

CITY OF GARDNER, 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	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	18
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	20
Statement of Cash Flows	21
Fiduciary Funds:	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	24
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Funding Progress	52

Additional Offices:

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Gardner, Massachusetts, 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 did not audit the financial statements of either the Levi Heywood Library Association, which represent all of the assets, net position, and revenues of the aggregate discretely presented component unit, or the Pension Trust Fund (as of and for the year ending December 31, 2013), which represents 86%, 88%, and 56%, respectively of the assets, net position/fund balance, and revenues/additions of the

aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Levi Heywood Library Association or the Pension Trust Fund, is based solely on the report of the other auditors. 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. The financial statements of Levi Heywood Library Association were not audited in accordance with *Government Auditing Standards*.

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 our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gardner, Massachusetts, 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 evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Melanson Heath

November 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gardner, 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 City of Gardner'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 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 government'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, intergovernmental and miscellaneous. The business-type activities include water, sewer, golf, solid waste and landfill 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 water, sewer, golf, solid waste and landfill operations.

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. 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 funds financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds.

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 \$26,040,611 (i.e., net position), a change of \$(1,708,927) in comparison to the (restated) prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$16,893,454, a change of \$9,892,699 in comparison with the (restated) prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,264,959, an increase of \$138,467 in comparison with the (restated) prior year.
- Total long-term debt (i.e., bonds payable and unamortized bond premium) at the close of the current fiscal year was \$25,146,789, an increase of \$10,249,574 in comparison to the prior year.
- At the close of the current fiscal year, the Stabilization Fund balance (which is combined with the General Fund) was \$2,120,854, which represents an increase of \$226,142 in comparison with 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>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013 (restated)</u>	<u>2014</u>	<u>2013 (restated)</u>	<u>2014</u>	<u>2013 (restated)</u>
Current and other assets	\$ 27,983,433	\$ 24,318,994	\$ 11,075,590	\$ 10,504,443	\$ 39,059,023	\$ 34,823,437
Capital assets	<u>37,052,770</u>	<u>29,677,492</u>	<u>18,910,917</u>	<u>19,885,709</u>	<u>55,963,687</u>	<u>49,563,201</u>
Total assets	65,036,203	53,996,486	29,986,507	30,390,152	95,022,710	84,386,638
Long-term liabilities outstanding	53,539,065	41,326,464	10,295,646	11,857,322	63,834,711	53,183,786
Other liabilities	<u>4,491,846</u>	<u>2,783,836</u>	<u>655,542</u>	<u>669,478</u>	<u>5,147,388</u>	<u>3,453,314</u>
Total liabilities	58,030,911	44,110,300	10,951,188	12,526,800	68,982,099	56,637,100
Net position:						
Invested in capital assets, net	30,176,554	29,299,094	9,934,577	9,427,681	40,111,131	38,726,775
Restricted	4,676,390	10,080,029	-	-	4,676,390	10,080,029
Unrestricted	<u>(27,847,652)</u>	<u>(29,492,937)</u>	<u>9,100,742</u>	<u>8,435,671</u>	<u>(18,746,910)</u>	<u>(21,057,266)</u>
Total net position	\$ <u>7,005,292</u>	\$ <u>9,886,186</u>	\$ <u>19,035,319</u>	\$ <u>17,863,352</u>	\$ <u>26,040,611</u>	\$ <u>27,749,538</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>(restated)</u>	<u>2014</u>	<u>2013</u> <u>(restated)</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,044,265	\$ 2,336,516	\$ 8,221,887	\$ 8,172,637	\$ 10,266,152	\$ 10,509,153
Operating grants and contributions	32,942,209	27,345,973	-	-	32,942,209	27,345,973
Capital grants and contributions	3,281,061	-	309,126	-	3,590,187	-
General revenues:						
Property taxes	21,269,823	20,444,033	-	-	21,269,823	20,444,033
Excises	1,918,177	1,591,085	-	-	1,918,177	1,591,085
Penalties, interest on taxes	533,116	410,061	-	-	533,116	410,061
Grants and contributions not restricted to specific programs	4,085,092	4,136,119	-	328,973	4,085,092	4,465,092
Investment income	70,502	56,998	7,865	12,648	78,367	69,646
Miscellaneous	1,084,124	93,821	-	122,361	1,084,124	216,182
Total revenues	67,228,369	56,414,606	8,538,878	8,636,619	75,767,247	65,051,225
Expenses:						
General government	3,586,330	4,035,767	-	-	3,586,330	4,035,767
Public safety	6,049,534	6,253,982	-	-	6,049,534	6,253,982
Education	32,219,196	26,496,879	-	-	32,219,196	26,496,879
Public works	3,729,182	3,246,843	-	-	3,729,182	3,246,843
Health and human services	1,308,040	1,179,551	-	-	1,308,040	1,179,551
Culture and recreation	1,025,651	887,530	-	-	1,025,651	887,530
Employee benefits	20,762,101	17,791,141	-	-	20,762,101	17,791,141
Interest	142,697	277,837	-	-	142,697	277,837
Intergovernmental	1,283,395	1,241,562	-	-	1,283,395	1,241,562
Enterprise funds combined	-	-	-	6,151,555	-	6,151,555
Water operations	-	-	2,681,566	-	2,681,566	-
Sewer operations	-	-	2,371,724	-	2,371,724	-
Golf operations	-	-	783,082	-	783,082	-
Solid waste operations	-	-	1,445,462	-	1,445,462	-
Landfill operations	-	-	88,214	-	88,214	-
Total expenses	70,106,126	61,411,092	7,370,048	6,151,555	77,476,174	67,562,647
Change in net position before transfers	(2,877,757)	(4,996,486)	1,168,830	2,485,064	(1,708,927)	(2,511,422)
Transfers, net	(3,137)	443,173	3,137	(443,173)	-	-
Change in net position	(2,880,894)	(4,553,313)	1,171,967	2,041,891	(1,708,927)	(2,511,422)
Net assets - beginning of year, as restated	9,886,186	14,439,499	17,863,352	15,821,461	27,749,538	30,260,960
Net assets - end of year	\$ 7,005,292	\$ 9,886,186	\$ 19,035,319	\$ 17,863,352	\$ 26,040,611	\$ 27,749,538

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 \$26,040,611, a change of \$(1,708,927) from the prior year.

By far the largest portion of net position, \$40,111,131, reflects our investment in capital assets (e.g., land, buildings, machinery and 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, \$4,676,390, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(27,847,652) in governmental activities and a surplus of 9,100,742 in business-type activities.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(2,880,894). Key elements of this change are as follows:

Consolidated General fund operations	\$ 81,926
Major fund - City Capital Project fund bond proceeds and transfers in in excess of expenditures	8,192,736
Major fund - School Capital Project fund expenditures in excess of revenues and transfers in	(129,755)
Other funds revenues in excess of expenditures	1,747,792
Depreciation expense in excess of principal debt service	(1,343,065)
Internal service fund operations	(1,145,932)
Reverse bond proceeds and bond premium from revenue	(12,526,527)
Capital assets purchases	9,123,409
Capital asset dispositions	(120,580)
Current year amortization of state (MSBA) reimbursements of school building projects, accrued in a prior year	(807,991)
Current year accrual of other post-employment benefit liability	(5,807,521)
Other	<u>(145,386)</u>
Total	<u>\$ (2,880,894)</u>

Business-Type Activities. Business-type activities for the year resulted in a change in net position of \$1,171,967. Key elements of this change are as follows:

Water enterprise	\$ 952,452
Sewer enterprise	403,378
Golf enterprise	(64,096)
Solid Waste enterprise	(41,554)
Landfill enterprise	<u>(78,213)</u>
Total	<u>\$ 1,171,967</u>

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 \$16,893,454, a change of \$9,892,699 in comparison with the (restated) prior year. Key elements of this change are as follows:

Consolidated General fund operations	\$ 81,926
Major fund - City Capital Project fund bond proceeds and transfers in in excess of expenditures	8,192,736
Major fund - School Capital Project fund expenditures in excess of revenues and transfers in	(129,755)
Other funds expenditures in excess of revenues	<u>1,747,792</u>
Total	<u>\$ 9,892,699</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 \$4,264,959, while total fund balance was \$6,243,843. 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.

