

CITY OF NORTHAMPTON, MASSACHUSETTS

**REPORT ON THE EXAMINATION
OF BASIC FINANCIAL STATEMENTS**

FISCAL YEAR ENDED JUNE 30, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Independent Auditor's Report

To the Honorable Mayor,
City of Northampton, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northampton, Massachusetts, as of and for the year ended June 30, 2012, (except for the Northampton Contributory Retirement System, which is as of and for the year ended December 31, 2011), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Northampton, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

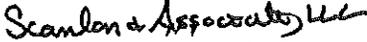
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northampton, Massachusetts, as of June 30, 2012, (except for the Northampton Contributory Retirement System, which is as of December 31, 2011), 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2013, on our consideration of the City of Northampton, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, appearing on pages 3 through 11, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Northampton, Massachusetts' financial statements as a whole. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 22, 2013

Management's Discussion and Analysis

As management of the City of Northampton, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012

Financial Highlights

- The City's assets exceeded its liabilities by \$96,336,086 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$96,261,726, an increase of \$74,360 (.08%).
- The City's governmental funds reported total ending fund balance of \$24,364,285, an increase of \$3,690,261 (18%) from the previous year.
- The General Fund's total fund balance increased by \$2,908,002 (71%) to \$6,996,168. The ending General fund balance is 8% of revenues and transfers in and 8% of expenditures.
- The City's long term liabilities increased by \$19,184,691 (25%) during the fiscal year. This was primarily due from the issuance of \$12,707,172 in bonds and the increase in the OPEB liability of \$7,026,011.
- The City had General fund free cash certified by the Department of Revenue in the amount of \$2,834,914. The key factors that attributed to the free cash amount in the general fund for fiscal year 2012, approximately, are as follows:
 - Unexpended/unencumbered appropriations \$1,043,000
 - Close out of ambulance fund \$851,000
 - Excess over budget – state and local receipts \$365,000
 - Premium on the issuance of bonds \$375,000
- The City's enterprise funds certified free cash are as follows:
 - Sewer fund \$2,676,027
 - Water fund \$3,356,197
 - Solid waste fund \$2,356,819

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Northampton's basic financial statements. These 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 finances, in a manner similar to private-sector business.

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and

expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include the sewer, water and solid waste activities.

The government-wide financial statements include not only the City of Northampton itself (known as the *primary government*), but also a legally separate public employee retirement system for which the City of Northampton is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

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 statements focus on *near-term inflows 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 financial 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 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 decision. 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*.

The City of Northampton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and solid waste activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the basic 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.

Financial Highlights
Statement of Net Assets Highlights

	Governmental Activities		
	2012	2011	Change
Assets:			
Current assets	\$ 38,652,672	\$ 44,821,197	\$ (6,168,525)
Noncurrent assets (excluding capital)	11,558,680	13,351,300	(1,792,620)
Capital assets	84,574,616	69,248,734	15,325,882
Total assets	134,785,968	127,421,231	7,364,737
Liabilities:			
Current liabilities (excluding debt and lease)	7,800,939	6,268,913	1,532,026
Noncurrent liabilities (excluding debt and lease)	19,264,182	12,423,585	6,840,597
Current debt and leases payable	6,116,031	16,686,118	(10,570,087)
Noncurrent debt and leases payable	44,626,456	30,992,486	13,633,970
Total liabilities	77,807,608	66,371,102	11,436,506
Net Assets:			
Capital assets net of related debt	47,219,915	52,541,610	(5,321,695)
Restricted	20,064,708	14,166,853	5,897,855
Unrestricted	(10,306,263)	(5,658,334)	(4,647,929)
Total net assets	\$ 56,978,360	\$ 61,050,129	\$ (4,071,769)

	Business-Type Activities		
	2012	2011	Change
Assets:			
Current assets	\$ 20,023,137	\$ 19,189,245	\$ 833,892
Capital assets	55,339,266	56,191,664	(852,398)
Total assets	75,362,403	75,380,909	(18,506)
Liabilities:			
Current liabilities (excluding debt)	630,610	1,397,031	(766,421)
Noncurrent liabilities (excluding debt)	4,279,343	4,642,421	(363,078)
Current debt	2,552,257	4,660,595	(2,108,338)
Noncurrent debt	28,542,467	29,469,265	(926,798)
Total liabilities	36,004,677	40,169,312	(4,164,635)
Net Assets:			
Capital assets net of related debt	24,611,632	22,191,326	2,420,306
Restricted	4,051,803	3,219,033	832,770
Unrestricted	10,694,291	9,801,238	893,053
Total net assets	\$ 39,357,726	\$ 35,211,597	\$ 4,146,129

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2012	2011	Change
Program Revenues:			
Charges for services	\$ 13,807,600	\$ 13,120,643	\$ 686,957
Operating grants and contributions	27,392,176	27,909,790	(517,614)
Capital grants and contributions	1,645,907	1,431,721	214,186
General Revenues:			
Property taxes	43,487,921	42,128,072	1,359,849
Motor vehicle and other taxes	2,253,056	2,317,851	(64,795)
Hotel room occupancy and meals taxes	1,179,042	1,030,854	148,188
Penalties and interest on taxes	228,755	193,953	34,802
Nonrestricted grants and contributions	4,898,536	4,482,787	415,749
Unrestricted investment income	151,113	137,258	13,855
Miscellaneous	8,448	2,606	5,842
Total revenues	95,052,554	92,755,535	2,297,019
Expenses:			
General government	5,418,251	6,143,568	725,317
Public safety	12,447,166	12,671,223	224,057
Public works	3,686,144	4,173,829	487,685
Education	38,755,386	38,992,337	236,951
Health and human services	3,448,306	3,600,669	152,363
Culture and recreation	3,051,283	2,811,380	(239,903)
Employee benefits and insurance	30,558,045	25,769,303	(4,788,742)
State assessments	2,941,251	2,652,883	(288,368)
Interest	1,635,295	1,610,485	(24,810)
Total expenses	101,941,127	98,425,677	(3,515,450)
Contributions to Permanent Funds	16,650	9,450	7,200
Transfers, net	2,800,154	2,883,592	(83,438)
Change in net assets	(4,071,769)	(2,777,100)	(1,294,669)
Net assets - beginning of year	61,050,129	63,827,229	(2,777,100)
Net assets - end of year	\$ 56,978,360	\$ 61,050,129	\$ (4,071,769)

	Business-Type Activities		
	2012	2011	Change
Program Revenues:			
Sewer	\$ 5,912,055	\$ 6,030,906	\$ (118,851)
Water	6,339,155	6,043,051	296,104
Solid Waste	3,135,625	3,335,740	(200,115)
Total Revenues	15,386,835	15,409,697	(22,862)
Expenses:			
Sewer	2,744,975	2,920,414	175,439
Water	4,422,773	4,084,101	(338,672)
Solid Waste	1,272,804	2,215,891	943,087
Total expenses	8,440,552	9,220,406	779,854
Unrestricted investment income	-	137,762	(137,762)
Gain/(Loss) on sale of capital assets	-	(277,165)	277,165
Transfers, net	(2,800,154)	(2,883,592)	83,438
Change in net assets	4,146,129	3,166,296	979,833
Net assets - beginning of year	35,211,597	32,045,301	3,166,296
Net assets - end of year	\$ 39,357,726	\$ 35,211,597	\$ 4,146,129

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$96,336,086 at the close of fiscal year 2012.

Net assets of \$71,831,547 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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 the net assets \$24,116,511 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$388,028 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in two categories of net assets and a negative balance in the unrestricted category in the governmental activities. The unrestricted governmental activities resulted in a negative balance of \$10,306,263 as a result of the required accrual under GASB No. 45 of the OPEB liability obligation in the amount of \$17,521,632.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the business-type activities.

The governmental activities net assets decreased by \$4,071,769 during the current fiscal year, which reflects the general fund's results of operations. This was mainly attributed to expenditures exceeding revenues by \$6,888,573, transfers in from the sewer, water and solid waste funds of \$2,800,154 and contributions to permanent funds of \$16,650.

There was an increase of \$4,146,129 in net assets reported in connection with the sewer, water and solid waste business-type activities.

- The sewer department incurred an increase of \$1,410,920 (22%) mainly attributed to operating revenues sufficient to cover current operational costs by \$3,050,866, net non-operating revenues (expenses) of \$116,214 and transfers out to the general fund of \$1,756,160.
- The water department incurred an increase of \$1,235,822 (7%) attributed to operating revenues sufficient to cover current operational costs by \$2,549,942, net non-operating revenues (expenses) of \$(633,560) and transfers out to the general fund of \$680,560.
- The solid waste department incurred an increase of \$1,499,387 (13%) attributed to operating revenues sufficient to cover current operational costs by \$1,892,183, net non-operating revenues (expenses) of \$(29,362) and transfers out to the general fund of \$363,434.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$24,364,285 an increase of \$3,690,261 (18%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance - \$676,706 (3%).
- Restricted fund balance- \$16,390,561 (67%).
- Assigned fund balance - \$3,579,817 (15%).
- Unassigned fund balance - \$3,717,201 (15%).

At the end of the fiscal year, the General Fund reported a fund balance of \$6,996,168 increasing \$2,908,002 (71%) from the prior year. Of the \$6,996,168, the unassigned amount is \$4,454,591, the assigned amount of \$2,155,774 and restricted amount of \$385,803. General fund revenues of \$79,548,643 increased \$2,798,266 (4%) more than the prior fiscal year and expenditures of \$83,290,552 increased by \$929,212 (1%).

The main components of the increases in general fund revenues as compared to the prior year are as follows

- Property taxes in the amount of \$1,711,591 (4%).
- Excise and other taxes of \$200,777 (6%).
- Charges for services of \$407,874 (5%)
- Interest and penalties on taxes of \$10,383 (18%)
- Investment income of \$10,383 (8%)
- On behalf payments of \$423,451 (5%)

Major changes with the general fund expenditures from the prior fiscal year of more than 5% are as follows:

- Decrease in public works expenditures of \$647,261 (20%).
- Increase in employees benefits and insurance expenditures of \$817,851 (4%).
- Decrease in capital improvements expenditures of \$649,107 (65%).
- Increase in principal on debt service expenditures of \$302,563 (8%).
- Increase in interest on debt service expenditures of \$103,751 (8%).

The *police facility construction fund* is used to account for financial resources to improve and construct a new police station. The fund has a balance of \$4,357,370 at the end of the fiscal year. The fund increased by \$4,659,395. This amount was attributed to expenditures of \$11,840,605 and bond issuances \$16,500,000.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2012 was \$78,011,933. This was an increase of \$1,200,332 (2%) over the previous year's final budget.

There was an increase of \$2,227,413 between the original budget and the final amended budget. The change is attributed to the City amending specific budget line items of the final budget.

Of the \$3,199,037 in unexpended/committed budget expenditures \$2,155,774 has been carried over to fiscal year 2013 leaving a surplus of \$1,043,263 to close to undesignated fund balance.

There were negative variances in property taxes and intergovernmental of \$89,989 and \$146,174, respectively. The negative variance in property taxes is the result of a fewer collections. The negative variance in state receipts is mainly result of less funds received for charter tuition reimbursements. Overall the revenues had a surplus of \$275,739.

The variance with the final budget was a positive \$1,319,002 consisting of a revenue surplus of \$275,739 and an appropriation surplus of \$1,043,263.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$84,574,616 and \$55,339,266, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds include:

- Foreclosed property of \$17,793.
- Purchase of conservation land for \$753,400.
- Emergency conservation improvements for \$4,847,470.
- Police vehicles and equipment for \$164,066.
- DPW facility improvements for \$635,195.
- Road and infrastructure improvements for \$738,615.
- Northampton Public School vehicle for \$95,357.
- Northampton Public Schools' improvements for \$232,829.
- Smith Vocational improvements for \$131,795.
- Parks department vehicles and equipment for \$109,635.

