

CITY OF NORTHAMPTON, MASSACHUSETTS

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

For the Year Ended June 30, 2018

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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, 2018, (except for the Northampton Contributory Retirement System, which is as of and for the year ended December 31, 2017), and the related notes to the financial statements, which collectively comprise the City of Northampton, Massachusetts' 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, 2018, (except for the Northampton Contributory Retirement System, which is as of December 31, 2017), 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 January 25, 2019, 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

January 25, 2019

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, 2018. 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 liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$42,818,150 (net position) for the fiscal year reported. This compares to the previous year when liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$50,623,626, an increase of \$7,805,476 (15%).
- As required by Government Accounting Standards Board (GASB) Statement No. 75, in fiscal year 2018, the City recognized an increase to the Other Post employment Benefits (OPEB) obligation payable of \$114,879,145 on the statement of net position from the previous year; see Note 5.
- The City's governmental funds reported total ending fund balance of \$48,042,377, an increase of \$3,362,190 (8%) from the previous year.
- The General Fund's total fund balance increased by \$2,061,590 (10%) to \$22,914,304. The ending General fund balance is 23% of revenues and transfers in and 23% of expenditures and transfers out.
- The City's long-term liabilities decreased by \$23,236,322 (8%) to \$268,925,871 during the fiscal year. This was primarily attributed to net decreases in the Other Post Employment Benefits (OPEB) obligation payable of \$6,610,884, in the net pension liability of \$13,390,152 and in bonds payable of \$3,409,682.
- The City had free cash certified by the Department of Revenue in the amount of \$4,250,342. The key factors that attributed to the free cash amount for fiscal year 2018 were unexpended/unencumbered appropriations of \$2,318,300 and amount over/(under) budget – state and local receipts of \$2,266,400.
- The City's enterprise fund certified free cash is as follows:
 - Sewer fund \$ 1,237,966.
 - Solid Waste fund \$ 661,423.
 - Stormwater fund \$ 209,892.
 - Water fund \$ 1,081,190.

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, deferred outflows of resources, 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		
	2018	2017	Change
Assets:			
Current assets	\$ 60,737,652	\$ 57,362,106	\$ 3,375,546
Noncurrent assets (excluding capital)	1,090,231	2,144,082	(1,053,851)
Capital assets	102,261,362	96,512,097	5,749,265
Total assets	164,089,245	156,018,285	8,070,960
Deferred Outflows of Resources	1,862,359	12,241,590	(10,379,231)
Liabilities:			
Current liabilities (excluding debt)	8,502,864	7,869,862	633,002
Current debt payable	5,459,062	4,806,812	652,250
Noncurrent liabilities (excluding debt)	199,259,172	218,210,458	(18,951,286)
Noncurrent debt payable	28,452,100	30,501,161	(2,049,061)
Total liabilities	241,673,198	261,388,293	(19,715,095)
Deferred Inflows of Resources	15,653,787	1,785,290	13,868,497
Net Position:			
Net investment in capital assets	70,499,494	64,375,909	6,123,585
Restricted	24,676,590	26,241,410	(1,564,820)
Unrestricted	(186,551,465)	(185,531,027)	(1,020,438)
Total net position	\$ (91,375,381)	\$ (94,913,708)	\$ 3,538,327
Business-Type Activities			
	2018	2017	Change
Assets:			
Current assets	\$ 29,954,171	\$ 30,764,680	\$ (810,509)
Capital assets	46,322,692	43,693,415	2,629,277
Total assets	76,276,863	74,458,095	1,818,768
Deferred Outflows of Resources	92,990	709,334	(616,344)
Liabilities:			
Current liabilities (excluding debt)	446,277	624,674	(178,397)
Current debt payable	2,119,815	2,085,936	33,879
Noncurrent liabilities (excluding debt)	8,623,483	9,953,442	(1,329,959)
Noncurrent debt payable	16,063,098	18,109,848	(2,046,750)
Total liabilities	27,252,673	30,773,900	(3,521,227)
Deferred Inflows of Resources	559,949	103,447	456,502
Net Position:			
Net investment in capital assets	28,139,779	23,497,631	4,642,148
Restricted	192,775	1,264,252	(1,071,477)
Unrestricted	20,224,677	19,528,199	696,478
Total net position	\$ 48,557,231	\$ 44,290,082	\$ 4,267,149

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2018	2017	Change
Program Revenues:			
Charges for services	\$ 19,240,241	\$ 18,748,477	\$ 491,764
Operating grants and contributions	26,878,911	26,179,631	699,280
Capital grants and contributions	6,273,030	3,845,876	2,427,154
General Revenues:			
Property taxes	58,677,472	56,247,643	2,429,829
Motor vehicle and other taxes	3,127,926	2,918,134	209,792
Hotel room occupancy and meals taxes	1,446,032	1,366,205	79,827
Penalties and interest on taxes	260,792	203,295	57,497
Nonrestricted grants and contributions	4,903,764	4,559,056	344,708
Unrestricted investment income	185,673	149,347	36,326
Gain/(Loss) on Sale of Capital Assets	-	290,976	(290,976)
Miscellaneous	12,694	43,980	(31,286)
Total revenues	121,006,535	114,552,620	6,453,915
Expenses:			
General government	7,525,924	7,275,200	250,724
Public safety	15,078,119	14,944,540	133,579
Public works	6,207,005	4,975,110	1,231,895
Education	46,657,539	44,746,959	1,910,580
Health and human services	3,441,868	3,499,334	(57,466)
Culture and recreation	4,127,600	3,756,926	370,674
Employee benefits and insurance	31,635,703	33,747,006	(2,111,303)
State assessments	3,475,297	3,385,130	90,167
Interest	1,137,988	1,175,992	(38,004)
Total expenses	119,287,043	117,506,197	1,780,846
Contributions to Permanent Funds	-	26,600	(26,600)
Transfers, net	1,818,835	1,781,005	37,830
Change in net position	3,538,327	(1,145,972)	4,684,299
Net position - beginning of year	(94,913,708)	(93,767,736)	(1,145,972)
Net position - end of year	\$ (91,375,381)	\$ (94,913,708)	\$ 3,538,327

	Business-Type Activities		
	2018	2017	Change
Program Revenues:			
Sewer	\$ 6,456,413	\$ 6,555,500	\$ (99,087)
Water	6,927,388	7,421,154	(493,766)
Solid Waste	547,337	550,033	(2,696)
Total Revenues	13,931,138	14,526,687	(595,549)
Expenses:			
Sewer	3,171,935	2,953,197	218,738
Water	4,158,511	4,770,175	(611,664)
Solid Waste	514,708	589,718	(75,010)
Total expenses	7,845,154	8,313,090	(467,936)
Transfers, net	(1,818,835)	(1,781,005)	(37,830)
Change in net position	4,267,149	4,432,592	(165,443)
Net position - beginning of year	44,290,082	39,857,490	4,432,592
Net position - end of year	\$ 48,557,231	\$ 44,290,082	\$ 4,267,149

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$42,818,150 at the close of fiscal year 2018.

Net position of \$98,639,273 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, \$24,869,365 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$166,326,788).

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 \$3,538,327 (4%) during the current fiscal year. The key elements of the increase in net position for fiscal year 2018 is attributed to increases resulting from the acquisition of \$12,616,605 in new capital assets exceeding the depreciation expense (cost spread out over the useful life of the asset) for the year of \$6,867,340, the change in governmental fund balances of \$3,362,190 and from the net change in the OPEB obligation of \$6,458,947; and the decrease as a result of the change in the deferred outflow/(inflow) of resources related to OPEB of \$11,690,911.

There was an increase of \$4,267,149 (10%) in net position reported in connection with the sewer, water and solid waste business-type activities. Of this, there were increases of \$2,283,421 attributed to the sewer department and of \$2,067,113 attributed to the water department and a decrease of \$83,385 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 \$48,042,377, an increase of \$3,362,190 (8%) in comparison with the prior year.

Breakdown of the governmental fund balances are as follows:

- Nonspendable fund balance – \$758,706 (2%).
- Restricted fund balance – \$21,746,283 (45%).
- Committed fund balance – \$3,161,750 (7%).
- Assigned fund balance – \$6,802,743 (14%).
- Unassigned fund balance – \$15,572,895 (32%).

At the end of the fiscal year, the General Fund reported a fund balance of \$22,914,304 increasing \$2,061,590 (10%) from the prior year. Of the \$22,914,304, the unassigned amount is \$15,925,665 (69%), the assigned amount of \$6,802,743 (30%) and restricted amount of \$185,896 (1%). General fund revenues increased \$3,544,549 (4%) over the prior fiscal year and the expenditures also increased \$3,202,086 (3%). Other activities in the General fund were net transfers in from other funds of \$1,781,946.

The main components of the increase from the prior year in general fund revenues were related to increases in property taxes in the amount of \$2,238,115 (4%), in intergovernmental receipts of \$339,212 (2%), in excise and other taxes of \$159,199 (5%); in licenses, permits, and fees of \$564,048 (6%) and in intergovernmental - "on-behalf" payments of \$145,963 (2%).

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

- Decrease in Public safety expenditures of \$457,149 (4%).
- Decrease in Public works expenditures of \$161,938 (6%).
- Increase in Education expenditures of \$1,634,059 (5%).
- Increase in Employee benefits and insurance expenditures of \$552,393 (2%).
- Increase in Capital improvements expenditures of \$1,198,961 (64%).
- Increase in Debt service (principal and Interest) expenditures of \$200,839 (4%).

The *Stormwater Fund* is used to account for the construction of road drainage improvements. The fund has a balance of \$2,019,513 and shows a decrease of \$98,410 (5%) in total operations. This amount was attributed to charges for services of \$1,951,717, investment income and other receipts of \$49,629, and expenditures of \$1,822,763. Other activity in the Stormwater fund was transfers out to the General fund of \$276,993.

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 fund has accumulated a balance of \$18,673,879 and shows an increase of \$2,283,421 (14%) in total operations. This change was mainly attributed to operating revenues exceeding current operating costs by \$3,229,264, interest income of \$123,250, interest expense of \$68,036 and net transfers out to the governmental funds of \$1,001,057. Operating revenues decreased by \$150,564 (2%) while operating expenses increased by \$238,454 (8%) from the prior year.

The *Water Fund* is the financing and operations of the City's water system. The fund has accumulated a balance of \$27,930,306 and shows an increase of \$2,067,113 (8%) in total operations. This change resulted from operating revenues exceeding current operating costs by \$3,077,125, interest income of \$78,258, intergovernmental receipts of \$34,299, interest expense of \$420,805 and net transfers out to the governmental funds of \$701,764. Operating revenues decreased by \$270,194 (4%) and operating expenses also decreased by \$566,014 (13%) from the prior year.

The *Solid Waste Fund* is the financing and operations of the City's transfer stations and landfill closure. The fund has accumulated a balance of \$1,953,046 and shows a decrease of \$83,385 (4%) in total operations. This change resulted from operating revenues exceeding current operating costs by \$5,048, interest income of \$27,581 and net transfers out to governmental funds of \$116,014. Operating revenues decreased by \$6,384 (1%) and operating expenses also decreased by \$74,985 (13%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2018 was \$99,937,219. This was an increase of \$3,487,797 (4%) over the previous year's final budget.

There was an increase of \$2,947,970 between the original budget and the final amended budget. The changes are 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 \$2,890,073.

General fund expenditures were less than budgeted by \$9,121,049. Of the \$9,121,049 in under budget expenditures, \$6,802,743 has been carried over to fiscal year 2019.

There was a negative variance in property taxes of \$79,266 as revenues did not meet budget expectations.

