compensated absences.....	11,049,846	-	11,049,846	-	-
Workers' compensation.....	2,352,000	-	2,352,000	-	-
Landfill closure.....	6,500,000	-	6,500,000	-	-
Other postemployment benefits.....	136,549,745	424,621	136,974,366	-	-
Lines of credit.....	-	-	-	-	1,832,776
Bonds payable.....	237,904,631	-	237,904,631	2,120,857	2,397,963
<b>TOTAL LIABILITIES.....</b>	<b>496,570,672</b>	<b>2,174,978</b>	<b>498,745,650</b>	<b>13,454,214</b>	<b>5,659,574</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt.....	374,981,234	412,276	375,393,510	3,275,755	16,370,839
Restricted for:					
Chapter 656 Reserve.....	5,876,996	-	5,876,996	-	-
Debt service.....	1,607,648	-	1,607,648	-	2,463,618
Loans.....	158,543	-	158,543	-	-
Grants and gifts.....	15,151,500	-	15,151,500	3,128,617	6,483,527
Unrestricted.....	(42,915,390)	2,337,268	(40,578,122)	385,480	23,541,248
<b>TOTAL NET ASSETS.....</b>	<b>\$ 354,860,531</b>	<b>\$ 2,749,544</b>	<b>\$ 357,610,075</b>	<b>\$ 6,789,852</b>	<b>\$ 48,859,232</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2012

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.....	\$ 55,175,091	\$ 9,840,551	\$ 19,407,262	\$ -	\$ (25,927,278)
Public safety.....	111,769,805	7,839,552	2,404,934	-	(101,525,319)
Education.....	481,476,353	6,873,282	401,322,137	32,819,413	(40,461,521)
Public works.....	30,608,396	2,687,598	131,218	4,537,186	(23,252,394)
Health and welfare.....	10,241,088	284,101	5,936,472	-	(4,020,515)
Culture and recreation.....	20,769,658	2,143,892	1,218,949	-	(17,406,817)
Storm damage - October 2011 snow storm.....	27,596,332	-	15,555,871	-	(12,040,461)
Interest.....	12,170,740	-	6,172,194	-	(5,998,546)
<b>Total Governmental Activities.....</b>	<b>749,807,463</b>	<b>29,668,976</b>	<b>452,149,037</b>	<b>37,356,599</b>	<b>(230,632,851)</b>
<i>Business-Type Activities:</i>					
Trash.....	8,874,676	3,982,627	-	-	(4,892,049)
<b>Total Primary Government.....</b>	<b>\$ 758,682,139</b>	<b>\$ 33,651,603</b>	<b>\$ 452,149,037</b>	<b>\$ 37,356,599</b>	<b>\$ (235,524,900)</b>
<b>Component Units:</b>					
Springfield Redevelopment Authority.....	\$ 2,422,594	\$ 542,646	\$ 2,137,701	\$ -	\$ 257,753
Springfield Library and Museums Association.....	7,464,202	1,487,895	3,195,107	-	(2,781,200)
<b>Total Component Units.....</b>	<b>\$ 9,886,796</b>	<b>\$ 2,030,541</b>	<b>\$ 5,332,808</b>	<b>\$ -</b>	<b>\$ (2,523,447)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Springfield Redevelopment Authority (SRA)</u>	<u>Springfield Library and Museums Association</u>
<b>Changes in net assets:</b>					
Net (expense) revenue from previous page.....	\$ <u>(230,632,851)</u>	\$ <u>(4,892,049)</u>	\$ <u>(235,524,900)</u>	\$ <u>257,753</u>	\$ <u>(2,781,200)</u>
<i>General revenues:</i>					
Real estate and personal property taxes, net of tax refunds payable.....	163,454,196	-	163,454,196	-	-
Tax liens.....	3,259,181	-	3,259,181	-	-
Motor vehicle and other excise taxes.....	9,599,000	-	9,599,000	-	-
Hotel/motel tax.....	872,952	-	872,952	-	-
Local meals tax.....	1,624,115	-	1,624,115	-	-
Penalties and interest on taxes.....	1,802,033	-	1,802,033	-	-
Payments in lieu of taxes.....	5,054,420	-	5,054,420	-	-
Grants and contributions not restricted to specific programs.....	32,059,135	-	32,059,135	-	1,071,403
Unrestricted investment income.....	458,708	-	458,708	17,868	859,011
Gain on sale of capital assets.....	-	-	-	1,141,453	-
Miscellaneous.....	42,044	-	42,044	-	19,290
<i>Special item - allowance for uncollectible receivables.....</i>	-	-	-	(1,478,994)	-
<i>Extraordinary item - Tornado reimbursements.....</i>	20,000,450	-	20,000,450	-	-
<i>Extraordinary item - Tornado expense.....</i>	(20,485,451)	-	(20,485,451)	-	-
<i>Transfers, net.....</i>	(4,698,790)	4,698,790	-	-	-
Total general revenues, special items, extraordinary items, and transfers.....	<u>213,041,993</u>	<u>4,698,790</u>	<u>217,740,783</u>	<u>(319,673)</u>	<u>1,949,704</u>
Change in net assets.....	(17,590,858)	(193,259)	(17,784,117)	(61,920)	(831,496)
<i>Net Assets:</i>					
Beginning of year, as restated for the SRA Component Unit.....	<u>372,451,389</u>	<u>2,942,803</u>	<u>375,394,192</u>	<u>6,851,772</u>	<u>49,690,728</u>
End of year.....	\$ <u><u>354,860,531</u></u>	\$ <u><u>2,749,544</u></u>	\$ <u><u>357,610,075</u></u>	\$ <u><u>6,789,852</u></u>	\$ <u><u>48,859,232</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2012

<b>ASSETS</b>	General	October 29, 2011 Snow Storm	Tornado Relief	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 100,492,398	\$ -	\$ -	\$ 56,381,364	\$ 156,873,762
Restricted cash and cash equivalents.....	-	-	-	2,938,444	2,938,444
Restricted cash and cash equivalents held by custodian.....	-	-	-	1,607,648	1,607,648
Investments.....	1,947,721	-	-	-	1,947,721
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	3,723,657	-	-	-	3,723,657
Tax liens .....	1,063,574	-	-	-	1,063,574
Motor vehicle excise taxes.....	3,059,210	-	-	-	3,059,210
Departmental and other.....	2,801,191	-	-	515,926	3,317,117
Intergovernmental.....	71,812,774	15,240,171	1,982,952	9,031,802	98,067,699
Loans.....	-	-	-	4,802,544	4,802,544
Due from other funds.....	29,106,554	-	-	839,928	29,946,482
Working capital deposit.....	100,000	-	-	-	100,000
<b>TOTAL ASSETS.....</b>	<b>\$ 214,107,079</b>	<b>\$ 15,240,171</b>	<b>\$ 1,982,952</b>	<b>\$ 76,117,656</b>	<b>\$ 307,447,858</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 6,701,450	\$ -	\$ 157,030	\$ 5,685,821	\$ 12,544,301
Accrued unemployment liability.....	112,000	-	-	-	112,000
Accrued payroll.....	10,317,920	-	-	2,056,456	12,374,376
Tax refunds payable.....	14,704,006	-	-	-	14,704,006
Due to granting agencies.....	-	-	-	8,006,000	8,006,000
Other liabilities.....	3,080,117	-	-	4,463,742	7,543,859
Deferred revenues.....	80,911,003	-	-	1,677,160	82,588,163
Due to other funds.....	-	27,280,632	1,825,922	839,928	29,946,482
<b>TOTAL LIABILITIES.....</b>	<b>115,826,496</b>	<b>27,280,632</b>	<b>1,982,952</b>	<b>22,729,107</b>	<b>167,819,187</b>
<b>FUND BALANCES:</b>					
Restricted.....	35,132,415	-	-	53,388,549	88,520,964
Assigned.....	2,978,810	-	-	-	2,978,810
Unassigned.....	60,169,358	(12,040,461)	-	-	48,128,897
<b>TOTAL FUND BALANCES.....</b>	<b>98,280,583</b>	<b>(12,040,461)</b>	<b>-</b>	<b>53,388,549</b>	<b>139,628,671</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 214,107,079</b>	<b>\$ 15,240,171</b>	<b>\$ 1,982,952</b>	<b>\$ 76,117,656</b>	<b>\$ 307,447,858</b>

See notes to basic financial statements.

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

JUNE 30, 2012

Total governmental fund balances.....		\$ 139,628,671
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		566,483,971
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		82,588,163
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.....		5,105,897
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(4,986,833)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(265,809,756)	
Capital lease obligations.....	(2,273,361)	
Landfill closure liability.....	(7,250,000)	
Accrued unemployment liability.....	(1,625,000)	
Workers compensation liability.....	(3,360,000)	
Compensated absences.....	(17,091,476)	
Other postemployment benefits.....	<u>(136,549,745)</u>	
Net effect of reporting long-term liabilities.....		<u>(433,959,338)</u>
Net assets of governmental activities.....		<u>\$ 354,860,531</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	General	October 29, 2011 Snow Storm	Tornado Relief	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 163,234,056	\$ -	\$ -	\$ -	\$ 163,234,056
Tax liens.....	3,833,024	-	-	-	3,833,024
Motor vehicle and other excise taxes.....	8,814,442	-	-	-	8,814,442
Hotel/motel tax.....	872,952	-	-	-	872,952
Local meals tax.....	1,624,115	-	-	-	1,624,115
Charges for services.....	451,807	-	-	2,211,736	2,663,543
Penalties and interest on taxes.....	1,802,033	-	-	-	1,802,033
Payments in lieu of taxes.....	5,054,420	-	-	-	5,054,420
Licenses and permits.....	3,823,239	-	-	-	3,823,239
Fines and forfeitures.....	5,986,168	-	-	33,165	6,019,333
Intergovernmental.....	377,407,646	15,555,871	-	138,531,282	531,494,799
Departmental and other.....	9,983,098	-	-	5,802,579	15,785,677
Contributions.....	-	-	-	1,832,890	1,832,890
Investment income.....	368,748	-	-	128,986	497,734
<b>TOTAL REVENUES.....</b>	<b>583,255,748</b>	<b>15,555,871</b>	<b>-</b>	<b>148,540,638</b>	<b>747,352,257</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	26,450,259	-	-	17,649,482	44,099,741
Public safety.....	60,235,082	-	-	10,095,571	70,330,653
Education.....	372,523,878	-	-	123,450,107	495,973,985
Public works.....	10,139,476	-	-	5,772,632	15,912,108
Health and welfare.....	4,601,783	-	-	4,267,726	8,869,509
Culture and recreation.....	12,258,649	-	-	1,736,408	13,995,057
Pension benefits.....	23,825,273	-	-	-	23,825,273
Employee fringe benefits - non school.....	728,470	-	-	-	728,470
Employee health benefits - non school.....	23,298,895	-	-	-	23,298,895
Storm damage.....	-	27,596,332	-	-	27,596,332
State, county and district assessments.....	2,760,698	-	-	-	2,760,698
Debt service:					
Principal.....	26,243,152	-	-	-	26,243,152
Interest.....	13,555,322	-	-	-	13,555,322
<b>TOTAL EXPENDITURES.....</b>	<b>576,620,937</b>	<b>27,596,332</b>	<b>-</b>	<b>162,971,926</b>	<b>767,189,195</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>6,634,811</b>	<b>(12,040,461)</b>	<b>-</b>	<b>(14,431,288)</b>	<b>(19,836,938)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Capital lease financing.....	819,676	-	-	-	819,676
Transfers in.....	238,689	-	809,077	4,064,183	5,111,949
Transfers out.....	(7,463,664)	-	-	(2,347,075)	(9,810,739)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(6,405,299)</b>	<b>-</b>	<b>809,077</b>	<b>1,717,108</b>	<b>(3,879,114)</b>
<b>EXTRAORDINARY ITEM:</b>					
Intergovernmental tornado revenue.....	-	-	20,000,450	-	20,000,450
Tornado relief expenditures.....	-	-	(20,485,451)	-	(20,485,451)
<b>TOTAL EXTRAORDINARY ITEMS.....</b>	<b>-</b>	<b>-</b>	<b>(485,001)</b>	<b>-</b>	<b>(485,001)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>229,512</b>	<b>(12,040,461)</b>	<b>324,076</b>	<b>(12,714,180)</b>	<b>(24,201,053)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>98,051,071</b>	<b>-</b>	<b>(324,076)</b>	<b>66,102,729</b>	<b>163,829,724</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 98,280,583</b>	<b>\$ (12,040,461)</b>	<b>\$ -</b>	<b>\$ 53,388,549</b>	<b>\$ 139,628,671</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, 2012

Net change in fund balances - total governmental funds.....		\$ (24,201,053)
<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.....	56,268,521	
Depreciation expense.....	<u>(31,232,560)</u>	
Net effect of reporting capital assets.....		25,035,961
<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>		
		(11,961,161)
<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>		
Capital lease financing.....	(819,676)	
Capital lease principal payments.....	894,453	
Amortization of bond premiums.....	880,824	
Debt service principal payments.....	<u>26,243,152</u>	
Net effect of reporting long-term debt.....		27,198,753
<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.....	2,425,723	
Net change in workers compensation accrual.....	105,000	
Net change in accrued interest on long-term debt.....	503,758	
Net change in unemployment liability accrual.....	(955,000)	
Net change in landfill accrual.....	750,000	
Other postemployment benefits.....	<u>(37,004,390)</u>	
Net effect of recording long-term liabilities.....		(34,174,909)
<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>511,551</u>
Change in net assets of governmental activities.....		<u>\$ (17,590,858)</u>

See notes to basic financial statements.

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

JUNE 30, 2012

	<u>Business-type Activities - Trash Enterprise Fund</u>	<u>Governmental Activities - Internal Service Funds</u>
<b>ASSETS</b>		
CURRENT:		
Cash and cash equivalents.....	\$ 1,861,228	\$ 7,431,169
Receivables, net of allowance for uncollectibles:		
Trash fees.....	1,106,747	-
Departmental and other.....	-	14,687
	<u>2,967,975</u>	<u>7,445,856</u>
NONCURRENT:		
Capital assets, net of accumulated depreciation.....	<u>1,956,547</u>	<u>-</u>
TOTAL ASSETS.....	<u>4,924,522</u>	<u>7,445,856</u>
<b>LIABILITIES</b>		
CURRENT:		
Warrants payable.....	161,335	67,488
Accrued payroll.....	44,751	-
Unearned revenues.....	-	14,687
Capital lease obligations.....	648,834	-
Employee contributions paid in advance.....	-	2,146,667
Health claims payable.....	-	111,117
	<u>854,920</u>	<u>2,339,959</u>
NONCURRENT:		
Capital lease obligations.....	895,437	-
Other postemployment benefits.....	424,621	-
	<u>1,320,058</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>2,174,978</u>	<u>2,339,959</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt.....	412,276	-
Unrestricted.....	<u>2,337,268</u>	<u>5,105,897</u>
TOTAL NET ASSETS.....	<u>\$ 2,749,544</u>	<u>\$ 5,105,897</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities- Trash Enterprise Fund	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES:</b>		
Employee contributions .....	\$ -	\$ 19,675,016
Employer contributions .....	-	60,073,391
Charges for services.....	3,982,627	2,007,785
<b>TOTAL OPERATING REVENUES .....</b>	<b>3,982,627</b>	<b>81,756,192</b>
<b>OPERATING EXPENSES:</b>		
Cost of services and administration .....	7,620,060	2,026,768
Employee benefits .....	723,759	79,219,388
Depreciation.....	530,857	-
<b>TOTAL OPERATING EXPENSES .....</b>	<b>8,874,676</b>	<b>81,246,156</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(4,892,049)</b>	<b>510,036</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income.....	-	1,515
<b>NET INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>(4,892,049)</b>	<b>511,551</b>
<b>TRANSFERS:</b>		
Transfers in.....	4,698,790	-
<b>CHANGE IN NET ASSETS.....</b>	<b>(193,259)</b>	<b>511,551</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>2,942,803</b>	<b>4,594,346</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 2,749,544</b>	<b>\$ 5,105,897</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-type Activities- Trash Enterprise Fund</u>	<u>Governmental Activities - Internal Service Funds</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Receipts from customers and users.....	\$ 3,828,441	\$ 19,713,228
Receipts from interfund services provided.....	-	62,079,590
Payments to vendors.....	(5,137,268)	-
Payments to employees.....	(3,131,832)	-
Payments for interfund services used.....	<u>-</u>	<u>(81,206,878)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>(4,440,659)</u>	<u>585,940</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>		
Transfers in.....	<u>4,698,790</u>	<u>-</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>		
Acquisition and construction of capital assets.....	(12,468)	-
Capital lease payments.....	<u>(663,967)</u>	<u>-</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>(676,435)</u>	<u>-</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Investment income.....	<u>-</u>	<u>1,515</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(418,304)	587,455
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>2,279,532</u>	<u>6,843,714</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 1,861,228</u>	<u>\$ 7,431,169</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>		
Operating income (loss).....	\$ <u>(4,892,049)</u>	\$ <u>510,036</u>
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation.....	530,857	-
Changes in assets and liabilities:		
Trash fees.....	(154,186)	-
Departmental and other.....	-	4,287
Warrants payable.....	(46,419)	39,278
Accrued payroll.....	6,068	-
Unearned revenues.....	-	(4,287)
Other postemployment benefits.....	115,070	-
Employee contributions paid in advance.....	-	38,212
Health claims payable.....	<u>-</u>	<u>(1,586)</u>
Total adjustments.....	<u>451,390</u>	<u>75,904</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ (4,440,659)</u>	<u>\$ 585,940</u>
<b><u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u></b>		
Acquisition of capital assets under capital lease obligations.....	<u>\$ 461,069</u>	<u>-</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Pension Trust Fund (as of December 31, 2011)	Agency Funds
<b>ASSETS</b>		
CURRENT:		
Cash and cash equivalents.....	\$ 1,219,706	\$ 582,783
Investments:		
Alternative investments.....	2,500,792	-
Pension Reserve Investment Trust (PRIT) funds.....	234,333,683	-
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	714,196	-
TOTAL ASSETS.....	<u>238,768,377</u>	<u>582,783</u>
<b>LIABILITIES</b>		
Warrants payable.....	31,251	-
Liabilities due depositors.....	-	582,783
TOTAL LIABILITIES.....	<u>31,251</u>	<u>582,783</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits.....	<u>\$ 238,737,126</u>	<u>\$ -</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

