

CITY OF HOLYOKE, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2014

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	19
Proprietary Funds:	
Statement of Net Position	20
Statement of Revenues, Expenses, and Changes in Fund Net Position	21
Statement of Cash Flows	22
Fiduciary Funds:	
Statement of Fiduciary Net Position	23
Statement of Changes in Fiduciary Net Position	24
Notes to Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Funding Progress	53

Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

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 the City, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City'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 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 the City'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 the City (including the legally separate component units), as of June 30, 2014, 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 the City, as of June 30, 2014, 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 and the Sewer Fund of the City, as of June 30, 2014, 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 by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally

accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated June 2, 2015 on our consideration of the City'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.

A handwritten signature in black ink that reads "Melanson Heath". The signature is written in a cursive, flowing style.

June 2, 2015

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 for the fiscal year ended June 30, 2014.

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 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 \$13,921,091 (i.e., net position), a change of \$(5,116,897) in comparison to the (restated) prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$21,562,553, a change of \$4,706,057 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$17,043,786, a change of \$1,415,922 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$58,081,097, a change of \$7,249,607 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 Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013 Restated</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013 Restated</u>
Current and other assets	\$ 42,956	\$ 50,335	\$ 3,328	\$ 4,418	\$ 46,284	\$ 54,753
Capital assets	<u>99,142</u>	<u>93,309</u>	<u>29,087</u>	<u>30,602</u>	<u>128,229</u>	<u>123,911</u>
Total assets	142,098	143,644	32,415	35,020	174,513	178,664
Long-term liabilities outstanding	119,113	105,122	22,790	23,167	141,903	128,289
Other liabilities	<u>18,391</u>	<u>29,758</u>	<u>298</u>	<u>1,579</u>	<u>18,689</u>	<u>31,337</u>
Total liabilities	137,504	134,880	23,088	24,746	160,592	159,626
Net position:						
Net investment in capital assets	65,298	55,079	6,297	6,612	71,595	61,691
Restricted	4,146	6,205	-	-	4,146	6,205
Unrestricted	<u>(64,850)</u>	<u>(52,520)</u>	<u>3,030</u>	<u>3,662</u>	<u>(61,820)</u>	<u>(48,858)</u>
Total net position	<u>\$ 4,594</u>	<u>\$ 8,764</u>	<u>\$ 9,327</u>	<u>\$ 10,274</u>	<u>\$ 13,921</u>	<u>\$ 19,038</u>

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u> <u>Restated</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u> <u>Restated</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,950	\$ 6,808	\$ 7,583	\$ 7,940	\$ 12,533	\$ 14,748
Operating grants and contributions	116,633	111,062	-	-	116,633	111,062
Capital grants and contributions	8,902	4,766	-	717	8,902	5,483
General revenues:						
Property taxes	51,097	50,962	-	-	51,097	50,962
Excises	2,287	2,674	-	-	2,287	2,674
Penalties, interest and other taxes	2,071	2,051	-	-	2,071	2,051
Grants and contributions not restricted	9,060	8,696	-	-	9,060	8,696
Investment income	1,024	693	3	4	1,027	697
Miscellaneous	977	264	-	-	977	264
Transfers, net	<u>(968)</u>	<u>-</u>	<u>968</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	196,033	187,976	8,554	8,661	204,587	196,637
Expenses:						
General government	7,073	7,860	-	-	7,073	7,860
Public safety	23,790	23,385	-	-	23,790	23,385
Education	109,459	104,566	-	-	109,459	104,566
Public works	7,715	8,184	-	-	7,715	8,184
Health and human services	2,257	1,870	-	-	2,257	1,870
Culture and recreation	3,356	9,781	-	-	3,356	9,781
Employee benefits	30,271	33,373	-	-	30,271	33,373
Interest	1,311	1,110	-	-	1,311	1,110
Intergovernmental	14,971	12,855	-	-	14,971	12,855
Sewer operations	<u>-</u>	<u>-</u>	<u>9,501</u>	<u>9,203</u>	<u>9,501</u>	<u>9,203</u>
Total expenses	<u>200,203</u>	<u>202,984</u>	<u>9,501</u>	<u>9,203</u>	<u>209,704</u>	<u>212,187</u>
Change in net position	(4,170)	(15,008)	(947)	(542)	(5,117)	(15,550)
Net position - beginning of year, as restated	<u>8,764</u>	<u>23,772</u>	<u>10,274</u>	<u>10,816</u>	<u>19,038</u>	<u>34,588</u>
Net position - end of year	<u>\$ 4,594</u>	<u>\$ 8,764</u>	<u>\$ 9,327</u>	<u>\$ 10,274</u>	<u>\$ 13,921</u>	<u>\$ 19,038</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 \$13,921,091, a change of \$(5,116,897) from the (restated) prior year.

The largest portion of net position \$71,594,270 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 \$4,145,970 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$(64,849,669) (governmental) and \$3,030,520 (business-type), may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(4,169,585). Key elements of this change are as follows:

General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 652,020
State and local revenues over budget	3,332,861
Budgetary appropriations unspent by departments	1,015,809
Use of free cash (fund balance) as a funding source for nonrecurring expenses	(4,332,213)
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current year	(4,471,086)
Other use raised in the current year	790,697
Change in Stabilization fund	(43,252)
Non-major fund revenues, bond proceeds, and transfers in excess of expenditures and transfers out	7,761,221
Depreciation expense in excess of principal debt service	(3,789,169)
Capital assets purchases	12,621,350
Net loss on disposition of capital assets	(25,200)
Remove bond proceeds from revenue	(10,600,000)
Net OPEB obligation liability increase	(6,604,877)
Other timing differences	(449,139)
Internal service fund expenditures in excess of revenues	<u>(28,607)</u>
Total	<u>\$ (4,169,585)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(947,312). 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 \$21,562,553, a change of \$4,706,057 in comparison to the prior year. Key elements of this change are as follows:

