

**CITY OF SPRINGFIELD, MASSACHUSETTS**

**Financial Statements**

**For the Year Ended June 30, 1999**

**(With Independent Auditors' Report Thereon)**

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Combined Balance Sheet - All Fund Types and Account Group	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Equity - All Governmental Fund Types and Expendable Trust Funds	4
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	5
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Equity - All Proprietary Fund Types and Similar Trust Funds	6
Statement of Changes in Plan Net Assets - Pension Trust Fund	7
Combined Statement of Cash Flows - All Proprietary Fund Types and Similar Trust Funds	8
Notes to Financial Statements	9
YEAR 2000 SUPPLEMENTARY INFORMATION	33
CONTRIBUTORY RETIREMENT SYSTEM	34



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### INDEPENDENT AUDITORS' REPORT

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

We have audited the general purpose financial statements of the City of Springfield, Massachusetts as of June 30, 1999 (December 31, 1998 for the Contributory Retirement System) and for the year(s) then ended. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Under the terms of our engagement, we did not obtain sufficient evidential matter to support the City's Enterprise Fund fixed asset balance stated at \$ 211,148. In addition, we did not observe the taking of the physical inventory of the Internal Service Fund as of June 30, 1999 stated at \$ 1,106,707, nor did we satisfy ourselves as to the inventory quantities by means of other auditing procedures.

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

The City has established a separate enterprise fund; however, the City accounts for the activities on a modified accrual basis, similar to governmental funds. As a result, certain assets, such as inventories of supplies, capital projects and fixed assets, certain liabilities, such as capital leases and accrued expenses, and certain expenses, such as depreciation, have not been recorded as required by generally accepted accounting principles for enterprise funds. Also, the fixed assets that are reported are not supported by a fixed asset ledger, nor is annual depreciation recorded. The amount by which reported amounts differ from generally accepted accounting principles could not be determined.

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

In our opinion, except for the effects of such adjustments, if any, that might have been determined to be necessary had we been able to examine sufficient evidential matter supporting fixed asset balances in the Enterprise Fund and inventory balances in the Internal Service Fund, and except for the effects of the items described in the fourth through sixth paragraphs, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City of Springfield, Massachusetts as of June 30, 1999 (and December 31, 1998 for the Contributory Retirement System) and the results of its operations and cash flows of its proprietary fund types and similar trust funds for the year(s) then ended, in conformity with generally accepted accounting principles.

The year 2000 supplementary information on page 33 and supplementary pension information on page 34 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 supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the City is or will become year 2000 compliant, that the City's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City does business are or will become year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued a report dated October 1, 1999 on our consideration of the City's internal control structure and on its compliance with laws and regulations.

*Melanson, Heath & Company, P.C.*  
Greenfield, Massachusetts  
October 1, 1999

CITY OF SPRINGFIELD, MASSACHUSETTS

Combined Balance Sheet -  
All Fund Types and Account Group

June 30, 1999

ASSETS	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types Trust and Agency	Account Group General Long-Term Debt	Totals (Memorandum Only)	Contributory Retirement System as of 12/31/98
	General	Special Revenue	Capital Project	Enterprise	Internal Service				
Cash and cash equivalents	\$ 31,475,688	\$ 10,376,822	\$ (5,162,464)	\$ 84,572	\$ 534,232	\$ 1,619,170	\$ -	\$ 38,928,020	\$ 2,600,212
Investments	-	-	-	-	-	315,181	-	315,181	251,291,879
Receivables:									
Property taxes	12,282,762	-	-	-	-	-	-	12,282,762	-
Tax liens and foreclosures	21,377,422	-	-	-	-	-	-	21,377,422	-
Excises	10,523,978	-	-	-	-	-	-	10,523,978	-
Other receivables, net of allowance	808,083	925,676	-	-	-	-	-	1,733,759	4,046,698
Due from other governments	457,139	14,346,700	-	-	-	-	-	14,803,839	-
Other assets	-	-	-	-	-	-	-	-	1,875,955
Inventory	-	-	-	211,148	1,106,707	-	-	1,317,855	-
Property, plant and equipment	-	-	-	-	-	-	-	211,148	-
Amount to be provided for long-term obligations	-	-	-	-	-	-	108,714,938	108,714,938	-
Amount to be provided by Commonwealth	-	-	-	-	-	-	102,087,468	102,087,468	-
Amounts to be provided by other governments	-	-	-	-	-	-	6,460,277	6,460,277	-
<b>Total Assets</b>	<b>\$ 76,925,072</b>	<b>\$ 25,649,198</b>	<b>\$ (5,162,464)</b>	<b>\$ 295,720</b>	<b>\$ 1,640,939</b>	<b>\$ 1,934,351</b>	<b>\$ 217,262,683</b>	<b>\$ 318,545,499</b>	<b>\$ 259,814,744</b>

