

CITY OF LEOMINSTER, MASSACHUSETTS
Annual Financial Statements
For the Year Ended June 30, 2005

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	16
Proprietary Funds:	
Statement of Net Assets	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets	18
Statement of Cash Flows	19
Fiduciary Funds:	
Statement of Fiduciary Net Assets	20
Statement of Changes in Fiduciary Net Assets	21
Notes to Financial Statements	22
SUPPLEMENTARY INFORMATION:	
Contributory Retirement System Information	42
Statement of Revenues and Other Sources, and Expenditures, And Other Uses - Budget and Actual - Annually Budgeted Special Revenue Funds	43

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Leominster, Massachusetts, as of and for the year ended June 30, 2005 (except for the Leominster Contributory Retirement System which is as of and for the year ended December 31, 2004), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Leominster's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Leominster, as of June 30, 2005 (except the Leominster Contributory Retirement System which is as of December 31, 2004), and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis appearing on the following pages and the supplementary information appearing on page 42 are not required parts of the basic financial statements but are supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Leominster's basic financial statements. The special revenue fund budgetary comparison information appearing on pages 28 and 43 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Leominster, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath & Company, P.C.

Greenfield, Massachusetts
December 23, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Leominster, we offer readers this narrative overview and analysis of the financial activities of the City of Leominster for the fiscal year ended June 30, 2005.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Leominster's 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 the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

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

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

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:

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal services funds are used to account for self-insured employee health programs and workers compensation activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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 the financial statements. The notes provide additional information that are 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 the *Governmental Accounting Standards Board*.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 129,440,013 (i.e., net assets), an increase of \$ 16,119,713 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 21,843,959, an increase of \$ 17,739,402 in comparison with the prior year.

- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 7,192,872, an increase of \$ 1,468,544 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 31,485,681, an increase of \$ 251,561 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.

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 42,363,538	\$ 38,831,202
Capital assets	<u>142,226,495</u>	<u>142,931,919</u>
Total assets	184,590,033	181,763,121
Long-term liabilities outstanding	34,125,442	33,521,320
Other liabilities	<u>21,024,578</u>	<u>34,921,501</u>
Total liabilities	55,150,020	68,442,821
Net assets:		
Invested in capital assets, net	118,118,638	103,806,532
Restricted	8,816,628	8,068,831
Unrestricted	<u>2,504,747</u>	<u>1,444,937</u>
Total net assets	\$ <u>129,440,013</u>	\$ <u>113,320,300</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 11,901,207	\$ 11,345,608
Operating grants and contributions	47,479,288	45,421,109
Capital grants and contributions	2,065,987	2,963,203
General revenues:		
Property taxes	37,940,677	36,064,822
Excises	4,663,721	4,229,418
Penalties and interest on taxes	273,648	478,881
Grants and contributions not restricted to specific programs	5,465,759	4,935,406
Investment income	358,990	250,361
Miscellaneous	<u>1,067,753</u>	<u>276,640</u>
Total revenues	111,217,030	105,965,448

(continued)

(continued)

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Expenses:		
General government	3,945,766	3,115,039
Public safety	12,601,928	11,020,764
Education	60,191,757	54,854,649
Public works	11,662,576	11,028,602
Health and human services	784,911	768,844
Culture and recreation	1,571,881	2,226,555
Employee benefits	13,448,001	13,444,918
Interest on long-term debt	1,131,874	1,584,830
Intergovernmental	<u>2,184,070</u>	<u>2,154,063</u>
Total expenses	<u>107,522,764</u>	<u>100,198,264</u>
Change in net assets before the effect of a special item	3,694,266	5,767,184
Special item	<u>12,425,447</u>	<u>-</u>
Change in net assets after the effect of a special item	16,119,713	-
Net assets - beginning of year	<u>113,320,300</u>	<u>107,553,116</u>
Net assets - end of year	<u>\$ 129,440,013</u>	<u>\$ 113,320,300</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 129,440,013, an increase of \$ 16,119,713 from the prior year.

By far the largest portion of net assets, \$ 118,118,638, reflects our investment in capital assets (e.g., infrastructure, land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets, \$ 8,816,628, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$ 2,504,747, may be used to meet government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in an increase in net assets of \$ 16,119,713. Key elements of this increase are as follows:

- Fund basis excess of revenues over expenditures of \$ 14,015,402, which is further discussed in the governmental funds section.
- The change resulting from fully accruing accounts receivable balances in fiscal year 2005 (net of allowance for uncollectibles) of \$ 278,125.

- Principal debt expense (included in budget) in excess of depreciation expense (not budgeted for) of \$ 441,492.
- Capital asset purchases of \$ 2,325,523, which were funded by grants and other revenues. The cost of these assets will be recognized over their useful lives as depreciation.
- Health insurance costs in excess of employer/employee contributions of \$ (314,355).
- Other expenses accruals of \$ (626,474).

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 21,843,959, an increase of \$ 17,739,402 in comparison with the prior year. This increase was attributable to an increase of \$ 1,165,193 in the general fund, which is further explained below; capital project activities, including \$ 12,425,447 of Massachusetts School Building Authority grant funds received as reimbursement for costs incurred toward the construction of the City's Skyview Middle School and other non-major fund activities which resulted in a surplus of approximately \$ 4 million.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 7,192,872, while total fund balance was \$ 9,671,534. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 8 percent of total general fund expenditures, while total fund balance represents 10.7 percent of that same amount.

The City also maintains a stabilization fund as allowed by Massachusetts General Laws. The stabilization fund's unreserved fund balance at June 30, 2005 was \$ 4,644,655. These funds may be appropriated for any legal purpose.