General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 652,020
State and local revenues over budget	3,332,861
Budgetary appropriations unspent by departments	1,015,809
Use of free cash (fund balance) as a funding source for nonrecurring expenses	(4,332,213)
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current year	(4,471,086)
Other use raised in the current year	790,697
Change in Stabilization fund	(43,252)
Non-major fund revenues, bond proceeds, and transfers in excess of expenditures and transfers out	<u>7,761,221</u>
Total	<u>\$ 4,706,057</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 \$17,043,786, while total fund balance was \$20,919,662. 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>2014</u>	<u>2013</u>	<u>Change</u>	<u>% of Total 2014 General Fund Expenditures</u>
Unassigned fund balance ¹	\$ 17,044	\$ 15,628	\$ 1,416	10.5%
Total fund balance	20,920	23,975	(3,055)	12.9%

¹ Includes the City’s stabilization fund

The total fund balance of the general fund changed by \$(3,055,164) during the current fiscal year. Key factors in this change are as follows:

General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 652,020
State and local revenues over budget	3,332,861
Budgetary appropriations unspent by departments	1,015,809
Use of free cash (fund balance) as a funding source for nonrecurring expenses	(4,332,213)
Difference between current year encumbrances to be spent in the subsequent period and prior year encumbrances spent in the current year	(4,471,086)
Other use raised in the current year	790,697
Change in Stabilization fund	<u>(43,252)</u>
Total	<u>\$ (3,055,164)</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 \$3,030,520. 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 \$3,283,622. 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 \$128,228,446 (net of accumulated depreciation), a change of \$4,317,650 from the (restated) 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 - governmental activities	\$	(6,763)
Depreciation expense - business-type activities		(1,516)
Infrastructure		
Roadway and Sidewalk improvements		1,205
Building and improvements		
Park improvements		398
Departmental vehicle purchase		
Fire truck		1,465
Departmental equipment purchases		
Governmental		82
School Department equipment		147
Construction in progress		
HCC access road		1,844
Parking garage renovation		3,321
Dean Tech science labs		3,775
Other projects		385

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 \$58,081,097, 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. Bellamy Schmidt, Acting 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, 2014

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 22,036,555	\$ 184,185	\$ 22,220,740
Investments	13,658,267	-	13,658,267
Receivables, net of allowance for uncollectibles:			
Property taxes	1,457,876	-	1,457,876
Excises	635,231	-	635,231
User fees	55,711	3,144,111	3,199,822
Departmental and other	132,769	-	132,769
Intergovernmental	2,372,940	-	2,372,940
Advance to library project	744,415	-	744,415
Due from other funds	214,742	-	214,742
Other assets	1,200	-	1,200
Noncurrent:			
Property taxes, net of allowance	1,646,026	-	1,646,026
Land and construction in progress	24,708,684	350,000	25,058,684
Capital assets, net of accumulated depreciation	<u>74,433,216</u>	<u>28,736,546</u>	<u>103,169,762</u>
TOTAL ASSETS	142,097,632	32,414,842	174,512,474
LIABILITIES			
Current:			
Warrants payable	4,253,706	-	4,253,706
Accounts payable	1,292,435	-	1,292,435
Accrued payroll	4,257,867	-	4,257,867
Accrued liabilities	677,261	297,776	975,037
Notes payable	7,787,386	-	7,787,386
Other current liabilities	121,414	-	121,414
Current portion of long-term liabilities:			
Bonds payable	2,841,508	1,037,127	3,878,635
Other liabilities	851,927	-	851,927
Noncurrent:			
Bonds payable, net of current portion	32,449,686	21,752,776	54,202,462
Net OPEB obligation	75,303,167	-	75,303,167
Other liabilities, net of current portion	<u>7,667,347</u>	<u>-</u>	<u>7,667,347</u>
TOTAL LIABILITIES	137,503,704	23,087,679	160,591,383
NET POSITION			
Net investment in capital assets	65,297,627	6,296,643	71,594,270
Restricted for:			
Grants and other statutory restrictions	3,457,411	-	3,457,411
Permanent funds:			
Expendable	688,559	-	688,559
Unrestricted	<u>(64,849,669)</u>	<u>3,030,520</u>	<u>(61,819,149)</u>
TOTAL NET POSITION	\$ <u>4,593,928</u>	\$ <u>9,327,163</u>	\$ <u>13,921,091</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, 2014

	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	\$ 7,072,990	\$ 790,229	\$ 2,378,578	\$ 257,755	\$ (3,646,428)	\$ -	\$ (3,646,428)
Public safety	23,789,673	985,051	1,659,342	12,615	(21,132,665)	-	(21,132,665)
Education	109,458,947	1,422,941	110,677,428	4,106,385	6,747,807	-	6,747,807
Public works	7,714,990	631,479	125,096	2,794,217	(4,164,198)	-	(4,164,198)
Health and human services	2,257,086	154,041	572,800	-	(1,530,245)	-	(1,530,245)
Culture and recreation	3,356,104	411,173	1,219,510	1,731,438	6,017	-	6,017
Employee benefits	30,270,771	555,435	-	-	(29,715,336)	-	(29,715,336)
Interest	1,311,339	-	-	-	(1,311,339)	-	(1,311,339)
Intergovernmental	14,971,434	-	-	-	(14,971,434)	-	(14,971,434)
Total Governmental Activities	200,203,334	4,950,349	116,632,754	8,902,410	(69,717,821)	-	(69,717,821)
Business-Type Activities:							
Sewer services	9,501,010	7,582,910	-	-	-	(1,918,100)	(1,918,100)
Total Business-Type Activities	9,501,010	7,582,910	-	-	-	(1,918,100)	(1,918,100)
Total	\$ 209,704,344	\$ 12,533,259	\$ 116,632,754	\$ 8,902,410	(69,717,821)	(1,918,100)	(71,635,921)
General Revenues:							
Property taxes					51,096,961	-	51,096,961
Excises					2,286,738	-	2,286,738
Penalties, interest and other taxes					2,071,118	-	2,071,118
Grants and contributions not restricted to specific programs					9,060,113	-	9,060,113
Investment income					1,024,276	3,002	1,027,278
Miscellaneous					976,816	-	976,816
Transfers, net					(967,786)	967,786	-
Total general revenues					65,548,236	970,788	66,519,024
Change in Net Position					(4,169,585)	(947,312)	(5,116,897)
Net Position:							
Beginning of year, as restated					8,763,513	10,274,475	19,037,988
End of year					\$ 4,593,928	\$ 9,327,163	\$ 13,921,091

