

**CITY OF NORTHAMPTON, MASSACHUSETTS**

**Report on the Examination  
Of Basic Financial Statements**

**For the Year Ended June 30, 2015**

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**TABLE OF CONTENTS**

	<u>Page</u>
<b>TABLE OF CONTENTS</b> .....	2
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	3-4
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	5-15
<b>BASIC FINANCIAL STATEMENTS</b> .....	16
<b>Government-Wide Financial Statements</b>	
Statement of Net Position .....	17
Statement of Activities .....	18
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	20
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position .....	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	22
Statement of Revenues and Expenditures – Budgetary Basis – (Non-GAAP) – Budget and Actual – General Fund .....	23
Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis .....	24
Statement of Net Position – Proprietary Funds .....	25
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	26
Statement of Cash Flows – Proprietary Funds.....	27-28
Statement of Fiduciary Net Position – Fiduciary Funds.....	29
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	30
<b>Notes to the Financial Statements</b> .....	31-65
<b>REQUIRED SUPPLEMENTARY INFORMATION</b> .....	66
Pension Plan Schedules .....	67-68
Other Post Employment Benefit Plan Schedule .....	69
<b>SUPPLEMENTARY SCHEDULES</b> .....	70
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds .....	71-74
Schedule of Real Estate and Personal Property Taxes, and Rollback Taxes and Deferred Property Taxes .....	75
Schedule of Community Preservation Surcharge .....	76
Schedule of Motor Vehicle Excise and Boat Excise Taxes .....	77
Schedule of Tax Liens, Community Preservation Tax Liens and Taxes in Litigation .....	78

## **Independent Auditor's Report**

To the Honorable Mayor  
City of Northampton, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northampton, Massachusetts, as of and for the year ended June 30, 2015, (except for the Northampton Contributory Retirement System, which is as of and for the year ended December 31, 2014), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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, 2015, (except for the Northampton Contributory Retirement System, which is as of December 31, 2014), and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan and other post employment benefit plan schedules as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Northampton, Massachusetts' basic financial statements. 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2016, on our consideration of the City of Northampton Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Northampton, Massachusetts' internal control over financial reporting and compliance.

## *Scanlon and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

March 15, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## 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, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

### Financial Highlights

- The City's assets exceeded its liabilities and deferred inflows of resources by \$53,534,876 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$44,213,372, an increase of \$9,321,504 (21%).
- As required by Government Accounting Standards Board (GASB) Statement No. 68, in fiscal year 2015 the City recognized their total net pension liability of \$40,806,119 along with a deferred inflow related to pension of \$3,937,662 on the statement of net position for the first time.
- The City's governmental funds reported total ending fund balance of \$35,528,427, an increase of \$9,240,344 (35%) from the previous year.
- The General Fund's total fund balance increased by \$3,176,636 (27%) to \$15,107,441. The ending General fund balance is 17% of revenues and transfers in and 18% of expenditures and transfers out.
- The City Council passed an ordinance providing for the best management practices of stormwater activities and outlined procedures to implement the stormwater fund. This fund is reflected in the nonmajor governmental funds' schedule as listed on the table of contents.
- The City Council voted to establish the Other Post Employment Benefits trust fund and approved a transfer of \$100,000 to the fund.
- The City's long term liabilities decreased by \$2,606,700 to \$154,558,529 during the fiscal year. This was primarily attributed to an increase in the Other Post Employment Benefits (OPEB) obligation payable of \$6,454,316 and decreases in the net pension liability of \$5,521,902 and in bonds and leases payable of \$4,708,951.
- The City had General fund free cash certified by the Department of Revenue in the amount of \$3,422,570. The key factors that attributed to the free cash amount for fiscal year 2015 were unexpended/unencumbered appropriations of \$1,716,000, excess over budget state and local receipts of \$1,110,600, excess over budget other financing sources of \$15,100 and prior year free cash not appropriated of \$308,250.
- The City's enterprise funds certified free cash are as follows:
  - Sewer fund       \$ 4,767,625.
  - Solid Waste      \$ 2,162,078.
  - Storm Water     \$    10,988.
  - Water fund       \$ 2,849,860.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, 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 blended *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 Position Highlights

	Governmental Activities		
	2015	2014	Change
<b>Assets:</b>			
Current assets	\$ 49,273,931	\$ 39,922,099	\$ 9,351,832
Noncurrent assets (excluding capital)	4,357,574	6,051,883	(1,694,309)
Capital assets	89,362,848	89,486,482	(123,634)
<b>Total assets</b>	<b>142,994,353</b>	<b>135,460,464</b>	<b>7,533,889</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	8,130,228	7,767,179	363,049
Current debt payable	4,540,212	4,728,754	(188,542)
Noncurrent liabilities (excluding debt)	78,114,666	76,782,610	1,332,056
Noncurrent debt payable	33,623,635	35,188,847	(1,565,212)
<b>Total liabilities</b>	<b>124,408,741</b>	<b>124,467,390</b>	<b>(58,649)</b>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows related to pensions	<b>3,719,909</b>	-	<b>3,719,909</b>
<b>Net Position:</b>			
Net investment in capital assets	57,271,731	57,284,657	(12,926)
Restricted	22,790,941	16,413,033	6,377,908
Unrestricted	(65,196,969)	(62,704,616)	(2,492,353)
<b>Total net position</b>	<b>\$ 14,865,703</b>	<b>\$ 10,993,074</b>	<b>\$ 3,872,629</b>

	<b>Business-Type Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Assets:</b>			
Current assets	\$ 25,096,839	\$ 22,023,431	\$ 3,073,408
Capital assets	43,939,875	43,894,706	45,169
<b>Total assets</b>	<b>69,036,714</b>	<b>65,918,137</b>	<b>3,118,577</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	1,199,503	544,025	655,478
Current debt payable	2,254,588	2,523,974	(269,386)
Noncurrent liabilities (excluding debt)	5,669,118	5,917,450	(248,332)
Noncurrent debt payable	21,026,579	23,712,390	(2,685,811)
<b>Total liabilities</b>	<b>30,149,788</b>	<b>32,697,839</b>	<b>(2,548,051)</b>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows related to pensions	<b>217,753</b>	-	<b>217,753</b>
<b>Net Position:</b>			
Net investment in capital assets	20,658,708	18,345,197	2,313,511
Restricted	62,469	67,314	(4,845)
Unrestricted	17,947,996	14,807,787	3,140,209
<b>Total net position</b>	<b>\$ 38,669,173</b>	<b>\$ 33,220,298</b>	<b>\$ 5,448,875</b>

## Financial Highlights

### Statement of Activities Highlights

	Governmental Activities		
	2015	2014	Change
<b>Program Revenues:</b>			
Charges for services	\$ 17,328,188	\$ 14,637,863	\$ 2,690,325
Operating grants and contributions	21,283,757	25,529,255	(4,245,498)
Capital grants and contributions	5,205,023	1,493,429	3,711,594
<b>General Revenues:</b>			
Property taxes	52,079,123	50,289,376	1,789,747
Motor vehicle and other taxes	2,579,212	2,738,194	(158,982)
Hotel room occupancy and meals taxes	1,243,331	1,185,937	57,394
Penalties and interest on taxes	245,778	179,652	66,126
Nonrestricted grants and contributions	4,270,599	4,302,986	(32,387)
Unrestricted investment income	112,378	66,301	46,077
Gain/(Loss) on Sale of Capital Assets	-	381,182	(381,182)
Miscellaneous	26,815	65,069	(38,254)
<b>Total revenues</b>	<b>104,374,204</b>	<b>100,869,244</b>	<b>3,504,960</b>
<b>Expenses:</b>			
General government	6,282,862	6,331,836	(48,974)
Public safety	13,872,779	13,494,389	378,390
Public works	4,946,425	4,117,975	828,450
Education	42,091,269	40,049,137	2,042,132
Health and human services	2,276,367	2,366,778	(90,411)
Culture and recreation	3,915,833	2,923,875	991,958
Employee benefits and insurance	24,379,241	30,931,535	(6,552,294)
State assessments	3,258,040	3,028,307	229,733
Interest	1,376,612	1,515,632	(139,020)
<b>Total expenses</b>	<b>102,399,428</b>	<b>104,759,464</b>	<b>(2,360,036)</b>
<b>Contributions to Permanent Funds</b>	<b>20,100</b>	<b>8,800</b>	<b>11,300</b>
<b>Transfers, net</b>	<b>1,877,753</b>	<b>4,250,413</b>	<b>(2,372,660)</b>
<b>Change in net position</b>	<b>3,872,629</b>	<b>368,993</b>	<b>3,503,636</b>
<b>Net position - beginning of year</b>	<b>10,993,074</b>	<b>10,624,081</b>	<b>368,993</b>
<b>Net position - end of year</b>	<b>\$ 14,865,703</b>	<b>\$ 10,993,074</b>	<b>\$ 3,872,629</b>

	<b>Business-Type Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Program Revenues:</b>			
Sewer	\$ 6,598,932	\$ 6,147,043	\$ 451,889
Water	7,255,988	6,810,032	445,956
Solid Waste	575,194	577,824	(2,630)
<b>Total Revenues</b>	<b>14,430,114</b>	<b>13,534,899</b>	<b>895,215</b>
<b>Expenses:</b>			
Sewer	2,509,718	2,842,926	(333,208)
Water	4,145,503	4,348,249	(202,746)
Solid Waste	448,265	720,094	(271,829)
<b>Total expenses</b>	<b>7,103,486</b>	<b>7,911,269</b>	<b>(807,783)</b>
<b>Special Item</b>	<b>-</b>	<b>(3,312,181)</b>	<b>3,312,181</b>
<b>Transfers, net</b>	<b>(1,877,753)</b>	<b>(4,250,413)</b>	<b>2,372,660</b>
<b>Change in net position</b>	<b>5,448,875</b>	<b>(1,938,964)</b>	<b>7,387,839</b>
<b>Net position - beginning of year</b>	<b>33,220,298</b>	<b>35,159,262</b>	<b>(1,938,964)</b>
<b>Net position - end of year</b>	<b>\$ 38,669,173</b>	<b>\$ 33,220,298</b>	<b>\$ 5,448,875</b>

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$53,534,876 at the close of fiscal year 2015.

Net position of \$77,930,439 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 position \$22,853,410 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is (\$47,248,973).

At the end of the current fiscal year, the City is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities and for the government as a whole. The unrestricted governmental activities and government as a whole resulted in a negative balance mainly due to the accrual of the OPEB obligation and net pension liabilities that are required under GASB to be recognized in the City's financial statements. These liabilities are presented on the statement of net position.

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

The governmental activities net position increased by \$3,872,629 (35%) during the current fiscal year, which reflects the general fund's results of operations. The key elements of the increase in net position for fiscal year 2015 was attributed to the net change in debt and leases of \$1,753,754 and net pension liability of \$5,217,423 and net decreases in recognizing this year's depreciation expense (cost spread out over the useful life of the asset) for the year of \$5,694,752 exceeding the acquisition of \$5,571,118 in new capital assets, the OPEB obligation of \$6,219,781 and the deferred inflow of resources related to pensions of \$3,719,909.

There was an increase of \$5,448,875 (16%) in net position reported in connection with the sewer, water and solid waste business-type activities. Of this, there were increases of \$2,888,689 attributed to the sewer department, of \$2,537,158 attributed to the water department and of \$23,028 attributed to the solid waste activities.

### **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 \$35,528,427 an increase of \$9,240,344 (35%) in comparison with the prior year.

Breakdown of the governmental fund balances are as follows:

- Nonspendable fund balance - \$716,106 (2%).
- Restricted fund balance - \$18,842,725 (53%).
- Committed fund balance - \$971,670 (3%).
- Assigned fund balance - \$4,857,732 (14%).
- Unassigned fund balance – \$10,140,194 (28%).