The fund balance of the general fund increased by \$ 1,165,193 during the current fiscal year. Key factors in this change are as follows:

- Revenues (on a budgetary basis) were more than anticipated by approximately \$ 2.7 million and expenditures were under budget by approximately \$ 800,000.

- Property tax revenue collected in excess of budget of \$ 727,637.
- Expenditures in the current year, funded by a previous year budget, of \$ (2,782,013).
- Current year expenditure carryforwards to be expended in subsequent year of approximately \$ 2,478,662.
- Use of surplus (free cash) in funding appropriations of approximately \$ (3.1 million).
- Miscellaneous accruals in the current and prior years of \$ 353,798.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$ 1,898,801. The major reasons for these amendments were:

- Snow and ice salary and expense accounts - \$ 643,000.
- Capital improvements - \$ 240,000.
- Other departmental salary and expense accounts - \$ 1,015,801.

This increase was funded from the following sources:

- Surplus (free cash) - \$ 1,454,001.
- Transfers from other funds - \$ 444,800.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year end amounted to \$ 142,226,495 (net of accumulated depreciation), a decrease of \$ (705,424) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

- Approximately \$ 829,000 for construction in progress of the Skyview Middle School, Southeast School, Library construction, water system improvements, and new fire truck.
- Approximately \$ 495,000 for various building improvements.
- Approximately \$ 243,000 for the purchase of various land parcels.
- Approximately \$ 137,000 for water line and sewer upgrades.
- Approximately \$ 673,000 for the purchase of various vehicles and other equipment.

- Approximately \$ (3,000,000) of depreciation expense incurred in fiscal year 2005.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 31,485,681, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Leominster'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. John J. Richard
City Comptroller
City of Leominster
25 West Street
Leominster, MA 01453

CITY OF LEOMINSTER, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2005

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 30,084,810
Investments	3,166,888
Receivables, net of allowance for uncollectibles:	
Property taxes	893,109
Excises	583,681
User fees	686,220
Departmental and other	722,448
Intergovernmental	600,164
Noncurrent:	
Receivables:	
Loans	2,426,711
Intergovernmental	3,199,507
Land and construction in progress	76,302,010
Capital assets, net of accumulated depreciation	<u>65,924,485</u>
TOTAL ASSETS	184,590,033
LIABILITIES	
Current:	
Warrants payable	1,099,008
Accounts payable	84,217
Accrued payroll and withholdings	699,027
Deferred revenues	5,800,036
Accrued interest payable	234,773
Accrued claims payable	3,023,004
Notes payable	6,189,553
Other current liabilities	73,928
Current portion of long-term liabilities:	
Bonds payable	3,731,032
Landfill closure	90,000
Noncurrent:	
Bonds payable, net of current portion	27,754,649
Landfill closure, net of current portion	2,250,000
Compensated absences	<u>4,120,793</u>
TOTAL LIABILITIES	55,150,020
NET ASSETS	
Invested in capital assets, net of related debt	118,118,638
Restricted for:	
Special revenue funds	6,272,440
Permanent funds:	
Expendable	600,325
Nonexpendable	1,943,863
Unrestricted	<u>2,504,747</u>
TOTAL NET ASSETS	\$ <u>129,440,013</u>

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Assets</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
General government	\$ 3,945,766	\$ 447,952	\$ 892,522	\$ -	\$ (2,605,292)
Public safety	12,601,928	1,739,351	316,194	253,277	(10,293,106)
Education	60,191,757	3,349,504	45,386,683	1,511,203	(9,944,367)
Public works	11,662,576	6,046,298	351,034	175,707	(5,089,537)
Health and human services	784,911	87,418	240,670	-	(456,823)
Culture and recreation	1,571,881	230,684	292,185	125,800	(923,212)
Employee benefits	13,448,001	-	-	-	(13,448,001)
Interest	1,131,874	-	-	-	(1,131,874)
Intergovernmental	<u>2,184,070</u>	-	-	-	<u>(2,184,070)</u>
Total Governmental Activities	<u>\$ 107,522,764</u>	<u>\$ 11,901,207</u>	<u>\$ 47,479,288</u>	<u>\$ 2,065,987</u>	<u>(46,076,282)</u>
General Revenues:					
Property taxes					37,940,677
Excises					4,663,721
Penalties, interest and other taxes					273,648
Grants and contributions not restricted to specific programs					5,465,759
Investment income					358,990
Miscellaneous					<u>1,067,753</u>
Total general revenues					<u>49,770,548</u>
Change in Net Assets, before the effect of a special item					3,694,266
Special item					<u>12,425,447</u>
Change in Net Assets, after the effect of a special item					16,119,713
Net Assets:					
Beginning of year					<u>113,320,300</u>
End of year					<u>\$ 129,440,013</u>

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS
GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2005

ASSETS

	<u>General</u>	<u>Skyview Middle School</u>	<u>Stabilization</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 10,174,281	\$ 122,324	\$ 4,644,655	\$ 11,405,905	\$ 26,347,165
Investments	1,235,118	-	-	1,931,770	3,166,888
Receivables:					
Property taxes	2,743,062	-	-	-	2,743,062
Excises	931,948	-	-	-	931,948
User fees	-	-	-	760,112	760,112
Departmental and other	962,309	-	-	48,832	1,011,141
Loans	-	-	-	3,199,507	3,199,507
Intergovernmental	169,023	-	-	2,857,852	3,026,875
TOTAL ASSETS	\$ 16,215,741	\$ 122,324	\$ 4,644,655	\$ 20,203,978	\$ 41,186,698