<u>General Fund</u>	<u>6/30/14</u>	<u>6/30/13</u> <u>(restated)</u>	<u>Change</u>	<u>% of Total 2014</u> <u>General Fund</u> <u>Expenditures</u>
Unassigned - General fund	\$ 2,144,105	\$ 2,231,780	\$ (87,675)	4.0%
Unassigned - Stabilization fund	<u>2,120,854</u>	<u>1,894,712</u>	<u>226,142</u>	<u>3.9%</u>
Total Unassigned fund balance	\$ 4,264,959	\$ 4,126,492	\$ 138,467	7.9%
Total fund balance	\$ 6,243,843	\$ 6,161,917	\$ 81,926	11.6%

The total fund balance of the general fund changed by \$81,926 during the current fiscal year. Key factors in this change are as follows:

General Fund Operating Results:

(Shortfall) of tax collections compared to budget	\$ (314,560)
Excess of state and local revenues over budget	795,071
Budgetary appropriations unspent by departments	871,906
Use of free cash (fund balance) as a funding source	(1,676,459)

Timing Differences:

Difference between prior year encumbrances spent in the current year and current year encumbrances to be spent in subsequent period	179,826
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Other:

Stabilization Fund interest and transfers in	<u>226,142</u>
Total	<u>\$ 81,926</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 \$9,100,742, an increase of \$665,071 in comparison with the (restated) prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$1,918,092. Major reasons for these amendments include:

- \$ 70,000 increase in veterans appropriations.
- \$108,024 increase in various other departmental appropriations.
- \$125,000 increase for snow and ice appropriations.
- \$128,200 increase for other public works appropriations.
- \$173,195 increase for public safety appropriations
- \$144,673 transfer to Stabilization Fund.
- \$419,000 increase for City Hall capital project appropriations.
- \$750,000 transfer to police station capital project fund.

Of this increase, \$1,440,092 was funded from surplus (free cash), \$419,000 was funded from bond premium revenue and \$59,000 was funded from a transfer from the parking meter fund.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$55,963,687 (net of accumulated depreciation), an increase of \$5,748,372 from the (restated) prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

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

Depreciation expense - governmental funds	\$ (2,279,665)
Depreciation expense - business-type activities	(1,193,973)
Gardner High School building repairs and improvements (in progress)	3,527,202
Police station building (in progress)	4,174,723
City Hall heating system and other projects	147,146
Streetscape improvements and street construction	807,863
Greenwood Park playground improvements	260,677
Purchase of three police cruisers	95,326
Land acquired through tax foreclosure	110,472
Sale of foreclosed land	(120,580)
Various improvements in water infrastructure	219,181
	<hr/>
	\$ 5,748,372

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding, including unamortized bond premium, was \$25,146,789, 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 Gardner'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:

Mark P. Hawke, Mayor
City of Gardner
Gardner City Hall
95 Pleasant Street, Room 126
Gardner, MA 01440

CITY OF GARDNER, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Levi Heywood Library Association
	Activities	Activities		
ASSETS				
Current:				
Cash and short-term investments	\$ 17,034,366	\$ 8,570,896	\$ 25,605,262	\$ 286,428
Investments	4,125,901	-	4,125,901	1,385,571
Receivables, net of allowance for uncollectibles:				
Property taxes	1,062,770	-	1,062,770	-
Excises	339,027	-	339,027	-
User fees	-	2,504,694	2,504,694	259,575
Intergovernmental	1,503,639	-	1,503,639	-
Noncurrent:				
Receivables, net of allowance for uncollectibles:				
Property taxes	685,766	-	685,766	-
Intergovernmental	3,231,964	-	3,231,964	-
Land and construction in progress	13,715,346	1,011,422	14,726,768	-
Capital assets, net of accumulated depreciation	23,337,424	17,899,495	41,236,919	5,812,350
TOTAL ASSETS	65,036,203	29,986,507	95,022,710	7,743,924
LIABILITIES				
Current:				
Warrants payable	2,153,623	397,619	2,551,242	-
Accounts payable	412,309	-	412,309	259,575
Accrued payroll and withholdings	258,391	17,326	275,717	-
Accrued claims payable	659,234	-	659,234	-
Notes payable	759,403	240,597	1,000,000	-
Other current liabilities	248,886	-	248,886	-
Current portion of long-term liabilities:				
Bonds payable	1,415,895	1,310,817	2,726,712	-
Other liabilities	-	15,000	15,000	-
Noncurrent:				
Bonds payable, net of current portion	14,665,506	7,754,571	22,420,077	420,000
Other liabilities, net of current portion	37,457,664	1,215,258	38,672,922	-
TOTAL LIABILITIES	58,030,911	10,951,188	68,982,099	679,575
NET POSITION				
Invested in capital assets	30,176,554	9,934,577	40,111,131	5,392,350
Restricted for:				
Grants and other statutory restrictions	4,162,953	-	4,162,953	-
Permanent funds:				
Nonexpendable	443,124	-	443,124	125,327
Expendable	70,313	-	70,313	144,481
Unrestricted	(27,847,652)	9,100,742	(18,746,910)	1,402,191
TOTAL NET POSITION	\$ 7,005,292	\$ 19,035,319	\$ 26,040,611	\$ 7,064,349

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

CITY OF GARDNER, 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	Component Unit
Governmental Activities:								
General government	\$ 3,586,330	\$ 1,137,625	\$ 1,358,010	\$ 17,634	\$ (1,073,061)	\$ -	\$ (1,073,061)	\$ -
Public safety	6,049,534	363,163	107,564	-	(5,578,807)	-	(5,578,807)	-
Education	32,219,196	435,892	28,437,033	2,734,141	(612,130)	-	(612,130)	-
Public works	3,729,182	90,319	9,202	529,286	(3,100,375)	-	(3,100,375)	-
Health and human services	1,308,040	-	709,037	-	(599,003)	-	(599,003)	-
Culture and recreation	1,025,651	17,266	42,057	-	(966,328)	-	(966,328)	-
Employee benefits	20,762,101	-	2,279,306	-	(18,482,795)	-	(18,482,795)	-
Interest	142,697	-	-	-	(142,697)	-	(142,697)	-
Intergovernmental	1,283,395	-	-	-	(1,283,395)	-	(1,283,395)	-
Total Governmental Activities	70,106,126	2,044,265	32,942,209	3,281,061	(31,838,591)	-	(31,838,591)	-
Business-Type Activities:								
Water operations	2,681,566	3,335,759	-	297,033	-	951,226	951,226	-
Sewer operations	2,371,724	2,757,107	-	12,093	-	397,476	397,476	-
Golf operations	783,082	715,727	-	-	-	(67,355)	(67,355)	-
Solid waste operations	1,445,462	1,403,669	-	-	-	(41,793)	(41,793)	-
Landfill operations	88,214	9,625	-	-	-	(78,589)	(78,589)	-
Total Business-type Activities	7,370,048	8,221,887	-	309,126	-	1,160,965	1,160,965	-
Total Primary Government	\$ 77,476,174	\$ 10,266,152	\$ 32,942,209	\$ 3,590,187	(31,838,591)	1,160,965	(30,677,626)	-
Component Unit:								
Levi Heywood Library Association	\$ 1,136,576	\$ 28,488	\$ 1,150	\$ -	-	-	-	(1,106,938)
General Revenues:								
Property taxes					21,269,823	-	21,269,823	-
Excises					1,918,177	-	1,918,177	-
Penalties, interest and other taxes					533,116	-	533,116	-
Grants and contributions not restricted to specific programs					4,085,092	-	4,085,092	834,148
Investment income					70,502	7,865	78,367	222,935
Miscellaneous					1,084,124	-	1,084,124	-
Transfers, net					(3,137)	3,137	-	-
Total general revenues					28,957,697	11,002	28,968,699	1,057,083
Change in Net Position					(2,880,894)	1,171,967	(1,708,927)	(49,855)
Net Position:								
Beginning of year, as restated					9,886,186	17,863,352	27,749,538	7,114,204
End of year					\$ 7,005,292	\$ 19,035,319	\$ 26,040,611	7,064,349

