

**CITY OF SPRINGFIELD, MASSACHUSETTS**  
**Annual Financial Statements**  
**For the Year Ended June 30, 2003**

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MEANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT ADVISORS

Corporate Place 93 • Suite 125

100 Butt Road

Andover, MA 01810

Tel (978) 749-0005 • Fax (978) 749-0006

meknsonheath.com

INDEPENDENT AUDITORS' REPORT

Mayor and 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 year ended June 30, 2003, except for the Springfield Contributory Retirement System which is as of and for the year ended December 31, 2002, 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's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The basic financial statements referred to above do not include financial activities of the Springfield Redevelopment Authority or the Massachusetts Career Development Institute, Inc. (component units of the City), which should be included in order to conform with generally accepted accounting principles. The audits of these entities are currently underway.

In our opinion, except for the effects of the item described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Springfield, as of June 30, 2003 except the Springfield

Additional Offices:

Nashua, NH • Greenfield, MA • Ellsworth, ME

Contributory Retirement System which is as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on the following pages and supplementary pension information on pages 48 and 49 are not required parts of the basic financial statements but are supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 4, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. 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.

*McLennan, Heath + Company P.C.*

Andover, Massachusetts  
December 4, 2003

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Springfield, we offer readers this narrative overview and analysis of the financial activities of the City of Springfield for the fiscal year ended June 30, 2003.

**A. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 5,108,144 (i.e., net assets), a decrease of \$ 5,788,826 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported a combined ending fund balance deficit of \$ (12,805,883), an increase of \$ 56,909,063 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 2,268,083, an increase of \$ 155,009 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 308,856,279, an increase of \$ 60,899,393 in comparison to the prior year.

**B. 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. The City of Springfield's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This 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 the City of Springfield's finances in a manner similar to a private-sector business. The statement of net assets presents information on all of the City of Springfield's 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 of the City of Springfield is improving or deteriorating.

The City of Springfield maintains several individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances

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 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.

**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 financial statements focus on near-term inflows and outflows 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.

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

Both of the government-wide financial statements distinguish functions of the City of Springfield 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 of the City of Springfield include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Springfield include parking activities.

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).

for the General Fund and the Public Buildings capital project fund, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation.

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

**Proprietary funds.** The City of Springfield maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Springfield uses enterprise funds to account for its parking operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Springfield's various functions. The City of Springfield uses internal services funds to account for its self-insured employee health program and working capital funds. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the enterprise and internal service operations.

**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 of Springfield's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. **Notes to the 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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Springfield's progress in funding its obligation to provide pension benefits to its employees.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current fiscal year, presented in thousands.

	2003	2002	2003	2002	2003	2002
	Governmental	Business-Type	Governmental	Business-Type	Governmental	Business-Type
	Activities	Activities	Activities	Activities	Activities	Activities
	2003	2002	2003	2002	2003	2002
	Total	Total	Total	Total	Total	Total
Revenues:						
Program revenues:						
Charges for services	\$ 34,564	\$ 22,751	\$ 685	\$ 527	\$ 35,249	\$ 23,278
Operating grants and contributions	300,741	302,050	-	-	300,741	302,050
Capital grants and contributions	25,738	26,853	-	-	25,738	26,853
General revenues:						
Property taxes	112,906	112,726	-	-	112,906	112,726
Excises	7,580	8,623	-	-	7,580	8,623
Grants and contributions not restricted to specific programs	38,809	83,705	-	-	38,809	83,705
Other	8,816	12,618	-	-	8,816	12,618
Total revenues	529,154	569,326	685	527	529,839	569,853
Expenses:						
General government	55,774	57,446	-	-	55,774	57,446
Public safety	64,757	74,389	-	-	64,757	74,389
Education	283,089	278,106	-	-	283,089	278,106
Public works	30,762	34,903	-	-	30,762	34,903
Human services	4,896	5,101	-	-	4,896	5,101
Culture and recreation	13,991	10,267	-	-	13,991	10,267
Employee benefits	62,806	53,842	-	-	62,806	53,842
Interest on long-term debt	15,886	16,675	-	-	15,886	16,675
Intergovernmental	2,699	2,614	-	-	2,699	2,614
Miscellaneous	422	236	-	-	422	236
Parking operation	-	-	-	-	545	495
Total expenses	535,082	533,579	495	495	535,627	534,074
Increase in net assets	( 5,928)	35,747	140	32	( 5,788)	35,779
Net assets - beginning of year	10,742	( 18,209)	154	123	10,896	( 18,086)
Net assets - end of year	\$ 4,814	\$ 17,538	\$ 294	\$ 155	\$ 5,108	\$ 17,693

CHANGES IN NET ASSETS (in thousands)

	2003	2002	2003	2002	2003	2002
	Governmental	Business-Type	Governmental	Business-Type	Governmental	Business-Type
	Activities	Activities	Activities	Activities	Activities	Activities
	2003	2002	2003	2002	2003	2002
	Total	Total	Total	Total	Total	Total
Current and other assets	\$ 72,360	\$ 45,556	\$ 283	\$ 149	\$ 72,643	\$ 45,705
Capital assets	376,205	372,713	24	19	376,229	372,732
Total assets	448,565	418,269	307	168	448,872	418,437
Long-term liabilities outstanding	364,380	271,947	-	-	364,380	271,947
Other liabilities	79,371	128,784	13	14	79,384	128,798
Total liabilities	443,751	400,731	13	14	443,764	400,745
Net assets:						
Invested in capital assets, net of related debt	23,999	12,957	24	19	24,023	12,976
Restricted	9,061	26,904	-	-	9,061	26,904
Unrestricted	( 28,246)	( 22,323)	270	136	( 27,976)	( 22,187)
Total net assets	\$ 4,814	\$ 17,538	\$ 294	\$ 155	\$ 5,108	\$ 17,693



As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

**D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

Business-Type Activities. Business-type activities for the year resulted in an increase in net assets of \$ 139,786 due to stronger than anticipated revenue.

- Favorable budget results \$ 3.2
- Use of surplus balances (3.0)
- Depreciation expense exceeding principle bond pay downs (2.2)
- Increase in accrued interest expense (.8)
- Increase in compensated absences payable (2.3)
- Increase in ATB liability tax refunds (5.1)
- Decrease in allowance for doubtful accounts 3.0
- Other 1.3

Governmental activities. Governmental activities for the year resulted in a decrease in net assets of \$ 5,928,612. Key elements of this decrease are as follows (in millions):

An additional portion of net assets \$ 9,061,095 represents resources that are subject to external restrictions on how they may be used.

A large portion of net assets, \$ 24,023,676 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 5,108,144, a decrease of \$ 5,788,826 from the prior year.

Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported a combined ending fund balance deficit of \$(12,805,803), an increase of \$56,909,063 in comparison with the prior year. This deficit is attributable to the financing of capital projects with short-term debt. The deficit will be eliminated once permanent bonds are issued. Of this total amount, \$(19,239,808) constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the prior period \$5,714,805, or (2) to generate income to pay for permanent endowments \$719,120.

The general fund is the chief operating fund of the City of Springfield. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,268,083, while total fund balance was \$7,982,888. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents one-half of one percent of total general fund expenditures, while total fund balance represents 1.9 percent of that same amount.

The fund balance of the City of Springfield's general fund increased by \$2,432,600 during the current fiscal year. Key elements of this decrease are as follows (in millions):

- Favorable budget results \$ 3.2
- Use of surplus balances (3.0)
- Collection of old taxes 1.3
- Reduction of carry forwards .6
- Other .3

**Proprietary funds.** The City of Springfield's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$270,027. The total growth in net assets was \$139,786. The key factor in this change was stronger than expected revenues.

**Long-term debt.** At the end of the current fiscal year, the City of Springfield had total bonded debt outstanding of \$ 308,856,279, all of which was backed by the full faith and credit of the government.

Additional information on the City of Springfield's capital assets can be found in the footnotes to the financial statements.

CITY OF SPRINGFIELD'S		CAPITAL ASSETS		(net of depreciation)		(in thousands)	
		Governmental		Business-Type		Total	
		Activities		Activities		Total	
		2003		2002		2003	
		2002		2003		2002	
Land	\$ 25,824	\$ 25,824	\$ -	\$ -	\$ 25,824	\$ 25,824	\$ 25,824
Building and system improvements	226,991	195,828	-	-	226,991	195,828	195,828
Machinery and equipment	38,211	42,076	24	19	38,235	42,095	42,095
Land improvements	28,068	27,232	-	-	28,068	27,232	27,232
Construction in progress	57,111	81,753	-	-	57,111	81,753	81,753
Total assets	\$ 376,205	\$ 372,713	\$ 24	\$ 19	\$ 376,229	\$ 372,732	\$ 372,732

- City building improvements.
- School renovation/construction/equipment projects.

Major capital asset events during the current fiscal year included the following:

four million dollars. investment in capital assets for the current fiscal year was approximately \$ 376,229,535 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment and park facilities. The total net increase in the City of Springfield's investment in capital assets for the current fiscal year was approximately

**F. CAPITAL ASSET AND DEBT ADMINISTRATION**

The total original budget was not amended throughout the course of the year.

**E. GENERAL FUND BUDGETARY HIGHLIGHTS**

**CITY OF SPRINGFIELD'S  
OUTSTANDING DEBT  
General Obligation Bonds  
(in thousands)**

	<u>2003</u>	<u>2002</u>
Governmental Activities	\$ 308,857	\$ 247,957
General obligation bonds		

The City of Springfield's total debt increased by \$ 60,899,393 during the current fiscal year, primarily as a result of issuing \$ 68,300,000 of general obligation bonds, most of which is 90% State reimbursable through the School Business Assistance Bureau (SBAB).

Additional information on the City of Springfield's long-term debt can be found in the footnotes to the financial statements.

**G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The unemployment rate for the City of Springfield is currently 7.9 percent, which is an increase from a rate of 6.6 percent a year ago. This compares to the state's employment rate of 5.6 percent and the national unemployment rate of 5.9 percent.

Reductions in Local State Aid of approximately 6.6 million between fiscal years 2003 - 2004 has adversely affected the City's operating budget. The City was forced to downsize operations and implement cost savings measures in order to maintain a balanced budget.

During the current fiscal year, unreserved fund balance in the general fund increased to \$ 2,268,083.

**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:

Chief Financial Officer  
City Auditor  
City of Springfield  
36 Court Street  
Springfield, MA 01103

CITY OF SPRINGFIELD, MASSACHUSETTS

STATEMENT OF NET ASSETS

June 30, 2003

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and cash equivalents	\$ 45,690,937	\$ 283,375	\$ 45,974,312
Investments	182,367	-	182,367
Receivables, net of allowance for uncollectibles:			
Property taxes	7,428,931	-	7,428,931
Motor vehicle excise	2,651,369	-	2,651,369
Departmental and other	559,532	-	559,532
Intergovernmental	10,365,777	-	10,365,777
Other assets	674,442	-	674,442
Noncurrent:			
Receivables, net of allowance for uncollectibles	4,806,617	-	4,806,617
Capital assets, net of accumulated depreciation	376,205,092	24,443	376,229,535
<b>TOTAL ASSETS</b>	<b>448,565,064</b>	<b>307,818</b>	<b>448,872,882</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	8,107,486	-	8,107,486
Accounts payable	433,010	7,202	440,212
Accrued payroll and withholdings	2,481,496	6,146	2,487,642
Accrued liabilities	13,707,693	-	13,707,693
Anticipation notes payable	54,033,000	-	54,033,000
Due to other governments	608,822	-	608,822
Current portion of long-term liabilities:			
Bonds payable	16,634,576	-	16,634,576
Compensated absences	2,320,410	-	2,320,410
Notes payable	2,000,000	-	2,000,000
Tax refunds payable	2,616,752	-	2,616,752
Other liabilities	1,605,875	-	1,605,875
Noncurrent:			
Bonds payable	292,221,703	-	292,221,703
Compensated absences	19,263,118	-	19,263,118
Notes payable	3,375,000	-	3,375,000
Tax refunds payable	7,771,000	-	7,771,000
Unamortized bond premium	4,718,166	-	4,718,166
Other	11,853,283	-	11,853,283
<b>TOTAL LIABILITIES</b>	<b>443,751,390</b>	<b>13,348</b>	<b>443,764,738</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	23,999,233	24,443	24,023,676
Restricted for:			
Federal & State Grants	8,341,975	-	8,341,975
Permanent funds	719,120	-	719,120
Unrestricted (Deficit)	(28,246,654)	270,027	(27,976,627)
<b>TOTAL NET ASSETS</b>	<b>\$ 4,813,674</b>	<b>\$ 294,470</b>	<b>\$ 5,108,144</b>

See notes to financial statements.