Overall, the variance with the final budget was a positive \$4,505,443 consisting of a revenue surplus of \$2,187,137 and an appropriation surplus of \$2,318,306.

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, 2018 amounts to \$102,261,362 and \$46,322,692, 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 \$296,000.
- Parking vehicle and equipment purchases for \$91,427.
- Parking garage meter system for \$12,915.
- Parking garage improvements for \$482,992.
- Police vehicles and equipment for \$310,285.
- Police building firing range and other improvements for \$528,368.

- Police animal facility construction for \$8,250.
- Fire Department vehicles and equipment for \$575,159.
- Fire Stations' improvements for \$138,520.
- Building inspector vehicle purchase for \$25,936.
- Highway and Stormwater vehicles and equipment for \$1,155,879.
- Highway fuel depot for \$167,082.
- Road and drainage infrastructure improvements for \$4,657,621.
- Northampton Public Schools' vehicles and equipment for \$17,258.
- Northampton Public Schools' improvements for \$2,644,351.
- Smith Vocational vehicles and equipment for \$79,652.
- Smith Vocational improvements for \$111,176.
- Vernon Street School access ramp improvements for \$30,115.
- Library equipment purchases for \$15,121.
- Northampton Community boathouse improvements for \$14,515.
- Forbes Library improvements for \$264,581.
- City bike stations construction for \$867,330.
- Park improvements for \$122,072.

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

For the Sewer Department:

- Vehicles and equipment for \$362,608.
- Sewer infrastructure improvements for \$1,578,037.

For the Water Department:

- Watershed land purchase for \$126,199.
- Vehicle and equipment for \$361,928.
- Water infrastructure improvements for \$1,200,461.

Debt Administration. The City's outstanding governmental debt, as of June 30, 2018, totaled \$33,911,162 as follows:

- \$3,512,050 for school projects.
- \$3,163,400 for City building projects
- \$13,190,000 for the police facility.
- \$490,000 for land acquisitions.
- \$625,400 for storm and surface drains.
- \$4,133,600 for road, sidewalk and bridge projects.
- \$2,175,000 for park improvements.
- \$2,644,500 for departmental vehicles and equipment.
- \$40,000 for technology.
- \$3,932,000 for energy projects.
- \$5,212 for the Septic V community septic program.

The City's outstanding business-type debt totaled, as of June 30, 2018, totaled \$18,109,847 as follows:

The business-type funds debt as of June 30, 2018 totaled \$18,109,847 consisting of sewer debt of \$2,480,836 and water debt of \$15,629,011. The debt is fully supported by the rates and do not rely on a general fund subsidy.

The enterprise funds also have \$73,066 in temporary debt outstanding for a Massachusetts Clean Water Trust project in the sewer fund.

Please refer to notes 3D, 3F and 3G 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, 2018 do not reflect the fiscal year 2019 City Council actions. The City Council meeting on June 25, 2018 authorized a fiscal year 2019 operating and capital budget as follows:

From raise and appropriate		\$	86,204,557
From Business-Type Funds:			
Sewer fund receipts	\$	5,357,115	
Sewer retained earnings		<u>968,824</u>	6,325,939
Water fund receipts		6,466,625	
Water retained earnings		<u>573,975</u>	7,040,600
Solid waste fund receipts		361,063	
Solid waste retained earnings		<u>278,333</u>	639,396
From Other Available Funds:			
General Fund:			
Reserve for Debt			25,679
Fiscal stability stabilization fund			277,850
Stormwater Fund:			
Fund receipts		1,703,366	
Retained earnings		<u>248,620</u>	1,951,986
Non-major Governmental Funds:			
Cemetery perpetual care funds		10,000	
Community Preservation Funds		13,609	
Conservation wetlands fees		5,000	
Municipal waterways fund		1,500	
Parking Meter Receipts		1,821,267	
Sale of cemetery lots		<u>5,000</u>	1,856,376
			<u><u>\$ 104,322,383</u></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, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 47,776,724	\$ 23,255,845	\$ 71,032,569
Investments	5,361,764	5,724,807	11,086,571
Receivables, net of allowance for uncollectibles:			
Property Taxes	1,013,578	-	1,013,578
Deferred Property Taxes	86,586	-	86,586
Tax Liens	293,503	-	293,503
Excise Taxes	246,030	-	246,030
User Charges	-	973,519	973,519
Departmental	936,414	-	936,414
Loans	58,071	-	58,071
Due from Other Governments	4,964,982	-	4,964,982
Total current assets	<u>60,737,652</u>	<u>29,954,171</u>	<u>90,691,823</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	1,090,231	-	1,090,231
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	30,633,027	6,492,789	37,125,816
Depreciable	71,628,335	39,829,903	111,458,238
Total noncurrent assets	<u>103,351,593</u>	<u>46,322,692</u>	<u>149,674,285</u>
Total Assets	<u>164,089,245</u>	<u>76,276,863</u>	<u>240,366,108</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	1,850,108	92,566	1,942,674
Deferred Outflows Related to OPEB	12,252	424	12,676
	<u>1,862,360</u>	<u>92,990</u>	<u>1,955,350</u>
LIABILITIES			
CURRENT:			
Warrants Payable	3,560,674	253,170	3,813,844
Accrued Payroll	3,027,171	51,872	3,079,043
Payroll Withholdings	441,207	-	441,207
Accrued Interest	181,503	59,473	240,976
Compensated Absences	1,292,309	81,762	1,374,071
Bond Anticipation Notes Payable	-	73,066	73,066
Bonds Payable	5,459,062	2,046,749	7,505,811
Total current liabilities	<u>13,961,926</u>	<u>2,566,092</u>	<u>16,528,018</u>
NONCURRENT:			
Landfill Closure	-	1,690,000	1,690,000
Compensated Absences	1,933,934	73,331	2,007,265
OPEB Obligation Payable	155,059,843	4,745,487	159,805,330
Net Pension Liability	42,265,395	2,114,665	44,380,060
Bonds Payable	28,452,100	16,063,098	44,515,198
Total noncurrent liabilities	<u>227,711,272</u>	<u>24,686,581</u>	<u>252,397,853</u>
Total Liabilities	<u>241,673,198</u>	<u>27,252,673</u>	<u>268,925,871</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	3,950,625	197,661	4,148,286
Deferred Inflows Related to OPEB	11,703,163	362,288	12,065,451
	<u>15,653,788</u>	<u>559,949</u>	<u>16,213,737</u>
NET POSITION			
Net Investment in Capital Assets	70,499,494	28,139,779	98,639,273
Restricted for:			
Capital Projects	5,146,968	192,775	5,339,743
Federal & State Grants	6,315,147	-	6,315,147
Community Preservation	1,244,485	-	1,244,485
Permanent Funds:			
Expendable	402,198	-	402,198
Nonexpendable	758,706	-	758,706
Other Purposes	10,809,086	-	10,809,086
Unrestricted	(186,551,465)	20,224,677	(166,326,788)
Total Net Position	<u>\$ (91,375,381)</u>	<u>\$ 48,557,231</u>	<u>\$ (42,818,150)</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, 2018**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 7,525,924	\$ 3,700,965	\$ 1,850,922	\$ 250,000	\$ (1,724,037)	\$ -	\$ (1,724,037)
Public Safety	15,078,119	4,194,103	559,323	-	(10,324,693)	-	(10,324,693)
Public Works	6,207,005	2,110,832	124,292	3,915,885	(55,996)	-	(55,996)
Education	46,657,539	8,372,402	14,401,425	1,161,804	(22,721,908)	-	(22,721,908)
Health and Human Services	3,441,868	332,739	1,375,474	-	(1,733,655)	-	(1,733,655)
Culture and Recreation	4,127,600	529,200	627,902	945,341	(2,025,157)	-	(2,025,157)
Employee Benefits and Insurance	31,635,703	-	7,807,859	-	(23,827,844)	-	(23,827,844)
State Assessments	3,475,297	-	-	-	(3,475,297)	-	(3,475,297)
Interest	1,137,988	-	131,714	-	(1,006,274)	-	(1,006,274)
Total Governmental Activities	119,287,043	19,240,241	26,878,911	6,273,030	(66,894,861)	-	(66,894,861)
Business-Type Activities:							
Sewer	3,171,935	6,333,163	123,250	-	-	3,284,478	3,284,478
Water	4,158,511	6,814,831	112,557	-	-	2,768,877	2,768,877
Solid Waste	514,708	519,756	27,581	-	-	32,629	32,629
Total Primary Government	\$ 127,132,197	\$ 32,907,991	\$ 27,142,299	\$ 6,273,030	(66,894,861)	6,085,984	(60,808,877)
General Revenues:							
Property taxes					58,677,472	-	58,677,472
Motor vehicle and other taxes					3,127,926	-	3,127,926
Hotel room occupancy and meals taxes					1,446,032	-	1,446,032
Penalties & interest on taxes					260,792	-	260,792
Grants & contributions not restricted to specific programs					4,903,764	-	4,903,764
Unrestricted investment income					185,673	-	185,673
Miscellaneous					12,694	-	12,694
Transfers, net					1,818,835	(1,818,835)	-
Total General Revenues and Transfers					70,433,188	(1,818,835)	68,614,353
Change in Net Position					3,538,327	4,267,149	7,805,476
Net Position:							
Beginning of year (as restated)					(94,913,708)	44,290,082	(50,623,626)
End of year					\$ (91,375,381)	\$ 48,557,231	\$ (42,818,150)

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

**CITY OF NORTHAMPTON, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Stormwater Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 24,034,659	\$ 1,833,283	\$ 21,908,782	\$ 47,776,724
Investments	3,811,623	326,178	1,223,963	5,361,764
Receivables, net of allowance for uncollectibles:				
Property Taxes	998,775	-	14,803	1,013,578
Deferred Property Taxes	86,550	-	36	86,586
Tax Liens	290,241	-	3,262	293,503
Excise Taxes	246,030	-	-	246,030
Departmental	686,464	247,451	2,499	936,414
Loans	-	-	58,071	58,071
Due from Other Governments	2,554,146	-	3,501,067	6,055,213
Total Assets	\$ 32,708,488	\$ 2,406,912	\$ 26,712,483	\$ 61,827,883
Liabilities:				
Warrants and Accounts Payable	\$ 1,760,408	\$ 133,390	\$ 1,666,876	\$ 3,560,674
Accrued Payroll	3,012,928	6,558	7,685	3,027,171
Employee Withholdings	442,642	-	-	442,642
Total Liabilities	5,215,978	139,948	1,674,561	7,030,487
Deferred Inflows of Resources:				
Unavailable Revenue	4,578,206	247,451	1,929,362	6,755,019
Fund Balance:				
Nonspendable	-	-	758,706	758,706
Restricted	185,896	-	21,560,387	21,746,283
Committed	-	2,019,513	1,142,237	3,161,750
Assigned	6,802,743	-	-	6,802,743
Unassigned	15,925,665	-	(352,770)	15,572,895
Total Fund Balance	22,914,304	2,019,513	23,108,560	48,042,377
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 32,708,488	\$ 2,406,912	\$ 26,712,483	\$ 61,827,883

