

**CITY OF NORTHAMPTON, MASSACHUSETTS**

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

**For the Year Ended June 30, 2017**

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**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>TABLE OF CONTENTS</b> .....	2
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	3-4
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	5-14
<b>BASIC FINANCIAL STATEMENTS</b> .....	15
<b>Government-Wide Financial Statements</b>	
Statement of Net Position .....	16
Statement of Activities .....	17
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	19
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position .....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	21
Statement of Revenues and Expenditures – Budgetary Basis – (Non-GAAP) – Budget and Actual – General Fund .....	22
Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis .....	23
Statement of Net Position – Proprietary Funds .....	24
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	25
Statement of Cash Flows – Proprietary Funds.....	26-27
Statement of Fiduciary Net Position – Fiduciary Funds.....	28
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	29
<b>Notes to the Financial Statements</b> .....	30-69
<b>REQUIRED SUPPLEMENTARY INFORMATION</b> .....	70
Pension Plan Schedules .....	71-72
Other Post Employment Benefit Plan (GASB 45) Schedule .....	73
Other Post Employment Benefit Plan (GASB 74) Schedules .....	74-75
<b>SUPPLEMENTARY SCHEDULES</b> .....	76
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds .....	77-80
Schedule of Real Estate, Personal Property and Rollback Taxes and Deferred Property Taxes .....	81
Schedule of Community Preservation Surcharge .....	82
Schedule of Motor Vehicle Excise and Boat Excise Taxes .....	83
Schedule of Tax Liens, Community Preservation Tax Liens and Taxes in Litigation .....	84

## **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, 2017, (except for the Northampton Contributory Retirement System, which is as of and for the year ended December 31, 2016), 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, 2017, (except for the Northampton Contributory Retirement System, which is as of December 31, 2016), 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 December 20, 2017, 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

December 20, 2017

## **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, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

### Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$64,255,519 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded liabilities by \$60,968,899, an increase of \$3,286,620 (5%).
- The City's governmental funds reported total ending fund balance of \$44,680,187, an increase of \$3,087,548 (7%) from the previous year.
- The General Fund's total fund balance increased by \$2,493,978 (14%) to \$20,852,714. The ending General fund balance is 21% of revenues and transfers in and 22% of expenditures and transfers out.
- The City's long term liabilities increased by \$13,922,806 (8%) to \$177,283,048 during the fiscal year. This was primarily attributed to increases in warrants payable of \$1,143,259, in the Other Post Employment Benefits (OPEB) obligation payable of \$6,678,839 and in the net pension liability of \$8,823,842 and a net decrease in bonds payable of \$3,189,523.
- The City had free cash certified by the Department of Revenue in the amount of \$4,175,642. The key factors that attributed to the free cash amount for fiscal year 2017 were unexpended/unencumbered appropriations of \$2,139,400, amount over/(under) budget – state and local receipts of \$1,947,900.
- The City's enterprise fund certified free cash is as follows:

➤ Sewer fund	\$ 1,478,871.
➤ Solid Waste fund	\$ 701,004.
➤ Stormwater fund	\$ 109,698.
➤ Water fund	\$ 1,474,234.

### 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		
	2017	2016	Change
<b>Assets:</b>			
Current assets	\$ 57,362,106	\$ 52,356,919	\$ 5,005,187
Noncurrent assets (excluding capital)	2,144,082	3,326,596	(1,182,514)
Capital assets	96,512,097	92,828,945	3,683,152
<b>Total assets</b>	<b>156,018,285</b>	<b>148,512,460</b>	<b>7,505,825</b>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows related to pensions	<b>12,241,590</b>	<b>4,184,389</b>	<b>8,057,201</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	7,869,862	6,240,194	1,629,668
Current debt payable	4,806,812	4,487,912	318,900
Noncurrent liabilities (excluding debt)	106,464,968	92,048,016	14,416,952
Noncurrent debt payable	30,501,161	31,942,973	(1,441,812)
<b>Total liabilities</b>	<b>149,642,803</b>	<b>134,719,095</b>	<b>14,923,708</b>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows related to pensions	<b>1,785,290</b>	-	<b>1,785,290</b>
<b>Net Position:</b>			
Net investment in capital assets	64,375,909	60,771,269	3,604,640
Restricted	26,241,410	25,169,915	1,071,495
Unrestricted	(73,785,537)	(67,963,430)	(5,822,107)
<b>Total net position</b>	<b>\$ 16,831,782</b>	<b>\$ 17,977,754</b>	<b>\$ (1,145,972)</b>