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

CITY OF HOLYOKE, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 14,750,676	\$ 7,281,655	\$ 22,032,331
Investments	13,037,866	620,401	13,658,267
Receivables:			
Property taxes	1,749,954	-	1,749,954
Tax liens and foreclosures, net	4,465,437	-	4,465,437
Excises	1,318,823	-	1,318,823
Departmental and other, net	132,769	-	132,769
Intergovernmental	-	2,372,940	2,372,940
Advance to library project	-	744,415	744,415
Due from other funds	214,742	-	214,742
Other assets	1,200	-	1,200
TOTAL ASSETS	\$ <u>35,671,467</u>	\$ <u>11,019,411</u>	\$ <u>46,690,878</u>
LIABILITIES			
Warrants payable	\$ 2,850,419	\$ 1,333,734	\$ 4,184,153
Accounts payable	467,477	824,958	1,292,435
Accrued payroll and withholdings	3,827,472	430,395	4,257,867
Accrued claims payable	121,243	-	121,243
Notes payable	-	7,787,386	7,787,386
Other liabilities	121,367	47	121,414
TOTAL LIABILITIES	7,387,978	10,376,520	17,764,498
DEFERRED INFLOWS OF RESOURCES	7,363,827	-	7,363,827
FUND BALANCES			
Restricted	-	6,095,017	6,095,017
Assigned	3,875,876	-	3,875,876
Unassigned	17,043,786	(5,452,126)	11,591,660
TOTAL FUND BALANCES	<u>20,919,662</u>	<u>642,891</u>	<u>21,562,553</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ <u>35,671,467</u>	\$ <u>11,019,411</u>	\$ <u>46,690,878</u>

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, 2014

Total Governmental Fund Balances	\$ 21,562,553
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	99,141,900
• In the statement of activities, accounts receivable is accrued, net of an allowance for uncollectible accounts. In the governmental funds, all receivables are deferred.	3,568,746
• 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.	(9,618)
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(556,018)
• 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.	(75,303,167)
• Long-term liabilities, including bonds payable, accrued compensated absences and net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(43,810,468)</u>
Net Position of Governmental Activities	\$ <u>4,593,928</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, 2014

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 51,221,092	\$ -	\$ 51,221,092
Excises	2,479,988	-	2,479,988
Penalties, interest, and other taxes	2,071,118	-	2,071,118
Charges for services	1,226,598	2,546,598	3,773,196
Intergovernmental	100,285,152	32,913,039	133,198,191
Licenses and permits	608,074	-	608,074
Fines and forfeitures	411,738	-	411,738
Contributions and donations	-	1,397,086	1,397,086
Investment income	921,486	102,790	1,024,276
Miscellaneous	848,492	153,524	1,002,016
Total Revenues	<u>160,073,738</u>	<u>37,113,037</u>	<u>197,186,775</u>
Expenditures:			
Current:			
General government	3,808,051	3,359,529	7,167,580
Public safety	21,707,811	2,901,095	24,608,906
Education	85,350,550	25,202,255	110,552,805
Public works	5,901,691	6,196,967	12,098,658
Health and human services	1,493,962	399,217	1,893,179
Culture and recreation	1,798,972	1,348,925	3,147,897
Employee benefits	22,798,609	867,285	23,665,894
Debt service	4,006,579	-	4,006,579
Intergovernmental	14,971,434	-	14,971,434
Total Expenditures	<u>161,837,659</u>	<u>40,275,273</u>	<u>202,112,932</u>
Excess (deficiency) of revenues over expenditures	(1,763,921)	(3,162,236)	(4,926,157)
Other Financing Sources (Uses):			
Bond proceeds	-	10,600,000	10,600,000
Transfers in	9,672	333,129	342,801
Transfers out	<u>(1,300,915)</u>	<u>(9,672)</u>	<u>(1,310,587)</u>
Total Other Financing Sources (Uses)	<u>(1,291,243)</u>	<u>10,923,457</u>	<u>9,632,214</u>
Change in fund balance	(3,055,164)	7,761,221	4,706,057
Fund Equity, at Beginning of Year, as reclassified	<u>23,974,826</u>	<u>(7,118,330)</u>	<u>16,856,496</u>
Fund Equity, at End of Year	<u>\$ 20,919,662</u>	<u>\$ 642,891</u>	<u>\$ 21,562,553</u>