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

CITY OF GARDNER, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	City Capital Project <u>Fund</u>	School Capital Project <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS					
Cash and short-term investments	\$ 5,204,013	\$ 7,420,425	\$ 273,940	\$ 4,058,535	\$ 16,956,913
Investments	1,987,950	-	-	453,102	2,441,052
Receivables:					
Property taxes	1,111,399	-	-	-	1,111,399
Tax title	857,207	-	-	-	857,207
Excises	702,158	-	-	-	702,158
Intergovernmental	748,864	-	-	754,775	1,503,639
TOTAL ASSETS	\$ <u>10,611,591</u>	\$ <u>7,420,425</u>	\$ <u>273,940</u>	\$ <u>5,266,412</u>	\$ <u>23,572,368</u>
LIABILITIES					
Warrants payable	\$ 713,947	\$ 833,606	\$ 109,744	\$ 496,326	\$ 2,153,623
Accrued payroll and withholdings	239,193	-	-	19,198	258,391
Notes payable	-	-	759,403	-	759,403
Other liabilities	152,084	10,618	81,270	1,001	244,973
TOTAL LIABILITIES	1,105,224	844,224	950,417	516,525	3,416,390
DEFERRED INFLOWS OF RESOURCES	3,262,524	-	-	-	3,262,524
Fund Balances:					
Nonspendable	-	-	-	443,124	443,124
Restricted	-	6,576,201	-	4,345,232	10,921,433
Committed	658,121	-	-	-	658,121
Assigned	1,320,763	-	-	-	1,320,763
Unassigned	4,264,959	-	(676,477)	(38,469)	3,550,013
TOTAL FUND BALANCES	<u>6,243,843</u>	<u>6,576,201</u>	<u>(676,477)</u>	<u>4,749,887</u>	<u>16,893,454</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>10,611,591</u>	\$ <u>7,420,425</u>	\$ <u>273,940</u>	\$ <u>5,266,412</u>	\$ <u>23,572,368</u>

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

CITY OF GARDNER, 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	\$ 16,893,454
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	37,052,770
• Revenues are reported on the accrual basis of accounting (net of allowance for uncollectible accounts) and are not deferred until collection. This accrual also includes future years' State reimbursement of school projects costs.	5,907,374
• Internal service 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 Position.	690,759
• Long-term liabilities, including bonds and loans payable, compensated absences, and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(52,815,024)
• As noted above, bonds payable are not reported in the governmental funds. Accordingly, unamortized bond premium, is also not recorded in governmental funds.	<u>(724,041)</u>
Net Position of Governmental Activities	\$ <u>7,005,292</u>

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

CITY OF GARDNER, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	General	City Capital Project Fund	School Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 20,898,729	\$ -	\$ -	\$ -	\$ 20,898,729
Excises	1,824,224	-	-	-	1,824,224
Penalties, interest and other taxes	533,116	-	-	-	533,116
Charges for services	897,541	-	-	749,600	1,647,141
Intergovernmental	30,057,853	-	2,734,141	7,047,907	39,839,901
Licenses and permits	243,478	-	-	-	243,478
Fines and forfeitures	148,915	-	-	-	148,915
Investment income	46,286	-	-	24,216	70,502
Miscellaneous	615,497	-	-	86,600	702,097
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	55,265,639	-	2,734,141	7,908,323	65,908,103
Expenditures:					
Current:					
General government	2,448,648	382,541	-	1,350,258	4,181,447
Public safety	5,847,291	4,174,723	-	104,063	10,126,077
Education	27,974,355	-	3,463,896	3,896,630	35,334,881
Public works	2,696,593	-	-	625,747	3,322,340
Health and human services	1,180,550	-	-	52,416	1,232,966
Culture and recreation	777,751	-	-	66,335	844,086
Employee benefits	10,500,208	-	-	-	10,500,208
Debt service	1,186,867	-	-	-	1,186,867
Intergovernmental	1,283,395	-	-	-	1,283,395
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	53,895,658	4,557,264	3,463,896	6,095,449	68,012,267
Excess (deficiency) of revenues over expenditures	1,369,981	(4,557,264)	(729,755)	1,812,874	(2,104,164)
Other Financing Sources (Uses):					
Bond proceeds	-	12,000,000	-	-	12,000,000
Transfers in	65,082	750,000	600,000	-	1,415,082
Transfers out	(1,353,137)	-	-	(65,082)	(1,418,219)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(1,288,055)	12,750,000	600,000	(65,082)	11,996,863
Change in fund balance	81,926	8,192,736	(129,755)	1,747,792	9,892,699
Fund Equity, at Beginning of Year, as restated and reclassified	6,161,917	(1,616,535)	(546,722)	3,002,095	7,000,755
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Equity, at End of Year	\$ 6,243,843	\$ 6,576,201	\$ (676,477)	\$ 4,749,887	\$ 16,893,454

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

CITY OF GARDNER, 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	\$ 9,892,699																								
<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: 20px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">9,123,409</td> </tr> <tr> <td>Disposition of capital assets</td> <td style="text-align: right;">(120,580)</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(2,279,665)</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, loans, 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: 20px;"> <tr> <td></td> <td style="text-align: right;">(1,451,539)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and loans) 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: 20px;"> <tr> <td>Proceeds of debt</td> <td style="text-align: right;">(12,000,000)</td> </tr> <tr> <td>Proceeds of bond premium</td> <td style="text-align: right;">(526,527)</td> </tr> <tr> <td>Repayments of debt (bonds and loans)</td> <td style="text-align: right;">936,600</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">49,379</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as compensated absences and other post-employment benefits (OPEB), do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds: <table border="0" style="margin-left: 20px;"> <tr> <td>Change in compensated absence liability</td> <td style="text-align: right;">390,592</td> </tr> <tr> <td>Change in OPEB liability</td> <td style="text-align: right;">(5,807,521)</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: 20px;"> <tr> <td></td> <td style="text-align: right;">58,191</td> </tr> </table> • 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. <table border="0" style="margin-left: 20px;"> <tr> <td></td> <td style="text-align: right;"><u>(1,145,932)</u></td> </tr> </table> 	Capital outlay purchases	9,123,409	Disposition of capital assets	(120,580)	Depreciation	(2,279,665)		(1,451,539)	Proceeds of debt	(12,000,000)	Proceeds of bond premium	(526,527)	Repayments of debt (bonds and loans)	936,600	Amortization of bond premium	49,379	Change in compensated absence liability	390,592	Change in OPEB liability	(5,807,521)		58,191		<u>(1,145,932)</u>	\$ <u>(2,880,894)</u>
Capital outlay purchases	9,123,409																								
Disposition of capital assets	(120,580)																								
Depreciation	(2,279,665)																								
	(1,451,539)																								
Proceeds of debt	(12,000,000)																								
Proceeds of bond premium	(526,527)																								
Repayments of debt (bonds and loans)	936,600																								
Amortization of bond premium	49,379																								
Change in compensated absence liability	390,592																								
Change in OPEB liability	(5,807,521)																								
	58,191																								
	<u>(1,145,932)</u>																								
Changes in Net Position of Governmental Activities	\$ <u>(2,880,894)</u>																								