	Business-Type Activities		
	2017	2016	Change
<b>Assets:</b>			
Current assets	\$ 30,764,680	\$ 27,757,004	\$ 3,007,676
Capital assets	43,693,415	43,651,075	42,340
<b>Total assets</b>	<b>74,458,095</b>	<b>71,408,079</b>	<b>3,050,016</b>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows related to pensions	<b>709,334</b>	<b>224,213</b>	<b>485,121</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	624,674	562,613	62,061
Current debt payable	2,085,936	2,139,677	(53,741)
Noncurrent liabilities (excluding debt)	6,819,787	5,816,139	1,003,648
Noncurrent debt payable	18,109,848	20,122,718	(2,012,870)
<b>Total liabilities</b>	<b>27,640,245</b>	<b>28,641,147</b>	<b>(1,000,902)</b>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows related to pensions	<b>103,447</b>	-	<b>103,447</b>
<b>Net Position:</b>			
Net investment in capital assets	23,497,631	21,466,337	2,031,294
Restricted	1,264,252	1,400,066	(135,814)
Unrestricted	22,661,854	20,124,742	2,537,112
<b>Total net position</b>	<b>\$ 47,423,737</b>	<b>\$ 42,991,145</b>	<b>\$ 4,432,592</b>

## Financial Highlights

### Statement of Activities Highlights

	Governmental Activities		
	2017	2016	Change
<b>Program Revenues:</b>			
Charges for services	\$ 18,748,477	\$ 18,304,363	\$ 444,114
Operating grants and contributions	26,179,631	24,637,102	1,542,529
Capital grants and contributions	3,845,876	2,305,337	1,540,539
<b>General Revenues:</b>			
Property taxes	56,247,643	53,882,847	2,364,796
Motor vehicle and other taxes	2,918,134	2,829,187	88,947
Hotel room occupancy and meals taxes	1,366,205	1,391,703	(25,498)
Penalties and interest on taxes	203,295	202,240	1,055
Nonrestricted grants and contributions	4,559,056	5,163,207	(604,151)
Unrestricted investment income	149,347	135,548	13,799
Gain/(Loss) on Sale of Capital Assets	290,976	-	290,976
Miscellaneous	43,980	66,657	(22,677)
<b>Total revenues</b>	<b>114,552,620</b>	<b>108,918,191</b>	<b>5,634,429</b>
<b>Expenses:</b>			
General government	7,275,200	7,283,992	(8,792)
Public safety	14,944,540	13,885,635	1,058,905
Public works	4,975,110	4,442,462	532,648
Education	44,746,959	43,245,195	1,501,764
Health and human services	3,499,334	2,496,227	1,003,107
Culture and recreation	3,756,926	3,078,677	678,249
Employee benefits and insurance	33,747,006	27,922,661	5,824,345
State assessments	3,385,130	3,486,409	(101,279)
Interest	1,175,992	1,372,024	(196,032)
<b>Total expenses</b>	<b>117,506,197</b>	<b>107,213,282</b>	<b>10,292,915</b>
<b>Contributions to Permanent Funds</b>	<b>26,600</b>	<b>16,000</b>	<b>10,600</b>
<b>Transfers, net</b>	<b>1,781,005</b>	<b>1,391,142</b>	<b>389,863</b>
<b>Change in net position</b>	<b>(1,145,972)</b>	<b>3,112,051</b>	<b>(4,258,023)</b>
<b>Net position - beginning of year</b>	<b>17,977,754</b>	<b>14,865,703</b>	<b>3,112,051</b>
<b>Net position - end of year</b>	<b>\$ 16,831,782</b>	<b>\$ 17,977,754</b>	<b>\$ (1,145,972)</b>

	<b>Business-Type Activities</b>		
	<b>2017</b>	<b>2016</b>	<b>Change</b>
<b>Program Revenues:</b>			
Sewer	\$ 6,555,500	\$ 6,070,377	\$ 485,123
Water	7,421,154	6,881,817	539,337
Solid Waste	550,033	550,368	(335)
<b>Total Revenues</b>	<b>14,526,687</b>	<b>13,502,562</b>	<b>1,024,125</b>
<b>Expenses:</b>			
Sewer	2,953,197	2,914,555	38,642
Water	4,770,175	4,524,122	246,053
Solid Waste	589,718	350,771	238,947
<b>Total expenses</b>	<b>8,313,090</b>	<b>7,789,448</b>	<b>523,642</b>
<b>Transfers, net</b>	<b>(1,781,005)</b>	<b>(1,391,142)</b>	<b>(389,863)</b>
<b>Change in net position</b>	<b>4,432,592</b>	<b>4,321,972</b>	<b>110,620</b>
<b>Net position - beginning of year</b>	<b>42,991,145</b>	<b>38,669,173</b>	<b>4,321,972</b>
<b>Net position - end of year</b>	<b>\$ 47,423,737</b>	<b>\$ 42,991,145</b>	<b>\$ 4,432,592</b>

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$64,255,519 at the close of fiscal year 2017.

