

CITY OF HOLYOKE, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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 City of Holyoke, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise City of Holyoke's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Holyoke's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for (1) our adverse audit opinion on the reporting entity; (2) our adverse audit opinion on the aggregate discretely presented component units; (3) our qualified opinion on the business-type activities; (4) our qualified opinion on the aggregate remaining fund information; and (5) our unmodified opinion on the governmental activities, the General Fund, Senior Center Project Fund, Parking Garage Fund, High School Lab Renovation fund and the Sewer Fund.

Basis for Adverse Opinion on Reporting Entity and on the Aggregate Discretely Presented Component Units and Qualified Opinion on the Business-type Activities and on the Aggregate Remaining Fund Information

Management has not included Holyoke Gas and Electric Department Enterprise Fund and the City of Holyoke's legally separate component units, as described in Note 1, in City of Holyoke's financial statements. Accounting principles generally accepted in the United States of America require Holyoke Gas and Electric Department Enterprise Fund to be presented as a major enterprise fund and financial information about Holyoke Gas and Electric Department Enterprise Fund to be part of the business-type activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the business-type activities and the omitted major fund is not reasonably determinable. Accounting principles generally accepted in the United States of America also require the City of Holyoke's legally separate component units to be presented as either discretely presented component units or as blended components thus establishing the Discretely Presented Component Units in the basic financial statements and increasing the assets, liabilities, revenues, and expenditures, and fund balance of the Aggregate Remaining Fund Information. The amount by which this departure would affect the assets, liabilities, net position/fund balances, revenues, and expenses/expenditures of the Aggregate Discretely Presented Component Units and the Aggregate Remaining Fund Information is not reasonably determinable. The above noted major fund and component units have been separately audited by other independent auditors and the related financial statements are available from the City of Holyoke.

Adverse Opinion on Reporting Entity and Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Reporting Entity and the Aggregate Discretely Presented Component Units and Qualified Opinion on the Business-type Activities and on the Aggregate Remaining Fund Information paragraph, the financial statements referred to previously do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of City of Holyoke (including the legally separate component units), as of June 30, 2013, or the changes in financial position or cash flows thereof for the year then ended.

Qualified Opinion on the Business-type Activities and on the Aggregate Remaining Fund Information

In our opinion, except for the effects the matter described in the Basis for Adverse Opinion on Reporting Entity and on the Aggregate Discretely Presented Component Units and Qualified Opinion on the Business-type Activities and on the Aggregate Remaining Fund Information paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Business-type Activities and the aggregate remaining fund information of City of Holyoke, as of June 30, 2013, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities and Major Funds

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund, Senior Center Project Fund, Parking Garage Fund, High School Lab Renovation Fund and the Sewer Fund of City of Holyoke, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *Management's Discussion and Analysis and Schedule of Funding Progress* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required *the Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for

placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated March 24, 2014 on our consideration of City of Holyoke's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson Heath + Company P.C.

Andover, Massachusetts
March 24, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Holyoke, we offer readers this narrative overview and analysis of the financial activities of the City of Holyoke for the fiscal year ended June 30, 2013.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to 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 our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, employee benefits, interest, and intergovernmental. The business-type activities include sewer enterprise fund activities.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund 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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for sewer operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for the fuel depot operations. Because 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 business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer enterprise and internal service fund 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's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to 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 which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$31,348,158 (i.e., net position), a change of \$(6,896,352) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$16,856,496, a change of \$(11,834,684) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$15,627,864, a change of \$(1,755,754) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$50,831,490, a change of \$(3,103,358) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years (in thousands):

	<u>NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 50,335	\$ 52,874	\$ 4,418	\$ 4,917	\$ 54,753	\$ 57,791
Capital assets	105,619	93,998	30,602	31,808	136,221	125,806
Total Assets	155,954	146,872	35,020	36,725	190,974	183,597
Long-term liabilities outstanding	105,122	98,281	23,167	23,144	128,289	121,425
Other liabilities	29,758	21,163	1,579	2,765	31,337	23,928
Total Liabilities	134,880	119,444	24,746	25,909	159,626	145,353
Net position:						
Net investment in capital assets	67,389	64,509	6,612	6,957	74,001	71,466
Restricted	6,205	11,898	-	-	6,205	11,898
Unrestricted	(52,520)	(48,979)	3,662	3,859	(48,858)	(45,120)
Total Net Position	\$ 21,074	\$ 27,428	\$ 10,274	\$ 10,816	\$ 31,348	\$ 38,244

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,808	\$ 6,477	\$ 7,940	\$ 8,058	\$ 14,748	\$ 14,535
Operating grants and contributions	111,062	111,226	-	-	111,062	111,226
Capital grants and contributions	4,766	2,591	717	782	5,483	3,373
General revenues:						
Property taxes	50,962	47,185	-	-	50,962	47,185
Excises	2,674	2,270	-	-	2,674	2,270
Penalties, interest and other taxes	2,051	2,110	-	-	2,051	2,110
Investment income	693	820	4	8	697	828
Grants and contributions not restricted	8,696	8,770	-	-	8,696	8,770
Miscellaneous	264	636	-	-	264	636
Transfers, net	-	5	-	-	-	5
Total Revenues	<u>187,976</u>	<u>182,090</u>	<u>8,661</u>	<u>8,848</u>	<u>196,637</u>	<u>190,938</u>
Expenses:						
General government	7,860	6,228	-	-	7,860	6,228
Public safety	23,385	27,518	-	-	23,385	27,518
Education	104,566	103,644	-	-	104,566	103,644
Public works	8,184	7,323	-	-	8,184	7,323
Health and human services	1,870	1,371	-	-	1,870	1,371
Culture and recreation	1,127	2,371	-	-	1,127	2,371
Employee benefits	33,373	32,594	-	-	33,373	32,594
Interest on long-term debt	1,110	818	-	-	1,110	818
Intergovernmental	12,855	12,358	-	-	12,855	12,358
Payment to refunding agent	-	4,399	-	-	-	4,399
Sewer operations	-	-	9,203	8,802	9,203	8,802
Total expenses	<u>194,330</u>	<u>198,624</u>	<u>9,203</u>	<u>8,802</u>	<u>203,533</u>	<u>207,426</u>
Change in net position	(6,354)	(16,534)	(542)	46	(6,896)	(16,488)
Net position - beginning of year	<u>27,428</u>	<u>43,962</u>	<u>10,816</u>	<u>10,770</u>	<u>38,244</u>	<u>54,732</u>
Net position - end of year	<u>\$ 21,074</u>	<u>\$ 27,428</u>	<u>\$ 10,274</u>	<u>\$ 10,816</u>	<u>\$ 31,348</u>	<u>\$ 38,244</u>

As noted earlier, net position 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 position was \$31,348,158, a change of \$(6,896,352) from the prior year.

The largest portion of net position \$74,000,607 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), 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.

An additional portion of net position \$6,204,618 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$(48,857,067), results in a deficit, which was caused by unfunded Other Post Employment Benefit (OPEB) accrued liabilities (see Note 20).