LIABILITIES AND FUND BALANCES

Liabilities:					
Warrants payable	\$ 1,099,008	\$ -	\$ -	\$ -	\$ 1,099,008
Accounts payable	84,217	-	-	-	84,217
Accrued payroll and withholdings	699,027	-	-	-	699,027
Accrued interest payable	21,920	-	-	-	21,920
Deferred revenues	4,566,107	-	-	6,608,979	11,175,086
Notes payable	-	3,989,553	-	2,200,000	6,189,553
Other liabilities	73,928	-	-	-	73,928
TOTAL LIABILITIES	6,544,207	3,989,553	-	8,808,979	19,342,739
Fund Balances:					
Reserved for:					
Encumbrances	2,478,662	-	-	-	2,478,662
Perpetual (nonexpendable) permanent funds	-	-	-	1,943,863	1,943,863
Unreserved:					
Undesignated, reported in:					
General fund	7,192,872	-	-	-	7,192,872
Special revenue funds	-	-	4,644,655	6,272,440	10,917,095
Permanent funds	-	-	-	600,325	600,325
Capital project funds	-	(3,867,229)	-	2,578,371	(1,288,858)
TOTAL FUND BALANCES	9,671,534	(3,867,229)	4,644,655	11,394,999	21,843,959
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,215,741	\$ 122,324	\$ 4,644,655	\$ 20,203,978	\$ 41,186,698

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

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

JUNE 30, 2005

Total governmental fund balances	\$ 21,843,959
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	142,226,495
<ul style="list-style-type: none">• In the statement of activities, accounts receivable is accrued, net of an allowance for uncollectible accounts. In governmental funds, all receivables are deferred, except for property tax received within 60 days after year end.	2,814,245
<ul style="list-style-type: none">• Internal services funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.	714,641
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(212,853)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, landfill closure costs and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(<u>37,946,474</u>)
Net assets of governmental activities	\$ <u>129,440,013</u>

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Skyview Middle School</u>	<u>Stabilization</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 37,742,016	-	-	-	\$ 37,742,016
Excises	4,783,395	-	-	-	4,783,395
Penalties, interest and other taxes	273,648	-	-	-	273,648
Charges for services	1,089,142	-	-	9,684,617	10,773,759
Intergovernmental	45,121,752	-	-	9,799,399	54,921,151
Licenses and permits	669,927	-	-	-	669,927
Fines and forfeitures	258,383	-	-	-	258,383
Investment income	358,990	-	89,883	-	448,873
Miscellaneous	748,111	-	-	-	748,111
Total Revenues	<u>91,045,364</u>	<u>-</u>	<u>89,883</u>	<u>19,803,658</u>	<u>110,938,905</u>
Expenditures:					
Current:					
General government	2,768,834	-	-	1,074,697	3,843,531
Public safety	11,957,205	-	-	418,882	12,376,087
Education	48,983,776	40,131	-	9,941,930	58,965,837
Public works	5,267,704	-	-	6,185,620	11,453,324
Health and human services	523,139	-	-	69,491	592,630
Culture and recreation	1,332,587	-	-	864,045	2,196,632
Employee benefits	13,141,777	-	-	-	13,141,777
Debt service	3,998,643	-	-	604,550	4,603,193
Intergovernmental	2,184,070	-	-	-	2,184,070
Total Expenditures	<u>90,157,735</u>	<u>40,131</u>	<u>-</u>	<u>19,159,215</u>	<u>109,357,081</u>
Excess (deficiency) of revenues over expenditures	887,629	(40,131)	89,883	644,443	1,581,824
Other Financing Sources (Uses):					
Bond proceeds	-	-	-	3,724,000	3,724,000
Operating transfers in	989,283	79,163	-	619,850	1,688,296
Operating transfers out	(711,719)	-	-	(968,446)	(1,680,165)
Total Other Financing Sources (Uses)	<u>277,564</u>	<u>79,163</u>	<u>-</u>	<u>3,375,404</u>	<u>3,732,131</u>
Change in fund balance, before the effect of a special item	1,165,193	39,032	89,883	4,019,847	5,313,955
Special item	-	12,425,447	-	-	12,425,447
Change in fund balance, after the effect of a special item	1,165,193	12,464,479	89,883	4,019,847	17,739,402
Fund Equity, at Beginning of Year, as restated	8,506,341	(16,331,708)	4,554,772	7,375,152	4,104,557
Fund Equity, at End of Year	<u>\$ 9,671,534</u>	<u>\$ (3,867,229)</u>	<u>\$ 4,644,655</u>	<u>\$ 11,394,999</u>	<u>\$ 21,843,959</u>

See notes to financial statements.

CITY OF LEOMINSTER, 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, 2005

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 17,739,402								
<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 style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Capital outlay purchases, net of dispositions</td> <td style="text-align: right;">2,325,523</td> </tr> <tr> <td>Depreciation, net of dispositions</td> <td style="text-align: right;">(3,030,947)</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. 278,125 • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Bond proceeds</td> <td style="text-align: right;">(3,724,000)</td> </tr> <tr> <td>Repayments of debt principal</td> <td style="text-align: right;">3,472,439</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. (1,120) • Some expenses reported in the Statement of Activities, such as compensated absences and landfill closure, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. (625,354) • Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with Governmental Activities. (<u>314,355</u>) 		Capital outlay purchases, net of dispositions	2,325,523	Depreciation, net of dispositions	(3,030,947)	Bond proceeds	(3,724,000)	Repayments of debt principal	3,472,439
Capital outlay purchases, net of dispositions	2,325,523								
Depreciation, net of dispositions	(3,030,947)								
Bond proceeds	(3,724,000)								
Repayments of debt principal	3,472,439								
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>16,119,713</u>								