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

CITY OF GARDNER, 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:				
Taxes	\$ 21,213,289	\$ 21,213,289	\$ 21,213,289	\$ -
Excise	1,601,000	1,601,000	1,824,224	223,224
Penalties, interest and other taxes	306,000	306,000	533,116	227,116
Charges for services	862,389	862,389	897,541	35,152
Intergovernmental	24,600,510	24,600,510	24,768,121	167,611
Licenses and permits	240,000	240,000	243,478	3,478
Fines and forfeits	140,000	140,000	148,915	8,915
Investment income	15,000	15,000	24,817	9,817
Miscellaneous	82,821	501,821	615,497	113,676
Transfers in	-	59,000	65,082	6,082
Other sources	236,367	1,676,459	1,676,459	-
Total Revenues and Other Sources	49,297,376	51,215,468	52,010,539	795,071
Expenditures and Other Uses:				
General government	2,573,473	2,880,889	2,752,367	128,522
Public safety	5,697,343	5,959,837	5,837,380	122,457
Education	22,428,918	22,428,921	22,462,155	(33,234)
Public works	2,491,393	2,830,114	2,797,885	32,229
Health and human services	1,124,961	1,206,051	1,177,650	28,401
Culture and recreation	721,949	752,507	807,538	(55,031)
Debt service	1,814,600	1,214,600	1,186,867	27,733
Intergovernmental	1,283,395	1,283,395	1,283,395	-
Employee benefits	11,101,344	11,101,344	10,480,515	620,829
Transfers out	60,000	1,557,810	1,557,810	-
Total Expenditures and Other Uses	49,297,376	51,215,468	50,343,562	871,906
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,666,977	\$ 1,666,977

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

CITY OF GARDNER, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2014

	Business-Type Activities Enterprise Funds					Total	Governmental Activities
	Water Fund	Sewer Fund	Golf Fund	Solid Waste Fund	Landfill Fund		Internal Service Funds
<u>ASSETS</u>							
Current:							
Cash and short-term investments	\$ 1,573,107	\$ 6,285,465	\$ 143,710	\$ 311,653	\$ 256,961	\$ 8,570,896	\$ 77,453
Investments	-	-	-	-	-	-	1,684,849
User fees	1,125,425	867,752	-	511,517	-	2,504,694	-
Total current assets	2,698,532	7,153,217	143,710	823,170	256,961	11,075,590	1,762,302
Noncurrent:							
Land and construction in progress	591,769	-	419,653	-	-	1,011,422	-
Capital assets, net of accumulated depreciation	13,870,413	3,676,756	161,658	190,668	-	17,899,495	-
Total noncurrent assets	14,462,182	3,676,756	581,311	190,668	-	18,910,917	-
TOTAL ASSETS	17,160,714	10,829,973	725,021	1,013,838	256,961	29,986,507	1,762,302
<u>LIABILITIES</u>							
Current:							
Warrants payable	143,518	110,811	18,551	117,192	7,547	397,619	-
Accounts payable	-	-	-	-	-	-	412,309
Accrued payroll	2,602	1,884	10,392	2,028	420	17,326	-
Accrued claims payable	-	-	-	-	-	-	659,234
Notes payable	-	-	40,597	200,000	-	240,597	-
Current portion of long-term liabilities:							
Bonds payable	1,140,840	169,977	-	-	-	1,310,817	-
Other liabilities	-	-	-	-	15,000	15,000	-
Total current liabilities	1,286,960	282,672	69,540	319,220	22,967	1,981,359	1,071,543
Noncurrent:							
Bonds payable, net of current portion	7,049,450	705,121	-	-	-	7,754,571	-
Other liabilities	143,701	214,853	477,718	63,986	315,000	1,215,258	-
Total noncurrent liabilities	7,193,151	919,974	477,718	63,986	315,000	8,969,829	-
TOTAL LIABILITIES	8,480,111	1,202,646	547,258	383,206	337,967	10,951,188	1,071,543
<u>NET POSITION</u>							
Invested in capital assets, net of related debt	6,373,086	2,975,379	586,112	-	-	9,934,577	-
Unrestricted	2,307,517	6,651,948	(408,349)	630,632	(81,006)	9,100,742	690,759
TOTAL NET POSITION	\$ 8,680,603	\$ 9,627,327	\$ 177,763	\$ 630,632	\$ (81,006)	\$ 19,035,319	\$ 690,759

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

CITY OF GARDNER, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds						Governmental Activities
	Water Fund	Sewer Fund	Golf Fund	Solid Waste Fund	Landfill Fund	Total	Internal Service Fund
Operating Revenues:							
Charges for services	\$ 3,335,759	\$ 2,757,107	\$ 715,727	\$ 1,403,669	\$ 9,625	\$ 8,221,887	\$ -
Employee contributions	-	-	-	-	-	-	2,235,851
Employer contributions	-	-	-	-	-	-	6,390,088
Total Operating Revenues	<u>3,335,759</u>	<u>2,757,107</u>	<u>715,727</u>	<u>1,403,669</u>	<u>9,625</u>	<u>8,221,887</u>	<u>8,625,939</u>
Operating Expenses:							
Salary and wages	157,010	129,705	371,113	93,669	16,737	768,234	-
Operating expenses	1,530,759	1,692,614	272,010	1,166,769	53,657	4,715,809	-
Depreciation	620,877	413,255	32,728	127,113	-	1,193,973	-
Administrative assessments	145,997	119,031	106,444	54,640	17,820	443,932	-
Employee benefits	-	-	-	-	-	-	10,801,005
Total Operating Expenses	<u>2,454,643</u>	<u>2,354,605</u>	<u>782,295</u>	<u>1,442,191</u>	<u>88,214</u>	<u>7,121,948</u>	<u>10,801,005</u>
Operating Income (Loss)	881,116	402,502	(66,568)	(38,522)	(78,589)	1,099,939	(2,175,066)
Nonoperating Revenues (Expenses):							
Intergovernmental revenue	297,033	12,093	-	-	-	309,126	-
Investment income	1,226	5,902	122	239	376	7,865	-
Insurance reimbursement	-	-	-	-	-	-	1,029,134
Interest expense	(226,923)	(17,119)	(787)	(3,271)	-	(248,100)	-
Total Nonoperating Revenues (Expenses), Net	<u>71,336</u>	<u>876</u>	<u>(665)</u>	<u>(3,032)</u>	<u>376</u>	<u>68,891</u>	<u>1,029,134</u>
Income (Loss) Before Transfers	952,452	403,378	(67,233)	(41,554)	(78,213)	1,168,830	(1,145,932)
Transfers:							
Transfers in	-	-	3,137	-	-	3,137	-
Change in Net Position	952,452	403,378	(64,096)	(41,554)	(78,213)	1,171,967	(1,145,932)
Net Position at Beginning of Year, as restated	<u>7,728,151</u>	<u>9,223,949</u>	<u>241,859</u>	<u>672,186</u>	<u>(2,793)</u>	<u>17,863,352</u>	<u>1,836,691</u>
Net Position at End of Year	<u>\$ 8,680,603</u>	<u>\$ 9,627,327</u>	<u>\$ 177,763</u>	<u>\$ 630,632</u>	<u>\$ (81,006)</u>	<u>\$ 19,035,319</u>	<u>\$ 690,759</u>