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, 2018**

	General Fund	Stormwater Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 57,373,901	\$ -	\$ 1,210,463	\$ 58,584,364
Intergovernmental	15,087,033	-	15,558,877	30,645,910
Excise and Other Taxes	3,098,301	-	4,236	3,102,537
Hotel Room Occupancy and Meals Taxes	1,446,032	-	-	1,446,032
Charges for Services	3,597,257	1,951,717	3,901,562	9,450,536
Licenses, Permits, Fees	10,049,712	-	-	10,049,712
Interest on Taxes	257,905	-	2,887	260,792
Investment Income	185,673	21,615	89,177	296,465
Gifts and Donations	-	-	330,693	330,693
Other	-	28,014	370,034	398,048
Intergovernmental - "On-behalf" Payments	7,802,631	-	-	7,802,631
Total Revenues	98,898,445	2,001,346	21,467,929	122,367,720
Expenditures:				
Current:				
General Government	5,485,643	-	1,109,410	6,595,053
Public Safety	12,338,860	-	2,460,771	14,799,631
Public Works	2,390,842	544,655	5,906,651	8,842,148
Education	36,525,728	-	9,735,954	46,261,682
Health and Human Services	1,478,011	-	1,837,595	3,315,606
Culture and Recreation	2,303,183	-	2,385,450	4,688,633
Employee Benefits and Insurance	26,262,466	-	-	26,262,466
Capital Improvements	3,075,751	1,231,858	-	4,307,609
State Assessments	3,475,297	-	-	3,475,297
Debt Service:				
Principal	4,269,100	40,000	497,711	4,806,811
Interest	1,013,920	6,250	133,165	1,153,335
Total Expenditures	98,618,801	1,822,763	24,066,707	124,508,271
Excess of Revenues Over (Under) Expenditures	279,644	178,583	(2,598,778)	(2,140,551)
Other Financing Sources (Uses):				
Operating Transfers In	2,584,593	-	802,647	3,387,240
Operating Transfers Out	(802,647)	(276,993)	(488,765)	(1,568,405)
Bond Premium	-	-	273,906	273,906
Proceeds from Issuance of Bonds	-	-	3,410,000	3,410,000
Total Other Financing Sources (Uses)	1,781,946	(276,993)	3,997,788	5,502,741
Net Change in Fund Balances	2,061,590	(98,410)	1,399,010	3,362,190
Fund Balances, Beginning of Year	20,852,714	2,117,923	21,709,550	44,680,187
Fund Balances, End of Year	\$ 22,914,304	\$ 2,019,513	\$ 23,108,560	\$ 48,042,377

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, 2018

Total Governmental Fund Balances		\$ 48,042,377
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		102,261,362
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		6,756,454
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.		(13,791,428)
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Bonds Payable	\$ (33,911,162)	
Other Post Employment Benefits Payable	(155,059,843)	
Net Pension Liability	(42,265,395)	
Compensated Absences	<u>(3,226,243)</u>	(234,462,643)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		<u>(181,503)</u>
Net Position of Governmental Activities		<u><u>\$ (91,375,381)</u></u>

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 3,362,190

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:

Capital Outlay Purchases	\$ 12,616,605	
Depreciation	<u>(6,867,340)</u>	5,749,265

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. (1,635,091)

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:

Repayment of Debt Principal	4,806,811	
Proceeds from Bonds and Notes	<u>(3,410,000)</u>	1,396,811

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:

Net Change in Compensated Absences	97,895	
Net Change in Other Post Employment Benefits	6,458,947	
Net Change in Deferred Outflow/(Inflow) of Resources Related to OPEB	(11,690,911)	
Net Change in Net Pension Liability	12,340,691	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	(12,556,817)	
Net Change in Accrued Interest on Long-Term Debt	<u>15,347</u>	<u>(5,334,848)</u>

Change in Net Position of Governmental Activities \$ 3,538,327

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, 2018**

	Budgeted Amounts				Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried		Actual			
	Forward from Prior Year	Original Budget	Final Budget	Budgetary Basis		
Revenues:						
Property Taxes	\$ -	\$ 57,247,167	\$ 57,247,167	\$ 57,167,901	\$ -	\$ (79,266)
Intergovernmental	-	14,998,834	14,998,834	15,087,033	-	88,199
Excise and Other Taxes	-	2,643,750	2,643,750	3,098,301	-	454,551
Hotel Room Occupancy and Meals Taxes	-	1,230,000	1,230,000	1,446,032	-	216,032
Charges for Services	-	3,150,000	3,150,000	3,597,257	-	447,257
Licenses, Permits, Fees	-	9,147,893	9,147,893	10,049,712	-	901,819
Interest on Taxes	-	125,000	125,000	257,905	-	132,905
Investment Income	-	103,000	103,000	128,640	-	25,640
Total Revenues	-	88,645,644	88,645,644	90,832,781	-	2,187,137
Expenditures:						
Current:						
General Government	119,548	6,028,664	6,043,117	5,485,643	148,235	409,239
Public Safety	98,958	13,224,954	13,323,912	12,338,860	207,333	777,719
Public Works	199,207	2,364,765	2,800,000	2,390,842	272,708	136,450
Education	497,440	36,469,892	36,986,831	36,525,728	439,895	21,208
Health and Human Services	-	1,631,303	1,659,543	1,478,011	13,200	168,332
Culture and Recreation	17,676	2,303,614	2,321,390	2,303,183	14,301	3,906
Employee Benefits and Insurance	247,905	19,240,505	19,367,535	18,459,835	224,920	682,780
Capital Improvements	5,369,213	312,500	8,571,786	3,075,751	5,482,151	13,884
State Assessments	-	3,508,555	3,508,555	3,475,297	-	33,258
Debt Service:						
Principal	-	4,259,100	4,269,100	4,269,100	-	-
Interest	-	1,095,450	1,085,450	1,013,920	-	71,530
Total Expenditures	6,549,947	90,439,302	99,937,219	90,816,170	6,802,743	2,318,306
Excess of Revenues Over (Under) Expenditures	(6,549,947)	(1,793,658)	(11,291,575)	16,611	(6,802,743)	4,505,443
Other Financing Sources (Uses):						
Operating Transfers In	-	2,130,937	3,348,881	3,384,593	-	35,712
Operating Transfers Out	-	(364,652)	(2,667,300)	(2,667,300)	-	-
Total Other Financing Sources (Uses)	-	1,766,285	681,581	717,293	-	35,712
Net Change in Budgetary Fund Balance	(6,549,947)	(27,373)	(10,609,994)	\$ 733,904	\$ (6,802,743)	\$ 4,541,155
Other Budgetary Items:						
Free Cash and Other Reserves	-	27,373	4,060,047			
Prior Year Encumbrances	6,549,947	-	6,549,947			
Total Other Budgetary Items	6,549,947	27,373	10,609,994			
NET BUDGET	\$ -	\$ -	\$ -			

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, 2018

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 90,832,781	\$ 90,816,170
<i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	57,033	-
Net Increase in Revenue from recording Refund Taxes Payable	164,000	-
Recognition of Intergovernmental Revenue - "on behalf payments"	7,802,631	-
Recognition of Expenditures - "on behalf payments"	-	7,802,631
Net Increase in Revenue from Recording 60-Day Receipts	42,000	-
Reported on a GAAP Basis	\$ 98,898,445	\$ 98,618,801

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, 2018

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
ASSETS				
CURRENT:				
Cash and Cash Equivalents	\$ 10,652,557	\$ 9,441,753	\$ 3,161,535	\$ 23,255,845
Investments	4,220,327	-	1,504,480	5,724,807
User Charges, net of allowance for uncollectibles	505,478	441,041	27,000	973,519
Total current assets	15,378,362	9,882,794	4,693,015	29,954,171
NONCURRENT:				
Capital Assets, net of accumulated Depreciation:				
Nondepreciable	1,614,116	4,878,673	-	6,492,789
Depreciable	7,222,313	32,607,590	-	39,829,903
Total noncurrent assets	8,836,429	37,486,263	-	46,322,692
Total Assets	24,214,791	47,369,057	4,693,015	76,276,863
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	38,843	50,468	3,255	92,566
Deferred Outflows Related to OPEB	20	272	132	424
	38,863	50,740	3,387	92,990
LIABILITIES				
CURRENT:				
Warrants and Accounts Payable	164,213	69,762	19,195	253,170
Accrued Payroll	25,060	22,814	3,998	51,872
Accrued Interest	7,764	51,709	-	59,473
Compensated Absences	42,782	35,364	3,616	81,762
Bond Anticipation Notes Payable	73,066	-	-	73,066
Bonds Payable	391,572	1,655,177	-	2,046,749
Total current liabilities	704,457	1,834,826	26,809	2,566,092
NONCURRENT:				
Landfill Closure	-	-	1,690,000	1,690,000
Compensated Absences	43,797	22,610	6,924	73,331
OPEB Obligation Payable	1,644,506	2,226,081	874,900	4,745,487
Net Pension Liability	887,361	1,152,939	74,365	2,114,665
Bonds Payable	2,089,264	13,973,834	-	16,063,098
Total noncurrent liabilities	4,664,928	17,375,464	2,646,189	24,686,581
Total Liabilities	5,369,385	19,210,290	2,672,998	27,252,673
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	82,943	107,767	6,951	197,661
Deferred Inflows Related to OPEB	127,447	171,434	63,407	362,288
	210,390	279,201	70,358	559,949
NET POSITION				
Net Investment in Capital Assets	6,282,527	21,857,252	-	28,139,779
Restricted for Capital	189,038	3,737	-	192,775
Unrestricted	12,202,314	6,069,317	1,953,046	20,224,677
Total Net Position	\$ 18,673,879	\$ 27,930,306	\$ 1,953,046	\$ 48,557,231

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, 2018**

**Business-Type Activities
Enterprise Funds**

	Sewer Fund	Water Fund	Solid Waste Fund	Total
Operating Revenues:				
Charges for Services	\$ 6,285,295	\$ 6,611,123	\$ 383,154	\$ 13,279,572
Other	47,868	203,708	136,602	388,178
Total Operating Revenues	6,333,163	6,814,831	519,756	13,667,750
Operating Expenses:				
Salaries & Wages	1,272,177	1,245,622	223,933	2,741,732
Operating Expenses	1,379,506	1,239,994	290,775	2,910,275
Depreciation	452,216	1,252,090	-	1,704,306
Total Operating Expenses	3,103,899	3,737,706	514,708	7,356,313
Operating Income (Loss)	3,229,264	3,077,125	5,048	6,311,437
Non-Operating Revenues (Expenses):				
Interest Income	123,250	78,258	27,581	229,089
Intergovernmental	-	34,299	-	34,299
Interest Expense	(68,036)	(420,805)	-	(488,841)
Total Non-Operating Revenues (Expenses)	55,214	(308,248)	27,581	(225,453)
Income (Loss) Before Transfers and Other Items	3,284,478	2,768,877	32,629	6,085,984
Transfers and Other Items:				
Transfers In (Out)	(1,001,057)	(701,764)	(116,014)	(1,818,835)
Total Transfers and Other Items	(1,001,057)	(701,764)	(116,014)	(1,818,835)
Change in Net Position	2,283,421	2,067,113	(83,385)	4,267,149
Net Position at Beginning of Year (as restated)	16,390,458	25,863,193	2,036,431	44,290,082
Net Position at End of Year	\$ 18,673,879	\$ 27,930,306	\$ 1,953,046	\$ 48,557,231