Construction in progress projects remaining at the end of the year consist of:

- Parking garage improvements of \$9,500.

- The police facility for \$11,903,722.
- DPW facility improvements for \$635,195.
- Florence recreational field improvements for \$135,318.

Capital asset additions during the year of \$2,373,436 in the business-type activity consist of:

- In the sewer fund, sanitary sewer system improvements for \$897,605 for the Bradford Street pump station construction in progress and the Wastewater Treatment Plant Bar Rack replacement for 174,215.
- In the water fund, a vehicle for \$23,606 and the completion of construction in progress on the Old Wilson Road water mains for \$26,730.
- In the solid waste fund, completion of the construction in progress for phase 3B improvements for \$157,300.

Debt Administration. The City's outstanding governmental debt, as of June 30, 2012, totaled \$49,780,486 as follows:

- \$15,612,000 for school projects.
- \$23,643,500 for City building projects.
- \$998,000 for land acquisitions.
- \$805,000 for storm and surface drains.
- \$36,486 for the Septic V community septic program.
- \$90,000 for the skate park.
- \$193,000 for road and sidewalk projects.
- \$1,071,500 for departmental equipment.
- \$535,000 for fiber optic network and city wide telephone system.
- \$95,000 for bridge repairs.
- \$125,000 for library preservation.
- \$1,936,000 for technology.
- \$4,640,000 for energy projects.

The City has bond anticipation notes outstanding in the amount of \$800,000 as of June 30, 2012 for the Department of Public Works facility improvements.

The City's outstanding business-type debt totaled, as of June 30, 2012, totaled \$31,094,724 as follows:

- \$3,778,047 in sewer debt.
- \$26,433,677 in water debt.
- \$883,000 in solid waste debt.

The City also has capital leases for ambulances. The last lease payment is due in 2014. The City currently owes \$171,898 on the leases consisting of \$162,001 in principal and \$9,897 in interest.

Please refer to notes 3C, 3E, 3F and 3G for further discussion of the capital assets and debt activity.

Next Year's Annual City Council Votes - Fiscal Year 2013

The financial statements of the City of Northampton as of June 30, 2012 do not reflect the fiscal year 2013 budget approved by the City Council on June 21, 2012. The City Council has authorized a fiscal year 2013 operating and capital budget as follows:

Governmental Funds:	
<i>From Tax Levy</i>	\$ 69,882,296
<i>From Parking Meter Receipts</i>	1,616,806
<i>From undesignated fund balance</i>	
Appropriations	119,963
Reserve for debt	46,768
<i>From Business-Type Funds:</i>	
Sewer fund receipts	1,806,937
Sewer appropriations	19,329
Water fund receipts	699,354
Water appropriations	37,306
Solid waste fund receipts	178,589
Solid waste appropriations	2,581
<i>From Other Available Funds:</i>	
Cemetery perpetual care funds	5,000
Community Preservation Funds	11,595
Comcast 1 - net reserve	165,000
Conservation wetlands fees	6,184
Municipal waterways fund	3,900
Reserve for energy rebates fund	145,000
Sale of cemetery lots	5,000
	<u>\$ 74,751,608</u>
 Business Type-Funds:	
From sewer receipts	<u>\$ 5,517,720</u>
 From water receipts	\$ 6,791,946
From water retained earnings	344,264
	<u>\$ 7,136,210</u>
 From solid waste receipts	\$ 2,132,000
From solid waste retained earnings	7,287
From landfill closure trust fund	1,625,000
	<u>\$ 3,764,287</u>

Requests for Information

This financial report is designed to provide a general overview of the City of Northampton'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 the City Auditor, City Hall, 210 Main Street, Northampton, Massachusetts.

BASIC FINANCIAL STATEMENTS

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 29,671,339	\$ 17,921,573	\$ 47,592,912
Investments	1,004,245	-	1,004,245
Receivables, net of allowance for uncollectibles:			
Property Taxes	1,180,591	-	1,180,591
Deferred Property Taxes	169,207	-	169,207
Tax Liens	427,978	-	427,978
Excise and Other Taxes	257,309	-	257,309
User Charges	-	1,734,474	1,734,474
Departmental	921,888	-	921,888
Loans	130,082	-	130,082
Due from Other Governments	4,890,033	367,090	5,257,123
Total current assets	<u>38,652,672</u>	<u>20,023,137</u>	<u>58,675,809</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	11,558,680	-	11,558,680
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	29,446,228	5,810,150	35,256,378
Depreciable	55,128,388	49,529,116	104,657,504
Total noncurrent assets	<u>96,133,296</u>	<u>55,339,266</u>	<u>151,472,562</u>
Total Assets	<u>134,785,968</u>	<u>75,362,403</u>	<u>210,148,371</u>
LIABILITIES			
CURRENT:			
Warrants Payable	2,268,829	365,340	2,634,169
Accrued Payroll	2,592,404	70,451	2,662,855
Retainage Payable	561,382	-	561,382
Payroll Withholdings	590,354	-	590,354
Tax Refund Payable	216,000	-	216,000
Accrued Interest	376,932	114,335	491,267
Compensated Absences	1,195,038	80,484	1,275,522
Bond Anticipation Notes	800,000	-	800,000
Bonds and Leases Payable	5,316,031	2,552,257	7,868,288
Total current liabilities	<u>13,916,970</u>	<u>3,182,867</u>	<u>17,099,837</u>
NONCURRENT:			
Landfill Closure	-	3,575,000	3,575,000
Compensated Absences	1,742,550	48,408	1,790,958
OPEB Obligation Payable	17,521,632	655,935	18,177,567
Bonds and Leases Payable	44,626,456	28,542,467	73,168,923
Total noncurrent liabilities	<u>63,890,638</u>	<u>32,821,810</u>	<u>96,712,448</u>
Total Liabilities	<u>77,807,608</u>	<u>36,004,677</u>	<u>113,812,285</u>
NET ASSETS:			
Invested in Capital Assets, net of related debt	47,219,915	24,611,632	71,831,547
Restricted for:			
Capital Projects	7,022,637	4,051,803	11,074,440
Federal & State Grants	3,810,044	-	3,810,044
Community Preservation	1,868,366	-	1,868,366
Permanent Funds:			
Expendable	249,912	-	249,912
Nonexpendable	676,706	-	676,706
Other Purposes	6,437,043	-	6,437,043
Unrestricted	(10,306,263)	10,694,291	388,028
Total Net Assets	<u>\$ 56,978,360</u>	<u>\$ 39,357,726</u>	<u>\$ 96,336,086</u>

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 5,418,251	\$ 3,432,803	\$ 1,810,250	\$ 508,210	\$ 333,012	\$ -	\$ 333,012
Public Safety	12,447,166	2,961,472	807,938	-	(8,677,756)	-	(8,677,756)
Public Works	3,686,144	90,810	267,147	1,007,297	(2,320,890)	-	(2,320,890)
Education	38,755,386	6,587,244	13,186,297	-	(18,981,845)	-	(18,981,845)
Health and Human Services	3,448,306	251,808	2,106,329	-	(1,090,169)	-	(1,090,169)
Culture and Recreation	3,051,283	483,463	163,499	130,400	(2,273,921)	-	(2,273,921)
Employee Benefits and Insurance	30,558,045	-	8,535,921	-	(22,022,124)	-	(22,022,124)
State Assessments	2,941,251	-	-	-	(2,941,251)	-	(2,941,251)
Interest	1,635,295	-	514,795	-	(1,120,500)	-	(1,120,500)
Total Governmental Activities	101,941,127	13,807,600	27,392,176	1,645,907	(59,095,444)	-	(59,095,444)
Business-Type Activities:							
Sewer	2,744,975	5,669,521	48,581	193,953	-	3,167,080	3,167,080
Water	4,422,773	6,234,782	104,373	-	-	1,916,382	1,916,382
Solid Waste	1,272,804	3,106,905	28,720	-	-	1,862,821	1,862,821
Total Primary Government	\$ 110,381,679	\$ 28,818,808	\$ 27,573,850	\$ 1,839,860	(59,095,444)	6,946,283	(52,149,161)
General Revenues:							
Property taxes					43,487,921	-	43,487,921
Motor vehicle and other taxes					2,253,056	-	2,253,056
Hotel room occupancy and Meals taxes					1,179,042	-	1,179,042
Penalties & interest on taxes					228,755	-	228,755
Grants & contributions not restricted to specific programs					4,898,536	-	4,898,536
Unrestricted investment income					151,113	-	151,113
Gain/(Loss) on Sale of Capital Assets					-	-	-
Miscellaneous					8,448	-	8,448
Contributions to Permanent Funds					16,650	-	16,650
Transfers, net					2,800,154	(2,800,154)	-
Total General Revenues, Contributions and Transfers					55,023,675	(2,800,154)	52,223,521
Change in Net Assets					(4,071,769)	4,146,129	74,360
Net Assets:							
Beginning of year					61,050,129	35,211,597	96,261,726
End of year					\$ 56,978,360	\$ 39,357,726	\$ 96,336,086

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Police Facility Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 11,328,858	\$ 5,114,047	\$ 13,228,434	\$ 29,671,339
Investments	-	-	1,004,245	1,004,245
Receivables, net of allowance for uncollectibles:				
Property Taxes	1,159,636	-	20,955	1,180,591
Deferred Property Taxes	169,207	-	-	169,207
Tax Liens	424,441	-	3,537	427,978
Excise and Other Taxes	257,309	-	-	257,309
Departmental	921,888	-	-	921,888
Loans	-	-	130,082	130,082
Due from Other Governments	13,370,673	-	3,078,040	16,448,713
Total Assets	\$ 27,632,012	\$ 5,114,047	\$ 17,465,293	\$ 50,211,352
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Warrants and Accounts Payable	\$ 1,422,790	\$ 195,295	\$ 650,744	\$ 2,268,829
Accrued Payroll	2,559,919	-	32,485	2,592,404
Retainage Payable	-	561,382	-	561,382
Employee Withholdings	590,354	-	-	590,354
Tax Refund Payable	216,000	-	-	216,000
Deferred Revenue:				
Property Taxes	722,636	-	20,955	743,591
Other	15,124,145	-	2,950,362	18,074,507
Bond Anticipation Note Payable	-	-	800,000	800,000
Total Liabilities	20,635,844	756,677	4,454,546	25,847,067
Fund Balance:				
Nonspendable	-	-	676,706	676,706
Restricted	385,803	4,357,370	11,647,388	16,390,561
Assigned	2,155,774	-	1,424,043	3,579,817
Unassigned	4,454,591	-	(737,390)	3,717,201
Total Fund Balance	6,996,168	4,357,370	13,010,747	24,364,285
Total Liabilities and Fund Balance	\$ 27,632,012	\$ 5,114,047	\$ 17,465,293	\$ 50,211,352