LIABILITIES AND FUND EQUITY

Liabilities:									
Warrants payable	\$ 5,547,663	\$ 3,935,484	\$ 1,893,881	\$ 32,877	\$ 198,055	\$ 43,971	\$ -	\$ 11,651,931	\$ -
Accounts payable	400,000	925,676	-	-	-	-	-	1,325,676	1,323,023
Deferred revenues	43,972,066	-	-	-	-	-	-	43,972,066	-
Accrued payroll and withholdings	2,940,289	-	-	-	-	-	-	2,940,289	-
Notes payable	-	-	69,500,000	-	-	-	11,530,000	81,030,000	-
Due to other governments	-	-	-	-	-	-	1,462,405	1,462,405	-
Interest payable	2,528,056	-	-	-	-	-	-	2,528,056	-
Accrued compensated absences	-	-	-	-	-	-	5,121,055	5,121,055	-
General obligation long-term debt	-	-	-	-	-	-	172,426,504	172,426,504	-
Guaranteed loans - water and sewer	-	-	-	-	-	-	6,460,277	6,460,277	-
Capital lease obligations	-	-	-	-	-	-	8,497,452	8,497,452	-
Court judgment payable	-	-	-	-	-	-	1,550,000	1,550,000	-
Landfill closure	-	-	-	-	-	-	6,462,522	6,462,522	-
Reserve for tax refund	481,844	-	-	-	-	-	3,752,468	4,234,312	-
Other liabilities	630,538	-	-	-	-	317,851	-	948,389	-
<b>Total Liabilities</b>	<b>\$ 58,500,456</b>	<b>\$ 4,861,160</b>	<b>\$ 71,393,881</b>	<b>\$ 32,877</b>	<b>\$ 198,055</b>	<b>\$ 361,822</b>	<b>\$ 217,262,683</b>	<b>\$ 350,610,934</b>	<b>\$ 1,323,023</b>
Fund Equity:									
Retained earnings	-	-	-	51,695	1,442,884	-	-	1,494,579	-
Contributed capital	-	-	-	211,148	-	-	-	211,148	-
Fund balances:									
Reserved for endowments	-	-	-	-	-	798,549	-	798,549	-
Reserved for encumbrances	9,133,297	-	-	-	-	-	-	9,133,297	-
Reserved for expenditures	2,300,000	-	-	-	-	-	-	2,300,000	-
Reserved for retirement	-	-	-	-	-	-	-	-	-
Unreserved undesignated	8,991,319	20,788,038	(76,556,345)	262,843	1,442,884	773,980	-	(46,003,008)	-
<b>Total Fund Equity</b>	<b>\$ 20,424,616</b>	<b>\$ 20,788,038</b>	<b>\$ (76,556,345)</b>	<b>\$ 262,843</b>	<b>\$ 1,442,884</b>	<b>\$ 1,572,529</b>	<b>\$ -</b>	<b>\$ (32,065,435)</b>	<b>\$ 258,491,721</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 76,925,072</b>	<b>\$ 25,649,198</b>	<b>\$ (5,162,464)</b>	<b>\$ 295,720</b>	<b>\$ 1,640,939</b>	<b>\$ 1,934,351</b>	<b>\$ 217,262,683</b>	<b>\$ 318,545,499</b>	<b>\$ 259,814,744</b>

CITY OF SPRINGFIELD, MASSACHUSETTS

Combined Statement of Revenues, Expenditures, and Changes in Fund Equity

All Governmental Fund Types and Expendable Trust Funds

For the Year Ended June 30, 1999

	Governmental Fund Types			Eiduciary Fund Types Expendable Trust	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects		
<b>Revenues:</b>					
Property taxes	\$ 96,517,641	\$ -	-	\$ -	\$ 96,517,641
Excise	7,403,522	-	-	-	7,403,522
Penalties, interest and other taxes	8,047,419	-	-	-	8,047,419
Charges for services	8,379,496	7,455,151	-	-	15,834,647
Intergovernmental	209,876,271	80,426,489	-	-	290,302,760
Licenses and permits	1,717,514	-	-	-	1,717,514
Fines and forfeitures	1,029,787	-	-	-	1,029,787
Interest earnings	1,156,873	-	-	3,779	1,160,652
Miscellaneous	81,557	1,322,478	4,621	-	1,408,656
Contributions	-	-	-	354,062	354,062
<b>Total Revenues</b>	<b>334,210,080</b>	<b>89,204,118</b>	<b>4,621</b>	<b>357,841</b>	<b>423,776,660</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	20,043,366	22,695,236	4,469	5,291	42,748,362
Public safety	53,068,639	7,441,986	-	29,426	60,540,051
Education	170,024,038	34,321,936	22,264,595	-	226,610,569
Public works	14,364,618	9,081,391	3,266,663	-	26,712,672
Human services	1,855,481	1,991,185	-	-	3,846,666
Culture and recreation	10,889,613	672,879	518,232	201,722	12,282,446
Employee benefits	39,993,032	-	-	-	39,993,032
Miscellaneous	670,286	-	-	-	670,286
Debt service	23,255,399	-	-	-	23,255,399
Intergovernmental	2,441,125	-	-	-	2,441,125
<b>Total Expenditures</b>	<b>336,605,597</b>	<b>76,204,613</b>	<b>26,053,959</b>	<b>236,439</b>	<b>439,100,608</b>
Excess (deficiency) of revenues over expenditures	(2,395,517)	12,999,505	(26,049,338)	121,402	(15,323,948)
<b>Other Financing Sources (Uses):</b>					
Bond proceeds	-	-	60,000,000	-	60,000,000
Operating transfers in	-	3,260,000	-	-	3,260,000
Operating transfers out	(3,260,000)	-	-	-	(3,260,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,260,000)</b>	<b>3,260,000</b>	<b>60,000,000</b>	<b>-</b>	<b>60,000,000</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(5,655,517)	16,259,505	33,950,662	121,402	44,676,052
<b>Fund Equity, July 1, 1998, restated</b>	<b>26,080,133</b>	<b>4,528,533</b>	<b>(110,507,007)</b>	<b>652,578</b>	<b>(79,245,763)</b>
<b>Fund Equity, June 30, 1999</b>	<b>\$ 20,424,616</b>	<b>\$ 20,788,038</b>	<b>\$ (76,556,345)</b>	<b>\$ 773,980</b>	<b>\$ (34,569,711)</b>