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, 2018**

Business-Type Activities Enterprise Funds				
	Sewer Fund	Water Fund	Solid Waste Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 6,334,326	\$ 6,600,778	\$ 380,604	\$ 13,315,708
Receipts from Other Revenues	47,868	203,708	136,602	388,178
Payments to Vendors	(1,400,376)	(1,536,090)	(417,141)	(3,353,607)
Payments to Employees	(1,260,149)	(1,236,267)	(221,904)	(2,718,320)
Net Cash Provided by (Used for) Operating Activities	3,721,669	4,032,129	(121,839)	7,631,959
Cash Flows from Noncapital Financing Activities:				
Transfers from (to) Other Funds	(1,001,057)	(701,764)	(116,014)	(1,818,835)
Net Cash Provided by (Used for) Noncapital Financing Activities	(1,001,057)	(701,764)	(116,014)	(1,818,835)
Cash Flows from Capital and Related Financing Activities:				
Intergovernmental	-	34,299	-	34,299
Acquisition and Construction of Capital Assets	(1,940,645)	(2,392,938)	-	(4,333,583)
Principal Payments on Bonds and Notes	(391,986)	(1,620,885)	-	(2,012,871)
Interest Expense	(77,820)	(426,611)	-	(504,431)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(2,410,451)	(4,406,135)	-	(6,816,586)
Cash Flows from Investing Activities:				
Investment Income	123,250	78,258	27,581	229,089
Sale/(Purchase) of Investments	(1,222,406)	-	(5,519)	(1,227,925)
Net Cash Provided by (Used for) Investing Activities	(1,099,156)	78,258	22,062	(998,836)
Net Increase (Decrease) in Cash and Cash Equivalents	(788,995)	(997,512)	(215,791)	(2,002,298)
Cash and Cash Equivalents at Beginning of Year	11,441,552	10,439,265	3,377,326	25,258,143
Cash and Cash Equivalents at End of Year	\$ 10,652,557	\$ 9,441,753	\$ 3,161,535	\$ 23,255,845

(Continued)

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:				
Operating Income (Loss)	\$ 3,229,264	\$ 3,077,125	\$ 5,048	\$ 6,311,437
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	452,216	1,252,090	-	1,704,306
Deferred (Outflows)/Inflows of Resources Related to Pensions	273,473	415,270	22,239	710,982
Deferred (Outflows)/Inflows of Resources Related to OPEB	127,427	171,162	63,275	361,864
Change in Assets and Liabilities:				
Increase (Decrease) in Warrants Payable	(89,116)	(107,896)	12,232	(184,780)
Increase (Decrease) in Accrued Payroll	9,497	1,199	668	11,364
Increase (Decrease) in Compensated Absences	2,531	8,156	1,361	12,048
Increase (Decrease) in OPEB Obligation Payable	(22,161)	(58,136)	(71,640)	(151,937)
Increase (Decrease) in Net Pension Liability	(310,493)	(716,496)	(22,472)	(1,049,461)
Increase (Decrease) in Landfill Closure	-	-	(130,000)	(130,000)
Decrease (Increase) in User Charges Receivable	49,031	(10,345)	(2,550)	36,136
Total Adjustments	492,405	955,004	(126,887)	1,320,522
Net Cash Provided by (Used for) Operating Activities	\$ 3,721,669	\$ 4,032,129	\$ (121,839)	\$ 7,631,959

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, 2018**

	NORTHAMPTON			
	Employees Retirement System Pension Trust Fund		Other Post Employment Benefits Trust Fund	
	(as of December 31, 2017)		Private Purpose Trust Funds	
			Agency Funds	
ASSETS				
Cash and Cash Equivalents	\$	111,321	\$	-
Investments		125,674,449	837,242	1,760,035
Accrued Interest and Dividends		301,638	-	-
Accounts Receivable		32,791	-	-
Total Assets		126,120,199	837,242	2,027,733
LIABILITIES				
Warrants Payable		37,856	-	-
Due to Others		-	-	4,275
Due to Student Groups		-	-	142,285
Deposits and Escrows		-	-	121,678
Total Liabilities		37,856	-	300,022
NET POSITION				
Held in Trust for Pension Benefits and Other Purposes	\$	126,082,343	\$	837,242
			\$	2,027,733
			\$	-

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, 2018**

	NORTHAMPTON		
	Employees		
	Retirement		
	System Pension	Other	Private
	Trust Fund	Post Employment	Purpose
	(as of December	Benefits	Trust Funds
	31, 2017)	Trust Fund	Trust Funds
Additions			
Contributions:			
Employers	\$ 5,930,334	\$ 4,596,547	\$ -
Plan Members	2,703,391	-	-
Transfers/Reimbursements from Other Systems	508,165	-	-
Federal Grant Reimbursements	16,086	-	-
Commonwealth of Massachusetts - COLA	60,110	-	-
Private Donations	-	-	7,095
Total Contributions	9,218,086	4,596,547	7,095
Investment Income:			
Interest & Dividends	2,210,963	20,433	104,097
Net Change in Fair Value of Investments	19,953,702	4,061	1,201
Total Investment Earnings	22,164,665	24,494	105,298
Less Investment Expense	(383,707)	-	-
Net Investment Earnings	21,780,958	24,494	105,298
Total Additions	30,999,044	4,621,041	112,393
Deductions:			
Benefit Payments to Plan Members and Beneficiaries	10,115,722	4,217,570	-
Refunds to Members	242,178	-	-
Transfers to Other Systems	844,294	-	-
Educational Scholarships	-	-	25,230
Human Services	-	-	20,000
General Expenses	211,841	-	15,869
Total Deductions	11,414,035	4,217,570	61,099
Change in Net Position	19,585,009	403,471	51,294
Net Position at Beginning of Year	106,497,334	433,771	1,976,439
Net Position at End of Year	\$ 126,082,343	\$ 837,242	\$ 2,027,733

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, 2018

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 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, 2018

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.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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 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 *stormwater fund* is used to account for the construction of road drainage improvements.

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.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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.

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.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

E. Investments

The City maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

Level 3 inputs are unobservable for the asset or liability.

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

Investments in the Northampton Contributory Retirement System consist of marketable securities, bonds and short-term money market investments. All investments are carried at fair 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, 2017 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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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 2018 on June 30, 2017 and September 29, 2017, that were due on August 1, 2017 and November 1, 2017 and actual bills on December 26, 2017, and March 26, 2018, that were due on February 1, 2018 and May 1, 2018, 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 2018 is as follows;

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2018	\$ 56,758,366
Add: Debt Exclusion	<u>1,004,656</u>
Maximum Allowable Levy	<u><u>\$ 57,763,022</u></u>

The total amount raised by taxation was \$57,747,167.

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

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 and solid waste. Sewer and water are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. 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 ambulance, school department fees, storm water fees and other general government receipts.

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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 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 purchases 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."

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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. Currently, the items in this category are *deferred outflows related to pensions and deferred outflows related to OPEB*.

The government-wide financial statements *Statement of Net Position* will sometimes report 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 items in this category are *deferred inflows related to pensions and deferred inflows related to OPEB*.

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 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, deferred outflows of resources, 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.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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

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

“Other purposes” represents restrictions placed on assets from outside parties.

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

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

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

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

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

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

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.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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 Contributory 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% 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.

P. Total Column

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

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.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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 2018, the City incurred a final budget deficit of \$10,609,994 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	\$ 4,032,674
Reserve for Debt	27,373
Prior year's encumbrances	6,549,947
	\$ 10,609,994

B. Deficit Fund Balances

The following funds have deficits at June 30, 2017 as measured by the balance of unreserved fund balance.

- The *Energy Grant Funds*, special revenue funds, have deficits totaling of \$48,124. The deficits will be eliminated upon the future receipt of grant funds or upon appropriation.
- The *Upper Roberts Channel Massachusetts Emergency Management Agency (MEMA) Fund*, a special revenue fund, has a deficit of \$304,646. The deficit will be eliminated upon the future receipt of grant funds or upon appropriation.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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, 2018 were \$71,620,192. Of these, none 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, 2017 were \$368,679. 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. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost.

As of June 30, 2018, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. treasury obligations	\$ 1,583,540	\$ 490,307	\$ 1,093,233
U. S. government agencies	2,356,116	-	2,356,116
Corporate bonds	2,872,110	395,808	2,476,302
Money market mutual funds	568,141	568,141	-
	<u>7,379,907</u>	<u>\$ 1,454,256</u>	<u>\$ 5,925,651</u>
Other Investments:			
Certificate of deposits	2,914,204		
Equity mutual funds	3,389,737		
	<u>\$ 13,683,848</u>		

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's \$13,683,848, 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, 2018 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<i>U. S. Treasury Obligations:</i>	
Aaa	\$ 1,583,540
<i>U. S. Government Agencies:</i>	
Aaa	\$ 2,356,116
<i>Corporate Bonds:</i>	
A1	196,682
A2	360,326
A3	92,710
Aa3	665,629
Ba1	107,239
Ba2	48,557
Baa1	628,840
Baa2	669,492
Baa3	102,635
<i>Money Market Mutual Funds:</i>	
Not rated	568,141
	\$ 7,379,907

Concentration of Credit Risk

The City places no limit on the amount the City may invest in one issuer. More than 5 percent of the City's investments are in the Federal Home Loan Mortgage Corp. amounting to 11.86% of the City's total investments.

Fair Value of Investments

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

The City has the following recurring fair value measurements as of June 30, 2018:

Investment Type	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. treasury obligations	\$ 1,583,540	\$ 1,583,540	\$ -	\$ -
U. S. government agencies	2,356,116	2,356,116	-	-
Certificates of deposit	2,914,204	2,914,204	-	-
Equity mutual funds	3,389,737	3,389,737	-	-
Money market mutual fund	568,141	568,141	-	-
Corporate bonds	2,872,110	-	2,872,110	-
Total Investments	\$ 13,683,848	\$ 10,811,738	\$ 2,872,110	\$ -

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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, 2018

- 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.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

E. Cash and cash equivalents shall be invested in any or all of the following instruments: money market funds, repurchase agreements, short term instruments issued by the Treasury and other agencies of the U.S. government, commercial paper rated P1 and corporate debt maturing within one year at date of purchase.

As of December 31, 2017, 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
Debt Securities:					
U. S. treasury obligations	\$ 13,805,286	\$ 6,494,262	\$ -	\$ 2,563,376	\$ 4,747,648
Corporate bonds	31,873,418	-	7,936,442	14,919,137	9,017,839
Money market mutual funds	184,691	184,691	-	-	-
	<u>45,863,395</u>	<u>\$ 6,678,953</u>	<u>\$ 7,936,442</u>	<u>\$ 17,482,513</u>	<u>\$ 13,765,487</u>
Other Investments:					
Equity securities-domestic stocks	79,185,454				
PRIT pooled funds	-				
PRIM pooled funds	-				
Pooled alternative investment capital	625,600				
Pooled real estate	-				
	<u>\$ 125,674,449</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 \$125,674,449 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, 2018

The System's exposure to credit risk as of December 31, 2017 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<i>U. S. Treasury Obligations:</i>	
AAA	\$ 13,805,286
<i>Corporate Bonds:</i>	
AAA	4,603,232
AA	3,288,867
A	9,820,921
BAA	13,932,005
BA/B	228,393
<i>Money Market Mutual Funds:</i>	
Not rated	184,691
	\$ 45,863,395

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.