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Police Facility Construction	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 42,839,995	-	\$ 883,265	\$ 43,723,260
Intergovernmental	15,129,360	-	9,901,667	25,031,027
Excise and Other Taxes	3,484,884	-	3,399	3,488,283
Licenses, Permits, Fees	9,243,643	-	-	9,243,643
Charges for Services	-	-	4,847,265	4,847,265
Interest on Taxes	225,464	-	3,291	228,755
Investment Income	147,641	-	(1,195)	146,446
Gifts and Donations	-	-	191,810	191,810
Other	-	-	697,844	697,844
Intergovernmental - "On-behalf" Payments	8,477,656	-	-	8,477,656
Total Revenues	79,548,643	-	16,527,346	96,075,989
Expenditures:				
Current:				
General Government	4,533,701	-	5,890,643	10,424,344
Public Safety	10,799,328	11,840,605	1,355,689	23,995,622
Public Works	2,571,218	-	1,816,562	4,387,780
Education	29,771,656	-	6,961,715	36,733,371
Health and Human Services	1,332,979	-	1,990,654	3,323,633
Culture and Recreation	1,783,426	-	1,328,048	3,111,474
Employee Benefits and Insurance	23,711,528	-	-	23,711,528
Capital Improvements	352,811	-	-	352,811
State Assessments	2,941,251	-	-	2,941,251
Debt Service:				
Principal	4,066,000	-	336,214	4,402,214
Interest	1,426,654	-	211,299	1,637,953
Total Expenditures	83,290,552	11,840,605	19,890,824	115,021,981
Excess of Revenues Over (Under) Expenditures	(3,741,909)	(11,840,605)	(3,363,478)	(18,945,992)
Other Financing Sources (Uses):				
Operating Transfers In	6,649,911	-	-	6,649,911
Operating Transfers Out	-	-	(3,849,757)	(3,849,757)
Premium on Bonds	-	-	853,099	853,099
Proceeds from Issuance of Bonds	-	16,500,000	2,483,000	18,983,000
Total Other Financing Sources (Uses)	6,649,911	16,500,000	(513,658)	22,636,253
Net Change in Fund Balances	2,908,002	4,659,395	(3,877,136)	3,690,261
Fund Balances, Beginning of Year	4,088,166	(302,025)	16,887,883	20,674,024
Fund Balances, End of Year	\$ 6,996,168	\$ 4,357,370	\$ 13,010,747	\$ 24,364,285

CITY OF NORTHAMPTON, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Assets
For the Year Ended June 30, 2012

Total Governmental Fund Balances		\$	24,364,285
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			84,574,616
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			18,818,098
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:			
Bonds and Leases Payable	\$	(49,942,487)	
Other Post Employment Benefits Payable		(17,521,632)	
Compensated Absences		<u>(2,937,588)</u>	(70,401,707)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			<u>(376,932)</u>
Net Assets of Governmental Activities		\$	<u>56,978,360</u>

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF NORTHAMPTON, 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, 2012

Net Change in Fund Balances - Total Governmental Funds	\$	3,690,261
<p>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 are reported as depreciation expense:</p>		
Capital Outlay Purchases	\$ 19,774,695	
Depreciation	<u>(4,448,813)</u>	15,325,882
<p>Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.</p>		
		(1,859,884)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:</p>		
Repayment of Debt and Lease Principal	4,509,093	
Proceeds from Bonds and Notes	<u>(18,983,000)</u>	(14,473,907)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Net Change in Compensated Absences	269,232	
Net Change in Other Post Employment Benefits	(7,026,011)	
Net Change in Accrued Interest on Long-Term Debt	<u>2,658</u>	(6,754,121)
Change in Net Assets of Governmental Activities	\$	<u>(4,071,769)</u>

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGETARY BASIS - (NON-GAAP) -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis		
Revenues:					
Property Taxes	\$ 42,948,982	\$ 42,831,984	\$ 42,741,995	\$ -	\$ (89,989)
Intergovernmental	15,275,534	15,275,534	15,129,360	-	(146,174)
Excise and Other Taxes	3,141,777	3,141,777	3,484,884	-	343,107
Licenses, Permits, Fees	9,168,058	9,168,058	9,243,643	-	75,585
Interest on Taxes	171,000	171,000	225,464	-	54,464
Investment Income	108,000	108,000	146,746	-	38,746
Total Revenues	70,813,351	70,696,353	70,972,092	-	275,739
Expenditures:					
Current:					
General Government	4,838,091	4,947,998	4,533,701	186,972	227,325
Public Safety	9,390,926	11,031,520	10,799,328	32,485	199,707
Public Works	2,911,981	2,965,481	2,571,218	256,889	137,374
Education	30,349,699	30,109,713	29,771,656	321,212	16,845
Health and Human Services	1,169,980	1,377,980	1,332,979	9,608	35,393
Culture and Recreation	1,824,746	1,827,772	1,783,426	6,975	37,371
Employee Benefits and Insurance	15,415,398	15,459,848	15,233,872	24,924	201,052
Capital Improvements	1,313,429	1,669,520	352,811	1,316,709	-
State Assessments	3,054,851	3,054,851	2,941,251	-	113,600
Debt Service:					
Principal	4,056,067	4,066,000	4,066,000	-	-
Interest	1,459,350	1,501,250	1,426,654	-	74,596
Total Expenditures	75,784,520	78,011,933	74,812,896	2,155,774	1,043,263
Excess of Revenues Over (Under) Expenditures	(4,971,169)	(7,315,580)	(3,840,804)	(2,155,774)	1,319,002
Other Financing Sources (Uses):					
Operating Transfers In (Out)	2,984,803	4,594,929	6,209,189	-	1,614,260
Total Other Financing Sources (Uses)	2,984,803	4,594,929	6,209,189	-	1,614,260
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(1,986,366)	(2,720,651)	2,368,385	(2,155,774)	2,933,262
Budgetary Fund Balance - Beginning of Year	3,711,355	3,711,355	3,711,355	-	-
Budgetary Fund Balance - End of Year	\$ 1,724,989	\$ 990,704	\$ 6,079,740	\$ (2,155,774)	\$ 2,933,262

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF NORTHAMPTON, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2012

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 70,972,092	\$ 74,812,896
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	895	-
Net Decrease in Revenue from recording Refund Taxes Payable	(96,000)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	8,477,656	-
Recognition of Expenditures - "on behalf payments"	-	8,477,656
Net Increase in Revenue from Recording 60-Day Receipts	194,000	-
Reported on a GAAP Basis	\$ 79,548,643	\$ 83,290,552

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2012**

	Business-Type Activities Enterprise Funds			Total
	Sewer Fund	Water Fund	Solid Waste Fund	
ASSETS				
CURRENT:				
Cash and Cash Equivalents	4,460,937	6,679,550	6,781,086	17,921,573
User Charges, net of allowance for uncollectibles	613,642	618,565	502,267	1,734,474
Due from Other Governments	367,090	-	-	367,090
Total current assets	5,441,669	7,298,115	7,283,353	20,023,137
NONCURRENT:				
Capital Assets, net of accumulated Depreciation:				
Nondepreciable	1,984,624	2,216,481	1,609,045	5,810,150
Depreciable	4,690,885	35,770,355	9,067,876	49,529,116
Total noncurrent assets	6,675,509	37,986,836	10,676,921	55,339,266
Total Assets	12,117,178	45,284,951	17,960,274	75,362,403
LIABILITIES				
CURRENT:				
Warrants and Accounts Payable	204,566	110,121	50,653	365,340
Accrued Payroll	31,171	27,274	12,006	70,451
Accrued Interest	23,729	79,460	11,146	114,335
Compensated Absences	43,699	25,644	11,141	80,484
Bonds Payable	510,000	1,863,257	179,000	2,552,257
Total current liabilities	813,165	2,105,756	263,946	3,182,867
NONCURRENT:				
Landfill Closure	-	-	3,575,000	3,575,000
Compensated Absences	23,858	16,782	7,768	48,408
OPEB Obligation Payable	289,588	246,937	119,410	655,935
Bonds Payable	3,268,047	24,570,420	704,000	28,542,467
Total noncurrent liabilities	3,581,493	24,834,139	4,406,178	32,821,810
Total Liabilities	4,394,658	26,939,895	4,670,124	36,004,677
NET ASSETS:				
Invested in Capital Assets, net of related debt	3,264,552	11,553,159	9,793,921	24,611,632
Restricted for Capital	886,526	2,388,655	776,622	4,051,803
Unrestricted	3,571,442	4,403,242	2,719,607	10,694,291
Total Net Assets	7,722,520	18,345,056	13,290,150	39,357,726

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2012**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
Operating Revenues:				
Charges for Services	\$ 5,637,656	\$ 6,200,832	\$ 2,670,710	\$ 14,509,198
Other	31,865	33,950	436,195	502,010
Total Operating Revenues	5,669,521	6,234,782	3,106,905	15,011,208
Operating Expenses:				
Salaries & Wages	651,288	840,599	305,595	1,797,482
Operating Expenses	1,643,620	1,654,548	290,714	3,588,882
Depreciation	323,747	1,189,693	618,413	2,131,853
Total Operating Expenses	2,618,655	3,684,840	1,214,722	7,518,217
Operating Income (Loss)	3,050,866	2,549,942	1,892,183	7,492,991
Non-Operating Revenues (Expenses):				
Interest Income	48,581	60,323	28,720	137,624
Intergovernmental	193,953	44,050	-	238,003
Interest Expense	(126,320)	(737,933)	(58,082)	(922,335)
Total Non-Operating Revenues (Expenses)	116,214	(633,560)	(29,362)	(546,708)
Income (Loss) Before Operating Transfers	3,167,080	1,916,382	1,862,821	6,946,283
Operating Transfers:				
Transfers In (Out)	(1,756,160)	(680,560)	(363,434)	(2,800,154)
Total Operating Transfers	(1,756,160)	(680,560)	(363,434)	(2,800,154)
Change in Net Assets	1,410,920	1,235,822	1,499,387	4,146,129
Net Assets at Beginning of Year	6,311,600	17,109,234	11,790,763	35,211,597
Net Assets at End of Year	\$ 7,722,520	\$ 18,345,056	\$ 13,290,150	\$ 39,357,726

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2012**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	5,410,237	6,008,686	2,625,252	\$ 14,044,175
Receipts from Other Revenues	31,865	33,950	436,195	502,010
Payments to Vendors	(1,529,948)	(1,500,459)	(900,236)	(3,930,643)
Payments to Employees	(651,531)	(844,266)	(303,655)	(1,799,452)
Net Cash Provided by (Used for) Operating Activities	3,260,623	3,697,911	1,857,556	8,816,090
Cash Flows from Noncapital Financing Activities:				
Transfers from (to) Other Funds	(1,756,160)	(680,560)	(363,434)	(2,800,154)
Net Cash Provided by (Used for) Noncapital Financing Activities	(1,756,160)	(680,560)	(363,434)	(2,800,154)
Cash Flows from Capital and Related Financing Activities:				
WPAT Project Drawdowns	532,910	129,522	-	662,432
Intergovernmental	958,771	163,462	-	1,122,233
Acquisition and Construction of Capital Assets	(1,843,913)	(50,336)	(157,299)	(2,051,548)
Principal Payments on Bonds and Notes	(870,000)	(1,857,595)	(1,133,000)	(3,860,595)
Interest Expense	(129,683)	(746,187)	(60,140)	(936,010)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,351,915)	(2,361,134)	(1,350,439)	(5,063,488)
Cash Flows from Investing Activities:				
Investment Income	48,581	60,323	28,720	137,624
Net Cash Provided by (Used for) Investing Activities	48,581	60,323	28,720	137,624
Net Increase (Decrease) in Cash and Cash Equivalents	201,129	716,540	172,403	1,090,072
Cash and Cash Equivalents at Beginning of Year	4,259,808	5,963,010	6,608,683	16,831,501
Cash and Cash Equivalents at End of Year	\$ 4,460,937	\$ 6,679,550	\$ 6,781,086	\$ 17,921,573

**CITY OF NORTHAMPTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2012**

Business-Type Activities Enterprise Funds	Sewer Fund	Water Fund	Solid Waste Fund	Total
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Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:

Operating Income (Loss)	\$	3,050,866	\$	2,549,942	\$	1,892,183	7,492,991
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:							
Depreciation		323,747		1,189,693		618,413	2,131,853
Change in Assets and Liabilities:							
Increase (Decrease) in Warrants Payable		24,603		27,027		(22,199)	29,431
Increase (Decrease) in Accrued Payroll		9,347		(6,124)		1,236	4,459
Increase (Decrease) in Compensated Absences		(9,590)		2,457		704	(6,429)
Increase (Decrease) in OPEB Obligation Payable		89,069		127,062		37,677	253,808
Increase (Decrease) in Landfill Closure		-		-		(625,000)	(625,000)
Decrease (Increase) in User Charges Receivable		(227,419)		(192,146)		(45,458)	(465,023)
Total Adjustments		209,757		1,147,969		(34,627)	1,323,099
Net Cash Provided by (Used for) Operating Activities	\$	3,260,623	\$	3,697,911	\$	1,857,556	\$ 8,816,090