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(6,354,381). Key elements of this change are as follows (in thousands):

Capital grants and contributions	\$ 4,766
Depreciation expense in excess of principal debt service	(3,438)
Change in other post-employment benefits liability	(10,027)
Other	<u>2,345</u>
Total	<u>\$ (6,354)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(542). This change resulted primarily from operating costs being greater than user fees collected.

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$16,856,496, a change of \$(11,834,684) in comparison to the prior year. Key elements of this change are as follows (in thousands):

Capital project expenditures financed with Bond	
Anticipation Notes:	
Senior center	\$ (2,222)
Parking garage	(2,550)
High school lab	(1,465)
Non-major capital projects	(5,631)
Other	<u>33</u>
Total	\$ <u>(11,835)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$15,627,864 (including \$11,215,748 of general stabilization funds), while total fund balance was \$23,974,826. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below (in thousands).

<u>General Fund</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>% of Total 2013 General Fund Expenditures</u>
Unassigned fund balance	\$ 15,628	\$ 17,384	\$ (1,756)	10.1%
Total fund balance	23,975	24,590	(615)	15.5%

The total fund balance of the general fund changed by \$(615,230) during the current fiscal year. Key factors in this change are as follows (in thousands):

Use of free cash and as a funding source	\$ (4,936)
Revenues in excess of budget	2,182
Expenditures less than budget	1,279
Expenditures of prior year encumbrances	1,141
Change in stabilization/capital reserve	(53)
Other	<u>(228)</u>
Total	\$ <u>(615)</u>

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$3,662,599, a change of \$(196,142) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$4,388,404. The primary reason for the increase was the appropriation of surplus funds (free cash) for various operating and capital expenditures.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$136,220,966 (net of accumulated depreciation), a change of \$10,415,003 from the prior year. This investment in capital assets includes land, buildings and system improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following (in thousands):

Depreciation expense	\$ (8,092)
Infrastructure	
Sewer infrastructure	323
Roadway and Sidewalk improvements	1,080
Building and improvements	
Mechanical upgrades	51
High school renovations	200
Park improvements	1,282
Departmental vehicle purchase	
Department vehicle replacements	401
Departmental equipment purchases	
Governmental	8
School Department equipment	324
Construction in progress	
Community field improvements	117
Senior center	2,222
Library renovation	8,484
Parking garage renovation	2,550
Dean tech science labs	1,465

Additional information on capital assets can be found in the notes to financial statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$50,831,490, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City'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:

Mr. Brian G. Smith, City Auditor
City of Holyoke
20 Korean Veterans Plaza
City Hall Annex
Holyoke, MA 01040

CITY OF HOLYOKE, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 28,402,470	\$ 1,394,236	\$ 29,796,706
Investments	13,646,800	-	13,646,800
Receivables, net of allowance for uncollectibles:			
Property taxes	2,259,043	-	2,259,043
Excises	828,481	-	828,481
User fees	41,466	2,890,150	2,931,616
Departmental and other	120,207	-	120,207
Intergovernmental	2,169,677	134,199	2,303,876
Advance to library project	1,575,233	-	1,575,233
Due from other funds	170,763	-	170,763
Other assets	109,900	-	109,900
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Tax liens and foreclosures	1,011,742	-	1,011,742
Capital Assets:			
Land and construction in progress	33,188,366	350,000	33,538,366
Other assets, net of accumulated depreciation	<u>72,430,290</u>	<u>30,252,310</u>	<u>102,682,600</u>
TOTAL ASSETS	155,954,438	35,020,895	190,975,333
LIABILITIES			
Current:			
Warrants payable	2,306,083	471,885	2,777,968
Accounts payable	2,131,415	-	2,131,415
Accrued payroll	3,634,016	-	3,634,016
Accrued liabilities	534,113	284,101	818,214
Notes payable	20,749,821	823,705	21,573,526
Tax refunds payable	301,154	-	301,154
Other current liabilities	101,660	-	101,660
Current portion of long-term liabilities:			
Bonds payable	2,973,567	1,071,826	4,045,393
Other liabilities	875,944	-	875,944
Noncurrent:			
Bonds payable, net of current portion	24,691,194	22,094,903	46,786,097
Net OPEB obligation	68,698,290	-	68,698,290
Other liabilities, net of current portion	<u>7,883,498</u>	<u>-</u>	<u>7,883,498</u>
TOTAL LIABILITIES	134,880,755	24,746,420	159,627,175
NET POSITION			
Net investment in capital assets	67,388,731	6,611,876	74,000,607
Restricted for:			
Grants and other statutory restrictions	5,616,730	-	5,616,730
Permanent funds:			
Expendable	587,888	-	587,888
Unrestricted	<u>(52,519,666)</u>	<u>3,662,599</u>	<u>(48,857,067)</u>
TOTAL NET POSITION	\$ <u>21,073,683</u>	\$ <u>10,274,475</u>	\$ <u>31,348,158</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HOLYOKE, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues			Net(Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 7,860,468	\$ 983,707	\$ 1,927,746	\$ 136,379	\$ (4,812,636)	\$ -	\$ (4,812,636)
Public safety	23,385,513	878,904	3,263,699	-	(19,242,910)	-	(19,242,910)
Education	104,565,896	4,062,788	104,617,991	722,716	4,837,599	-	4,837,599
Public works	8,183,733	590,778	143,853	1,068,649	(6,380,453)	-	(6,380,453)
Health and human services	1,869,699	78,281	331,115	-	(1,460,303)	-	(1,460,303)
Culture and recreation	1,127,488	153,445	777,831	2,838,062	2,641,850	-	2,641,850
Employee benefits	33,372,710	60,262	-	-	(33,312,448)	-	(33,312,448)
Interest	1,109,988	-	-	-	(1,109,988)	-	(1,109,988)
Intergovernmental	12,854,930	-	-	-	(12,854,930)	-	(12,854,930)
Total Governmental Activities	194,330,425	6,808,165	111,062,235	4,765,806	(71,694,219)	-	(71,694,219)
Business-Type Activities:							
Sewer services	9,203,261	7,939,991	-	717,205	-	(546,065)	(546,065)
Total Business-Type Activities	9,203,261	7,939,991	-	717,205	-	(546,065)	(546,065)
Total	\$ 203,533,686	\$ 14,748,156	\$ 111,062,235	\$ 5,483,011	(71,694,219)	(546,065)	(72,240,284)
General Revenues:							
Property taxes					50,962,159	-	50,962,159
Excises					2,673,644	-	2,673,644
Penalties, interest and other taxes					2,050,813	-	2,050,813
Grants and contributions not restricted to specific programs					8,695,770	-	8,695,770
Investment income					693,097	4,094	697,191
Miscellaneous					264,355	-	264,355
Total general revenues					65,339,838	4,094	65,343,932
Change in Net Position					(6,354,381)	(541,971)	(6,896,352)
Net Position:							
Beginning of year					27,428,064	10,816,446	38,244,510
End of year					\$ 21,073,683	\$ 10,274,475	\$ 31,348,158

The accompanying notes are an integral part of these financial statements.