Net position of \$87,873,540 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, \$27,505,662 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$51,123,683).

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 decreased by \$1,145,972 (6%) during the current fiscal year. The key elements of the increase in net position for fiscal year 2017 is attributed to increases as a result of the change in the deferred outflow/(inflow) of resources of \$6,271,911 and in the acquisition of \$9,940,085 in new capital assets exceeding the sale of capital assets of \$124 and the depreciation expense (cost spread out over the useful life of the asset) for the year of \$6,256,809 and the decreases from net changes in the OPEB obligation of \$6,362,745 and in the net pension liability of \$8,149,043.

There was an increase of \$4,432,592 (10%) in net position reported in connection with the sewer, water and solid waste business-type activities. Of this, there were increases of \$2,628,278 attributed to the sewer department and of \$1,958,812 attributed to the water department and a decrease of \$154,498 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 \$44,680,187, an increase of \$3,087,548 (7%) in comparison with the prior year.

Breakdown of the governmental fund balances are as follows:

- Nonspendable fund balance – \$758,706 (2%).
- Restricted fund balance – \$22,426,877 (50%).
- Committed fund balance – \$855,159 (2%).
- Assigned fund balance – \$6,549,947 (14%).
- Unassigned fund balance – \$14,089,498 (32%).

At the end of the fiscal year, the General Fund reported a fund balance of \$20,852,714 increasing \$2,493,978 (14%) from the prior year. Of the \$20,852,714, the unassigned amount is \$14,089,498 (68%), the assigned amount of \$6,549,947 (31%) and restricted amount of \$213,269 (1%). General fund revenues increased \$3,861,992 (4%) over the prior fiscal year while the expenditures also increased \$3,967,663 (4%). Other activities in the General fund were net transfers in from other funds of \$2,556,797.

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 \$2,336,226 (4%) and in intergovernmental - "on-behalf" payments of \$2,238,946 (41%) and a decrease in intergovernmental receipts of \$1,238,458 (8%).

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

- Increase in Public safety expenditures of \$1,374,187 (12%).
- Increase in Public works expenditures of \$559,858 (28%).
- Increase in Education expenditures of \$520,832 (2%).
- Increase in Employee benefits and insurance expenditures of \$3,415,015 (15%).
- Decrease in Capital improvements expenditures of \$1,708,254 (48%).
- Decrease in Debt service (principal and Interest) expenditures of \$381,689 (7%).

The *Stormwater Fund* is used to account for the construction of road drainage improvements. The fund has a balance of \$2,117,923 and shows an increase of \$681,258 (47%) in total operations. This amount was attributed to charges for services of \$1,927,663, investment income and other receipts of \$14,378, and expenditures of \$992,361. Other activity in the Stormwater fund was transfers out to the General fund of \$268,422.

### 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 \$17,383,383 and shows an increase of \$2,628,278 (18%) in total operations. This change was mainly attributed to operating revenues exceeding current operating costs by \$3,618,282, interest income of \$71,773, interest expense of \$87,752 and net transfers out to the governmental funds of \$974,025. Operating revenues increased by \$557,270 (9%) while operating expenses also increased by \$33,005 (1%) 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 \$27,351,699 and shows an increase of \$1,958,812 (8%) in total operations. This change resulted from operating revenues exceeding current operating costs by \$2,781,305, interest income of \$62,772, intergovernmental receipts of \$273,357, interest expense of \$466,455 and net transfers out to the governmental funds of \$692,167. Operating revenues increased by \$551,515 (8%) while operating expenses also increased by \$332,424 (8%) 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 \$2,688,655 and shows a decrease of \$154,498 (5%) in total operations. This change resulted from operating costs exceeding current operating revenues by \$63,553, interest income of \$23,893, interest expense of \$25 and net transfers out to governmental funds of \$114,813. Operating revenues decreased by \$10,866 (2%) while operating expenses increased by \$238,957 (68%) from the prior year.

## General Fund Budgetary Highlights

The final general fund budget for fiscal year 2017 was \$96,449,422. This was an increase of \$3,525,763 (4%) over the previous year's final budget.

There was an increase of \$3,784,754 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 \$3,115,843.

General fund expenditures were less than budgeted by \$8,689,375. Of the \$8,689,375 in under budget expenditures, \$6,549,947 has been carried over to fiscal year 2018.

There was a negative variance in intergovernmental receipts of \$128,938 as revenues did not meet budget expectations.

Overall, the variance with the final budget was a positive \$4,355,791 consisting of a revenue surplus of \$2,216,363 and an appropriation surplus of \$2,139,428.

## 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, 2017 amounts to \$96,512,097 and \$43,693,415, 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 \$1,288,450.
- City-wide telephone system equipment for \$607,120.
- Parking garage meter system for \$77,875.
- Parking garage improvements for \$127,656.
- Police vehicles and equipment for \$184,046.
- Police building firing range and other improvements for \$202,581.