At the end of the fiscal year, the General Fund reported a fund balance of \$15,107,441 increasing \$3,176,636 (27%) from the prior year. Of the \$15,107,441, the unassigned amount is \$10,140,194 (67%), the assigned amount of \$4,694,825 (31%) and restricted amount of \$272,422 (2%). General fund revenues decreased \$2,785,842 (3%) over the prior fiscal year while the expenditures also decreased \$4,891,949 (5%).

The main components of the decrease from the prior year in general fund revenues were related to increases in property taxes in the amount of \$2,279,883 (5%) and licenses, permits and fees of \$445,756 (5%), and intergovernmental - "on-behalf" payments decreasing \$5,581,890 (61%) from the prior year due to the implementation of GASB Statement No. 68.

The major changes with the general fund expenditures from the prior fiscal year were as follows:

- Decrease in Public works expenditures of \$657,515 (21%).
- Increase in Education expenditures of \$1,285,672 (4%).
- Decrease in Employee benefits and insurance expenditures of \$5,416,321 (22%).

The City Council passed an ordinance providing for the best management practices of stormwater activities and outlined procedures for implementation. The *Stormwater Fund* is the financing and operations of the City's stormwater system. The fund has accumulated a balance of \$690,454 through its first year of operations. This is attributed to revenues from user charges of \$1,675,093, investment income of \$3,470 and other income of \$7,800; various expenditures of \$754,138, net transfers to the general fund of \$241,771.

## Proprietary Funds

The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

### Major Proprietary Funds

The *Sewer Fund* is the financing and operations of the City's sewer system. The sewer fund shows an increase of \$2,888,689 (30%) in total operations. This change was mainly attributed to operating revenues sufficient to cover current operating costs by \$4,120,122, interest income of \$64,170, interest expense of \$95,078 and net transfers out to the governmental funds of \$1,200,525. Operating revenues increased by \$434,085 (7%) while operating expenses decreased by \$313,613 (12%) from the prior year.

The *Water Fund* is the financing and operations of the City's water system. The water fund shows an increase of \$2,537,158 (12%) in total operations. This change resulted from operating revenues exceeding current operating costs by \$3,525,677, interest income of \$64,022, intergovernmental receipts of \$105,006, interest expense of \$584,220 and net transfers out to the governmental funds of \$573,327. Operating revenues increased by \$471,280 (7%) while operating expenses decreased by \$147,437 (4%) from the prior year.

The *Solid Waste Fund* is the financing and operations of the City's transfer stations and landfill closure. The solid waste fund shows an increase of \$23,028 (1%) in total operations. This change resulted from revenues exceeding operating costs by \$118,243, interest income of \$23,832, interest expense of \$15,146 and transfers out to the general fund of \$103,901. Operating revenues increased by \$372 (.1%) while operating expenses also decreased by \$258,054 (37%) from the prior year.

### General Fund Budgetary Highlights

The final general fund budget for fiscal year 2015 was \$89,219,459. This was an increase of \$2,413,252 (3%) over the previous year's final budget.

There was an increase of \$3,141,579 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, mainly due to an increase in the capital improvements line item of \$2,489,681.

General fund expenditures were less than budgeted by \$6,410,799. Of the \$6,410,799 in under budget expenditures, \$4,694,825 has been carried over to fiscal year 2016.

There was a negative variance in intergovernmental receipts of \$72,074 as revenues did not meet budget expectations.

Overall, the variance with the final budget was a positive \$3,294,825 consisting of a revenue surplus of \$1,578,851 and an appropriation surplus of \$1,715,974.

### 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, 2015 amounts to \$89,362,848 and \$43,939,875, 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:

- Purchases of conservation land for \$697,000.
- Mailing machine purchase for \$18,325.
- Parking maintenance vehicles for \$58,200.

- Parking garage improvements for \$517,042.
- Town Hall improvements for \$96,565.
- Police and Animal Control vehicles for \$158,865.
- Highway land for \$5,000.
- Highway vehicles and equipment for \$209,112.
- Road and bridge infrastructure improvements for \$1,959,510.
- Smith Vocational machine shop equipment for \$256,690.
- Northampton Public Schools' improvements for \$566,590.
- Smith Vocational improvements for \$181,620.
- Parks vehicles and equipment for \$81,765.
- Academy of Music improvements for \$433,987.
- Northampton community boat house improvements for \$74,720.
- Parks improvements for \$256,127.

Major capital asset events during the current fiscal year in the business-type fund included the following:

For the Sewer Department:

- A vehicle for \$148,082, Bradford Street pump station construction in progress for \$249,390 and the sewer infrastructure improvements for \$189,502.

For the Water Department:

- Vehicles for \$235,686, watershed land purchases for \$60,000 and water infrastructure improvements for \$692,345.

**Debt Administration.** The City's outstanding governmental debt, as of June 30, 2015, totaled \$38,163,847 as follows:

- \$7,001,000 for school projects.
- \$4,430,000 for City building projects
- \$15,385,000 for police facility.
- \$689,000 for land acquisitions.
- \$972,000 for storm and surface drains.
- \$2,157,500 for road, sidewalk and bridge projects.
- \$20,847 for the Septic V community septic program.
- \$1,165,000 for park improvements.
- \$1,037,500 for departmental vehicles and equipment.
- \$115,000 for technology.
- \$5,191,000 for energy projects.

The City's outstanding business-type debt totaled, as of June 30, 2015, totaled \$23,281,167 as follows:

- \$2,389,083 in sewer debt.
- \$1,000 in solid waste debt.
- \$20,891,084 in water debt.

Please refer to notes 3D and 3F for further discussion of the capital assets and debt activity.

## Next Year's Annual City Council Votes

The City of Northampton City Council votes a budget for the next fiscal year at a City Council meeting before the end of the fiscal year. The financial statements for June 30, 2015 do not reflect the fiscal year 2016 City Council actions. The City Council meeting on June 18, 2015 authorized a fiscal year 2016 operating and capital budget as follows:

<b>From raise and appropriate</b>		\$ 78,147,763
<b>From Business-Type Funds:</b>		
Sewer fund receipts	\$ 6,074,067	
Sewer retained earnings	1,101,489	7,175,556
Water fund receipts	6,617,188	
Water retained earnings	618,917	7,236,105
Solid waste fund receipts	419,000	
Solid waste retained earnings	174,920	593,920
Storm water fund receipts	1,974,676	
Storm water retained earnings	269,999	2,244,675
<b>From Other Available Funds:</b>		
<b>General Fund:</b>		
Reserve for Debt		30,424
<b>Non-major Governmental Funds:</b>		
Cemetery perpetual care funds	10,000	
Comcast 1 - net reserve	147,852	
Community Preservation Funds	12,376	
Conservation wetlands fees	5,000	
Municipal waterways fund	1,500	
Reserve for energy rebates fund	100,000	
Parking Meter Receipts	1,757,050	
Sale of cemetery lots	5,000	2,038,778
		<u>\$ 97,467,221</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 POSITION  
JUNE 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Cash Equivalents	\$ 39,465,938	\$ 23,855,193	\$ 63,321,131
Investments	1,242,818	-	1,242,818
Receivables, net of allowance for uncollectibles:			
Property Taxes	947,218	-	947,218
Deferred Property Taxes	149,189	-	149,189
Tax Liens	276,639	-	276,639
Excise Taxes	238,502	-	238,502
User Charges	-	1,241,646	1,241,646
Departmental	641,054	-	641,054
Loans	72,514	-	72,514
Due from Other Governments	6,240,059	-	6,240,059
Total current assets	<u>49,273,931</u>	<u>25,096,839</u>	<u>74,370,770</u>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	4,357,574	-	4,357,574
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	20,068,872	3,212,967	23,281,839
Depreciable	69,293,976	40,726,908	110,020,884
Total noncurrent assets	<u>93,720,422</u>	<u>43,939,875</u>	<u>137,660,297</u>
<b>Total Assets</b>	<u>142,994,353</u>	<u>69,036,714</u>	<u>212,031,067</u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants Payable	2,187,322	935,059	3,122,381
Accrued Payroll	3,799,965	106,780	3,906,745
Retainage Payable	69,296	-	69,296
Payroll Withholdings	577,470	-	577,470
Accrued Interest	223,957	89,726	313,683
Compensated Absences	1,272,218	67,938	1,340,156
Bonds Payable	4,540,212	2,254,588	6,794,800
Total current liabilities	<u>12,670,440</u>	<u>3,454,091</u>	<u>16,124,531</u>
<b>NONCURRENT:</b>			
Landfill Closure	-	1,950,000	1,950,000
Compensated Absences	2,350,212	76,695	2,426,907
OPEB Obligation Payable	37,214,914	1,385,844	38,600,758
Net Pension Liability	38,549,540	2,256,579	40,806,119
Bonds Payable	33,623,635	21,026,579	54,650,214
Total noncurrent liabilities	<u>111,738,301</u>	<u>26,695,697</u>	<u>138,433,998</u>
<b>Total Liabilities</b>	<u>124,408,741</u>	<u>30,149,788</u>	<u>154,558,529</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	3,719,909	217,753	3,937,662
<b>NET POSITION</b>			
Net Investment in Capital Assets	57,271,731	20,658,708	77,930,439
Restricted for:			
Capital Projects	2,410,630	62,469	2,473,099
Federal & State Grants	6,575,474	-	6,575,474
Community Preservation	2,750,865	-	2,750,865
Permanent Funds:			
Expendable	371,948	-	371,948
Nonexpendable	716,106	-	716,106
Other Purposes	9,965,918	-	9,965,918
Unrestricted	(65,196,969)	17,947,996	(47,248,973)
<b>Total Net Position</b>	<u>\$ 14,865,703</u>	<u>\$ 38,669,173</u>	<u>\$ 53,534,876</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, 2015**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 6,282,862	\$ 3,527,706	\$ 1,342,524	\$ 32,526	\$ (1,380,106)	\$ -	\$ (1,380,106)
Public Safety	13,872,779	3,136,272	242,581	-	(10,493,926)	-	(10,493,926)
Public Works	4,946,425	2,036,289	256,314	4,813,036	2,159,214	-	2,159,214
Education	42,091,269	7,896,249	14,514,836	-	(19,680,184)	-	(19,680,184)
Health and Human Services	2,276,367	259,933	889,898	-	(1,126,536)	-	(1,126,536)
Culture and Recreation	3,915,833	471,739	133,724	359,461	(2,950,909)	-	(2,950,909)
Employee Benefits and Insurance	24,379,241	-	3,616,789	-	(20,762,452)	-	(20,762,452)
State Assessments	3,258,040	-	-	-	(3,258,040)	-	(3,258,040)
Interest	1,376,612	-	287,091	-	(1,089,521)	-	(1,089,521)
<b>Total Governmental Activities</b>	<b>102,399,428</b>	<b>17,328,188</b>	<b>21,283,757</b>	<b>5,205,023</b>	<b>(58,582,460)</b>	<b>-</b>	<b>(58,582,460)</b>
<b>Business-Type Activities:</b>							
Sewer	2,509,718	6,534,762	64,170	-	-	4,089,214	4,089,214
Water	4,145,503	7,086,960	103,626	65,402	-	3,110,485	3,110,485
Solid Waste	448,265	551,362	23,832	-	-	126,929	126,929
<b>Total Primary Government</b>	<b>\$ 109,502,914</b>	<b>\$ 31,501,272</b>	<b>\$ 21,475,385</b>	<b>\$ 5,270,425</b>	<b>(58,582,460)</b>	<b>7,326,628</b>	<b>(51,255,832)</b>
<b>General Revenues:</b>							
Property taxes					52,079,123	-	52,079,123
Motor vehicle and other taxes					2,579,212	-	2,579,212
Hotel room occupancy and Meals taxes					1,243,331	-	1,243,331
Penalties & interest on taxes					245,778	-	245,778
Grants & contributions not restricted to specific programs					4,270,599	-	4,270,599
Unrestricted investment income					112,378	-	112,378
Miscellaneous					26,815	-	26,815
<b>Contributions to Permanent Funds</b>					20,100	-	20,100
<b>Transfers, net</b>					1,877,753	(1,877,753)	-
<b>Total General Revenues, Contributions, Special Item and Transfers</b>					<b>62,455,089</b>	<b>(1,877,753)</b>	<b>60,577,336</b>
<b>Change in Net Position</b>					<b>3,872,629</b>	<b>5,448,875</b>	<b>9,321,504</b>
<b>Net Position:</b>							
Beginning of year (as restated)					10,993,074	33,220,298	44,213,372
End of year					<b>\$ 14,865,703</b>	<b>\$ 38,669,173</b>	<b>\$ 53,534,876</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 20,246,421	\$ 19,219,517	\$ 39,465,938
Investments	-	1,242,818	1,242,818
Receivables, net of allowance for uncollectibles:			
Property Taxes	932,279	14,939	947,218
Deferred Property Taxes	149,189	-	149,189
Tax Liens	273,030	3,609	276,639
Excise Taxes	238,502	-	238,502
Departmental	403,601	237,453	641,054
Loans	-	72,514	72,514
Due from Other Governments	6,609,394	3,988,239	10,597,633
<b>Total Assets</b>	<b>\$ 28,852,416</b>	<b>\$ 24,779,089</b>	<b>\$ 53,631,505</b>
<b>Liabilities:</b>			
Warrants and Accounts Payable	\$ 1,226,040	\$ 961,282	\$ 2,187,322
Accrued Payroll	3,725,397	74,568	3,799,965
Retainage Payable	-	69,296	69,296
Employee Withholdings	577,470	-	577,470
<b>Total Liabilities</b>	<b>5,528,907</b>	<b>1,105,146</b>	<b>6,634,053</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable Revenue	8,216,068	3,252,957	11,469,025
<b>Fund Balance:</b>			
Nonspendable	-	716,106	716,106
Restricted	272,422	18,570,303	18,842,725
Committed	-	971,670	971,670
Assigned	4,694,825	162,907	4,857,732
Unassigned	10,140,194	-	10,140,194
<b>Total Fund Balance</b>	<b>15,107,441</b>	<b>20,420,986</b>	<b>35,528,427</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 28,852,416</b>	<b>\$ 24,779,089</b>	<b>\$ 53,631,505</b>