Fair Value of Retirement Investments

The City categorizes its fair value measurements for the System within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

The City has the following recurring fair value measurements for the System as of December 31, 2017:

Investment Type	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. treasury obligations	\$ 13,805,286	\$ 13,805,286	\$ -	\$ -
Equity securities - domestic	79,185,454	79,185,454	-	-
Money market mutual fund	184,691	184,691	-	-
Corporate bonds	31,873,418	-	31,873,418	-
	<u>125,048,849</u>	<u>\$ 93,175,431</u>	<u>\$ 31,873,418</u>	<u>\$ -</u>
Investments Measured at Amortized Cost:				
Pooled alternative capital funds	<u>625,600</u>			
Total Investments	<u>\$ 125,674,449</u>			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

B. Receivables

At June 30, 2018, receivables for the individual major governmental funds, non-major governmental funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 1,556,533	\$ (542,955)	\$ 1,013,578
Deferred property taxes	86,586	-	86,586
Tax liens	293,503	-	293,503
Taxes in litigation	6,794	(6,794)	-
Excise taxes	924,346	(678,316)	246,030
Departmental	1,896,535	(960,121)	936,414
Loans	58,071	-	58,071
Due from other governments	6,055,213	-	6,055,213
Fiduciary funds:			
Northampton Employees Retirement System (at December 31, 2017):			
Accounts Receivable	32,791	-	32,791
	<u>\$ 10,910,372</u>	<u>\$ (2,188,186)</u>	<u>\$ 8,722,186</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

At June 30, 2018, receivables for the sewer, water and solid waste enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
User charges	\$ 511,578	\$ (6,100)	\$ 505,478
Water Fund:			
User charges	442,041	(1,000)	441,041
Solid Waste Fund:			
User charges	28,360	(1,360)	27,000
	\$ 981,979	\$ (8,460)	\$ 973,519

The composition of amounts due from other governments as of June 30, 2018 for governmental funds and the business-type activities are as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

Department of Veterans Services:

Veterans benefits

\$ 410,064

Massachusetts School Building Authority

School Building Assistance - Capital portion

2,144,082 \$ 2,554,146

Nonmajor Governmental Funds:

U. S. Department of Education:

School title grants

82,837

U. S. Department of Housing and Urban Development:

Community Development Block Grant

367,223

Commonwealth of Massachusetts:

Emergency Management Association

110,788

Executive Office of Environmental Affairs

58,762

Executive Office of Public Safety & Homeland Security

209

Massachusetts Department of Transportation:

Highway Department

2,737,710

Massachusetts School Building Authority

School Building Assistance - Capital portion

142,968

Other:

Private Grants

570 3,501,067

\$ 6,055,213

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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

General Fund:			
Property taxes	\$	714,755	
Deferred property taxes		86,550	
Tax liens		290,241	
Excise taxes		246,030	
Departmental		686,464	
Due from other governments		2,554,166	\$ 4,578,206
Stormwater fund:			
Departmental			247,451
Nonmajor governmental funds:			
Property taxes		14,803	
Deferred property taxes		36	
Tax liens		3,262	
Loans		58,071	
Due from other governments		1,853,190	1,929,362
			\$ 6,755,019

D. Capital Assets

Capital asset activity for the year ended June 30, 2018, is as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 18,647,930	\$ 296,000	\$ -	\$ 18,943,930
Construction in progress	6,585,605	9,713,947	(4,610,455)	11,689,097
Total capital assets not being depreciated	25,233,535	10,009,947	(4,610,455)	30,633,027
Capital assets being depreciated:				
Buildings and improvements	129,592,147	2,108,105	-	131,700,252
Machinery, equipment and other	14,593,259	2,361,507	-	16,954,766
Infrastructure	26,638,517	2,747,501	-	29,386,018
Total capital assets being depreciated	170,823,923	7,217,113	-	178,041,036
Less accumulated depreciation for:				
Buildings	72,096,285	4,863,155	-	76,959,440
Machinery, equipment and other	11,435,676	1,183,392	-	12,619,068
Infrastructure	16,013,400	820,793	-	16,834,193
Total accumulated depreciation	99,545,361	6,867,340	-	106,412,701
Total capital assets being depreciated, net	71,278,562	349,773	-	71,628,335
Total governmental activities capital assets, net	\$ 96,512,097	\$ 10,359,720	\$ (4,610,455)	\$ 102,261,362

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,986,640	\$ 126,199	\$ -	\$ 3,112,839
Construction in progress	1,090,977	3,327,848	(1,038,875)	3,379,950
Total capital assets not being depreciated	<u>4,077,617</u>	<u>3,454,047</u>	<u>(1,038,875)</u>	<u>6,492,789</u>
Capital assets being depreciated:				
Buildings and Renovations	4,976,953	-	-	4,976,953
Machinery, equipment and other	3,329,166	724,536	-	4,053,702
Infrastructure	80,228,903	1,193,875	-	81,422,778
Total capital assets being depreciated	<u>88,535,022</u>	<u>1,918,411</u>	<u>-</u>	<u>90,453,433</u>
Less accumulated depreciation for:				
Buildings and Renovations	4,666,954	20,000	-	4,686,954
Machinery, equipment and other	2,764,125	242,398	-	3,006,523
Infrastructure	41,488,145	1,441,908	-	42,930,053
Total accumulated depreciation	<u>48,919,224</u>	<u>1,704,306</u>	<u>-</u>	<u>50,623,530</u>
Total capital assets being depreciated, net	<u>39,615,798</u>	<u>214,105</u>	<u>-</u>	<u>39,829,903</u>
Total business-type activities capital assets, net	<u>\$ 43,693,415</u>	<u>\$ 3,668,152</u>	<u>\$ (1,038,875)</u>	<u>\$ 46,322,692</u>

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

Governmental Activities:

General government	\$ 1,015,995
Public safety	1,377,845
Public works	1,152,393
Education	2,611,591
Health and human services	135,164
Culture and recreation	574,352
Total depreciation expense - governmental activities	<u>\$ 6,867,340</u>

Business-Type Activities:

Sewer fund	\$ 452,216
Water works fund	1,252,090
Total depreciation expense - business-type activities	<u>\$ 1,704,306</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2018, are summarized below:

Transfers Out:	Transfers In:		
	General fund	Nonmajor Governmental fund	Total
General fund	\$ -	\$ 802,647	\$ 802,647
Stormwater fund	276,993	-	276,993
Nonmajor governmental funds	488,765	-	488,765
Business-type fund	1,818,835	-	1,818,835
Total transfers out	<u>\$ 2,584,593</u>	<u>\$ 802,647</u>	<u>\$ 3,387,240</u>

F. Short-Term Financing

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

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

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2017	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2018
Bond anticipation notes:						
Sewer Fund:						
Massachusetts Clean						
Water Trust Notes						
Wastewater Management Plan	0.09%	12/31/2018	\$ 73,066	\$ -	\$ -	\$ 73,066

G. Long Term Debt

General Obligation Bonds

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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, 2018
Inside Debt:					
Massachusetts Clean Water Trust:					
Septic Management Program Bond	N/A	10/25/2000	8/1/2018	\$ 93,837	\$ 5,212
Municipal Purpose Loan of 2009:					
DPW roof repairs	2.0-5.0%	2/12/2009	2/1/2029	25,000	2,500
Ryan Road bridge repairs	2.0-5.0%	2/12/2009	2/1/2029	125,000	45,000
Various school projects	2.0-5.0%	2/12/2009	2/1/2029	427,000	127,500
Municipal Purpose Loan of 2010:					
Drainage	3.01%	12/1/2010	11/15/2025	100,000	40,000
Police station	3.19%	12/1/2010	11/15/2025	1,100,000	595,000
Technology	2.31%	12/1/2010	11/15/2019	225,500	40,000
Energy conservation improvements	3.27%	12/1/2010	11/15/2025	4,893,000	2,940,000
Qualified energy conservation	1.73%	12/22/2010	11/15/2025	1,607,000	856,000
Clean renewable energy	1.73%	12/22/2010	11/15/2025	261,000	136,000
Municipal Purpose Loan of 2012:					
Police Station 1	2.30%	2/9/2012	12/1/2031	10,000,000	7,000,000
Police Station 2	2.32%	2/9/2012	12/1/2031	887,000	745,000
Police Station 3	2.28%	2/9/2012	12/1/2031	5,580,000	4,850,000
High School Track	1.44%	2/9/2012	12/1/2021	50,000	20,000
Drainage DPW	1.44%	2/9/2012	12/1/2021	250,000	100,000
Bean Farm Land Acquisition	1.79%	2/9/2012	12/1/2026	910,000	490,000
Municipal Purpose Loan of 2014:					
Florence Fields	2.34%	2/6/2014	2/1/2027	1,200,000	820,000
Ryan Road School Roof	1.94%	2/6/2014	2/1/2024	150,000	90,000
SVAHS Boiler	1.94%	2/6/2014	2/1/2024	150,000	90,000
DPW Vehicles	1.79%	2/6/2014	2/1/2019	300,000	60,000
Municipal Purpose Loan of 2015:					
DPW Equipment	1.26%	6/4/2015	6/1/2020	360,000	140,000
Street Resurfacing	1.27%	6/4/2015	6/1/2020	1,000,000	400,000
River Road Retaining Wall	1.73%	6/4/2015	6/1/2020	375,500	255,000
Streetlights	1.75%	6/4/2015	6/1/2020	700,000	490,000
DPW Vehicle	1.25%	6/4/2015	6/1/2020	162,500	60,000
Connecticut River Levee	1.73%	6/4/2015	6/1/2020	377,000	255,000
Sub-total page 52					<u>\$ 20,652,212</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2018
Inside Debt:					
Continued from Page 52					\$ 20,652,212
Municipal Purpose Loan of 2016:					
Fire Truck	1.34%	6/7/2016	6/1/2026	\$ 585,000	465,000
LED Streetlights	1.33%	6/7/2016	6/1/2026	225,000	175,000
Radio Consoles-Dispatch	1.05%	6/7/2016	6/1/2021	375,000	225,000
Street Resurfacing	1.05%	6/7/2016	6/1/2021	500,000	300,000
Voice Over Internet Protocols system	1.05%	6/7/2016	6/1/2021	456,000	265,000
Refunding Loan of 2016:					
Library	1.36%	12/23/2015	9/1/2025	579,000	444,200
School Building Remodeling	1.36%	12/23/2015	9/1/2025	372,950	285,750
Surface Drainage	1.36%	12/23/2015	9/1/2025	263,100	230,400
Fire Station	1.36%	12/23/2015	9/1/2018	616,000	105,000
Senior Citizens Building	1.36%	12/23/2015	9/1/2025	1,661,200	1,480,200
Public Works Building Construction	1.36%	12/23/2015	9/1/2025	116,000	101,100
Outdoor Recreational Facility	1.36%	12/23/2015	9/1/2021	38,000	28,500
Refunding Loan of 2017:					
DPW Vehicle Replacement	1.52%	6/6/2017	6/1/2022	715,250	565,000
Forbes Library HVAC	1.52%	6/6/2017	6/1/2027	187,050	165,000
Forbes Library Windows	1.52%	6/6/2017	6/1/2026	46,500	40,000
River Road Retaining Wall	1.52%	6/6/2017	6/1/2027	386,000	345,000
Street Paving	1.52%	6/6/2017	6/1/2022	473,700	375,000
Municipal Purpose Loan of 2018:					
Clement Street Bridge	2.20%	5/1/2018	5/1/2028	349,875	349,875
Forbes Library Windows	2.20%	5/1/2018	5/1/2028	326,900	326,900
Public Works Storage Building	2.20%	5/1/2018	5/1/2028	470,000	470,000
Street Paving	2.20%	5/1/2018	5/1/2028	1,398,725	1,398,725
Vehicle Replacement	2.20%	5/1/2018	5/1/2023	864,500	864,500
Total Inside Debt					<u>29,657,362</u>
Outside Debt:					
Pulaski Park renovations	1.05%	6/7/2016	6/1/2021	1,330,000	795,000
Refunding Loan of 2016:					
School remodeling	1.36%	12/23/2015	9/1/2019	61,000	4,800
High School project	1.36%	12/23/2015	9/1/2019	4,164,000	2,074,000
Refunding Loan of 2017:					
Pulaski Park Phase II	1.52%	6/6/2017	6/1/2027	627,500	560,000
Bridge Street Elementary School Roof	1.52%	6/6/2017	6/1/2027	464,500	410,000
Leeds Elementary School Roof	1.52%	6/6/2017	6/1/2027	464,500	410,000
Total Outside Debt					<u>4,253,800</u>
Total Governmental Type Debt					<u>\$ 33,911,162</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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, 2018
Inside Debt:					
Sewer:					
Municipal Purpose Loan of 2012: Bradford Street Pump Station	2.30%	2/9/2012	12/1/2031	\$ 800,000	\$ 560,000
Massachusetts Clean Water Trust:					
Comprehensive Wastewater Management Plan	2.00%	6/13/2012	7/15/2032	706,047	482,836
Refunding Loan of 2016: Sewer projects	1.36%	12/23/2015	9/1/2019	738,000	358,000
Total Inside Debt					<u>1,400,836</u>
Outside Debt:					
Sewer:					
Wastewater Treatment Plant	1.35%	6/7/2016	6/1/2026	1,354,000	1,080,000
Water:					
Route 66 water mains	2.00-5.00%	2/12/2009	2/1/2029	1,200,000	650,000
Massachusetts Clean Water Trust:					
Water filtration plant	2.00%	2/1/2007	8/1/2024	2,241,713	1,040,325
Water filtration plant	2.00%	12/14/2006	7/15/2026	9,612,283	4,811,134
Water filtration plant	2.00%	12/14/2006	7/15/2026	14,000,000	7,007,272
Water filtration plant	2.00%	3/18/2009	7/15/2028	1,250,000	725,957
Well chlorination project	2.00%	7/8/2010	7/15/2025	459,416	262,085
Well chlorination project	2.00%	6/13/2012	7/15/2032	119,412	94,188
Refunding Loan of 2016: Water Filter Bed Construction	1.36%	12/23/2015	9/1/2024	409,300	318,000
Water Mains	1.36%	12/23/2015	9/1/2024	450,000	303,000
Water	1.36%	12/23/2015	9/1/2025	470,450	417,050
Total Outside Debt					<u>16,709,011</u>
Total Business Type Debt					<u>\$ 18,109,847</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