- Fire Department dispatch system for \$423,220.
- Fire Stations' improvements for \$190,490.
- Fire Department vehicles and equipment for \$385,815.
- Highway and Stormwater vehicles and equipment for \$62,705.
- Road and drainage infrastructure improvements for \$3,885,815.
- Northampton Public Schools' vehicles and equipment for \$61,734.
- Northampton Public Schools' improvements for \$330,513.
- Sale of Feiker Elementary School and land for \$291,100.
- Smith Vocational vehicles and equipment for \$62,748.
- Smith Vocational improvements for \$75,195.
- Council on Aging vehicle for \$66,328.
- Northampton Community boathouse improvements for \$163,973.
- Forbes Library improvements for \$20,990.
- Florence recreational fields improvements for \$7,950.
- Park improvements for \$1,353,294.

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

For the Sewer Department:

- Vehicle and equipment purchases for \$229,435.
- Sewer infrastructure improvements for \$99,970.

For the Water Department:

- Watershed land purchase for \$253,250.
- Vehicle and equipment purchases for \$99,576.
- Water infrastructure improvements for \$1,027,682.

**Debt Administration.** The City's outstanding governmental debt, as of June 30, 2017, totaled \$35,307,973 as follows:

- \$4,833,950 for school projects.
- \$2,946,050 for City building projects
- \$13,925,000 for the police facility.
- \$555,000 for land acquisitions.
- \$724,100 for storm and surface drains.
- \$2,964,700 for road, sidewalk and bridge projects.
- \$2,602,500 for park improvements.
- \$2,320,250 for departmental vehicles and equipment.
- \$65,000 for technology.
- \$4,361,000 for energy projects.
- \$10,423 for the Septic V community septic program.

The City's outstanding business-type debt totaled, as of June 30, 2017, totaled \$20,122,718 as follows:

- \$2,872,822 in sewer debt.
- \$17,249,896 in water debt.

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, 2017 do not reflect the fiscal year 2018 City Council actions. The City Council meeting on June 15, 2017 authorized a fiscal year 2018 operating and capital budget as follows:

<b>From raise and appropriate</b>		\$ 83,341,292
<b>From Business-Type Funds:</b>		
Sewer fund receipts	\$ 5,268,942	
Sewer retained earnings	1,001,057	6,269,999
Water fund receipts	6,128,236	
Water stabilization	816,680	
Water retained earnings	701,764	7,646,680
Solid waste fund receipts	355,486	
Solid waste retained earnings	243,773	599,259
<b>From Other Available Funds:</b>		
<b>General Fund:</b>		
Reserve for Debt		27,373
<b>Non-major Governmental Funds:</b>		
Cemetery perpetual care funds	10,000	
Community Preservation Funds	13,609	
Conservation wetlands fees	5,000	
Municipal waterways fund	1,500	
Parking Meter Receipts	1,795,797	
Sale of cemetery lots	5,000	1,830,906
Stormwater fund receipts	1,680,565	
Stormwater fund	276,993	1,957,558
		<u>\$ 101,673,067</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, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Cash Equivalents	\$ 44,451,516	\$ 25,258,143	\$ 69,709,659
Investments	4,771,093	4,496,882	9,267,975
Receivables, net of allowance for uncollectibles:			
Property Taxes	802,883	-	802,883
Deferred Property Taxes	118,270	-	118,270
Tax Liens	337,406	-	337,406
Excise Taxes	220,641	-	220,641
User Charges	-	1,009,655	1,009,655
Departmental	678,569	-	678,569
Loans	59,342	-	59,342
Due from Other Governments	5,922,386	-	5,922,386
Total current assets	<u>57,362,106</u>	<u>30,764,680</u>	<u>88,126,786</u>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	2,144,082	-	2,144,082
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	25,233,535	4,077,617	29,311,152
Depreciable	71,278,562	39,615,798	110,894,360
Total noncurrent assets	<u>98,656,179</u>	<u>43,693,415</u>	<u>142,349,594</u>
<b>Total Assets</b>	<u>156,018,285</u>	<u>74,458,095</u>	<u>230,476,380</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	12,241,590	709,334	12,950,924
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants Payable	2,743,410	437,950	3,181,360
Accrued Payroll	2,875,717	40,508	2,916,225
Payroll Withholdings	651,329	-	651,329
Tax Refund Payable	164,000	-	164,000
Accrued Interest	196,850	75,063	271,913
Compensated Absences	1,238,556	71,153	1,309,709
Bond Anticipation Notes Payable	-	73,066	73,066
Bonds Payable	4,806,812	2,012,870	6,819,682
Total current liabilities	<u>12,676,674</u>	<u>2,710,610</u>	<u>15,387,284</u>
<b>NONCURRENT:</b>			
Landfill Closure	-	1,820,000	1,820,000
Compensated Absences	2,085,582	71,892	2,157,474
OPEB Obligation Payable	49,773,300	1,763,769	51,537,069
Net Pension Liability	54,606,086	3,164,126	57,770,212
Bonds Payable	30,501,161	18,109,848	48,611,009
Total noncurrent liabilities	<u>136,966,129</u>	<u>24,929,635</u>	<u>161,895,764</u>
<b>Total Liabilities</b>	<u>149,642,803</u>	<u>27,640,245</u>	<u>177,283,048</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	1,785,290	103,447	1,888,737
<b>NET POSITION</b>			
Net Investment in Capital Assets	64,375,909	23,497,631	87,873,540
Restricted for:			
Capital Projects	4,234,489	1,264,252	5,498,741
Federal & State Grants	6,736,684	-	6,736,684
Community Preservation	1,348,460	-	1,348,460
Permanent Funds:			
Expendable	442,246	-	442,246
Nonexpendable	758,706	-	758,706
Other Purposes	12,720,825	-	12,720,825
Unrestricted	(73,785,537)	22,661,854	(51,123,683)
<b>Total Net Position</b>	<u>\$ 16,831,782</u>	<u>\$ 47,423,737</u>	<u>\$ 64,255,519</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, 2017**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 7,275,200	\$ 3,737,073	\$ 1,405,773	\$ 256,256	\$ (1,876,098)	\$ -	\$ (1,876,098)
Public Safety	14,944,540	4,080,163	469,931	-	(10,394,446)	-	(10,394,446)
Public Works	4,975,110	2,084,617	294,144	2,914,646	318,297	-	318,297
Education	44,746,959	8,080,191	14,380,249	136,024	(22,150,495)	-	(22,150,495)
Health and Human Services	3,499,334	279,250	1,172,174	-	(2,047,910)	-	(2,047,910)
Culture and Recreation	3,756,926	487,183	622,099	538,950	(2,108,694)	-	(2,108,694)
Employee Benefits and Insurance	33,747,006	-	7,661,862	-	(26,085,144)	-	(26,085,144)
State Assessments	3,385,130	-	-	-	(3,385,130)	-	(3,385,130)
Interest	1,175,992	-	173,399	-	(1,002,593)	-	(1,002,593)
<b>Total Governmental Activities</b>	<b>117,506,197</b>	<b>18,748,477</b>	<b>26,179,631</b>	<b>3,845,876</b>	<b>(68,732,213)</b>	<b>-</b>	<b>(68,732,213)</b>
<b>Business-Type Activities:</b>							
Sewer	2,953,197	6,483,727	71,773	-	-	3,602,303	3,602,303
Water	4,770,175	7,085,025	239,917	96,212	-	2,650,979	2,650,979
Solid Waste	589,718	526,140	23,893	-	-	(39,685)	(39,685)
<b>Total Primary Government</b>	<b>\$ 125,819,287</b>	<b>\$ 32,843,369</b>	<b>\$ 26,515,214</b>	<b>\$ 3,942,088</b>	<b>(68,732,213)</b>	<b>6,213,597</b>	<b>(62,518,616)</b>
<b>General Revenues:</b>							
Property taxes					56,247,643	-	56,247,643
Motor vehicle and other taxes					2,918,134	-	2,918,134