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, 2014

Net Changes in Fund Balances - Total Governmental Funds	\$ 4,706,057																		
<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 style="padding-left: 20px;">Capital outlay purchases</td> <td style="text-align: right;">12,621,350</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation</td> <td style="text-align: right;">(6,762,736)</td> </tr> <tr> <td style="padding-left: 20px;">Net loss on disposition</td> <td style="text-align: right;">(25,200)</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 (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue and allowance for uncollectible accounts. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(410,980)</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 style="padding-left: 20px;">Issuance of debt</td> <td style="text-align: right;">(10,600,000)</td> </tr> <tr> <td style="padding-left: 20px;">Repayments of debt</td> <td style="text-align: right;">2,973,567</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;">(278,327)</td> </tr> </table> • Some expenses reported in the statement of activities, such as accrued compensated absences and net OPEB obligation, do not require the use of current resources and therefore, are not reported as expenditures in the financial governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(6,364,709)</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;">(28,607)</td> </tr> </table> 		Capital outlay purchases	12,621,350	Depreciation	(6,762,736)	Net loss on disposition	(25,200)		(410,980)	Issuance of debt	(10,600,000)	Repayments of debt	2,973,567		(278,327)		(6,364,709)		(28,607)
Capital outlay purchases	12,621,350																		
Depreciation	(6,762,736)																		
Net loss on disposition	(25,200)																		
	(410,980)																		
Issuance of debt	(10,600,000)																		
Repayments of debt	2,973,567																		
	(278,327)																		
	(6,364,709)																		
	(28,607)																		
Change in Net Position of Governmental Activities	\$ <u>(4,169,585)</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Property taxes	\$ 50,569,072	\$ 50,569,072	\$ 50,569,072	\$ -
Excises	1,902,000	1,902,000	2,479,988	577,988
Penalties, interest and other taxes	1,933,750	1,933,750	2,071,118	137,368
Charges for services	743,478	743,478	1,226,598	483,120
Intergovernmental	81,529,062	81,529,062	83,124,080	1,595,018
Licenses and permits	381,650	381,650	608,074	226,424
Fines and forfeitures	325,000	325,000	411,738	86,738
Investment income	200,000	200,000	174,041	(25,959)
Miscellaneous	606,000	606,000	848,492	242,492
Transfers in	790,697	790,697	800,369	9,672
Other uses	1,048,591	4,332,213	4,332,213	-
Total Revenues and Other Sources	140,029,300	143,312,922	146,645,783	3,332,861
Expenditures and Other Uses:				
General government	3,084,865	4,003,724	3,850,573	153,151
Public safety	21,394,461	21,926,684	21,417,145	509,539
Education	64,494,872	64,494,872	64,494,718	154
Public works	4,864,687	5,596,596	5,500,870	95,726
Health and human services	1,428,677	1,555,522	1,499,399	56,123
Culture and recreation	1,910,062	1,910,062	1,832,465	77,597
Employee benefits	22,593,850	22,599,850	22,632,318	(32,468)
Debt service	4,010,573	4,010,573	4,006,579	3,994
Intergovernmental	15,071,313	15,071,313	14,971,434	99,879
Transfers out	385,243	1,353,029	1,300,915	52,114
Other uses	790,697	790,697	790,697	-
Total Expenditures and Other Uses	140,029,300	143,312,922	142,297,113	1,015,809
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 4,348,670	\$ 4,348,670

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

CITY OF HOLYOKE, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-Type Activities <u>Enterprise Funds</u>	Governmental <u>Activities</u> Internal Service <u>Funds</u>
	Sewer <u>Fund</u>	
ASSETS		
Current:		
Cash and short-term investments	\$ 184,185	\$ 4,224
User fees, net of allowance for uncollectibles	3,144,111	-
User fee receivables	<u>-</u>	<u>55,711</u>
Total current assets	3,328,296	59,935
Noncurrent:		
Land	350,000	-
Capital assets, net of accumulated depreciation	<u>28,736,546</u>	<u>-</u>
Total noncurrent assets	<u>29,086,546</u>	<u>-</u>
TOTAL ASSETS	32,414,842	59,935
LIABILITIES		
Current:		
Warrants payable	-	69,553
Accrued liabilities	297,776	-
Current portion of long-term liabilities:		
Bonds payable	<u>1,037,127</u>	<u>-</u>
Total current liabilities	<u>1,334,903</u>	<u>69,553</u>
Noncurrent:		
Bonds payable, net of current portion	<u>21,752,776</u>	<u>-</u>
Total noncurrent liabilities	<u>21,752,776</u>	<u>-</u>
TOTAL LIABILITIES	23,087,679	69,553
NET POSITION		
Net investment in capital assets	6,296,643	-
Unrestricted	<u>3,030,520</u>	<u>(9,618)</u>
TOTAL NET POSITION	<u>\$ 9,327,163</u>	<u>\$ (9,618)</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, 2014

	Business-Type Activities <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Fund</u>
	Sewer Fund	
Operating Revenues:		
Charges for services	\$ 7,578,010	\$ 770,075
Other	<u>4,900</u>	<u>-</u>
Total Operating Revenues	7,582,910	770,075
Operating Expenses:		
Salaries and wages	148,554	-
Operating expenses	7,006,954	798,682
Depreciation	1,515,764	-
Capital outlay	<u>147,042</u>	<u>-</u>
Total Operating Expenses	<u>8,818,314</u>	<u>798,682</u>
Operating Income (Loss)	(1,235,404)	(28,607)
Nonoperating Revenues (Expenses):		
Investment income	3,002	-
Interest expense	<u>(682,696)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses), Net	<u>(679,694)</u>	<u>-</u>
Income (loss) before transfers	(1,915,098)	(28,607)
Transfers:		
Transfer in	<u>967,786</u>	<u>-</u>
Change in Net Position	(947,312)	(28,607)
Net Position at Beginning of Year	<u>10,274,475</u>	<u>18,989</u>
Net Position at End of Year	<u>\$ 9,327,163</u>	<u>\$ (9,618)</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, 2014