CITY OF SPRINGFIELD, MASSACHUSETTS

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

For the Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues and Other Sources:</b>			
Taxes	\$ 94,650,078	\$ 94,650,078	\$ -
Excise	6,992,669	7,403,522	410,853
Penalties, interest and other taxes	7,785,045	8,047,419	262,374
Charges for services	7,913,880	8,379,496	465,616
Intergovernmental	210,824,020	209,876,271	(947,749)
Licenses and permits	1,620,731	1,717,514	96,783
Fines and forfeits	1,263,689	1,029,787	(233,902)
Interest earnings	852,371	1,156,873	304,502
Miscellaneous	-	81,557	81,557
Other sources	<u>3,500,000</u>	<u>3,500,000</u>	<u>-</u>
 Total Revenues and Other Sources	 335,402,483	 335,842,517	 440,034
 <b>Expenditures and Other Uses:</b>			
General government	19,296,453	19,033,875	262,578
Public safety	52,095,676	52,035,536	60,140
Education	168,482,162	168,482,159	3
Public works	14,426,785	14,395,531	31,254
Human services	2,035,211	1,942,100	93,111
Culture and recreation	10,841,082	10,824,077	17,005
Debt service	21,129,564	21,129,564	-
Intergovernmental	2,611,971	2,786,908	(174,937)
Benefits	39,944,183	39,860,932	83,251
Miscellaneous	689,711	689,367	344
Transfers out	3,260,000	3,260,000	-
Other uses	<u>589,685</u>	<u>589,685</u>	<u>-</u>
 Total Expenditures and Other Uses	 <u>335,402,483</u>	 <u>335,029,734</u>	 <u>372,749</u>
 Excess (deficiency) of revenues and other sources over expenditures and other uses	   \$ <u>-</u>	   \$ <u>812,783</u>	   \$ <u>812,783</u>

See accompanying notes to financial statements.

CITY OF SPRINGFIELD, MASSACHUSETTS

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

For the Year Ended June 30, 1999

	<u>Proprietary Fund Types</u>		<u>Fiduciary</u> <u>Fund Type</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Internal</u> <u>Service</u>	<u>Nonexpendable</u> <u>Trust</u>	
Operating Revenues:				
Charges for services	\$ <u>493,844</u>	\$ <u>1,678,506</u>	\$ <u>-</u>	\$ <u>2,172,350</u>
Total Operating Revenues	493,844	1,678,506	-	2,172,350
Operating Expenses:				
Personnel	183,167	-	-	183,167
Operating	117,841	-	-	117,841
Materials and supplies	58,287	1,678,506	-	1,736,793
Other	<u>17,363</u>	<u>-</u>	<u>-</u>	<u>17,363</u>
Total Operating Expenses	<u>376,658</u>	<u>1,678,506</u>	<u>-</u>	<u>2,055,164</u>
Operating Income (Loss)	117,186	-	-	117,186
Nonoperating Revenue (Expenses):				
Unrealized gain/(loss) on investment	-	-	(72,967)	(72,967)
Investment income	<u>-</u>	<u>-</u>	<u>33,619</u>	<u>33,619</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>(39,348)</u>	<u>(39,348)</u>
Net Income (Loss)	117,186	-	(39,348)	77,838
Increase (decrease) in retained earnings/fund equity	117,186	-	(39,348)	77,838
Retained Earnings, beginning of year	<u>145,657</u>	<u>1,442,884</u>	<u>837,897</u>	<u>2,426,438</u>
Retained Earnings, end of year	\$ <u><u>262,843</u></u>	\$ <u><u>1,442,884</u></u>	\$ <u><u>798,549</u></u>	\$ <u><u>2,504,276</u></u>

See accompanying notes to financial statements.



CITY OF SPRINGFIELD, MASSACHUSETTS  
Statement of Changes in Plan Net Assets  
Pension Trust Fund

Year Ended December 31, 1998

Additions:

Contributions:

Employers	\$ 18,244,314
Plan Members	8,778,585
Reimbursements from Federal Grants	241,235
Reimbursements from Commonwealth of Massachusetts	3,652,114
Reimbursements from other systems	<u>256,098</u>
Total contributions	31,172,346

Investment Income:

Interest and dividends	30,414,376
Net appreciation in fair value of investments	5,696,320
Less: management fees	<u>(865,573)</u>
Net investment income	<u>35,245,123</u>
Total additions	66,417,469

Deductions:

Benefit payments to plan members and beneficiaries	33,052,880
Reimbursements to other systems	353,657
Refunds and transfers of plan member accounts to other system	1,784,614
Administrative expenses	<u>536,248</u>
Total deductions	<u>35,727,399</u>
Net increase (decrease)	30,690,070

Net assets held in trust for pension benefits:

Beginning of year	<u>227,801,651</u>
End of year	<u>\$ 258,491,721</u>

See accompanying notes to general purpose financial statements.