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, 2015**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Property Taxes	\$ 51,378,676	\$ 1,068,117	\$ 52,446,793
Intergovernmental	15,290,145	12,708,386	27,998,531
Excise and Other Taxes	2,650,878	2,509	2,653,387
Hotel Room Occupancy and Meals Taxes	1,243,331	-	1,243,331
Charges for Services	3,280,768	5,097,689	8,378,457
Licenses, Permits, Fees	8,956,155	-	8,956,155
Interest on Taxes	242,539	3,239	245,778
Investment Income	112,378	15,659	128,037
Gifts and Donations	-	390,424	390,424
Other	-	366,539	366,539
Intergovernmental - "On-behalf" Payments	3,527,495	-	3,527,495
<b>Total Revenues</b>	<b>86,682,365</b>	<b>19,652,562</b>	<b>106,334,927</b>
<b>Expenditures:</b>			
Current:			
General Government	5,112,771	791,421	5,904,192
Public Safety	11,603,795	977,402	12,581,197
Public Works	2,522,403	3,718,056	6,240,459
Education	33,154,452	6,703,340	39,857,792
Health and Human Services	1,380,598	766,653	2,147,251
Culture and Recreation	2,035,406	2,219,476	4,254,882
Employee Benefits and Insurance	19,757,014	-	19,757,014
Capital Improvements	1,905,228	-	1,905,228
State Assessments	3,258,040	-	3,258,040
Debt Service:			
Principal	4,359,078	267,134	4,626,212
Interest	1,247,370	167,699	1,415,069
<b>Total Expenditures</b>	<b>86,336,155</b>	<b>15,611,181</b>	<b>101,947,336</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>346,210</b>	<b>4,041,381</b>	<b>4,387,591</b>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	2,891,264	60,838	2,952,102
Operating Transfers Out	(60,838)	(1,013,511)	(1,074,349)
Proceeds from Issuance of Bonds	-	2,975,000	2,975,000
<b>Total Other Financing Sources (Uses)</b>	<b>2,830,426</b>	<b>2,022,327</b>	<b>4,852,753</b>
<b>Net Change in Fund Balances</b>	<b>3,176,636</b>	<b>6,063,708</b>	<b>9,240,344</b>
<b>Fund Balances, Beginning of Year</b>	<b>11,930,805</b>	<b>14,357,278</b>	<b>26,288,083</b>
<b>Fund Balances, End of Year</b>	<b>\$ 15,107,441</b>	<b>\$ 20,420,986</b>	<b>\$ 35,528,427</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Position**  
**For the Year Ended June 30, 2015**

<b>Total Governmental Fund Balances</b>		\$	35,528,427
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			89,362,848
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			11,469,025
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.			(3,719,909)
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:			
Bonds Payable	\$	(38,163,847)	
Other Post Employment Benefits Payable		(37,214,914)	
Net Pension Liability		(38,549,540)	
Compensated Absences		(3,622,430)	(117,550,731)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			(223,957)
<b>Net Position of Governmental Activities</b>		<b>\$</b>	<b>14,865,703</b>

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, 2015**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>9,240,344</b>
<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	\$ 5,571,118	
Depreciation	<u>(5,694,752)</u>	(123,634)
<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 unavailable revenue.</p>		
		(1,940,623)
<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 position:</p>		
Repayment of Debt and Lease Principal	4,728,754	
Proceeds from Bonds and Notes	<u>(2,975,000)</u>	1,753,754
<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	(373,402)	
Net Change in Other Post Employment Benefits	(6,219,781)	
Net Change in Net Pension Liability	5,217,423	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	(3,719,909)	
Net Change in Accrued Interest on Long-Term Debt	<u>38,457</u>	<u>(5,057,212)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>3,872,629</u></b>

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, 2015**

	<u>Budgeted Amounts</u>			<u>Actual</u> <u>Budgetary</u> <u>Basis</u>	<u>Amounts</u> <u>Carried</u> <u>Forward to</u> <u>Next Year</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Amounts</u> <u>Carried</u>		<u>Final</u> <u>Budget</u>			
	<u>Forward from</u> <u>Prior Year</u>	<u>Original</u> <u>Budget</u>				
<b>Revenues:</b>						
Property Taxes	\$ -	\$ 50,960,134	\$ 50,960,134	\$ 51,428,376	\$ -	\$ 468,242
Intergovernmental	-	15,362,219	15,362,219	15,290,145	-	(72,074)
Excise and Other Taxes	-	2,394,507	2,394,507	2,650,878	-	256,371
Hotel Room Occupancy and Meals Taxes	-	1,067,275	1,067,275	1,243,331	-	176,056
Charges for Services	-	2,969,500	2,969,500	3,280,768	-	311,268
Licenses, Permits, Fees	-	8,633,092	8,633,092	8,956,155	-	323,063
Interest on Taxes	-	159,500	159,500	242,539	-	83,039
Investment Income	-	58,825	58,825	91,711	-	32,886
<b>Total Revenues</b>	-	81,605,052	81,605,052	83,183,903	-	1,578,851
<b>Expenditures:</b>						
Current:						
General Government	125,440	5,365,343	5,542,664	5,112,771	140,524	289,369
Public Safety	9,367	12,041,080	12,106,366	11,603,795	54,190	448,381
Public Works	119,969	2,097,670	2,726,663	2,522,403	104,558	99,702
Education	153,809	33,336,963	33,674,772	33,154,452	460,631	59,689
Health and Human Services	4,199	1,526,936	1,489,945	1,380,598	177	109,170
Culture and Recreation	-	2,089,419	2,109,223	2,035,406	13,716	60,101
Employee Benefits and Insurance	108,448	16,859,945	16,910,435	16,229,519	284,735	396,181
Capital Improvements	2,883,689	250,000	5,623,370	1,905,228	3,636,294	81,848
State Assessments	-	3,355,550	3,355,550	3,258,040	-	97,510
Debt Service:						
Principal	-	4,359,078	4,359,078	4,359,078	-	-
Interest	-	1,390,975	1,321,393	1,247,370	-	74,023
<b>Total Expenditures</b>	3,404,921	82,672,959	89,219,459	82,808,660	4,694,825	1,715,974
<b>Excess of Revenues Over</b> <b>(Under) Expenditures</b>	(3,404,921)	(1,067,907)	(7,614,407)	375,243	(4,694,825)	3,294,825
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	-	2,404,098	3,766,077	3,781,225	-	15,148
Operating Transfers Out	-	(1,368,650)	(2,589,160)	(2,589,160)	-	-
<b>Total Other Financing Sources (Uses)</b>	-	1,035,448	1,176,917	1,192,065	-	15,148
<b>Net Change in Budgetary Fund Balance</b>	(3,404,921)	(32,459)	(6,437,490)	\$ 1,567,308	\$ (4,694,825)	\$ 3,309,973
<b>Other Budgetary Items:</b>						
Free Cash and Other Reserves	-	32,459	3,032,569			
Prior Year Encumbrances	3,404,921	-	3,404,921			
<b>Total Other Budgetary Items</b>	3,404,921	32,459	6,437,490			
<b>NET BUDGET</b>	\$ -	\$ -	\$ -			