		Pension Trust Fund (year ended December 31, 2011)
<u>ADDITIONS:</u>		
Contributions:		
Employer.....	\$	39,380,318
Plan members.....		12,704,778
		<u>52,085,096</u>
Net investment income:		
Net change in fair value of investments.....		(7,023,286)
PRIT investment income.....		7,248,972
		<u>225,686</u>
Less: investment expense.....		(1,260,471)
		<u>(1,034,785)</u>
Intergovernmental.....		1,075,127
Transfers from other systems.....		902,769
		<u>53,028,207</u>
<u>DEDUCTIONS:</u>		
Administration.....		693,856
Transfers to other systems.....		1,914,084
Retirement benefits and refunds.....		60,908,997
		<u>63,516,937</u>
CHANGE IN NET ASSETS.....		(10,488,730)
NET ASSETS AT BEGINNING OF YEAR.....		249,225,856
NET ASSETS AT END OF YEAR.....	\$	<u>238,737,126</u>

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). 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. Three entities have been included as component units in the reporting entity because of the significance of their operational and financial relationships.

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

In the Fiduciary Funds:

- (1) The Springfield Contributory Retirement System (the System) was established to provide retirement benefits to City employees and their beneficiaries. The System is governed by a five-member board comprised of the City Comptroller (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.

*Discretely Presented Component Units* – Discretely presented component units are entities that are legally separate from the City, but are financially accountable to the City, or whose relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The City has included the following Discretely Presented Component Units:

- (2) The Springfield Redevelopment Authority (SRA) was chartered by the Commonwealth of Massachusetts in 1960 and is governed by Chapter 121B of the Massachusetts General Laws. The Authority was formed to conduct Springfield urban renewal projects and to redevelop its downtown.
- (3) The Springfield Library and Museums Association (SLMA) is a private nonprofit education association which holds and cares for collections of many different kinds of materials, objects and artifacts, makes them accessible and promotes their use for educational, recreational and informational purposes by the residents of Greater Springfield and Western New England.

The Association has entered into certain agreements, including a lease with the City of Springfield, whereby the City operates general library services using a building owned by the Association as its central library building.

*Related Organizations* – The Mayor has the responsibility, with the approval of the City Council, to appoint the three member Board of Commissioners for the Springfield Water and Sewer Commission, however, the City's accountability for these organizations does not extend beyond making these appointments.

### **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.

The SRA issues a separate audited financial report. That report may be obtained by contacting the SRA located at 70 Tapley Street, Springfield, MA 01104.

The SLMA issues a separate audited financial report. That report may be obtained by contacting the SLMA located at 220 State Street, Springfield, MA 01103.

### **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 generally are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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 *October 29, 2011 Snow Storm Fund* and the *Tornado Relief Fund* are used to account for the clean-up activities associated with the two natural disasters that affected the City during fiscal year 2012.

The nonmajor governmental funds consist of other special revenue, capital projects, and debt service 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds, debt service, or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *debt service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

**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 City's 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. The City's agency fund mainly consists of payroll withholdings and fees collected on behalf of other governments. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

#### 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. The fair values were determined by the closing price for those securities trade on national stock exchanges and at an average bid-and-asked quotation for those securities traded in the over-the-counter market.

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

### **G. Capital Assets**

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

Capital assets, including land, construction in process, land improvements, buildings and improvements, machinery and equipment, and infrastructure, 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.

“Debt service” represents required sinking fund payment and the accumulation of funds for the retirement of long-term debt.

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

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

*Fund Financial Statements (Fund Balances)*

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. The Mayor and City Council are the highest level of decision making authority that can commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The City’s comptroller is authorized to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Sometimes the City will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the City’s policy to consider restricted fund balance to have been depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### 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 nonmajor 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

Compensated absences are reported in the governmental funds only if they have matured as a result of employee resignations or retirements. Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

### O. 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.

### P. 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 – NATURAL DISASTERS**

### *October 29, 2011 Snow Storm Fund*

The City was hit with an unusually early major snow storm on October 29, 2011 that closed over 2,000 roads and downed power lines throughout the City. Clean-up costs as of June 30, 2012 amounted to \$27.6 million of which the City has received federal and state assistance for in the amount of approximately \$15.6 million. The fund has an accumulated deficit of just over \$12 million at June 30, 2012.

On November 30, 2012, the City issued \$13.1 million of bond anticipation notes to temporarily finance the deficit and additional costs incurred subsequent to year-end. The notes have a maturity date of February 15, 2013 at a rate of 1.5%.

### *Tornado Relief Fund*

A major tornado touched down in the City on June 2, 2011 devastating large sections of the City. The storm killed 3 people, injured 300 others, and left over 500 people homeless in addition to leaving 48,000 electric customers without power. The Governor of Massachusetts declared a state of emergency and President Obama declared Springfield and the surrounding area a Federal disaster area. Relief expenditures and federal and state assistance of approximately \$20 million each have been recorded as extraordinary items in the financial statements. The City's general fund transferred in \$809,000 to eliminate any deficit in the fund at June 30, 2012.

On November 30, 2012, the City issued \$2.2 million of bond anticipation notes to temporarily finance additional costs incurred subsequent to year-end. The notes have a maturity date of February 15, 2013 with rates ranging from 1.3% - 1.5%.

**NOTE 3 – SPECIAL ITEM, 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.

The PRIT fund, as a pool, invests in various products including, but not limited to, money market mutual funds, equities, pooled foreign and domestic fixed income and equity funds, United States government sponsored enterprises and Treasury notes, real estate, and commodities. The underlying components of PRIT's fixed income portfolio had an effective weighted duration rate ranging from .08 to 8.58 years. There is no credit quality rating for the fund.

MMDT maintains a cash portfolio and a short-term bond portfolio with combined average maturities of approximately 3 months.

**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 \$119,128,072 and the bank balance totaled \$125,645,819. Of the bank balance, \$1,567,498 was covered by Federal Depository Insurance, \$87,542,736 was covered by the Depositors Insurance Fund, and \$36,535,585 was collateralized.

At December 31, 2011, the carrying amount of deposits for the Retirement System totaled \$1,219,707 and the bank balance totaled \$1,219,707. The entire bank balance of \$1,219,707 was covered by Federal Depository Insurance.

Investments

As of June 30, 2012, the City had the following investments:

<b>Investment Type</b>	<b><u>Fair Value</u></b>	<b><u>6-10 Years</u></b>	<b><u>Over 10 Years</u></b>
<u>Debt Securities</u>			
Government Sponsored Enterprises.....	\$ 964,867	\$ 501,823	\$ 463,044
Municipal Bonds.....	<u>982,854</u>	<u>-</u>	<u>982,854</u>
Total Debt Securities.....	1,947,721	<u>\$ 501,823</u>	<u>\$ 1,445,898</u>
 <u>Other Investments</u>			
Money Market Mutual Funds.....	\$ 1,183,791		
MMDT.....	<u>50,983,171</u>		
Total Investments.....	<u>\$ 54,114,683</u>		

As of June 30, 2012, the City’s investments had the following ratings:

<b>Investment Type</b>	<b><u>Quality Ratings</u></b>					
	<u>AAA</u>	<u>AA2</u>	<u>AA1</u>	<u>A2</u>	<u>A3</u>	<u>Total</u>
<u>Debt Securities</u>						
Government Sponsored Enterprises.....	\$ 964,867	\$ -	\$ -	\$ -	\$ -	\$ 964,867
Municipal Bonds.....	<u>-</u>	<u>115,586</u>	<u>408,820</u>	<u>231,368</u>	<u>227,080</u>	<u>982,854</u>
Total Debt Securities.....	<u>\$ 964,867</u>	<u>\$ 115,586</u>	<u>\$ 408,820</u>	<u>\$ 231,368</u>	<u>\$ 227,080</u>	<u>\$ 1,947,721</u>

As of December 31, 2011, the Retirement System had the following investments:

<b>Investment Type</b>	<b><u>Fair Value</u></b>
<u>Other Investments</u>	
Alternative Investments.....	\$ 2,500,792
Pension Reserve Investment Trust (PRIT).....	<u>234,333,683</u>
Total Investments.....	<u>\$ 236,834,475</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 \$236,834,475 there was custodial credit risk exposure of \$2,500,792 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, 2012, receivables for the individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 7,886,234	\$ (4,162,577)	\$ 3,723,657
Tax liens.....	4,254,295	(3,190,721)	1,063,574
Motor vehicle and other excise taxes.....	8,068,348	(5,009,138)	3,059,210
Departmental and other .....	3,317,117	-	3,317,117
Intergovernmental.....	98,067,699	-	98,067,699
Loans.....	4,802,544	-	4,802,544
Total.....	<u>\$ 126,396,237</u>	<u>\$ (12,362,436)</u>	<u>\$ 114,033,801</u>

The internal service fund has \$14,687 of departmental and other receivables at June 30, 2012.

At June 30, 2012 receivables for the trash enterprise fund consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Trash fees.....	\$ <u>1,106,747</u>	\$ <u>-</u>	\$ <u>1,106,747</u>

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.....	\$ 2,174,254	\$ -	\$ 2,174,254
Tax liens.....	1,063,574	-	1,063,574
Motor vehicle excise.....	3,059,210	-	3,059,210
Departmental and other.....	2,801,191	515,926	3,317,117
Intergovernmental.....	71,812,774	1,002,691	72,815,465
Loans.....	-	158,543	158,543
Total.....	\$ <u>80,911,003</u>	\$ <u>1,677,160</u>	\$ <u>82,588,163</u>

**NOTE 6 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 27,794,834	\$ -	\$ -	\$ 27,794,834
Construction in progress.....	49,305,630	38,425,892	-	87,731,522
Total capital assets not being depreciated.....	<u>77,100,464</u>	<u>38,425,892</u>	<u>-</u>	<u>115,526,356</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	53,139,233	1,847,290	-	54,986,523
Buildings and improvements.....	401,041,253	9,320,229	-	410,361,482
Machinery and equipment.....	109,211,416	5,650,309	-	114,861,725
Infrastructure.....	427,013,867	1,024,801	-	428,038,668
Total capital assets being depreciated.....	<u>990,405,769</u>	<u>17,842,629</u>	<u>-</u>	<u>1,008,248,398</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(16,206,791)	(2,115,480)	-	(18,322,271)
Buildings and improvements.....	(141,618,522)	(13,763,209)	-	(155,381,731)
Machinery and equipment.....	(89,759,734)	(7,280,057)	-	(97,039,791)
Infrastructure.....	(278,473,176)	(8,073,814)	-	(286,546,990)
Total accumulated depreciation.....	<u>(526,058,223)</u>	<u>(31,232,560)</u>	<u>-</u>	<u>(557,290,783)</u>
Total capital assets being depreciated, net.....	<u>464,347,546</u>	<u>(13,389,931)</u>	<u>-</u>	<u>450,957,615</u>
Total governmental activities capital assets, net.....	<u>\$ 541,448,010</u>	<u>\$ 25,035,961</u>	<u>\$ -</u>	<u>\$ 566,483,971</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 3,103,869	\$ 473,537	\$ -	\$ 3,577,406
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(1,090,002)	(530,857)	-	(1,620,859)
Total business-type activities capital assets, net.....	<u>\$ 2,013,867</u>	<u>\$ (57,320)</u>	<u>\$ -</u>	<u>\$ 1,956,547</u>

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

	<u>2012</u>
<b>Governmental Activities:</b>	
General government.....	\$ 4,567,230
Public safety.....	2,721,167
Education.....	12,209,039
Public works.....	9,684,441
Human services.....	45,402
Culture and recreation.....	<u>2,005,281</u>
Total depreciation expense - governmental activities.....	<u>\$ 31,232,560</u>
<b>Business-Type Activities:</b>	
Trash.....	<u>\$ 530,857</u>

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Tornado Relief	\$ 1,825,922 (1)
General Fund	Snow Storm	27,280,632 (1)
State Grants City	Highway Improvements	501,097 (1)
Public Buildings	Schools	<u>338,831 (1)</u>
		<u>\$ 29,946,482</u>

(1) Represents advances between funds to meet temporary cash flow needs.

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Tornado Relief</u>	<u>Nonmajor Governmental Funds</u>	<u>Trash Enterprise Fund</u>	
General Fund.....	\$ -	\$ 809,077	1,955,797	\$ 4,698,790	\$ 7,463,664 (1)
Nonmajor Governmental Funds.....	<u>238,689</u>	<u>-</u>	<u>2,108,386</u>	<u>-</u>	<u>2,347,075 (2)</u>
Total.....	<u>\$ 238,689</u>	<u>\$ 809,077</u>	<u>4,064,183</u>	<u>- \$ 4,698,790</u>	<u>\$ 9,810,739</u>

(1) Represents budgeted transfers to the tornado relief fund, various nonmajor capital projects funds and to the trash enterprise fund for operations.

(2) Represents budgeted transfers from various nonmajor funds, including \$237,000 from the debt service fund, to the general fund and transfers within various nonmajor funds.

**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.....	\$ 5,341,815	\$ 3,564,938
Less: accumulated depreciation.....	<u>(3,186,548)</u>	<u>(1,648,679)</u>
 Total.....	 <u>\$ 2,155,267</u>	 <u>\$ 1,916,259</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>
2013.....	\$ 1,080,116	\$ 673,407
2014.....	500,837	334,692
2015.....	360,675	250,381
2016.....	220,511	170,158
2017.....	<u>220,511</u>	<u>170,158</u>
 Total minimum lease payments.....	 2,382,650	 1,598,796
 Less: amounts representing interest.....	 <u>(109,289)</u>	 <u>(54,525)</u>
 Present value of minimum lease payments.....	 <u>\$ 2,273,361</u>	 <u>\$ 1,544,271</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, 2012, totaled approximately \$2,748,000, 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>
2013.....	\$ 3,301,505
2014.....	1,800,166
2015.....	1,629,869
2016.....	1,652,479
2017 to 2021.....	6,622,260
2022 to 2026.....	2,929,664
2027 to 2028.....	902,995
	<u>\$ 18,838,938</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, 2012.