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

CITY OF GARDNER, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds					Total	Governmental Activities
	Water Fund	Sewer Fund	Golf Fund	Solid Waste Fund	Landfill Fund		Internal Service Fund
Cash Flows From Operating Activities:							
Receipts from customers and users	\$ 3,439,425	\$ 2,846,306	\$ 715,727	\$ 1,400,646	\$ 9,625	\$ 8,411,729	\$ -
Payments to vendors and employees	(1,829,989)	(2,071,500)	(649,079)	(1,299,575)	(101,675)	(5,951,818)	-
Receipts from employees and employer	-	-	-	-	-	-	8,625,939
Payments of employee benefits and expenses	-	-	-	-	-	-	(10,582,221)
Net Cash Provided By Operating Activities	1,609,436	774,806	66,648	101,071	(92,050)	2,459,911	(1,956,282)
Cash Flows From Non-Capital Financing Activities:							
Transfers in	-	-	3,137	-	-	3,137	-
Insurance reimbursements	-	-	-	-	-	-	1,029,134
Net Cash Provided By Non-Capital Financing Activities	-	-	3,137	-	-	3,137	1,029,134
Cash Flows From Capital and Related Financing Activities:							
Receipts from governments	297,033	12,093	-	-	-	309,126	-
Acquisition and construction of capital assets	(219,181)	-	-	-	-	(219,181)	-
Principal payments on bonds and notes	(1,122,237)	(168,736)	(31,703)	(100,000)	-	(1,422,676)	-
Interest expense paid	(340,641)	(31,915)	(899)	(3,738)	-	(377,193)	-
Net Cash (Used For) Capital and Related Financing Activities	(1,385,026)	(188,558)	(32,602)	(103,738)	-	(1,709,924)	-
Cash Flows From Investing Activities:							
Investment income	1,226	5,902	122	239	376	7,865	-
Net Cash Provided by Investing Activities	1,226	5,902	122	239	376	7,865	-
Net Change in Cash and Short-Term Investments	225,636	592,150	37,305	(2,428)	(91,674)	760,989	(927,148)
Cash and Short Term Investments, Beginning of Year	1,347,471	5,693,315	106,405	314,081	348,635	7,809,907	1,004,601
Cash and Short Term Investments, End of Year	\$ 1,573,107	\$ 6,285,465	\$ 143,710	\$ 311,653	\$ 256,961	\$ 8,570,896	\$ 77,453
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:							
Operating income (loss)	\$ 881,116	\$ 402,502	\$ (66,568)	\$ (38,522)	\$ (78,589)	\$ 1,099,939	\$ (2,175,066)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation	620,877	413,255	32,728	127,113	-	1,193,973	-
Changes in assets and liabilities:							
User fee receivables	103,666	89,199	-	(3,023)	-	189,842	-
Warrants and other payables	(7,487)	(156,790)	23,085	12,673	3,079	(125,440)	-
Accrued / other liabilities	11,264	26,640	77,403	2,830	(16,540)	101,597	218,784
Net Cash Provided By Operating Activities	\$ 1,609,436	\$ 774,806	\$ 66,648	\$ 101,071	\$ (92,050)	\$ 2,459,911	\$ (1,956,282)

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

CITY OF GARDNER, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Private Purpose <u>Trust Funds</u>	Agency <u>Funds</u>	Pension Trust Fund (As of <u>December 31, 2013</u>)
<u>ASSETS</u>			
Cash and short-term investments	\$ -	\$ 717,505	\$ 34,127
Investments	1,191,124	-	44,833,605
Accounts receivable	<u>-</u>	<u>-</u>	<u>257,779</u>
Total Assets	1,191,124	717,505	45,125,511
<u>LIABILITIES AND NET POSITION</u>			
Warrants payable	-	61,701	-
Accounts payable	-	-	243,721
Accrued payroll	-	3,531	-
Deposits held in custody	-	579,416	-
Other liabilities	<u>-</u>	<u>72,857</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>717,505</u>	<u>243,721</u>
<u>NET POSITION</u>			
Total net position held in trust for pension benefits and other purposes	<u>\$ 1,191,124</u>	<u>\$ -</u>	<u>\$ 44,881,790</u>

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

CITY OF GARDNER, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Funds</u>	<u>Pension Trust Fund (For Year Ended December 31, 2013)</u>
Additions:		
Contributions:		
Employers	\$ -	\$ 3,003,517
Other systems and Commonwealth of Massachusetts	-	104,638
Plan members	-	1,114,833
Contributions	<u>16,927</u>	<u>-</u>
Total contributions	16,927	4,222,988
Investment Income:		
Interest and dividends	14,380	1,221,393
Gain on sale of investments	-	1,962,921
Increase in fair value of investments	-	2,850,666
Less: Management fees	<u>-</u>	<u>(235,282)</u>
Net investment income	<u>14,380</u>	<u>5,799,698</u>
Total additions	31,307	10,022,686
Deductions:		
Benefit payments to plan members and beneficiaries	-	5,143,997
Refunds to plan members and other systems	-	280,756
Administrative expenses	-	127,508
Education expenses	<u>19,269</u>	<u>-</u>
Total deductions	<u>19,269</u>	<u>5,552,261</u>
Net increase	12,038	4,470,425
Net assets:		
Beginning of year	<u>1,179,086</u>	<u>40,411,365</u>
End of year	<u>\$ 1,191,124</u>	<u>\$ 44,881,790</u>

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

City of Gardner, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the City of Gardner (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 2014, it was determined that the following entities met the required GASB-39 criteria of component units:

Discretely Presented Component Unit - Levi Heywood Library Association (the Association):

The Association is a Massachusetts corporation that is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. The mission of the Association is to provide library services to the citizens of Gardner and neighboring cities.

The Association's staff is employed by the City and this support accounts for over 90% of the Association's operating revenue. Due to the significance of the City's support to the Association's operations, it has been determined to be a component unit of the City.

The Association was audited by other auditors. Additional financial information can be obtained by contacting the Association located at 55 West Lynde Street, Gardner, MA 01440

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 and is audited by other auditors:

In the Fiduciary Funds: The Gardner 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.

The System was audited by other auditors. Additional financial information of the System can be obtained by contacting the System located at Gardner Retirement Board, 95 Pleasant St. #17, Gardner, MA 01440.

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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function 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 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 *City Capital Project Fund* is used to account for long-term capital projects on City property, usually funded by bonds and grants.

- The *School Capital Project Fund* is used to account for long-term capital projects on School property, usually funded by bonds and grants.

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

The government reports the following major proprietary funds:

- Water fund
- Sewer fund
- Golf fund
- Solid Waste fund
- Landfill fund

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

The pension trust fund accounts for the activities of the Gardner 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 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 of City 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 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 2014 tax levy reflected an excess capacity of \$22,350.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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
Land improvements	40
Infrastructure	30 - 50
Machinery and equipment	5 - 10
Office equipment and furniture	5 - 10
Vehicles	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, personal pay 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, 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.

J. 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/deferred outflows and current liabilities/deferred inflows. 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., 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, consists 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.

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.

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 55,265,639	\$ 53,895,658
Other financing sources/uses (GAAP basis)	65,082	1,353,137
To reverse the effect of including Stabilization Fund and General Fund activity	(21,469)	204,673
Adjust tax revenue to accrual basis	314,560	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(1,799,058)
Add end of year appropriation carryforwards to expenditures	-	1,978,884
To reverse the effect of non-budgeted State contributions for teachers retirement	(5,289,732)	(5,289,732)
Recognize fund balance as funding source	<u>1,676,459</u>	<u>-</u>
Budgetary basis	<u>\$ 52,010,539</u>	<u>\$ 50,343,562</u>

D. Excess of Expenditures Over Appropriations

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

Education	\$33,234
Culture and recreation	\$55,031

E. Deficit Fund Equity

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

School Capital Projects fund	\$ 676,477
Non Major Funds:	
FY14 911 Support	38,469

The deficits in these funds will be eliminated through future departmental revenues, bond issuances 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’s policy to limit custodial credit risk consists of complying with applicable Massachusetts General Laws and obtaining collateralization agreements for any amounts in excess of FDIC or DIFM.