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, 2015**

	<b>Revenues</b>	<b>Expenditures</b>
<b>Reported on a Budgetary Basis</b>	\$ 83,183,903	\$ 82,808,660
<i><u>Adjustments:</u></i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	20,667	-
Recognition of Intergovernmental Revenue - "on behalf payments"	3,527,495	-
Recognition of Expenditures - "on behalf payments"	-	3,527,495
Net Decrease in Revenue from Recording 60-Day Receipts	(49,700)	-
<b>Reported on a GAAP Basis</b>	<b>\$ 86,682,365</b>	<b>\$ 86,336,155</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and Cash Equivalents	\$ 9,503,142	\$ 9,430,008	\$ 4,922,043	\$ 23,855,193
User Charges, net of allowance for uncollectibles	666,596	543,390	31,660	1,241,646
Total current assets	10,169,738	9,973,398	4,953,703	25,096,839
<b>NONCURRENT:</b>				
Capital Assets, net of accumulated Depreciation:				
Nondepreciable	194,411	3,018,556	-	3,212,967
Depreciable	6,836,562	33,790,357	99,989	40,726,908
Total noncurrent assets	7,030,973	36,808,913	99,989	43,939,875
<b>Total Assets</b>	<b>17,200,711</b>	<b>46,782,311</b>	<b>5,053,692</b>	<b>69,036,714</b>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants and Accounts Payable	344,771	568,916	21,372	935,059
Accrued Payroll	45,002	53,717	8,061	106,780
Accrued Interest	22,254	67,472	-	89,726
Compensated Absences	33,440	31,079	3,419	67,938
Bonds Payable	382,850	1,871,738		2,254,588
Total current liabilities	828,317	2,592,922	32,852	3,454,091
<b>NONCURRENT:</b>				
Landfill Closure	-	-	1,950,000	1,950,000
Compensated Absences	39,556	32,361	4,778	76,695
OPEB Obligation Payable	472,632	521,581	391,631	1,385,844
Net Pension Liability	1,093,604	877,332	285,643	2,256,579
Bonds Payable	2,006,233	19,019,346	1,000	21,026,579
Total noncurrent liabilities	3,612,025	20,450,620	2,633,052	26,695,697
<b>Total Liabilities</b>	<b>4,440,342</b>	<b>23,043,542</b>	<b>2,665,904</b>	<b>30,149,788</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows Related to Pensions	105,529	84,660	27,564	217,753
<b>NET POSITION</b>				
Net Investment in Capital Assets	4,641,890	15,917,829	98,989	20,658,708
Restricted for Capital	62,469	-	-	62,469
Unrestricted	7,950,481	7,736,280	2,261,235	17,947,996
<b>Total Net Position</b>	<b>\$ 12,654,840</b>	<b>\$ 23,654,109</b>	<b>\$ 2,360,224</b>	<b>\$ 38,669,173</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Business-Type Activities Enterprise Funds</b>			
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>				
Charges for Services	\$ 6,496,264	\$ 6,975,895	\$ 390,367	\$ 13,862,526
Other	38,498	111,065	160,995	310,558
<b>Total Operating Revenues</b>	<b>6,534,762</b>	<b>7,086,960</b>	<b>551,362</b>	<b>14,173,084</b>
<b>Operating Expenses:</b>				
Salaries & Wages	998,438	1,191,016	184,295	2,373,749
Operating Expenses	1,077,796	1,208,671	218,990	2,505,457
Depreciation	338,406	1,161,596	29,834	1,529,836
<b>Total Operating Expenses</b>	<b>2,414,640</b>	<b>3,561,283</b>	<b>433,119</b>	<b>6,409,042</b>
<b>Operating Income (Loss)</b>	<b>4,120,122</b>	<b>3,525,677</b>	<b>118,243</b>	<b>7,764,042</b>
<b>Non-Operating Revenues (Expenses):</b>				
Interest Income	64,170	64,022	23,832	152,024
Intergovernmental	-	105,006	-	105,006
Interest Expense	(95,078)	(584,220)	(15,146)	(694,444)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(30,908)</b>	<b>(415,192)</b>	<b>8,686</b>	<b>(437,414)</b>
<b>Income (Loss) Before Transfers and Other Items</b>	<b>4,089,214</b>	<b>3,110,485</b>	<b>126,929</b>	<b>7,326,628</b>
<b>Transfers and Other Items:</b>				
Transfers In (Out)	(1,200,525)	(573,327)	(103,901)	(1,877,753)
<b>Total Transfers and Other Items</b>	<b>(1,200,525)</b>	<b>(573,327)</b>	<b>(103,901)</b>	<b>(1,877,753)</b>
<b>Change in Net Position</b>	<b>2,888,689</b>	<b>2,537,158</b>	<b>23,028</b>	<b>5,448,875</b>
<b>Net Position at Beginning of Year (as restated)</b>	<b>9,766,151</b>	<b>21,116,951</b>	<b>2,337,196</b>	<b>33,220,298</b>
<b>Net Position at End of Year</b>	<b>\$ 12,654,840</b>	<b>\$ 23,654,109</b>	<b>\$ 2,360,224</b>	<b>\$ 38,669,173</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Business-Type Activities Enterprise Funds</b>			
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
<b>Cash Flows From Operating Activities:</b>				
Receipts from Customers and Users	\$ 6,546,467	\$ 7,022,339	\$ 387,067	\$ 13,955,873
Receipts from Other Revenues	38,498	111,065	160,995	310,558
Payments to Vendors	(1,057,982)	(907,725)	(279,898)	(2,245,605)
Payments to Employees	(1,032,137)	(1,157,475)	(184,103)	(2,373,715)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>4,494,846</b>	<b>5,068,204</b>	<b>84,061</b>	<b>9,647,111</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers from (to) Other Funds	(1,200,525)	(573,327)	(103,901)	(1,877,753)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(1,200,525)</b>	<b>(573,327)</b>	<b>(103,901)</b>	<b>(1,877,753)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
MCWT Project Drawdowns	75,632	-	-	75,632
Intergovernmental	-	105,006	-	105,006
Acquisition and Construction of Capital Assets	(397,472)	(803,065)	-	(1,200,537)
Principal Payments on Bonds and Notes	(391,681)	(1,953,293)	(524,000)	(2,868,974)
Interest Expense	(99,449)	(582,633)	(21,817)	(703,899)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(812,970)</b>	<b>(3,233,985)</b>	<b>(545,817)</b>	<b>(4,592,772)</b>
<b>Cash Flows from Investing Activities:</b>				
Investment Income	64,170	64,022	23,832	152,024
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>64,170</b>	<b>64,022</b>	<b>23,832</b>	<b>152,024</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2,545,521</b>	<b>1,324,914</b>	<b>(541,825)</b>	<b>3,328,610</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>6,957,621</b>	<b>8,105,094</b>	<b>5,463,868</b>	<b>20,526,583</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 9,503,142</b>	<b>\$ 9,430,008</b>	<b>\$ 4,922,043</b>	<b>\$ 23,855,193</b>

( Continued )

**CITY OF NORTHAMPTON, MASSACHUSETTS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Business-Type Activities Enterprise Funds</b>			
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>				
<b>Operating Income (Loss)</b>	\$ 4,120,122	\$ 3,525,677	\$ 118,243	\$ 7,764,042
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>				
Depreciation	338,406	1,161,596	29,834	1,529,836
Deferred (Outflows)/Inflows of Resources Related to Pensions	105,529	84,660	27,564	217,753
Change in Assets and Liabilities:				
Increase (Decrease) in Warrants Payable	17,453	264,448	(29,066)	252,835
Increase (Decrease) in Accrued Payroll	20,354	20,860	821	42,035
Increase (Decrease) in Compensated Absences	(54,053)	12,681	(629)	(42,001)
Increase (Decrease) in OPEB Obligation Payable	44,128	70,410	119,997	234,535
Increase (Decrease) in Net Pension Liability	(147,296)	(118,572)	(38,611)	(304,479)
Increase (Decrease) in Landfill Closure	-	-	(140,792)	(140,792)
Decrease (Increase) in User Charges Receivable	50,203	46,444	(3,300)	93,347
<b>Total Adjustments</b>	<b>374,724</b>	<b>1,542,527</b>	<b>(34,182)</b>	<b>1,883,069</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 4,494,846</b>	<b>\$ 5,068,204</b>	<b>\$ 84,061</b>	<b>\$ 9,647,111</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015**

	<b>NORTHAMPTON</b>			
	<b>Employees Retirement System Pension Trust Fund (as of December 31, 2014)</b>		<b>Other Post Employment Benefits Trust Fund</b>	
			<b>Private Purpose Trust Funds</b>	
			<b>Agency Funds</b>	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$	136,631	\$	-
Investments		111,426,958		102,531
Accrued Interest and Dividends		184,662		-
Accounts Receivable		495,431		-
<b>Total Assets</b>		<b>112,243,682</b>		<b>1,846,711</b>
<b>LIABILITIES</b>				
Warrants Payable		42,940		-
Due to Others		-		-
Due to Student Groups		-		-
Deposits and Escrows		-		-
<b>Total Liabilities</b>		<b>42,940</b>		<b>-</b>
<b>NET POSITION</b>				
Held in Trust for Pension Benefits and Other Purposes	\$	112,200,742	\$	102,531
			\$	1,846,711
				\$
				-

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>NORTHAMPTON</b>		
	<b>Employees</b>		
	<b>Retirement</b>		
	<b>System Pension</b>	<b>Other</b>	<b>Private</b>
	<b>Trust Fund</b>	<b>Post Employment</b>	<b>Purpose</b>
	<b>(as of December</b>	<b>Benefits</b>	<b>Trust Funds</b>
	<b>31, 2014)</b>	<b>Trust Fund</b>	<b>Trust Funds</b>
<b>Additions</b>			
Contributions:			
Employers	\$ 5,031,011	\$ 100,000	\$ -
Plan Members	2,480,968	-	-
Transfers/Reimbursements from Other Systems	419,875	-	-
Federal Grant Reimbursements	17,930	-	-
Commonwealth of Massachusetts - COLA	102,889	-	-
Private Donations	-	-	6,384
Total Contributions	<u>8,052,673</u>	<u>100,000</u>	<u>6,384</u>
Investment Income:			
Interest & Dividends	2,218,512	5,278	138,534
Net Change in Fair Value of Investments	11,130,597	(2,747)	(110,117)
Total Investment Earnings	<u>13,349,109</u>	<u>2,531</u>	<u>28,417</u>
Less Investment Expense	(418,729)	-	-
Net Investment Earnings	<u>12,930,380</u>	<u>2,531</u>	<u>28,417</u>
<b>Total Additions</b>	<u>20,983,053</u>	<u>102,531</u>	<u>34,801</u>
<b>Deductions:</b>			
Benefit Payments to Plan Members and Beneficiaries	8,464,614	-	-
Refunds to Members	339,458	-	-
Transfers to Other Systems	492,609	-	-
Educational Scholarships	-	-	23,250
Human Services	-	-	-
General Expenses	195,966	-	11,500
<b>Total Deductions</b>	<u>9,492,647</u>	<u>-</u>	<u>34,750</u>
<b>Change in Net Position</b>	<u>11,490,406</u>	<u>102,531</u>	<u>51</u>
<b>Net Position at Beginning of Year</b>	<u>100,710,336</u>	<u>-</u>	<u>1,846,660</u>
<b>Net Position at End of Year</b>	<u>\$ 112,200,742</u>	<u>\$ 102,531</u>	<u>\$ 1,846,711</u>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

**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**  
**Year Ended June 30, 2015**

**B. Government-Wide and Fund Financial Statements**

**Government-wide financial statements**

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) 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 position and change in net position.

**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.

Proprietary and 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 recognized when earned and expenses are recorded when a liability is incurred, regardless of

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. 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.

**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 City 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 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.

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 or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

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.

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.

The *Other Post Employment Benefit Trust Fund* accounts for the activities of the City's OPEB plan, which accumulates resources for retiree medical and life insurance benefits.

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.

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".

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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

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 and Tax Liens**

Property taxes are based on assessments as of January 1, 2014 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 2015 on June 30, 2014 and September 30, 2014, that were due on August 1, 2014 and November 3, 2014 and actual bills on December 31, 2014, and March 31, 2015, that were due on February 2, 2015 and May 1, 2015, 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 2015 is as follows;

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2015	\$ 50,197,851
Add: Debt Exclusion	1,320,928
	<u>\$ 51,518,779</u>

The total amount raised by taxation was \$51,492,896.

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

**Excise 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, storm water and solid waste. Sewer, storm water 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. Solid waste charges are transfer station fees. 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.

**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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

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 renovations	10-40
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 position. 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 Outflows and Inflows of Resources**

**Government-wide financial statements**

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. The City did not have any items that qualify for reporting in this category.

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total liabilities, for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the City has only item in this category, *deferred inflows related to pensions*.

**Fund financial statements**

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

unavailable revenues for the City's property, excise and other taxes; departmental revenue, loans and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**J. Net Position and Fund Balances**

In the Government-Wide financial statements, the difference between the City's total assets and total liabilities and deferred inflows of resources represents net position. Net position display three components – net investment in capital assets, restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has 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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

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.

*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 position.

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. Pension Benefits**

For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Northampton Retirement System (the System) and the Massachusetts Teachers Retirement System (MTRS) are provided. Additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

**N. 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.

**O. 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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

**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:

- 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 2015, the City incurred a final budget deficit of \$6,437,490 for the General Fund.

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

Unassigned fund balance:	
Free cash votes	\$ 3,000,110
Reserve for Police Station Debt	32,459
Prior year's encumbrances	3,404,921
	\$ 6,437,490

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

**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, 2015 were \$63,967,982. Of these, \$3,822,235 are exposed to custodial credit risk as uninsured and uncollateralized.

**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, 2014 were \$421,481. 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, 2015, the City had the following investments and maturities:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years) Less Than 1</b>
<b>Debt Securities:</b>		
Money market mutual funds	\$ 33,784	\$ 33,784
	<u>33,784</u>	<u>\$ 33,784</u>
<b>Other Investments:</b>		
Equity mutual funds	2,799,898	
Equity securities-domestic stocks	94,417	
	<u>\$ 2,928,099</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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

party. Of the City's \$2,928,099, 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.