The annual principal and interest payments to retire all governmental and business-type activities long-term debt outstanding as of June 30, 2018 are as follows:

Governmental

Year	Principal	Interest	Total
2019	\$ 5,459,062	\$ 1,112,015	\$ 6,571,077
2020	5,169,900	910,674	6,080,574
2021	3,731,700	743,188	4,474,888
2022	3,194,700	609,381	3,804,081
2023	2,913,200	498,161	3,411,361
2024-2028	10,197,600	1,227,043	11,424,643
2029-2032	3,245,000	193,875	3,438,875
	<u>\$ 33,911,162</u>	<u>\$ 5,294,337</u>	<u>\$ 39,205,499</u>

Business-type

Year	Principal	Interest	Total
2019	\$ 2,046,749	\$ 424,305	\$ 2,471,054
2020	2,072,709	367,407	2,440,116
2021	1,888,646	315,043	2,203,689
2022	1,924,424	266,088	2,190,512
2023	1,949,839	217,601	2,167,440
2024-2028	7,706,340	420,979	8,127,319
2029-2033	521,140	24,366	545,506
	<u>\$ 18,109,847</u>	<u>\$ 2,035,789</u>	<u>\$ 20,145,636</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due within One Year
Governmental activities:					
Bonds Payable:					
General obligation bonds Massachusetts Clean Water Trust bonds	\$ 35,297,550	\$ 3,410,000	\$ 4,801,600	\$ 33,905,950	\$ 5,453,850
	10,423	-	5,211	5,212	5,212
Compensated absences	3,324,138	46,666	144,561	3,226,243	1,292,309
OPEB obligation payable	161,518,790	-	6,458,947	155,059,843	-
Net pension liability	54,606,086	-	12,340,691	42,265,395	-
Governmental activity					
Long-term liabilities	\$ 254,756,987	\$ 3,456,666	\$ 23,751,010	\$ 234,462,643	\$ 6,751,371
Business-type activities:					
Bonds Payable:					
General obligation bonds Massachusetts Clean Water Trust bonds	\$ 4,263,450	\$ -	\$ 577,400	\$ 3,686,050	\$ 580,150
	15,859,268	-	1,435,471	14,423,797	1,466,599
Landfill closure	1,820,000	-	130,000	1,690,000	-
Compensated absences	143,045	12,048	-	155,093	81,762
OPEB obligation payable	4,897,424	-	151,937	4,745,487	-
Net pension liability	3,164,126	-	1,049,461	2,114,665	-
Business-type activity					
Long-term liabilities	\$ 30,147,313	\$ 12,048	\$ 3,344,269	\$ 26,815,092	\$ 2,128,511

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, 2018 for principal and interest combined for the loans is \$15,874,772. The net repayments, including interest, are scheduled to be \$15,689,243. 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 2018 principal and interest subsidies totaled \$34,690.

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, 2018, totaled \$31,058,198.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

In addition, the City is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit." The following is a computation of the legal debt limit as of June 30, 2018:

Equalized Valuation-Real Estate and Personal Property (2016)			\$ 3,523,921,000
Debt Limit: 5 % of Equalized value			<u>176,196,050</u>
Total Debt Outstanding			
Governmental Activity Debt	\$ 33,911,162		
Less: Debt Outside Debt Limit	<u>(4,253,800)</u>	29,657,362	
Business-Type Activity Debt	18,109,847		
Less: Debt Outside Debt Limit	<u>(16,709,011)</u>	1,400,836	
			<u>31,058,198</u>
Inside Debt Excess Borrowing Capacity at June 30, 2018			<u>\$ 145,137,852</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, 2018, which are not reflected in the City's financial statements, are as follows:

Date City Council Authorized	Purpose	Amount
3/21/2017	Bridge Street School roof replacement	\$ 1,141,901
3/21/2017	Leeds Elementary School roof replacement	1,275,294
4/21/2017	Audubon Road water tank repairs	250,000
4/21/2017	Primary Water Main transmission lines	250,000
4/21/2017	Ryan Reservoir spillway repairs	1,630,000
6/16/2017	Land Acquisition - Mineral Hills Area	200,000
6/16/2017	Multi-Use Trails	600,000
4/6/2018	Land Acquisition - Expand Parsons Brook Greenway	<u>200,000</u>
		<u>\$ 5,547,195</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

H. Fund Balances

The following is a summary of the City Governmental Fund balances at the year ended June 30, 2018:

	General Fund	Stormwater Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent funds	\$ -	\$ -	\$ 758,706	\$ 758,706
Restricted:				
Federal, state and local grants	-	-	4,475,413	4,475,413
School revolving funds	-	-	7,393,093	7,393,093
City revolving funds	-	-	1,140,801	1,140,801
Donations and gifts	-	-	1,198,714	1,198,714
Community preservation fund	-	-	1,226,384	1,226,384
Reserve for debt	185,896	-	-	185,896
Capital projects	-	-	5,146,968	5,146,968
Permanent funds	-	-	402,198	402,198
Other	-	-	576,816	576,816
	<u>185,896</u>	<u>-</u>	<u>21,560,387</u>	<u>21,746,283</u>
Committed:				
Other	-	2,019,513	-	2,019,513
Parking fund	-	-	856,778	856,778
Workers Compensation	-	-	285,459	285,459
	<u>-</u>	<u>2,019,513</u>	<u>1,142,237</u>	<u>3,161,750</u>
Assigned:				
General government	148,235	-	-	148,235
Public safety	207,333	-	-	207,333
Public works	272,708	-	-	272,708
Education	439,895	-	-	439,895
Health and human services	13,200	-	-	13,200
Culture and recreation	14,301	-	-	14,301
Employee benefits and insurance	224,920	-	-	224,920
Capital improvements	5,482,151	-	-	5,482,151
	<u>6,802,743</u>	<u>-</u>	<u>-</u>	<u>6,802,743</u>
Unassigned:				
General Fund	15,925,665	-	-	15,925,665
Deficit special revenue funds	-	-	(352,770)	(352,770)
	<u>15,925,665</u>	<u>-</u>	<u>(352,770)</u>	<u>15,572,895</u>
Total Governmental fund balances	<u>\$ 22,914,304</u>	<u>\$ 2,019,513</u>	<u>\$ 23,108,560</u>	<u>\$ 48,042,377</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

I. Stabilization Fund

Massachusetts General Laws, Chapter 40, Section 5B, allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. Any interest shall be added to and become a part of the fund.

At June 30, 2018 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 3,681,396
Capital stabilization fund	2,782,172
Fiscal stability stabilization fund	2,939,973
	<u>\$ 9,403,541</u>

4. OTHER INFORMATION

A. Risk Management

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

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

B. Contingent Liabilities

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2018.

The City has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, City management believes such disallowances, if any, will not be material.

C. Tax Abatements

The City enters into property tax abatement agreements with local businesses under the Commonwealth of Massachusetts Economic Development Incentive Program Act of 1993 and as amended in 2009. Under this Act, state municipalities may grant property tax abatements of up to 100% of a business' property tax bill for the purpose of attracting or retaining these businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City of Northampton.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

As of June 30, 2018, the City of Northampton abated property taxes amounting to \$6,356 under this program, including the following tax abatement agreements.

A 5% property tax abatement agreement was approved in June 2006 for the Big Y grocery store chain to make improvements to the property at the North King Street location of at least \$20 million, retain its existing employment level of 171 employees and add 68 new jobs. In addition, the Big Y Foods, Inc. agrees to operate its business and maintain the level of jobs as long as the agreement is in effect (term is fifteen years). The abatement for this fiscal year totaled \$6,356.

D. 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 \$1,690,000 as the estimate of the landfill maintenance and monitoring costs as of June 30, 2018 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.

E. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued.

F. 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.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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, 2017. The City's portion of the collective pension expense contributed by the Commonwealth of \$7,802,631 on-behalf payments for the fiscal year ending June 30, 2018 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.

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, 2017 was \$5,654,580, representing 21.2% 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.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Pension Liability

As of June 30, 2018, the City reported a liability of \$44,380,060 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2017, the City's proportional percentage was 95.31%, which was a slight decrease from the last measurement.

Pension Expense

For the year ended June 30, 2018, the City recognized a pension cost of \$5,547,565, reported deferred outflows of resources related to pensions of \$1,942,674, from the change in assumptions and the changes in proportion and differences between employer contributions and proportion share of the contributions; and deferred inflows of resources related to pensions of \$4,148,286 from net difference between projected and actual investment earnings on investments, the changes in proportion and differences between employer contributions and proportion share of the contributions and the difference between expected and actual experience.

The City's net deferred outflows/(inflows) of resources related to pensions will be recognized in the pension expense as follows:

For years ended June 30,	
2019	\$ 59,074
2020	1,047,103
2021	(756,526)
2022	(2,566,167)
2023	10,612
Thereafter:	<u>292</u>
	<u><u>\$ (2,205,612)</u></u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2017:

Valuation date	January 1, 2016
Actuarial cost method	Entry Age Normal
Amortization method	3.65% amortization increase
Remaining amortization period	15 years for the fresh start base

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Asset valuation method	Market value adjusted by accounts payable and receivables adjusted to phase in over 4 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	7.50% per year
Projected salary increases	3.00% steps for 8 years 4.00% ultimate rate, reduced to 2.00% for 2016-2017 (base is reduced by .50% while receiving steps)
Cost of living adjustments	3.0% of first \$13,000.
Mortality rates	RP-2000 mortality table projected with Generational Mortality, Scale BB, with a base year of 2000. 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 mortality table projected with Generational Mortality, Scale BB, with a base year of 2000, 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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Large Capital Equities	40.0%	4.47%
Mid/Small Capital Equities	15.0%	4.47%
International Equities	5.0%	4.66%
Emerging Market Equities	3.0%	6.12%
Fixed income	35.0%	0.73%
Private Equity	2.0%	6.31%
Timber/Natural Resources	0.0%	3.16%
Total	100.0%	

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 20.57%.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 of 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 7.50%. 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability	\$ 63,868,644	\$ 44,380,060	\$ 30,445,375

G. Other Post Employment Benefits Payable

GASB Statement No. 74 and GASB Statement No. 75

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 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 1,855 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Investment Policy

The City's policy in regard to the allocation of invested assets is established and may be amended by the City Council by majority vote of its members. The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the City's investment policy. As of June 30, 2018, investments, concentration and rate of return information consisted of pooled funds in the City's Commonwealth Financial Network investments described earlier under Deposits and Investments (refer to note 3A).