CITY OF HOLYOKE, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	<u>General</u>	Senior Center Project <u>Fund</u>	Parking Garage <u>Fund</u>	High School Lab Renovation <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS						
Cash and short-term investments	\$ 15,028,222	\$ 277,748	\$ 2,612,129	\$ 3,589,950	\$ 6,894,421	\$ 28,402,470
Investments	13,646,800	-	-	-	-	13,646,800
Receivables:						
Property taxes	1,826,207	-	-	-	-	1,826,207
Tax liens and foreclosures	13,800,655	-	-	-	-	13,800,655
Excises	1,503,070	-	-	-	-	1,503,070
Departmental and other	779,657	-	-	-	-	779,657
Intergovernmental	-	-	-	-	2,169,677	2,169,677
Advance to library project	-	-	-	-	1,575,233	1,575,233
Due from other funds	192,758	-	-	-	-	192,758
Other assets	1,200	-	-	-	108,700	109,900
TOTAL ASSETS	\$ 46,778,569	\$ 277,748	\$ 2,612,129	\$ 3,589,950	\$ 10,748,031	\$ 64,006,427
LIABILITIES						
Warrants payable	\$ 1,187,978	\$ 4,980	\$ 360,700	\$ -	\$ 751,943	\$ 2,305,601
Accounts payable	103,578	-	-	554,681	1,473,156	2,131,415
Accrued payroll and withholdings	3,291,856	-	-	-	342,160	3,634,016
Accrued claims payable	256,422	-	-	-	-	256,422
Notes payable	-	5,600,000	5,000,000	4,500,000	5,649,821	20,749,821
Tax refunds payable	301,154	-	-	-	-	301,154
Other liabilities	101,613	-	-	-	47	101,660
TOTAL LIABILITIES	5,242,601	5,604,980	5,360,700	5,054,681	8,217,127	29,480,089
DEFERRED INFLOWS OF RESOURCES	17,561,142	-	-	-	108,700	17,669,842
FUND BALANCES						
Restricted	-	-	-	-	6,204,618	6,204,618
Assigned	8,346,962	-	-	-	-	8,346,962
Unassigned	15,627,864	(5,327,232)	(2,748,571)	(1,464,731)	(3,782,414)	2,304,916
TOTAL FUND BALANCES	23,974,826	(5,327,232)	(2,748,571)	(1,464,731)	2,422,204	16,856,496
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 46,778,569	\$ 277,748	\$ 2,612,129	\$ 3,589,950	\$ 10,748,031	\$ 64,006,427

The accompanying notes are an integral part of these financial statements.

CITY OF HOLYOKE, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2013

Total Governmental Fund Balances	\$ 16,856,496
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	105,618,656
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	3,979,726
<ul style="list-style-type: none">• Internal service funds are used by management to account for fuel depot activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	18,989
<ul style="list-style-type: none">• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(277,691)
<ul style="list-style-type: none">• Expenses related to providing other post employment benefits (OPEB's) are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(68,698,290)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(36,424,203)</u>
Net Assets of Governmental Activities	<u>\$ 21,073,683</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HOLYOKE, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General</u>	Senior Center Project <u>Fund</u>	Parking Garage <u>Fund</u>	High School Lab Renovation <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:						
Property taxes	\$ 50,531,167	\$ -	\$ -	\$ -	\$ -	\$ 50,531,167
Excises	2,434,210	-	-	-	-	2,434,210
Penalties, interest, and other taxes	2,050,813	-	-	-	-	2,050,813
Charges for services	908,068	-	-	-	4,674,665	5,582,733
Intergovernmental	97,259,253	-	-	-	26,456,366	123,715,619
Licenses and permits	535,196	-	-	-	-	535,196
Fines and forfeitures	439,151	-	-	-	-	439,151
Contributions and donations	-	-	-	-	808,192	808,192
Investment income	684,143	-	-	-	8,953	693,096
Miscellaneous	118,626	-	-	-	145,730	264,356
Total Revenues	154,960,627	-	-	-	32,093,906	187,054,533
Expenditures:						
Current:						
General government	3,919,539	-	-	-	3,961,619	7,881,158
Public safety	21,918,407	-	-	-	1,049,860	22,968,267
Education	80,476,630	-	-	1,464,731	21,840,598	103,781,959
Public works	5,200,844	-	2,549,859	-	1,686,474	9,437,177
Health and human services	1,409,552	2,221,673	-	-	78,022	3,709,247
Culture and recreation	1,636,156	-	-	-	9,055,724	10,691,880
Employee benefits	23,345,732	-	-	-	-	23,345,732
Debt service	4,218,867	-	-	-	-	4,218,867
Intergovernmental	12,854,930	-	-	-	-	12,854,930
Total Expenditures	154,980,657	2,221,673	2,549,859	1,464,731	37,672,297	198,889,217
Excess (deficiency) of revenues over expenditures	(20,030)	(2,221,673)	(2,549,859)	(1,464,731)	(5,578,391)	(11,834,684)
Other Financing Sources (Uses):						
Transfers in	25,045	-	-	-	620,245	645,290
Transfers out	(620,245)	-	-	-	(25,045)	(645,290)
Total Other Financing Sources (Uses)	(595,200)	-	-	-	595,200	-
Change in fund balance	(615,230)	(2,221,673)	(2,549,859)	(1,464,731)	(4,983,191)	(11,834,684)
Fund Equity, at Beginning of Year, as reclassified	24,590,056	(3,105,559)	(198,712)	-	7,405,395	28,691,180
Fund Equity, at End of Year	\$ 23,974,826	\$ (5,327,232)	\$ (2,748,571)	\$ (1,464,731)	\$ 2,422,204	\$ 16,856,496

The accompanying notes are an integral part of these financial statements.

CITY OF HOLYOKE, 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, 2013

Net changes In fund balances - Total governmental funds	\$ (11,834,684)																
<ul style="list-style-type: none"> • 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: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">18,185,075</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(6,564,098)</td> </tr> </table> • 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 (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">674,709</td> </tr> </table> • 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 position: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt</td> <td style="text-align: right;">3,125,914</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(17,035)</td> </tr> </table> • 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. <table border="0" style="margin-left: 40px;"> <tr> <td>Compensated absences</td> <td style="text-align: right;">58,985</td> </tr> <tr> <td>Other post-employment benefits</td> <td style="text-align: right;">(10,026,978)</td> </tr> </table> • Internal service funds are used by management to account for fuel depot activities. The net activity of internal service funds is reported with Governmental Activities. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>43,731</u></td> </tr> </table> 		Capital outlay purchases	18,185,075	Depreciation	(6,564,098)		674,709	Repayments of debt	3,125,914		(17,035)	Compensated absences	58,985	Other post-employment benefits	(10,026,978)		<u>43,731</u>
Capital outlay purchases	18,185,075																
Depreciation	(6,564,098)																
	674,709																
Repayments of debt	3,125,914																
	(17,035)																
Compensated absences	58,985																
Other post-employment benefits	(10,026,978)																
	<u>43,731</u>																
Change in net position of governmental activities	\$ <u>(6,354,381)</u>																

The accompanying notes are an integral part of these financial statements.