Hotel room occupancy and Meals taxes					1,366,205	-	1,366,205
Penalties & interest on taxes					203,295	-	203,295
Grants & contributions not restricted to specific programs					4,559,056	-	4,559,056
Unrestricted investment income					149,347	-	149,347
Gain/(Loss) on Sale of Capital Assets					290,976	-	290,976
Miscellaneous					43,980	-	43,980
<b>Contributions to Permanent Funds</b>					26,600	-	26,600
<b>Transfers, net</b>					1,781,005	(1,781,005)	-
<b>Total General Revenues, Contributions and Transfers</b>					<b>67,586,241</b>	<b>(1,781,005)</b>	<b>65,805,236</b>
<b>Change in Net Position</b>					<b>(1,145,972)</b>	<b>4,432,592</b>	<b>3,286,620</b>
<b>Net Position:</b>							
Beginning of year					17,977,754	42,991,145	60,968,899
End of year					<b>\$ 16,831,782</b>	<b>\$ 47,423,737</b>	<b>\$ 64,255,519</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	General Fund	Stormwater Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 22,523,556	\$ 2,011,452	\$ 19,916,508	\$ 44,451,516
Investments	3,297,713	249,827	1,223,553	4,771,093
Receivables, net of allowance for uncollectibles:				
Property Taxes	790,167	-	12,716	802,883
Deferred Property Taxes	118,270	-	-	118,270
Tax Liens	332,982	-	4,424	337,406
Excise Taxes	220,641	-	-	220,641
Departmental	436,266	225,327	16,976	678,569
Loans	-	-	59,342	59,342
Due from Other Governments	3,674,675	-	4,391,793	8,066,468
<b>Total Assets</b>	<b>\$ 31,394,270</b>	<b>\$ 2,486,606</b>	<b>\$ 25,625,312</b>	<b>\$ 59,506,188</b>
<b>Liabilities:</b>				
Warrants and Accounts Payable	\$ 1,569,088	\$ 138,858	\$ 1,035,464	\$ 2,743,410
Accrued Payroll	2,831,845	4,498	39,374	2,875,717
Employee Withholdings	645,622	-	-	645,622
Tax Refund Payable	164,000	-	-	164,000
<b>Total Liabilities</b>	<b>5,210,555</b>	<b>143,356</b>	<b>1,074,838</b>	<b>6,428,749</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable Revenue	5,331,001	225,327	2,840,924	8,397,252
<b>Fund Balance:</b>				
Nonspendable	-	-	758,706	758,706
Restricted	213,269	2,117,923	20,095,685	22,426,877
Committed	-	-	855,159	855,159
Assigned	6,549,947	-	-	6,549,947
Unassigned	14,089,498	-	-	14,089,498
<b>Total Fund Balance</b>	<b>20,852,714</b>	<b>2,117,923</b>	<b>21,709,550</b>	<b>44,680,187</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 31,394,270</b>	<b>\$ 2,486,606</b>	<b>\$ 25,625,312</b>	<b>\$ 59,506,188</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Stormwater Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 55,135,786	\$ -	\$ 1,158,554	\$ 56,294,340
Intergovernmental	14,747,821	-	11,373,483	26,121,304
Excise and Other Taxes	2,939,102	-	5,420	2,944,522
Hotel Room Occupancy and Meals Taxes	1,366,205	-	-	1,366,205
Charges for Services	3,672,373	1,927,663	4,165,706	9,765,742
Licenses, Permits, Fees	9,485,664	-	-	9,485,664
Interest on Taxes	200,930	-	2,365	203,295
Investment Income	149,347	9,168	140,461	298,976
Gifts and Donations	-	-	485,263	485,263
Other	-	5,210	282,774	287,984
Intergovernmental - "On-behalf" Payments	7,656,668	-	-	7,656,668
<b>Total Revenues</b>	<b>95,353,896</b>	<b>1,942,041</b>	<b>17,614,026</b>	<b>114,909,963</b>
<b>Expenditures:</b>				
Current:				
General Government	5,473,519	-	2,313,204	7,786,723
Public Safety	12,796,009	-	1,710,973	14,506,982
Public Works	2,552,780	602,393	4,558,543	7,713,716
Education	34,891,669	-	7,429,906	42,321,575
Health and Human Services	1,483,852	-	1,903,038	3,386,890
Culture and Recreation	2,164,712	-	2,658,340	4,823,052
Employee Benefits and Insurance	25,710,073	-	-	25,710,073
Capital Improvements	1,876,790	342,918	-	2,219,708
State Assessments	3,385,130	-	-	3,385,130
Debt Service:				
Principal	4,012,700	40,000	435,212	4,487,912
Interest	1,069,481	7,050	128,053	1,204,584
<b>Total Expenditures</b>	<b>95,416,715</b>	<b>992,361</b>	<b>21,137,269</b>	<b>117,546,345</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(62,819)</b>	<b>949,680</b>	<b>(3,523,243)</b>	<b>(2,636,382)</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	2,588,667	-	31,870	2,620,537
Operating Transfers Out	(31,870)	(268,422)	(539,240)	(839,532)
Sale of Capital Assets	-	-	291,100	291,100
Bond Premium	-	-	286,825	286,825
Proceeds from Issuance of Bonds	-	-	3,365,000	3,365,000
<b>Total Other Financing Sources (Uses)</b>	<b>2,556,797</b>	<b>(268,422)</b>	<b>3,435,555</b>	<b>5,723,930</b>
<b>Net Change in Fund Balances</b>	<b>2,493,978</b>	<b>681,258</b>	<b>(87,688)</b>	<b>3,087,548</b>
<b>Fund Balances, Beginning of Year</b>	<b>18,358,736</b>	<b>1,436,665</b>	<b>21,797,238</b>	<b>41,592,639</b>
<b>Fund Balances, End of Year</b>	<b>\$ 20,852,714</b>	<b>\$ 2,117,923</b>	<b>\$ 21,709,550</b>	<b>\$ 44,680,187</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Position**  
**For the Year Ended June 30, 2017**