CITY OF SPRINGFIELD, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2003

	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-Type Activities	Total
<b>Governmental Activities:</b>					
General government	\$ 55,774,420	\$ 2,919,772	\$ 27,428,384	\$ (23,008,256)	\$ (23,008,256)
Public safety	64,756,965	7,295,696	4,743,746	(52,615,523)	(52,615,523)
Education	283,088,674	16,020,619	264,278,230	18,892,994	18,892,994
Public works	30,761,581	6,170,330	89,897	(23,468,432)	(23,468,432)
Health and human services	4,896,292	172,172	2,928,519	(1,795,601)	(1,795,601)
Culture and recreation	13,990,907	1,984,709	1,272,503	(10,231,078)	(10,231,078)
Employee benefits	62,805,501	-	-	(62,805,501)	(62,805,501)
Interest	15,886,536	-	-	(15,886,536)	(15,886,536)
Intergovernmental	2,699,066	-	-	(2,699,066)	(2,699,066)
Miscellaneous	421,544	-	-	(421,544)	(421,544)
<b>Total Governmental Activities</b>	<b>535,081,586</b>	<b>34,563,298</b>	<b>300,741,279</b>	<b>(174,038,643)</b>	<b>(174,038,643)</b>
<b>Business-Type Activities:</b>					
Parking activities	545,403	685,189	-	-	139,786
<b>Total primary government</b>	<b>\$ 535,626,989</b>	<b>\$ 35,248,487</b>	<b>\$ 300,741,279</b>	<b>\$ (174,038,643)</b>	<b>\$ (173,898,857)</b>
<b>General Revenues:</b>					
Property taxes				112,905,843	112,905,843
Motor vehicle and other excise taxes				7,580,414	7,580,414
Penalties and interest on taxes				8,636,525	8,636,525
Grants and contributions not restricted to specific programs				37,900,797	37,900,797
Investment income				178,322	178,322
Miscellaneous				908,130	908,130
<b>Total general revenues</b>				<b>168,110,031</b>	<b>168,110,031</b>
<b>Change in Net Assets</b>				<b>(5,928,612)</b>	<b>(5,788,826)</b>
<b>Net Assets:</b>					
Beginning of year (as restated)				10,742,286	10,896,970
End of year				<b>\$ 4,813,674</b>	<b>\$ 5,108,144</b>

See notes to financial statements.

CITY OF SPRINGFIELD, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2003

	General	Public Buildings Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,903,992	\$ 9,118,838	\$ 16,526,585	\$ 45,549,415
Investments	-	-	182,367	182,367
Receivables, net of allowance for uncollectibles:				
Property taxes	14,813,921	-	-	14,813,921
Motor vehicle excise	11,488,039	-	-	11,488,039
Departmental and other	242,417	-	317,115	559,532
Intergovernmental	3,279,287	-	8,867,184	12,146,471
Tax liens and foreclosures	27,320,492	-	-	27,320,492
<b>TOTAL ASSETS</b>	<b><u>\$ 77,048,148</u></b>	<b><u>\$ 9,118,838</u></b>	<b><u>\$ 25,893,251</u></b>	<b><u>\$ 112,060,237</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Warrants payable	\$ 6,165,623	\$ 65,658	\$ 1,701,604	\$ 7,932,885
Accounts payable	433,010	-	-	433,010
Accrued payroll and withholdings	2,479,834	-	598	2,480,432
Deferred revenues	52,613,198	-	-	52,613,198
Due to other governments	609,885	-	-	609,885
Notes payable	-	33,211,000	20,822,000	54,033,000
Accrued liabilities	<u>6,763,710</u>	<u>-</u>	<u>-</u>	<u>6,763,710</u>
<b>TOTAL LIABILITIES</b>	<b>69,065,260</b>	<b>33,276,658</b>	<b>22,524,202</b>	<b>124,866,120</b>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrances	5,714,805	-	-	5,714,805
Permanent fund	-	-	719,120	719,120
Unreserved:				
Undesignated, reported in:				
General fund	2,268,083	-	-	2,268,083
Special revenue funds	-	-	12,246,240	12,246,240
Capital projects funds	-	(24,157,820)	(9,596,311)	(33,754,131)
<b>TOTAL FUND BALANCES</b>	<u>7,982,888</u>	<u>(24,157,820)</u>	<u>3,369,049</u>	<u>(12,805,883)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 77,048,148</u></b>	<b><u>\$ 9,118,838</u></b>	<b><u>\$ 25,893,251</u></b>	<b><u>\$ 112,060,237</u></b>

See notes to financial statements.

CITY OF SPRINGFIELD, MASSACHUSETTS  
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2003

	General	Public Buildings Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 114,705,199	\$ -	\$ -	\$ 114,705,199
Excises	7,452,124	-	-	7,452,124
Penalties, interest and other taxes	8,636,525	-	-	8,636,525
Charges for services	9,840,705	-	-	9,840,705
Intergovernmental	278,499,926	-	21,437,900	299,937,826
Licenses and permits	1,803,961	-	77,751,401	79,555,362
Fines and forfeitures	1,480,731	-	-	1,480,731
Interest earnings	203,986	-	(25,664)	178,322
Miscellaneous	3,275,568	-	5,754,052	9,029,620
Total Revenues	<u>425,898,725</u>	<u>-</u>	<u>104,917,689</u>	<u>530,816,414</u>
<b>Expenditures:</b>				
Current:				
General government	16,506,213	5,858,123	36,880,700	59,245,036
Public safety	57,450,105	-	7,200,591	64,650,696
Education	221,906,117	-	58,107,731	280,013,848
Public works	17,173,062	-	11,719,529	28,892,591
Health and human services	2,293,432	-	2,490,908	4,784,340
Culture and recreation	10,440,754	-	3,497,644	13,938,398
Employee benefits	63,618,153	-	-	63,618,153
Miscellaneous	207,205	-	-	207,205
Debt service	31,172,018	-	-	31,172,018
Intergovernmental	2,699,066	-	-	2,699,066
Total Expenditures	<u>423,466,125</u>	<u>5,858,123</u>	<u>119,897,103</u>	<u>549,221,351</u>
Excess (deficiency) of revenues over expenditures	2,432,600	(5,858,123)	(14,979,414)	(18,404,937)
<b>Other Financing Sources (Uses):</b>				
Bond Proceeds	7,575,000	-	75,314,000	75,314,000
Proceeds from refunding bonds	-	-	-	7,575,000
Payments to escrow agents	(7,575,000)	-	-	(7,575,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>75,314,000</u>	<u>75,314,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	2,432,600	(5,858,123)	60,334,586	56,909,063
Fund Equity, July 1, 2002 as restated	<u>5,550,288</u>	<u>(18,289,697)</u>	<u>(56,965,537)</u>	<u>(69,714,946)</u>
Fund Equity, June 30, 2003	<u>\$ 7,982,888</u>	<u>\$ (24,157,820)</u>	<u>\$ 3,369,049</u>	<u>\$ (12,805,883)</u>

See notes to financial statements.



CITY OF SPRINGFIELD, MASSACHUSETTS  
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
 BALANCES TO NET ASSETS OF GOVERNMENTAL  
 ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2003

<ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li> <li>• Internal services funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.</li> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> <li>• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li> <li>• In the statement of net activities, accounts receivable is accrued, net of an allowance for uncollectibles accounts. In governmental funds, all receivables are deferred, except for property tax received within 60 days after year-end.</li> </ul>	<p style="margin-bottom: 0;">Total governmental fund balances</p> <p style="margin-bottom: 0;">\$ ( 12,805,883)</p> <p style="margin-bottom: 0;">376,205,092</p> <p style="margin-bottom: 0;">( 1,512,645)</p> <p style="margin-bottom: 0;">( 4,789,975)</p> <p style="margin-bottom: 0;">(364,379,883)</p> <p style="margin-bottom: 0;"><u>12,096,968</u></p>
<p style="margin-top: 0;"><b>Net assets of governmental activities</b></p>	<p style="margin-top: 0;">\$ <u>4,813,674</u></p>

See notes to financial statements.