CITY OF SPRINGFIELD, MASSACHUSETTS

Combined Statement of Cash Flows  
All Proprietary Fund Types and Similar Trust Funds

For the Year Ended June 30, 1999

	<u>Proprietary Fund Types</u>		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)
Cash Flows From Operating Activities:				
Operating income (loss)	\$ 117,186	\$ -	\$ -	\$ 117,186
Adjustments to reconcile operating income to net cash:				
Provided for operating activities:				
(Increase) decrease in current assets:				
Inventory	-	(16,590)	-	(16,590)
Increase (decrease) in current liabilities:				
Warrants and accounts payable	<u>10,475</u>	<u>(32,785)</u>	<u>-</u>	<u>(22,310)</u>
Net Cash Used for Operating Activities	127,661	(49,375)	-	78,286
Cash Flows for Investing Activities:				
Net investment income	<u>-</u>	<u>-</u>	<u>33,619</u>	<u>33,619</u>
Net Cash Used for Investing Activities	-	-	33,619	33,619
Net increase (decrease) in cash	127,661	(49,375)	33,619	111,905
Cash and Cash Equivalents, July 1, 1998	<u>(43,089)</u>	<u>583,607</u>	<u>449,749</u>	<u>990,267</u>
Cash and Cash Equivalents, June 30, 1999	\$ <u>84,572</u>	\$ <u>534,232</u>	\$ <u>483,368</u>	\$ <u>1,102,172</u>
Reconciliation of trust and agency fund cash:				
Nonexpendable			\$ 483,368	
Expendable			817,951	
Agency			<u>317,851</u>	
Total			\$ <u>1,619,170</u>	

See accompanying notes to financial statements.

**City of Springfield, Massachusetts**  
**Notes to General Purpose Financial Statements**

**1. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

In fiscal year 1999, it was determined the Springfield Redevelopment Authority met the required GASB-14 criteria of a component unit; however, their financial activities are not included in the City's financial statements.

**B. Basis of Presentation - Fund Accounting**

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

**Governmental Fund Types**

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

**General Fund** - To account for all financial activities of the City, except those required to be accounted for in another fund. Most revenues and expenditures of a general governmental nature are accounted for in this fund.

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

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

### Proprietary Fund Types

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

Enterprise Funds - To account for operations which are supported primarily by user charges. The City's only enterprise fund is the Parking Fund.

Internal Service Funds - To account for goods or services provided by one City department or agency to other City departments or agencies. The Internal Service Fund is used to report the City's Working Capital Fund.

### Fiduciary Fund Types

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

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

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

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

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

## Account Groups

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

General Long-Term Debt Account Group - This account group is used to account for all long-term obligations of the City.

### C. Basis of Accounting

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

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

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

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

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

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

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

#### Accrual Basis (Proprietary, Nonexpendable and Pension Trust Funds)

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

The accrual basis of accounting is used by proprietary (except as discussed in Note 2), nonexpendable and pension trust funds. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The City has elected to apply to the proprietary funds accounting principles applicable to the private sector issued through November 30, 1989, unless those principles conflict with or contradict pronouncements of the Governmental Accounting Standards Board.

#### D. Cash and Cash Equivalents

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

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

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

#### E. Investments

State and local statutes place certain limitations on the nature of deposits and investment available to the City. Deposits in any financial institution

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

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

*F. Property Tax Limitations*

Legislation known as "Proposition 2 1/2" limits the amount of revenue the City can derive from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 1999 tax levy reflected an excess capacity of \$ 10,231.

*G. Long-Term Obligations*

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

*H. Accrued Employee Benefits*

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

*I. Fund Equity*

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

*J. Encumbrance Accounting and Reporting*

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are

reported as reservations of fund balances and do not constitute expenditures or liabilities.

**K. Memorandum Only - Total Columns**

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

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

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

- General fixed asset acquisitions (non-enterprise) are not capitalized in a general fixed asset group of accounts.
- The City has established a separate enterprise fund; however, the City accounts for activities on a modified accrual basis similar to governmental funds. As a result, certain assets, such as inventories of supplies, capital projects and fixed assets, certain liabilities, such as capital leases and accrued expenses, and certain expenses, such as depreciation, have not been recorded as required by generally accepted accounting principles for enterprise funds. The amount by which the actual value for these accounts varies from amounts recorded cannot be determined at this time.
- Fixed assets recorded in the City's Enterprise Funds are not supported by a fixed asset ledger nor is annual depreciation recorded. The amount by which reported amounts differ from generally accepted accounting principles could not be determined.
- Activity related to the Springfield Redevelopment Authority, a component unit, should be included to conform to generally accepted accounting principles.

**3. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the City Council, establishes the legal level of



control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at City Council meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the City Council is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time the annual appropriations are voted.