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012**

	NORTHAMPTON		
	Employees Retirement System Pension Trust Fund		
	(as of December 31, 2011)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 91,600	\$ 286,017	\$ 330,735
Investments	79,539,654	1,308,695	-
Accrued Interest and Dividends	217,797	-	-
Accounts Receivable	17,436	-	39,556
Total Assets	79,866,487	1,594,712	370,291
LIABILITIES			
Warrants Payable	30,428	-	11,745
Due to Others	-	-	54,350
Due to Student Groups	-	-	159,276
Deposits and Escrows	-	-	144,920
Total Liabilities	30,428	-	370,291
NET ASSETS:			
Held in Trust for Pension Benefits and Other Purposes	\$ 79,836,059	\$ 1,594,712	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

	NORTHAMPTON	
	Employees	
	Retirement	
	System Pension	
	Trust Fund	Private
	(as of December	Purpose
	31, 2011)	Trust Funds
Additions		
Contributions:		
Employers	\$ 4,384,814	\$ -
Plan Members	2,263,782	-
Transfers/Reimbursements from Other Systems	181,229	-
Federal Grant Reimbursements	18,819	-
Commonwealth of Massachusetts - COLA	112,627	-
Private Donations	-	21,166
Total Contributions	6,961,271	21,166
Investment Income:		
Interest & Dividends	2,067,238	40,165
Net Change in Fair Value of Investments	678,843	(47,225)
Total Investment Earnings	2,746,081	(7,060)
Less Investment Expense	(322,463)	-
Net Investment Earnings	2,423,618	(7,060)
Total Additions	9,384,889	14,106
Deductions:		
Benefit Payments to Plan Members and Beneficiaries	7,024,902	-
Refunds to Members	229,566	-
Transfers to Other Systems	366,377	-
Educational Scholarships	-	24,911
Human Services	-	5,000
General Expenses	162,794	11,500
Total Deductions	7,783,639	41,411
Change in Net Assets	1,601,250	(27,305)
Net Assets at Beginning of Year	78,234,809	1,622,017
Net Assets at End of Year	\$ 79,836,059	\$ 1,594,712

The Notes to the Financial Statements are an integral part of this Statement.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the City of Northampton, Massachusetts (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant City accounting policies are described herein.

A. Reporting Entity

The City of Northampton, Massachusetts is a municipality in which citizens elect the mayor, seven council members and two at-large council members.

For financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The City has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the basic financial statements to be misleading or incomplete.

Blended component units are entities that are legally separate from the City, but are so related that they are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The following component unit is blended within the primary government in the fiduciary funds:

The Northampton Contributory Retirement System (the System) was established to provide retirement benefits to City employees, the City Housing Authority, employees, and their beneficiaries. The System is governed by a five-member board comprised of the City Auditor (ex-officio), two members elected by the System's participants, one member appointed by the Mayor and one member appointed by the Board members. 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 did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 210 Main Street, Northampton, Massachusetts.

The City is responsible for electing the governing board and/or committee members of the Northampton Housing Authority. This related organization is excluded from the financial reporting entity because the City's accountability does not extend beyond the City electing the board and/or committee members. Audited financial statements are available from the respective organization. A description of the related organization is as follows:

Northampton Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The City has no significant influence over management, budget or policies of the authority.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

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. Non-major funds are aggregated and displayed in a single column.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net assets and change in net assets.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

and

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

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

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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.

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, 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 thereafter to be used to pay current liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. 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.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The City 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 *police facility construction fund* is used to account for financial resources to construct a new police facility.

The City reports the following major proprietary funds:

The *sewer fund* is used to account for the sewer activities.

The *water fund* is used to account for the water activities.

The *solid waste fund* is used to account for the solid waste activities.

Additionally, the City reports the following fund types:

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs.

The *Northampton Employees Retirement System Pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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

The *agency fund* is used to account for assets held in a purely custodial capacity.

The non-major governmental fund consists of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

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 non-operating revenues and expenses.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

Investment income from proprietary funds is maintained in those funds.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the City. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

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

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes, Deferred Property Taxes, Taxes in Litigation, Rollback Taxes, and Tax Liens

Property taxes are based on assessments as of January 1, 2011 and include betterments, special assessments and liens. Taxes are used to finance the operations of the City for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The City has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the City sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The City has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables.

Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The City mailed preliminary tax bills for the fiscal year 2012 on July 1, 2011 and October 1, 2011, that were due on August 1, 2011 and November 1, 2011 and actual bills on December 28, 2011, and April 1, 2012, that were due on February 1, 2012 and May 1, 2012, respectively.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a City. The legal levy limit under Proposition 2 1/2 for fiscal year 2012 is as follows;

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2012	\$ 42,224,422
Add: Debt Exclusion	<u>1,008,478</u>
	<u>\$ 43,232,900</u>

The total amount raised by taxation was \$43,225,962.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Excise and Other Taxes

Excise taxes consist of motor vehicle excise and vessel excise. Excise taxes are assessed annually for each vehicle and vessel registered in the City and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles. The Board of Assessors of the City is responsible for determining the value of each vessel.

The tax calculation is the fair market value of the vehicle or vessel multiplied by the \$25 per \$1,000 of value and \$10 per \$1,000 of valuation, respectively.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

User Charges

User charges and fees consist of sewer, water and solid waste. Sewer and water are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed each year and are included as a lien on the property owner's tax bill. Water charges, sewer charges, solid waste and water and sewer liens are recorded as receivables in the fiscal year of the levy.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Departmental

Departmental receivables consist primarily of veterans' services, school department fees, ambulance and other general government receipts.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Loans

The Community Development Block Grant office administers loan programs that provide housing assistance to residents of the City and commercial loans to businesses. Upon issuance, a receivable is recorded for the principal amount of the loan.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase of equipment in excess of \$15,000 and construction costs of in excess of \$50,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

<u>Capital Asset Type</u>	<u>Years</u>
Buildings and improvements	20-40
Machinery, equipment and other	3-15
Infrastructure	20-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

H. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net."

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred Revenue

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

J. Net Assets and Fund Balances

In the Governmental-Wide financial statements, the difference between the City's total assets and total liabilities represents net assets. Net assets displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net assets represent the net assets available for future operations. Net assets have been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" represents amounts restricted by the federal and state government for various programs.

"Community preservation fund" represents amounts that are restricted for the preservation of open space, historical resources and community housing.

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other purposes" represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority, which is the City Council action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and City board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively

K. Long-term Debt

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets.

The face amount of governmental funds long-term debt is reported as other financing sources.

L. Compensated Absences

The City grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at 20% of their current rates of pay.

M. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50%, 60% and 80% share for PPO plans and HMO plans, respectively, insurance premiums in the general fund in the fiscal year paid.

N. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of 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

An annual budget is adopted for the City's General Fund. Although legislative approval is required for the acceptance of grants, capital projects and borrowing authorizations, annual budgets are not prepared for any other fund; therefore comparison of budget to actual is only presented for the General Fund.

The City must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds. Supplemental appropriations may be made from available funds after the setting of the tax rate. Appropriations may be transferred between departments with the City Council approval.

The City follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Every board and committee in charge of a department shall annually, on the first day of December, send to the mayor and to the committee on finances an estimate in detail of the appropriations needed to enable the department to properly perform its duties.

Hearings are conducted and the Mayor then submits a budget to the City Council.

The budget is legally enacted by vote of the City Council prior to the end of the fiscal year.

Throughout the fiscal year, any unencumbered appropriation, balance or portion thereof, may be transferred from one department, commission, board or office, to another by City Council vote.

Massachusetts law requires cities and towns to provide for a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein"

For fiscal year 2012, the City incurred a final budget deficit of \$2,720,651 for the General Fund.

The City voted from the following sources to fund the deficit budget during the fiscal year:

Unreserved fund balance:	
Free cash	\$ 734,285
Prior year's encumbrances	<u>1,986,366</u>
	<u>\$ 2,720,651</u>

B. Deficit Fund Balances

The following funds had deficits at June 30, 2012 as measured by the balances of unreserved fund balance:

- The General Fund Overlay 2011 account has a deficit of \$87,597. The deficit will be eliminated by raising additional funds.
- Department of Public Works Facility capital project fund has a deficit of \$3,569. The deficit will be eliminated upon the receipt of additional funds and upon issuance of debt.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits – City Financials

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2012 were \$47,762,745. Of these, \$5,594,456 were exposed to custodial credit risk as uninsured and uncollateralized.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Custodial Credit Risks – Deposits – Northampton Contributory Retirement System

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. The System does not have a deposit policy for custodial credit risk. Deposits at December 31, 2011 were \$205,703. None were exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies – City Financials

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2012, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1 to 5
Debt Securities:			
Corporate bonds	\$ 59,480	\$ -	\$ 59,480
Money market mutual funds	153,050	153,050	-
	<u>212,530</u>	<u>\$ 153,050</u>	<u>\$ 59,480</u>
Other Investments:			
Equity mutual funds	1,494,374		
Equity securities - Domestic	309,754		
Certificates of Deposit	296,282		
	<u>\$ 2,312,940</u>		

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's \$2,312,940, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department and in the City's name. The City has no policy on custodial credit risk.

Interest Rate Risk

The City does 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.

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Credit Risk

The City's exposure to credit risk as of June 30, 2012 is as follows:

Related Debt Instruments	Fair Value	Moody's Quality Ratings	
		A1	Not Rated
Debt Securities:			
Corporate bonds	\$ 59,480	\$ 59,480	\$ -
Money market mutual fund	153,050	-	153,050
	<u>\$ 212,530</u>	<u>\$ 59,480</u>	<u>\$ 153,050</u>

Concentration of Credit Risk

The City places no limit on the amount the City may invest in one issuer. The City does not have more than 5 percent of the City's investments in one issuer.

Investment Policies -- Northampton Contributory Retirement System City Financials

Under PERAC regulations, every retirement board shall file a statement of investment objectives with PERAC. Among the information to be filed are the investment policy, the rate of return expected, the expected level of risk, the asset mix, the degree of diversification, and other pertinent financial information.