CITY OF SPRINGFIELD, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2003

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 56,909,063

•	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:	20,170,174
	Capital outlay purchases	1,473,000
	Capital lease purchases	1,473,000
	Depreciation	(16,678,544)
•	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.	
	Deferred revenue	407,579
	Bond premium	( 5,242,407)
	Bond premium amortization	262,120
	Allowance for uncollectibles	3,027,874
•	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:	
	Issuance of debt	(75,314,000)
	Repayments of debt	17,766,975
•	In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	( 769,125)
•	Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	
	Compensated absences payable	( 2,320,412)
	Landfill closure	150,000
	Estimated refunds of property tax revenue (based on cases pending at the Appellate Tax Board.	( 5,381,889)
•	Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with Governmental Activities.	( 389,020)
	<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	\$ ( 5,928,612)

See notes to financial statements.

CITY OF SPRINGFIELD, MASSACHUSETTS  
GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts		Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis	Budgetary Basis	
<b>Revenues and Other Sources:</b>					
Taxes	\$ 113,376,196	\$ 113,376,196	\$ 113,376,196	\$ 113,376,196	\$ -
Excise	7,850,000	7,850,000	7,452,124	7,452,124	(397,876)
Penalties, interest and other taxes	8,068,411	8,068,411	8,622,977	8,622,977	554,566
Charges for services	11,597,374	11,597,374	12,640,722	12,640,722	1,043,348
Intergovernmental	253,124,459	253,124,459	250,922,382	250,922,382	(2,202,077)
Licenses and permits	1,631,917	1,631,917	1,803,960	1,803,960	172,043
Fines and forfeits	1,403,557	1,403,557	1,480,731	1,480,731	77,174
Interest earnings	700,000	700,000	203,986	203,986	(496,014)
Miscellaneous	1,278,906	1,278,906	1,757,068	1,757,068	478,162
Bond premium	-	-	2,633,464	2,633,464	2,633,464
Other sources	3,000,000	3,000,000	3,000,000	3,000,000	-
<b>Total Revenues and Other Sources</b>	402,030,820	402,030,820	403,893,610	403,893,610	1,862,790
<b>Expenditures and Other Uses:</b>					
General government	17,380,901	17,524,399	16,603,638	16,603,638	920,761
Public safety	58,757,168	59,761,900	57,435,421	57,435,421	2,326,479
Education	199,495,763	199,495,763	199,095,763	199,095,763	400,000
Public works	17,640,974	17,640,974	16,943,300	16,943,300	697,674
Health & human services	2,224,774	2,440,932	2,307,826	2,307,826	133,106
Culture and recreation	11,420,929	10,882,040	10,456,766	10,456,766	425,274
Employee benefits	62,200,675	62,583,175	63,497,613	63,497,613	(914,438)
Debt service	28,704,908	28,704,908	31,338,372	31,338,372	(2,633,464)
Judgments & claims	200,000	200,000	196,560	196,560	3,440
Intergovernmental	2,654,586	2,654,586	2,699,066	2,699,066	(44,480)
Miscellaneous	1,207,999	-	-	-	-
Other uses	142,143	142,143	142,143	142,143	-
<b>Total Expenditures and Other Uses</b>	402,030,820	402,030,820	400,716,468	400,716,468	1,314,352
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	\$ -	\$ -	\$ 3,177,142	\$ 3,177,142	\$ 3,177,142

See notes to financial statements.

CITY OF SPRINGFIELD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2003

Governmental	Enterprise Funds	Parking	Funds	Internal	Service	Funds
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<u>ASSETS</u>					
Current:					
Cash and cash equivalents	\$ 283,375	-	-	141,522	\$ 674,442
Inventory	-	-	-	-	-
Total current assets	283,375	-	-	141,522	674,442
Noncurrent:					
Property, plant and equipment, net of accumulated depreciation	24,443	-	-	-	-
Total noncurrent assets	24,443	-	-	-	-
TOTAL ASSETS	307,818	-	-	141,522	674,442
<u>LIABILITIES</u>					
Current:					
Warrants payable	-	-	-	-	-
Accounts payable	7,202	-	-	-	-
Accrued liabilities	6,147	-	-	-	-
Total current liabilities	13,349	-	-	-	-
TOTAL LIABILITIES	13,349	-	-	-	-
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	24,443	-	-	-	-
Unrestricted (deficit)	270,027	-	-	-	-
TOTAL NET ASSETS	\$ 294,470	-	-	-	\$ (1,512,645)

See notes to financial statements.





CITY OF SPRINGFIELD, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET ASSETS  
 DECEMBER 31, 2002

	<u>Pension</u>
	Trust Fund
	<u>ASSETS</u>
	Cash and short term investments
	Investments
	Accounts receivable
	Other assets
	Total Assets
	217,635,843
	<u>LIABILITIES AND NET ASSETS</u>
	Accounts payable
	Deferred revenue
	Other liabilities
	Total Liabilities
	5,534,834
	<u>NET ASSETS</u>
	Total net assets held in trust for pension
	benefits
	<u>\$ 212,101,009</u>

See notes to financial statements.

CITY OF SPRINGFIELD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2002

	Pension
	Trust Fund
	<u>20,674,989</u>
<b>Contributions:</b>	
Employers	3,565,666
Other systems and Commonwealth of Massachusetts	11,105,429
Plan members	<u>35,346,084</u>
<b>Investment Loss:</b>	
Decrease in fair value of investments	(34,556,665)
Less: management fees	(1,361,072)
Net investment loss	<u>(35,917,737)</u>
Total additions	(571,653)
<b>Deductions:</b>	
Benefit payments to plan members, beneficiaries, and other systems	41,013,278
Refunds to plan members	1,442,881
Administrative expenses	3,666,463
Total deductions	<u>46,122,622</u>
Allowance for abatements and exemptions	
Net decrease	(46,694,275)
<b>Net assets:</b>	
Beginning of year	<u>258,795,284</u>
End of year	<u>\$ 212,101,009</u>

See notes to financial statements.



**CITY OF SPRINGFIELD, MASSACHUSETTS**

**Notes to Financial Statements**

**1. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

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

In fiscal year 2003 it was determined the Springfield Redevelopment Authority and the Massachusetts Career Development Institute, Inc. met the required GASB-14 criteria of a component unit; however, the financial activities are not included in the City's financial statements.

In the Fiduciary Funds: The Springfield Contributory Retirement System, which was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at 36 Court Street, Springfield, MA 01103.