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

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

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

**B. Budgetary Basis**

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

1999 annual appropriations	\$ 328,063,531
1999 supplemental appropriations	4,637,296
Statutory County and State assessments	2,588,424
Other uses legally required to be raised	<u>113,232</u>
 Total Appropriation	 \$ <u>335,402,483</u>

**C. Budget/GAAP Reconciliation**

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 334,210,080	\$ 336,605,597
Other financing sources/uses (GAAP basis)	-	3,260,000
Adjust tax revenue to accrual basis	(1,867,563)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(12,169,605)
Add end of year appropriation carryforwards to expenditures	-	9,133,297
Adjust for GAAP accrual entries budgeted in a previous or subse- quent year	-	(2,735,023)
Recognize budgeted, non-cash sources/uses of funds	<u>3,500,000</u>	<u>935,468</u>
Budgetary basis	<u>\$ 335,842,517</u>	<u>\$ 335,029,734</u>

#### D. Deficit Fund Equity

The following Special Revenue funds had a deficit as of June 30, 1999:

CHDO Pro Base	\$ 103,391
Forest Park Zoo	58,427

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

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

#### **4. Cash and Cash Equivalents**

The carrying amount of the City's and Retirement System's deposits with financial institutions at June 30, 1999 and December 31, 1998 was \$ 38,928,020 and \$ 2,600,212, respectively. The bank balances, which do not include recon-

ciling items such as deposits in transit and outstanding checks, are categorized as follows:

	<u>City Deposits June 30, 1999</u>	<u>Retirement System Deposits December 31, 1998</u>
Amount insured by the FDIC and DIFM, or collateralized with securities held by the City in its name	\$ 1,087,141	\$ 70,714
Amount collateralized with securities held by the pledging financial institution's trust department in the City's name	8,053,502	2,885,061
Uncollateralized	17,848,513	-
State investment pool	<u>10,003,108</u>	<u>-</u>
Total Bank Balance	<u>\$ 36,992,264</u>	<u>\$ 2,955,775</u>

## 5. Investments

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

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

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

	<u>Category</u>			<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Corporate stock	\$ -	\$ -	\$ 315	\$ <u>315</u>

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

At December 31, 1998, the City's Retirement System's investment balances were as follows (in thousands):

	Category			Market Value
	<u>1</u>	<u>2</u>	<u>3</u>	
Short-term investments	\$ -	\$ -	\$ 718	\$ 718
Fixed income	-	-	133,583	133,583
Equities	-	-	<u>116,991</u>	<u>116,991</u>
Total	\$ <u>-</u>	\$ <u>-</u>	\$ <u>251,292</u>	\$ <u>251,292</u>

## 6. Taxes Receivable

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

The following is a summary of the property tax calendar used for the 1999 tax levies:

June 30, 1998:

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

August 3, 1998:

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

September 30, 1998:

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

November 2, 1998:

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

December 31, 1998:

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

February 1, 1999:

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

March 31, 1999:

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

May 1, 1999:

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

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

Taxes receivable at June 30, 1999 consist of the following (in thousands):

Real Estate			
1999	\$ 7,366		
1998	1,026		
1997	5		
Prior	<u>1,202</u>		
			9,599
Personal Property			
1999	140		
1998	180		
1997	228		
Prior	<u>2,136</u>		
			<u>2,684</u>
Total			\$ <u>12,283</u>

## 7. Other Receivables

The other receivable balance in the general fund is shown net of a reserve for uncollectible accounts for the Veterans Department of \$ 275,504.

## 8. Due From Other Governments

The due from other governments balance in the General Fund represents Medicaid reimbursement which was received in fiscal year 2000. The due from other governments balance in the other funds represents various grant awards reimbursement requests expected to be received in fiscal year 2000.

**9. Amount to be Provided by Commonwealth**

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

**10. Amounts to be Provided by Other Governments**

The balance in this account represents the portion of bonds payable issued through the City and reimbursed by the Springfield Water and Sewer Commission.

**11. Warrants and Accounts Payable**

Warrants payable represent 1999 expenditures paid by July 15, 1999 as permitted by law. Accounts payable represent additional 1999 expenditures paid after July 15, 1999.

**12. Deferred Revenue**

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 1999 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections. The City's statutory "allowance for abatements and exemptions" (overlay) account, with a balance of \$ 16,269,664 has been reclassified to deferred revenue for reporting purposes.

**13. Anticipation Notes Payable**

The City had the following notes outstanding at June 30, 1999:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 1999</u>
Bond anticipation	4.0%	7/17/98	7/17/99	\$ 44,500,000
Bond anticipation	4.0%	9/04/98	9/02/99	<u>25,000,000</u>
Total				\$ <u>69,500,000</u>

The City had an additional \$ 11,530,000 in notes payable which was classified as long-term debt at June 30, 1999. See Footnotes 14 and 27.