**Credit Risk**

The City's exposure to credit risk as of June 30, 2015 is as follows:

<u>Related Debt Instruments</u>	<u>Fair Value</u>
<u>Moody's Quality Ratings</u>	
<i>Money Market Mutual Funds:</i>	
Not rated	<u>\$ 33,784</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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

- 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;
    - 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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

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, 2014, the System had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
<b>Debt Securities:</b>					
U. S. treasury obligations	\$ 12,300,065	\$ -	\$ 1,097,891	\$ 3,558,689	\$ 7,643,485
Corporate bonds	16,495,453	-	2,563,286	5,330,583	8,601,584
Money market mutual funds	3,554,781	3,554,781	-	-	-
	<u>32,350,299</u>	<u>\$ 3,554,781</u>	<u>\$ 3,661,177</u>	<u>\$ 8,889,272</u>	<u>\$ 16,245,069</u>
<b>Other Investments:</b>					
Equity securities-domestic stocks	77,356,713				
Pooled alternative investment capital	1,719,946				
	<u>\$ 111,426,958</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 \$111,426,958; 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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

The System's exposure to credit risk as of December 31, 2014 is as follows:

Related Debt Instruments	Fair Value
<b>Moody's Quality Ratings</b>	
<b><i>U. S. Treasury Obligations:</i></b>	
AAA	\$ 12,300,065
<b><i>Corporate Bonds:</i></b>	
AAA	3,566,265
AA	2,850,756
A	2,908,348
BAA	6,709,356
BA/B	460,728
<b><i>Money Market Mutual Funds:</i></b>	
Not rated	3,554,781
	<b>\$ 32,350,299</b>

**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, 2015, 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
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 1,430,862	\$ (483,644)	\$ 947,218
Deferred property taxes	149,189	-	149,189
Tax liens	276,639	-	276,639
Taxes in litigation	6,794	(6,794)	-
Excise taxes	866,165	(627,663)	238,502
Departmental	1,039,498	(398,444)	641,054
Loans	72,514	-	72,514
Due from other governments	10,597,633	-	10,597,633
<b>Fiduciary funds:</b>			
<b><i>Northampton Employees Retirement System (at December 31, 2014):</i></b>			
Accounts Receivable	495,431	-	495,431
<b><i>Agency funds:</i></b>			
Accounts Receivable	80,777	-	80,777
	<b>\$ 15,015,502</b>	<b>\$ (1,516,545)</b>	<b>\$ 13,498,957</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

At June 30, 2015, receivables for the sewer, water and solid waste enterprise consist of the following:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Sewer Fund:</b>			
User charges	\$ 847,496	\$ (180,900)	\$ 666,596
<b>Water Fund:</b>			
User charges	598,390	(55,000)	543,390
<b>Solid Waste Fund:</b>			
User charges	71,831	(40,171)	31,660
	\$ 1,517,717	\$ (276,071)	\$ 1,241,646

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

The composition of amounts due from other governments as of June 30, 2015 for governmental funds and the business-type activities are as follows:

**Governmental Funds:**

**General Fund:**

**Commonwealth of Massachusetts:**

Department of Elementary and Secondary Education:

Homeless Transportation \$ 11,931

Department of Revenue:

Veterans, blind and surviving spouse 71,031

Department of Veterans Services:

Veterans benefits 453,584

Massachusetts School Building Authority

School Building Assistance - Capital portion 6,051,883

**Due from Various Municipalities:**

Tuitions 20,965 \$ 6,609,394

**Nonmajor Governmental Funds:**

**U. S. Department of Agriculture:**

School lunch 31,905

**U. S. Department of Education:**

School title grants 5,004

**U. S. Department of Homeland Security**

12,383

**U. S. Department of Housing and Urban Development:**

Community Development Block Grant 521,224

**Commonwealth of Massachusetts:**

Department of Elementary and Secondary Education:

School lunch 903

Department of Public Health

27,492

Executive Office of Environmental Affairs

371,404

Executive Office of Public Safety & Homeland Security:

Public safety grants 1,322

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds 2,853,864

Winter Road Rapid Recovery Program 151,086

**Other**

4,208

**Private Grant:**

Massachusetts Woodlands Institute, Inc. 7,444 3,988,239

\$ 10,597,633

**C. Deferred Inflows of Resources – Unavailable Revenue**

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

<b>General Fund:</b>			
Property taxes	\$	646,279	
Deferred property taxes		149,189	
Tax liens		273,030	
Excise taxes		238,502	
Departmental		403,601	
Due from other governments		<u>6,505,467</u>	\$ 8,216,068
<b>Nonmajor governmental funds:</b>			
Property taxes		14,939	
Tax liens		3,609	
Departmental		237,453	
Loans		72,514	
Due from other governments		<u>2,924,442</u>	<u>3,252,957</u>
			<u>\$ 11,469,025</u>

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2015, is as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 16,248,182	\$ 702,000	\$ -	\$ 16,950,182
Construction in progress	2,917,874	1,718,686	(1,517,870)	3,118,690
Total capital assets not being depreciated	<u>19,166,056</u>	<u>2,420,686</u>	<u>(1,517,870)</u>	<u>20,068,872</u>
Capital assets being depreciated:				
Buildings and improvements	119,842,284	1,597,195	-	121,439,479
Machinery, equipment and other	13,373,804	782,957	(78,759)	14,078,002
Infrastructure	20,867,175	2,288,150	-	23,155,325
Total capital assets being depreciated	<u>154,083,263</u>	<u>4,668,302</u>	<u>(78,759)</u>	<u>158,672,806</u>
Less accumulated depreciation for:				
Buildings	59,003,840	4,231,984	-	63,235,824
Machinery, equipment and other	10,560,180	962,851	(78,759)	11,444,272
Infrastructure	14,198,817	499,917	-	14,698,734
Total accumulated depreciation	<u>83,762,837</u>	<u>5,694,752</u>	<u>(78,759)</u>	<u>89,378,830</u>
Total capital assets being depreciated, net	<u>70,320,426</u>	<u>(1,026,450)</u>	<u>-</u>	<u>69,293,976</u>
Total governmental activities capital assets, net	<u>\$ 89,486,482</u>	<u>\$ 1,394,236</u>	<u>\$ (1,517,870)</u>	<u>\$ 89,362,848</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 2,493,390	\$ 60,000	\$ -	\$ 2,553,390
Construction in progress	2,243,190	921,582	(2,505,195)	659,577
Total capital assets not being depreciated	<u>4,736,580</u>	<u>981,582</u>	<u>(2,505,195)</u>	<u>3,212,967</u>
Capital assets being depreciated:				
Buildings and Renovations	4,976,953	-	-	4,976,953
Machinery, equipment and other	2,791,835	383,768	(113,972)	3,061,631
Infrastructure	75,753,683	2,714,850	-	78,468,533
Total capital assets being depreciated	<u>83,522,471</u>	<u>3,098,618</u>	<u>(113,972)</u>	<u>86,507,117</u>
Less accumulated depreciation for:				
Buildings and Renovations	4,599,454	25,000	-	4,624,454
Machinery, equipment and other	2,570,608	128,515	(113,972)	2,585,151
Infrastructure	37,194,283	1,376,321	-	38,570,604
Total accumulated depreciation	<u>44,364,345</u>	<u>1,529,836</u>	<u>(113,972)</u>	<u>45,780,209</u>
Total capital assets being depreciated, net	<u>39,158,126</u>	<u>1,568,782</u>	<u>-</u>	<u>40,726,908</u>
Total business-type activities capital assets, net	<u>\$ 43,894,706</u>	<u>\$ 2,550,364</u>	<u>\$ (2,505,195)</u>	<u>\$ 43,939,875</u>

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

**Governmental Activities:**

General government	\$ 873,115
Public safety	1,271,313
Public works	780,338
Education	2,405,726
Health and human services	121,899
Culture and recreation	242,361
Total depreciation expense - governmental activities	<u>\$ 5,694,752</u>

**Business-Type Activities:**

Sewer fund	\$ 338,406
Water works fund	1,161,596
Solid waste fund	29,834
Total depreciation expense - business-type activities	<u>\$ 1,529,836</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

**E. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2015, are summarized below:

	Transfers In:			
Transfers Out:	General fund	Nonmajor Governmental fund	Total	
General fund	\$ -	\$ 60,838	\$ 60,838	\$ 60,838
Nonmajor governmental funds	1,013,511	-	1,013,511	1,013,511
Business-type fund	1,877,753	-	1,877,753	1,877,753
Total transfers out	\$ 2,891,264	\$ 60,838	\$ 2,952,102	