**B. Government-Wide and Fund Financial Statements**

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from

Fund Financial Statements  
Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis*

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Government-Wide Financial Statements  
The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements  
Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter 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.

*business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given 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 (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function of segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The self-insured employee health program is reported as an internal service fund in the accompanying financial statements.

- The Parking enterprise fund.

The government reports the following major proprietary fund:

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

- The public buildings capital project fund is used to account for certain building renovation projects that will be funded primarily from bond proceeds.
- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major governmental funds:

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a 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.

Legislation known as "Proposition 2 1/2" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2003 tax levy reflected an excess capacity of \$ 9,737.

#### F. Property Tax Limitations

Investments for the Contributory Retirement System and Permanent Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

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

#### E. Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents". The interest earnings attributable to each fund type is included under investment income.

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

#### D. Cash and Short-Term Investments

The pension trust fund accounts for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

1. Compensated Absences

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Vehicles	5 - 10
Office equipment	5 - 10
Computer equipment	5 - 10

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

H. Capital Assets

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenses when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

G. Inventories

Activity related to the Springfield Redevelopment Authority and the Massachusetts Career Development Institute, Inc. component units of the City, should be included to conform to generally accepted accounting principles.

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

## **2. Departures from Generally Accepted Accounting Principles**

The accompanying financial statements reflect various changes in classifications from the prior year. Specifically, accrued claims of \$ 4.7 million previously recorded in the health insurance internal service fund have been reclassified as a liability of the general fund.

### *M. Material Changes in Classifications*

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

### *L. Use of Estimates*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### *K. Fund Equity*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

### *J. Long-Term Obligations*

**3. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the City Council, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at City Council meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the City Council is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

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

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

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

**B. Budgetary Basis**

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

**C. Budget/GAAP Reconciliation**

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

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

General Fund	Financing Sources	Financing Uses
Revenues and Other	Revenues and Other	Expenditures and Other
Revenues/Expenditures the accompanying financial statements (GAP basis), as reported in	\$ 425,898,725	\$ 423,466,125
Other financing sources/uses (GAP basis), as reported in the accompanying financial statements	7,575,000	7,575,000
Subtotal (GAP Basis)	433,473,725	431,041,125
To adjust property tax revenue to the budgetary basis	( 1,329,003)	-
To reverse expenditures of prior year appropriation carryforwards	-	( 6,298,378)
To record current year appropria- tion carryforwards	-	5,714,805
To record use of overlay surplus	3,000,000	-
To reverse effects of non-budgeted state contributions to teachers' retirement	( 23,477,544)	( 23,477,544)
Other timing items	( 198,568)	1,311,460
To eliminate bond refinancing	( 7,575,000)	( 7,575,000)
Budgetary basis, as reported in the accompanying financial statements	\$ 403,893,610	\$ 400,716,468

*D. Excess of Expenditures Over Appropriations*

Expenditures exceeding appropriations during the current fiscal year were as follows:

Employee Benefits	\$ ( 914,438)
Debt Service	(2,633,464)
Intergovernmental	( 44,480)



The debt service expenditure was funded by bond premiums received in fiscal 2003. The other expenditures may need to be raised with the setting of the City's fiscal 2004 tax rate.

E. Deficit Fund Equity

The following funds had deficits as of June 30, 2003:

Special Revenue Funds:	
Tapley Street improvements	\$ (2,000,000)
MCDI	(1,058,133)
Dewitt-Wallace Land Grant	(104,032)

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds. Deficits exist in the Public Buildings major fund and several capital project fund deficits exist as part of the non-major governmental funds. These deficits will be eliminated when bonds are issued for these projects.

**4. Cash and Cash Equivalents**

The carrying amount of the City and Retirement System's deposits with financial institutions at June 30, 2003 and December 31, 2002 were \$ 45,974,312 and \$ 711,154, respectively. The bank balances, which do not include reconciling items such as deposits in transit and outstanding checks, are categorized as follows:

Retirement System Deposits December 31, 2002	City Deposits June 30, 2003	
		Amount insured by the FDIC and DIF, Or collateralized with securities held by the City in its name
\$ 86,630	\$ 489,720	
		Amount collateralized with securities held by the pledging financial institutions trust department in the City's name
2,145,259	20,069,418	
-	35,129,222	Uncollateralized
-	41,692	State investment pool
<u>\$ 2,231,889</u>	<u>\$ 55,730,052</u>	Total Bank Balance

**5. Investments**

Investments are categorized into the following three categories of credit risk:

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 Assessors for 100% of the estimated fair market value. Taxes are due on a quarterly basis 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 they relate to. Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The City has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

**6. Taxes Receivable**

	Category			
	1	2	3	Total
Short-term income	\$ -	\$ -	\$ 11,961	\$ 11,961
Fixed income	-	-	62,528	62,528
Investments	-	-	140,358	140,358
Total	\$ -	\$ -	\$ 214,847	\$ 214,847

At December 31, 2002, the City's Retirement System's investment balances were as follows (in thousands):

	Category			
	1	2	3	Total
Corporate equity	\$ -	\$ -	\$ 178	\$ 178
Corporate bonds	4	-	-	4
Total	\$ 4	\$ -	\$ 178	\$ 182

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

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

Taxes receivable at June 30, 2003 consist of the following (in thousands):

Real Estate	2003	\$ 8,055	
	2002	2,029	
	2001	166	
	2000	150	
	Prior	957	
		<u>11,357</u>	

Personal Property	2003	424	
	2002	191	
	2001	155	
	2000	83	
	Prior	2,604	
		<u>3,457</u>	

Tax Liens, Deferred Taxes and other		27,320	
Total		<u>\$ 42,134</u>	

**7. Allowance for Doubtful Accounts**

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

Governmental	\$ 31,679	
Property taxes	8,837	
Excises	<u>8,837</u>	
Total	<u>\$ 40,516</u>	

**8. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2003.

**9. Capital Assets**

Capital asset activity for the year ended June 30, 2003 was as follows (in thousands):