**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 City’s outstanding general obligation indebtedness at June 30, 2012, and the debt service requirements are as follows:

**Bonds Payable Schedule – Governmental Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
State Qualified Bonds Dated August 1, 2001.....	2014	\$ 61,316,000	3.50 - 5.0	\$ 9,055,000	\$ -	\$ 2,870,000	\$ 6,185,000
Qualified Zone Academy Bonds Dated July 25, 2002.....	2017	7,014,000	1.28	3,000,000	-	500,000	2,500,000
State Qualified Refunding Bonds Dated February 15, 2003.....	2013	7,359,619	2.0 - 5.0	7,528,175	-	3,732,164	3,796,011
State Qualified Refunding Bonds Dated July 7, 2005.....	2020	98,274,000	3.0 - 5.25	78,300,000	-	9,530,000	68,770,000
State Qualified New Money Bonds Dated July 7, 2005.....	2024	49,236,000	3.0 - 5.25	39,135,000	-	2,290,001	36,844,999
State Qualified New Money Bonds Dated February 7, 2007.....	2027	53,605,000	4.5 - 5.75	42,305,000	-	2,280,000	40,025,000
State Qualified Refunding Bonds Dated February 7, 2007.....	2023	73,795,000	4.5 - 5.75	73,730,001	-	10,000	73,720,001
State Qualified New Money Bonds Dated April 15, 2009.....	2024	19,500,000	2.0 - 4.0	12,370,000	-	2,935,000	9,435,000
State Qualified Refunding Bonds Dated April 15, 2009.....	2012	4,805,000	3.00	1,620,000	-	1,620,000	-
State Qualified General Obligation School Bonds Dated June 24, 2010.....	2027	17,864,000	6.00	17,864,000	-	-	17,864,000
August 1, 2001 MWPAT 91-59.....	2015	1,193,827	5.0 - 6.13	439,050	-	100,811	338,239
August 1, 2001 Phase 1 MWPAT 94-24.....	2015	2,988,254	5.0 - 6.13	1,098,981	-	252,339	846,642
State Qualified New Money Bonds Dated February 15, 2003.....	2013	68,300,000	2.0 - 5.0	261,823	-	122,837	138,986
Total General Obligation Bonds.....				286,707,030	-	26,243,152	260,463,878
Unamortized Premiums on Bonds.....				6,226,702	-	880,824	5,345,878
Total Long Term Debt.....				\$ 292,933,732	\$ -	\$ 27,123,976	\$ 265,809,756

The bonds outstanding at June 30, 2012 relate to the following projects:

Public education.....	\$ 168,217,921
City-wide non-school buildings.....	64,218,255
Parks and recreation.....	11,764,982
Infrastructure.....	7,959,480
Equipment and other.....	<u>8,303,240</u>
Total long-term debt outstanding.....	\$ <u>260,463,878</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013.....	\$ 27,063,276	\$ 12,342,644	\$ 39,405,920
2014.....	28,024,556	10,920,824	38,945,380
2015.....	26,132,047	9,540,324	35,672,371
2016.....	25,044,995	8,221,158	33,266,153
2017.....	24,245,000	7,020,483	31,265,483
2018.....	19,970,000	5,943,858	25,913,858
2019.....	20,989,999	4,927,145	25,917,144
2020.....	17,660,000	3,967,908	21,627,908
2021.....	17,744,999	3,123,630	20,868,629
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.....	19,799,000	1,115,377	20,914,377
Total.....	<u>\$ 260,463,878</u>	<u>\$ 75,173,506</u>	<u>\$ 335,637,384</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%. At June 30, 2012, the Bond Sinking Fund has a balance of \$1,607,648 which is classified as a restricted asset in the City’s debt service fund.

The interest subsidy received by the City amounted to approximately \$966,000 in Fiscal Year 2012. The City expects to receive future interest subsidies totaling approximately \$14.5 million over the life of the bonds.

### 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 2012, approximately \$15.6 million of such assistance was received. Approximately \$94 million is expected to be received in future fiscal years. Of this amount, \$22 million represents reimbursement of long-term interest costs, and \$72 million represents reimbursement of approved construction costs. Accordingly, a \$72 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 and up to 80% or \$19,100,000 of eligible construction costs in conjunction with the new Green Repair agreement which consists of roof, exterior window, and exterior door replacement and associated work for 18 City schools. During the fiscal year the City received \$32.8 million for these 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, 2012, \$41,555,000 of the bonds refunded remain outstanding and are considered defeased.

### Subsequent Event – December 2012 Refunding

On December 12, 2012, in order to take advantage of favorable interest rates, the City issued \$26,355,000 of General Obligation State Qualified Refunding Bonds. \$26,435,000 of general obligation bonds were defeased by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. This advance refunding was undertaken to reduce total debt service payments by \$2,501,710 and resulted in an economic gain of \$2,365,548.

### 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, 2012, 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, 2012, the following changes occurred in long-term liabilities:

	Balance June 30, 2011	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Balance June 30, 2012	Current Amount Due
<b><u>Governmental Activities:</u></b>							
Long-Term Bonds Payable.....	\$ 286,707,030	\$ -	\$ (26,243,152)	\$ -	\$ -	\$ 260,463,878	\$ 27,063,276
Capital Lease Obligations.....	2,348,138	-	-	819,676	(894,453)	2,273,361	1,030,346
Unamortized Bond Premium.....	6,226,702	-	(880,824)	-	-	5,345,878	841,849
Compensated Absences.....	19,517,199	-	-	3,615,907	(6,041,630)	17,091,476	6,041,630
Workers' Compensation.....	3,465,000	-	-	934,000	(1,039,000)	3,360,000	1,008,000
Due to Granting Agencies.....	8,561,000	-	-	-	(555,000)	8,006,000	3,362,000
Landfill Closure.....	8,000,000	-	-	-	(750,000)	7,250,000	750,000
Other Postemployment Benefits.....	99,545,355	-	-	65,645,467	(28,641,077)	136,549,745	-
Total governmental activity long-term liabilities.....	434,370,424	-	(27,123,976)	71,015,050	(37,921,160)	440,340,338	40,097,101
<b><u>Business-Type Activities:</u></b>							
Capital Lease Obligations.....	1,747,169	-	-	382,711	(585,609)	1,544,271	648,834
Other Postemployment Benefits.....	309,551	-	-	204,133	(89,063)	424,621	-
Total business-type activity long-term liabilities.....	2,056,720	-	-	586,844	(674,672)	1,968,892	648,834
Total.....	\$ 436,427,144	\$ -	\$ (27,123,976)	\$ 71,601,894	\$ (38,595,832)	\$ 442,309,230	\$ 40,745,935

The governmental activities liabilities will be liquidated by the general fund. The business-type liabilities will be liquidated by the enterprise fund reporting the liability, namely the Trash fund.

**NOTE 11 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as part of the fiscal year 2011 reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The City has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level

of decision making authority. The City's highest level of decision making is made by the Mayor and the City Council.

- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Massachusetts General Law Ch.40 Section 5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

In accordance with GASB 54, the stabilization funds have been reported in the general fund. At fiscal year end the balance of the General Stabilization Funds is \$41.4 million and is reported as unassigned fund balance within the General Fund.

The City has classified its fund balances with the following hierarchy.

	Governmental Funds			
	General	Snow Storm	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances				
Restricted for:				
Utility/Telephone.....	\$ -	\$ -	\$ 720,574	\$ 720,574
Receipts reserved.....	-	-	1,295,020	1,295,020
School Lunch.....	-	-	2,065,829	2,065,829
Highway Improvements.....	-	-	981,297	981,297
Revolving Funds.....	-	-	4,683,833	4,683,833
Federal Grants School.....	-	-	3,478,735	3,478,735
Federal Grants City.....	-	-	1,824,744	1,824,744
State Grants School.....	-	-	7,529,207	7,529,207
State Grants City.....	-	-	2,367,280	2,367,280
Debt Service Reserve.....	-	-	2,373,079	2,373,079
Other Special Revenue Funds.....	-	-	3,935,255	3,935,255
Bond Sinking Fund.....	-	-	1,607,648	1,607,648
School Capital Projects.....	-	-	3,435,479	3,435,479
Public Buildings Capital Projects.....	-	-	1,330,897	1,330,897
Parks Capital Projects.....	-	-	115,789	115,789
Equipment Capital Projects.....	-	-	2,383,295	2,383,295
Public Works Capital Projects.....	-	-	2,692,100	2,692,100
Other Capital Project Funds.....	-	-	872,371	872,371
Promise Fund.....	-	-	7,770,360	7,770,360
Expendable Governmental Trusts.....	-	-	1,925,757	1,925,757
Education.....	29,255,419	-	-	29,255,419
MGL Chapter 656.....	5,876,996	-	-	5,876,996
Assigned to:				
General government.....	2,009,445	-	-	2,009,445
Public safety.....	180,942	-	-	180,942
Public works.....	287,667	-	-	287,667
Human services.....	25,558	-	-	25,558
Culture and recreation.....	394,948	-	-	394,948
Employee fringe benefits.....	72,750	-	-	72,750
State and county charges.....	7,500	-	-	7,500
Unassigned.....	60,169,358	(12,040,461)	-	48,128,897
<b>Total Fund Balances.....</b>	<b>\$ 98,280,583</b>	<b>\$ (12,040,461)</b>	<b>\$ 53,388,549</b>	<b>\$ 139,628,671</b>

**NOTE 12 – LANDFILL CLOSURE AND POSTCLOSURE CARE**

State and Federal laws and regulations require the City to construct a final capping system on the Bondi’s Island and Armory Street landfill sites as they stop accepting waste, and to perform certain maintenance and monitoring functions postclosure. The City closed the Armory Street landfill in 2010 and is currently implementing a post-closure monitoring plan. The Bondi’s Island site is partially closed and is currently just accepting cash deposits and it is expected to be closed within 10 years. The City is developing plans for its closure and postclosure monitoring. To date, the City has expended approximately \$6.8 million for both sites and has recorded an estimated \$7.3 million liability for capping at Bondi’s Island and postclosure maintenance and monitoring functions at both sites. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

**NOTE 13 – RISK FINANCING**

The City is self-insured in most areas of risk including general liability, property, casualty, workers’ compensation, unemployment, and certain employee health care claims. The City’s legal liabilities are capped per M.G.L. Chapter 258 which limits the liability to a maximum of \$100,000 per claim in all matters except actions relating to federal/civil rights, eminent domain, and breach of contract.

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, 2012, the liability for dental and eye care insurance claims totaled approximately \$111,000. This liability is the best estimate based on available information. Changes in the reported liability since July 1, 2010, are as follows:

	Balance at Beginning of Fiscal Year		Current Year Claims and Changes in Estimate		Claim Payments		Balance at Fiscal Year-End Currently Due
Fiscal Year 2011.....	\$ 99,070	\$	2,958,794	\$	(2,945,161)	\$	112,703
Fiscal Year 2012.....	112,703		2,995,390		(2,996,976)		111,117

(b) *Workers' Compensation*

The estimated future workers' compensation liability is based on history and injury type. At June 30, 2012, the amount of the estimated liability for workers' compensation claims totaled approximately \$3.4 million. Changes in the reported liability since July 1, 2010 are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claim Payments	Balance at Fiscal Year-End	Current Portion
Fiscal Year 2011.....	\$ 3,586,000	\$ 4,368,829	\$ (4,489,829)	\$ 3,465,000	\$ 1,039,000
Fiscal Year 2012.....	3,465,000	3,546,657	(3,651,657)	3,360,000	1,008,000

The liability for unemployment claims at June 30, 2012 is based on known claims reported to the Massachusetts Division of Unemployment Assistance and the future liability at fiscal year end was estimated to be approximately \$1,737,000.

**NOTE 14 – PENSION PLAN**

*Plan Description* - The City contributes to the System, a multi-employer cost-sharing 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 approximately \$47,731,000 for the fiscal year ended June 30, 2012, 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, 2011, the System's membership consists of the following:

Active members.....	3,440
Inactive members.....	856
Disabled members.....	453
Retirees and beneficiaries currently receiving benefits.....	<u>2,388</u>
Total.....	<u><u>7,137</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, 2012, 2011, and 2010 were \$34,338,265, \$32,253,937, and \$31,039,501, respectively, which equaled its required contribution for each fiscal year. At June 30, 2012, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an 8.125% investment rate of return and a 4% rate of salary increases and inflation per year. The actuarial value of the System's assets was determined using an actuarial smoothing technique yielding 112.2% of 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, 2012, was 25 years with payments increasing at 4% 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)
1/1/12	\$ 267,807	\$ 924,997	\$ 657,190	29.0%	\$ 134,750	487.7%
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%

**NOTE 15 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*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 the 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, 2012, the Plan's membership consisted of the following:

Current retirees, beneficiaries, and dependents.....	5,493
Current active members.....	4,091
Total.....	<u>9,584</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% and 25% up to 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 \$29 million during fiscal year 2012 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 2012 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.....	\$	65,290,057
Interest on net OPEB obligation.....		3,494,922
Adjustments to annual required contribution.....		<u>(2,935,379)</u>
Annual OPEB cost/expense.....		65,849,600
Contributions made.....		<u>(28,730,140)</u>
Increase in net OPEB obligation.....		37,119,460
Net OPEB obligation - beginning of year.....		<u>99,854,906</u>
Net OPEB obligation - end of year.....	\$	<u><u>136,974,366</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years 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>
6/30/2012	\$ 65,849,600	43.6%	\$ 136,974,366
6/30/2011	53,146,532	42.3%	99,854,906
6/30/2010	50,774,249	41.2%	69,199,843

*Funded Status and Funding Progress* - The funded status of the Plan as of the most recent actuarial valuation date, June 30, 2012, 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)
6/30/2012	\$ -	\$ 1,029,275,845	\$ 1,029,275,845	0.00%	\$ 253,791,624	405.56%

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.....	30 years as of July 1, 2012, open
Actuarial Assumptions:	
Investment rate of return.....	3.50%, pay-as-you-go scenario
Inflation rate.....	4.5%
Projected salary increases.....	4.5%
Medical/drug cost trend rate.....	8.0% decreasing by 0.5% for 6 years to an ultimate level of 5.0% per year

**NOTE 16 – 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, 2012, the City’s costs under the Service Agreement were approximately \$3.5 million.

**NOTE 17 – CONTINGENCIES***Litigation*

Various lawsuits, claims and proceedings have been or may be instituted or asserted against the City of Springfield, including those pertaining to potential negligent supervision in the schools, use of excessive force by police officers, 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, 2012. However, management believes that the disposition of matters that are pending or asserted will not have a materially adverse effect 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, 2012, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

**NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2012, the following GASB pronouncements were implemented:

- The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this pronouncement did not impact the basic financial statements.
- The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

# ***Required Supplementary Information***

# ***General Fund Budgetary Comparison Schedule***

The General Fund is the general operating fund of the City. It is used to account for the entire City's financial resources, except those required to be accounted for in another fund.