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Funding Policy

The contribution requirements of plan members and the City are established and may be amended through City ordinances. For the period ending on June 30, 2018 Measurement Date total City premiums plus implicit costs for the retiree medical program were \$4,217,470. The City also made a contribution to an OPEB Trust of \$378,977 for a total contribution during the measurement period of \$4,596,547. The City did establish a trust fund in order to contribute funds to reduce the future OPEB liability. The trust balance is \$837,242 as of June 30, 2018.

Measurement Date

GASB Statement No. 74 and GASB Statement No. 75 require the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Plan Membership:

Current active members	1,013
Current retirees, beneficiaries and dependents	<u>842</u>
Total	<u><u>1,855</u></u>

Net OPEB Liability

The components of the net OPEB liability are as follows:

	<u>6/30/2018</u>
Total OPEB liability	\$ 160,642,572
Less: Plan fiduciary net position	<u>(837,242)</u>
City's Net OPEB liability	<u><u>\$ 159,805,330</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.52%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified;

Valuation date	July 1, 2017 and a measurement date of June 30, 2018
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market value of assets as of the measurement date, June 30, 2018.
Investment rate of return	6.50%, net of OPEB plan investment expense, including inflation
Single Equivalent Discount rate	4.00%, net of OPEB plan investment expense, including inflation
Inflation	2.75% annually as of June 30, 2018 and for future periods
Projected salary increases	3.00% annually as of June 30, 2018 and for future periods

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Cost of living adjustments	Not applicable
Mortality rates	
Pre-retirement mortality	RP-2000 Employees Mortality Table projected generationally with Scale BB and a base year 2009 for males and females.
Post-retirement mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2009 for males and females.
Disabled mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2012 for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2018 is 3.45%.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Total OPEB Liability
Balances at June 30, 2017 GASB 45	\$ 126,134,289	\$ 433,771	\$ 125,700,518
Changes in Assumptions for GASB 75	40,715,696	-	40,715,696
Balances at June 30, 2017 GASB 75	166,849,985	433,771	166,416,214
Service cost	6,119,919	-	6,119,919
Interest on Total OPEB Liability, service cost and benefit payments	6,835,272	-	6,835,272
Changes in benefit terms *	-	-	-
Changes in assumptions **	(14,945,034)	-	(14,945,034)
Difference between actual and expected experience	-	-	-
Net investment income	-	24,494	(24,494)
Employer contributions to Trust	-	4,596,547	(4,596,547)
Benefit payments withdrawn from Trust	-	(4,217,570)	4,217,570
Benefit payments excluding implicit cost	(3,788,634)	-	(3,788,634)
Implicit cost amount	(428,936)	-	(428,936)
Total benefit payments including implicit cost	(4,217,570)	-	(4,217,570)
Administrative expense	-	-	-
Other charges	-	-	-
Net change in total OPEB liability	(6,207,413)	403,471	(6,610,884)
Balances at June 30, 2018 GASB 75	\$ 160,642,572	\$ 837,242	\$ 159,805,330

* = Recognized immediately

** = Amortized over 5.19 years

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Long-term Expected Rate of Return

The long-term expected rate of return on OPEB 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 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 target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Equity - Large Capital	26.67%	4.00%
Domestic Equity - Small/Mid Capital	13.33%	6.00%
International Equity - Developed Market	16.67%	4.50%
International Equity - Emerging Market	8.33%	7.00%
Domestic Fixed Income	25.00%	2.00%
International Fixed Income	10.00%	3.00%
Alternatives	0.00%	6.50%
Real Estate	0.00%	6.25%
Total	<u>100.00%</u>	
I. Real Rate of Return		4.00%
II. Add: Inflation Assumption		2.75%
III. Total Nominal Return (I. + II.)		<u>6.75%</u>
IV. Less: Investment Expense		-0.25%
V. Net investment Return (III.-IV.)		<u>6.50%</u>

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 4.59%.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the City's net OPEB liability using a discount rate of 4.00% as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00%) or 1-percentage-point higher (5.00%) than the current rate:

	1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
City's net OPEB liability	\$ 190,140,831	\$ 159,805,330	\$ 136,355,177

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the City's the net OPEB liability with the healthcare cost trend rate of 5.00% as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower at 4.00% or 1-percentage-point higher at 6.00% than the current healthcare cost trend rates:

	1% Decrease (4.00%)	Healthcare Cost Trend Rates (5.00%)	1% Increase (6.00%)
City's net OPEB liability	\$ 127,032,728	\$ 159,805,330	\$ 202,699,891

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year, which are reported at cost.

Expense, Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the GASB Statement No. 75 reporting period and fiscal year ending date, the City recognized an OPEB expense of \$10,038,458 and reported deferred outflows of resources related to OPEB of \$12,676 and deferred inflows of resources related to OPEB of \$12,065,451.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

The City's net deferred outflows/(inflows) of resources related to OPEB will be recognized in the OPEB expense as follows:

For years ended June 30,		
2019	\$	(2,876,414)
2020		(2,876,414)
2021		(2,876,414)
2022		(2,876,414)
2023		(547,119)
	\$	(12,052,775)

H. Implementation of New GASB Pronouncements

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Post employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2018. The pronouncement replaces previously issued guidance and establishes new accounting and financial reporting requirements for governments whose employees are provided other post employment benefits.

The GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, for implementation in fiscal year 2018. This pronouncement improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The GASB issued Statement No. 85, *Omnibus 2018*, which is required to be implemented in fiscal year 2018. This pronouncement addresses practice issues that have been identified during implementation and application of certain GASB Statements.

The GASB issued Statement No. 86, *Certain Debt Extinguishing Issues*, which is required to be implemented in fiscal year 2018. This pronouncement improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transaction in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt.

I. 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. 83, *Certain Asset Retirement Obligations*, which is required to be implemented in fiscal year 2019. The pronouncement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations.

The GASB issued Statement No. 84, *Fiduciary Activities*, which is required to be implemented in fiscal year 2020. The pronouncement establishes criteria for identifying fiduciary activities and its objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2021. This pronouncement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, for implementation in fiscal year 2019. This pronouncement improves the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities government should include when disclosing information related to debt.

5. RESTATEMENT

The net position as of June 30, 2018 has been restated. As required by GASB Statement No. 75, the beginning net position decreased \$114,879,145 (\$111,745,490 for governmental activities and \$3,133,655 for business-type activities) to reflect the change in the other post employment (OPEB) liability. Accordingly, the previously reported net position of \$64,255,519 has been revised to (\$50,623,626 {(\$94,913,708) for governmental activities and \$44,290,082 for business-type activities}.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTHAMPTON, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Northampton Contributory Retirement System
For the Year Ended June 30, 2018

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:

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
City's share of the net pension liability (asset)	95.36%	95.31%	95.41%	95.01%
City's proportionate share net pension liability (asset)	\$ 44,380,060	\$ 57,770,212	\$ 48,946,370	\$ 40,806,119
City's share of covered employee payroll	\$ 26,722,409	\$ 25,946,748	\$ 24,725,513	\$ 23,013,954
Net pension liability percentage of covered-employee payroll	166.1%	222.6%	198.0%	177.3%
Plan fiduciary net position as a percentage of the total pension liability	73.0%	63.7%	68.2%	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 the information is available.

CITY OF NORTHAMPTON, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Northampton Contributory Retirement System
For the Year Ended June 30, 2018

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:

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 5,654,580	\$ 5,365,570	\$ 5,166,378	\$ 4,766,326
Less: Contributions in relation to the actuarially determined contribution	<u>(5,654,580)</u>	<u>(5,365,570)</u>	<u>(5,166,378)</u>	<u>(4,766,326)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's share of covered employee payroll	\$ 26,722,409	\$ 25,946,748	\$ 24,725,513	\$ 23,013,954
Contributions percentage of covered-employee payroll	21.2%	20.7%	20.9%	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 the information is available.

CITY OF NORTHAMPTON, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2018

Schedule of Changes in the Net OPEB Liability:

	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability		
Service cost	\$ 6,119,919	\$ 6,842,408
Interest on net OPEB liability	6,835,272	5,951,743
Changes in Assumptions	(14,945,034)	45,406,942
Difference between actual and expected experience	-	(7,352,606)
Benefit payments, including refunds of member contributions	<u>(4,217,570)</u>	<u>(3,567,254)</u>
Net change in total OPEB liability	(6,207,413)	47,281,233
Total OPEB liability-beginning	<u>166,849,985</u>	<u>119,568,752</u>
Total OPEB liability-ending (a)	<u>\$ 160,642,572</u>	<u>\$ 166,849,985</u>
 Plan fiduciary net position		
Net investment income	\$ 24,494	\$ 32,071
Employer contributions to Trust	4,596,547	3,732,254
Benefit payments, including refunds of member contributions	<u>(4,217,570)</u>	<u>(3,567,254)</u>
Net change in plan fiduciary net position	403,471	197,071
Total fiduciary net position-beginning	<u>433,771</u>	<u>236,700</u>
Total fiduciary net position-ending (b)	<u>\$ 837,242</u>	<u>\$ 433,771</u>
 City's net OPEB liability (a-b)	 <u>\$ 159,805,330</u>	 <u>\$ 166,416,214</u>

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 the information is available.

CITY OF NORTHAMPTON, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2018

Schedule of Net OPEB Liability:

	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability	\$ 160,642,572	\$ 166,849,985
Less: Plan fiduciary net position	<u>(837,242)</u>	<u>(433,771)</u>
City's Net OPEB liability	<u>\$ 159,805,330</u>	<u>\$ 166,416,214</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.52%	0.26%
City's share of covered employee payroll	\$ 50,244,173	\$ 50,244,173
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	318.06%	331.21%

Schedule of Contributions:

	<u>6/30/2018</u>	<u>6/30/2017</u>
Actuarially determined contribution	\$ 15,006,033	\$ 10,396,093
Less: Contributions in relation to the actuarially determined contribution	<u>(4,596,567)</u>	<u>(3,717,254)</u>
Contribution deficiency (excess)	<u>\$ 10,409,466</u>	<u>\$ 6,678,839</u>
City's share of covered employee payroll	\$ 50,244,173	\$ 50,244,173
Contributions percentage of covered-employee payroll	9.15%	7.40%

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 the information is available.

CITY OF NORTHAMPTON, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan Schedules
For the Year Ended June 30, 2018

Schedule of Funding Progress:

Other Post Employment Benefits						
Actuarial Measurement Date	Actuarial Fiduciary Net Position (A)	Actuarial Total OPEB Liability (B)	Actuarial Net OPEB Liability (B-A)	Actuarial Funded Ratio (A/B)	Actuarial Covered Payroll (C)	Actuarial Percentage of Covered Payroll ((B-A)/C)
6/30/2018	\$ 837,242	\$ 160,642,572	\$ 159,805,330	0.52%	\$ 50,244,173	318.06%
6/30/2017	\$ 433,771	\$ 166,849,985	\$ 166,416,214	0.26%	\$ 50,244,173	331.21%

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 the information is available.