**F. Long Term Debt**

**General Obligation Bonds**

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

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

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2015
<b>Inside Debt:</b>					
Library building remodeling	3.40%	10/15/2002	9/1/2019	\$ 830,000	\$ 237,000
Building remodeling - school	Various	11/15/2004	10/15/2023	767,000	332,000
Refinanced:					
Land acquisition - Gerogianna	Various	11/15/2004	10/15/2018	76,000	4,000
Storm and surface drains	Various	11/15/2004	10/15/2018	40,000	8,000
Fire station	Various	11/15/2004	10/15/2018	2,325,000	920,000
Municipal Purpose Loan of 2007:					
School energy	3.75-4.0%	3/15/2007	3/15/2016	60,000	6,000
SVAHS shop computers	3.75-4.0%	3/15/2007	3/15/2016	300,000	20,000
Ridgewood Terrace roads	3.75-4.0%	3/15/2007	3/15/2016	173,400	17,000
Veteran's field skatepark	3.75-4.0%	3/15/2007	3/15/2022	140,000	60,000
Senior center	3.75-4.0%	3/15/2007	3/15/2026	3,910,000	2,262,000
Forbes library remodeling	3.75-4.0%	3/15/2007	3/15/2026	982,900	545,000
Schools and DPW garage remodeling	3.75-4.0%	3/15/2007	3/15/2026	415,000	223,000
DPW salt/sand shed	3.75-4.0%	3/15/2007	3/15/2026	173,600	93,000
Storm and surface drains	3.75-4.0%	3/15/2007	3/15/2026	602,000	352,000
Municipal Purpose Loan of 2009:					
DPW roof repairs	2.0-5.0%	2/12/2009	2/1/2029	25,000	10,000
Ryan Road bridge repairs	2.0-5.0%	2/12/2009	2/1/2029	125,000	65,000
Various school projects	2.0-5.0%	2/12/2009	2/1/2029	427,000	210,000
<b>Massachusetts Clean</b>					
<b>Water Trust:</b>					
Septic Management Program Bond	N/A	10/25/2000	8/1/2018	93,837	20,847
Municipal Purpose Loan of 2010:					
Drainage	3.01%	12/1/2010	11/15/2025	\$ 100,000	60,000
Police station	3.19%	12/1/2010	11/15/2025	1,100,000	805,000
Technology	2.31%	12/1/2010	11/15/2019	225,500	115,000
Energy conservation improvements	3.27%	12/1/2010	11/15/2025	4,893,000	3,825,000
Qualified energy conservation	1.73%	12/22/2010	11/15/2025	1,607,000	1,177,000
Clean renewable energy	1.73%	12/22/2010	11/15/2025	261,000	189,000
Sub-total page 51					<u>\$ 11,555,847</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2015
<b>Inside Debt:</b>					
Continued from Page 51					\$ 11,555,847
Municipal Purpose Loan of 2012:					
Police Station 1	2.30%	2/9/2012	12/1/2031	10,000,000	8,500,000
Police Station 2	2.32%	2/9/2012	12/1/2031	887,000	820,000
Police Station 3	2.28%	2/9/2012	12/1/2031	5,580,000	5,260,000
NPS Wheelchair Bus	1.07%	2/9/2012	12/1/2015	50,000	10,000
Police Vehicles	1.06%	2/9/2012	12/1/2015	141,500	35,000
SVAHS Culinary Arts Renovations	1.07%	2/9/2012	12/1/2015	50,000	10,000
SVAHS Paint Booth Renovation	1.07%	2/9/2012	12/1/2016	50,000	15,000
DPW 2 Dump Truck	1.07%	2/9/2012	12/1/2015	130,000	30,000
DPW 2 Six-Wheel Trucks	1.06%	2/9/2012	12/1/2015	280,000	65,000
Recreation Dept. Mini-Bus	1.05%	2/9/2012	12/1/2016	45,000	15,000
Police Tactical Equipment	1.07%	2/9/2012	12/1/2016	60,000	20,000
DPW Equipment	1.05%	2/9/2012	12/1/2016	150,000	60,000
JFK Pool Filter	1.05%	2/9/2012	12/1/2016	75,000	30,000
JFK Tilt Kettle	1.09%	2/9/2012	12/1/2016	31,000	10,000
Bridge and Jackson Dishwashers	1.08%	2/9/2012	12/1/2016	35,500	10,000
SVAHS Cafeteria Renovation	1.05%	2/9/2012	12/1/2016	125,000	50,000
High School Track	1.44%	2/9/2012	12/1/2021	50,000	35,000
Bridge St. School PA System	1.05%	2/9/2012	12/1/2016	50,000	20,000
Drainage DPW	1.44%	2/9/2012	12/1/2021	250,000	175,000
Bean Farm Land Acquisition	1.79%	2/9/2012	12/1/2026	910,000	685,000
Municipal Purpose Loan of 2014:					
DPW Facility	0.79%	2/6/2014	2/1/2017	275,000	140,000
School Parking Lot	1.00%	2/6/2014	2/1/2018	125,000	90,000
Florence Fields	2.34%	2/6/2014	2/1/2027	1,200,000	1,105,000
Ryan Road School Roof	1.94%	2/6/2014	2/1/2024	150,000	135,000
SVAHS Boiler	1.94%	2/6/2014	2/1/2024	150,000	135,000
DPW Vehicles	1.79%	2/6/2014	2/1/2019	300,000	240,000
Municipal Purpose Loan of 2015:					
DPW Equipment	1.26%	6/4/2015	6/1/2020	360,000	360,000
Street Resurfacing	1.27%	6/4/2015	6/1/2020	1,000,000	1,000,000
River Road Retaining Wall	1.73%	6/4/2015	6/1/2020	375,500	375,500
Streetlights	1.75%	6/4/2015	6/1/2020	700,000	700,000
DPW Vehicle	1.25%	6/4/2015	6/1/2020	162,500	162,500
Connecticut River Levee	1.73%	6/4/2015	6/1/2020	377,000	377,000
<b>Total Inside Debt</b>					<u>32,230,847</u>
<b>Outside Debt:</b>					
High school roof replacement	3.40%	10/15/2002	9/1/2017	400,000	76,000
High school remodeling	3.40%	10/15/2002	9/1/2019	5,565,000	17,000
Refinanced:					
School project	Various	11/15/2004	10/15/2019	18,508,000	5,840,000
<b>Total Outside Debt</b>					<u>5,933,000</u>
<b>Total Governmental Type Debt</b>					<u>\$ 38,163,847</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

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

	Interest	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2015
<b>Inside Debt:</b>					
<b>Sewer:</b>					
Refinanced:					
Sewer	Various	11/15/2004	10/15/2019	\$ 2,539,000	\$ 1,082,000
Municipal Purpose Loan of 2012:					
Bradford Street Pump Station	2.30%	2/9/2012	12/1/2031	800,000	680,000
Municipal Purpose Loan of 2014:					
DPW Facility	0.79%	2/6/2014	2/1/2016	137,500	65,000
<b>Massachusetts Clean Water Trust:</b>					
Comprehansive Wastewater Management Plan					
	2.00%	6/13/2012	7/15/2032	706,047	562,083
<b>Water:</b>					
Municipal Purpose Loan of 2014:					
DPW Facility	0.79%	2/6/2014	2/1/2016	137,500	65,000
<b>Total Inside Debt</b>					<u>2,454,083</u>
<b>Outside Debt:</b>					
<b>Water:</b>					
Water filtration plant	Various	11/15/2004	10/15/2024	1,000,000	513,000
Route 66 water mains	Various	11/15/2004	10/15/2024	775,000	375,000
Water	3.75-4.00%	3/15/2007	3/15/2026	1,100,000	637,000
Route 66 water mains	2.00-5.00%	2/12/2009	2/1/2029	1,200,000	815,000
<b>Massachusetts Clean Water Trust:</b>					
Water filtration plant	2.00%	2/1/2007	8/1/2024	2,241,713	1,410,432
Water filtration plant	2.00%	12/14/2006	7/15/2026	9,612,283	6,231,787
Water filtration plant	2.00%	12/14/2006	7/15/2026	14,000,000	9,076,411
Water filtration plant	2.00%	3/18/2009	7/15/2028	1,250,000	897,759
Well chlorination project	2.00%	7/8/2010	7/15/2025	459,416	350,048
Well chlorination project	2.00%	6/13/2012	7/15/2032	119,412	109,647
Refinanced:					
Water	Various	11/15/2004	10/15/2019	3,814,000	410,000
					<u>20,826,084</u>
<b>Solid Waste:</b>					
Refinanced:					
Landfill	Various	11/15/2004	10/15/2016	1,829,000	1,000
					<u>1,000</u>
<b>Total Outside Debt</b>					<u>20,827,084</u>
<b>Total Business Type Debt</b>					<u>\$ 23,281,167</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

The annual principal and interest payments to retire all governmental and business-type activities long-term debt outstanding as of June 30, 2015 are as follows:

**Governmental**

Year	Principal	Interest	Total
2016	\$ 4,540,212	\$ 1,286,051	\$ 5,826,263
2017	3,950,212	1,112,571	5,062,783
2018	3,825,211	962,136	4,787,347
2019	4,060,212	808,683	4,868,895
2020	3,784,000	654,802	4,438,802
2021-2025	11,047,000	1,970,994	13,017,994
2026-2030	5,347,000	583,376	5,930,376
2031-2032	1,610,000	48,300	1,658,300
	<u>\$ 38,163,847</u>	<u>\$ 7,426,913</u>	<u>\$ 45,590,760</u>

**Business-type**

Year	Principal	Interest	Total
2016	\$ 2,254,588	\$ 577,369	\$ 2,831,957
2017	1,949,312	506,681	2,455,993
2018	1,904,470	451,078	2,355,548
2019	1,940,599	397,053	2,337,652
2020	1,963,609	343,684	2,307,293
2021-2025	9,189,949	1,025,688	10,215,637
2026-2030	3,867,889	150,785	4,018,674
2031-2032	210,751	6,360	217,111
	<u>\$ 23,281,167</u>	<u>\$ 3,458,698</u>	<u>\$ 26,739,865</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

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

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due within One Year
<b>Governmental activities:</b>					
<b>Bond Payable:</b>					
General obligation bonds	\$ 39,789,000	\$ 2,975,000	\$ 4,621,000	\$ 38,143,000	\$ 4,535,000
Massachusetts Clean Water Trust bonds	26,059	-	5,212	20,847	5,212
<b>Lease payable</b>	102,542	-	102,542	-	-
<b>Compensated absences</b>	3,249,028	441,383	67,981	3,622,430	1,272,218
<b>OPEB obligation payable</b>	30,995,133	6,219,781	-	37,214,914	-
<b>Net pension liability</b>	43,766,963	-	5,217,423	38,549,540	-
Governmental activity					
Long-term liabilities	<u>\$ 117,928,725</u>	<u>\$ 9,636,164</u>	<u>\$ 10,014,158</u>	<u>\$ 117,550,731</u>	<u>\$ 5,812,430</u>
<b>Business-type activities:</b>					
<b>Bond Payable:</b>					
General obligation bonds	\$ 6,202,000	\$ -	\$ 1,559,000	\$ 4,643,000	\$ 880,000
Massachusetts Clean Water Trust bonds	20,034,364	-	1,396,197	18,638,167	1,374,588
<b>Landfill closure</b>	2,090,792	-	140,792	1,950,000	-
<b>Compensated absences</b>	186,634	12,681	54,681	144,634	67,939
<b>OPEB obligation payable</b>	1,151,309	234,535	-	1,385,844	-
<b>Net pension liability</b>	2,561,058	-	304,479	2,256,579	-
Business-type activity					
Long-term liabilities	<u>\$ 32,226,157</u>	<u>\$ 247,216</u>	<u>\$ 3,455,149</u>	<u>\$ 29,018,224</u>	<u>\$ 2,322,527</u>

**Massachusetts Clean Water Trust (MCWT)**

The City is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of \$28,482,718 and interest costs of \$6,619,178 for eight loans which the City has borrowed from MCWT. The gross amount outstanding at June 30, 2015 for principal and interest combined for the loans is \$21,198,361. The net repayments, including interest, are scheduled to be \$20,902,787. 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 2015 principal and interest subsidies totaled \$40,793.

**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, 2015, totaled \$34,307,930.

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."

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

The following is a computation of the legal debt limit as of June 30, 2015:

Equalized Valuation-Real Estate and Personal Property (2014)		\$ 3,351,978,800
Debt Limit: 5 % of Equalized value		<u>167,598,940</u>
Total Debt Outstanding		
Governmental Activity Debt	\$ 38,163,847	
Less: Debt Outside Debt Limit	<u>(5,933,000)</u>	32,230,847
Business-Type Activity Debt	22,904,167	
Less: Debt Outside Debt Limit	<u>(20,827,084)</u>	<u>2,077,083</u>
		<u>34,307,930</u>
Inside Debt Excess Borrowing Capacity at June 30, 2015		<u><u>\$ 133,291,010</u></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, 2015, which are not reflected in the City's financial statements are as follows:

Date City Council Authorized	Purpose	Amount
9/1/2011	Flood control pumping station engine replacements	\$ 50,000
6/27/2013	River Road retaining wall slope stabilization	1,231,625
2/20/2015	Finn Ryan School roof replacement	901,554
2/20/2015	Leeds Elementary School roof replacement	491,486
5/22/2015	Pulaski Park Renovation Project - Phase I	<u>1,330,000</u>
		<u><u>\$ 4,004,665</u></u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

**G. Fund Balances**

The following is a summary of the City Governmental Fund balances at the year ended June 30, 2015:

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Nonspendable:</b>			
Permanent funds	\$ -	\$ 716,106	\$ 716,106
<b>Restricted:</b>			
Federal, state and local grants	-	3,578,519	3,578,519
School revolving funds	-	5,501,639	5,501,639
City revolving funds	-	692,453	692,453
Donations and gifts	-	1,027,375	1,027,375
Community preservation fund	-	2,732,317	2,732,317
Reserve for debt	272,422	-	272,422
Capital projects	-	2,787,630	2,787,630
Permanent funds	-	371,948	371,948
Other	-	1,878,422	1,878,422
	<u>272,422</u>	<u>18,570,303</u>	<u>18,842,725</u>
<b>Committed:</b>			
Parking fund	-	809,999	809,999
Workers Compensation	-	161,671	161,671
	<u>-</u>	<u>971,670</u>	<u>971,670</u>
<b>Assigned:</b>			
General government	140,524	-	140,524
Public safety	54,190	-	54,190
Public works	104,558	-	104,558
Education	460,631	-	460,631
Health and human services	177	-	177
Culture and recreation	13,716	-	13,716
Employee benefits and insurance	284,735	-	284,735
Capital improvements	3,636,294	-	3,636,294
Energy projects	-	162,907	162,907
	<u>4,694,825</u>	<u>162,907</u>	<u>4,857,732</u>
<b>Unassigned:</b>			
General Fund	<u>10,140,194</u>	-	<u>10,140,194</u>
<b>Total Governmental fund balances</b>	<u>\$ 15,107,441</u>	<u>\$ 20,420,986</u>	<u>\$ 35,528,427</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

**H. 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 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, 2015 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 1,636,571
Capital stabilization fund	1,619,260
Fiscal stability stabilization fund	1,995,370
	<hr/>
	\$ 5,251,201
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**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, 2015. 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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

**C. Landfill Closure and Post-closure Cost**

State and federal laws and regulations require that the City of Northampton place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. The landfill ceased operations and no longer accepts solid waste in fiscal year 2013. Post-closure care is to be substantially performed by City employees in the normal course of their duties

The City has reflected a balance of \$1,950,000 as the estimate of the landfill maintenance and monitoring costs as of June 30, 2015 as a liability 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. Pension Plan**

**Plan Description**

The City is a member of the Northampton Contributory Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Northampton Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at Memorial Hall, 240 Main Street, Northampton, Massachusetts.