Specific policies for investments of funds for the system are as follows:

- A. The assets shall be diversified among fixed income, equity, and short term investment and may include:
 - i. up to 3% of the total market value of the portfolio in limited partnerships, such as, but not limited to, venture capital investments;
 - ii. up to 8% of the total equity market value of the portfolio in foreign investments.
- B. The asset allocation of the portfolio shall lie within the range of 45%-65% common stock and 35%-55% fixed income as is permitted by an exemption issued to the Board.
- C. Equity investments shall comply with the following policies as well as relevant PERAC regulations including any modifications permitted by an exemption issued to the Board.
 - i. At least 75% of the market value of equity investments shall be in companies for which the market value of the outstanding shares is at least \$100 million at time of purchase.
 - ii. The investment in any one holding shall not exceed 5% of the total book value of equity investments at the time of purchase.
 - iii. All equity investments, including ADRs as permitted by an exemption issued to the Board, must be in securities traded on a major exchange or on the NASDAQ.
 - iv. The beta (a measure of equity volatility) shall average no more than 1.15 annually.
 - v. No investment shall be made in a company with less than a five year operating history.
 - vi. The holdings within the equity portfolio shall be diversified such that:
 - a. The equity portfolio shall consist of no fewer than 25 holdings;
 - b. no single industry shall account for more than 20% of the total market value;

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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- c. at no time shall small capitalization stocks represent less than 10% of the total equity market value nor more than 50%.
 - vii. Recognizing that equity turnover may vary with market conditions and the specific characteristics of individual issues, turnover shall be targeted at no more than 150% per year.
- D. Fixed income investments shall comply with the following policies as well as relevant PERAC regulations including any modifications permitted by an exemption issued to the Board.
- i. At least 65% of the market value of the fixed income portfolio shall be in holdings rated no less than A or equivalent.
 - ii. No more than 5% of the portfolio shall have a rating less than investment grade, and no bond shall be below a rating of B. Split-rated bonds, i.e. bonds rated investment grade by at least one agency but rated below investment grade by another, are included in this 5%.
 - iii. No holding shall be purchased unless there is at least \$50 million par of the issue outstanding at the time of purchase.
 - iv. No more than 5% of the total market value of the portfolio shall be invested in the direct (as opposed to asset-backed or mortgage-backed) debt obligations of any one fixed income issuer except that issues of the U.S. government or agencies that have the full faith and credit of the U.S. government may be held without limit. The investment Manager may exceed that level, up to a maximum of 10%, however, if he or she feels it is prudent to do so as long as the Investment Manager promptly advises the Secretary to the Board of the situation so that the Board may review the investment at its next meeting.
 - v. Fixed income holdings which are downgraded below BBB or Baa shall be sold within one year of the downgrading unless the exemption issued to the Board permits retention.
 - vi. The adjusted modified duration of the fixed income portfolio shall be within the range of 75% to 125% of the duration of the Index.
 - vii. Excluding purchases and sales of issues of the U.S. government or agencies that have the full faith and credit of the U.S. government, the turnover of the fixed income portfolio shall not exceed 150% per year.
 - viii. The holdings within the fixed income portfolio shall be diversified such that:
 - a. the holdings shall be diversified across sectors and industries with no single industry representing more than one third the market value
 - b. except that issues of the U.S. government or agencies that have the full faith and credit of the U.S. government may be held without limit.
 - c. the fixed income portfolio will consist of no fewer than 20 holdings
 - d. at no time shall more than 80% of the market value of the holdings nor less than 20% have an adjusted modified duration longer than the Index.
- E. Cash and cash equivalents shall be invested in any or all of the following instruments: money market funds, repurchase agreements, short term instruments issued by the Treasury and other agencies of the U.S. government, commercial paper rated P1 and corporate debt maturing within one year at date of purchase.

As of December 31, 2011, the System had the following investments and maturities:

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Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10 Years
Debt Securities:					
U. S. Treasury obligations	\$ 16,593,453	\$ -	\$ 3,552,642	\$ 7,037,819	\$ 6,002,992
U. S. Government agencies	1,145,395	-	44,370	419,099	681,926
Corporate bonds	13,029,343	201,120	2,666,083	5,622,706	4,539,434
Money market mutual funds	2,491,655	2,491,655	-	-	-
	<u>33,259,846</u>	<u>\$ 2,692,775</u>	<u>\$ 6,263,095</u>	<u>\$ 13,079,624</u>	<u>\$ 11,224,352</u>
Other Investments:					
Equity securities - Domestic	44,425,578				
Pooled investment funds	1,854,230				
	<u>\$ 79,539,654</u>				

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the System's \$79,539,654 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

Interest Rate Risk

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The System limits investments in bonds with a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of Ba or equivalent as rated by one or more recognized bond rating services.

The System's exposure to credit risk as of December 31, 2011 is as follows:

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Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<i>U. S. Treasury Obligations:</i>	
AAA	\$ 16,593,453
<i>U. S. Government Agencies:</i>	
AAA	1,145,395
<i>Corporate Debt:</i>	
AAA	783,603
AA	2,830,674
A	2,553,760
BAA	5,692,115
BA/B	1,169,191
<i>Money Market Mutual Funds:</i>	
Not rated	2,491,655
	\$ 33,259,846

Concentration of Credit Risk

The System may invest up to 15% of the account's assets in high yield securities on an opportunistic basis. There is no one investment that is 5 percent of the System's investments.

B. Receivables

At June 30, 2012, receivables for the individual major governmental funds, non-major governmental funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 1,566,500	\$ (385,909)	\$ 1,180,591
Deferred property taxes	169,207	-	169,207
Taxes in litigation	6,794	(6,794)	-
Rollback taxes	1,580	(1,580)	-
Tax liens	427,978	-	427,978
Excise taxes and other taxes	977,309	(720,000)	257,309
Departmental	921,888	-	921,888
Loans	130,082	-	130,082
Due from other governments	16,448,713	-	16,448,713
	\$ 20,650,051	\$ (1,114,283)	\$ 19,535,768

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At June 30, 2012, receivables for the sewer, water and solid waste enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
User charges	\$ 796,492	\$ (182,850)	\$ 613,642
Due from other governments	367,090	-	367,090
Water Fund:			
User charges	676,765	(58,200)	618,565
Solid Waste Fund:			
User charges	727,267	(225,000)	502,267
	<u>\$ 2,567,614</u>	<u>\$ (466,050)</u>	<u>\$ 2,101,564</u>

The composition of amounts due from other governments as of June 30, 2012 for governmental funds and the business-type activities are as follows:

General Fund:

Commonwealth of Massachusetts:

School Building Authority - School Building Assistance -
 Capital portion

\$ 13,351,300

Various Municipalities and Other

15,960

Northampton Employees Retirement System

(As of December 31, 2011)

3,413 \$ 13,370,673

Nonmajor Governmental Funds:

U. S. Department of Housing and Urban Development:

Community Development Block Grant

430,457

Supportive Housing Program

328,929

Commonwealth of Massachusetts -

Department of Environmental Protection

6,810

Sustainable Material Program

Massachusetts Department of Transportation:

Chapter 90 funds

2,274,074

Departmental

37,770

3,078,040

\$ 16,448,713

Business-Type Funds:

Sewer Fund:

Commonwealth of Massachusetts -

Executive Office of Housing and Economic Development

Bradford Street pump station

\$ 367,090

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

The balance of the general fund deferred revenues account is equal to all of June 30, 2012 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

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At the end of the current fiscal year, the deferred revenue for property taxes is \$743,591.

The various components of the other deferred revenue reported in the governmental funds are as follows:

General Fund:			
Deferred property taxes	\$	169,207	
Tax Liens		424,441	
Excise and other taxes		257,309	
Departmental		921,888	
Due from other governments		<u>13,351,300</u>	\$ 15,124,145
Nonmajor Governmental Funds:			
Tax Liens		3,537	
Loans		130,082	
Due from other governments		<u>2,816,743</u>	2,950,362
			<u>\$ 18,074,507</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2012, are as follows

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 13,124,912	\$ 771,193	\$ -	\$ 13,896,105
Construction in progress	3,274,673	13,677,090	(1,401,640)	15,550,123
Total capital assets not being depreciated	<u>16,399,585</u>	<u>14,448,283</u>	<u>(1,401,640)</u>	<u>29,446,228</u>
Capital assets being depreciated:				
Buildings and improvements	93,034,255	6,358,994	-	99,393,249
Machinery, equipment and other	11,816,803	369,058	(117,025)	12,068,836
Infrastructure	18,408,275	-	-	18,408,275
Total capital assets being depreciated	<u>123,259,333</u>	<u>6,728,052</u>	<u>(117,025)</u>	<u>129,870,360</u>
Less accumulated depreciation for:				
Buildings	48,733,935	3,126,587	-	51,860,522
Machinery, equipment and other	8,527,714	985,446	(117,025)	9,396,135
Infrastructure	13,148,535	336,780	-	13,485,315
Total accumulated depreciation	<u>70,410,184</u>	<u>4,448,813</u>	<u>(117,025)</u>	<u>74,741,972</u>
Total capital assets being depreciated, net	<u>52,849,149</u>	<u>2,279,239</u>	<u>-</u>	<u>55,128,388</u>
Total governmental activities capital assets, net	<u>\$ 69,248,734</u>	<u>\$ 16,727,522</u>	<u>\$ (1,401,640)</u>	<u>\$ 84,574,616</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
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Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 3,830,435	\$ -	\$ -	\$ 3,830,435
Construction in progress	1,992,060	1,081,635	(1,093,980)	1,979,715
Total capital assets not being depreciated	<u>5,822,495</u>	<u>1,081,635</u>	<u>(1,093,980)</u>	<u>5,810,150</u>
Capital assets being depreciated:				
Buildings and Renovations	23,152,564	684,669	-	23,837,233
Machinery, equipment and other	2,722,461	23,606	-	2,746,067
Infrastructure	74,274,258	583,525	-	74,857,783
Total capital assets being depreciated	<u>100,149,283</u>	<u>1,291,800</u>	<u>-</u>	<u>101,441,083</u>
Less accumulated depreciation for:				
Buildings and Renovations	14,539,393	565,600	-	15,104,993
Machinery, equipment and other	2,193,909	211,552	-	2,405,461
Infrastructure	33,046,812	1,354,701	-	34,401,513
Total accumulated depreciation	<u>49,780,114</u>	<u>2,131,853</u>	<u>-</u>	<u>51,911,967</u>
Total capital assets being depreciated, net	<u>50,369,169</u>	<u>(840,053)</u>	<u>-</u>	<u>49,529,116</u>
Total business-type activities capital assets, net	<u>\$ 56,191,664</u>	<u>\$ 241,582</u>	<u>\$ (1,093,980)</u>	<u>\$ 55,339,266</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 556,295
Public safety	648,575
Public works	602,129
Education	2,337,866
Health and human services	120,334
Culture and recreation	183,614
Total depreciation expense - governmental activities	<u>\$ 4,448,813</u>
Business-Type Activities:	
Sewer fund	\$ 323,747
Water fund	1,189,693
Solid waste fund	618,413
Total depreciation expense - business-type activities	<u>\$ 2,131,853</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

Transfers Out:	Transfers In: General fund
Nonmajor governmental funds	\$ 3,849,757
Business-type activities	2,800,154
Total transfers out	<u>\$ 6,649,911</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
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E. Lease

The City has entered into lease agreements as lessee for financing the acquisition of ambulances. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follow:

	Governmental Activities
Assets:	
Machinery, equipment and other	\$ 928,243
Less: Accumulated Depreciation	(684,301)
Total	\$ 243,942

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, are as follows:

Year Ending June 30,	Governmental Activities
2013	\$ 119,347
2014	52,550
Total minimum lease payments	171,897
Less: amount representing interest	(9,896)
Present value of minimum lease payments	\$ 162,001

F. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the City is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental and business-type activities are as follows:

CITY OF NORTHAMPTON, MASSACHUSETTS
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Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2012
Governmental Activities:						
<i>Bond Anticipation Notes:</i>						
SVAHS Culinary Arts Renovations	1.25%	12/9/2011	\$ 50,000	\$ -	\$ 50,000	\$ -
Police Vehicles	1.25%	12/9/2011	141,500	-	141,500	-
SVAHS paint booth	1.25%	12/9/2011	25,000	-	25,000	-
DPW Dump trucks	1.25%	12/9/2011	128,544	-	128,544	-
DPW Wheel trucks	1.25%	12/9/2011	264,980	-	264,980	-
DPW Facility	1.50%	2/10/2012	750,000	-	750,000	-
Wheel chair van	1.50%	2/10/2012	50,000	-	50,000	-
Bean Allard Farm Acquisition	1.50%	2/10/2012	800,000	-	800,000	-
Police Station	1.50%	2/10/2012	10,000,000	-	10,000,000	-
SVAHS Culinary Arts Renovations	0.80%	2/10/2012	-	50,000	50,000	-
Police Vehicles	0.80%	2/10/2012	-	141,500	141,500	-
SVAHS paint booth	0.80%	2/10/2012	-	25,000	25,000	-
DPW Dump trucks	0.80%	2/10/2012	-	128,544	128,544	-
DPW Wheel trucks	0.80%	2/10/2012	-	264,980	264,980	-
Bean Allard Farm Acquisition	0.80%	2/10/2012	-	369,900	369,900	-
DPW Facility	1.25%	2/8/2013	-	800,000	-	800,000
Total Governmental Activities			\$ 12,210,024	\$ 1,779,924	\$ 13,189,948	\$ 800,000
Business-Type Activities:						
<i>Bond Anticipation Notes:</i>						
<i>Sewer Fund:</i>						
Wastewater management plan	1.50%	02/10/12	\$ 400,000	\$ -	\$ 400,000	\$ -
Bradford St. pumping station	1.50%	02/10/12	800,000	-	800,000	-
Total Sewer Fund			1,200,000	-	1,200,000	-
<i>Solid Waste Fund:</i>						
Landfill planning	1.50%	02/10/12	300,000	-	300,000	-
Landfill land acquisition	1.50%	02/10/12	650,000	-	650,000	-
Total Solid Waste Fund			950,000	-	950,000	-
Total Business-Type Activities			\$ 2,150,000	\$ -	\$ 2,150,000	\$ -