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

FISCAL YEAR ENDED JUNE 30, 2012

	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.....	\$ 164,232,988	\$ 164,232,988	\$ 164,105,100	\$ -	\$ (127,888)
Tax liens.....	-	-	3,833,024	-	3,833,024
Motor vehicle and other excise taxes.....	7,650,000	7,650,000	8,814,442	-	1,164,442
Hotel/motel tax.....	900,000	900,000	872,952	-	(27,048)
Local meals tax.....	1,200,000	1,200,000	1,624,115	-	424,115
Charges for services.....	461,411	482,545	451,807	-	(30,738)
Penalties and interest on taxes.....	1,690,000	1,690,000	1,802,033	-	112,033
Payments in lieu of taxes.....	4,757,615	4,757,615	5,054,420	-	296,805
Licenses and permits.....	3,968,430	3,968,430	3,823,239	-	(145,191)
Fines and forfeitures.....	6,718,660	7,026,206	5,986,168	-	(1,040,038)
Intergovernmental.....	327,963,718	330,278,925	329,658,403	-	(620,522)
Departmental and other.....	8,596,110	9,046,110	9,983,098	-	936,988
Investment income.....	495,640	495,640	262,019	-	(233,621)
<b>TOTAL REVENUES.....</b>	<b>528,634,572</b>	<b>531,728,459</b>	<b>536,270,820</b>	<b>-</b>	<b>4,542,361</b>
<b>EXPENDITURES:</b>					
Current:					
<b>GENERAL GOVERNMENT</b>					
City Council					
Personal Services.....	328,867	336,777	336,760	-	17
Expenditures.....	13,798	14,522	14,508	-	14
<b>Total City Council.....</b>	<b>342,665</b>	<b>351,299</b>	<b>351,268</b>	<b>-</b>	<b>31</b>
Mayor					
Personal Services.....	406,943	411,344	411,344	-	-
Expenditures.....	13,664	13,664	8,192	-	5,472
<b>Total Mayor.....</b>	<b>420,607</b>	<b>425,008</b>	<b>419,536</b>	<b>-</b>	<b>5,472</b>
Finance					
Personal Services.....	440,071	416,814	408,003	-	8,811
Expenditures.....	41,816	35,816	24,058	446	11,312
<b>Total Finance.....</b>	<b>481,887</b>	<b>452,630</b>	<b>432,061</b>	<b>446</b>	<b>20,123</b>
Department of Administration and Finance					
Personal Services.....	213,844	194,595	183,184	-	11,411
Expenditures.....	67,616	63,441	44,256	98	19,087
<b>Total Department of Administration and Finance.....</b>	<b>281,460</b>	<b>258,036</b>	<b>227,440</b>	<b>98</b>	<b>30,498</b>
311 Call Center					
Personal Services.....	394,754	377,374	376,976	-	398
Expenditures.....	5,448	5,130	3,870	-	1,260
Capital.....	1,000	1,000	874	79	47
<b>Total CITISTAT.....</b>	<b>401,202</b>	<b>383,504</b>	<b>381,720</b>	<b>79</b>	<b>1,705</b>
Comptroller					
Personal Services.....	630,272	701,544	701,544	-	-
Expenditures.....	232,092	468,651	139,826	982	327,843
<b>Total Comptroller.....</b>	<b>862,364</b>	<b>1,170,195</b>	<b>841,370</b>	<b>982</b>	<b>327,843</b>
Internal Audit					
Personal Services.....	172,383	116,110	115,264	-	846
Expenditures.....	216,591	221,591	218,757	-	2,834
<b>Total Internal Audit.....</b>	<b>388,974</b>	<b>337,701</b>	<b>334,021</b>	<b>-</b>	<b>3,680</b>
Office of Procurement					
Personal Services.....	308,018	314,975	313,834	-	1,141
Expenditures.....	126,935	126,935	109,914	12,096	4,925
<b>Total Office of Procurement.....</b>	<b>434,953</b>	<b>441,910</b>	<b>423,748</b>	<b>12,096</b>	<b>6,066</b>
Board of Assessors					
Personal Services.....	609,576	596,690	589,440	-	7,250
Expenditures.....	178,104	260,202	205,950	54,053	199
<b>Total Board of Assessors.....</b>	<b>787,680</b>	<b>856,892</b>	<b>795,390</b>	<b>54,053</b>	<b>7,449</b>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b>Treasurer</b>					
Personal Services.....	399,820	426,673	422,922	-	3,751
Expenditures.....	1,696,393	1,690,465	1,617,489	72,538	438
<b>Total Treasurer.....</b>	<b>2,096,213</b>	<b>2,117,138</b>	<b>2,040,411</b>	<b>72,538</b>	<b>4,189</b>
<b>Collector</b>					
Personal Services.....	329,353	309,540	309,540	-	-
Expenditures.....	130,899	103,898	103,816	-	82
<b>Total Collector.....</b>	<b>460,252</b>	<b>413,438</b>	<b>413,356</b>	<b>-</b>	<b>82</b>
<b>Law</b>					
Personal Services.....	1,230,400	1,141,456	1,137,229	-	4,227
Expenditures.....	564,309	726,557	609,038	71,577	45,942
<b>Total Law.....</b>	<b>1,794,709</b>	<b>1,868,013</b>	<b>1,746,267</b>	<b>71,577</b>	<b>50,169</b>
<b>Department of Humans Resources &amp; Labor Relations</b>					
Personal Services.....	1,076,944	1,013,028	1,012,224	-	804
Expenditures.....	591,896	568,862	466,706	87,426	14,730
<b>Total Department of Humans Resources &amp; Labor Relations.....</b>	<b>1,668,840</b>	<b>1,581,890</b>	<b>1,478,930</b>	<b>87,426</b>	<b>15,534</b>
<b>Medical &amp; Dental</b>					
Expenditures.....	1,000,000	1,035,000	962,017	-	72,983
<b>Payroll</b>					
Personal Services.....	260,030	256,802	254,201	-	2,601
Expenditures.....	91,032	66,839	62,687	59	4,093
Capital.....	1,680	1,680	734	-	946
<b>Total Payroll.....</b>	<b>352,742</b>	<b>325,321</b>	<b>317,622</b>	<b>59</b>	<b>7,640</b>
<b>Information Technology</b>					
Personal Services.....	996,414	1,000,021	998,311	-	1,710
Expenditures.....	1,688,446	1,688,023	1,659,381	14,557	14,085
Capital.....	179,757	178,534	149,226	28,567	741
<b>Total Information Technology.....</b>	<b>2,864,617</b>	<b>2,866,578</b>	<b>2,806,918</b>	<b>43,124</b>	<b>16,536</b>
<b>City Clerk</b>					
Personal Services.....	466,845	446,425	436,949	-	9,476
Expenditures.....	40,427	46,499	46,230	-	269
<b>Total City Clerk.....</b>	<b>507,272</b>	<b>492,924</b>	<b>483,179</b>	<b>-</b>	<b>9,745</b>
<b>Board of Election Commission</b>					
Personal Services.....	371,835	441,741	438,234	-	3,507
Expenditures.....	151,900	158,774	156,699	2,495	(420)
<b>Total Board of Election Commission.....</b>	<b>523,735</b>	<b>600,515</b>	<b>594,933</b>	<b>2,495</b>	<b>3,087</b>
<b>Planning</b>					
Personal Services.....	717,540	736,392	714,135	-	22,257
Expenditures.....	385,761	383,940	364,030	11,839	8,071
<b>Total Planning.....</b>	<b>1,103,301</b>	<b>1,120,332</b>	<b>1,078,165</b>	<b>11,839</b>	<b>30,328</b>
<b>Facilities Management</b>					
Personal Services.....	3,094,376	3,189,725	3,022,876	-	166,849
Expenditures.....	3,593,997	3,158,211	2,685,952	441,411	30,848
Capital.....	304	-	-	-	-
<b>Total Facilities Management.....</b>	<b>6,688,677</b>	<b>6,347,936</b>	<b>5,708,828</b>	<b>441,411</b>	<b>197,697</b>
<b>Capital Asset Construction</b>					
Personal Services.....	222,525	213,459	213,386	-	73
Expenditures.....	364,289	399,748	269,239	129,199	1,310
<b>Total Capital Asset Construction.....</b>	<b>586,814</b>	<b>613,207</b>	<b>482,625</b>	<b>129,199</b>	<b>1,383</b>
<b>Provisions for Uncompensated Absences</b>					
Expenditures.....	188,234	188,234	(50)	-	188,284

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
M.C.D.I. Contract					
Expenditures.....	625,000	625,000	625,000	-	-
Reserve for Contingencies					
Expenditures.....	300,000	12,414	-	-	12,414
Parking Contract					
Expenditures.....	1,440,764	1,737,083	1,481,234	255,849	-
Pay-As-You-Go Capital					
Capital.....	3,543,882	2,492,543	1,656,109	826,174	10,260
<b>TOTAL GENERAL GOVERNMENT.....</b>	<b>30,146,844</b>	<b>29,114,741</b>	<b>26,082,098</b>	<b>2,009,445</b>	<b>1,023,198</b>
<b><u>PUBLIC SAFETY</u></b>					
Police					
Personal Services.....	35,111,647	35,157,880	35,006,389	-	151,491
Expenditures.....	2,085,877	2,155,377	2,082,993	22,646	49,738
Capital.....	15,622	15,622	9,391	713	5,518
Total Police.....	37,213,146	37,328,879	37,098,773	23,359	206,747
Fire					
Personal Services.....	16,724,423	17,777,457	17,644,245	-	133,212
Expenditures.....	1,412,203	1,371,897	1,229,496	57,611	84,790
Total Fire.....	18,136,626	19,149,354	18,873,741	57,611	218,002
Building - Code Enforcement					
Personal Services.....	1,202,092	1,253,007	1,251,677	-	1,330
Expenditures.....	52,583	52,583	52,388	-	195
Total Building - Code Enforcement.....	1,254,675	1,305,590	1,304,065	-	1,525
Housing - Code Enforcement					
Personal Services.....	494,992	495,914	478,191	-	17,723
Expenditures.....	154,722	144,163	121,569	16,155	6,439
Total Housing - Code Enforcement.....	649,714	640,077	599,760	16,155	24,162
Centralized Dispatch					
Personal Services.....	1,284,029	1,284,927	1,123,274	-	161,653
Expenditures.....	139,124	139,124	81,007	33,427	24,690
Total Centralized Dispatch.....	1,423,153	1,424,051	1,204,281	33,427	186,343
Animal Control					
Personal Services.....	343,686	361,993	357,702	-	4,291
Expenditures.....	991,821	937,515	796,760	50,390	90,365
Total Animal Control.....	1,335,507	1,299,508	1,154,462	50,390	94,656
<b>TOTAL PUBLIC SAFETY.....</b>	<b>60,012,821</b>	<b>61,147,459</b>	<b>60,235,082</b>	<b>180,942</b>	<b>731,435</b>
<b><u>EDUCATION</u></b>					
School Department.....	354,707,108	352,196,077	325,637,594	26,527,640	30,843
<b><u>PUBLIC WORKS</u></b>					
Personal Services.....	3,542,155	3,100,239	2,947,485	-	152,754
Expenditures.....	6,838,810	6,833,702	6,288,033	287,667	258,002
<b>TOTAL PUBLIC WORKS.....</b>	<b>10,380,965</b>	<b>9,933,941</b>	<b>9,235,518</b>	<b>287,667</b>	<b>410,756</b>
<b><u>HEALTH &amp; HUMAN SERVICES</u></b>					
Health & Human Services					
Personal Services.....	1,159,084	1,168,676	1,153,407	-	15,269
Expenditures.....	221,225	217,507	182,070	25,306	10,131
Total Health & Human Services.....	1,380,309	1,386,183	1,335,477	25,306	25,400

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
Department of Elder Affairs					
Personal Services.....	273,365	280,440	279,975	-	465
Expenditures.....	25,643	22,964	21,265	-	1,699
Total Department of Elder Affairs.....	299,008	303,404	301,240	-	2,164
Veterans Services					
Personal Services.....	226,973	211,483	211,483	-	-
Expenditures.....	2,044,142	2,944,142	2,753,583	252	190,307
Veterans Services.....	2,271,115	3,155,625	2,965,066	252	190,307
TOTAL HEALTH & HUMAN SERVICES.....	3,950,432	4,845,212	4,601,783	25,558	217,871
<b>CULTURE &amp; RECREATION</b>					
Library					
Personal Services.....	2,258,628	2,267,172	2,267,172	-	-
Expenditures.....	1,397,478	1,398,474	1,284,323	16,955	97,196
Capital.....	37,900	37,900	37,735	-	165
Total Library.....	3,694,006	3,703,546	3,589,230	16,955	97,361
Museum					
Expenditures.....	1,320,000	1,320,000	1,320,000	-	-
Parks					
Personal Services.....	3,879,194	3,906,388	3,801,088	-	105,300
Expenditures.....	4,100,259	3,939,228	3,548,331	377,993	12,904
Total Parks.....	7,979,453	7,845,616	7,349,419	377,993	118,204
TOTAL CULTURE & RECREATION.....	12,993,459	12,869,162	12,258,649	394,948	215,565
<b>OTHER</b>					
Debt Service.....	40,001,919	40,000,169	39,916,688	-	83,481
State Assessments					
Expenditures.....	2,790,635	2,790,635	2,760,698	7,500	22,437
Contribution Retirement Pension					
Expenditures.....	23,703,102	23,703,102	23,531,632	-	171,470
Non-Contributory Pensions					
Expenditures.....	300,000	320,000	293,641	-	26,359
Unemployment					
Expenditures.....	538,741	510,309	254,877	72,750	182,682
Workers Compensation					
Expenditures.....	1,082,000	1,047,000	721,593	-	325,407
Health Insurance - Non School					
Expenditures.....	24,472,285	23,827,270	23,298,895	-	528,375
TOTAL EXPENDITURES.....	565,080,311	562,305,077	528,828,748	29,506,450	3,969,879
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(36,445,739)	(30,576,618)	7,442,072	(29,506,450)	8,512,240
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in.....	-	6,215,955	6,454,644	-	238,689
Transfers out.....	(5,325,701)	(9,895,220)	(9,895,220)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	(5,325,701)	(3,679,265)	(3,440,576)	-	238,689
NET CHANGE IN FUND BALANCE.....	(41,771,440)	(34,255,883)	4,001,496	(29,506,450)	8,750,929
BUDGETARY FUND BALANCE, Beginning of year.....	66,816,525	66,816,525	66,816,525	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 25,045,085	\$ 32,560,642	\$ 70,818,021	\$ (29,506,450)	\$ 8,750,929

See notes to required supplementary information.

(Concluded)

# ***Retirement System Schedules of Funding Progress and Employer Contributions***

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of planned assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear 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.

**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)
1/1/12	\$ 267,806,693	\$ 924,996,962	\$ 657,190,269	29.0%	\$ 134,749,530	487.7%
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%

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	
2012	\$ 39,380,319	\$ 39,380,319	100%	\$ 34,338,265	87.20%	
2011	35,984,472	35,984,472	100%	32,253,937	89.63%	
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 Schedules***

The Schedule of Funding Progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions compares, over time, the Annual Required Contributions to the Actual Contributions made.

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

**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)
6/30/2012	\$ -	\$ 1,029,275,845	\$ 1,029,275,845	0.00%	\$ 253,791,624	405.56%
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
2012	\$ 65,290,057	\$ 28,730,140	44.0%
2011	52,758,767	22,491,469	42.6%
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, 2012
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Amortization payments increasing at 4.50%
Remaining amortization period.....	30 years as of July 1, 2012, open
Actuarial Assumptions:	
Investment rate of return.....	3.50%, pay-as-you-go scenario
Inflation rate.....	4.5%
Projected salary increases.....	4.5%
Medical/drug cost trend rate.....	8.0% decreasing by 0.5% for 6 years to an ultimate level of 5.0% per year

Plan Membership:

Current retirees, beneficiaries, and dependents.....	5,493
Current active members.....	<u>4,091</u>
Total.....	<u><u>9,584</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 2012 approved budget authorized approximately \$570.4 million in appropriations and other amounts to be raised. The City Comptroller’s office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

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

Net change in fund balance - budgetary basis.....	\$ 4,001,496
<u>Basis of accounting differences:</u>	
Increase in revenues due to on-behalf payments.....	47,731,084
Increase in expenditures due to on-behalf payments.....	(47,731,084)
Net change in recording 60 day receipts and other accrued revenues.....	(61,086)
Net change in recording other accrued expenses.....	776,730
Net change in recording tax refunds payable.....	(809,958)
<u>Perspective difference:</u>	
Activity of the stabilization funds recorded in the general fund for GAAP.....	<u>(3,677,670)</u>
Net change in fund balance - GAAP basis.....	<u><u>\$ 229,512</u></u>

**C. Appropriation Deficits**

During fiscal year 2012, expenditures exceeded budgeted appropriations for the board of election commission. This deficit will be funded through tax levy in fiscal year 2013.

**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, 2012
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.00% per year through 2013, 5% 2014 - 2015, and 6% thereafter
Remaining Amortization Period.....	25 years remaining as of January 1, 2012
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.....	8.125%
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.

The Schedule of Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

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.

# ***Combining Statements***

# ***Nonmajor Governmental Funds***

## **SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for specific revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

***Utility/Telephone Fund*** – This fund accounts for the accumulation of funds used to offset the City’s utility and telephone expenses.

***Receipts Reserved Fund*** – This fund accounts for specific receipts identified by the Commonwealth that are to be held until appropriated.

***Tornado Relief Fund*** – This fund is used to account for the federal grants, state grants, and other revenues related to the clean-up from the natural disaster of June 1, 2011.

***School Lunch Fund*** – This fund accounts for the school cafeteria activities and is funded by user fees and grants.

***Highway Improvements Fund*** – This fund is used to account for roadway improvements for which expenditures are reimbursed 100% by the Commonwealth.

***Revolving Fund*** – This fund accounts for self-supporting programs sponsored by the City.

***Federal Grants School Fund*** – This fund is used to account for grant funds received from the federal government which are designated for specific school related programs.

***Federal Grants City Fund*** – This fund is used to account for grant funds received from the federal government which are designated for specific non-school related programs.

***State Grants School Fund*** – This fund is used to account for grant funds received from the Commonwealth which are designated for specific school related programs.

***State Grants City Fund*** – This fund is used to account for grant funds received from the Commonwealth which are designated for specific non-school related programs.

***Promise Fund*** – This fund is used to account for the accumulation of resources to provide Springfield students financial aid counseling for post-secondary education.

***Expendable Governmental Trusts*** – This fund accounts for contributions where both principal and investment earnings may be spent to support the government.

***Other*** – This fund accounts for all other legally established special revenues where the funds are spent on governmental purposes.

## **DEBT SERVICE FUNDS**

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest.

**Bond Sinking Fund** – This fund is used to account for the accumulation of funds for the future payment related to the City's state qualified general obligation school bonds.

**Debt Service Reserve Fund** – This fund is used to account for the accumulation of resources for the payment of general obligation long-term debt principal and interest.

## **CAPITAL PROJECTS FUNDS**

Capital projects funds are used to account for financial resources to be used for the acquisition, construction or improvement of major capital facilities and equipment (other than those financed by enterprise funds). Such resources are derived principally from proceeds of general obligation bonds and grants. The capital projects funds are grouped into the following categories:

**Schools** – This fund is used to account for the construction and renovation of various school buildings.

**Public Buildings** – This fund is used to account for the construction and renovation of various non-school buildings.

**Parks** – This fund is used to account for the acquisition, construction, and improvement of various city owned parks.

**Equipment** – This fund is used to account for the acquisition of capital equipment that is not funded by operating budgets.

**Public Works** – This fund is used to account for roadway, drainage and landfill improvements that are not funded by the Highway Improvements special revenue fund.

**Other** – This fund accounts for all other legally established capital projects where the funds are spent on governmental purposes.