CITY OF HOLYOKE, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and transfers in:				
Property taxes	\$ 50,769,232	\$ 50,769,232	\$ 50,769,232	\$ -
Excise taxes	2,073,000	2,073,000	2,434,210	361,210
Interest, penalties, and other taxes	1,751,500	1,751,500	2,050,813	299,313
Licenses and permits	370,650	370,650	535,196	164,546
Intergovernmental	80,059,765	80,059,765	80,977,924	918,159
Charges for services	615,950	615,950	908,068	292,118
Investment income	240,000	240,000	129,893	(110,107)
Fines and Forfeitures	326,000	326,000	439,151	113,151
Miscellaneous	-	-	118,626	118,626
Transfers in	-	-	25,045	25,045
Total Revenues and transfers	136,206,097	136,206,097	138,388,158	2,182,061
Expenditures and transfers out:				
Current:				
General government	3,624,310	4,068,292	3,886,973	181,319
Public safety	20,947,161	22,302,002	21,907,558	394,444
Education	64,217,285	64,851,476	64,851,475	1
Public works	4,801,939	5,845,558	5,753,287	92,271
Health and human services	1,356,131	1,478,783	1,415,786	62,997
Culture and recreation	1,656,823	1,720,713	1,646,263	74,450
Employee benefits	23,284,416	23,996,755	23,304,712	692,043
Debt service	4,288,513	4,288,513	4,218,867	69,646
Intergovernmental	12,566,611	12,566,611	12,854,930	(288,319)
Transfers out	-	12,890	12,890	-
Total Expenditures	136,743,189	141,131,593	139,852,741	1,278,852
Excess of revenues and transfers in over expenditures and transfers out	(537,092)	(4,925,496)	(1,464,583)	3,460,913
Other Financing Sources/(Uses):				
Use of fund balance	547,772	4,936,176	-	(4,936,176)
Other uses	(10,680)	(10,680)	-	10,680
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (1,464,583)	\$ (1,464,583)

The accompanying notes are an integral part of these financial statements.

CITY OF HOLYOKE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-Type Activities <u>Enterprise Funds</u>	Governmental <u>Activities</u>
	Sewer <u>Fund</u>	Internal Service <u>Funds</u>
ASSETS		
Current:		
Cash and short-term investments	\$ 1,394,236	\$ -
User fees, net of allowance for uncollectibles	2,890,150	-
Intergovernmental receivables	<u>134,199</u>	<u>41,466</u>
Total current assets	4,418,585	41,466
Noncurrent:		
Capital assets, net of accumulated depreciation	<u>30,602,310</u>	<u>-</u>
Total noncurrent assets	<u>30,602,310</u>	<u>-</u>
TOTAL ASSETS	35,020,895	41,466
LIABILITIES		
Current:		
Warrants payable	471,885	482
Accounts payable	-	-
Accrued liabilities	284,101	-
Notes payable	823,705	-
Due to other funds	-	21,995
Current portion of long-term liabilities:		
Bonds payable	<u>1,071,826</u>	<u>-</u>
Total current liabilities	<u>2,651,517</u>	<u>22,477</u>
Noncurrent:		
Bonds payable, net of current portion	<u>22,094,903</u>	<u>-</u>
Total noncurrent liabilities	<u>22,094,903</u>	<u>-</u>
TOTAL LIABILITIES	24,746,420	22,477
NET POSITION		
Net investment in capital assets	6,611,876	-
Unrestricted	<u>3,662,599</u>	<u>18,989</u>
TOTAL NET POSITION	<u>\$ 10,274,475</u>	<u>\$ 18,989</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HOLYOKE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds	Governmental Activities
	Sewer Fund	Internal Service Fund
Operating Revenues:		
Charges for services	\$ 7,924,724	\$ 771,082
Other	<u>15,267</u>	<u>-</u>
Total Operating Revenues	7,939,991	771,082
Operating Expenses:		
Salaries and wages	151,388	-
Operating expenses	6,872,911	727,351
Depreciation	<u>1,528,665</u>	<u>-</u>
Total Operating Expenses	<u>8,552,964</u>	<u>727,351</u>
Operating Income (Loss)	(612,973)	43,731
Nonoperating Revenues (Expenses):		
Investment income	4,094	-
Interest expense	<u>(650,297)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>(646,203)</u>	<u>-</u>
Capital contribution	<u>717,205</u>	<u>-</u>
Change in net position	(541,971)	43,731
Net Position at Beginning of Year	<u>10,816,446</u>	<u>(24,742)</u>
Net Position at End of Year	<u>\$ 10,274,475</u>	<u>\$ 18,989</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HOLYOKE, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds	Governmental Activities Internal Service Fund
	Sewer Fund	
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers and users	\$ 7,523,792	\$ -
Receipts from interfund service provided	-	778,011
Payments to vendors and employees	<u>(7,326,946)</u>	<u>(778,011)</u>
Net Cash Provided By Operating Activities	196,846	-
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Proceeds from issuance of bonds and notes	154,719	-
Acquisition and construction of capital assets	(322,691)	-
Principal payments on bonds and notes	(1,014,878)	-
Interest expense	(650,297)	-
Capital contribution	<u>717,205</u>	<u>-</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,115,942)	-
<u>Cash Flows From Investing Activities:</u>		
Investment income	<u>4,094</u>	<u>-</u>
Net Cash Provided by Investing Activities	<u>4,094</u>	<u>-</u>
Net Change in Cash and Short-Term Investments	(915,002)	-
Cash and Short-Term Investments, Beginning of Year	<u>2,309,238</u>	<u>-</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,394,236</u>	<u>\$ -</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>		
Operating income (loss)	\$ (612,973)	\$ 43,731
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	1,528,665	-
Changes in assets and liabilities:		
User fees		
Intergovernmental receivables	(416,199)	6,929
Warrants and accounts payable	(263,703)	(40,796)
Due to other funds	-	(9,864)
Accrued liabilities	<u>(38,944)</u>	<u>-</u>
Net Cash Provided By Operating Activities	<u>\$ 196,846</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HOLYOKE, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Agency Funds	Private Purpose Trust Funds	Pension Trust Fund <u>December 31, 2012</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ 678,810	\$ 155,907	\$ 1,290,105
Investments	-	-	187,939,930
Accounts receivable	<u>170,763</u>	<u>-</u>	<u>416,428</u>
Total Assets	849,573	155,907	189,646,463
<u>LIABILITIES AND NET ASSETS</u>			
Accounts payable	-	-	5,988
Payroll withholdings	565,935	-	-
Due to other funds	170,763	-	-
Other liabilities	<u>112,875</u>	<u>-</u>	<u>15,311</u>
Total Liabilities	<u>849,573</u>	<u>-</u>	<u>21,299</u>
<u>NET POSITION</u>			
Net position	\$ <u>-</u>	\$ <u>155,907</u>	\$ <u>189,625,164</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HOLYOKE, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Private Purpose <u>Trust Funds</u>	Pension Trust Fund (For the Year Ended <u>December 31, 2012</u>)
Additions:		
Contributions:		
Employers	\$ -	\$ 15,138,988
Other systems and Commonwealth of Massachusetts	-	529,363
Plan members	-	<u>5,273,127</u>
Total contributions	-	20,941,478
Investment Income:		
Interest and dividends	1,262	1,465,094
Realized loss on sale of investments	-	(1,093,595)
Increase in fair value of investments	-	28,455,902
Less: management fees	-	<u>(976,043)</u>
Net investment income	<u>1,262</u>	<u>27,851,358</u>
Total additions	1,262	48,792,836
Deductions:		
Scholarships	2,875	-
Benefit payments to plan members and beneficiaries	-	21,760,076
Refunds to plan members and other systems	-	998,181
Administrative expenses	-	<u>412,510</u>
Total deductions	<u>2,875</u>	<u>23,170,767</u>
Net increase (decrease)	(1,613)	25,622,069
Net position:		
Beginning of year	<u>157,520</u>	<u>164,003,095</u>
End of year	<u>\$ 155,907</u>	<u>\$ 189,625,164</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HOLYOKE, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the City of Holyoke (the City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. 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. These financial statements include only the primary government of the City of Holyoke. They do not include the component units for which the government is considered to be financially accountable. In fiscal year 2013, it was determined that the City of Holyoke Board of Water Commissioners, City of Holyoke Geriatric Authority, Holyoke Library Commission, HPL Realty Corp., and the City of Holyoke Gas and Electric Company enterprise fund met the required GASB 39 criteria of component units.