The City is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the City does not contribute. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for the contributions and future benefit requirements of the MTRS.

**Special Funding Situation**

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in the MTRS. Since the City does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2015. The City's portion of the collective pension expense contributed by the Commonwealth of \$3,527,495 on-behalf payments for the fiscal year ending June 30, 2015 is reported as intergovernmental revenues and employee benefits and insurance expenditures in the General Fund as of the measurement date.

**Benefits Provided**

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost of living adjustments granted between 1981 and 1997 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 Board and are borne by the System.

**Contributions**

MGL Chapter 32 governs the contributions of plan members and the City. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in 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 City's proportionate share of the required contribution to the System for the year ended December 31, 2014 was \$4,766,326, representing 21.7% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

**Pension Liability**

As of June 30, 2015, a reported liability of \$40,806,119 is the City's proportionate share of the net pension liability as measured as of December 31, 2014. The net pension liability was determined using the total pension liability and the actuarial assumptions as of the January 1, 2014 and updated to the measurement date of December 31, 2014. This net pension liability is based on the City's proportional percentage of 95.01% at December 31, 2014. As such, the total pension liability was also updated and adjusted forward to the measurement date.

**Pension Expense**

For the year ended June 30, 2015, the City recognized a pension cost of \$3,200,017 and reported deferred inflows of resources related to pensions of \$3,937,662, from the net difference between projected and actual investment earnings on pension plan investments. Since the System performs an actuarial valuation bi-annually, there are no reported differences between the expected and actual experience or a change of assumptions as of December 31, 2014. Additionally, the changes in proportion and differences between employer contributions and the proportionate share of contributions are not presented in the initial year of reporting in accordance with GASB Statement No. 67 and Statement No. 68.

The City's deferred inflows of resources related to pensions will be recognized in the pension expense as follows;

<b>For years ended June 30,</b>		
<b>2016</b>	<b>\$</b>	<b>984,415</b>
<b>2017</b>		<b>984,415</b>
<b>2018</b>		<b>984,415</b>
<b>2019</b>		<b>984,417</b>
	<b>\$</b>	<b>3,937,662</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2014;

Valuation date	January 1, 2014
Actuarial cost method	Individual Entry Age Normal
Amortization method	Closed - approximate level percent of payroll.
Remaining amortization period	21 years for the fresh start base
Asset valuation method	Market value adjusted by accounts payable and receivables adjusted to phase in over 5 years investment gains and losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value.
Investment rate of return	7.75% per year
Projected salary increase	4.0% base rate per annum on average plus 3% steps for 8 years (base is reduced by .50% while receiving steps), Base rate is reduced by 2% in 2014 and 2015.
Cost of living adjustments	3.0% of first \$13,000.
Mortality rates	RP-2000 Generational Mortality table with Scale BB. For members retired under an Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality RP-2000 Generational Mortality table with Scale BB ages set forward 2 years.

**Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2014, are summarized in the following table:

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>
Core Bonds	13.0%	0.97%
Value-Added Bonds	10.0%	3.80%
Large Capital Equities	14.5%	4.61%
Mid/Small Capital Equities	3.5%	4.85%
International Equities	16.0%	5.10%
Emerging Market Equities	6.0%	6.31%
Private Equity	10.0%	6.55%
Real Estate	10.0%	3.40%
Timber/Natural Resources	4.0%	3.64%
Hedge Funds	9.0%	3.64%
Cash/Portfolio Completion	4.0%	0.00%
<b>Total</b>	<b>100.0%</b>	

**Rate of Return**

For the year ended December 31, 2014, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 12.89%.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarial determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute and in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments or current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

As well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
City's net pension liability	\$ 57,759,172	\$ 40,806,119	\$ 27,024,781

**E. 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**

In addition to providing pension benefits as described on the following footnote, the City provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. As of the actuarial valuation date there are approximately 1,514 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

**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 2015 fiscal year, total City premiums plus implicit costs for the retiree medical program are \$3,838,332 consisting of \$3,713,264 for governmental activities and \$125,068 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:

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Annual required contribution	\$ 10,572,084	\$ 383,307	\$ 10,955,391
Interest on net OPEB obligation	1,239,890	45,968	1,285,858
Adjustment to annual required contribution	(1,723,628)	(63,902)	(1,787,530)
Amortization of Actuarial (Gains)/Losses	(155,301)	(5,770)	(161,071)
Annual OPEB cost (expense)	9,933,045	359,603	10,292,648
Contributions made during the fiscal year	(3,713,264)	(125,068)	(3,838,332)
Increase in net OPEB obligation	6,219,781	234,535	6,454,316
Net OPEB Obligation - beginning of year	30,995,133	1,151,309	32,146,442
Net OPEB Obligation - end of year	<u>\$ 37,214,914</u>	<u>\$ 1,385,844</u>	<u>\$ 38,600,758</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 2015 fiscal year and the two preceding years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2015	\$ 10,292,648	37.3%	\$ 38,600,758
6/30/2014	\$ 9,614,460	35.2%	\$ 32,146,442
6/30/2013	\$ 11,902,136	35.0%	\$ 25,918,302

**Funded Status and Funding Process**

As of July 1, 2013, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$108,948,518, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$108,948,518. The covered payroll (annual payroll of active employees covered by the plan) was not available, and the ratio of the UAAL to the covered payroll was not available.

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, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

**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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2015**

The City OPEB actuarial valuation as of July 1, 2013, used the projected unit credit actuarial cost method. The OPEB liability is currently unfunded. Actuarial assumptions include a 4.0% investment rate of return, a 3.00% payroll growth rate per annum and medical/drug cost trend rate of an ultimate level of 5% per year.

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, 2015 is 23 years.

**Trust Fund**

The City did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2015, the trust balance is \$102,531.

**F. Implementation Of New GASB Pronouncements**

The GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for implementation in fiscal year 2015. The City's basic financial statements recognize a net pension asset/(liability) and pension revenue/(expense) for the City's portion of the Northampton Contributory Retirement System actuarial accrued liability.

**G. Future GASB Pronouncements**

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

The GASB issued Statement No. 72, *Fair Value Measurement and Application*, for implementation in 2016.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for implementation in 2016.

**5. RESTATEMENT**

As required by GASB Statement No. 67 and Statement No. 68, the net position as of June 30, 2015 has been restated. The beginning governmental net position decreased \$43,766,963 to \$10,993,074 and the beginning business-type net position decreased \$2,561,058 to \$33,220,298 to reflect the pension liability.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF NORTHAMPTON, MASSACHUSETTS  
Required Supplementary Information  
Pension Plan Schedules  
Northampton Contributory Retirement System  
For the Year Ended June 30, 2015**

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the City's proportion of the net pension liability and related ratios.

**Schedule of the City's Proportionate Share of the Net pension Liability:**

	<b>12/31/2014</b>
City's share of the net pension liability (asset)	95.01%
City's proportionate share net pension liability (asset)	\$ 40,806,119
City's share of covered employee payroll **	\$ 23,013,954
Net pension liability percentage of covered-employee payroll	177.3%
Plan fiduciary net position as a percentage of the total pension liability	72.3%

Note: these schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years of which the information is available.

\*\* Indicates covered employee payroll as reported in the retirement system January 1, 2014 funding valuation report.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Required Supplementary Information**  
**Pension Plan Schedules**  
**Northampton Contributory Retirement System**  
**For the Year Ended June 30, 2015**

The Schedule of the Employer Contributions presents multiyear trend information on the City's required and actual payments to the pension plan and related ratios.

**Schedule of the City's Contributions:**

	<b>12/31/2014</b>
Actuarially determined contribution @	\$ 4,766,326
Less: Contributions in relation to the actuarially determined contribution	(4,766,326)
Contribution deficiency (excess)	\$ -
 City's share of covered employee payroll **	 \$ 23,013,954
Contributions percentage of covered-employee payroll	20.7%

Note: these schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years of which the information is available.

@ Based on the results of the January 1, 2014 actuarial valuation (including assumptions and methods) which determined the budgeted appropriations for fiscal year 2015.

\*\* Indicates covered employee payroll as reported in the retirement system January 1, 2014 funding valuation report.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Required Supplementary Information**  
**Schedule of Funding Progress and Employer Contributions**  
**Other Post Employment Benefit Plan Schedule**  
**Year Ended June 30, 2015**

**Schedule of Funding Progress**

<b>Other Post Employment Benefits</b> <b>(Dollar Amounts in Thousands)</b>							
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Accrued Liability (AAL) Entry Aid (B)</b>	<b>Unfunded AAL (UAAL) (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a Percentage of Covered Payroll ((B-A)/C)</b>	
7/1/2013	\$ -	\$ 108,949	\$ 108,949	0%	N/A	N/A	
7/1/2012	\$ -	\$ 126,172	\$ 126,172	0%	\$ 37,703	334.6%	
7/1/2011	\$ -	\$ 118,782	\$ 118,782	0%	\$ 36,428	326.1%	

**Schedule of Contribution Funding**

<b>Other Post Employment Benefits</b>			
<b>Fiscal Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Actual Contributions Made</b>	<b>Percentage Contributed</b>
2015	\$ 10,292,648	\$ 3,838,332	37.3%
2014	\$ 9,614,460	\$ 3,386,320	35.2%
2013	\$ 11,902,136	\$ 4,161,401	35.0%

The information presented in the above Required Supplementary Schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the Notes to Basic Financial Statements.