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2012

<b>ASSET</b>	<b>Special Revenue Funds</b>				
	Utility/ Telephone	Receipts Reserved	School Lunch	Highway Improvements	Revolving
Cash and cash equivalents.....	\$ 735,968	\$ 1,295,020	\$ 2,907,987	\$ -	\$ 4,997,349
Restricted cash and investments.....	-	-	-	-	-
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	-	-	515,926
Intergovernmental.....	-	-	-	2,485,085	-
Loans.....	-	-	-	-	-
Due from other funds.....	-	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 735,968</b>	<b>\$ 1,295,020</b>	<b>\$ 2,907,987</b>	<b>\$ 2,485,085</b>	<b>\$ 5,513,275</b>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 13,116	\$ -	\$ 838,155	\$ -	\$ 54,014
Accrued payroll.....	2,278	-	4,003	-	251,862
Due to granting agencies.....	-	-	-	-	-
Other liabilities.....	-	-	-	-	7,640
Deferred revenues.....	-	-	-	1,002,691	515,926
Due to other funds.....	-	-	-	501,097	-
<b>TOTAL LIABILITIES.....</b>	<b>15,394</b>	<b>-</b>	<b>842,158</b>	<b>1,503,788</b>	<b>829,442</b>
<b>FUND BALANCES:</b>					
Restricted.....	720,574	1,295,020	2,065,829	981,297	4,683,833
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 735,968</b>	<b>\$ 1,295,020</b>	<b>\$ 2,907,987</b>	<b>\$ 2,485,085</b>	<b>\$ 5,513,275</b>

**Special Revenue Funds**

Federal Grants School	Federal Grants City	State Grants School	State Grants City	Promise Fund	Expendable Governmental Trusts	Other	Sub-total
\$ 6,382,361	\$ 2,279,275	\$ 7,930,640	\$ 1,962,660	\$ 7,782,645	\$ 1,966,942	\$ 8,462,112	\$ 46,702,959
-	2,938,444	-	-	-	-	-	2,938,444
-	-	-	-	-	-	-	515,926
-	351,795	-	132,597	-	-	-	2,969,477
-	4,802,544	-	-	-	-	-	4,802,544
-	-	-	501,097	-	-	-	501,097
<u>\$ 6,382,361</u>	<u>\$ 10,372,058</u>	<u>\$ 7,930,640</u>	<u>\$ 2,596,354</u>	<u>\$ 7,782,645</u>	<u>\$ 1,966,942</u>	<u>\$ 8,462,112</u>	<u>\$ 58,430,447</u>
\$ 1,319,572	\$ 325,234	\$ 344,025	\$ 158,371	\$ 12,285	\$ 41,185	\$ 42,144	\$ 3,148,101
1,584,054	57,537	57,408	70,703	-	-	28,611	2,056,456
-	8,006,000	-	-	-	-	-	8,006,000
-	-	-	-	-	-	4,456,102	4,463,742
-	158,543	-	-	-	-	-	1,677,160
-	-	-	-	-	-	-	501,097
<u>2,903,626</u>	<u>8,547,314</u>	<u>401,433</u>	<u>229,074</u>	<u>12,285</u>	<u>41,185</u>	<u>4,526,857</u>	<u>19,852,556</u>
<u>3,478,735</u>	<u>1,824,744</u>	<u>7,529,207</u>	<u>2,367,280</u>	<u>7,770,360</u>	<u>1,925,757</u>	<u>3,935,255</u>	<u>38,577,891</u>
<u>\$ 6,382,361</u>	<u>\$ 10,372,058</u>	<u>\$ 7,930,640</u>	<u>\$ 2,596,354</u>	<u>\$ 7,782,645</u>	<u>\$ 1,966,942</u>	<u>\$ 8,462,112</u>	<u>\$ 58,430,447</u>

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2012

	<u>Debt Service</u>			<u>Capital Projects</u>	
	<u>Bond Sinking Fund</u>	<u>Debt Service Reserve</u>	<u>Sub-total</u>	<u>Schools</u>	<u>Public Buildings</u>
Cash and cash equivalents.....	\$ -	\$ 2,373,079	\$ 2,373,079	\$ -	\$ 1,123,298
Restricted cash and investments.....	1,607,648	-	1,607,648	-	-
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	-	-	-
Intergovernmental.....	-	-	-	6,062,325	-
Loans.....	-	-	-	-	-
Due from other funds.....	-	-	-	-	338,831
<b>TOTAL ASSETS.....</b>	<b>\$ 1,607,648</b>	<b>\$ 2,373,079</b>	<b>\$ 3,980,727</b>	<b>\$ 6,062,325</b>	<b>\$ 1,462,129</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ -	\$ -	\$ -	\$ 2,288,015	\$ 131,232
Accrued payroll.....	-	-	-	-	-
Due to granting agencies.....	-	-	-	-	-
Other liabilities.....	-	-	-	-	-
Deferred revenues.....	-	-	-	-	-
Due to other funds.....	-	-	-	338,831	-
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,626,846</b>	<b>131,232</b>
<b>FUND BALANCES:</b>					
Restricted.....	1,607,648	2,373,079	3,980,727	3,435,479	1,330,897
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 1,607,648</b>	<b>\$ 2,373,079</b>	<b>\$ 3,980,727</b>	<b>\$ 6,062,325</b>	<b>\$ 1,462,129</b>

<b>Capital Projects</b>					Total
Parks	Equipment	Public Works	Other	Sub-total	Nonmajor Governmental Funds
\$ 124,349	\$ 2,415,803	\$ 2,692,100	\$ 949,776	\$ 7,305,326	\$ 56,381,364
-	-	-	-	-	4,546,092
-	-	-	-	-	515,926
-	-	-	-	6,062,325	9,031,802
-	-	-	-	-	4,802,544
-	-	-	-	338,831	839,928
<u>\$ 124,349</u>	<u>\$ 2,415,803</u>	<u>\$ 2,692,100</u>	<u>\$ 949,776</u>	<u>\$ 13,706,482</u>	<u>\$ 76,117,656</u>
\$ 8,560	\$ 32,508	\$ -	\$ 77,405	\$ 2,537,720	\$ 5,685,821
-	-	-	-	-	2,056,456
-	-	-	-	-	8,006,000
-	-	-	-	-	4,463,742
-	-	-	-	-	1,677,160
-	-	-	-	338,831	839,928
<u>8,560</u>	<u>32,508</u>	<u>-</u>	<u>77,405</u>	<u>2,876,551</u>	<u>22,729,107</u>
<u>115,789</u>	<u>2,383,295</u>	<u>2,692,100</u>	<u>872,371</u>	<u>10,829,931</u>	<u>53,388,549</u>
<u>\$ 124,349</u>	<u>\$ 2,415,803</u>	<u>\$ 2,692,100</u>	<u>\$ 949,776</u>	<u>\$ 13,706,482</u>	<u>\$ 76,117,656</u>

(Concluded)

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

FISCAL YEAR ENDED JUNE 30, 2012

	<i>Special Revenue Funds</i>				
	Utility/ Telephone	Receipts Reserved	School Lunch	Highway Improvements	Revolving
<b>REVENUES:</b>					
Charges for services.....	\$ -	\$ -	\$ 1,530,832	\$ -	\$ 578,017
Fines and forfeitures.....	-	-	-	-	-
Intergovernmental.....	-	-	12,697,321	5,763,959	146,353
Departmental and other.....	340,159	-	-	-	5,450,350
Contributions.....	-	-	-	-	-
Investment income.....	-	-	1,761	124	36
<b>TOTAL REVENUES.....</b>	<b>340,159</b>	<b>-</b>	<b>14,229,914</b>	<b>5,764,083</b>	<b>6,174,756</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	-	-	-	-	-
Public safety.....	-	-	-	-	4,766,987
Education.....	-	-	14,185,743	-	530,586
Public works.....	-	-	-	5,015,591	69,725
Health and welfare.....	-	-	-	-	-
Culture and recreation.....	-	-	-	-	99,274
<b>TOTAL EXPENDITURES.....</b>	<b>-</b>	<b>-</b>	<b>14,185,743</b>	<b>5,015,591</b>	<b>5,466,572</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>340,159</b>	<b>-</b>	<b>44,171</b>	<b>748,492</b>	<b>708,184</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in.....	-	-	-	-	-
Transfers out.....	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>340,159</b>	<b>-</b>	<b>44,171</b>	<b>748,492</b>	<b>708,184</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>380,415</b>	<b>1,295,020</b>	<b>2,021,658</b>	<b>232,805</b>	<b>3,975,649</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 720,574</b>	<b>\$ 1,295,020</b>	<b>\$ 2,065,829</b>	<b>\$ 981,297</b>	<b>\$ 4,683,833</b>

**Special Revenue Funds**

Federal Grants School	Federal Grants City	State Grants School	State Grants City	Promise Fund	Expendable Governmental Trusts	Other	Sub-total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,887	\$ 2,211,736
-	-	-	-	-	-	33,165	33,165
53,955,814	18,723,446	7,159,463	7,129,308	-	-	-	105,575,664
-	-	-	-	-	-	12,070	5,802,579
-	-	-	4,000	-	459,140	1,369,750	1,832,890
-	14,465	-	131	71,809	119	-	88,445
<u>53,955,814</u>	<u>18,737,911</u>	<u>7,159,463</u>	<u>7,133,439</u>	<u>71,809</u>	<u>459,259</u>	<u>1,517,872</u>	<u>115,544,479</u>
-	14,894,028	-	185,646	-	-	134,173	15,213,847
-	836,026	-	3,724,212	-	-	171,246	9,498,471
58,152,967	4,891	5,480,159	-	385,844	-	557,856	79,298,046
-	-	-	-	-	-	-	5,085,316
-	2,956,017	-	1,269,920	-	-	41,789	4,267,726
-	167,862	-	565,318	-	390,642	346,071	1,569,167
<u>58,152,967</u>	<u>18,858,824</u>	<u>5,480,159</u>	<u>5,745,096</u>	<u>385,844</u>	<u>390,642</u>	<u>1,251,135</u>	<u>114,932,573</u>
<u>(4,197,153)</u>	<u>(120,913)</u>	<u>1,679,304</u>	<u>1,388,343</u>	<u>(314,035)</u>	<u>68,617</u>	<u>266,737</u>	<u>611,906</u>
-	-	-	82,087	-	-	191	82,278
-	-	-	(82,087)	-	-	(191)	(82,278)
-	-	-	-	-	-	-	-
<u>(4,197,153)</u>	<u>(120,913)</u>	<u>1,679,304</u>	<u>1,388,343</u>	<u>(314,035)</u>	<u>68,617</u>	<u>266,737</u>	<u>611,906</u>
<u>7,675,888</u>	<u>1,945,657</u>	<u>5,849,903</u>	<u>978,937</u>	<u>8,084,395</u>	<u>1,857,140</u>	<u>3,668,518</u>	<u>37,965,985</u>
<u>\$ 3,478,735</u>	<u>\$ 1,824,744</u>	<u>\$ 7,529,207</u>	<u>\$ 2,367,280</u>	<u>\$ 7,770,360</u>	<u>\$ 1,925,757</u>	<u>\$ 3,935,255</u>	<u>\$ 38,577,891</u>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Debt Service</u>			<u>Capital Projects</u>	
	Bond Sinking Fund	Debt Service Reserve	Sub-total	Schools	Public Buildings
<b>REVENUES:</b>					
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures.....	-	-	-	-	-
Intergovernmental.....	-	-	-	32,819,413	-
Departmental and other.....	-	-	-	-	-
Contributions.....	-	-	-	-	-
Investment income.....	40,541	-	40,541	-	-
<b>TOTAL REVENUES.....</b>	<b>40,541</b>	<b>-</b>	<b>40,541</b>	<b>32,819,413</b>	<b>-</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	-	-	-	-	76,510
Public safety.....	-	-	-	-	597,100
Education.....	-	-	-	44,152,061	-
Public works.....	-	-	-	-	-
Health and welfare.....	-	-	-	-	-
Culture and recreation.....	-	-	-	-	17,287
<b>TOTAL EXPENDITURES.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,152,061</b>	<b>690,897</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>40,541</b>	<b>-</b>	<b>40,541</b>	<b>(11,332,648)</b>	<b>(690,897)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in.....	776,911	-	776,911	2,000,000	26,108
Transfers out.....	-	(238,689)	(238,689)	(2,026,108)	-
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>776,911</b>	<b>(238,689)</b>	<b>538,222</b>	<b>(26,108)</b>	<b>26,108</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>817,452</b>	<b>(238,689)</b>	<b>578,763</b>	<b>(11,358,756)</b>	<b>(664,789)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>790,196</b>	<b>2,611,768</b>	<b>3,401,964</b>	<b>14,794,235</b>	<b>1,995,686</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 1,607,648</b>	<b>\$ 2,373,079</b>	<b>\$ 3,980,727</b>	<b>\$ 3,435,479</b>	<b>\$ 1,330,897</b>

<b>Capital Projects</b>					Total
Parks	Equipment	Public Works	Other	Sub-total	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	2,211,736
-	-	-	-	-	33,165
-	136,205	-	-	32,955,618	138,531,282
-	-	-	-	-	5,802,579
-	-	-	-	-	1,832,890
-	-	-	-	-	128,986
-	136,205	-	-	32,955,618	148,540,638
-	1,218,906	-	1,140,219	2,435,635	17,649,482
-	-	-	-	597,100	10,095,571
-	-	-	-	44,152,061	123,450,107
-	-	687,316	-	687,316	5,772,632
-	-	-	-	-	4,267,726
149,954	-	-	-	167,241	1,736,408
149,954	1,218,906	687,316	1,140,219	48,039,353	162,971,926
(149,954)	(1,082,701)	(687,316)	(1,140,219)	(15,083,735)	(14,431,288)
-	1,178,886	-	-	3,204,994	4,064,183
-	-	-	-	(2,026,108)	(2,347,075)
-	1,178,886	-	-	1,178,886	1,717,108
(149,954)	96,185	(687,316)	(1,140,219)	(13,904,849)	(12,714,180)
265,743	2,287,110	3,379,416	2,012,590	24,734,780	66,102,729
\$ 115,789	\$ 2,383,295	\$ 2,692,100	\$ 872,371	\$ 10,829,931	\$ 53,388,549

(Concluded)

## ***Internal Service Funds***

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.

***Public Works Shared Services Fund*** – This fund is used to account for the inter-department services provided by the department of public works for the maintenance of vehicles and other services.

***Health Insurance Fund*** – This fund is used to account for the payment of health and other employee benefit programs.

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**

JUNE 30, 2012

	Public Works Shared Services	Health Insurance	Total Internal Service Funds
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 644,161	\$ 6,787,008	\$ 7,431,169
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	14,687	14,687
Total current assets.....	<u>644,161</u>	<u>6,801,695</u>	<u>7,445,856</u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	67,488	-	67,488
Unearned revenues.....	-	14,687	14,687
Employee contributions paid in advance.....	-	2,146,667	2,146,667
Health claims payable.....	-	111,117	111,117
Total current liabilities.....	<u>67,488</u>	<u>2,272,471</u>	<u>2,339,959</u>
<b>NET ASSETS</b>			
Unrestricted.....	<u>\$ 576,673</u>	<u>\$ 4,529,224</u>	<u>\$ 5,105,897</u>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**

FISCAL YEAR ENDED JUNE 30, 2012

	Public Works Shared Services	Health Insurance	Total Internal Service Funds
<b>OPERATING REVENUES:</b>			
Employee contributions .....	\$ -	\$ 19,675,016	\$ 19,675,016
Employer contributions .....	-	60,073,391	60,073,391
Charges for services.....	2,007,785	-	2,007,785
<b>TOTAL OPERATING REVENUES .....</b>	<b>2,007,785</b>	<b>79,748,407</b>	<b>81,756,192</b>
<b>OPERATING EXPENSES:</b>			
Cost of services and administration .....	2,026,768	-	2,026,768
Employee benefits .....	-	79,219,388	79,219,388
<b>TOTAL OPERATING EXPENSES .....</b>	<b>2,026,768</b>	<b>79,219,388</b>	<b>81,246,156</b>
<b>OPERATING INCOME.....</b>	<b>(18,983)</b>	<b>529,019</b>	<b>510,036</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income.....	-	1,515	1,515
<b>CHANGE IN NET ASSETS.....</b>	<b>(18,983)</b>	<b>530,534</b>	<b>511,551</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>595,656</b>	<b>3,998,690</b>	<b>4,594,346</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 576,673</b>	<b>\$ 4,529,224</b>	<b>\$ 5,105,897</b>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2012

	Public Works Shared Services	Health Insurance	Total Internal Service Funds
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Receipts from customers and users.....	\$ -	\$ 19,713,228	\$ 19,713,228
Receipts from interfund services provided.....	2,007,785	60,071,805	62,079,590
Payments for interfund services used.....	<u>(1,987,490)</u>	<u>(79,219,388)</u>	<u>(81,206,878)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>20,295</u>	<u>565,645</u>	<u>585,940</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>			
Investment income.....	<u>-</u>	<u>1,515</u>	<u>1,515</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	20,295	567,160	587,455
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>623,866</u>	<u>6,219,848</u>	<u>6,843,714</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 644,161</u>	<u>\$ 6,787,008</u>	<u>\$ 7,431,169</u>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>			
Operating income.....	\$ <u>(18,983)</u>	\$ <u>529,019</u>	\$ <u>510,036</u>
Adjustments to reconcile operating income to net cash from operating activities:			
Changes in assets and liabilities:			
Departmental and other.....	-	4,287	4,287
Warrants payable.....	39,278	-	39,278
Unearned revenues.....	-	(4,287)	(4,287)
Employee contributions paid in advance.....	-	38,212	38,212
Health claims payable.....	<u>-</u>	<u>(1,586)</u>	<u>(1,586)</u>
Total adjustments.....	<u>39,278</u>	<u>36,626</u>	<u>75,904</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ 20,295</u>	<u>\$ 565,645</u>	<u>\$ 585,940</u>

# ***Fiduciary Funds***

***Agency Fund*** – This fund is used to account for payroll withholdings and other amounts held in a fiduciary capacity for nongovernmental purposes.