	Business-Type Activities <u>Enterprise Funds</u>	Governmental <u>Activities</u> Internal Service <u>Fund</u>
	Sewer <u>Fund</u>	<u>Fund</u>
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers and users	\$ 7,463,148	\$ -
Receipts from interfund service provided	-	755,830
Payments to vendors and employees	<u>(7,760,760)</u>	<u>(751,606)</u>
Net Cash Provided By (Used For) Operating Activities	(297,612)	4,224
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Proceeds from issuance of bonds and notes	695,000	-
Principal payments on bonds and notes	(1,895,531)	-
Interest expense	<u>(682,696)</u>	<u>-</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,883,227)	-
<u>Cash Flows From Non-Capital Financing Activities:</u>		
Transfer in	<u>967,786</u>	<u>-</u>
Net Cash Provided by Non-Capital Financing Activities	967,786	-
<u>Cash Flows From Investing Activities:</u>		
Investment income	<u>3,002</u>	<u>-</u>
Net Cash Provided by Investing Activities	<u>3,002</u>	<u>-</u>
Net Change in Cash and Short-Term Investments	(1,210,051)	4,224
Cash and Short-Term Investments, Beginning of Year	<u>1,394,236</u>	<u>-</u>
Cash and Short-Term Investments, End of Year	<u>\$ 184,185</u>	<u>\$ 4,224</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>		
Operating income (loss)	\$ (1,235,404)	\$ (28,607)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	1,515,764	-
Changes in assets and liabilities:		
User fees	(253,961)	(14,245)
Intergovernmental receivables	134,199	-
Warrants and accounts payable	(471,885)	69,071
Due to other funds	-	(21,995)
Accrued liabilities	<u>13,675</u>	<u>-</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ (297,612)</u>	<u>\$ 4,224</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, 2014

	<u>Agency Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Pension Trust Fund December 31, 2013</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ 540,816	\$ 159,072	\$ 3,993,972
Investments	79,112	-	220,687,724
Accounts receivable	<u>-</u>	<u>-</u>	<u>254,281</u>
Total Assets	619,928	159,072	224,935,977
<u>LIABILITIES</u>			
Accounts payable	-	-	215,896
Payroll withholdings	510,507	-	-
Due to other funds	214,742	-	-
Other liabilities	<u>(105,321)</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>619,928</u>	<u>-</u>	<u>215,896</u>
<u>NET POSITION</u>			
Net position	\$ <u><u>-</u></u>	\$ <u><u>159,072</u></u>	\$ <u><u>224,720,081</u></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, 2014

	Private Purpose Trust Funds	Pension Trust Fund (For the Year Ended December 31, 2013)
Additions:		
Contributions:		
Employers	\$ -	\$ 16,243,724
Other systems and Commonwealth of Massachusetts	-	494,219
Plan members	-	5,483,576
Total contributions	-	22,221,519
Investment Income:		
Interest and dividends	6,015	2,855,112
Realized loss on sale of investments	-	1,094,480
Increase in fair value of investments	-	34,530,947
Less: Management fees	-	(1,686,723)
Net investment income	6,015	36,793,816
Total additions	6,015	59,015,335
Deductions:		
Scholarships	2,850	-
Benefit payments to plan members and beneficiaries	-	22,704,389
Refunds to plan members and other systems	-	786,573
Administrative expenses	-	429,456
Total deductions	2,850	23,920,418
Net increase	3,165	35,094,917
Net Position:		
Beginning of year	155,907	189,625,164
End of year	\$ 159,072	\$ 224,720,081

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 except as described in Note 2. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected City Council. 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 2014, it was determined that the City of Holyoke Board of Water Commissioners, City of Holyoke Geriatric Authority (ceased operations May 13, 2015), 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *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 func-

tion or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function 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 consid-

ered 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 fund:

- 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with 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 invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

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 2014 tax levy reflected an excess capacity of \$14,915.

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 govern-

mental 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)	\$ 160,073,738	\$ 161,837,659
Other financing sources/uses (GAAP basis)	<u>9,672</u>	<u>1,300,915</u>
Subtotal (GAAP basis)	160,083,410	163,138,574
Removed the effect of adding the Town's Stabilization fund per GASB 54	43,252	-
Adjust tax revenue to accrual basis	(652,020)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(8,346,962)
Add end of year appropriation carryforwards to expenditures	-	3,875,876
To reverse the effect of non-budgeted State contributions for teachers retirement	(17,161,072)	(17,161,072)
Recognize use of fund balance as funding source	4,332,213	-
Other use	<u>-</u>	<u>790,697</u>
Budgetary basis	<u>\$ 146,645,783</u>	<u>\$ 142,297,113</u>

D. Excess of Expenditures Over Appropriations

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

Health insurance	\$211,820
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E. Deficit Fund Equity

The following funds had deficits as of June 30, 2014:

Special Revenue Funds:	
Economic development initiative	\$ 124,921
HCC access road	129,256
State of emergency deficit spending	927,931
Capital Project Funds:	
Dean science lab renovation	1,293,463
Fire apparatus	1,465,053
Geriatric Authority land purchase	205,000
Parking garage	1,306,502
Agency Fund:	
Police outside detail	214,742

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, 2014, \$477,168 of the City's bank balance of \$28,237,076 was exposed to custodial credit risk as uninsured, uncollateralized money market funds held by pledging bank's trust department not in the City's name.

As of December 31, 2013, none of the System's bank balance of \$4,227,796 was 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 1/2/3</u>	<u>A 1/2/3</u>	<u>Baa 1/2</u>
Certificates of deposit	\$ 1,514,810	\$ 1,514,810	\$ -	\$ -	\$ -	\$ -
Corporate bonds	1,107,457	-	-	114,052	697,698	295,707
Equity investments	192,166	192,166	-	-	-	-
Federal securities	914,751	-	914,751	-	-	-
Municipal bonds	789,820	-	-	724,701	65,119	-
Mutual funds	9,218,375	9,218,375	-	-	-	-
Total investments	<u>\$ 13,737,379</u>	<u>\$ 10,925,351</u>	<u>\$ 914,751</u>	<u>\$ 838,753</u>	<u>\$ 762,817</u>	<u>\$ 295,707</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 the composition of the System's investments as of December 31, 2013, none of which are subject to credit risk disclosure:

<u>Investment Type</u>	<u>Fair Value</u>
Pooled funds	\$ 198,170,280
Mutual funds	<u>22,517,444</u>
Total	<u>\$ 220,687,724</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. The City did not have any investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments.