## 14. Long-Term Debt

### A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Payment is not limited to a particular revenue source. However, as previously noted, the City's ability to raise property taxes is restricted by the enactment of legislation known as "Proposition 2 1/2". General obligation bonds currently outstanding are as follows:

<u>Bonds Payable</u>	<u>Serial Maturities Through</u>	<u>Interest Rate (s)%</u>	<u>Amount Outstanding as of June 30, 1999</u>
<u>Inside Debt Limit:</u>			
Landfill	11/01/02	6.9 - 7.0	\$ 300,000
Parks	11/01/02	6.9 - 7.0	50,000
Multi-purpose parks	12/01/02	7.0	25,000
Multi-purpose	5/01/06	7.75 - 7.80	1,080,000
Multi-purpose	1/15/13	4.75 - 6.00	9,195,596
Refunding bonds	8/01/14	4.35 - 6.375	3,410,000 ***
Multi-purpose	9/01/15	4.25 - 5.65	8,085,200
School construction	11/15/18	3.50 - 5.25	<u>1,600,000</u>
Total Inside Debt Limit:			23,745,796
<u>Outside Debt Limit:</u>			
Refunding bonds	9/01/04	2.75 - 5.05	3,100,000
Refunding bonds	9/01/04	3.40 - 6.25	2,750,000
Putnam High	12/01/05	7.0 - 7.4	625,000
EPA asbestos removal	7/28/06	-	662,504 **
Putnam High	11/01/07	6.9 - 7.0	1,150,000
RMJ School	3/01/09	3.40 - 6.25	5,695,000
Multi-purpose	1/15/13	4.75 - 6.00	343,404
Refunding bonds	8/01/14	4.35 - 6.375	22,560,000 ***
Mass Mutual/Milton Bradley school	8/01/14	4.35 - 6.375	13,920,000
Multi-purpose	9/01/15	4.25 - 5.65	39,474,800
School construction	11/15/18	3.50 - 5.25	<u>58,400,000</u>
Total Outside Debt Limit:			148,680,708
Total Bonds Payable			\$ <u>172,426,504</u>
<u>Notes Payable:</u>			
Hospital deficit bond anticipation note	6/23/00	4.00	\$ <u>11,530,000</u> *
Total Notes Payable			\$ <u>11,530,000</u>

\* The City's hospital deficit bond anticipation note will be repaid over a ten year period beginning in fiscal year 1997 by issuing one year notes for lesser amounts each year.

- \*\* 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 1999 was \$ 662,504, which the City will repay in annual installments of \$ 99,206 until 2006.
- \*\*\* Under the terms of the refunding plan, no principal payments will be made on this bond until fiscal year 2000, when principal payments on the refunded bonds are reduced.

**B. Guaranteed Loans - Water and Sewer Commission**

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, 1999 is as follows:

	<u>Serial Maturities Through</u>	<u>Interest Rate (s)%</u>	<u>Amount Outstanding as of June 30, 1999</u>
General obligation (refunding) bonds	5/01/03	7.75 - 7.80	\$ 20,000
General obligation bond	9/01/03	3.40 - 6.25	475,000
General obligation bond	1/15/13	4.75 - 6.00	1,581,000
MWPAT	2/01/15	1.00 - 2.75	3,263,802
MWPAT	2/01/15	1.00 - 2.75	<u>1,120,475</u>
Total Guaranteed Loans			<u>\$ 6,460,277</u>

**C. Future Debt Service**

The annual principal and interest payments to retire all general obligation long-term debt outstanding (excluding notes payable) as of June 30, 1999 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 10,845,206	\$ 8,607,697	\$ 19,452,903
2001	10,770,206	8,075,047	18,845,253
2002	10,650,206	7,570,331	18,220,537
2003	10,813,206	7,059,494	17,872,700
2004	10,722,206	6,508,436	17,230,642
Thereafter	<u>118,625,474</u>	<u>42,601,181</u>	<u>161,226,655</u>
Total	<u>\$ 172,426,504</u>	<u>\$ 80,422,186</u>	<u>\$ 252,848,690</u>

**D. Bond Authorizations**

Long-term debt authorizations which have not been issued or rescinded as of June 30, 1999 are as follows:



<u>Purpose</u>	<u>Amount</u>
Departmental equipment	\$ 4,545
Remodel public buildings	970
City Hall remodeling	4,000
Remodel public buildings	2,000
Departmental equipment	1,500
Remodel public building	1,060,000
Sewer construction	40,000
Composting facility	400,000
Landfill closeout	5,000,000
Aerial mapping	445,000
Improvements to wastewater treatment plant	410,000
Five Mile Pond Park renovations	500,000
Aeration basin upgrade	4,749,909
Repair school roofs	835,000
Construction of facility and trailway	250,000
Develop and design computer software	242,000
Remodel public buildings	3,996,000
Tapley Street design and improvements	1,700,000
Baseball stadium design and construction	2,000,000
Forest Park aquatic garden restoration	800,000
Departmental equipment	240,000
Departmental equipment	627,000
Acquire land - Boston Road/Parker Street	2,000,000
Remodel public buildings	2,000,000
Street construction	909,360
Sidewalk construction	500,000
Remodel public buildings	2,000,000
Remodel/reconstruct Commerce High	14,680,000
Remodel/reconstruct Indian Orchard School	10,500,000
Remodel/reconstruct New Chestnut Middle School	15,000,000
Remodel/reconstruct Sumner Avenue School	2,120,000
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	9,700,000
Hospital deficit bond	11,530,000
Relocation - York St. pump station	7,000,000
Emergency repairs various City schools	1,000,000
Commerce High School additional remodeling and equipment	5,320,000
Improvements to Franconia and Veterans Golf	2,120,000
New Chestnut Middle School - additional land acquisition	1,550,000
Emergency repairs - various City schools	2,000,000
Tapley Street central facility - additional reconstruction	1,500,000
New Chestnut Middle School - additional construction	389,122
Indian Orchard School - additional construction	3,011,011
Acquisition/demolition - condemned City property	5,000,000
Sumner Avenue School - additional construction	2,036,010
Harris Elementary School – architectural design and construction management	1,300,000