Governmental Activities:	Beginning Balance	Increases*	Decreases	Ending Balance
Capital assets, being depreciated:	\$ 242,769	\$ 38,477	-	\$ 281,246
Buildings and improvements	60,810	4,584	-	65,394
Machinery, equipment, and furnishings	30,972	1,751	-	32,723
Total capital assets, being depreciated	334,551	44,812	-	379,363
Less accumulated depreciation for:	( 46,941)	( 7,314)	-	(54,255)
Buildings and improvements	( 18,734)	( 8,449)	-	(27,183)
Machinery, equipment, and furnishings	( 3,740)	( 915)	-	(4,655)
Land improvements	(69,415)	(16,678)	-	(86,093)
Total accumulated depreciation	265,136	28,134	-	293,270
Capital assets, not being depreciated:	25,824	-	-	25,824
Land	25,824	-	-	25,824
Construction in progress	81,753	2,588	(27,230)	57,111
Total capital assets, not being depreciated	107,577	2,588	(27,230)	82,935
Governmental activities capital assets, net	\$ 372,713	\$ 30,722	\$ (27,230)	\$ 376,205
Note: The City has not yet capitalized infrastructure assets for governmental activities.				
* As Restated, see note 23.				
Depreciation expense was charged to functions of the City as follows (in thousands):				
Governmental Activities:				
General government	550			\$ 550
Public safety	2,144			2,144
Education	11,299			11,299
Public works	1,002			1,002
Culture and recreation	1,665			1,665
Other	18			18
Total depreciation expense - governmental activities	\$ 16,678			\$ 16,678
Business-Type Activities:				
Parking	4			\$ 4
Total depreciation expense - business-type activities	\$ 4			\$ 4
Business-Type Activities:				
Machinery, equipment, and furnishings	\$ 188	\$ 9		\$ 197
Total capital assets, being depreciated	188	9		197
Less accumulated depreciation for:	(169)	(4)		(173)
Machinery, equipment, and furnishings	(169)	(4)		(173)
Business-type activities, net	\$ 19	\$ 5		\$ 24

				Total
Balance	End of Year	New Issues	Balance Beginning of Year	\$ 68,300
\$ 54,033	\$ 54,033	\$ 54,033	\$ 68,300	\$ 68,300
		35,000	-	
		\$ 103,300		\$ 68,300
		\$ 54,033		\$ 54,033

The following summarizes activity in notes payable during fiscal year 2003 (in thousands):

The City had an additional \$ 5,375,000 in notes payable, which was classified as long-term debt at June 30, 2003. See Footnote 14.

					Total
Balance at June 30, 2003	Date of Maturity	Date of Issue	Interest Rate	Bond anticipation	Bond anticipation
\$ 21,997,000	7/08/02	7/08/02	3.0%	3.0%	3.0%
\$ 32,036,000	6/18/04	6/20/03			
\$ 54,033,000					

The City had the following anticipation notes outstanding at June 30, 2003:

**13. Anticipation Notes Payable**

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

**12. Tax Refunds Payable**

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2003 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

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.

**11. Deferred Revenue**

Warrants payable represent 2003 expenditures paid by July 15, 2003 as permitted by law. Accounts payable represent additional 2003 expenditures paid after July 15, 2003.

**10. Warrants and Accounts Payable**

14. Long-Term Liabilities

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

Amount Outstanding as of June 30, 2003	Interest Rate(s)% *	Serial Maturities Through	Governmental Activities:
			<u>Inside Debt Limit:</u>
\$ 425,000	3.40 - 6.25	9/01/03	Refunding bonds of 1992
2,715,102	2.00 - 5.25	1/15/13	Refunding bonds of 2003
11,495,000	4.25 - 5.65	9/01/15	Multi-purpose of 1997
1,690,000	3.50 - 5.25	11/15/18	Multi-purpose of 1998
6,675,000	4.50 - 6.25	10/01/19	Multi-purpose of 2000
16,692,000	3.50 - 5.50	8/01/21	Multi-purpose of 2002
			<u>Total Inside Debt Limit:</u>
39,692,102			
			<u>Outside Debt Limit:</u>
950,000	2.75 - 5.05	9/01/04	Refunding bonds of 1993
2,120,000	3.40 - 6.25	9/01/04	RMJ School
265,680 *	-	7/28/05	EPA asbestos removal
18,230,000	4.35 - 6.375	8/01/11	Refunding bonds of 1996
3,661,497	2.00 - 5.25	1/15/13	Refunding bonds of 2003
11,505,000	4.35 - 6.375	8/01/14	Mass Mutual/Milton Bradley school
25,975,000	4.25 - 5.65	9/01/15	Multi-purpose of 1997
7,014,000	1.28	7/25/16	Qualified zone academy bonds
50,195,000	3.50 - 5.25	11/15/18	Multi-purpose of 1998
30,085,000	4.50 - 6.25	10/01/19	School construction
8,070,000	4.50 - 6.25	10/01/19	Multi-purpose of 2000
42,793,000	3.50 - 5.50	8/01/21	Multi-purpose of 2002
68,300,000	2.00 - 5.25	1/15/23	Multi-purpose of 2003
			<u>Total Outside Debt Limit:</u>
269,164,177			
308,856,279			Total Bonds Payable
			Notes Payable:
5,375,000	3.0	6/18/04	Hospital deficit note
\$ 314,231,279			Total Notes Payable

\* In 1986, the U.S. Environmental Protection Agency sponsored a no interest rate loan program to enable the City to remove asbestos from public buildings. The loan amount was revised in 1993 at the project's completion. The revised 1993 loan amount was \$ 1,785,709. The balance at June 2002 was \$ 364,886, which the City will repay in annual installments of \$ 99,206 until fiscal year 2006.

In 1996, the Commonwealth passed special legislation (Chapter 112), which allowed the City to issue up to \$ 30,000,000 in "Hospital Deficit" bonds. The act provides, among other things, that the bond proceeds be used to defray costs, expenses and liabilities of the Municipal Hospital or to fund deficits resulting directly or indirectly from hospital operations. In fiscal year 1996, the City issued \$ 15,000,000 in hospital deficit bonds and issued an additional \$ 6,350,000 in fiscal year 1997. At June 30,

D. Hospital Deficit Bonds

Amount Outstanding as of June 30, 2003	Interest Rate (s)%	Serial Maturities Through	General obligation bond	Total Guaranteed Loans
\$ 95,000	3.40 - 6.25	9/01/03	MWPAT (aeration)	
2,685,034	1.00 - 2.75	2/01/15	MWPAT (inflow/infiltration)	
1,072,689	1.00 - 2.75	2/01/15	2003 Refunding	
1,198,401	4.75 - 6.00	1/15/16		
<u>\$ 5,051,124</u>				

The City has issued debt through general obligation bonds and the Massachusetts Water Pollution Abatement Trust (MWPAT) on behalf of the Springfield Water and Sewer Commission, a separate reporting entity. While this debt is an obligation of the City, it is to be reimbursed by the Commission. Outstanding debt related to the Water and Sewer Commission at June 30, 2002 is included in other long-term liabilities on the government-wide financial statements. The balance is reported with other long term liabilities and consists of the following:

C. Guaranteed Loans - Water and Sewer Commission

Governmental	Principal	Interest	Total
2004	\$ 16,634,576	\$ 14,899,228	\$ 31,533,804
2005	17,166,128	14,436,035	31,602,163
2006	16,713,402	13,579,965	30,293,367
2007	16,386,825	12,738,689	29,125,514
2008	16,574,717	11,993,500	28,568,217
2009 - 2013	86,715,631	47,923,122	134,638,753
2014 - 2018	85,780,000	24,995,928	110,775,928
Thereafter	52,885,000	5,989,164	58,874,164
Total	\$ 308,856,279	\$ 146,555,631	\$ 455,411,910