As of June 30, 2014, none of the City’s bank balance of \$26,791,488 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. The City’s total bank balance includes \$2,081,198 of overnight repurchase agreements that are secured by an underlying interest in the purchased securities, all of which are direct obligations of or guaranteed by the U.S. Government.

As of December 31, 2013, the System’s bank balance was fully insured under Federal Deposit Insurance Corporation (FDIC).

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 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 June 30, 2014 for each investment of the City:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>			
			<u>AAA</u>	<u>A1</u>	<u>A3</u>	<u>BBB+</u>
Certificates of deposit	\$ 1,508,713	\$ 1,508,713	\$ -	\$ -	\$ -	\$ -
Corporate bonds	446,349	-	-	154,929	136,579	154,841
Equities	545,189	545,189	-	-	-	-
Mutual funds	459,427	459,427	-	-	-	-
US Treasury Notes	<u>2,357,347</u>	-	<u>2,357,347</u>	-	-	-
Total investments	<u>\$ 5,317,025</u>	<u>\$ 2,513,329</u>	<u>\$ 2,357,347</u>	<u>\$ 154,929</u>	<u>\$ 136,579</u>	<u>\$ 154,841</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of the System’s 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.

All of the System's investments as of December 31, 2013 are in PRIT* which is not subject to credit risk disclosure:

* 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.

Of the total City investments of \$5,317,025, the City has a custodial credit risk exposure of \$3,358,240 because the related securities are uninsured, unregistered and/or held by the City's brokerage firm (which is also the Counterparty to these securities) but are not in the City's name. The City manages this custodial credit risk with SIPC and excess SIPC.

All of the System's investments are in the state pension investment trust fund, which is not exposed to custodial credit risk.

C. Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. The City does not have an investment in any one issuer (other than U.S. Treasury securities and mutual funds) greater than 5% of total investments.

The System does not have an investment in one issuer (other than PRIT) greater than 5% of total investments.

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>Fair Value</u>	<u>N/A</u>	<u>Investment Maturities (in Years)</u>	
			<u>Less Than 1</u>	<u>1-5</u>
Certificates of deposit	\$ 1,508,713	\$ -	\$ 100,537	\$ 1,408,176
Corporate bonds	446,349	-	-	446,349
Equities	545,189	545,189	-	-
Mutual funds	459,427	459,427	-	-
US Treasury Notes	<u>2,357,347</u>	<u>-</u>	<u>254,187</u>	<u>2,103,160</u>
Total investments	<u>\$ 5,317,025</u>	<u>\$ 1,004,616</u>	<u>\$ 354,724</u>	<u>\$ 3,957,685</u>

None of the 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 does not have policies for foreign currency risk; however, Massachusetts General Laws prohibit foreign investment.

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, 2014 consist of the following:

Real Estate		
2014	\$ 778,514	
2013 & prior	<u>276,390</u>	1,054,904
Personal Property		
2014	19,694	
2013	11,530	
2012	13,945	
Prior	<u>10,059</u>	55,228
Deferred Taxes		<u>1,267</u>
Total		<u>\$ 1,111,399</u>

6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>
Property taxes	\$ 48,629
Tax title	171,441
Excises	363,131

7. Intergovernmental Receivables

The balance reported in the accompanying governmental funds balance sheet represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2014 and are expected to be reimbursed in fiscal year 2015.

The balance reported in the governmental activities statement of net position includes an additional amount (\$3,231,964) that represents future school building project cost reimbursements. This receivable will be paid to the City by the Massachusetts School Building Authority in annual installments of approximately \$808,000 through fiscal year 2018.

8. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Restated Beginning Balance	Increases	Decreases	Convert CIP	Ending Balance
Governmental Activities:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 31,015,390	\$ -	\$ -	\$ -	\$ 31,015,390
Machinery, equipment, and furnishings	9,709,666	95,326	-	267,793	10,072,785
Infrastructure	20,454,991	807,863	-	31,887	21,294,741
Total capital assets, being depreciated	61,180,047	903,189	-	299,680	62,382,916
Less accumulated depreciation for:					
Buildings and improvements	(17,664,667)	(877,120)	-	-	(18,541,787)
Machinery, equipment, and furnishings	(7,500,309)	(520,743)	-	-	(8,021,052)
Infrastructure	(11,600,851)	(881,802)	-	-	(12,482,653)
Total accumulated depreciation	(36,765,827)	(2,279,665)	-	-	(39,045,492)
Total capital assets, being depreciated, net	24,414,220	(1,376,476)	-	299,680	23,337,424
Capital assets, not being depreciated:					
Land	3,957,688	110,472	(120,580)	-	3,947,580
Construction in progress (CIP)	1,957,698	8,109,748	-	(299,680)	9,767,766
Total capital assets, not being depreciated	5,915,386	8,220,220	(120,580)	(299,680)	13,715,346
Governmental activities capital assets, net	<u>\$ 30,329,606</u>	<u>\$ 6,843,744</u>	<u>\$ (120,580)</u>	<u>\$ -</u>	<u>\$ 37,052,770</u>
	Beginning Balance	Increases	Decreases	Ending Balance	
Business-Type Activities:					
Capital assets, being depreciated:					
Buildings and improvements	\$ 38,619,372	\$ -	\$ -	\$ 38,619,372	
Machinery, equipment, and furnishings	2,798,530	-	-	2,798,530	
Infrastructure	17,519,837	219,181	-	17,739,018	
Total capital assets, being depreciated	58,937,739	219,181	-	59,156,920	
Less accumulated depreciation for:					
Buildings and improvements	(26,116,221)	(513,484)	-	(26,629,705)	
Machinery, equipment, and furnishings	(2,164,062)	(226,907)	-	(2,390,969)	
Infrastructure	(11,783,169)	(453,582)	-	(12,236,751)	
Total accumulated depreciation	(40,063,452)	(1,193,973)	-	(41,257,425)	
Total capital assets, being depreciated, net	18,874,287	(974,792)	-	17,899,495	
Capital assets, not being depreciated:					
Land	1,011,422	-	-	1,011,422	
Total capital assets, not being depreciated	1,011,422	-	-	1,011,422	
Business-type activities capital assets, net	<u>\$ 19,885,709</u>	<u>\$ (974,792)</u>	<u>\$ -</u>	<u>\$ 18,910,917</u>	

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

Governmental Activities:	
General government	\$ 87,951
Public safety	284,400
Education	752,505
Public works	975,320
Human services	78,649
Culture and recreation	<u>100,840</u>
Total depreciation expense - governmental activities	<u>\$ 2,279,665</u>
Business-Type Activities:	
Water	\$ 620,877
Sewer	413,255
Golf	32,728
Solid Waste	<u>127,113</u>
Total depreciation expense - business-type activities	<u>\$ 1,193,973</u>

9. Warrants and Accounts Payable

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

10. Notes Payable

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

	<u>Interest</u> <u>Rate(s) %</u>	<u>Date of</u> <u>Issue</u>	<u>Date of</u> <u>Maturity</u>	<u>Balance at</u> <u>June 30, 2014</u>
Bond anticipation	1.00	05/02/14	05/01/15	\$ <u>1,000,000</u>
				<u>\$ 1,000,000</u>

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

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>New</u> <u>Issues</u>	<u>Maturities</u>	<u>Balance</u> <u>End of</u> <u>Year</u>
Bond anticipation	\$ <u>5,117,176</u>	\$ <u>1,000,000</u>	\$ <u>(5,117,176)</u>	\$ <u>1,000,000</u>

11. 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.