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:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>					
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	<u>N/A</u>
Certificates of deposit	\$ 1,514,810	\$ 1,444,537	\$ 70,273	\$ -	\$ -	\$ -
Corporate bonds	1,107,457	58,246	1,049,211	-	-	-
Equity investments	192,166	-	-	-	-	192,166
Federal securities	914,751	-	914,751	-	-	-
Municipal bonds	789,820	5,000	-	668,152	116,668	-
Mutual funds	9,218,375	-	-	-	-	9,218,375
Total investments	\$ <u>13,737,379</u>	\$ <u>1,507,783</u>	\$ <u>2,034,235</u>	\$ <u>668,152</u>	\$ <u>116,668</u>	\$ <u>9,410,541</u>

None of the Retirement System's investments are subject to market interest rate fluctuations.

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, 2014 consist of the following (in thousands):

Real Estate		
2014	\$ 1,280	
2013	73	
2012 and prior	<u>123</u>	1,476
Personal Property		
2014	18	
2013	9	
2012 and prior	<u>247</u>	274
Tax liens and foreclosures, net of allowance		<u>4,465</u>
Total		<u>\$ 6,215</u>

7. Allowance for Doubtful Accounts

The parking ticket and foreclosure receivable balances reported in the accompanying governmental funds balance sheet are presented net of allowances for uncollectibles of \$128,923 and \$8,437,877, respectively. In addition, 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	\$ 292	\$ -
Excises	684	-
Tax liens	2,819	-
User charges	-	1,227

8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2014.

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, 2014.

10. Interfund Fund Receivables/Payables

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, 2014 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 214,742	\$ -
Agency Funds	<u>-</u>	<u>214,742</u>
Total	<u>\$ 214,742</u>	<u>\$ 214,742</u>

11. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Convert CIP</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 135,931	\$ 10	\$ (153)	\$ 5,462	\$ 141,250
Machinery, equipment, and furnishings	23,899	1,694	-	-	25,593
Land improvements	6,530	388	-	-	6,918
Infrastructure	<u>16,492</u>	<u>1,204</u>	<u>-</u>	<u>7</u>	<u>17,703</u>
Total capital assets, being depreciated	182,852	3,296	(153)	5,469	191,464
Less accumulated depreciation for:					
Buildings and improvements	(75,581)	(4,054)	153	-	(79,482)
Machinery, equipment, and furnishings	(21,324)	(1,127)	-	-	(22,451)
Land improvements	(3,051)	(234)	-	-	(3,285)
Infrastructure	<u>(10,465)</u>	<u>(1,348)</u>	<u>-</u>	<u>-</u>	<u>(11,813)</u>
Total accumulated depreciation	<u>(110,421)</u>	<u>(6,763)</u>	<u>153</u>	<u>-</u>	<u>(117,031)</u>
Total capital assets, being depreciated, net	72,431	(3,467)	-	5,469	74,433
Capital assets, not being depreciated:					
Land	16,499	-	(25)	-	16,474
Construction in progress (CIP)	<u>4,379</u>	<u>9,325</u>	<u>-</u>	<u>(5,469)</u>	<u>8,235</u>
Total capital assets, not being depreciated	<u>20,878</u>	<u>9,325</u>	<u>(25)</u>	<u>(5,469)</u>	<u>24,709</u>
Governmental activities capital assets, net	<u>\$ 93,309</u>	<u>\$ 5,858</u>	<u>\$ (25)</u>	<u>\$ -</u>	<u>\$ 99,142</u>

	Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
Business-Type Activities:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
Machinery, equipment, and furnishings	1,262	-	-	-	1,262
Infrastructure	<u>54,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,144</u>
Total capital assets, being depreciated	95,406	-	-	-	95,406
Less accumulated depreciation for:					
Buildings and improvements	(35,038)	(257)	-	-	(35,295)
Machinery, equipment, and furnishings	(1,231)	(4)	-	-	(1,235)
Infrastructure	<u>(28,885)</u>	<u>(1,255)</u>	<u>-</u>	<u>-</u>	<u>(30,140)</u>
Total accumulated depreciation	<u>(65,154)</u>	<u>(1,516)</u>	<u>-</u>	<u>-</u>	<u>(66,670)</u>
Total capital assets, being depreciated, net	30,252	(1,516)	-	-	28,736
Capital assets, not being depreciated:					
Land	<u>350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350</u>
Total capital assets, not being depreciated	<u>350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350</u>
Business-type activities capital assets, net	<u>\$ 30,602</u>	<u>\$ (1,516)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,086</u>

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

Governmental Activities:	
General government	\$ 8
Public safety	1,156
Education	3,053
Public works	1,771
Human services	384
Culture and recreation	<u>391</u>
Total depreciation expense - governmental activities	<u>\$ 6,763</u>
Business-Type Activities:	
Sewer	<u>\$ 1,516</u>
Total depreciation expense - business-type activities	<u>\$ 1,516</u>

12. Warrants and Accounts Payable

Warrants payable represent 2014 expenditures paid by July 15, 2014. Accounts payable represent additional 2014 expenditures paid after July 15, 2014.

13. Notes Payable

The City had the following notes outstanding at June 30, 2014:

	<u>Interest Rate(s) %</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2014</u>
<u>Governmental Activities</u>				
Bond anticipation note	1.25%	11/14/13	09/19/14	\$ 2,579,649
Bond anticipation note	1.50%	06/27/14	09/19/14	4,149,737
Grant anticipation note	1.00%	11/14/13	09/19/14	<u>1,058,000</u>
Total Governmental Activities				<u>\$ 7,787,386</u>

The following summarizes activity in notes payable during fiscal year 2014:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ 19,567,605	\$ 6,729,386	\$ (19,567,605)	\$ 6,729,386
Grant anticipation	<u>2,005,921</u>	<u>1,058,000</u>	<u>(2,005,921)</u>	<u>1,058,000</u>
Total	<u>\$ 21,573,526</u>	<u>\$ 7,787,386</u>	<u>\$ (21,573,526)</u>	<u>\$ 7,787,386</u>

14. 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.