In the Fiduciary Funds: The Holyoke Contributory Retirement System 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 20 Korean Veterans Plaza, City Hall Annex, Holyoke, MA 01040.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary 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 *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 require-

ments of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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.

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is 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.

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.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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.

The government reports the following major governmental funds:

- 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 *senior center project fund*, which accounts for the resources obtained and used in the renovating of the Holyoke senior center.
- The *parking garage fund*, which accounts for the resources obtained and used in the renovation of parking garages within the City.
- The *high school lab renovation fund*, which accounts for the resources obtained and used in the renovation of Dean Technical High School labs.

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 nonoperating revenues and expenses.

The government reports the following major proprietary fund:

- The sewer enterprise fund, which accounts for the operations of the City's wastewater treatment facility and supporting infrastructure.

The City's fuel depot operation is reported as an internal service fund in the accompanying financial statements.

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

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are in-

vested 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.

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 short-term investments". The interest earnings attributable to each fund type are included under investment income.

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

E. Investments

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.

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

F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited 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 is voted. The actual fiscal year 2013 tax levy reflected an excess capacity of \$4,398.

G. Interfund Receivables and Payables

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

H. Capital Assets

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 \$5,000 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.

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.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

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

I. Compensated Absences

It is the City'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.

J. Long-Term Obligations

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 Position.

K. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The City’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the City Council).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the City uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions

imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

L. Use of Estimates

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.

2. Departures from Generally Accepted Accounting Principles

As noted in footnote 1A. Reporting Entity, the financial statements do not include component units for which the City is financially accountable in accordance with 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 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 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 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 and proprietary funds 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 to 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>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 154,960,627	\$ 154,980,657
Other financing sources/uses (GAAP basis)	25,045	620,245
Adjust tax revenue to accrual basis	238,065	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(7,206,439)
Add end of year appropriation carryforwards to expenditures	-	8,346,962
To reverse the effect of non-budgeted State contributions for teachers retirement	(16,281,329)	(16,281,329)
To reverse the effect of non-budgeted activity	<u>(554,250)</u>	<u>(607,355)</u>
Budgetary basis	<u>\$ 138,388,158</u>	<u>\$ 139,852,741</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2013:

Special Revenue Funds:	
State of emergency deficit spending	\$ (927,931)
Gateway city - veterans park	(393,629)
HCC access road	(314,892)
Economic development initiative	(121,241)
Adams Parkwood cleanup	(95,049)
Depot square redevelopment	(49,608)
Chapter 90	(31,150)
School to work grant	(26,217)
Massgrad initiative	(25,707)
Foundation reserve	(17,704)
Holyoke Canal Walk	(13,348)
Police special task forces	(8,861)
Trans equity act	(8,047)
Selective enforcement	(7,243)
SETB training	(5,298)
Brownfield - Mt road firing range	(5,000)
Full Serve Community school pilot	(5,000)
Summer Meals Expansion	(4,691)
SDA/ABE grant	(3,349)
MEMA Fire portable radios	(3,197)
Jag grant	(2,850)
MA family literature grant	(1,593)
NEA Innovation	(671)
Capital Project Funds:	
Senior center	(5,327,232)
Parking garage	(2,748,571)
Library project	(1,505,138)
Dean science lab renovation	(1,464,731)
Geriatric Authority land purchase	(205,000)
Agency Fund:	
Police outside detail	(170,763)

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

4. **Cash and Short-Term Investments**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's and Contributory Retirement System's (the System) deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the City's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." Massachusetts General Law Chapter 32, Section 23, limits the

System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The City and System do not have a deposit policy for custodial credit risk.

As of June 30, 2013 and December 31, 2012, \$1,183,676 and none of the City's and System's bank balance(s) of \$34,727,778 and \$1,384,692, respectively, were exposed to custodial credit risk as uninsured or uncollateralized.

5. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the City's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the actual rating as of year-end for each investment of the City. (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year-End</u>		
			<u>Aaa</u>	<u>Aa</u>	<u>A</u>
Federal Securities	\$ 994,076	\$ -	\$ 994,076	\$ -	\$ -
Municipal Bonds	1,131,405	-	-	1,068,916	62,489
Corporate Bonds	1,314,421	-	-	115,030	1,199,391
Equity Investments	610,276	610,276	-	-	-
CDs	1,676,832	1,676,832	-	-	-
Mutual Funds	<u>7,919,790</u>	<u>7,919,790</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	\$ <u>13,646,800</u>	\$ <u>10,206,898</u>	\$ <u>994,076</u>	\$ <u>1,183,946</u>	\$ <u>1,261,880</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets is invested in any one security.

Presented below is the actual rating as of year-end of the System (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>
Pooled funds	\$ 168,819	\$ 168,819
Mutual funds	<u>19,121</u>	<u>19,121</u>
Total	<u>\$ 187,940</u>	<u>\$ 187,940</u>

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City and System do not have policies for custodial credit risk.

The City's and System's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the City's and System's brokerage firm, which is also the Counterparty to these securities.

C. Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

Easthampton Savings CD	\$1,345,565
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Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund. (The System's policy to limit the amount the System may invest in any one issuer is that Domestic equity and Domestic fixed income may not exceed 5%.)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to

changes in market interest rates. The City and System do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is as follows:

Investment Type	Fair Value	Investment Maturities (in Years)				
		Less Than 1	1-5	6-10	More Than 10	N/A
Federal Securities	\$ 994,076	\$ 61	\$ 818,019	\$ 175,996	\$ -	\$ -
Municipal Bonds	1,131,405	-	-	734,135	397,270	-
Corporate Bonds	1,314,421	59,970	1,254,451	-	-	-
Equity Investments	610,276	-	-	-	-	610,276
CDs	1,676,832	1,345,565	331,267	-	-	-
Mutual Funds	7,919,790	-	-	-	-	7,919,790
Total investments	<u>\$ 13,646,800</u>	<u>\$ 1,405,596</u>	<u>\$ 2,403,737</u>	<u>\$ 910,131</u>	<u>\$ 397,270</u>	<u>\$ 8,530,066</u>

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is as follows:

Investment Type	Fair Value	Exempt from Disclosure
Pooled funds	\$ 168,819	\$ 168,819
Mutual funds	<u>19,121</u>	<u>19,121</u>
Total investments	<u>\$ 187,940</u>	<u>\$ 187,940</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City and System do not have policies for foreign currency risk.

6. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on 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.

Taxes receivable at June 30, 2013 consist of the following (in thousands):

Real Estate		
2013	\$ 1,392	
2012	192	
2011	(39)	
2010	3	
Prior	<u>6</u>	1,554
Personal Property		
2013	24	
2012	6	
2011	6	
2010	4	
Prior	<u>232</u>	272
Tax Liens and Foreclosures		<u>13,801</u>
Total		<u>\$ 15,627</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):

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 251	\$ -
Excises	675	-
Tax liens and foreclosures	12,105	-
Other	659	1,235

8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2013.

9. Advance to Library Project

The City established HPL Realty LLC for the purpose of renovating the existing City library. The project is being funded by a combination of long-term borrowing, various grants, tax credits, and library endowment and fundraising contributions. This balance represents the amount advanced to HPL Realty which had not been spent as of June 30, 2013.

10. Interfund Fund Receivables/Payables and Transfers

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2013 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 192,758	\$ -
Internal Service Funds	-	21,995
Agency Funds	<u>-</u>	<u>170,763</u>
Total	\$ <u>192,758</u>	\$ <u>192,758</u>

The City reports interfund transfers between many of its accounts. The largest transfer in fiscal year 2013 was \$607,355 transferred from the Stabilization fund to the special revenue funds to partially fund prior years disaster deficit spending.

11. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 107,226	\$ 29,258	\$ -	\$ 136,484
Machinery, equipment, and furnishings	23,165	734	-	23,899
Land improvements	3,171	3,359	-	6,530
Infrastructure	<u>15,420</u>	<u>1,072</u>	<u>-</u>	<u>16,492</u>
Total capital assets, being depreciated	148,982	34,423	-	183,405
Less accumulated depreciation for:				
Buildings and improvements	(72,296)	(3,839)	-	(76,135)
Machinery, equipment, and furnishings	(20,248)	(1,076)	-	(21,324)
Land improvements	(2,853)	(198)	-	(3,051)
Infrastructure	<u>(9,015)</u>	<u>(1,450)</u>	<u>-</u>	<u>(10,465)</u>
Total accumulated depreciation	<u>(104,412)</u>	<u>(6,563)</u>	<u>-</u>	<u>(110,975)</u>
Total capital assets, being depreciated, net	44,570	27,860	-	72,430
Capital assets, not being depreciated:				
Land	15,297	1,204	-	16,501
Construction in progress (CIP)	<u>34,130</u>	<u>15,145</u>	<u>(32,588)</u>	<u>16,687</u>
Total capital assets, not being depreciated	<u>49,427</u>	<u>16,349</u>	<u>(32,588)</u>	<u>33,188</u>
Governmental activities capital assets, net	<u>\$ 93,997</u>	<u>\$ 44,209</u>	<u>\$ (32,588)</u>	<u>\$ 105,618</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 40,000	\$ -	\$ -	\$ 40,000
Machinery, equipment, and furnishings	1,262	-	-	1,262
Infrastructure	<u>53,542</u>	<u>602</u>	<u>-</u>	<u>54,144</u>
Total capital assets, being depreciated	94,804	602	-	95,406
Less accumulated depreciation for:				
Buildings and improvements	(34,781)	(257)	-	(35,038)
Machinery, equipment, and furnishings	(1,227)	(4)	-	(1,231)
Infrastructure	<u>(27,617)</u>	<u>(1,268)</u>	<u>-</u>	<u>(28,885)</u>
Total accumulated depreciation	<u>(63,625)</u>	<u>(1,529)</u>	<u>-</u>	<u>(65,154)</u>
Total capital assets, being depreciated, net	31,179	(927)	-	30,252
Capital assets, not being depreciated:				
Land	350	-	-	350
Construction in progress (CIP)	<u>279</u>	<u>323</u>	<u>(602)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>629</u>	<u>323</u>	<u>(602)</u>	<u>350</u>
Business-type activities capital assets, net	<u>\$ 31,808</u>	<u>\$ (604)</u>	<u>\$ (602)</u>	<u>\$ 30,602</u>

Depreciation expense was charged to functions of the City as follows (in thousands):

Governmental Activities:	
General government	\$ 8
Public safety	1,050
Education	2,848
Public works	1,916
Human services	391
Culture and recreation	<u>350</u>
Total depreciation expense - governmental activities	<u>\$ 6,563</u>
Business-Type Activities:	
Sewer	<u>\$ 1,529</u>
Total depreciation expense - business-type activities	<u>\$ 1,529</u>

12. Warrants and Accounts Payable

Warrants payable represent 2013 expenditures paid by July 15, 2013. Accounts payable represent additional 2013 expenditures paid after July 15, 2013.

13. Anticipation Notes Payable

The City had the following notes outstanding at June 30, 2013:

	<u>Interest</u> <u>Rate(s) %</u>	<u>Date of</u> <u>Issue</u>	<u>Date of</u> <u>Maturity</u>	<u>Balance at</u> <u>June 30, 2013</u>
<u>Governmental Activities</u>				
Library bond anticipation	1.00%	11/14/12	11/14/13	\$ 3,643,900
Senior center and parking garage bond anticipation	1.25%	02/22/13	11/14/13	10,600,000
High school bond anticipation	1.25%	06/28/13	11/14/13	4,500,000
Special revenue grant anticipation	1.00%	06/28/13	11/14/13	<u>2,005,921</u>
Total Governmental Activities				20,749,821
<u>Business-Type Activities</u>				
Sewer bond anticipation	1.25%	02/22/13	11/14/13	<u>823,705</u>
Total Business-Type				<u>823,705</u>
Total				<u>\$ 21,573,526</u>

The following summarizes activity in notes payable during fiscal year 2013:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Bond anticipation	\$ 13,850,320	\$ 19,567,605	\$ (13,850,320)	\$ 19,567,605
Grant anticipation	-	2,005,921	-	2,005,921
Total	\$ <u>13,850,320</u>	\$ <u>21,573,526</u>	\$ <u>(13,850,320)</u>	\$ <u>21,573,526</u>