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS
GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget			
Revenues and Other Sources:					
Taxes	\$ 37,014,379	\$ 37,014,379		\$ 37,014,379	-
Excise	3,625,000	3,625,000		4,783,395	1,158,395
Penalties, interest and other taxes	183,000	183,000		273,648	90,648
Charges for services	1,074,750	1,074,750		1,089,142	14,392
Intergovernmental	38,246,801	38,246,801		38,944,386	697,585
Licenses and permits	531,750	531,750		669,927	138,177
Fines and forfeits	174,000	174,000		258,383	84,383
Investment income	185,000	185,000		358,990	173,990
Miscellaneous	748,253	748,253		748,111	(142)
Transfers in	218,529	663,329		989,283	325,954
Other sources	1,635,557	3,089,558		3,089,558	-
Total Revenues and Other Sources	83,637,019	85,535,820		88,219,202	2,683,382
Expenditures and Other Uses:					
General government	3,344,343	3,277,178		3,190,230	86,948
Public safety	11,501,906	12,151,938		11,908,787	243,151
Education	42,180,682	42,180,682		42,076,291	104,391
Public works	4,458,104	5,428,833		5,342,117	86,716
Health and human services	517,615	530,493		508,402	22,091
Culture and recreation	1,246,702	1,331,278		1,311,879	19,399
Debt service	4,239,020	4,358,770		4,352,441	6,329
Intergovernmental	2,321,064	2,321,064		2,184,070	136,994
Employee benefits	13,125,348	13,243,349		13,156,599	86,750
Transfers out	701,719	711,719		711,719	-
Other uses	516	516		516	-
Total Expenditures and Other Uses	83,637,019	85,535,820		84,743,051	792,769
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -		\$ 3,476,151	\$ 3,476,151

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2005

Governmental
Activities
Internal
Service
Fund

ASSETS

Current:

Cash and short-term investments

\$ 3,737,645

TOTAL ASSETS

3,737,645

LIABILITIES

Current:

Accrued liabilities

3,023,004

TOTAL LIABILITIES

3,023,004

NET ASSETS

Unrestricted

714,641

TOTAL NET ASSETS

\$ 714,641

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2005

	Governmental <u>Activities</u> Internal Service <u>Fund</u>
Operating Revenues:	
Employee and employer contributions	\$ <u>12,619,365</u>
Total Operating Revenues	12,619,365
Operating Expenses:	
Employee benefits	<u>12,965,722</u>
Total Operating Expenses	<u>12,965,722</u>
Operating Income (Loss)	(346,357)
Nonoperating Revenues (Expenses):	
Investment income	<u>40,133</u>
Total Nonoperating Revenues (Expenses), Net	<u>40,133</u>
Income (Loss) Before Transfers	(306,224)
Transfers:	
Operating transfers in	91,869
Operating transfers (out)	<u>(100,000)</u>
Total Transfers	(8,131)
Change in net assets	(314,355)
Net Assets at Beginning of Year	<u>1,028,996</u>
Net Assets at End of Year	\$ <u><u>714,641</u></u>

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Activities Internal Service Fund
<u>Cash Flows From Operating Activities:</u>	
Receipts from employees and employer	\$ 12,619,365
Payments of employee benefits and expenses	<u>(12,435,159)</u>
Net Cash Provided by Operating Activities	184,206
<u>Cash Flows From Noncapital Financing Activities:</u>	
Operating transfers in	91,869
Operating transfers (out)	<u>(100,000)</u>
Net Cash (Used For) Noncapital Financing Activities	(8,131)
<u>Cash Flows From Investing Activities:</u>	
Investment income	<u>40,133</u>
Net Cash Provided By Investing Activities	<u>40,133</u>
Net Change in Cash and Short-Term Investments	216,208
Cash and Short-Term Investments, Beginning of Year	<u>3,521,437</u>
Cash and Short-Term Investments, End of Year	<u>\$ 3,737,645</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating (loss)	\$ (346,357)
Changes in assets and liabilities:	
Accrued liabilities	<u>530,563</u>
Net Cash Provided by Operating Activities	<u>\$ 184,206</u>

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2005

	<u>Agency Funds</u>	<u>Pension Trust Fund (As of December 31, 2004)</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 349,547	\$ 232,873
Investments	-	69,329,987
Accounts receivable	<u>28,288</u>	<u>146,515</u>
Total Assets	377,835	69,709,375
<u>LIABILITIES AND NET ASSETS</u>		
Deferred revenue	-	1,843,494
Other liabilities	<u>377,835</u>	<u>-</u>
Total Liabilities	377,835	1,843,494
<u>NET ASSETS</u>		
Total net assets held in trust for pension benefits	\$ <u>-</u>	\$ <u>67,865,881</u>

See notes to financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employers	\$ 3,576,178
Other systems and Commonwealth of Massachusetts	436,419
Plan members	<u>2,029,060</u>
Total contributions	6,041,657
Investment Income (Loss):	
Interest and dividends	3,248,905
Increase in fair value of investments	4,406,195
Less management fees	<u>(99,335)</u>
Net investment income	<u>7,555,765</u>
Total additions	13,597,422
Deductions:	
Benefit payments to plan members and beneficiaries	5,635,010
Refunds to plan members	331,820
Reimbursements to other systems	119,005
Administrative expenses	<u>126,794</u>
Total deductions	<u>6,212,629</u>
Net increase	7,384,793
Net assets:	
Beginning of year	<u>60,481,088</u>
End of year	<u>\$ 67,865,881</u>

See notes to financial statements.