G. Long Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds currently outstanding of the governmental type fund are as follows:

CITY OF NORTHAMPTON, MASSACHUSETTS
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	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2012
Inside Debt:					
Library building remodeling	3.40%	10/15/02	09/01/19	\$ 830,000	\$ 369,000
Land acquisition	Various	11/15/04	10/15/23	\$ 72,000	16,000
Building remodeling - school	Various	11/15/04	10/15/23	\$ 767,000	459,000
Repairs to city buildings	Various	11/15/04	10/15/23	\$ 40,000	5,000
Aerial ladder fire truck	Various	11/15/04	10/15/23	\$ 720,500	210,000
Recreation facilities	Various	11/15/04	10/15/23	\$ 45,000	10,000
Refinanced:					
Police land acquisition	Various	11/15/04	10/15/18	\$ 229,000	44,000
Land acquisition - Gerogianna	Various	11/15/04	10/15/18	\$ 76,000	28,000
Storm and surface drains	Various	11/15/04	10/15/18	\$ 40,000	20,000
Fire station	Various	11/15/04	10/15/18	\$ 2,325,000	1,745,000
Municipal Purpose Loan of 2007:					
School energy	3.75-4.0%	03/15/07	03/15/16	\$ 60,000	25,000
SVAHS shop computers	3.75-4.0%	03/15/07	03/15/16	\$ 300,000	116,000
Ridgewood Terrace roads	3.75-4.0%	03/15/07	03/15/16	\$ 173,400	73,000
Veteran's field skatepark	3.75-4.0%	03/15/07	03/15/22	\$ 140,000	90,000
Senior center	3.75-4.0%	03/15/07	03/15/26	\$ 3,910,000	2,880,000
Forbes library remodeling	3.75-4.0%	03/15/07	03/15/26	\$ 982,900	707,000
Schools and DPW garage remodeling	3.75-4.0%	03/15/07	03/15/26	\$ 415,000	295,000
DPW salt/sand shed	3.75-4.0%	03/15/07	03/15/26	\$ 173,600	123,000
Storm and surface drains	3.75-4.0%	03/15/07	03/15/26	\$ 602,000	445,000
Municipal Purpose Loan of 2009:					
City-wide fiber optic network	2.0-5.0%	02/12/09	02/01/29	\$ 710,000	280,000
Cty-wide telephone system	2.0-5.0%	02/12/09	02/01/29	\$ 648,000	255,000
Fire department equipment	2.0-5.0%	02/12/09	02/01/29	\$ 34,000	5,000
DPW roof repairs	2.0-5.0%	02/12/09	02/01/29	\$ 25,000	17,500
Ryan Road bridge repairs	2.0-5.0%	02/12/09	02/01/29	\$ 125,000	95,000
Various school projects	2.0-5.0%	02/12/09	02/01/29	\$ 744,000	402,500
Library preservation	2.0-5.0%	02/12/09	02/01/29	\$ 500,000	125,000
Municipal Purpose Loan of 2010:					
Drainage	3.01%	12/01/10	11/15/25	\$ 100,000	90,000
Sidewalk construction	1.70%	12/01/10	11/15/14	\$ 186,500	120,000
Police station	3.19%	12/01/10	11/15/25	\$ 1,100,000	1,025,000
Technology	2.31%	12/01/10	11/15/19	\$ 225,500	195,000
Energy conservation improvements	3.27%	12/01/10	11/15/25	\$ 4,893,000	4,640,000
Qualified energy conservation	1.73%	12/22/10	11/15/25	\$ 1,607,000	1,498,000
Clean renewable energy	1.73%	12/22/10	11/15/25	\$ 261,000	243,000
Massachusetts Water Pollution					
Abatement Trust - Title V Community					
Septic Management Program Bond	N/A	10/25/00	08/01/18	\$ 93,837	36,486
Sub-total					<u>\$ 16,687,486</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
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June 30, 2012

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2012
Inside Debt:					\$ 16,687,486
Continued from Page 46					
Municipal Purpose Loan of 2012:					
Police Station 1	2.30%	02/09/12	12/01/31	\$ 10,000,000	10,000,000
Police Station 2	2.32%	02/09/12	12/01/31	\$ 887,000	887,000
Police Station 3	2.28%	02/09/12	12/01/31	\$ 5,580,000	5,580,000
NPS Wheelchair Bus	1.07%	02/09/12	12/01/15	\$ 50,000	50,000
Police Vehicles	1.06%	02/09/12	12/01/15	\$ 141,500	141,500
SVAHS Culinary Arts Renovations	1.07%	02/09/12	12/01/15	\$ 50,000	50,000
SVAHS Paint Booth Renovation	1.07%	02/09/12	12/01/16	\$ 50,000	50,000
DPW 2 Dump Truck	1.07%	02/09/12	12/01/15	\$ 130,000	130,000
DPW 2 Six-Wheel Trucks	1.06%	02/09/12	12/01/15	\$ 280,000	280,000
Recreation Dept. Mini-Bus	1.05%	02/09/12	12/01/16	\$ 45,000	45,000
Police Tactical Equipment	1.07%	02/09/12	12/01/16	\$ 60,000	60,000
DPW Equipment	1.05%	02/09/12	12/01/16	\$ 150,000	150,000
JFK Pool Filter	1.05%	02/09/12	12/01/16	\$ 75,000	75,000
JFK Tilt Kettle	1.09%	02/09/12	12/01/16	\$ 31,000	31,000
Bridge and Jackson Dishwashers	1.08%	02/09/12	12/01/16	\$ 35,500	35,500
SVAHS Cafeteria Renovation	1.05%	02/09/12	12/01/16	\$ 125,000	125,000
High School Track	1.44%	02/09/12	12/01/21	\$ 50,000	50,000
Bridge St. School PA System	1.05%	02/09/12	12/01/16	\$ 50,000	50,000
Drainage DPW	1.44%	02/09/12	12/01/21	\$ 250,000	250,000
Bean Farm Land Acquisition	1.79%	02/09/12	12/01/26	\$ 910,000	910,000
Total Inside Debt					<u>35,637,486</u>
Outside Debt:					
High school roof replacement	3.40%	10/15/02	09/01/17	\$ 400,000	157,000
High school remodeling	3.40%	10/15/02	09/01/19	\$ 5,565,000	2,629,000
Refinanced:					
School project	Various	11/15/04	10/15/19	\$ 18,508,000	11,357,000
Total Outside Debt					<u>14,143,000</u>
Total Governmental Type Debt					<u>\$ 49,780,486</u>

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2012 are as follows:

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Governmental Type Activities

Year	Principal	Interest	Total
2013	\$ 5,204,214	\$ 1,978,198	\$ 7,182,412
2014	5,011,213	1,616,360	6,627,573
2015	4,596,212	1,413,230	6,009,442
2016	4,050,212	1,224,033	5,274,245
2017	3,595,212	1,060,596	4,655,808
2018-2022	14,789,423	3,224,303	18,013,726
2023-2027	8,454,000	1,232,476	9,686,476
2028-2032	4,080,000	303,887	4,383,887
	<u>\$ 49,780,486</u>	<u>\$ 12,053,083</u>	<u>\$ 61,833,569</u>

General obligation bonds currently outstanding of the business-type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2012
Inside Debt:					
Sewer:					
Refinanced:					
Sewer	Various	11/15/2004	10/15/2019	\$ 2,539,000	\$ 1,832,000
Wastewater treatment plant improvements	1.68%	12/1/2010	11/15/2013	\$ 660,000	440,000
Municipal Purpose Loan of 2012:					
Bradford Street Pump Station	2.30%	2/9/2012	12/1/2031	\$ 800,000	800,000
Massachusetts Water Pollution Abatement Trust:					
Comprehansive Wastewater Management Plan	2.00%	6/13/2012	7/15/2032	\$ 706,047	<u>706,047</u>
Total Inside Debt					<u>\$ 3,778,047</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2012
Inside Debt:					
Total Inside Debt page 48					\$ 3,778,047
Outside Debt:					
Water:					
Water filtration plant	Various	11/15/04	10/15/24	\$ 1,000,000	655,000
Route 66 water mains	Various	11/15/04	10/15/24	\$ 775,000	495,000
Water	3.75-4.00%	03/15/07	03/15/26	\$ 1,100,000	806,000
Route 66 water mains	2.00-5.00%	02/12/09	02/01/29	\$ 1,200,000	1,010,000
Massachusetts Water Pollution Abatement Trust:					
Water filtration plant	2.00%	02/01/07	08/01/24	\$ 2,241,713	1,745,066
Water filtration plant	2.00%	12/14/06	07/15/26	\$ 9,612,283	7,569,705
Water filtration plant	2.00%	12/14/06	07/15/26	\$ 14,000,000	11,025,049
Water filtration plant	2.00%	03/18/09	07/15/28	\$ 1,250,000	1,059,556
Well chlorination project	2.00%	07/08/10	07/15/25	\$ 459,416	432,889
Well chlorination project	2.00%	06/13/12	07/15/32	\$ 119,412	119,412
Refinanced:					
Water	Various	11/15/04	10/15/19	\$ 3,814,000	1,516,000
					<u>26,433,677</u>
Solid Waste:					
Refinanced:					
Landfill	Various	11/15/04	10/15/16	\$ 1,829,000	883,000
					<u>883,000</u>
Total Outside Debt					<u>27,316,677</u>
Total Business Type Debt					<u>\$ 31,094,724</u>

Business-Type Activities

Year	Principal	Interest	Total
2013	\$ 2,552,257	\$ 827,293	\$ 3,379,550
2014	2,581,103	742,163	3,323,266
2015	2,378,974	661,632	3,040,606
2016	2,303,553	585,180	2,888,733
2017	2,123,363	512,642	2,636,005
2018-2022	9,404,767	1,745,228	11,149,995
2023-2027	8,975,712	597,890	9,573,602
2028-2032	724,756	44,254	769,010
2033	50,239	502	50,741
	<u>\$ 31,094,724</u>	<u>\$ 5,716,784</u>	<u>\$ 36,811,508</u>

A summary of the changes in governmental activities and business-type long term debt during the year is as follows:

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$ 35,158,000	\$ 18,950,000	\$ 4,364,000	\$ 49,744,000	\$ 5,199,000
Massachusetts Water Pollution Abatement Trust bonds	41,700	-	5,214	36,486	5,214
Lease payable	268,880	-	106,879	162,001	111,817
Compensated absences	3,206,820	-	269,232	2,937,588	1,195,038
OPEB obligation payable	10,495,621	7,026,011	-	17,521,632	-
Governmental activity Long-term liabilities	<u>\$ 49,171,021</u>	<u>\$ 25,976,011</u>	<u>\$ 4,745,325</u>	<u>\$ 70,401,707</u>	<u>\$ 6,511,069</u>
Business type activities:					
Bond Payable:					
General obligation bonds	\$ 8,912,000	\$ 800,000	\$ 1,274,999	\$ 8,437,001	\$ 1,291,000
Massachusetts Water Pollution Abatement Trust bonds	23,067,860	825,459	1,235,596	22,657,723	1,261,257
Compensated absences	135,321	-	6,429	128,892	80,484
OPEB obligation payable	402,127	253,808	-	655,935	-
Landfill closure	3,575,000	-	-	3,575,000	-
Business-type activity Long-term liabilities	<u>\$ 36,092,308</u>	<u>\$ 1,879,267</u>	<u>\$ 2,517,024</u>	<u>\$ 35,454,551</u>	<u>\$ 2,632,741</u>

Massachusetts Water Pollution Abatement Trust (MWPAT)

The City is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$22,694,210 and interest costs of \$3,931,347 for eight loans which the City has borrowed from MWPAT. The gross amount outstanding at June 30, 2012 for principal and interest combined for the loans is \$26,625,557. The net repayments, including interest, are scheduled to be \$26,197,797. Since the City is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2012 principal and interest subsidies totaled \$45,774.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws, a City may authorize indebtedness up to a limit of 5 percent of the equalized valuation of the City. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The City's inside debt at June 30, 2012, totaled \$39,415,533.