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. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2013
Police Station (refund)	08/01/13	3.1 - 4.125	\$ 140,000
Land Acquisition (refund)	06/15/15	2.5 - 5.00	97,207
Recreational Facility (refund)	09/01/15	2.0 - 3.0	104,000
Police Station (refund)	06/15/16	2.5 - 5.00	730,082
School Roof Remodeling (refund)	06/15/16	2.5 - 5.00	642,472
Recreational Facility (refund)	09/01/16	2.0 - 3.0	551,000
City Hall Remodeling (refund)	09/01/17	2.0 - 2.5	795,000
Building Demolition (refund)	09/01/18	3.9	764,500
Central Fuel Facility (refund)	09/01/18	3.9	277,600
Fire Station (refund)	09/01/19	3.9	2,772,900
Wistariahurst Museum	06/30/21	2.0 - 4.0	340,000
Wistariahurst Museum	06/30/21	2.0 - 4.0	155,000
Community Field	06/30/21	2.0 - 4.0	145,000
Jones Ferry River Access	06/30/25	2.0 - 4.0	570,000
School Lots/Fields/Lights	06/30/25	2.0 - 4.0	540,000
High School Remodeling	07/15/27	4.45	875,000
School Roofs	07/15/27	4.45	130,000
School Lots/Field/Lights	07/15/27	4.45	470,000
Building Demolition	07/15/27	4.45	165,000
High School Remodeling	06/30/29	2.0 - 4.2	1,480,000
School	03/01/32	2.0 - 4.0	5,465,000
Geriatric Authority Land	03/01/32	2.0 - 4.0	895,000
Community Field Park	03/01/32	2.0 - 4.0	1,965,000
Senior Center	03/01/32	2.0 - 4.0	2,370,000
Library	03/01/32	2.0 - 4.0	5,225,000
Total Governmental Activities Debt			\$ <u>27,664,761</u>

Business-Type Activities:

Sewer Bond (refund)	08/01/13	3.5 - 4.125	\$ 49,997
Sewer CSO Planning refunding	09/01/16	2.0 - 3.0	128,000
Sewer CSO Projects	07/15/27	4.45	2,170,000
Sewer Plant Improvements	07/15/27	4.45	4,500,000
MWPAT	01/15/33	2.00	1,037,434
MWPAT	07/15/36	2.00	<u>15,281,298</u>
Total Business-Type Activities Debt			\$ <u>23,166,729</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,973,567	\$ 906,999	\$ 3,880,566
2015	2,821,508	812,123	3,633,631
2016	2,744,686	710,955	3,455,641
2017	2,235,000	604,229	2,839,229
2018	1,970,000	522,480	2,492,480
2019 - 2023	6,820,000	1,857,306	8,677,306
2024 - 2028	5,030,000	956,788	5,986,788
2029 - 2033	<u>3,070,000</u>	<u>247,768</u>	<u>3,317,768</u>
Total	\$ <u>27,664,761</u>	\$ <u>6,618,648</u>	\$ <u>34,283,409</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,071,826	\$ 661,954	\$ 1,733,780
2015	1,032,127	634,278	1,666,405
2016	1,041,716	599,894	1,641,610
2017	1,049,601	564,223	1,613,824
2018	1,027,790	527,786	1,555,576
2019 - 2023	5,257,933	2,125,513	7,383,446
2024 - 2028	5,627,564	1,271,537	6,899,101
2029 - 2033	3,879,119	604,765	4,483,884
Thereafter	<u>3,179,053</u>	<u>151,282</u>	<u>3,330,335</u>
Total	\$ <u>23,166,729</u>	\$ <u>7,141,232</u>	\$ <u>30,307,961</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>June 30, 2013</u>	Less Current Portion	Long-Term Portion <u>June 30, 2013</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 30,791	\$ -	\$ (3,126)	\$ 27,665	\$ (2,974)	\$ 24,691
Other:						
Net OPEB obligation	58,671	19,105	(9,078)	68,698	-	68,698
Accrued compensated absences	<u>8,818</u>	<u>-</u>	<u>(59)</u>	<u>8,759</u>	<u>(876)</u>	<u>7,883</u>
Totals	<u>\$ 98,280</u>	<u>\$ 19,105</u>	<u>\$ (12,263)</u>	<u>\$ 105,122</u>	<u>\$ (3,850)</u>	<u>\$ 101,272</u>
<u>Business-Type Activities</u>						
Bonds payable	<u>\$ 23,144</u>	<u>\$ 1,037</u>	<u>\$ (1,015)</u>	<u>\$ 23,166</u>	<u>\$ (1,072)</u>	<u>\$ 22,094</u>
Totals	<u>\$ 23,144</u>	<u>\$ 1,037</u>	<u>\$ (1,015)</u>	<u>\$ 23,166</u>	<u>\$ (1,072)</u>	<u>\$ 22,094</u>

15. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the City that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund *deferred inflows of resources* account is equal to the total of all June 30, 2013 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

16. Restricted Net Position

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

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

17. Subsequent Events

Debt

Subsequent to June 30, 2013, the City has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General obligation bond	\$ 11,295,000	2.0-5.0%	11/13/13	09/01/33
Grant anticipation note	1,058,000	1.00%	11/14/13	09/19/14
Bond anticipation note	<u>2,579,649</u>	1.25%	11/14/13	09/19/14
Total	\$ <u>14,932,649</u>			

18. Governmental Funds – Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The City implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2013:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. This fund balance classification includes general

fund encumbrances for non-lapsing, special article appropriations approved by the City Council, and various special revenue funds.

Assigned - Represents amounts that are constrained by the City's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the City's fund balances at June 30, 2013:

	General Fund	Senior Center Project Fund	Parking Garage Fund	High school lab renovation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted						
School federal grants	\$ -	\$ -	\$ -	\$ -	\$ 397,343	\$ 397,343
School state grants	-	-	-	-	186,463	186,463
Circuit breaker	-	-	-	-	346,895	346,895
School lunch	-	-	-	-	573,538	573,538
Misc. school revolving funds	-	-	-	-	719,351	719,351
City federal grants	-	-	-	-	307,034	307,034
City state grants	-	-	-	-	444,783	444,783
OCD program income	-	-	-	-	1,398,972	1,398,972
Misc. City revolving funds	-	-	-	-	556,844	556,844
Various City capital projects	-	-	-	-	685,507	685,507
Expendable permanent funds	-	-	-	-	587,888	587,888
Total Restricted	-	-	-	-	6,204,618	6,204,618
Assigned						
For encumbrances:						
General government	304,418	-	-	-	-	304,418
Public safety	382,353	-	-	-	-	382,353
Education	6,593,587	-	-	-	-	6,593,587
Public works	656,415	-	-	-	-	656,415
Health and human services	8,488	-	-	-	-	8,488
Culture and recreation	87,854	-	-	-	-	87,854
Employee benefits	313,847	-	-	-	-	313,847
Total Assigned	8,346,962	-	-	-	-	8,346,962
Unassigned	15,627,864	(5,327,232)	(2,748,571)	(1,464,731)	(3,782,414)	2,304,916
Total Fund Balance	\$ 23,974,826	\$ (5,327,232)	\$ (2,748,571)	\$ (1,464,731)	\$ 2,422,204	\$ 16,856,496

*- including Stabilization funds of \$11,215,748.