City of Leominster, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the City of Leominster (the City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected City Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2005, it was determined that no entities met the required GASB-39 criteria of component units.

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

In the Fiduciary Funds: The Leominster Contributory Retirement System which was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at Leominster City Hall, 25 West Street, Leominster, MA 01453.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and con-

tributions 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 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 are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Skyview Middle School capital project fund*, which accounts for the resources obtained and used for the construction of Skyview Middle School.
- The *stabilization fund*, an account authorized by Massachusetts General Laws Chapter 40, Subsection 5B from which the City can appropriate for any legal purpose.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The government reports the following proprietary fund:

- Internal Service Funds - To account for goods or services provided by one City department or agency to other City departments or agencies. The City accounts for its self-insured health and workers compensation funds as internal service funds.

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

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 cash equivalents". The interest earnings attributable to each fund type is included under investment income.

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

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 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 2 1/2" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2005 tax levy reflected an excess capacity of \$ 5,142,275.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 20,000 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.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Water/sewer infrastructure	25
Vehicles	5 - 10
Office equipment	5
Computer equipment	5

H. Compensated Absences

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

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

K. 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. 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. 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 certain special revenue 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, water and sewer funds are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

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

	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
<u>General Fund</u>		
Revenues/Expenditures (GAAP basis)	\$ 91,045,364	\$ 90,157,735
Other financing sources/uses (GAAP basis)	989,283	711,719
Adjust tax revenue to accrual basis	(727,637)	-
Reverse beginning of year appropri- ation carryforwards from expenditures	-	(2,782,013)
Add end of year appropriation	-	2,478,662
To reverse the effect of non- budgeted State contributions for teachers retirement	(6,177,366)	(6,177,366)
To reverse the effect of GAAP accruals	-	353,798
Recognize use of fund balance as funding source/use	<u>3,089,558</u>	<u>516</u>
Budgetary basis	<u>\$ 88,219,202</u>	<u>\$ 84,743,051</u>
<u>Water Fund</u>		
Revenues/Expenditures (GAAP basis)	\$ 3,452,027	\$ 3,410,123
Other financing sources/ uses (GAAP basis)	242,600	314,626
Reverse beginning of year appropriation carryforwards from expenditures	-	(160,551)
Add end of year appropriation carryforwards to expenditures	<u>-</u>	<u>130,429</u>
Budgetary basis	<u>\$ 3,694,627</u>	<u>\$ 3,694,627</u>
<u>Sewer Fund</u>		
Revenues/Expenditures (GAAP basis)	\$ 2,563,550	\$ 2,886,497
Other financing sources/uses (GAAP basis)	91,250	11,328
Reverse beginning of year appropriation carryforwards from expenditures	-	(349,230)
Add end of year appropriation carryforwards to expenditures	<u>-</u>	<u>106,205</u>
Budgetary basis	<u>\$ 2,654,800</u>	<u>\$ 2,654,800</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2005:

Capital Project Funds:	
Skyview Middle School	\$ 3,867,229
Southeast Street School Plan	750,410
Special Revenue Funds:	
Perkins Non-Trade Training - FY 05	10,486
Idea SPED Entitlement - FY 02	10,914
Class Size Reduction - FY 01	8,136
COPS Fast - FY 00	12,766
Parent Program - FY 05	20,437
Literacy Support - FY 03	15,686
Summer Support - FY 03	7,611

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

3. 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 deposits may not be returned to it. Massachusetts general law Chapter 44, section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent 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." The City and the Contributory Retirement System do not have a deposit policy for custodial credit risk.

As of June 30, 2005, \$ 23,582,943 of the City's bank balance of \$ 32,460,577 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the City's name.

As of December 31, 2004, \$ 70,325 of the Contributory Retirement System's bank balance of \$ 594,774 was exposed to custodial risk as uninsured, uncollateralized, and collateral held by pledging bank's Trust Department not in the System's name.

4. 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 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 type of the City.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>AA2</u>	<u>AA3</u>
Certificates of deposits	\$ 2,864,536	N/A	\$ 2,864,536	\$ -	\$ -	\$ -
Corporate equities	128,074	N/A	128,074	-	-	-
Mutual funds	88,358	N/A	88,358	-	-	-
Federal agency securities	<u>85,920</u>		<u>-</u>	<u>85,920</u>	<u>-</u>	<u>-</u>
Total investments	\$ <u>3,166,888</u>		\$ <u>3,080,968</u>	\$ <u>85,920</u>	\$ <u>-</u>	\$ <u>-</u>

Presented below is the actual rating as of year end for each investment type of the contributory retirement system.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>A</u>
Pooled domestic fixed income funds	\$ 3,338,291	N/A	\$ 3,338,291	\$ -	\$ -	\$ -
Pooled global equity funds	31,560,810	N/A	31,560,810	-	-	-
Pooled international equity funds	8,804,655	N/A	8,804,655	-	-	-
Pooled domestic equity funds	25,395,250	N/A	25,395,250	-	-	-
State investment pool *	<u>230,981</u>	N/A	<u>230,981</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	\$ <u>69,329,987</u>		\$ <u>69,329,987</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</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 does not have policies for custodial credit risk.