The deferred inflow of resources balance as of June 30, 2014 consists of un-earned revenue 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 account is equal to the total of all June 30, 2014 receivable balances, less property tax collected within 60 days of year-end.

15. Long-Term Debt

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of June 30, 2014
<u>Governmental Activities:</u>			
Land Acquisition (refund)	06/15/15	2.5 - 5.00	\$ 48,498
Recreational Facility (refund)	09/01/15	2.0 - 3.0	69,000
Police Station (refund)	06/15/16	2.5 - 5.00	485,477
School Roof Remodeling (refund)	06/15/16	2.5 - 5.00	427,219
Recreational Facility (refund)	09/01/16	2.0 - 3.0	411,000
City Hall Remodeling (refund)	09/01/17	2.0 - 2.5	625,000
Building Demolition (refund)	09/01/18	3.9	621,000
Central Fuel Facility (refund)	09/01/18	3.9	229,600
Fire Station (refund)	09/01/19	3.9	2,359,400
Wistariahurst Museum	06/30/21	2.0 - 4.0	295,000
Wistariahurst Museum	06/30/21	2.0 - 4.0	135,000
Community Field	06/30/21	2.0 - 4.0	125,000
Jones Ferry River Access	06/30/25	2.0 - 4.0	520,000
School Lots/Fields/Lights	06/30/25	2.0 - 4.0	490,000
High School Remodeling	07/15/27	4.45	815,000
School Roofs	07/15/27	4.45	120,000
School Lots/Field/Lights	07/15/27	4.45	350,000
Building Demolition	07/15/27	4.45	150,000
High School Remodeling	06/30/29	2.0 - 4.2	1,385,000
School	03/01/32	2.0 - 4.0	5,175,000
Geriatric Authority Land	03/01/32	2.0 - 4.0	845,000
Community Field Park	03/01/32	2.0 - 4.0	1,820,000
Senior Center	03/01/32	2.0 - 4.0	2,240,000
Library	03/01/32	2.0 - 4.0	4,950,000
Senior Center	09/01/33	2.0 - 5.0	5,600,000
Garage	09/01/33	2.0 - 5.0	5,000,000
Total Governmental Activities Debt			\$ <u>35,291,194</u>
<u>Business-Type Activities:</u>			
Sewer CSO Planning refunding	09/01/16	2.0 - 3.0	\$ 93,000
Sewer CSO Projects	07/15/27	4.45	2,005,000
Sewer Plant Improvements	07/15/27	4.45	4,200,000
MWPAT	01/15/33	2.00	995,469
Sewer and Flood Control	09/01/33	2.0 - 5.0	695,000
MWPAT	07/15/36	2.00	14,801,434
Total Business-Type Activities Debt			\$ <u>22,789,903</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,841,508	\$ 1,415,090	\$ 4,256,598
2016	2,764,686	1,174,329	3,939,015
2017	2,730,000	1,055,030	3,785,030
2018	2,475,000	948,279	3,423,279
2019	2,240,000	858,437	3,098,437
2020 - 2024	8,935,000	3,264,311	12,199,311
2025 - 2029	7,755,000	1,753,972	9,508,972
2030 - 2034	<u>5,550,000</u>	<u>492,733</u>	<u>6,042,733</u>
Total	\$ <u>35,291,194</u>	\$ <u>10,962,181</u>	\$ <u>46,253,375</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,037,127	\$ 674,154	\$ 1,711,281
2016	1,046,716	630,456	1,677,172
2017	1,089,601	593,735	1,683,336
2018	1,067,790	555,299	1,623,089
2019	1,066,290	517,504	1,583,794
2020 - 2024	5,525,362	2,055,413	7,580,775
2025 - 2029	5,463,945	1,156,305	6,620,250
2030 - 2034	4,081,047	531,742	4,612,789
Thereafter	<u>2,412,025</u>	<u>85,727</u>	<u>2,497,752</u>
Total	\$ <u>22,789,903</u>	\$ <u>6,800,335</u>	\$ <u>29,590,238</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities (in thousands):

	<u>Total Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance June 30, 2014</u>	<u>Less Current Portion</u>	<u>Long-Term Portion June 30, 2014</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 27,665	\$ 10,600	\$ (2,974)	\$ 35,291	\$ (2,841)	\$ 32,450
Net OPEB obligation	68,698	6,605	-	75,303	-	75,303
Other:						
Accrued compensated absences	<u>8,759</u>	<u>-</u>	<u>(240)</u>	<u>8,519</u>	<u>(852)</u>	<u>7,667</u>
Totals	\$ <u>105,122</u>	\$ <u>17,205</u>	\$ <u>(3,214)</u>	\$ <u>119,113</u>	\$ <u>(3,693)</u>	\$ <u>115,420</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 23,166	\$ 695	\$ (1,071)	\$ 22,790	\$ (1,037)	\$ 21,753
Totals	\$ <u>23,166</u>	\$ <u>695</u>	\$ <u>(1,071)</u>	\$ <u>22,790</u>	\$ <u>(1,037)</u>	\$ <u>21,753</u>

16. Interfund Transfers

The City’s routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

The City reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2014:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 9,672	\$ 1,300,915
Nonmajor Funds:		
Special revenue funds	22,243	9,672
Expendable trust fund	<u>310,886</u>	<u>-</u>
Subtotal Nonmajor funds	333,129	9,672
<u>Business-Type Funds:</u>		
Sewer fund	<u>967,786</u>	<u>-</u>
Grand Total	\$ <u>1,310,587</u>	\$ <u>1,310,587</u>

17. 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.