<b>Total Governmental Fund Balances</b>		\$	44,680,187
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			96,512,097
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			8,397,252
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.			10,450,593
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:			
Bonds Payable	\$	(35,307,973)	
Other Post Employment Benefits Payable		(49,773,300)	
Net Pension Liability		(54,606,086)	
Compensated Absences		(3,324,138)	(143,011,497)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			<u>(196,850)</u>
<b>Net Position of Governmental Activities</b>		<b>\$</b>	<b><u><u>16,831,782</u></u></b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2017**

**Net Change in Fund Balances - Total Governmental Funds** \$ 3,087,548

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	\$ 9,940,085	
Sale of Capital Assets	(124)	
Depreciation	<u>(6,256,809)</u>	3,683,152

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. (908,544)

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	4,487,912	
Proceeds from Bonds and Notes	<u>(3,365,000)</u>	1,122,912

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	80,245	
Net Change in Other Post Employment Benefits	(6,362,745)	
Net Change in Net Pension Liability	(8,149,043)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	6,271,911	
Net Change in Accrued Interest on Long-Term Debt	<u>28,592</u>	<u>(8,131,040)</u>

**Change in Net Position of Governmental Activities** \$ (1,145,972)

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, 2017**

	Budgeted Amounts			Actual Budgetary Basis	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried		Final Budget			
	Forward from Prior Year	Original Budget				
<b>Revenues:</b>						
Property Taxes	\$ -	\$ 55,027,307	\$ 55,027,307	\$ 55,295,786	\$ -	\$ 268,479
Intergovernmental	-	14,876,759	14,876,759	14,747,821	-	(128,938)
Excise and Other Taxes	-	2,547,300	2,547,300	2,939,102	-	391,802
Hotel Room Occupancy and Meals Taxes	-	1,252,500	1,252,500	1,366,205	-	113,705
Charges for Services	-	3,022,448	3,022,448	3,672,373	-	649,925
Licenses, Permits, Fees	-	8,637,503	8,637,503	9,485,664	-	848,161
Interest on Taxes	-	161,000	161,000	200,930	-	39,930
Investment Income	-	79,000	79,000	112,299	-	33,299
<b>Total Revenues</b>	-	85,603,817	85,603,817	87,820,180	-	2,216,363
<b>Expenditures:</b>						
Current:						
General Government	85,221	6,175,596	5,899,746	5,473,519	119,548	306,679
Public Safety	367,433	12,551,322	13,622,624	12,796,009	98,958	727,657
Public Works	186,994	2,319,243	2,890,618	2,552,780	199,207	138,631
Education	373,190	35,061,713	35,460,581	34,891,669	497,440	71,472
Health and Human Services	8,146	1,515,233	1,561,000	1,483,852	-	77,148
Culture and Recreation	13,119	2,218,095	2,240,787	2,164,712	17,676	58,399
Employee Benefits and Insurance	269,490	18,497,207	18,676,055	18,053,405	247,905	374,745
Capital Improvements	3,928,374	280,000	7,324,217	1,876,790	5,369,213	78,214
State Assessments	-	3,636,338	3,636,338	3,385,130	-	251,208
Debt Service:						
Principal	-	4,004,000	4,012,700	4,012,700	-	-
Interest	-	1,173,954	1,124,756	1,069,481	-	55,275
<b>Total Expenditures</b>	5,231,967	87,432,701	96,449,422	87,760,047	6,549,947	2,139,428
<b>Excess of Revenues Over (Under) Expenditures</b>	(5,231,967)	(1,828,884)	(10,845,605)	60,133	(6,549,947)	4,355,791
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	-	2,147,443	3,416,850	3,416,850	-	-
Operating Transfers Out	-	(347,288)	(2,030,141)	(2,030,141)	-	-
<b>Total Other Financing Sources (Uses)</b>	-	1,800,155	1,386,709	1,386,709	-	-
<b>Net Change in Budgetary Fund Balance</b>	(5,231,967)	(28,729)	(9,458,896)	\$ 1,446,842	\$ (6,549,947)	\$ 4,355,791
<b>Other Budgetary Items:</b>						
Free Cash and Other Reserves	-	28,729	4,226,929			
Prior Year Encumbrances	5,231,967	-	5,231,967			
<b>Total Other Budgetary Items</b>	5,231,967	28,729	9,458,896			
<b>NET BUDGET</b>	\$ -	\$ -	\$ -			

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Reconciliation of Revenues and Expenditures**  
**from Budgetary Basis to GAAP Basis**  
**For the Year Ended June 30, 2017**