C. Concentration of Credit Risk

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

Certificates of deposit:	
Morgan Stanley	\$ <u>2,864,536</u>

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 does 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>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Certificates of deposit	\$ 2,864,536	\$ 1,869,583	\$ 994,953	\$ -	\$ -
Corporate equities	128,074	N/A	-	-	-
Mutual funds	88,358	N/A	-	-	-
Federal agency securities	<u>85,920</u>	<u>-</u>	<u>85,920</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,166,888</u>	<u>\$ 1,869,583</u>	<u>\$ 1,080,873</u>	<u>\$ -</u>	<u>\$ -</u>

E. Foreign Currency Risk

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

5. 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, 2005 consist of the following (in thousands):

Real Estate		
2005	\$ 654	
2004	4	
2003 and Prior	<u>10</u>	668
Personal Property		
2005	26	
2004	28	
2003 and Prior	<u>238</u>	292
Tax Liens		1,451
Tax Foreclosure		318
Taxes in Litigation		<u>14</u>
Total		\$ <u>2,743</u>

6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>
Property taxes	\$ 1,850
Excises	348
Utilities	74
Other departmental	289

7. Intergovernmental and Loans Receivables

The current intergovernmental receivable balance reported in the accompanying entity-wide financial statements represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2005.

The non-current balance primarily represents various deferred payment loans made to residents through the City's Federal and State grant programs. The non-current portion of receivables has been deferred.

The loan receivable balance represents grant funds received from the United States Department of Housing and Urban Development (HUD) under the Housing Development Grant (HDG) program. The City subsequently loaned these funds to Whitney Carriage Associates Limited Partnership for the purpose of rehabilitating and constructing 181 units of housing (45 of which were to be low-income units) in the City of Leominster. The loan is subordinate to

loans made by the Massachusetts Housing Finance Authority (MHFA). The balance of the loan has been deferred as the City does not anticipate it being repaid.

8. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings	\$ 77,789,009	\$ -	\$ (27,300)	\$ 77,761,709
Buildings and land improvements	13,922,644	494,907	-	14,417,551
Machinery, equipment, and furnishings	7,008,355	673,173	-	7,681,528
Infrastructure	<u>2,326,103</u>	<u>137,146</u>	<u>-</u>	<u>2,463,249</u>
Total capital assets, being depreciated	101,046,111	1,305,226	(27,300)	102,324,037
Less accumulated depreciation for:				
Buildings	(25,924,704)	(1,805,401)	4,184	(27,725,921)
Buildings and land improvements	(3,594,123)	(810,271)	-	(4,404,394)
Machinery, equipment, and furnishings	(3,807,696)	(377,964)	-	(4,185,660)
Infrastructure	<u>(42,082)</u>	<u>(41,495)</u>	<u>-</u>	<u>(83,577)</u>
Total accumulated depreciation	<u>(33,368,605)</u>	<u>(3,035,131)</u>	<u>4,184</u>	<u>(36,399,552)</u>
Total capital assets, being depreciated, net	67,677,506	(1,729,905)	(23,116)	65,924,485
Capital assets, not being depreciated:				
Land	73,688,500	242,900	(24,700)	73,906,700
Construction in progress	<u>1,565,913</u>	<u>945,597</u>	<u>(116,200)</u>	<u>2,395,310</u>
Total capital assets, not being depreciated	<u>75,254,413</u>	<u>1,188,497</u>	<u>(140,900)</u>	<u>76,302,010</u>
Governmental activities capital assets, net	<u>\$ 142,931,919</u>	<u>\$ (541,408)</u>	<u>\$ (164,016)</u>	<u>\$ 142,226,495</u>

Note: The City has not yet capitalized all infrastructure assets for governmental activities.

Depreciation expense was charged to functions of the City as follows:

General government	\$ 122,346
Public safety	377,867
Education	1,639,985
Public works	514,147
Health and human services	195,406
Culture and recreation	<u>185,380</u>
Total depreciation expense	<u>\$ 3,035,131</u>

9. Warrants and Accounts Payable

Warrants payable represent 2005 expenditures paid by July 15, 2005 as permitted by law. Accounts payable represent additional 2005 expenditures paid after July 15, 2005.

10. Deferred Revenue

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

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2005 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

11. Notes Payable

The City had the following notes outstanding at June 30, 2005:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2005</u>
Bond anticipation	2.74%	5/11/05	11/10/05	\$ 2,200,000
Bond anticipation	2.50%	5/11/05	5/11/06	<u>3,989,553</u>
Total				\$ <u>6,189,553</u>

The following summarizes activity in notes payable during fiscal year 2005:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ <u>21,090,000</u>	\$ <u>27,404,553</u>	\$ <u>(42,305,000)</u>	\$ <u>6,189,553</u>

12. Other Liabilities

This balance consists primarily of unclaimed checks (tailings).

13. 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 currently outstanding are as follows:

<u>Bonds Payable:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s)%</u>	<u>Amount Outstanding as of June 30, 2005</u>
School refunding	4/01/09	5.63	\$ 6,010,000
Municipal buildings refunding	11/01/10	2.75 - 3.75	1,740,000
Skyview Middle School	5/15/13	3.25 - 4.00	6,000,000
School refunding	4/01/14	4.29	5,345,000
Sewer inflow/infiltration (MWPAT)	8/01/18	1.50	942,300

(continued)

(continued)

<u>Bonds Payable:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s)%</u>	<u>Amount Outstanding as of June 30, 2005</u>
Sewer inflow/infiltration (MWPAT)	8/01/19	1.50	1,894,943
Harvard Street sewer (MWPAT)	8/01/19	1.50	1,248,558
Water (MWPAT)	8/01/19	1.50	3,596,746
Harvard Street sewer (MWPAT)	8/01/19	1.50	984,134
Water improvements	5/01/25	3.50 - 5.00	<u>3,724,000</u>
Total Bonds Payable:			\$ <u>31,485,681</u>

B. State Revolving Loan

The U.S. Environmental Protection Agency sponsors a low interest rate loan program. The loans are administered by the Massachusetts Water Pollution Abatement Trust (MWPAT) and are used by local communities to improve their public works systems.