The annual principal payments to retire all general obligation bonds payable outstanding as of June 30, 2003 are as follows:

B. Future Debt Service

The \$ 4,466,027 reported as landfill closure and post-closure care liability at June 30, 2003 represents the total estimated cost of \$ 9,144,000 reduced to the estimated capacity of the landfill, less expenses incurred to date of \$ 4,586,533. The City estimates the landfill is 99% of capacity at June 30, 2003. The City will recognize the remaining estimated cost of closure and post-closure care of \$ 91,440 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2003. The City expects to close the landfill in 2004. The actual life of the landfill may be longer due to increased recycling efforts or if another use for the landfill material (ash) can be found. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as a liability in the general long-term debt account group in each period based on land-fill capacity used as of each balance sheet date. In 1993, the City authorized borrowing \$ 5,000,000 to fund the expected costs of closure. In fiscal year 2002, the City authorized an additional \$ 5.8 million. Monitoring costs are expected to be funded from general fund operating budgets.

F. Landfill Closure and Post-Closure Care Costs

	Present Value of Minimum Lease Payments	\$ 3,680,203
	Less amount representing interest	( 451,830)
	Total minimum lease payments	4,132,033
Thereafter		495,545
2008		495,545
2007		495,545
2006		495,545
2005		1,313,061
2004		\$ 836,792

The City is the lessee of certain equipment under capital leases expiring in various years through 2009. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2003:

E. Capital Lease Obligations

2003, the notes payable balance outstanding was \$ 5,375,000. The Massachusetts Department of Revenue has required the City to repay the bonds over ten years.



Long-term debt authorizations, which have not been issued or rescinded as of June 30, 2003, are as follows:

1. Bond Authorizations

Defeased debt still outstanding at June 30, 2003 is \$ 7,720,000.

As a result of the advance refunding, the City reduced its total debt service cash flow requirements by \$ 682,512, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 665,952.

On February 25, 2003, the City issued general obligation bonds in the amount of \$ 7,575,000 with a variable interest rate ranging from 2.0% to 5.25% to advance refund \$ 7,720,000 of term bonds with an interest rate ranging from 5.05% to 6%. The term bonds mature on January 15, 2003 and are callable on July 15, 2003. The general obligation bonds were issued at 2.0% - 5.25%. The net proceeds were \$ 7,575,000. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on July 15, 2003. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the City's financial statements.

Current Year

H. Advance and Current Refundings

	Total	Balance 7/1/02	Additions	Reductions	Balance 6/30/03	Current Portion	Less Long-Term Portion 6/30/03
Governmental Activities	\$ 247,957		\$ 75,314	\$ (14,415)	\$ 308,856	\$ (16,635)	\$ 292,221
Bonds payable							
Compensated absences	19,263		2,321	-	21,584	( 2,320)	19,264
Notes payable	7,015		-	( 1,640)	5,375	( 2,000)	3,375
Tax refunds (see note 12)	5,281		6,087	( 980)	10,388	( 2,617)	7,771
Other:							
Guaranteed loans	5,479		-	( 428)	5,051	( 357)	4,694
Due to other governments	1,009		-	( 1,009)	-	-	-
Capital leases	5,153		-	( 1,473)	3,680	( 837)	2,843
Landfill closure costs	4,616		-	( 150)	4,466	( 150)	4,316
Unamortized premium	-		5,242	( 262)	4,980	( 262)	4,718
Totals	\$ 295,773		\$ 88,964	\$ (20,357)	\$ 364,380	\$ (25,178)	\$ 339,202

During the year ended June 30, 2003, the following changes occurred in long-term liabilities (in thousands):

G. Changes in General Long-Term Liabilities

(continued)

Purpose	Amount
Departmental equipment	4,545
Remodel public buildings	970
City Hall remodeling	4,000
Remodel public buildings	2,000
Departmental equipment	1,500
Remodel public building	1,060,000
Sewer construction	40,000
Composting facility	400,000
Landfill closure	5,000,000
Improvements to wastewater treatment plant	410,000
Aeration basin upgrade	4,749,909
Repair school roofs	835,000
Construction of facility and trail way	250,000
Remodel public buildings	3,996,000
Baseball stadium design and construction	2,000,000
Departmental equipment	240,000
Acquire land - Boston Road/Parker Street	200,000
Remodel public buildings	2,000,000
Remodel public buildings	2,000,000
Remodel/reconstruct Commerce High	113,000
Remodel/reconstruct New Chestnut Middle School	377,000
Replace radio tower - Police Dept.	150,000
Infiltration/inflow pilot rehab.	400,000
Aeration basin upgrade	1,406,585
Dept. equipment - library and museums	300,000
West Columbus urban renewal Amend. #3	700,000
Hospital deficit bond	5,375,000
Relocation - York St. pump station	7,000,000
Emergency repairs various City schools	1,000,000
Improvements to Franconia and Veterans Golf	2,120,000
Emergency repairs - various City schools	2,000,000
Acquisition/demolition - condemned City property	143
Van Sickle School - remodeling and reconstruction	323,360
Library and museum remodeling	385,000
Qual. Zone Academy	801,000
City parks improvement	2,000,000
City parks improvement	4,210,000
Cyr Arena	635,000
Balliet School - design	1,300,000
Municipal group repairs	7,300,000
Forest Park Middle School - design	2,200,000
Balliet School - remodeling	19,972,919
Forest Park Middle School - remodeling	27,566,600
Public building repair	500,000

(continued)

Purpose	Amount
Public building repair	2,100,000
Repair schools	2,900,000
Fire/safety complex	2,000,000
Renovate R. Johnson school	1,200,000
Repairs Springfield library and museums	2,990,000
Acquisition/demolition/relocation - Camp Wilder	912,000
Acquisition/demolition/site preparation - Court Square	4,700,000
Final closure and cap landfill	5,800,000
West Columbus Avenue	1,620,000
Demolition former Technical High School	2,200,000
Charter school	1,630,000
<b>Total</b>	<b>\$ 139,381,531</b>

J. Legal Debt Margin

The City is subject to the General Laws of the Commonwealth of Massachusetts which limits the amount of bonded debt the City may have outstanding to 2.5 percent of the valuation of taxable property as last equalized by the Commonwealth's Department of Revenue. The following is a computation of the legal debt margin as of June 30, 2003 (in thousands of dollars):

Equalized valuation - January 1, 2003	\$ 4,855,466
Debt limit - 2.5% of equalized valuation	\$ 121,387
Total debt outstanding - City	308,856
Total debt outstanding - Water and Sewer Commission	5,051
Less debt exempt from limit	(269,164)
Bonds authorized and unissued	139,382
Less outside limit	( 97,741)
Available Debt Margin	\$ 35,003

**15. Restricted Net Assets**

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original

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

The financial statements also reflect accruals for tax refunds and short-term interest expenditures due as of June 30, 2002. Massachusetts General Laws do not recognize these accruals.