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 classifi-

cations 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, 2014:

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 capital projects funded by bond issuances, various special revenue funds, and the income portion of permanent trust 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 and deficit fund balances.

Following is a breakdown of the City's fund balances at June 30, 2014:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Restricted</u>			
Bonded projects	\$ -	\$ 766,939	\$ 766,939
Special revenue funds	-	4,639,519	4,639,519
Expendable permanent funds	-	688,559	688,559
Total Restricted	-	6,095,017	6,095,017
<u>Assigned</u>			
Encumbrances	3,875,876	-	3,875,876
Total Assigned	3,875,876	-	3,875,876
<u>Unassigned</u>			
General fund	5,871,290	-	5,871,290
Stabilization fund	11,172,496	-	11,172,496
Deficit fund balances	-	(5,452,126)	(5,452,126)
Total Unassigned	17,043,786	(5,452,126)	11,591,660
Total Fund Balance	\$ 20,919,662	\$ 642,891	\$ 21,562,553

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.

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, 2014 the outstanding principal balance was \$29,392,000.

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.

State Oversight Board – In April 2015, due to the chronic underperformance of the schools, the City of Holyoke's School Department was placed in receivership and will be run by a State appointed control board.

20. Subsequent Event

In September 2014, the City issued new debt and refunded general obligation bonds for a total of \$8,337,000. The new debt carries an interest rate between 2-3.75% and matures at various dates through 2034.

21. Post-Employment Healthcare and Life Insurance Benefits

GASB Statement No. 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, 2013, the actuarial valuation date, approximately 1,583 retirees and 1,102 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 2014 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, 2014, 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, 2013.

Annual Required Contribution (ARC)	\$ 13,127,311
Interest on net OPEB obligation	2,747,932
Adjustment to ARC	<u>(2,502,142)</u>
Annual OPEB cost	13,373,101
Contributions made	<u>(6,768,224)</u>
Increase in net OPEB obligation	6,604,877
Net OPEB obligation - beginning of year	<u>68,698,290</u>
Net OPEB obligation - end of year	<u>\$ 75,303,167</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
2014	\$ 13,373,101	50.61%	\$ 75,303,167
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

The City's net OPEB obligation as of June 30, 2014 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, 2013, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 212,596,190
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 212,596,190</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, 2013 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 8%, 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%.

22. 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, 2014, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	927
Terminated plan members entitled to but not yet receiving benefits	160
Active plan members	<u>1,250</u>
Total	<u>2,337</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:

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2005	\$ 9,473,610	100%
2006	10,061,673	100%
2007	11,704,621	100%
2008	11,783,144	100%
2009	12,073,533	100%
2010	12,161,990	100%
2011	13,495,000	100%
2012	14,169,211	100%
2013	16,089,569	100%
2014	16,480,049	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 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]
1/1/2014	\$212,537	\$365,626	\$153,089	58.13%	\$57,503	266.23%

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 \$153.1 million was calculated. The actuarial assumptions included (a) 7.75% 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 (7.75%) 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, 2014 the unfunded actuarially accrued liability is being amortized over 8 years for the 2010 Early Retirement Incentive and over 16 years for the remaining unfunded liability using an open group method which assumes a 4% 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 2014, the Commonwealth of Massachusetts contributed \$17,161,062 to the MTRS on behalf of the City. This is included in the education expenditures and intergovernmental revenues in the general fund.

23. 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.

24. Beginning Fund Balance Reclassification

The City’s major funds for fiscal year 2014, as defined by GASB Statement No. 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 06/30/13 (as previously <u>reported</u>)	<u>Reclassification</u>	Fund Equity 06/30/13 (as reclassified)
Senior center project	\$ (5,327,232)	\$ 5,327,232	\$ -
Parking garage	(2,748,571)	2,748,571	-
High School lab renovation	(1,464,731)	1,464,731	-
Nonmajor governmental	<u>2,422,204</u>	<u>(9,540,534)</u>	<u>(7,118,330)</u>
Total	<u>\$ (7,118,330)</u>	<u>\$ -</u>	<u>\$ (7,118,330)</u>

25. Beginning Net Position Restatement

The beginning (July 1, 2013) net position of the City has been restated as follows:

<u>Governmental Activities</u>	<u>Governmental Activities</u>
Net position 06/30/13, as previously reported	\$ 21,073,683
Remove library project from City assets	<u>(12,310,170)</u>
Net position 06/30/13, as restated	<u>\$ 8,763,513</u>

26. Implementation of New GASB Standard

The GASB has issued Statement No. 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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

**(Unaudited)
(Amounts Expressed in Thousands)**

Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
1/1/14	\$212,537	\$365,626	\$153,089	58.1%	\$57,503	266.2%
1/1/12	\$171,323	\$336,471	\$165,148	50.9%	\$56,135	294.2%
1/1/10	\$175,462	\$305,561	\$130,099	57.4%	\$54,172	240.2%
1/1/09	\$149,634	\$284,186	\$134,552	52.7%	\$53,209	252.9%
1/1/07	\$175,326	\$265,688	\$90,362	65.9%	\$49,763	181.6%
1/1/05	\$154,650	\$248,325	\$93,675	62.3%	\$47,515	197.2%
1/1/03	\$147,834	\$218,196	\$70,362	67.8%	\$45,374	155.0%

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/13	\$ -	\$ 212,596	\$ 212,596	0.0%	N/A	N/A
06/30/11	\$ -	\$ 259,848	\$ 259,848	0.0%	N/A	N/A
06/30/09	\$ -	\$ 354,739	\$ 354,739	0.0%	N/A	N/A
06/30/07	\$ -	\$ 331,159	\$ 331,159	0.0%	N/A	N/A

See Independent Auditors' Report.