The City's loan authorizations and status are as follows:

<u>Purpose</u>	<u>Authorized</u>	<u>Issued</u>
Sewer inflow/infiltration	\$ 1,300,000	\$ 1,270,700
Sewer inflow/infiltration	2,400,000	2,386,011
Water treatment facility	4,500,000	4,489,993
Harvard Street sewer	2,840,000	2,766,028

In addition to offering these loans at a reduced interest rate, MWPAT has also subsidized the loan principal as follows:

	<u>Original Loan</u>	<u>Principal Subsidy</u>	<u>Net Repayment</u>
Loan #97-26	\$ 295,000	\$ (62,179)	\$ 232,821
Loan #97-67	975,700	(205,633)	770,067
Loan #98-41	2,386,011	(572,893)	1,813,118
Loan #99-08	4,489,993	(925,395)	3,564,598
Loan #99-126	1,674,173	(396,744)	1,277,429
Loan #99-126A	<u>1,092,755</u>	<u>(248,660)</u>	<u>844,095</u>
Total	\$ <u>10,913,632</u>	\$ <u>(2,411,504)</u>	\$ <u>8,502,128</u>

C. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2005 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 3,731,032	\$ 1,096,512	\$ 4,827,544
2007	3,803,109	948,338	4,751,447
2008	3,885,594	794,632	4,680,226
2009	3,973,812	633,558	4,607,370
2010	2,348,426	462,372	2,810,798
2011 - 2015	8,601,914	1,245,581	9,847,495
2016 - 2020	4,216,794	372,166	4,588,960
2021 - 2025	<u>925,000</u>	<u>117,292</u>	<u>1,042,292</u>
Total	\$ <u>31,485,681</u>	\$ <u>5,670,451</u>	\$ <u>37,156,132</u>

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2005, the following changes occurred in long-term liabilities:

	<u>Total Balance 7/1/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/05</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/05</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 31,234,120	\$ 3,724,000	\$ (3,472,439)	\$ 31,485,681	\$ (3,731,032)	\$ 27,754,649
Other:						
Landfill closure	2,046,600	293,400	-	2,340,000	(90,000)	2,250,000
Accrued employee benefits	<u>3,788,839</u>	<u>331,954</u>	<u>-</u>	<u>4,120,793</u>	<u>-</u>	<u>4,120,793</u>
Totals	\$ <u>37,069,559</u>	\$ <u>4,349,354</u>	\$ <u>(3,472,439)</u>	\$ <u>37,946,474</u>	\$ <u>(3,821,032)</u>	\$ <u>34,125,442</u>

14. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City's landfill has been closed for several years and the City has filed a formal closure and monitoring plan with the Commonwealth. The \$ 2,340,000 reported as landfill post-closure care liability at June 30, 2005 represents the annual cost of monitoring, currently estimated at \$ 90,000, for the next 26 years. This amount is based on what it would cost to perform all post-closure care in 2005. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The city expects to fund the cost of monitoring through annual departmental appropriations.

15. Restricted Net Assets

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

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

16. Reserves of Fund Equity

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

The following types of reserves are reported at June 30, 2005:

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

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

17. Special Item

Special items are significant transactions or events within the control of management that are either unusual in nature or infrequent in occurrence. In fiscal year 2005, the City experienced the effect of a special item, resulting from the receipt of Massachusetts School Building Authority (MSBA) funds equal to 75 percent of the MSBA's reimbursement for the costs related to the construction of the Skyview Middle School. This special item resulted in a one-time gain of \$ 12,425,447.

18. Subsequent Events

Debt

Subsequent to June 30, 2005, the City has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$ 5,275,000	4%	11/09/05	5/11/06

19. Commitments and Contingencies

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.

Sewer Infiltration/Inflow Project - The City is under a 1996 Administrative Consent Order issued by the Department of Environmental Protection to improve its sewer inflow/infiltration system. The City funded the first two phases of the remediation through a low-interest loan program administered by the Massachusetts Water Pollution Abatement Trust Fund (MWPAT). The projects were substantially completed at the end of fiscal year 2002. The related loan balances of \$ 942,300 and \$ 1,894,943 are reported as long-term obligations of the City. The final phase of remediation is expected to begin in September 2005 and is expected to cost approximately \$ 2.5 million, which the City intends to fund through a combination of grant and bond proceeds.

In June 2002, the City received an Administrative Consent Order and Notice of Noncompliance for not fully complying with the 1996 consent order. It is anticipated that the June 2002 order will be satisfied by continued maintenance in conjunction with operational monitoring, to be funded through annual departmental operations.

Sludge Disposal Agreement - In 1989 the City entered into a 30-year agreement with the City of Fitchburg for sludge removal. The agreement may be terminated with one year's notice. The cost is appropriated annually and is based on actual usage, which is estimated to be approximately \$ 550,000 per year.

20. Post-Employment Health Care and Life Insurance Benefits

The City has accepted Chapter 32B of Massachusetts General Laws to provide for health care and life insurance benefits to retirees, their dependents, or their survivors. These benefits are provided through the City's group plans. The cost of these benefits are included in the total cost of benefits for both active and retired employees. The number of participants currently eligible to receive benefits, and the cost of benefits for retirees, their dependents, or their survivors for the years ended June 30, 2005 was not available.