19. **Commitments and Contingencies**

Outstanding Legal Issues - There are several pending legal issues 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.

Abatements – There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to the City's counsel, the probable outcome of these cases at the present time is indeterminable, although the City expects such amounts, if any, to be immaterial.

Debt Responsibility – In fiscal year 2012, the City issued General Obligation State Qualified Refunding Bonds which included refunding of the 2001 Holyoke Gas & Electric revenue bonds that were previously issued by Holyoke Gas & Electric. If Holyoke Gas & Electric should default on their payments, the City would be responsible for repayment. At June 30, 2013 the outstanding principal balance was \$30,532,000.

Combined Sewer Overflow – CSO discharge locations along the Connecticut River bordering Holyoke have been identified. The estimated total cost to abate these issues is \$3.2 million, of which \$2 million will be funded by long-term bonds authorized by the City Council and \$1.2 million by various grants provided by the Environmental Protection Agency (EPA). Work on these projects is ongoing.

Contracts – Most of the City's collective bargaining agreements expired prior to fiscal year 2013 and are still in negotiations.

20. **Post-Employment Healthcare and Life Insurance Benefits**

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the

Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the City provides post-employment healthcare and life insurance benefits for retired employees through the City's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2011, the actuarial valuation date, approximately 1467 retirees and 1175 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The City provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 50% of the cost of the health plan, as determined by the City. The City contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The City's fiscal 2013 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2013, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of June 30, 2011.

Annual Required Contribution (ARC)	\$ 18,894,986
Interest on net OPEB obligation	2,346,852
Adjustment to ARC	<u>(2,136,937)</u>
Annual OPEB cost	19,104,901
Contributions made	<u>(9,077,923)</u>
Increase in net OPEB obligation	10,026,978
Net OPEB obligation - beginning of year	<u>58,671,312</u>
Net OPEB obligation - end of year	<u>\$ 68,698,290</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 19,104,901	47.52%	\$ 68,698,290
2012	\$ 18,247,255	45.27%	\$ 58,671,312
2011	\$ 20,103,398	42.94%	\$ 48,685,396
2010	\$ 18,695,275	39.60%	\$ 37,214,551
2009	\$ 20,454,823	36.37%	\$ 25,922,094

The City's net OPEB obligation as of June 30, 2013 is recorded as a long-term liability in the Statement of Net Position.

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 259,848,489
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 259,848,489</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>N/A</u>
UAAL as a percentage of covered payroll	<u>N/A</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 9%, which decreases to a 5% long-term rate for all healthcare benefits after eight years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.5%.

21. Contributory Retirement System

The City follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

A. Plan Description and Contribution Information

Substantially all employees of the City are members of the Holyoke Contributory Retirement System (HCRS), a cost-sharing, multiple-employer defined benefit PERS. Eligible employees must participate in the HCRS. 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 HCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The HCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at January 1, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	922
Terminated plan members entitled to but not yet receiving benefits	152
Active plan members	<u>1,228</u>
Total	<u>2,302</u>
Number of participating employers	5

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). The City's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions:

Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2003	\$ 6,109,348	100%
2004	6,096,446	100%
2005	6,520,221	100%
2006	6,921,096	100%
2007	8,312,816	100%
2008	8,240,302	100%
2009	8,651,100	100%
2010	8,706,430	100%
2011	9,525,165	100%
2012	10,035,815	100%
2013	11,344,038	100%

B. Summary of Significant Accounting Policies

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contri-

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 at fair value in accordance with PERAC requirements.

C. Funded Status and Funding Progress

The information presented below is from the Holyoke Contributory Retirement System's most recent valuation (in thousands).

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]
1/1/2012	\$171,323	\$336,471	\$165,148	50.92%	\$56,135	294.20%

The Schedule of Funding Progress following the Notes to the Financial Statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

D. Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation using the entry age normal actuarial cost method. Under this method an unfunded actuarial accrued liability of \$165.1 million was calculated. The actuarial assumptions included (a) 8.0% investment rate of return and (b) a projected salary increase between 4.75% and 5.25% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3%, on the first \$12,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.0%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of January 1, 2012 the unfunded actuarially accrued liability is being amortized over 10 years for the 2010 Early Retirement Incentive and over 18 years for the remaining unfunded liability using an open group method which assumes a 4.5% per year increase in payroll.

E. 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 participant's 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% *
July 1, 1996 - June 30, 2001	9% *
Beginning July 1, 2001	11%

* Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$30,000.

The City's current year covered payroll for teachers and administrators was not available.

In fiscal year 2013, the Commonwealth of Massachusetts contributed \$16,281,329 to the MTRS on behalf of the City. This is included in the education expenditures and intergovernmental revenues in the general fund.

22. Risk Management

The City 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.

23. Beginning Fund Balance Reclassification

The City's major funds for fiscal year 2013, have been reclassified from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 06/30/12 (as previously reported)	Reclassification	Fund Equity 06/30/12 (as reclassified)
Parking garage	\$ -	\$ (198,712)	\$ (198,712)
Library Project	5,026,456	(5,026,456)	-
Nonmajor governmental	<u>2,180,227</u>	<u>5,225,168</u>	<u>7,405,395</u>
Total	<u>\$ 7,206,683</u>	<u>\$ -</u>	<u>\$ 7,206,683</u>

24. Implementation of New GASB Standards

The GASB has issued Statement 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the City's basic financial statements by recognizing as a liability and expense, the City's applicable portion of the City of Holyoke Contributory Retirement System's actuarially accrued liability.

**CITY OF HOLYOKE, MASSACHUSETTS
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2013
(Unaudited)
(Amounts Expressed in thousands)**

Employees' Retirement System

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]
1/1/03	\$147,834	\$218,196	\$70,362	67.8%	\$45,374	155.0%
1/1/05	\$154,650	\$248,325	\$93,675	62.3%	\$47,515	197.2%
1/1/07	\$175,326	\$265,688	\$90,362	65.9%	\$49,763	181.6%
1/1/09	\$149,634	\$284,186	\$134,552	52.7%	\$53,209	252.9%
1/1/10	\$175,462	\$305,561	\$130,099	57.4%	\$54,172	240.2%
1/1/12	\$171,323	\$336,471	\$165,148	50.9%	\$56,135	294.2%

Other Post-Employment Benefits

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]
06/30/07	\$ -	\$ 331,159	\$ 331,159	0.0%	N/A	N/A
06/30/09	\$ -	\$ 354,739	\$ 354,739	0.0%	N/A	N/A
06/30/11	\$ -	\$ 259,848	\$ 259,848	0.0%	N/A	N/A

See Independent Auditors' Report.