**Actuarial Methods:**

Valuation date	July 1, 2013
Actuarial cost method	Projected Unit Credit Actuarial Cost Method
Amortization method	30-year amortization payments
Remaining amortization period	24 years remaining as of July 1, 2014

**Actuarial Assumptions:**

Investment rate of return	4.0%
Discount rate	4.0%
Medical/drug cost trend rate	decreasing to an ultimate trend 5.0% rate per year

**Plan Membership:**

Current active members	973
Current retirees, beneficiaries and dependents	541
Total	<u>1,514</u>

## **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, 2015**

	Fund Balances July 1, 2014	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2015
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
School Grants	\$ 197,665	\$ 2,787,173	\$ 2,783,028	\$ -	\$ 201,810
Arts Lottery Council Grants	6,886	47,259	39,739	-	14,406
Community Development Grants	153,289	532,813	526,394	40,327	200,035
Council on Aging Grants	7,101	81,704	77,299	(875)	10,631
Disaster Relief and Hazard Grants	28,993	-	-	-	28,993
Energy Grants	6,263	119,896	103,234	-	22,925
Health Grants	13,811	179,135	172,651	-	20,295
Highway Grants	71,756	1,875,126	1,946,882	-	-
Library Grants	651	62,107	62,758	-	-
Other Programs and Grants	21,370	207,368	210,057	-	18,681
Planning Grants	928	212,036	209,316	-	3,648
Public Safety Grants	62,716	210,773	263,417	-	10,072
Rail Trail Grants	35,573	12,173	26,395	-	21,351
Recycling Grants	21,271	5,900	1,500	-	25,671
Three County Fair Drainage Project	-	3,000,000	-	-	3,000,000
<b>Schools:</b>					
School Lunch Revolving	71,419	857,911	860,988	-	68,342
School Lunch Commodities	-	48,787	48,787	-	-
McKinney Vento Reimbursement	845	-	16,831	15,986	-
Privately Funded Grants	16,258	25,486	30,437	-	11,307
Revolving Accounts	1,652,410	1,417,290	861,404	-	2,208,296
School Choice	2,169,297	1,827,864	1,295,545	-	2,701,616
State Special Education Reimbursement Fund	546,320	520,324	554,565	-	512,079
<b>Other:</b>					
Baystate Gas Roundhouse Lot Fund	83,965	-	3,800	-	80,165
Board of Health Revolving	13,013	14,171	12,113	-	15,071
Community Preservation Fund	3,157,641	1,468,030	1,880,978	(12,376)	2,732,317
Committee on Disabilities Revolving Fund	10,607	7,675	3,726	-	14,556
<b>Total Special Revenue Page 71</b>	<b>\$ 8,350,048</b>	<b>\$ 15,521,001</b>	<b>\$ 11,991,844</b>	<b>\$ 43,062</b>	<b>\$ 11,922,267</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Fund Balances July 1, 2014	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2015
<b>Continued from Page 71</b>	\$ 8,350,048	\$ 15,521,001	\$ 11,991,844	\$ 43,062	\$ 11,922,267
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Connecticut River Channel Markers	9,031	15,671	15,838	-	8,864
Conservation Funds	18,002	5,525	1,452	(5,000)	17,075
Council on Aging Revolving Funds	107,340	128,200	105,553	875	130,862
Dog Refund and Revolving Fund	53,825	-	-	(35,000)	18,825
Energy Rebates	262,907	-	-	(100,000)	162,907
Energy Sustainability Revolving Fund	65,239	76,228	11,234	-	130,233
Fire Department Revolving Funds	44,556	97,325	102,219	-	39,662
Fire Outside Detail	5,019	13,677	13,877	-	4,819
Gifts & Donations	762,639	390,423	125,687	-	1,027,375
Internet Access and Technology	173,414	148,990	-	(160,000)	162,404
James House Rental	38,856	53,720	48,861	-	43,715
Liquor Licenses Deposits	10,000	10,000	-	-	20,000
MIIA Loss Control Grant	-	5,000	5,000	-	-
Municipal Waterways Fund	1,473	2,509	-	(1,500)	2,482
Other Programs	2,553	16,992	17,269	-	2,276
Parking Meter Reserves and Passes	904,991	206,926	-	(301,918)	809,999
Police Court Time	7,268	-	-	-	7,268
Police Outside Detail	72,471	521,872	565,732	-	28,611
Premium on Loans	-	63,595	46,249	(17,346)	-
Public Works Grants Projects Revolving	85,190	1,003	1,308	-	84,885
Public Works Reuse Committee	250	1,315	362	-	1,203
Recreation Revolving Funds	225,787	421,654	413,971	-	233,470
Sale of Cemetery Lots	31,050	5,250	-	(5,000)	31,300
<b>Total Special Revenue Page 72</b>	<b>\$ 11,231,909</b>	<b>\$ 17,706,876</b>	<b>\$ 13,466,456</b>	<b>\$ (581,827)</b>	<b>\$ 14,890,502</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Fund Balances July 1, 2014	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2015
<b>Continued from Page 72</b>	\$ 11,231,909	\$ 17,706,876	\$ 13,466,456	\$ (581,827)	\$ 14,890,502
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Sale of Land	210,867	16,075	-	(66,075)	160,867
Septic Repair Loan Repayments	41,794	1,189	6,401	-	36,582
Survival Center Capital Fund	18,450	3,600	-	-	22,050
Tourism Directional Signs	311	-	-	-	311
Stormwater Fund	-	1,686,363	754,138	(241,771)	690,454
Affordable Housing Fund	1,002	1	-	-	1,003
Conservation Land Purchase Fund	570,807	92,174	218,362	-	444,619
Compensated Absences Fund	81,400	80,271	-	-	161,671
Drug Forfeiture Fund	38,209	12,190	16,320	-	34,079
E. Lyman Fund	57	-	-	-	57
Library Fund	99,044	1,207	-	-	100,251
Park Street Improvements Fund	2,821	35	-	-	2,856
Smith Vocational High School Fund	13	-	13	-	-
<b>Total Special Revenue Funds</b>	<b>12,296,684</b>	<b>19,599,981</b>	<b>14,461,690</b>	<b>(889,673)</b>	<b>16,545,302</b>
<b>Capital Projects:</b>					
City Hall Exterior Upgrades	7,902	-	6,831	-	1,071
Connecticut River Levee	-	-	-	377,000	377,000
Department of Public Works Projects	326,266	-	934,207	2,598,000	1,990,059
Energy Conservation Projects	145,936	32,526	32,525	-	145,937
Forbes Library Renovations	11,078	-	340	-	10,738
Management of Information Systems 5 Year Plan	62,967	-	30,589	-	32,378
Northampton Public Schools Projects	30,922	-	4,240	-	26,682
Public Safety Projects	203,765	-	-	-	203,765
Smith Vocational and Agricultural High School Projects	140,759	-	140,759	-	-
<b>Total Capital Projects</b>	<b>\$ 929,595</b>	<b>\$ 32,526</b>	<b>\$ 1,149,491</b>	<b>\$ 2,975,000</b>	<b>\$ 2,787,630</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	Fund Balances July 1, 2014	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2015
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care Funds	\$ 696,006	\$ 20,100	\$ -	\$ -	\$ 716,106
<b>Permanent Funds:</b>					
Cemetery Funds	434,993	(45)	-	(63,000)	371,948
<b>Total Non-Major Governmental Funds</b>	<b>\$ 14,357,278</b>	<b>\$ 19,652,562</b>	<b>\$ 15,611,181</b>	<b>\$ 2,022,327</b>	<b>\$ 20,420,986</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND ROLLBACK TAXES  
AND DEFERRED PROPERTY TAXES  
JULY 1, 2014 TO JUNE 30, 2015**

	Uncollected Taxes July 1, 2014	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2015	Uncollected Taxes Per Detail June 30, 2015
<b>Real Estate Taxes:</b>						
Levy of 2015	\$ -	\$ 50,132,318	\$ 322,598	\$ 49,082,368	\$ 727,352	\$ 727,352
Levy of 2014	799,256	-	217,805	471,338	110,113	110,113
Levy of 2013	221,047	-	91,682	129,364	1	-
Levy of 2012	3,046	-	2,278	768	-	-
Levy of 2011	-	-	-	-	-	-
Prior Years	768	-	-	-	768	768
	<u>1,024,117</u>	<u>50,132,318</u>	<u>634,363</u>	<u>49,683,838</u>	<u>838,234</u>	<u>838,233</u>
<b>Personal Property Taxes:</b>						
Levy of 2015	-	1,381,016	7,567	1,337,453	35,996	35,996
Levy of 2014	33,045	-	302	10,768	21,975	21,975
Levy of 2013	18,281	-	702	689	16,890	16,890
Levy of 2012	43,451	-	308	(166)	43,309	43,309
Levy of 2011	20,937	-	308	(246)	20,875	20,875
Prior Years	437,705	-	2,158	(1,789)	437,336	442,386
	<u>553,419</u>	<u>1,381,016</u>	<u>11,345</u>	<u>1,346,709</u>	<u>576,381</u>	<u>581,431</u>
<b>Rollback Taxes</b>	<u>1,580</u>	<u>-</u>	<u>-</u>	<u>272</u>	<u>1,308</u>	<u>1,308</u>
<b>Total Real Estate, Personal Property and Rollback Taxes</b>	<u>\$ 1,579,116</u>	<u>\$ 51,513,334</u>	<u>\$ 645,708</u>	<u>\$ 51,030,819</u>	<u>\$ 1,415,923</u>	<u>\$ 1,420,972</u>
<b>Deferred Property Taxes</b>	<u>\$ 170,394</u>	<u>\$ 14,117</u>	<u>\$ -</u>	<u>\$ 35,322</u>	<u>\$ 149,189</u>	<u>\$ 149,663</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF COMMUNITY PRESERVATION SURCHARGE  
JULY 1, 2014 TO JUNE 30, 2015**

	<b>Uncollected Taxes July 1, 2014</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Taxes June 30, 2015</b>	<b>Uncollected Taxes Per Detail June 30, 2015</b>
<b>Community Preservation Surcharge</b>						
Levy of 2015	\$ -	\$ 1,087,701	\$ 24,678	\$ 1,049,879	\$ 13,144	\$ 13,144
Levy of 2014	15,782	-	4,027	9,960	1,795	1,795
Levy of 2013	4,048	-	1,446	2,602	-	-
Levy of 2012	28	-	28	-	-	-
<b>Total Community Preservation Surcharge</b>	<b>\$ 19,858</b>	<b>\$ 1,087,701</b>	<b>\$ 30,179</b>	<b>\$ 1,062,441</b>	<b>\$ 14,939</b>	<b>\$ 14,939</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES  
JULY 1, 2014 TO JUNE 30, 2015**

	Uncollected Taxes July 1, 2014	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2015	Uncollected Taxes Per Detail June 30, 2015
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2015	\$ -	\$ 2,404,129	\$ 65,849	\$ 2,177,239	\$ 161,041	\$ 161,041
Levy of 2014	178,926	243,305	72,916	314,006	35,309	35,309
Levy of 2013	34,843	418	3,109	12,694	19,458	19,458
Levy of 2012	23,819	-	315	4,471	19,033	19,033
Levy of 2011	26,267	-	167	1,517	24,583	24,583
Prior Years	571,016	-	444	6,978	563,594	563,545
	<u>834,871</u>	<u>2,647,852</u>	<u>142,800</u>	<u>2,516,905</u>	<u>823,018</u>	<u>822,969</u>
<b>Boat Excise Taxes:</b>						
Levy of 2015	-	10,427	551	7,835	2,041	2,041
Levy of 2014	1,345	-	-	113	1,232	1,232
Levy of 2013	1,050	-	-	50	1,000	1,000
Levy of 2012	760	-	-	-	760	760
Levy of 2011	1,047	-	-	-	1,047	1,047
Prior Years	37,067	-	-	-	37,067	37,067
	<u>41,269</u>	<u>10,427</u>	<u>551</u>	<u>7,998</u>	<u>43,147</u>	<u>43,147</u>
<b>Total Motor Vehicle Excise and Boat Excise Taxes</b>	<u>\$ 876,140</u>	<u>\$ 2,658,279</u>	<u>\$ 143,351</u>	<u>\$ 2,524,903</u>	<u>\$ 866,165</u>	<u>\$ 866,116</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
 SCHEDULE OF TAX LIENS, COMMUNITY PRESERVATION TAX LIENS AND TAXES IN LITIGATION  
 JULY 1, 2014 TO JUNE 30, 2015**

	<b>Uncollected Accounts July 1, 2014</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Accounts June 30, 2015</b>	<b>Uncollected Accounts Per Detail June 30, 2015</b>
<b>Tax Liens</b>	\$ 419,648	\$ 316,579	\$ 100,218	\$ 362,979	\$ 273,030	\$ 273,066
<b>Community Preservation Tax Liens</b>	\$ 3,828	\$ 5,456	\$ -	\$ 5,675	\$ 3,609	\$ 3,483
<b>Taxes in Litigation</b>	\$ 6,794	\$ -	\$ -	\$ -	\$ 6,794	\$ 6,794