21. Contributory Retirement System

A. Plan Description and Contribution Information

Substantially all employees of the City (except teachers and administrators under contract employed by the School Department) are members of the Leominster Contributory Retirement System (LCRS), a cost-sharing, multiple-employer defined benefit PERS. Eligible employees must participate in the LCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts Gen-

eral Laws establishes the authority of the LCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The LCRS 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, 2004, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	369
Terminated plan members entitled to but not yet receiving benefits	41
Active plan members	<u>613</u>
Total	<u>1,023</u>
Number of participating employers	2

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

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

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

B. Summary of Significant Accounting Policies

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

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

C. Teachers

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

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

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

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

Effective January 1, 1990, all participants hired after January 1, 1979, must pay an additional 2% of salary in excess of \$ 30,000. The City's current year covered payroll for teachers was not available.

In fiscal year 2005, the Commonwealth of Massachusetts contributed \$ 6,177,366 to the MTRS on behalf of the City. This is included in the education expenditures and intergovernmental revenues in the general fund.

22. Self Insurance

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

Workers Compensation

The City contracts with an insurance consultant for claims processing of the City's workers compensation policy. Under the terms of its insurance coverage, the City is liable for up to \$ 100,000 per person per year with an aggregate liability of \$ 200,000, with a maximum of \$ 5,000,000. At June 30, 2005, there was no liability for unpaid claims as the City estimates the amount, if any, to be immaterial.

Health Insurance

The City contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing of its dental and health insurance plans. Under the terms of its insurance coverage, the City is liable for dental costs incurred up to \$ 1,000 per enrollee per year and medical claims up to \$ 100,000 per incident, with a lifetime maximum of \$ 2 million per enrollee. The policy also includes an aggregate maximum of 125 percent of premiums per policy year. The City's health insurance plans are retrospectively rated (i.e., level monthly payment amounts are adjusted quarterly to reflect actual claims paid). The claims liability at June 30, 2005 represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

Changes in the aggregate liability for claims for the year ended June 30, 2005 are as follows:

Claims liability, July 1, 2004	\$ 2,492,441
Claims incurred/recognized in fiscal year 2005	12,965,722
Claims paid in fiscal year 2005	<u>(12,435,159)</u>
Claims liability, June 30, 2005	\$ <u>3,023,004</u>

23. Beginning Fund Balance Reclassification

The City's major governmental funds for fiscal year 2005, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

<u>Fund</u>	Fund Balance June 30, 2004 (as previously reported)	<u>Reclassification</u>	Fund Balance June 30, 2004 (as restated)
Water System Improvements	\$ (554,073)	\$ 554,073	\$ -
Non-Major Governmental Funds	<u>7,929,225</u>	<u>(554,073)</u>	<u>7,375,152</u>
Total	\$ <u>7,375,152</u>	\$ <u>-</u>	\$ <u>7,375,152</u>

**CITY OF LEOMINSTER, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION**

Schedules of Funding Progress and Employer Contributions

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

Schedule of Funding Progress (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
1/01/04	\$ 62,214	\$ 92,559	\$ 30,345	67.0%	\$ 20,658	147%
1/01/01	\$ 52,941	\$ 77,053	\$ 24,112	68.7%	\$ 18,178	133%
1/01/98	\$ 41,568	\$ 68,432	\$ 26,864	60.7%	\$ 15,254	176%
1/01/95	\$ 24,578	\$ 49,024	\$ 24,446	50.1%	\$ 11,638	210%
1/01/92	\$ 19,797	\$ 42,516	\$ 22,719	46.6%	\$ 10,700	212%

Schedule of Employer Contributions:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1998	\$ 2,813,077	100%
1999	3,074,811	100%
2000	2,817,657	100%
2001	2,950,183	100%
2002	3,060,645	100%
2003	3,332,948	100%
2004	3,555,376	100%
2005	3,686,988	100%

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

Valuation date	January 1, 2004
Actuarial cost method	Entry age, normal cost
Amortization method	Approximate level percent of payroll closed
Remaining amortization period	12 years
Asset valuation method	Market value adjusted by payables and receivables
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	4.75%
Cost of living adjustments	To be funded by City

See Independent Auditors' Report.

CITY OF LEOMINSTER, MASSACHUSETTS
STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL
ANNUALLY BUDGETED SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)	
<u>WATER</u>					
Revenues and Other Sources:					
Charges for services	\$ 3,200,000	\$ 3,200,000	\$ 3,423,192	\$ 223,192	
Intergovernmental	28,835	28,835	28,835	-	
Transfers in	<u>242,600</u>	<u>242,600</u>	<u>242,600</u>	-	
Total Revenues and Other Sources	3,471,435	3,471,435	3,694,627	223,192	
Expenditures and Other Uses:					
Public works	3,179,375	3,179,375	3,109,031	70,344	
Debt service	292,060	292,060	270,970	21,090	
Transfers out	-	-	314,626	(314,626)	
Total Expenditures and Other Uses	<u>3,471,435</u>	<u>3,471,435</u>	<u>3,694,627</u>	<u>(223,192)</u>	
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ -	\$ -	
<u>SEWER</u>					
Revenues and Other Sources:					
Charges for services	\$ 2,500,000	\$ 2,500,000	\$ 2,508,298	\$ 8,298	
Intergovernmental	55,252	55,252	55,252	-	
Transfers in	<u>91,250</u>	<u>91,250</u>	<u>91,250</u>	-	
Total Revenues and Other Sources	2,646,502	2,646,502	2,654,800	8,298	
Expenditures and Other Uses:					
Public works	2,303,882	2,303,882	2,309,892	(6,010)	
Debt service	342,620	342,620	333,580	9,040	
Transfers out	-	-	11,328	(11,328)	
Total Expenditures and Other Uses	<u>2,646,502</u>	<u>2,646,502</u>	<u>2,654,800</u>	<u>(8,298)</u>	
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ -	\$ -	

See Independent Auditors' Report.