(continued)

(continued)	<u>Purpose</u>	<u>Amount</u>
	VanSickle School – remodeling and reconstruction	4,000,000
	Qual Zone Academy	6,406,000
	Boland Learning Center - architectural design	1,700,000
	Library and museum remodeling	4,000,000
	Qual Zone Academy	1,409,000
	Fire and safety complex	4,500,000
	VanSickle School - remodeling	48,300,000
	Boland Learning Center - land acquisition	1,000,000
	Harris Elementary School - remodeling	15,100,000
	Boland Learning Center - remodeling	<u>23,900,000</u>
	Total	<u>\$ 239,045,012</u>

**E. Legal Debt Margin**

The City is subject to the General Laws of the Commonwealth of Massachusetts which limits the amount of bonded debt the City may have outstanding to 2 1/2 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, 1999 (in thousands of dollars):

Equalized valuation - January 1, 1998		<u>\$ 3,933,745</u>
Debt limit - 2 1/2% of equalized valuation		\$ 98,344
Total debt outstanding	172,427	
Less: debt exempt from limit	<u>(148,681)</u>	(23,746)
Bonds authorized and unissued	239,045	
Less: outside limit	<u>(199,193)</u>	(39,852)
Legal Debt Margin		<u>\$ 34,746</u>

**F. Changes in General Long-Term Liabilities**

During the year ended June 30, 1999, the following changes occurred in liabilities reported in the general long-term debt account group (in thousands of dollars):

	Balance <u>July 1, 1998</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 1999</u>
Notes payable	\$ 13,630	\$ -	\$ ( 2,100)	\$ 11,530
Due to other governments	2,112	-	( 650)	1,462
Accrued employee benefits	4,621	500	-	5,121
General obligation debt	121,747	60,000	( 9,320)	172,427
Guaranteed loans (restated)	6,825	-	( 365)	6,460
Capital leases	6,238	4,000	( 1,741)	8,497
Court judgment	-	1,550	-	1,550
Landfill closure cost	6,134	329	-	6,463
Reserve for tax refund	<u>2,769</u>	<u>983</u>	<u>-</u>	<u>3,752</u>
Totals	<u>\$ 164,076</u>	<u>\$ 67,362</u>	<u>\$ (14,176)</u>	<u>\$ 217,262</u>

The beginning (July 1, 1998) balance for guaranteed loans has been restated to reflect the inclusion of Water and Sewer Commission related debt.

**G. Debt Defeasance**

**Prior Year**

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. The proceeds from the new 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 refunded bonds mature in fiscal year 2000. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's balance sheet. As of June 30, 1999, the amount of defeased debt outstanding but removed from the General Long-Term Debt Account Group was \$ 24,065,000.

**15. Capital Lease Obligations**

The City is the lessee of certain equipment under capital leases expiring in various years through 2008. Future minimum lease payments under the capital leases consisted of the following as of June 30, 1999:

2000	\$ 2,553,516
2001	2,163,761
2002	1,495,833
2003	947,229
2004	678,051
Thereafter	<u>2,005,482</u>
Total minimum lease payments	9,843,872
Less amount representing interest	<u>(1,346,420)</u>
Present Value of Minimum Lease Payments	\$ <u>8,497,452</u>

**16. Court Judgments Payable**

In June 1999, the City reached a settlement in a land taking dispute which stipulates payment over several years. The year-end balance of \$ 1,550,000 will be paid in the following fiscal years:

2000	\$ 500,000
2001	500,000
2002	<u>550,000</u>
Total	\$ <u>1,550,000</u>

## **17. Landfill Closure and Postclosure Care Costs**

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

The \$ 6,462,522 reported as landfill closure and post-closure care liability at June 30, 1999 represents that cumulative amount reported to date based on the use of 99% of the estimated capacity of landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$ 65,278 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 1999. The City expects to close the landfill in the year 2000. 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.

## **18. Reserve for Tax Refunds**

The balance in the general fund represents abatements granted in fiscal year 1999 which are expected to be refunded in fiscal year 2000.

The balance in the general long-term debt group consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

## **19. Other Liabilities**

This balance consists primarily of unclaimed items (tailings).

## **20. Reserves of Fund Equity**

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

The City reported the following types of reserves at June 30, 1999:

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

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

Reserved for Expenditures - Represents the amount of overlay surplus appropriated to be used for expenditures in the subsequent year budget.

## 21. General Fund Undesignated Fund Balance

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

Special legislation known as Chapter 656, 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 656.

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

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, 1999 are separated through a reserved fund balance.