In addition, the City is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2012:

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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Equalized Valuation-Real Estate and Personal Property (2012)		\$ 3,341,950,700
Debt Limit: 5 % of Equalized value		\$ 167,097,535
Total Debt Outstanding		
Governmental Activity Debt	\$ 49,780,486	
Less: Debt Outside Debt Limit	<u>(14,143,000)</u>	35,637,486
Business-Type Activity Debt	31,094,724	
Less: Debt Outside Debt Limit	<u>(27,316,677)</u>	3,778,047
		<u>39,415,533</u>
Inside Debt Excess Borrowing Capacity at June 30, 2012		\$ <u>127,682,002</u>

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts, a City must authorize debt at a City Council meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or City Council votes to rescind the authorized debt.

The loan authorizations of the governmental activities as of June 30, 2012, which are not reflected in the City's financial statements are as follows:

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Amount</u>
9/16/2010	Bridge street school parking lot paving	\$ 125,000
9/1/2011	Flood control pumping station engine replacements	50,000
12/15/2011	Florence fields recreational development project	1,957,000
3/1/2012	Coles meadow road land acquisition	535,000
		<u>\$ 2,667,000</u>

The loan authorizations of the business-type activities as of June 30, 2012, which are not reflected in the City's financial statements are as follows:

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Amount</u>
	Sewer Fund:	
8/19/2010	Bradford street pumping station construction	\$ <u>700,000</u>

H. Fund Balances

The following is a summary of the Governmental Fund fund balances of the City at the year ended June 30, 2012:

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

	General Fund	Police Facility Construction	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent funds	\$ -	\$ -	\$ 676,706	\$ 676,706
Restricted:				
Federal, state and local grants	-	-	863,219	863,219
School revolving funds	-	-	3,172,359	3,172,359
Other city revolving funds	-	-	622,835	622,835
Donations and gifts	-	-	698,656	698,656
Community preservation fund	-	-	1,843,874	1,843,874
Capital projects	-	4,357,370	2,602,657	6,960,027
Permanent funds	-	-	249,912	249,912
Other	-	-	1,593,876	1,593,876
Reserve for debt	385,803	-	-	385,803
	<u>385,803</u>	<u>4,357,370</u>	<u>11,647,388</u>	<u>16,390,561</u>
Assigned:				
General government	115,207	-	-	115,207
Public safety	27,091	-	-	27,091
Public works	222,619	-	-	222,619
Education	321,212	-	-	321,212
Health and human services	6,503	-	-	6,503
Culture and recreation	1,545	-	-	1,545
Insurance and employee benefits	24,924	-	-	24,924
Capital improvements	1,316,710	-	-	1,316,710
Subsequent year's budget	119,963	-	-	119,963
Energy projects	-	-	431,674	431,674
Parking fund	-	-	992,369	992,369
	<u>2,155,774</u>	<u>-</u>	<u>1,424,043</u>	<u>3,579,817</u>
Unassigned:				
General Fund	4,454,591	-	-	4,454,591
Deficit capital projects:				
DPW equipment facilities	-	-	(737,390)	(737,390)
	<u>4,454,591</u>	<u>-</u>	<u>(737,390)</u>	<u>3,717,201</u>
Total Governmental fund balances	<u>\$ 6,996,168</u>	<u>\$ 4,357,370</u>	<u>\$ 13,010,747</u>	<u>\$ 24,364,285</u>

I. Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the City may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the City and any interest shall be added to and become

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

a part of the fund. The stabilization fund may be appropriated in a City by the City Council for any lawful purpose.

At June 30, 2012 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 690,231
Capital stabilization fund	5,197
	<u>\$ 695,428</u>

4. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

Various cases are pending against the City at June 30, 2012. The amount of the claims cannot be estimated at the present time. As a result, the potential loss, if any on these claims has not been recorded on the financial statements.

Federal Financial Assistance

The City receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the City.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the City.

C. Landfill Closure and Postclosure Cost - Northampton Regional Sanitary Landfill

The City of Northampton operates and owns a landfill. The City landfill is operating under a permit dated January 11, 1994 issued by the Commonwealth of Massachusetts Department of Environmental Protection. The permit is an authorization to operate the Phase 2 Expansion of the landfill. Phase 3 has begun to be constructed with the City providing authorization to borrow in the amount of \$3,680,000. The estimated useful life of the facility is 13.4 years from the date of the permit at an estimated filling rate of 110 tons a day.

The City received a grant in the amount of \$5,656,912 from the Commonwealth of Massachusetts for Phase 1 and Phase 2 of the construction of the landfill. The total cost of Phases 1, 2 and 3 was \$11,187,743 including City funds. Sixty percent of the grant is a no interest loan with repayment of the loan to begin no later than one year after completion of the construction of the facility at a quarterly payment of \$94,281.86.

CITY OF NORTHAMPTON, MASSACHUSETTS
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The City completed Phase 4 in fiscal year 2003. The final cost of phase 4 was \$1,600,000.

In fiscal year 2004, the capping of cell 1 was completed. A contract in the amount of \$734,810 had been awarded for the construction of Phase 4.

As a requirement of the grant the City must make the following financial assurances:

Operational Fund - The City shall provide adequate financial assurances to ensure that adequate funds will be available to maintain and operate the facility on a day-to-day basis through the use of an operational fund.

Closure Fund - The City must establish a "landfill closure fund" to be funded through a phased-in schedule as follows:

Fiscal Years 1991 - 1993	\$50,000 per year
Fiscal Years 1994 - 1995	\$75,000 per year
Fiscal Year 1996	\$100,000 per year
Fiscal Years 1997 - 2003	\$125,000 per year

On June 30, 2012 the landfill closure trust fund is maintained in the solid waste business-type fund in the amount of \$3,582,404.

The City has reflected \$3,575,000 as the estimate of the landfill maintenance and monitoring costs as a liability at June 30, 2012, in the business-type activities of the government-wide financial statements. The amount is based on estimates of what it would cost to perform all future post closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

D. Other Post Employment Benefits Payable

GASB Statement No. 45

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The City adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009 and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the City's future cash flows.

Plan Description

-The City provides the following plan types, Health New England HMO and Health New England PPO, MedPlus PPO and Medicare Advantage Plan.

-The group term life insurance - \$5,000.

The approximate number of participants as of July 1, 2011 follows:

Active members	893
Retirees and Spouses	<u>815</u>
Total	<u><u>1,708</u></u>

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Funding Policy

The contribution requirements of plan members and the City are established and may be amended through City policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2012 fiscal year, total City premiums plus implicit costs for the retiree medical program are \$7,279,819 consisting of \$7,011,194 for governmental activities and \$268,625 for the business-type activities.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit ("OPEB") cost (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 normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the City's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the plan:

	Governmental Activities	Business-type Activities	Total
Annual required contribution	\$ 10,792,439	\$ 412,865	\$ 11,205,304
Interest on net OPEB obligation	419,825	16,085	435,910
Adjustment to annual required contribution	(426,401)	(16,337)	(442,738)
Annual OPEB cost (expense)	10,785,863	412,613	11,198,476
Contributions made during the fiscal year	3,759,852	158,805	3,918,657
Increase in net OPEB obligation	7,026,011	253,808	7,279,819
Net OPEB Obligation - beginning of year	10,495,621	402,127	10,897,748
Net OPEB Obligation - end of year	<u>\$ 17,521,632</u>	<u>\$ 655,935</u>	<u>\$ 18,177,567</u>

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2012 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 6,135,449	50.46%	\$ 7,743,449
6/30/2011	\$ 6,487,299	51.38%	\$10,897,748
6/30/2012	\$ 11,198,476	34.99%	\$18,177,567

Funded Status and Funding Process

As of July 1, 2011, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$118,782,000, and the actuarial value of assets was 0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$118,782,000. As indicated in the actuarial valuation the covered payroll (annual payroll of active employees covered by the plan) was \$36,428,000, and the ratio of the UAAL to the covered payroll was 326.08%.

**CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution 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 is as follows:

**Schedule of Funding Progress
(Dollar amounts in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
5/1/2007	\$ -	\$ 110,552	\$ 110,552	0%	N/A	N/A
7/1/2009	\$ -	\$ 84,139	\$ 84,139	0%	N/A	N/A
7/1/2011	\$ -	\$ 118,782	\$ 118,782	0%	\$ 36,428	326.08%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City OPEB actuarial valuation as of July 1, 2011 used the projected unit credit actuarial cost method. The OPEB liability is currently unfunded. The actuarial assumptions also include a payroll growth rate of 3.61%. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at June 30, 2012 is 26 years.

E. Pension Plan

Plan Description

The City contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Northampton Contributory Retirement Board. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of Commonwealth of Massachusetts Teachers' Retirement System to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers' Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$8,477,656 for the fiscal year ending June 30, 2012, and, accordingly, are reported in the general fund as intergovernmental revenues and employee benefit expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987, and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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Northampton Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 210 Main Street, City Hall, Northampton, Massachusetts.

At December 31, 2011, the System's approximate membership consists of the following:

Active Members	660
Inactive Members	152
Retired Members, Beneficiaries and Survivors	364
	1,176

Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the employers required the City to contribute 96% of the total. Chapter 32B of the Massachusetts General Laws governs the contributions of plan members and the City.

The City's contribution to the System for the fiscal years ended June 30, 2012, 2011, and 2010 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	City's Contribution
2012	\$ 4,198,899
2011	\$ 3,989,570
2010	\$ 3,842,388

The following schedules are presented in accordance with the GASB No. 25.

Schedule of Funding Progress
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (B-A)/C
1/1/2010	\$ 76,045	\$ 116,637	\$ 40,592	65%	\$ 22,556	180%
1/1/2008	\$ 71,799	\$ 108,846	\$ 37,047	66%	\$ 21,754	170%
1/1/2007	\$ 65,385	\$ 101,978	\$ 36,593	64%	\$ 20,336	180%

The required information presented above was determined as part of the actuarial valuations at the dates indicated. The last actuarial valuation was prepared by the Stone Consulting, Inc. as of January 1, 2010. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

return on the investment of present and future assets of 7.75 % a year compounded annually, (b) projected salary, including longevity, increases of approximately 4.50% a year per member.

The total unfunded actuarial liability at January 1, 2010 is as follows:

Active members	\$ 52,230,978
Inactive and retired members and beneficiaries	<u>64,406,333</u>
Total actuarial liability	116,637,311
Assets	<u>76,045,491</u>
Unfunded acturial liability	<u><u>\$ 40,591,820</u></u>

Reporting Policies

The funds of the Northampton Employees Retirement System are accounted for under the accrual basis of accounting. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and procedures outlined by the Commissioner of the Public Employees Retirement Administration.

Investments are reported in accordance with PERAC requirements.