**AGENCY FUND**  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2012

	Agency Accounts <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Agency Accounts <u>June 30, 2012</u>
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ <u>546,152</u>	\$ <u>104,118,260</u>	\$ <u>(104,081,629)</u>	\$ <u>582,783</u>
<b>LIABILITIES</b>				
Liabilities due depositors.....	\$ <u>546,152</u>	\$ <u>104,118,260</u>	\$ <u>(104,081,629)</u>	\$ <u>582,783</u>

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# ***Statistical Section***

Statistical tables differ from financial statements since they usually cover more than one fiscal year and may present non-accounting data. The following tables reflect social and economic data, financial trends, and fiscal capacity.



A statue of Springfield resident Dr. Seuss and the Cat in the Hat at the Library Quadrangle Downtown.

City of Springfield, Massachusetts  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2012



The new Roger L. Putnam Vocational High School completed in 2012.

# ***Statistical Section***

This part of the City of Springfield's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

## ***Financial Trends***

- These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

## ***Revenue Capacity***

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

## ***Debt Capacity***

- These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

## ***Demographic and Economic Information***

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

## ***Operating Information***

- These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

*SOURCES: Unless otherwise noted, the information in these schedules is derived from the audited financial reports for the relevant year.*

**Net Assets By Component**

**Last Ten Fiscal Years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>										
Invested in capital assets, net of related debt.....	\$ 23,999,233	\$ 35,527,345	\$ 152,135,812	\$ 337,293,007	\$ 355,316,577	\$ 341,183,744	\$ 325,029,046	\$ 320,198,349	\$ 332,597,837	\$ 374,981,234
Restricted.....	9,061,095	9,202,820	24,352,366	19,216,828	11,626,045	10,548,347	18,386,621	15,210,173	19,757,080	22,794,687
Unrestricted.....	<u>(28,246,654)</u>	<u>(26,633,470)</u>	<u>17,467,126</u>	<u>49,923,671</u>	<u>40,591,555</u>	<u>42,012,688</u>	<u>44,159,791</u>	<u>28,345,748</u>	<u>20,096,472</u>	<u>(42,915,390)</u>
<b>Total governmental activities net assets.....</b>	<b>\$ 4,813,674</b>	<b>\$ 18,096,695</b>	<b>\$ 193,955,304</b>	<b>\$ 406,433,506</b>	<b>\$ 407,534,177</b>	<b>\$ 393,744,779</b>	<b>\$ 387,575,458</b>	<b>\$ 363,754,270</b>	<b>\$ 372,451,389</b>	<b>\$ 354,860,531</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt.....	24,443	101,374	-	-	-	19,485	106,681	209,137	266,698	412,276
Unrestricted.....	<u>270,027</u>	<u>469,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>727,929</u>	<u>1,050,992</u>	<u>2,160,316</u>	<u>2,676,105</u>	<u>2,337,268</u>
<b>Total business-type activities net assets.....</b>	<b>\$ 294,470</b>	<b>\$ 570,754</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 747,414</b>	<b>\$ 1,157,673</b>	<b>\$ 2,369,453</b>	<b>\$ 2,942,803</b>	<b>\$ 2,749,544</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt.....	24,023,676	35,628,719	152,135,812	337,293,007	355,316,577	341,203,229	325,135,727	320,407,486	332,864,535	375,393,510
Restricted.....	9,061,095	9,202,820	25,282,204	20,736,803	13,972,030	12,177,583	20,024,916	16,968,807	21,614,220	22,794,687
Unrestricted.....	<u>(27,976,627)</u>	<u>(26,164,090)</u>	<u>16,537,288</u>	<u>48,403,696</u>	<u>38,245,570</u>	<u>41,111,381</u>	<u>43,572,488</u>	<u>28,747,430</u>	<u>20,915,437</u>	<u>(40,578,122)</u>
<b>Total primary government net assets.....</b>	<b>\$ 5,108,144</b>	<b>\$ 18,667,449</b>	<b>\$ 193,955,304</b>	<b>\$ 406,433,506</b>	<b>\$ 407,534,177</b>	<b>\$ 394,492,193</b>	<b>\$ 388,733,131</b>	<b>\$ 366,123,723</b>	<b>\$ 375,394,192</b>	<b>\$ 357,610,075</b>

During fiscal years 2005, 2006, and 2007, the City did not have any business-type actives.

Changes in Net Assets

Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government.....	\$ 55,774,420	\$ 49,309,817	\$ 33,893,533	\$ 37,313,464	\$ 37,430,911	\$ 48,467,529	\$ 54,328,653	\$ 63,024,227	\$ 62,794,736	\$ 55,175,091
Public safety.....	64,756,965	57,476,808	81,568,471	85,728,406	92,037,703	103,672,758	101,547,545	108,229,250	110,047,282	111,769,805
Education.....	283,088,674	301,128,474	346,130,455	362,864,927	397,224,731	420,017,056	440,556,125	455,624,524	466,952,480	481,476,353
Public works.....	30,761,581	22,092,283	35,625,891	39,852,304	42,335,873	34,956,415	30,235,260	26,963,956	33,422,502	30,608,396
Health and human services.....	4,896,292	5,012,259	5,599,409	14,629,017	10,665,056	12,075,838	8,244,515	9,813,743	10,299,084	10,241,088
Culture and recreation.....	13,990,907	10,788,760	14,854,349	17,056,712	18,500,551	22,120,662	23,275,504	21,342,468	22,118,556	20,769,658
Employee benefits.....	62,805,501	79,541,619	-	-	-	-	-	-	-	-
State and county charges.....	2,699,066	2,416,185	17,997,676	-	-	-	-	-	-	-
Finance Control Board.....	-	-	871,757	-	-	-	-	-	-	-
Storm damage - October 2011 snow storm.....	-	-	-	2,017,262	1,648,086	2,178,191	-	-	-	-
Interest.....	15,886,536	16,094,549	14,413,659	16,128,784	14,415,119	15,314,660	14,352,351	13,458,084	13,266,838	12,170,740
Claims and judgments.....	-	-	-	532,192	556,750	642,918	496,923	-	-	-
Miscellaneous.....	421,644	373,701	-	-	-	-	-	-	-	-
<b>Total government activities expenses.....</b>	<b>535,081,586</b>	<b>544,234,455</b>	<b>550,955,200</b>	<b>576,123,068</b>	<b>614,814,780</b>	<b>659,446,027</b>	<b>673,036,876</b>	<b>698,456,252</b>	<b>718,901,478</b>	<b>749,807,463</b>
<b>Business-type activities:</b>										
Parking.....	545,403	485,031	-	-	-	-	-	-	-	-
Trash.....	-	-	-	-	-	6,178,931	6,158,565	5,962,662	8,537,689	8,874,676
<b>Total business type activities expenses.....</b>	<b>545,403</b>	<b>485,031</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,178,931</b>	<b>6,158,565</b>	<b>5,962,662</b>	<b>8,537,689</b>	<b>8,874,676</b>
<b>Total primary government expenses.....</b>	<b>\$ 535,626,989</b>	<b>\$ 544,719,486</b>	<b>\$ 550,955,200</b>	<b>\$ 576,123,068</b>	<b>\$ 614,814,780</b>	<b>\$ 665,624,958</b>	<b>\$ 679,195,441</b>	<b>\$ 704,418,914</b>	<b>\$ 727,439,167</b>	<b>\$ 758,682,139</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Education charges for services.....	\$ 16,020,619	\$ 14,832,327	\$ 7,585,941	\$ 6,011,926	\$ 8,341,036	\$ 9,545,159	\$ 8,333,298	\$ 7,903,176	\$ 8,545,601	\$ 6,873,282
Public safety charges for services.....	7,295,696	6,843,220	8,483,586	10,312,098	9,589,823	7,789,484	9,190,168	7,743,422	7,059,899	7,839,552
Other charges for services.....	11,246,983	7,808,285	25,565,737	23,265,544	8,347,038	8,854,798	11,363,902	14,075,803	12,434,790	14,956,142
Operating grants and contributions.....	300,741,279	323,819,663	339,811,117	345,756,999	363,885,595	394,416,551	413,665,113	419,677,283	438,860,676	452,149,037
Capital grant and contributions.....	25,738,366	25,280,773	4,543,703	4,537,749	12,815,331	7,585,134	3,467,296	10,232,406	43,524,730	37,356,599
<b>Total government activities program revenues.....</b>	<b>361,042,943</b>	<b>378,584,268</b>	<b>385,990,084</b>	<b>389,884,316</b>	<b>402,978,823</b>	<b>428,191,126</b>	<b>446,019,777</b>	<b>459,632,090</b>	<b>510,425,696</b>	<b>519,174,612</b>
<b>Business-type activities:</b>										
Charges for services - Parking.....	685,189	761,315	-	-	-	-	-	-	-	-
Charges for services - Trash.....	-	-	-	-	-	4,237,986	3,814,824	3,913,653	4,101,890	3,982,627
<b>Total business-type activities program revenues.....</b>	<b>685,189</b>	<b>761,315</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,237,986</b>	<b>3,814,824</b>	<b>3,913,653</b>	<b>4,101,890</b>	<b>3,982,627</b>
<b>Total primary government program revenues.....</b>	<b>\$ 361,728,132</b>	<b>\$ 379,345,583</b>	<b>\$ 385,990,084</b>	<b>\$ 389,884,316</b>	<b>\$ 402,978,823</b>	<b>\$ 432,429,112</b>	<b>\$ 449,834,601</b>	<b>\$ 463,545,743</b>	<b>\$ 514,527,586</b>	<b>\$ 523,157,239</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities.....	\$ (174,038,643)	\$ (165,650,187)	\$ (164,965,116)	\$ (186,238,752)	\$ (211,835,957)	\$ (231,254,901)	\$ (227,017,099)	\$ (238,824,162)	\$ (208,475,782)	\$ (230,632,851)
Business-type activities.....	139,786	276,284	-	-	-	(1,940,945)	(2,343,741)	(2,049,009)	(4,435,799)	(4,892,049)
<b>Total primary government net expense.....</b>	<b>\$ (173,898,857)</b>	<b>\$ (165,373,903)</b>	<b>\$ (164,965,116)</b>	<b>\$ (186,238,752)</b>	<b>\$ (211,835,957)</b>	<b>\$ (233,195,846)</b>	<b>\$ (229,360,840)</b>	<b>\$ (240,873,171)</b>	<b>\$ (212,911,581)</b>	<b>\$ (235,524,900)</b>
<b>General Revenues and other Changes in Net Assets</b>										
<b>Governmental activities:</b>										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 112,905,843	\$ 123,589,276	\$ 132,057,410	\$ 132,539,064	\$ 140,716,369	\$ 145,585,893	\$ 156,376,934	\$ 162,066,493	\$ 159,965,027	\$ 163,454,196
Tax liens.....	(A)	(A)	5,926,760	5,442,194	5,160,748	2,937,208	2,595,712	3,820,323	4,328,306	3,259,181
Motor vehicle and other excise taxes.....	7,580,414	8,680,469	8,770,981	8,928,670	8,207,546	7,779,625	9,155,042	7,602,869	7,323,777	9,599,000
Hotel/Motel tax.....	-	-	694,458	934,715	944,735	960,544	876,507	727,765	767,571	872,952
Local Meals Tax.....	-	-	-	-	-	-	-	848,785	1,513,257	1,624,115
Penalties and interest on taxes.....	8,636,525	10,061,195	3,892,106	3,537,692	3,360,657	2,185,178	2,342,311	1,613,260	1,677,741	1,802,033
Payments in lieu of taxes.....	-	-	6,785,417	6,363,640	7,077,264	6,936,565	5,820,090	6,523,169	5,082,080	5,054,420
Grants and contributions not restricted to specific programs.....	37,900,797	31,025,567	35,367,054	37,288,365	46,897,842	45,286,984	42,560,162	34,225,053	32,062,000	32,059,135
Unrestricted investment income.....	178,322	183,203	1,263,014	3,845,110	7,742,338	8,405,541	3,850,833	807,832	669,539	458,708
Miscellaneous.....	908,130	342,374	5,223,206	49,922	789,028	76,324	24,187	28,214	92,752	42,044
Transfers.....	-	-	-	-	-	(2,688,359)	(2,754,000)	(3,260,789)	(5,009,149)	(4,698,790)
Special Items:										
Forgiveness of debt - state loan.....	-	-	-	-	-	-	-	-	8,700,000	-
Extraordinary Items:										
Tornado reimbursements.....	-	-	-	-	-	-	-	-	-	20,000,450
Tornado expense.....	-	-	-	-	-	-	-	-	-	(20,485,451)
<b>Total governmental activities.....</b>	<b>168,110,031</b>	<b>173,882,084</b>	<b>199,980,406</b>	<b>198,929,372</b>	<b>220,896,527</b>	<b>217,465,503</b>	<b>220,847,778</b>	<b>215,002,974</b>	<b>217,172,901</b>	<b>213,041,993</b>
<b>Business-type activities:</b>										
Transfers.....	-	-	-	-	-	2,688,359	2,754,000	3,260,789	5,009,149	4,698,790
<b>Total primary government.....</b>	<b>\$ 168,110,031</b>	<b>\$ 173,882,084</b>	<b>\$ 199,980,406</b>	<b>\$ 198,929,372</b>	<b>\$ 220,896,527</b>	<b>\$ 220,153,862</b>	<b>\$ 223,601,778</b>	<b>\$ 218,263,763</b>	<b>\$ 222,182,050</b>	<b>\$ 217,740,783</b>
<b>Changes in Net Assets</b>										
Governmental activities.....	\$ (5,928,612)	\$ 8,231,897	\$ 35,015,290	\$ 12,690,620	\$ 9,060,570	\$ (13,789,398)	\$ (6,169,321)	\$ (23,821,188)	\$ 8,697,119	\$ (17,590,858)
Business-type activities.....	139,786	276,284	-	-	-	747,414	410,259	1,211,780	573,350	(193,259)
<b>Total primary government.....</b>	<b>\$ (5,788,826)</b>	<b>\$ 8,508,181</b>	<b>\$ 35,015,290</b>	<b>\$ 12,690,620</b>	<b>\$ 9,060,570</b>	<b>\$ (13,041,984)</b>	<b>\$ (5,759,062)</b>	<b>\$ (22,609,408)</b>	<b>\$ 9,270,469</b>	<b>\$ (17,784,117)</b>

(A) = In years 2003 and 2004 tax lien revenue was included with real estate and personal property tax revenue.  
Source: Audited Financial Statements

**Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund</b>										
Reserved for										
Encumbrances and continuing appropriations.....	\$ 5,714,805	\$ 9,620,120	\$ 20,047,085	\$ 30,904,387	\$ 14,563,295	\$ 9,885,173	\$ 7,440,386	\$ 9,660,020	\$ -	\$ -
Chapter 656 reserve.....	-	-	4,341,962	4,869,332	5,049,684	5,624,879	6,042,256	5,794,053	-	-
Schools .....	-	-	-	-	-	-	-	10,881,300	-	-
Unreserved.....	2,268,083	3,882,756	26,562,000	48,042,132	53,639,496	41,892,849	44,551,976	49,160,191	-	-
Restricted.....	-	-	-	-	-	-	-	-	30,421,176	35,132,415
Assigned.....	-	-	-	-	-	-	-	-	3,341,976	2,978,810
Unassigned.....	-	-	-	-	-	-	-	-	64,287,919	60,169,358
<b>Total general fund.....</b>	<b>\$ 7,982,888</b>	<b>\$ 13,502,876</b>	<b>\$ 50,951,047</b>	<b>\$ 83,815,851</b>	<b>\$ 73,252,475</b>	<b>\$ 57,402,901</b>	<b>\$ 58,034,618</b>	<b>\$ 75,495,564</b>	<b>\$ 98,051,071</b>	<b>\$ 98,280,583</b>
<b>All Other Governmental Funds</b>										
Reserved.....	\$ 719,120	\$ 732,241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	12,246,240	11,287,416	12,805,678	18,752,274	56,822,330	86,576,180	109,664,713	54,400,287	-	-
Capital projects funds.....	(33,754,131)	(35,656,164)	14,963,595	12,777,318	55,089,820	27,432,020	40,654,091	34,709,187	-	-
Permanent funds.....	-	-	899,467	1,519,975	2,345,985	1,629,236	1,638,295	1,758,634	-	-
Restricted.....	-	-	-	-	-	-	-	-	66,102,729	53,388,549
Unassigned.....	-	-	-	-	-	-	-	-	(324,076)	(12,040,461)
<b>Total all other governmental funds.....</b>	<b>\$ (20,788,771)</b>	<b>\$ (23,636,507)</b>	<b>\$ 28,668,740</b>	<b>\$ 33,049,567</b>	<b>\$ 114,258,135</b>	<b>\$ 115,637,436</b>	<b>\$ 151,957,099</b>	<b>\$ 90,868,108</b>	<b>\$ 65,778,653</b>	<b>\$ 41,348,088</b>

Notes:

Source: Audited Financial Statements

The City implemented GASB 54 in fiscal year 2011, fund balances prior to fiscal year 2011 have been reported in the pre-GASB 54 format.