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, 2018

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 97,496	\$ 2,627,741	\$ 2,526,998	\$ -	\$ 198,239
Arts Lottery Council Grants	14,433	60,664	56,622	-	18,475
Community Development Grants	187,535	1,266,924	792,923	(11,650)	649,886
Council on Aging Grants	3,674	64,612	62,603	-	5,683
Disaster Relief and Hazard Grants	145,733	465,661	698,681	-	(87,287)
Energy Grants	762	227,874	273,098	-	(44,462)
Health Grants	29,227	559,599	576,433	-	12,393
Highway Grants	17,530	1,757,107	1,684,763	-	89,874
Library Grants	-	50,730	50,730	-	-
Other Programs and Grants	12,844	33,762	37,752	-	8,854
Planning Grants	226,089	3,126,615	3,077,149	-	275,555
Public Safety Grants	74,412	378,602	350,278	-	102,736
Rail Trail Grants	98,828	-	12,529	-	86,299
Recycling Grants	18,336	10,200	7,226	-	21,310
Regional Valley Bike Grant	-	930,826	930,826	-	-
Three County Fair Drainage Project	2,986,000	-	200,912	-	2,785,088
Schools:					
School Lunch Revolving	143,811	960,286	941,260	-	162,837
School Lunch Commodities	-	71,230	71,230	-	-
Insurance and Restitution	-	8,306	7,000	-	1,306
Privately Funded Grants	2,011	59,372	40,112	(5,000)	16,271
Revolving Accounts	2,989,524	1,352,650	1,599,335	-	2,742,839
School Choice	3,682,068	1,417,286	1,151,768	-	3,947,586
State Special Education Reimbursement Fund	564,686	522,254	557,749	(6,937)	522,254
Other:					
Baystate Gas Roundhouse Lot Fund	42,636	-	3,030	-	39,606
Board of Health Revolving	23,322	16,632	14,388	-	25,566
Cable Access Fund	44,643	79,726	-	(86,100)	38,269
Committee on Disabilities Revolving Fund	28,648	5,100	8,412	-	25,336
Total Special Revenue Page 78	\$ 11,434,248	\$ 16,053,759	\$ 15,733,807	\$ (109,687)	\$ 11,644,513

**CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
Continued from Page 78	\$ 11,434,248	\$ 16,053,759	\$ 15,733,807	\$ (109,687)	\$ 11,644,513
Special Revenue (continued):					
Other (continued):					
Community Preservation Fund	1,331,320	1,460,110	1,551,437	(13,609)	1,226,384
Connecticut River Channel Markers	7,848	21,544	16,093	-	13,299
Conservation Wetlands Funds	20,319	5,603	1,103	(5,000)	19,819
Council on Aging Revolving Funds	229,157	184,270	121,466	-	291,961
Dog Refund and Revolving Fund	34,264	-	1	(34,263)	-
Energy Sustainability Revolving Fund	186,287	47,333	6,529	-	227,091
Fire Department Revolving Funds	90,560	105,209	108,289	-	87,480
Fire Outside Detail	1,672	24,692	27,247	-	(883)
Gaming Commission Mitigation Grant	-	35,000	5,500	-	29,500
Gifts & Donations	1,237,070	330,693	197,280	(171,769)	1,198,714
Insurance and Restitution	-	92,376	21,185	-	71,191
James House Rental	56,019	49,800	36,409	-	69,410
Liquor Licenses Deposits	20,000	-	-	-	20,000
Municipal Waterways Fund	9,128	4,236	-	(1,500)	11,864
Other Programs	86,661	133,033	146,146	(1,356)	72,192
Parking Meter Reserves and Passes	675,369	206,990	-	(25,581)	856,778
Police Court Time	7,268	-	-	-	7,268
Police Outside Detail	9,258	923,605	903,093	-	29,770
Public Works Grants Projects Revolving	60,219	-	-	-	60,219
Public Works Reuse Committee	2,132	2,201	1,270	-	3,063
Recreation Revolving Funds	268,593	483,200	430,906	-	320,887
Sale of Cemetery Lots	51,900	14,500	-	(5,000)	61,400
Sale of Land	-	7,000	-	-	7,000
Septic Repair Loan Repayments	26,159	391	5,603	-	20,947
Transportation Infrastructure	-	6,157	-	-	6,157
Total Special Revenue Page 79	\$ 15,845,451	\$ 20,191,702	\$ 19,313,364	\$ (367,765)	\$ 16,356,024

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
Continued from Page 79	\$ 15,845,451	\$ 20,191,702	\$ 19,313,364	\$ (367,765)	\$ 16,356,024
Special Revenue (continued):					
Other (continued):					
Survival Center Capital Fund	29,250	3,600	-	-	32,850
Tourism Directional Signs	361	-	-	-	361
Affordable Housing Fund	1,009	2	-	-	1,011
Conservation Land Purchase Fund	152,817	27,375	111,430	-	68,762
Compensated Absences Fund	179,790	522	-	105,147	285,459
Drug Forfeiture Fund	62,181	1,763	11,182	-	52,762
E. Lyman Fund	64	4	-	-	68
Park Street Improvements Fund	3,187	204	-	-	3,391
Total Special Revenue Funds	16,274,110	20,225,172	19,435,976	(262,618)	16,800,688
Capital Projects:					
Department of Public Works Projects	1,620,473	-	854,572	3,275,000	4,040,901
Energy Conservation Projects	145,937	-	-	-	145,937
Forbes Library Renovations	250,000	-	200,400	350,000	399,600
Northampton Public Schools Projects	1,432,871	1,161,804	2,488,490	-	106,185
Premium on Bonds	4,507	-	53,893	54,399	5,013
Public Safety Projects	780,701	-	1,033,376	702,007	449,332
Total Capital Projects	\$ 4,234,489	\$ 1,161,804	\$ 4,630,731	\$ 4,381,406	\$ 5,146,968

**CITY OF NORTHAMPTON, MASSACHUSETTS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018**

	Fund Balances July 1, 2017	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2018
Perpetual Permanent Funds:					
Cemetery Perpetual Care Funds	\$ 758,706	\$ -	\$ -	\$ -	\$ 758,706
Permanent Funds:					
Cemetery Funds	442,245	80,953	-	(121,000)	402,198
Total Non-Major Governmental Funds	\$ 21,709,550	\$ 21,467,929	\$ 24,066,707	\$ 3,997,788	\$ 23,108,560

**CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND ROLLBACK TAXES
AND DEFERRED PROPERTY TAXES
JULY 1, 2017 TO JUNE 30, 2018**

	Uncollected Taxes July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2018	Uncollected Taxes Per Detail June 30, 2018
Real Estate Taxes:						
Levy of 2018	\$ -	\$ 56,342,666	\$ 357,246	\$ 55,302,678	\$ 682,742	\$ 682,742
Levy of 2017	576,694	-	129,699	213,705	233,290	233,290
Levy of 2016	166,394	-	31,015	132,788	2,591	2,591
Levy of 2015	(18,104)	-	2,902	(20,956)	(50)	(50)
Levy of 2014	(5,079)	-	-	(5,079)	-	-
Prior Years	(4,660)	-	-	(4,705)	45	45
	<u>715,245</u>	<u>56,342,666</u>	<u>520,862</u>	<u>55,618,431</u>	<u>918,618</u>	<u>918,618</u>
Personal Property Taxes:						
Levy of 2018	-	1,413,048	7,782	1,372,371	32,895	32,895
Levy of 2017	27,631	-	(9)	8,094	19,546	19,546
Levy of 2016	21,407	-	3	471	20,933	20,933
Levy of 2015	20,904	-	-	804	20,100	20,100
Levy of 2014	19,823	-	-	1,040	18,783	18,783
Prior Years	512,512	-	74,196	(71,231)	509,547	509,518
	<u>602,277</u>	<u>1,413,048</u>	<u>81,972</u>	<u>1,311,549</u>	<u>621,804</u>	<u>621,775</u>
Rollback Taxes	<u>1,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,308</u>	<u>1,308</u>
Total Real Estate, Personal Property and Rollback Taxes	<u>\$ 1,318,830</u>	<u>\$ 57,755,714</u>	<u>\$ 602,834</u>	<u>\$ 56,929,980</u>	<u>\$ 1,541,730</u>	<u>\$ 1,541,701</u>
Deferred Property Taxes	<u>\$ 118,270</u>	<u>\$ 25,769</u>	<u>\$ -</u>	<u>\$ 57,489</u>	<u>\$ 86,550</u>	<u>\$ 87,024</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF COMMUNITY PRESERVATION SURCHARGE
AND DEFERRED SURCHARGES
JULY 1, 2017 TO JUNE 30, 2018**

	Uncollected Taxes July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2018	Uncollected Taxes Per Detail June 30, 2018
Community Preservation Surcharge						
Levy of 2018	\$ -	\$ 1,233,834	\$ 23,376	\$ 1,198,812	\$ 11,646	\$ 11,646
Levy of 2017	10,092	-	655	6,358	3,079	3,079
Levy of 2016	2,624	-	453	2,093	78	78
Total Community Preservation Surcharge	\$ 12,716	\$ 1,233,834	\$ 24,484	\$ 1,207,263	\$ 14,803	\$ 14,803
Deferred Surcharges	\$ -	\$ 36	\$ -	\$ -	\$ 36	\$ 36

**CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES
JULY 1, 2017 TO JUNE 30, 2018**

	Uncollected Taxes July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2018	Uncollected Taxes Per Detail June 30, 2018
Motor Vehicle Excise Taxes:						
Levy of 2018	\$ -	\$ 2,718,277	\$ 64,306	\$ 2,476,057	\$ 177,914	\$ 177,914
Levy of 2017	154,752	338,892	26,210	426,209	41,225	41,225
Levy of 2016	43,163	315	7,232	11,332	24,914	24,914
Levy of 2015	19,596	-	1,302	2,287	16,007	16,007
Levy of 2014	15,715	-	-	2,884	12,831	12,831
Prior Years	608,155	-	192	2,647	605,316	607,210
	<u>841,381</u>	<u>3,057,484</u>	<u>99,242</u>	<u>2,921,416</u>	<u>878,207</u>	<u>880,101</u>
Boat Excise Taxes:						
Levy of 2018	-	9,811	450	8,373	988	988
Levy of 2017	1,160	-	-	25	1,135	1,135
Levy of 2016	1,088	-	-	25	1,063	1,063
Levy of 2015	1,976	-	-	-	1,976	1,976
Levy of 2014	1,143	-	-	25	1,118	1,118
Prior Years	39,859	-	-	-	39,859	39,859
	<u>45,226</u>	<u>9,811</u>	<u>450</u>	<u>8,448</u>	<u>46,139</u>	<u>46,139</u>
Total Motor Vehicle Excise and Boat Excise Taxes	<u>\$ 886,607</u>	<u>\$ 3,067,295</u>	<u>\$ 99,692</u>	<u>\$ 2,929,864</u>	<u>\$ 924,346</u>	<u>\$ 926,240</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF TAX LIENS, COMMUNITY PRESERVATION TAX LIENS AND TAXES IN LITIGATION
JULY 1, 2017 TO JUNE 30, 2018

	Uncollected Accounts July 1, 2017	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2018	Uncollected Accounts Per Detail June 30, 2018
Tax Liens	\$ 332,982	\$ 146,911	\$ -	\$ 189,652	\$ 290,241	\$ 290,165
Community Preservation Tax Liens	\$ 4,424	\$ 2,038	\$ -	\$ 3,200	\$ 3,262	\$ 3,338
Taxes in Litigation	\$ 6,794	\$ -	\$ -	\$ -	\$ 6,794	\$ 6,794