SUPPLEMENTARY SCHEDULES

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 306,624	\$ 2,401,400	\$ 2,564,934	\$ -	\$ 143,090
Arts Lottery Council Grants	1,816	64,595	61,499	139	5,051
Community Development Grants	162,318	2,383,045	2,298,579	-	246,784
Council on Aging Grants	11,040	47,679	49,881	-	8,838
Disaster Relief and Hazard Grants	33,077	125,611	113,883	-	44,805
Economic Development Grants	66,667	-	21,675	-	44,992
Energy Grants	112,500	210,644	182,412	(140,732)	-
Health Grants	47,223	32,349	65,552	-	14,020
Highway Grants	87,314	631,093	661,247	-	57,160
Library Grants	650	49,410	46,258	-	3,802
Other Programs and Grants	490	95,386	91,607	(489)	3,780
Planning Grants	-	574,360	493,431	-	80,929
Public Safety Grants	135,453	657,498	649,838	-	143,113
Rail Trail Grants	41,128	-	585	-	40,543
Recycling Grants	28,256	-	1,944	-	26,312
Schools:					
School Lunch Revolving	47,387	932,363	972,745	651	7,656
School Lunch Commodities	-	56,843	56,843	-	-
E-Rate Telecommunications Reimbursements	-	478	478	-	-
Grant Indirect Expenses	119,366	3,958	3,366	-	119,958
Privately Funded Grants	16,279	43,460	30,989	-	28,750
Revolving Accounts	944,567	1,073,628	930,199	(651)	1,087,345
School Choice	1,765,805	1,256,654	1,328,104	-	1,694,355
State Special Education Reimbursement Fund	331,710	599,740	697,154	-	234,296
Other:					
Ambulance Fund	861,244	1,789,875	-	(2,651,119)	-
Baystate Gas Roundhouse Lot Fund	93,964	-	-	-	93,964
Clean Energy Choice Grant	10,373	-	9,749	-	624
Community Development Highway Grants	-	92,000	92,000	-	-
Community Preservation Fund	767,124	1,167,987	992,477	901,240	1,843,874
Total Special Revenue Page 59	\$ 5,992,375	\$ 14,290,056	\$ 12,417,429	\$ (1,890,961)	\$ 5,974,041

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
Continued from Page 59	\$ 5,992,375	\$ 14,290,056	\$ 12,417,429	\$ (1,890,961)	\$ 5,974,041
Special Revenue (continued):					
Other (continued):					
Committee on Disabilities Revolving Fund	-	4,400	-	1,300	5,700
Compost Revolving Fund	20	-	-	(20)	-
Connecticut River Channel Markers	9,320	15,649	14,864	-	10,105
Conservation Funds	18,605	6,373	954	(6,235)	17,789
Cooley Dickinson Hospital Healthy Communities Grant	6	-	-	-	6
Council on Aging Revolving Funds	29,629	99,219	64,595	-	64,253
Dog Refund and Revolving Fund	56,059	1,000	2,000	-	55,059
Energy Grant	32,470	-	-	(32,470)	-
Energy Rebates	93,850	338,424	600	-	431,674
Energy Sustainability Revolving Fund	-	23,005	296	32,470	55,179
Fire Department Revolving Funds	207,824	162,808	223,083	-	147,549
Fire Outside Detail	3,757	19,009	21,062	-	1,704
Gifts & Donations	673,557	191,809	166,710	-	698,656
Handicapped Funds	4,606	200	594	(1,300)	2,912
Hazardous Waste Revolving	551	-	-	(551)	-
Innovative Enterprises Fund	3,000	-	-	(3,000)	-
Insurance Reimbursements	139	-	-	(139)	-
Internet Access and Technology	232,623	140,165	-	(165,000)	207,788
James House Rental	500	-	-	-	500
Keg Tag Forfeit Revolving	468	-	-	(468)	-
Liquor Licenses Deposits	10,000	-	-	-	10,000
MIIA Loss Control Grant	-	5,132	5,132	-	-
Municipal Waterways Fund	3,074	3,400	-	(3,922)	2,552
Northampton State Hospital Marketing	1,356	-	-	-	1,356
Parking Meter Reserves and Passes	622,535	360,897	-	8,936	992,368
Police Court Time	7,268	-	-	-	7,268
Police Outside Detail	69,182	314,956	300,127	-	84,011
Premium on Loans	104,246	-	92,141	(12,105)	-
Total Special Revenue Page 60	\$ 8,177,020	\$ 15,976,502	\$ 13,309,587	\$ (2,073,465)	\$ 8,770,470

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
Continued from Page 60	\$ 8,177,020	\$ 15,976,502	\$ 13,309,587	\$ (2,073,465)	\$ 8,770,470
Special Revenue (continued):					
Other (continued):					
Public Health Nursing Revolving	-	8,042	434	-	7,608
Public Works Grants Projects Revolving	71,341	11,019	2,272	-	80,088
Recreation Revolving Funds	251,771	422,888	419,697	-	254,962
Regionalization - PBRN	697	-	-	-	697
Sale of Cemetery Lots	25,800	11,750	-	(5,000)	32,550
Sale of Land	438,497	-	-	(3,192)	435,305
Sale of Lumber	6,997	-	-	-	6,997
Septic Repair Loan Repayments	57,107	329	5,214	-	52,222
Survival Center Capital Fund	7,950	3,300	-	-	11,250
Tax Title Attorney Fees Revolving	3,338	7,142	-	-	10,480
Tourism Directional Signs	-	1,000	840	-	160
Affordable Housing Fund	996	2	-	-	998
Conservation Land Purchase Fund	373,197	57,739	74,993	-	355,943
Drug Forfeiture Fund	90,464	16,465	63,987	-	42,942
E. Lyman Fund	46	-	-	-	46
Library Fund	80,008	(492)	-	-	79,516
Park Street Improvements Fund	2,279	(14)	-	-	2,265
Smith Vocational High School Fund	74,206	157	-	-	74,363
Total Special Revenue Funds	9,661,714	16,515,829	13,877,024	(2,081,657)	10,218,862
Capital Projects:					
City Hall Exterior Upgrades	9,656	-	-	-	9,656
City-Wide Install Voice Telephone System	2,336	-	-	-	2,336
Department of Public Works Projects	(25,693)	-	787,875	809,999	(3,569)
Energy Conservation Projects	6,158,070	-	4,847,468	-	1,310,602
Forbes Library Renovations	11,078	-	-	-	11,078
Install Fiber Optic Wide Area Network	54,701	-	-	-	54,701
Total Capital Projects Page 61	\$ 6,210,148	\$ -	\$ 5,635,343	\$ 809,999	\$ 1,384,804

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Fund Balances July 1, 2011	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2012
Continued from Page 61					
Management of Information Systems 5 Year Plan	\$ 6,210,148	-	\$ 5,635,343	\$ 809,999	\$ 1,384,804
Northampton Public Schools Projects	165,282	-	21,731	-	143,551
Public Safety Projects	141,621	-	213,650	291,500	219,471
Recreation Mini-Bus	(138,455)	-	20,198	201,500	42,847
Smith Vocational and Agricultural High School Projects	-	-	-	45,000	45,000
Total Capital Projects	(72,528)	-	122,878	225,000	29,594
	6,306,068	-	6,013,800	1,572,999	1,865,267
Perpetual Permanent Funds:					
Cemetery Perpetual Care Funds	660,056	16,650	-	-	676,706
Permanent Funds:					
Cemetery Funds	260,045	(5,133)	-	(5,000)	249,912
Total Non-Major Governmental Funds	\$ 16,887,883	\$ 16,527,346	\$ 19,890,824	\$ (513,658)	\$ 13,010,747

**CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES, ROLLBACK TAXES,
DEFERRED PROPERTY TAXES AND COMMUNITY PRESERVATION SURCHARGE
JULY 1, 2011 TO JUNE 30, 2012**

	Uncollected Taxes July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2012	Uncollected Taxes Per Detail June 30, 2012
Real Estate Taxes:						
Levy of 2012	\$ -	\$ 41,980,523	\$ 344,330	\$ 40,757,528	\$ 878,665	\$ 878,665
Levy of 2011	773,311	-	286,980	341,497	144,834	144,834
Levy of 2010	250,528	-	88,229	162,224	75	75
	<u>1,023,839</u>	<u>41,980,523</u>	<u>719,539</u>	<u>41,261,249</u>	<u>1,023,574</u>	<u>1,023,574</u>
Personal Property Taxes:						
Levy of 2012	-	1,245,463	(18)	1,192,624	52,857	52,857
Levy of 2011	28,949	-	49	3,619	25,281	25,281
Levy of 2010	26,954	-	-	829	26,125	26,125
Levy of 2009	23,325	-	-	454	22,871	22,871
Levy of 2008	19,061	-	-	28	19,033	19,033
Prior Years	375,836	-	-	32	375,804	380,854
	<u>474,125</u>	<u>1,245,463</u>	<u>31</u>	<u>1,197,586</u>	<u>521,971</u>	<u>527,021</u>
Total Real Estate and Personal Property Taxes	\$ 1,497,964	\$ 43,225,986	\$ 719,570	\$ 42,458,835	\$ 1,545,545	\$ 1,550,595
Rollback Taxes	\$ 1,580	\$ -	\$ -	\$ -	\$ 1,580	\$ 1,580
Deferred Property Taxes	\$ 155,586	\$ 21,660	\$ (1)	\$ 8,040	\$ 169,207	\$ 169,681
Community Preservation Surcharge						
Levy of 2012	\$ -	\$ 909,920	\$ 22,029	\$ 869,234	\$ 18,657	\$ 18,657
Levy of 2011	13,965	-	2,374	9,293	2,298	2,298
Levy of 2010	2,018	-	530	1,488	-	-
Total Community Preservation Surcharge	\$ 15,983	\$ 909,920	\$ 24,933	\$ 880,015	\$ 20,955	\$ 20,955

**CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES
JULY 1, 2011 TO JUNE 30, 2012**

	Uncollected Taxes July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2012	Uncollected Taxes Per Detail June 30, 2012
Motor Vehicle Excise Taxes:						
Levy of 2012	\$ -	\$ 2,088,478	\$ 54,347	\$ 1,904,708	\$ 129,423	\$ 129,423
Levy of 2011	167,644	196,633	24,774	294,906	44,597	44,597
Levy of 2010	37,912	339	709	15,113	22,429	22,429
Levy of 2009	18,938	-	226	2,932	15,780	15,780
Levy of 2008	21,813	-	565	1,806	19,442	19,442
Prior Years	711,769	-	-	5,005	706,764	706,704
	958,076	2,285,450	80,621	2,224,470	938,435	938,375

Boat Excise Taxes:						
Levy of 2012	-	7,640	322	6,558	760	760
Levy of 2011	1,231	-	38	146	1,047	1,047
Levy of 2010	1,254	-	-	55	1,199	1,199
Levy of 2009	945	-	-	40	905	905
Levy of 2008	1,016	-	-	-	1,016	1,016
Prior Years	33,972	-	-	25	33,947	33,947
	38,418	7,640	360	6,824	38,874	38,874

Total Motor Vehicle Excise and Boat Excise Taxes	\$ 996,494	\$ 2,293,090	\$ 80,981	\$ 2,231,294	\$ 977,309	\$ 977,249
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CITY OF NORTHAMPTON, MASSACHUSETTS
 SCHEDULE OF TAX LIENS, COMMUNITY PRESERVATION TAX LIENS AND TAXES IN LITIGATION
 JULY 1, 2011 TO JUNE 30, 2012

	Uncollected Accounts July 1, 2011	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2012	Uncollected Accounts Per Detail June 30, 2012
Tax Liens	\$ 500,229	\$ 219,507	\$ 20,205	\$ 275,090	\$ 424,441	\$ 423,601
Community Preservation Tax Liens	\$ 4,353	\$ 2,904	-	\$ 3,720	\$ 3,537	\$ 3,537
Taxes in Litigation	\$ 6,794	-	-	-	\$ 6,794	\$ 6,794