12. 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. A summary of the long-term debt outstanding as of June 30, 2014 follows:

	Serial Maturities <u>Through</u>	Interest Rate(s) %	Loan Balance Outstanding June 30, 2014	Bond Premium Amortization	Total Balance Outstanding June 30, 2014
<u>Governmental Activities:</u>					
School Remodeling	04/01/16	2.0-4.0	\$ 360,000	\$ -	\$ 360,000
Middle School Roof	11/01/17	3.0-5.0	2,997,360	197,514	3,194,874
Police Station	03/01/34	3.0-5.0	12,000,000	526,527	12,526,527
Total Governmental Activities			\$ 15,357,360	\$ 724,041	\$ 16,081,401
<u>Business-Type Activities:</u>					
<u>Water Fund:</u>					
General obligation 2005 - water portion	11/01/17	3.0-5.0	\$ 281,435	\$ 32,150	\$ 313,585
Water treatment (MWPAT 99-16)	08/01/19	2.0	3,261,570	-	3,261,570
Water treatment (MWPAT 00-16A)	08/01/19	2.0	214	-	214
General obligation 2012 - water portion	04/01/22	2.0	2,500,000	18,826	2,518,826
Water treatment (MWPAT 03-10)	08/01/24	2.0	1,973,534	122,561	2,096,095
Total Water Fund			8,016,753	173,537	8,190,290
<u>Sewer Fund:</u>					
General obligation 2005 - sewer portion	11/01/17	3.0-5.0	\$ 236,205	\$ 29,609	\$ 265,814
Sewer treatment (MWPAT 03-10)	08/01/24	2.0	573,944	35,340	609,284
Total Sewer Fund			810,149	64,949	875,098
Total Business-Type Activities			\$ 8,826,902	\$ 238,486	\$ 9,065,388

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding (including bond premium amortization) as of June 30, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,415,895	\$ 610,048	\$ 2,025,943
2016	1,444,366	552,254	1,996,620
2017	1,238,214	486,775	1,724,989
2018	1,256,703	428,813	1,685,516
2019	491,326	397,013	888,339
2020 - 2024	2,811,630	1,637,063	4,448,693
2025 - 2029	3,421,630	1,028,031	4,449,661
2030 and thereafter	4,001,637	439,119	4,440,756
Total	<u>\$ 16,081,401</u>	<u>\$ 5,579,116</u>	<u>\$ 21,660,517</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,310,817	\$ 342,624	\$ 1,653,441
2016	1,305,836	284,259	1,590,095
2017	1,139,144	233,259	1,372,403
2018	1,142,553	183,383	1,325,936
2019	1,119,706	139,259	1,258,965
2020 - 2024	2,759,385	236,291	2,995,676
2025	287,947	-	287,947
Total	<u>\$ 9,065,388</u>	<u>\$ 1,419,075</u>	<u>\$ 10,484,463</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance July 1, 2013	Additions	Reductions	Total Balance June 30, 2014	Less Current Portion	Long-Term Portion June 30, 2014
<u>Governmental Activities</u>						
Bonds payable	\$ 4,293,960	\$ 12,000,000	\$ (936,600)	\$ 15,357,360	(1,340,190)	14,017,170
Unamortized bond premium	246,893	526,527	(49,379)	724,041	(75,705)	648,336
Other:						
Accrued employee benefits	2,405,161	-	(390,592)	2,014,569	-	2,014,569
Other post-employment benefits	29,635,574	5,807,521	-	35,443,095	-	35,443,095
Totals	<u>\$ 36,581,588</u>	<u>\$ 18,334,048</u>	<u>\$ (1,376,571)</u>	<u>\$ 53,539,065</u>	<u>\$ (1,415,895)</u>	<u>\$ 52,123,170</u>

	Balance July 1, 2013 (restated)	Additions	Reductions	Total Balance June 30, 2014	Less Current Portion	Long-Term Portion June 30, 2014
<u>Business-Type Activities</u>						
Bonds payable	\$ 10,085,729	\$ -	\$ (1,258,827)	\$ 8,826,902	\$ (1,278,670)	\$ 7,548,232
Unamortized bond premium	270,633	-	(32,147)	238,486	(32,147)	206,339
Other:						
Landfill postclosure	345,000	-	(15,000)	330,000	(15,000)	315,000
Accrued employee benefits	54,917	-	(26,360)	28,557	-	28,557
Other post-employment benefits	728,745	142,956	-	871,701	-	871,701
Totals	\$ 11,485,024	\$ 142,956	\$ (1,332,334)	\$ 10,295,646	\$ (1,325,817)	\$ 8,969,829

D. Unamortized Bond Premium

This balance represents the unamortized bond premium received in connection with several bond issuances. The balance will be amortized as a credit to annual interest expense until the last related bond is retired in fiscal year 2034.

13. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as a liability in the proprietary fund in each period based on landfill capacity used as of each balance sheet date.

The City stopped accepting waste and closed the landfill in 2006. The \$330,000 reported as landfill post-closure care liability at June 30, 2014 represents post-closure care costs estimated to be \$15,000 per year for the next 22 years. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The City's Landfill Enterprise Fund is expected to fund the future monitoring costs.

14. Transfers In/Out

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>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 65,082	\$ 1,557,810
Stabilization fund	204,673	-
City Capital Project fund	750,000	-
School Capital Project fund	600,000	-
Nonmajor Governmental Funds:		
Special revenue funds	-	65,082
Proprietary Funds:		
Golf enterprise fund	3,137	-
Total	<u>\$ 1,622,892</u>	<u>\$ 1,622,892</u>

15. Governmental Funds – Balances

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

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

The following types of fund balances are reported at June 30, 2014:

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

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

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

fund encumbrances for non-lapsing special article appropriations approved by City Council.

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 balances in non-general fund accounts.

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

	General Fund	City Capital Projects	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Nonexpendable permanent funds	\$ -	\$ -	\$ -	\$ 443,124	\$ 443,124
Total Nonexpendable	-	-	-	443,124	443,124
Restricted					
Bonded projects	-	6,576,201	-	73,497	6,649,698
Special revenue funds	-	-	-	4,201,422	4,201,422
Expendable permanent funds	-	-	-	70,313	70,313
Total Restricted	-	6,576,201	-	4,345,232	10,921,433
Committed					
Special articles	658,121	-	-	-	658,121
Total Committed	658,121	-	-	-	658,121
Assigned					
Encumbrances	1,320,763	-	-	-	1,320,763
Total Assigned	1,320,763	-	-	-	1,320,763
Unassigned					
General fund	2,144,105	-	-	-	2,144,105
Stabilization fund	2,120,854	-	-	-	2,120,854
Deficit fund balances	-	-	(676,477)	(38,469)	(714,946)
Total Unassigned	4,264,959	-	(676,477)	(38,469)	3,550,013
Total Fund Balance	\$ 6,243,843	\$ 6,576,201	\$ (676,477)	\$ 4,749,887	\$ 16,893,454

16. 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.

17. Post-Employment Health Care and Life Insurance Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net position 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 in the following footnote, the City provides post-employment health care and life insurance benefits for retired employees through the City's insurance plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of January 1, 2012, the actuarial valuation date, approximately 519 retirees and 485 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The City provides medical 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 25% of the cost of the health plan (50% for surviving spouses), 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 an initial 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 January 1, 2012.