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
<b>Revenues:</b>											
Real estate and personal property taxes,											
net of tax refunds.....	\$ 114,705,199	\$ 123,381,108	\$ 122,261,374	\$ 130,987,539	\$ 141,134,996	\$ 142,947,339	\$ 157,510,645	\$ 164,367,177	\$ 160,413,338	\$ 163,234,056	
Tax liens .....	-	-	5,926,760	7,194,890	5,160,748	4,472,030	3,309,149	3,768,128	3,448,477	3,833,024	
Motor vehicle and other excise taxes.....	7,452,124	8,966,277	9,206,553	9,211,096	8,635,626	8,921,591	8,340,690	7,839,549	7,691,115	8,814,442	
Hotel/Motel tax.....	-	-	694,458	934,715	944,735	960,544	876,507	727,765	767,571	872,952	
Local Meals Tax.....	-	-	-	-	-	-	-	848,785	1,513,257	1,624,115	
Charges for services.....	9,840,705	26,160,700	15,214,204	13,431,571	7,854,157	3,599,893	2,148,630	2,439,774	1,353,944	2,663,543	
Penalties and interest on taxes.....	8,636,525	10,061,195	3,892,106	3,537,692	3,360,657	2,185,178	2,342,311	1,613,260	1,677,741	1,802,033	
Payments in lieu of taxes.....	-	-	6,785,417	6,363,640	7,077,264	6,936,565	5,820,090	6,523,169	5,082,080	5,054,420	
Licenses and permits.....	1,803,961	1,836,229	3,067,713	2,953,760	3,341,714	2,556,063	5,414,924	3,734,353	3,432,098	3,823,239	
Fines and forfeitures.....	1,480,731	1,422,400	1,672,981	2,187,751	1,480,434	1,437,672	6,720,709	6,444,218	5,451,805	6,019,333	
Intergovernmental.....	377,689,227	377,357,995	394,065,295	406,253,585	426,261,115	447,473,783	465,309,318	473,123,963	527,373,079	531,494,799	
Departmental and other.....	-	-	19,159,203	14,083,962	15,165,511	19,884,792	17,271,932	11,806,484	15,533,603	15,785,677	
Investment income.....	178,332	183,203	1,246,770	3,804,110	7,702,368	8,302,737	3,792,330	787,970	675,518	497,734	
Miscellaneous.....	9,029,620	2,912,764	123,239	69,200	-	-	-	-	-	-	
Contributions .....	-	-	2,267,323	2,991,764	3,620,174	2,574,334	2,913,485	2,888,734	2,568,421	1,832,890	
<b>Total Revenue.....</b>	<b>530,816,424</b>	<b>552,281,871</b>	<b>585,583,396</b>	<b>604,005,275</b>	<b>631,739,499</b>	<b>652,252,521</b>	<b>681,770,720</b>	<b>686,913,329</b>	<b>736,982,047</b>	<b>747,352,257</b>	
<b>Expenditures:</b>											
General government.....	59,245,036	48,787,210	35,604,663	35,023,044	37,433,149	49,623,102	44,061,974	59,236,857	57,699,771	44,099,741	
Public safety.....	64,650,696	55,601,857	57,360,810	57,415,730	69,214,379	70,597,009	66,059,643	74,986,038	73,028,036	70,330,653	
Education.....	280,013,848	293,744,880	292,822,538	352,200,997	391,340,765	397,535,802	414,768,913	437,093,450	482,327,150	495,973,985	
Public works.....	28,892,591	22,233,205	29,853,711	29,205,295	34,228,445	29,313,471	20,307,276	13,750,634	14,706,846	15,912,108	
Health and human services.....	4,784,340	5,059,594	5,093,759	13,453,222	9,684,540	11,094,903	7,364,096	8,828,544	8,998,028	8,869,509	
Culture and recreation.....	13,938,398	11,508,301	10,556,657	13,139,890	15,233,919	17,408,776	17,186,777	16,222,484	15,754,746	13,995,057	
Finance Control Board Expenditures.....	-	-	871,757	2,017,262	1,648,086	2,178,191	-	-	-	-	
Pension benefits.....	-	-	22,446,447	17,479,734	18,655,982	21,685,459	20,844,905	22,372,681	24,254,094	23,825,273	
Employee benefits.....	63,618,153	75,597,564	-	-	-	-	-	-	-	-	
Miscellaneous.....	207,205	191,342	-	-	-	-	-	-	-	-	
Employee fringe benefits.....	-	-	470,127	1,068,473	3,739,401	1,604,431	1,607,929	427,412	1,342,238	728,470	
Employee health benefits.....	-	-	56,898,020	18,074,765	23,041,303	26,400,181	25,026,409	22,221,484	22,470,194	23,298,895	
Claims and judgments.....	-	-	413,721	532,192	566,750	642,918	496,923	-	-	-	
Storm damage.....	-	-	-	-	-	-	-	-	-	2,760,698	
State, county, and district assessments.....	2,699,066	2,416,185	17,997,676	2,837,845	2,877,262	2,591,642	2,679,875	2,657,567	2,896,717	27,596,332	
Debt service.....	31,172,018	34,469,481	-	-	-	-	-	-	-	-	
Principal.....	-	-	19,324,296	18,952,085	20,528,965	20,477,383	26,269,682	72,701,316	26,509,108	26,243,152	
Interest.....	-	-	15,598,461	13,790,706	15,057,019	16,445,028	15,532,168	14,646,118	14,656,717	13,555,322	
<b>Total Expenditures.....</b>	<b>549,221,351</b>	<b>549,609,619</b>	<b>565,312,643</b>	<b>575,191,240</b>	<b>643,249,965</b>	<b>667,598,296</b>	<b>662,206,580</b>	<b>745,144,585</b>	<b>744,643,645</b>	<b>767,189,195</b>	
Excess of revenues over (under) expenditures.....	(18,404,927)	2,672,252	20,270,753	28,814,035	(11,510,466)	(15,345,775)	19,564,140	(58,231,256)	(7,661,598)	(19,836,938)	
<b>Other Financing Sources (Uses)</b>											
Issuance of long-term debt.....	75,314,000	-	49,236,000	-	53,605,000	-	19,500,000	17,864,000	-	-	
Premium from issuance of bonds.....	-	-	-	3,463,068	1,875,817	-	599,991	-	-	-	
Issuance of refunding bonds.....	7,575,000	-	-	98,274,000	73,795,000	-	4,805,000	-	-	-	
Premium from issuance of refunding bonds.....	-	-	-	10,195,602	4,418,218	-	112,181	-	-	-	
Payments to refunded bond escrow agent.....	(7,575,000)	-	-	(107,143,336)	(77,546,197)	-	(4,875,932)	-	-	-	
State loan issuance.....	-	-	21,871,757	3,642,262	26,007,790	478,191	-	-	-	-	
Capital lease financing.....	-	-	-	-	-	3,085,340	-	-	1,436,799	819,676	
Transfers in.....	-	6,175,883	16,529,942	3,476,574	21,825,466	35,527,113	107,536,799	68,387,868	9,104,472	5,111,949	
Transfers out.....	-	(6,175,883)	(16,529,942)	(3,476,574)	(21,825,466)	(38,215,472)	(110,290,799)	(71,648,657)	(14,113,621)	(9,810,739)	
<b>Total other financing sources (uses).....</b>	<b>75,314,000</b>	<b>-</b>	<b>71,107,757</b>	<b>8,431,596</b>	<b>82,155,628</b>	<b>875,172</b>	<b>17,387,240</b>	<b>14,603,211</b>	<b>(3,572,350)</b>	<b>(3,879,114)</b>	
Special Item - Forgiveness of Debt, State Loan.....	-	-	-	-	-	-	-	-	8,700,000	-	
Extraordinary Item - Intergovernmental tornado revenue.....	-	-	-	-	-	-	-	-	-	20,000,450	
Extraordinary Item - Tornado relief expenditures.....	-	-	-	-	-	-	-	-	-	(20,485,451)	
<b>Net change in fund balance.....</b>	<b>\$ 56,909,073</b>	<b>\$ 2,672,252</b>	<b>\$ 91,378,510</b>	<b>\$ 37,245,631</b>	<b>\$ 70,645,162</b>	<b>\$ (14,470,603)</b>	<b>\$ 36,951,380</b>	<b>\$ (43,628,045)</b>	<b>\$ (2,533,948)</b>	<b>\$ (24,201,053)</b>	
Debt service as a percentage of noncapital expenditures.....	5.69%	6.41%	6.22%	5.80%	5.76%	5.82%	6.44%	12.33%	6.07%	5.60%	

(1) Debt service in 2010 includes the early repayment of the \$46.8 million state loan.

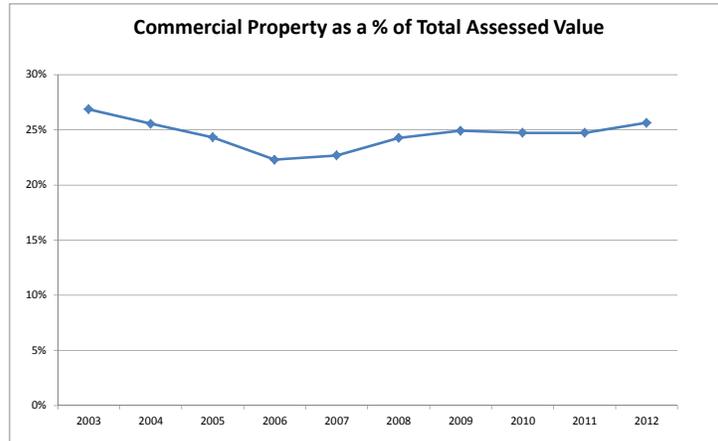
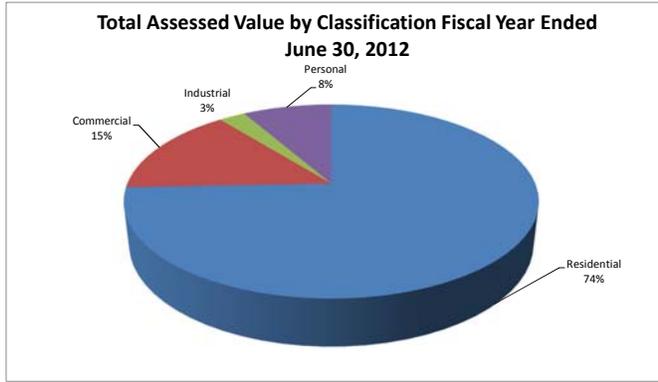
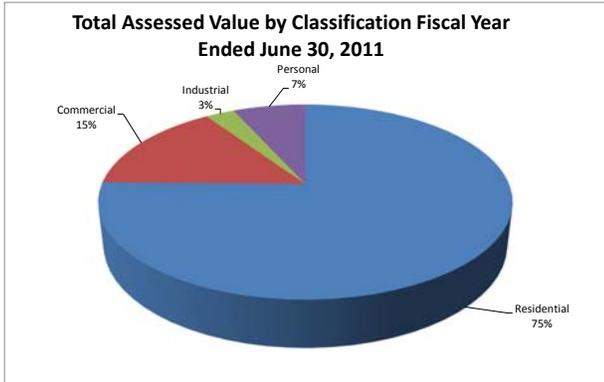
Source: Audited Financial Statements

**Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates**

Last Ten Fiscal Years

Fiscal Year	Assessed and Actual Values and Tax Rates								
	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total CIP Value	CIP Tax Rate	Total Direct Rate (2)	Total City Value
2003	\$3,364,538,700	\$ 19.41	\$798,829,100	\$221,760,600	\$274,896,260	\$1,295,485,960	\$ 34.54	\$ 23.62	\$4,660,024,660
2004	\$3,981,811,000	\$ 18.99	\$828,245,700	\$226,022,200	\$407,898,910	\$1,462,166,810	\$ 34.18	\$ 23.07	\$5,443,977,810
2005 (1)	\$4,524,791,200	\$ 17.51	\$916,603,200	\$231,787,300	\$404,317,690	\$1,552,708,190	\$ 33.36	\$ 21.56	\$6,077,499,390
2006	\$5,015,641,700	\$ 17.00	\$965,788,700	\$233,789,700	\$412,180,550	\$1,611,758,950	\$ 33.02	\$ 20.90	\$6,627,400,650
2007	\$5,776,964,500	\$ 16.04	\$1,003,757,800	\$234,694,400	\$418,233,820	\$1,656,686,020	\$ 31.91	\$ 19.58	\$7,433,650,520
2008 (1)	\$6,036,956,400	\$ 16.03	\$1,079,322,350	\$246,327,200	\$444,536,550	\$1,770,186,100	\$ 32.04	\$ 19.66	\$7,807,142,500
2009	\$5,484,722,870	\$ 17.89	\$1,072,958,950	\$242,991,100	\$440,601,660	\$1,756,551,710	\$ 36.98	\$ 22.52	\$7,241,274,580
2010	\$5,252,153,800	\$ 19.50	\$1,052,016,750	\$229,288,700	\$461,359,650	\$1,742,665,100	\$ 39.25	\$ 24.42	\$6,994,818,900
2011	\$5,155,722,500	\$ 19.49	\$1,045,580,000	\$184,851,100	\$463,175,130	\$1,693,606,230	\$ 38.97	\$ 24.31	\$6,849,328,730
2012	\$5,038,856,200	\$ 19.83	\$1,009,971,300	\$166,822,500	\$560,357,950	\$1,737,151,750	\$ 39.99	\$ 25.00	\$6,776,007,950

Source: Board Of Assessors



(1) Revaluation year.

(2) The direct rate is the weighted average of the residential and CIP rates.