Massachusetts General Laws place restrictions on the use of unexpended bond proceeds. As a result, hospital deficit note proceeds, which have not been appropriated at June 30, 2002, are separated through a reserved fund balance.

Massachusetts General Laws include provisions to allow municipalities to raise over-expended State and County assessments and certain appropriations, such as snow and ice, in the subsequent year's tax rate.

Special legislation known as Chapter 556, required the City to establish a "stabilization fund" within its general fund. The balance in the stabilization fund has exceeded the amount required by Chapter 556.

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

#### **17. General Fund Undesignated Fund Balance**

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

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

The following types of reserves are reported at June 30, 2003:

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

#### **16. Reserves of Fund Equity**

restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

Substantially all employees of the City (except teachers and administrators under contract employed by the School Department) are members of the Springfield Contributory Retirement System (SCRS), a cost sharing, multiple employer defined benefit PERS. Eligible employees must participate in the SCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the SCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The SCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the Sys-

*A. Plan Description and Contribution Information*

**20. Contributory Retirement System**

The City has accepted Chapter 32B of Massachusetts General Laws to provide for health care and life insurance benefits to retirees, their dependents, or their survivors. These benefits are provided through the City's group plans, active and retired employees. The number of participants currently eligible to receive benefits, and cost of benefits for retirees, their dependents, or their survivors for the year ended June 30, 2003 was not available.

**19. Post-Retirement Health Care and Life Insurance Benefits**

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

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

**18. Commitments and Contingencies**

GAAP basis balance	\$ 2,268,083
Stabilization fund	(4,303,829)
State and County over/under assessments	329,476
Accrued interest payable	1,013,508
Appropriations deficits	3,592,382
Statutory (UMAS) Balance	<u>\$ 2,899,620</u>

Item issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at December 31, 2002, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	2,675
Terminated plan members entitled to but not yet receiving benefits	793
Active plan members	4,103
Total	<u>7,571</u>
Number of participating employers	3

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$ 30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

*B. Summary of Significant Accounting Policies*

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported in accordance with PERAC requirements.

C. Teachers

As required by State statutes, teachers of the City are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is

Changes in the aggregate liability for claims for the year ended June 30, 2003 are as follows:

on past historical costs and claims paid subsequent to year end. liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end. The City contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the City is liable up to \$ 150,000 per incident. The claims liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

The City's insurance plans are retrospectively rated policies. In other words, the City contributes a level monthly premium, which is adjusted quarterly for actual claims paid.

Health Insurance

The City self-insures against claims for workers compensation, unemployment and most employee health coverage. Annual estimated requirements for claims are provided in the City's annual operating budget.

**21. Self Insurance**

Effective January 1, 1990, all participants hired after January 1, 1979, must pay an additional 2% of salary in excess of \$ 30,000. The City's current year covered payroll for teachers was not available. In fiscal year 2003, the Commonwealth of Massachusetts contributed \$ 23,477,544 to the MTRS on behalf of the City. This is included in the education expenditures and intergovernmental revenues in the general fund.

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

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

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

funded by contributions from covered employees and the Commonwealth of Massachusetts. The City is not required to contribute.

As previously reported	\$ 129,606,110	\$ 10,650,963	\$ (5,821,921)
Capitalized additional fixed assets	10,626,909	-	-
Other timing adjustments	( 402,379)	( 402,379)	-
Remove receivable established for reimbursement from Commonwealth for eligible school debt service	(129,088,354)	-	-
Reclass health insurance accounts payable	-	( 4,698,296)	4,698,296
As restated	\$ 10,742,286	\$ 5,550,288	\$ (1,123,625)

The beginning (July 1, 2002) fund balances/net assets of the City have been restated as follows:

**23. Beginning Fund Balance / Net Asset Restatement**

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

**22. Risk Management**

Claims liability, July 1, 2002	\$ 1,827,730 *
Claims incurred/recognized in fiscal year 2003	65,906,812
Claims paid in fiscal year 2003	(65,580,534)
Claims liability, June 30, 2003	\$ 2,154,008

\*Adjusted, see note 23

Health Coverage



**24. Beginning Fund Balance Reclassifications**

The City's major governmental funds for fiscal year 2003, as defined by GASB statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	As Previously Reported	Reclassifications	As Restated
School capital project	\$ (63,265,441)	\$ 63,265,441	\$ -
Public building	-	(18,299,697)	(18,299,697)
Non-major govern- mental funds	(11,999,793)	(44,965,744)	(56,965,537)

**CITY OF SPRINGFIELD, MASSACHUSETTS**

**CONTRIBUTORY RETIREMENT SYSTEM**

Schedule of Funding Progress and Employer Contributions

The following schedules are presented in accordance with the Governmental Accounting Standards Board Statement 25.

Schedule of Funding Progress (in thousands):

Actuarial Liability (AAL) - Entry Age (b)	Actuarial Value of Assets (a)	Unfunded AAL (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percent- age of Covered Payroll (b-a)/c]
\$ 268,001	\$ 570,958	\$ 302,957	46.9%	\$ 137,353	220.6%
\$ 291,264	\$ 539,502	\$ 248,238	54.0%	\$ 131,363	189.0%
\$ 292,172	\$ 515,716	\$ 223,544	56.7%	\$ 126,095	177.3%
\$ 266,826	\$ 490,551	\$ 223,725	54.4%	\$ 110,832	201.9%
\$ 237,262	\$ 439,441	\$ 202,179	54.0%	\$ 104,251	193.9%
\$ 164,561	\$ 298,111	\$ 133,550	55.2%	\$ 89,978	148.4%
\$ 151,322	\$ 289,821	\$ 138,499	52.2%	\$ 81,489	170.0%
\$ 142,305	\$ 282,780	\$ 140,475	50.3%	\$ 81,980	171.4%
\$ 114,439	\$ 260,553	\$ 146,114	43.9%	\$ 75,169	194.4%
\$ 71,187	\$ 279,412	\$ 208,225	25.5%	\$ 73,304	284.1%

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

Schedule of Employer Contributions (City share only):

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1992	\$ 14,715,334	100%
1993	14,904,419	98%
1994	14,137,735	95%
1995	14,999,384	95%
1996	15,721,914	94%
1997	16,726,379	100%
1998	15,065,133	100%
1999	16,288,949	100%
2000	16,420,408	100%
2001	16,864,748	100%
2002	17,890,147	100%
2003	20,919,000	100%

The required information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	January 1, 2001
Actuarial cost method	Entry age, normal cost
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.5% per annum
Projected salary increases	5.5% per annum
Cost of living adjustments	3% of the lessor of the pension amount and \$ 12,000/year
Salary cap	The \$ 30,000 salary cap no longer applies for purposes of benefit determination.

See Independent Auditors' Report.