	Governmental Funds	Water Fund	Sewer Fund	Golf Fund	Solid Waste Fund	Total
Annual Required Contribution (ARC)	\$ 8,636,468	\$ 35,017	\$ 52,534	\$ 109,450	\$ 15,592	\$ 8,849,061
Interest on net OPEB obligation	1,185,393	4,806	7,210	15,022	2,140	1,214,571
Adjustment to ARC	<u>(1,063,705)</u>	<u>(4,313)</u>	<u>(6,470)</u>	<u>(13,480)</u>	<u>(1,920)</u>	<u>(1,089,888)</u>
Annual OPEB cost	8,758,156	35,510	53,274	110,992	15,812	8,973,744
Contributions made	<u>(2,950,635)</u>	<u>(11,963)</u>	<u>(17,948)</u>	<u>(37,393)</u>	<u>(5,327)</u>	<u>(3,023,266)</u>
Increase in net OPEB obligation	5,807,521	23,547	35,326	73,599	10,485	5,950,478
Net OPEB obligation - beginning of year	<u>29,635,574</u>	<u>120,154</u>	<u>179,527</u>	<u>375,562</u>	<u>53,501</u>	<u>30,364,318</u>
Net OPEB obligation - end of year	<u>\$ 35,443,095</u>	<u>\$ 143,701</u>	<u>\$ 214,853</u>	<u>\$ 449,161</u>	<u>\$ 63,986</u>	<u>\$ 36,314,796</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	\$ 8,973,744	34%	\$ 36,314,796
2013	\$ 8,551,467	34%	\$ 30,364,318
2012	\$ 9,521,426	25%	\$ 24,752,729

The City's net OPEB obligation as of June 30, 2014 is recorded as a component of the "other long-term liabilities" line item reported in the accompanying government wide financial statements.

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2012, the date of the most recent actuarial valuation was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 102,387
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 102,387</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>23,854</u>
UAAL as a percentage of covered payroll	<u>429%</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 multiyear 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 January 1, 2012 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% interest/discount rate and an annual healthcare cost trend rate of 9% in year 1, decreasing to a 5% long-term rate in year 5. The UAAL is amortized over a period of 30 years, on a closed basis and using a level percent of payroll (using a 3.50% annual rate of increase).

18. 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 Gardner Contributory Retirement System (GCRS), a cost-sharing, multiple-employer defined benefit PERS. Eligible employees must participate in the GCRS. 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 GCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The GCRS 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	195
Terminated plan members entitled to but not yet receiving benefits	43
Active plan members	<u>29</u>
Total	<u><u>267</u></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). The City's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions:

Year Ended <u>June 30</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2011	\$ 2,607,019	100%
2012	2,693,176	100%
2013	2,876,089	100%
2014	3,001,180	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 in accordance with PERAC requirements.

C. Funded Status and Funding Progress

The information presented below is from the Gardner Contributory Retirement System's most recent valuation (amounts 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]
01/01/14	\$ 44,882	\$ 79,610	\$ 34,728	56.4%	\$ 10,686	325.0%

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 approximately \$35 million was calculated. The actuarial assumptions included (a) 8% investment rate of return and (b) a projected salary increase of 3.25% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3%, on the first \$13,000 of benefit payments. The actuarial value of assets is based on market value adjusted by accounts payable and receivables. As of the date of the valuation, the unfunded actuarially accrued liability is being amortized over 16 years for the fresh start retirement benefits. The amortization method used an approximate level percent of payroll on a closed basis.

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.

In fiscal year 2014, the Commonwealth of Massachusetts contributed \$5,289,732 to the MTRS on behalf of the City. This is included in the education expenditures and intergovernmental revenues in the general fund.

19. **Self Insurance**

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

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

The City contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the City is liable for up to \$120,000 per incident. The City has no maximum aggregate liability for all claims paid within one year. The claims liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

Changes in the aggregate liability for claims for the year ended June 30, 2014 are as follows:

Claims liability, July 1, 2013 (as restated)	\$ 852,759
Claims incurred/recognized in fiscal year 2014	10,801,005
Claims paid in fiscal year 2014	<u>(10,582,221)</u>
Claims liability, June 30, 2014	<u>\$ 1,071,543</u>

The claims liability at year end was comprised of the following:

Settlement for claims incurred in 4th quarter of fiscal year 2014 (over/(under) the level monthly premium contributions) and adjusted for in fiscal year 2015	\$ 412,309
Estimated incurred but not reported claims	<u>659,234</u>
Total claims liability	<u>\$ 1,071,543</u>

20. Beginning Net Position / Fund Balance Restatement and Reclassification

The beginning (July 1, 2013) net position / fund balance of the City has been restated and reclassified as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Government Wide Financial Statements:</u>		
As previously stated	\$ 11,887,840	\$ 14,595,044
Record allowance for uncollectible accounts	(544,366)	-
Correct over-accrual of grant receivable	(1,050,169)	-
Reclassify student activity and outside detail funds to Agency Funds	(50,714)	-
Record health insurance quarterly settlement	(335,460)	-
Reclassify landfill capital project to Landfill Enterprise Fund	(20,945)	20,945
Record accrual for unbilled receivables	-	989,708
Record landfill postclosure liability	-	(345,000)
Correct net book value of sewer buildings	-	<u>2,602,655</u>
As restated	<u>\$ 9,886,186</u>	<u>\$ 17,863,352</u>

	General Fund	Stabilization Fund	City Capital Project Fund	School Capital Project Fund	Nonmajor Funds	Internal Service Fund
<u>Fund Basis Financial Statements:</u>						
As previously stated	\$ 4,090,999	\$ 1,894,712	\$ -	\$ -	\$ 779,456	\$ 2,172,151
Reclassify funds in accordance with GASB standards	1,894,712	(1,894,712)	-	-	-	-
Record 60 day property tax accrual	176,206	-	-	-	-	-
Record FY 2013 school lunch revenue accrual	-	-	-	-	131,041	-
Reclassify student activity and outside detail funds to Agency Funds	-	-	-	-	(50,714)	-
Reclassify landfill capital project to Landfill Enterprise Fund	-	-	-	-	(20,945)	-
Record quarterly settlement	-	-	-	-	-	(335,460)
Reclassify major funds	-	-	(1,616,535)	(546,722)	2,163,257	-
As restated and reclassified	<u>\$ 6,161,917</u>	<u>\$ -</u>	<u>\$ (1,616,535)</u>	<u>\$ (546,722)</u>	<u>\$ 3,002,095</u>	<u>\$ 1,836,691</u>

21. Risk Management

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

22. Implementation of New GASB Standards

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

CITY OF GARDNER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

June 30, 2014

(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]
01/01/14	\$ 44,882	\$ 79,610	\$ 34,728	56.4%	\$ 10,686	325.0%
01/01/13	\$ 40,411	\$ 74,709	\$ 34,298	54.1%	\$ 10,546	325.2%
01/01/12	\$ 36,951	\$ 72,592	\$ 35,641	50.9%	\$ 10,155	351.0%
01/01/11	\$ 38,222	\$ 69,105	\$ 30,883	55.3%	\$ 10,202	302.7%
01/01/08	\$ 44,333	\$ 62,777	\$ 18,444	70.6%	\$ 10,442	176.6%
01/01/07	\$ 40,547	\$ 60,176	\$ 19,629	67.4%	\$ 10,072	194.9%
01/01/06	\$ 35,799	\$ 57,564	\$ 21,765	62.2%	\$ 9,523	228.6%
01/01/05	\$ 32,866	\$ 55,001	\$ 22,135	59.8%	\$ 8,906	248.5%

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]
07/01/12	\$ -	\$ 102,387	\$ 102,387	0.0%	\$ 23,854	429.2%
07/01/10	\$ -	\$ 106,300	\$ 106,300	0.0%	\$ 21,476	495.0%
07/01/08	\$ -	\$ 94,863	\$ 94,863	0.0%	\$ 18,217	520.7%

See Independent Auditors' Report.