Source: Assessor's Department, City of Springfield

All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the City. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

**Principal Taxpayers**  
**Current Year and Nine Years Ago**

Name	Nature of Business	2012			2003		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Western Mass Electric	Utility	\$ 207,663,400	1	3.1%	\$ 108,447,920	1	2.3%
Baystate Gas Co.	Utility	86,826,500	2	1.3%	44,093,930	4	0.9%
Massachusetts Mutual	Insurance	83,396,300	3	1.2%	44,952,400	3	1.0%
Verizon New England	Utility	44,786,500	4	0.7%	55,967,500	2	1.2%
Wireline Leasing Co.	Utility	25,700,960	5	0.4%			n/a
Ineos Nova	Chemicals	24,897,840	6	0.4%			
Comcast of Massachusetts	Communications	23,835,310	7	0.4%			
Solutia	Chemicals	23,186,900	8	0.3%	23,495,800	5	0.5%
Eastfield Associates	Retail	22,972,000	9	0.3%	16,223,600	8	0.3%
Springfield Center 1 Associates	Chemicals	22,878,700	10	0.3%	19,606,700	7	0.4%
Hubbard Real Estate	Real Estate	n/a	n/a	n/a	21,351,200	6	0.5%
Leventhal, Norman	Housing	n/a	n/a	n/a	15,180,290	9	0.3%
Related Springfield Associates	Housing	n/a	n/a	n/a	11,253,100	10	0.2%
	<b>Totals</b>	<u>\$ 566,144,410</u>		<u>8.4%</u>	<u>\$ 360,572,440</u>		<u>7.7%</u>

Source: Board of Assessors

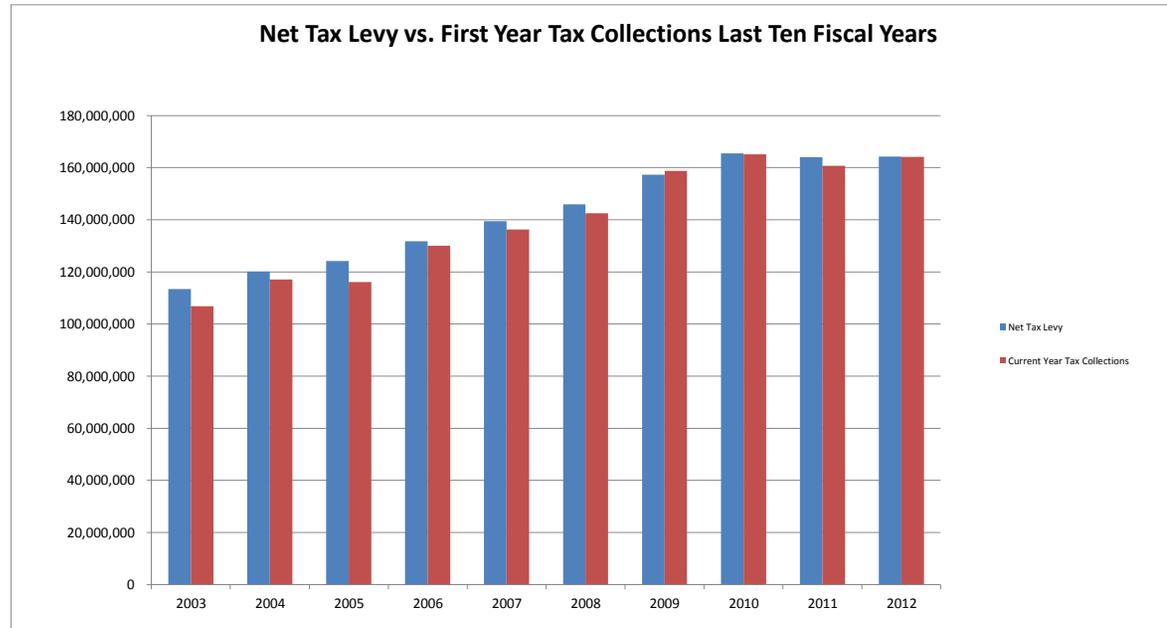
**Property Tax Levies and Collections**  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Less Reserve for Abatements & Exemptions	Net Tax Levy	Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy (2)
2003	\$115,874,781	\$2,498,585	\$113,376,196	\$106,804,739	94.2%	\$4,559,436	\$111,364,175	98.2%
2004	\$125,591,452	\$5,407,439	\$120,184,013	\$117,137,994	97.5%	\$4,124,226	\$121,262,220	100.9%
2005 (1)	\$131,027,439	\$6,798,667	\$124,228,772	\$116,065,409	93.4%	\$8,146,933	\$124,212,342	100.0%
2006	\$138,488,062	\$6,700,000	\$131,788,062	\$130,093,942	98.7%	\$2,139,051	\$132,232,993	100.3%
2007	\$145,527,361	\$6,061,827	\$139,465,534	\$136,302,756	97.7%	\$4,472,030	\$140,774,786	100.9%
2008 (1)	\$153,489,174	\$7,622,699	\$145,866,475	\$142,475,259	97.7%	\$3,309,149	\$145,784,408	99.9%
2009	\$163,078,974	\$5,752,571	\$157,326,403	\$158,790,820	100.9%	\$3,768,128	\$162,558,948	103.3%
2010	\$170,816,604	\$5,369,540	\$165,447,064	\$165,100,069	99.8%	\$3,448,477	\$168,548,546	101.9%
2011	\$166,484,866	\$2,506,666	\$163,978,200	\$160,748,781	98.0%	\$3,833,024	\$164,581,805	100.4%
2012 (1)	\$169,389,217	\$5,144,964	\$164,244,253	\$164,105,100	99.9%	\$0	\$164,105,100	99.9%

(1) Revaluation Year

(2) If the actual abatements and exemptions are lower than the reserve, the actual collections can exceed the levy.

Source: Board of Assessors, Official Statements



**Ratios of Outstanding Debt and General Bonded Debt**

**Last Ten Fiscal Years**

Fiscal Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities Debt				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2003	152,082	\$2,413,608,932	\$5,443,977,810	\$313,907,403	\$3,680,203	\$2,088	13.16%	5.83%
2004	152,082	\$2,462,156,886	\$6,077,499,390	\$305,292,968	\$3,878,727	\$2,033	12.56%	5.09%
2005	152,082	\$2,510,704,840	\$6,627,400,650	\$356,668,311	\$2,338,936	\$2,361	14.30%	5.42%
2006	152,082	\$2,559,252,794	\$7,433,650,520	\$344,249,407	\$1,488,928	\$2,273	13.51%	4.65%
2007	152,082	\$2,607,800,748	\$7,807,142,500	\$404,765,433	\$918,629	\$2,668	15.56%	5.20%
2008	152,082	\$2,656,348,702	\$7,241,274,580	\$383,844,043	\$3,056,230	\$2,544	14.57%	5.34%
2009	152,082	\$2,704,896,656	\$6,994,818,900	\$376,146,432	\$2,137,804	\$2,487	13.99%	5.41%
2010	153,060	\$2,771,151,300	\$6,849,328,730	\$320,358,951	\$1,737,837	\$2,104	11.62%	4.70%
2011	153,060	\$2,820,011,453	\$6,776,007,950	\$292,933,732	\$2,348,138	\$1,929	10.47%	4.36%
2012	153,060	\$2,868,803,580	\$6,776,007,950	\$265,809,756	\$2,273,361	\$1,751	9.34%	3.96%

Fiscal Year	Business-type Activities		Total Primary Government			
	General Obligation Bonds	Capital Leases	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2003	\$0	\$0	\$317,587,606	\$2,088	13.16%	5.83%
2004	\$0	\$0	\$309,171,695	\$2,033	12.56%	5.09%
2005	\$0	\$0	\$359,007,247	\$2,361	14.30%	5.42%
2006	\$0	\$0	\$345,738,335	\$2,273	13.51%	4.65%
2007	\$0	\$0	\$405,684,062	\$2,668	15.56%	5.20%
2008	\$0	\$1,920,289	\$388,820,562	\$2,557	14.64%	5.37%
2009	\$0	\$1,545,719	\$379,829,955	\$2,498	14.04%	5.43%
2010	\$0	\$1,155,889	\$323,252,677	\$2,112	11.66%	4.72%
2011	\$0	\$1,747,169	\$297,029,039	\$1,941	10.53%	4.38%
2012	\$0	\$1,544,271	\$269,627,388	\$1,762	9.40%	3.98%

Source: Audited Financial Statements, U. S. Census

**Direct and Overlapping Governmental Activities Debt**

**As of June 30, 2012**

<u>Overlapping Entity</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable (1)</u>	<u>Share of Overlapping Debt</u>
Pioneer Valley Regional Transit Authority.....	\$ -	38.60%	\$ -
Pioneer Valley Planning Commission.....	-	None	-
City direct debt.....			<u>268,083,117</u>
Total direct and overlapping debt.....			<u>\$ 268,083,117</u>

(1) Estimated share based on debt service only.

Source: Official Statements, City Records

Note: Overlapping governments are those that coincide, at least in part, with the geographic area of the City. This schedule calculates the portion of the outstanding debt of those overlapping governments that is borne by the taxpayers of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**Computation of Legal Debt Margin**

**Last Ten Fiscal Years**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Equalized Valuation.....	\$ 4,855,466,000	\$ 4,855,466,000	\$ 5,778,583,600	\$ 5,778,583,600	\$ 7,118,922,700	\$ 7,118,922,700	\$ 8,479,854,100	\$ 8,479,854,100	\$ 7,856,633,600	\$ 7,856,633,600
Debt Limit - 5% of Equalized Valuation.....	\$ 242,773,300	\$ 242,773,300	\$ 288,929,180	\$ 288,929,180	\$ 355,946,135	\$ 355,946,135	\$ 423,992,705	\$ 423,992,705	\$ 392,831,680	\$ 392,831,680
Less:										
Outstanding debt applicable to limit.....	44,743,000	37,018,892	128,303,001	112,072,606	157,484,340	150,050,738	161,499,705	166,996,788	154,580,881	143,031,151
Authorized and unissued debt.....	41,641,000	137,666,531	25,000,000	52,700,000	52,700,000	11,000,000	12,000,000	31,500,000	31,500,000	31,531,010
Legal debt margin.....	\$ 156,389,300	\$ 68,087,877	\$ 135,626,179	\$ 124,156,574	\$ 145,761,796	\$ 194,895,397	\$ 250,493,000	\$ 225,495,917	\$ 206,750,799	\$ 218,269,519
Total debt applicable to the limit as a percentage of debt limit.....	35.58%	71.95%	53.06%	57.03%	59.05%	45.25%	40.92%	46.82%	47.37%	44.44%

Source: Audited Financial Statements; Statement of Indebtedness

## Demographic and Economic Statistics

### Last Ten Fiscal Years

Fiscal Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2003	152,082	\$2,413,608,932	\$15,870	32.0	26,594	8.1%
2004	152,082	\$2,462,156,886	\$16,190	32.1	26,132	7.8%
2005	152,082	\$2,510,704,840	\$16,509	32.2	25,975	7.3%
2006	152,082	\$2,559,252,794	\$16,828	32.2	25,206	7.4%
2007	152,082	\$2,607,800,748	\$17,147	32.3	25,791	7.0%
2008	152,082	\$2,656,348,702	\$17,467	32.4	25,233	7.9%
2009	152,082	\$2,704,896,656	\$17,786	32.4	25,360	11.7%
2010	153,060	\$2,771,151,300	\$18,105	32.5	25,141	12.6%
2011	153,060	\$2,820,011,453	\$18,424	32.5	25,213	10.4%
2012	153,060	\$2,868,803,580	\$18,743	32.6	25,185	10.7%

Source: Massachusetts Department Of Elementary and Secondary Education, Massachusetts Department of Labor and Workforce Development, Official Statements, US Census Bureau

**Principal Employers (excluding the City)**

**Current Year and Nine Years Ago**

Employer	Nature of Business	2012			2003		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Baystate Health Systems	Healthcare	8,723	1	13.1%	6,368	1	9.6%
MassMutual Financial Group	Insurance	3,900	2	5.9%	3,940	2	5.9%
Big Y Foods	Grocery	2,932	3	4.4%	1,250	5	1.9%
Sisters of Providence Health Systems	Healthcare	2,200	4	3.3%	3,864	3	5.8%
Smith & Wesson	Firearms	1,300	5	2.0%	630	9	0.9%
Center for Human Development/Behavioral Health Network	Human Services	1,139	6	1.7%	n/a	n/a	n/a
Western New England College	Education	860	7	1.3%	n/a	n/a	n/a
Solutia Chemical	Manufacturing	743	8	1.1%	685	8	1.0%
Springfield College	Education	640	9	1.0%	n/a	n/a	n/a
Verizon	Utility	270	10	0.4%	n/a	n/a	n/a
US Postal Service	Mail	n/a	n/a	n/a	3,208	4	4.8%
Peter Pan Bus Lines	Transportation	n/a	n/a	n/a	760	6	n/a
Unicare	Insurance	n/a	n/a	n/a	751	7	1.1%
BankNorth N.A.	Banking	n/a	n/a	n/a	600	10	0.9%
		<u>22,707</u>		<u>34.2%</u>	<u>22,056</u>		<u>32.0%</u>

Source: Official Statements, Massachusetts Department of Labor and Workforce Development

**Full-time Equivalent City Employees by Function**

**Last Ten Fiscal Years**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Function										
(A) General government.....	244	189	204	390	353	351	364	354	339	309
Public safety.....	1,068	844	867	852	903	927	918	891	894	832
Education.....	3,802	3,306	3,507	3,589	3,047	3,212	3,327	3,664	3,808	3,409
Public works.....	330	326	346	205	174	186	136	84	70	61
Health and human services.....	46	37	36	40	41	42	41	40	39	35
(A) Culture and recreation.....	<u>282</u>	<u>285</u>	<u>185</u>	<u>102</u>	<u>84</u>	<u>84</u>	<u>80</u>	<u>63</u>	<u>64</u>	<u>63</u>
Total .....	<u><u>5,771</u></u>	<u><u>4,986</u></u>	<u><u>5,145</u></u>	<u><u>5,178</u></u>	<u><u>4,602</u></u>	<u><u>4,802</u></u>	<u><u>4,865</u></u>	<u><u>5,097</u></u>	<u><u>5,214</u></u>	<u><u>4,709</u></u>

Source: Payroll Department

(A) In FY 2006 the Park and Facilities Departments were merged and the new department is recorded under the general government heading.

**Operating Indicators by Function/Program**

**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
General government										
Marriage recordings.....	918	929	849	860	865	885	861	850	810	901
Birth recordings.....	5,700	5,597	5,537	5,679	5,627	5,586	5,588	5,297	4,468	5,037
Death recordings.....	2,270	2,028	2,038	2,015	2,098	2,035	1,922	2,006	1,581	1,856
Police										
Physical arrests.....	6,175	7,156	7,381	6,562	6,792	6,720	6,069	5,474	5,634	3,058
Motor vehicle violations.....	19,324	23,400	27,410	20,715	19,974	32,881	27,736	18,581	14,205	5,175
Police personnel and officers.....	687	530	538	538	563	589	581	583	467	531
Fire										
Inspections.....	6,123	6,705	8,853	8,258	8,815	7,774	6,658	5,657	7,397	7,164
Emergency responses.....	10,638	9,943	10,791	11,170	12,219	13,664	14,235	15,019	15,519	15,953
Fire personnel and officers.....	368	282	269	255	268	279	264	250	260	225
Education										
Number of students.....	26,594	26,132	25,975	25,206	25,791	25,233	25,360	25,141	25,213	25,185
Number of graduating seniors.....	N/A	N/A	N/A	928	923	984	1,026	1,017	1,170	995
Number of teachers.....	N/A	2,302	2,235	2,308	2,215	2,208	1,882	2,144	2,076	2,393
Number of administrators.....	N/A	192	171							
Elder Affairs										
Number of persons using COA transportation....	N/A	N/A	1,054	1,377	1,462	1,394	1,547	1,513	830	108
Number of personnel.....	N/A	N/A	12	13	13	13	15	14	1	1
Libraries										
Volumes in circulation.....	769,891	781,510	800,895	806,449	818,033	801,258	782,835	795,409	785,977	785,436
Total volumes borrowed.....	579,795	585,087	606,627	611,893	635,188	647,913	650,386	608,946	604,071	569,199

Source: MBLC Annual Report Surveys  
 Van Trip Logs, Employee Workforce Reports  
 Mass Board of Library Commissioners  
 Annual Report Information Survey

N/A - Information not available

## Capital Asset Statistics by Function/Program

### Last Ten Fiscal Years

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government										
Number of buildings.....	38	38	38	38	38	38	38	39	39	39
Fire										
Number of stations.....	8	8	8	8	8	8	8	8	8	8
Police (1)										
Number of stations.....	2	2	2	2	2	2	2	2	2	2
Education										
Number of elementary schools.....	32	32	32	32	32	32	32	32	32	33
Number of middle/junior high schools...	7	7	7	7	7	7	7	7	8	10
Number of secondary schools.....	6	6	6	6	6	6	6	6	5	10
Culture and recreation										
Parks and playgrounds.....	35	35	35	35	36	36	38	38	38	38
Park and playground (acreage).....	2,091	2,091	2,091	2,091	2,093	2,093	2,102	2,102	2,102	2,102
Conservation land (acreage).....	430	430	430	430	430	430	430	430	430	430
Public beaches.....	1	1	1	1	1	2	2	2	2	2
Ball fields.....	62	62	62	62	62	62	62	62	62	62
Tennis courts.....	37	37	37	37	37	37	37	37	37	37

Source: City Departmental records.

(1) Includes substations

## Free Cash & Stabilization Fund Balances

### Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Free Cash</u>	<u>Stabilization Fund (B)</u>
FY2012.....	\$ 7,498,622	\$ 41,422,909
FY2011.....	\$ 4,698,933	\$ 45,100,661
FY2010 (A).....	\$ 33,776,930	\$ 31,354,741
FY2009.....	\$ 22,319,922	\$ 36,528,216
FY2008.....	\$ 12,543,347	\$ 68,047,256
FY2007.....	\$ 30,453,077	\$ 41,213,237
FY2006.....	\$ 17,372,051	-
FY2005.....	\$ 6,797,833	-
FY2004.....	\$ (37,357,636)	-
FY2003.....	\$ (22,957,298)	-

Source: City Records

(A) The FY 10 Certified Free Cash includes unappropriated FY 09 Free Cash totaling \$18,996,401.

(B) The City did not have a Stabilization fund until FY 2007