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

GAAP basis balance	\$ 8,991,319
Stabilization fund	(4,621,685)
State and County over/under assessments	174,937
Unexpended bond proceeds	( 541,045)
Statutory (UMAS) Balance	\$ <u>4,003,526</u>

## 22. Beginning Fund Balance Reclassification

The beginning (July 1, 1998) fund balances have been reclassified as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
As previously stated	\$ 27,673,297	\$ 2,193,784	\$ (110,968,100)	\$ 81,101,019
To correct prior years expense allocation	( 1,593,164)	2,334,749	( 741,585)	-
To reflect the transfer of projects to the Springfield Water and Sewer Commission	-	-	<u>1,202,678</u>	<u>1,202,678</u>
As restated	<u>\$ 26,080,133</u>	<u>\$ 4,528,533</u>	<u>\$ (110,507,007)</u>	<u>\$ 82,303,697</u>

## 23. Subsequent Events

### Subsequent Budget Authorization

The financial statements for the City as of June 30, 1999 do not reflect the fiscal 2000 annual budget authorized in June 1999. The amount authorized in June 1999 (all funds) totaled \$ 359,533,436.

### Subsequent Temporary Debt

Subsequent to June 30, 1999, the City has incurred the following additional temporary debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note (renewal)	\$ 44,500,000	4.00%	7/15/99	3/02/00
Bond anticipation note (renewal)	25,000,000	4.25%	9/02/99	3/02/00
Bond anticipation note	20,000,000	4.25%	9/17/99	9/15/00

## 24. Commitments and Contingencies

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

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute

a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

## **25. Post-Retirement Health Care and Life Insurance Benefits**

The City's employee contracts provide for health care and life insurance benefits to retirees, their dependent, or their survivors. These benefits are provided through the City's group plans. The cost of these benefits are included in the total cost of benefits for both active and retired employees. The number of participants currently eligible to receive benefits, and cost of benefits for retirees, their dependents, or their survivors for the year ended June 30, 1999 was not available.

## **26. Contributory Retirement System**

### **A. 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 State (PERAC) guidelines (equity investments at market value and debt investments at amortized cost). Short-term investments are reported at cost, which approximates fair value.

### **B. Plan Description and Contribution Information**

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

Membership of each plan consisted of the following at January 1, 1998, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	2,863
Terminated plan members entitled to but not yet receiving benefits	223
Active plan members	<u>3,677</u>
Total	<u>6,763</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).

### C. Teachers

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

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

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

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



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.

#### D. Related Party Transactions

At June 30, 1999, the City owed \$ 1,462,405 to the retirement system for prior years' assessments. This amount is reflected as a receivable in the retirement system and a liability in the City's General Long-Term Debt Account Group.

### **27. Special Legislation and Appropriations**

#### Hospital Deficit Bonds

In 1996, the Commonwealth passed special legislation (Chapter 112) which allowed the City to issue up to \$ 30,000,000 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, 1999, the notes payable balance outstanding was \$ 11,530,000. The Massachusetts Department of Revenue has required the City to repay the bonds over ten years.

#### Water and Sewer Commission

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

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

While the Commission was established as a separate entity effective April 1, 1997 the financial activities were not fully separated from the City's records until fiscal year 1998.

## 28. Risk Management

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.

**Year 2000  
Supplementary Information**

The City of Springfield is currently addressing year 2000 issues relating to its computer systems and other electronic equipment. The year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00". Computer programs have to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, the year 2000 issue could affect electronic equipment (such as environmental systems, elevators and vehicles) containing computer chips that have date recognition features.

The City of Springfield has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting City operations. The City has identified the following systems requiring year 2000 remediation:

<u>Systems</u>	<u>Awareness (establish budget &amp; project plan)</u>	<u>Assessment (identify system &amp; component deficiencies)</u>	<u>Remediation (make changes to systems &amp; equipment)</u>	<u>Validation &amp; Testing</u>	<u>Contracted Amounts as of 6/30/99</u>
Financial reporting, tax collection, payroll and employee benefit systems	C	C	C	C	\$ -
Assessors system	C	C	P	P	\$ -
911 police and fire emergency reporting system	C	C	C	C	\$ -
Water/sewer operating system	C	C	C	C	\$ -
Other electronic equipment identified as necessary to conducting City operations	C	C	C	C	\$ -

**C = Complete      P = In Process      A = Needs to be Addressed**

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the City is or will be year 2000 ready, that the City's remediation efforts will be successful in whole or in part, or that parties with whom the City does business will be year 2000 ready.

See Independent Auditors' Report.

**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:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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]
1/1/98	\$ 237,262	\$ 439,441	\$ 202,179	54.0%	\$ 104,251	193.9%
1/1/94	\$ 164,561	\$ 298,111	\$ 133,550	55.2%	\$ 89,978	148.4%
1/1/93	\$ 151,322	\$ 289,821	\$ 138,499	52.2%	\$ 81,489	170.0%
1/1/92	\$ 142,305	\$ 282,780	\$ 140,475	50.3%	\$ 81,980	171.4%
1/1/90	\$ 114,439	\$ 260,553	\$ 146,114	43.9%	\$ 75,169	194.4%
1/1/86	\$ 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%

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, 1998
Actuarial cost method	Entry age, normal cost

10 years level funded for early retirement incentive;  
15 year level funded of 1992 and 1993 net actuarial  
gain.

Remaining amortization period      Active liability 25 years; retiree liability 13 years; early  
retirement 10 years

Asset valuation method              Short-term securities at cash value; fixed income  
securities at amortized value; equities at market

Actuarial assumptions:

Investment rate of return          8.5% per annum; includes inflation at 4.5% per year

Projected salary increases        5.5% per annum; includes inflation at 4.5% per year

Cost of living adjustments        3% of \$ 12,000/year

See Independent Auditors' Report.