	<b>Revenues</b>	<b>Expenditures</b>
<b>Reported on a Budgetary Basis</b>	\$ 87,820,180	\$ 87,760,047
<i><u>Adjustments:</u></i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	37,048	-
Net Decrease in Revenue from recording Refund Taxes Payable	(164,000)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	7,656,668	-
Recognition of Expenditures - "on behalf payments"	-	7,656,668
Net Increase in Revenue from Recording 60-Day Receipts	4,000	-
<b>Reported on a GAAP Basis</b>	<b>\$ 95,353,896</b>	<b>\$ 95,416,715</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2017**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and Cash Equivalents	\$ 11,441,552	\$ 10,439,265	\$ 3,377,326	\$ 25,258,143
Investments	2,997,921	-	1,498,961	4,496,882
User Charges, net of allowance for uncollectibles	554,509	430,696	24,450	1,009,655
<b>Total current assets</b>	<b>14,993,982</b>	<b>10,869,961</b>	<b>4,900,737</b>	<b>30,764,680</b>
<b>NONCURRENT:</b>				
Capital Assets, net of accumulated Depreciation:				
Nondepreciable	36,079	4,041,538	-	4,077,617
Depreciable	7,311,921	32,303,877	-	39,615,798
<b>Total noncurrent assets</b>	<b>7,348,000</b>	<b>36,345,415</b>	<b>-</b>	<b>43,693,415</b>
<b>Total Assets</b>	<b>22,341,982</b>	<b>47,215,376</b>	<b>4,900,737</b>	<b>74,458,095</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows Related to Pensions	268,535	419,090	21,709	709,334
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants and Accounts Payable	253,329	177,658	6,963	437,950
Accrued Payroll	15,563	21,615	3,330	40,508
Accrued Interest	17,548	57,515	-	75,063
Compensated Absences	37,816	29,461	3,876	71,153
Bond Anticipation Notes Payable	73,066	-	-	73,066
Bonds Payable	391,985	1,620,885	-	2,012,870
<b>Total current liabilities</b>	<b>789,307</b>	<b>1,907,134</b>	<b>14,169</b>	<b>2,710,610</b>
<b>NONCURRENT:</b>				
Landfill Closure	-	-	1,820,000	1,820,000
Compensated Absences	46,232	20,357	5,303	71,892
OPEB Obligation Payable	673,742	795,711	294,316	1,763,769
Net Pension Liability	1,197,854	1,869,435	96,837	3,164,126
Bonds Payable	2,480,837	15,629,011	-	18,109,848
<b>Total noncurrent liabilities</b>	<b>4,398,665</b>	<b>18,314,514</b>	<b>2,216,456</b>	<b>24,929,635</b>
<b>Total Liabilities</b>	<b>5,187,972</b>	<b>20,221,648</b>	<b>2,230,625</b>	<b>27,640,245</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows Related to Pensions	39,162	61,119	3,166	103,447
<b>NET POSITION</b>				
Net Investment in Capital Assets	4,402,112	19,095,519	-	23,497,631
Restricted for Capital	1,260,515	3,737	-	1,264,252
Unrestricted	11,720,756	8,252,443	2,688,655	22,661,854
<b>Total Net Position</b>	<b>\$ 17,383,383</b>	<b>\$ 27,351,699</b>	<b>\$ 2,688,655</b>	<b>\$ 47,423,737</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Business-Type Activities  
Enterprise Funds**

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>				
Charges for Services	\$ 6,445,563	\$ 6,919,457	\$ 354,777	\$ 13,719,797
Other	38,164	165,568	171,363	375,095
<b>Total Operating Revenues</b>	<b>6,483,727</b>	<b>7,085,025</b>	<b>526,140</b>	<b>14,094,892</b>
<b>Operating Expenses:</b>				
Salaries & Wages	1,055,286	1,132,696	201,470	2,389,452
Operating Expenses	1,417,102	1,966,664	318,067	3,701,833
Depreciation	393,057	1,204,360	70,156	1,667,573
<b>Total Operating Expenses</b>	<b>2,865,445</b>	<b>4,303,720</b>	<b>589,693</b>	<b>7,758,858</b>
<b>Operating Income (Loss)</b>	<b>3,618,282</b>	<b>2,781,305</b>	<b>(63,553)</b>	<b>6,336,034</b>
<b>Non-Operating Revenues (Expenses):</b>				
Interest Income	71,773	62,772	23,893	158,438
Intergovernmental	-	273,357	-	273,357
Interest Expense	(87,752)	(466,455)	(25)	(554,232)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(15,979)</b>	<b>(130,326)</b>	<b>23,868</b>	<b>(122,437)</b>
<b>Income (Loss) Before Transfers and Other Items</b>	<b>3,602,303</b>	<b>2,650,979</b>	<b>(39,685)</b>	<b>6,213,597</b>
<b>Transfers and Other Items:</b>				
Transfers In (Out)	(974,025)	(692,167)	(114,813)	(1,781,005)
<b>Total Transfers and Other Items</b>	<b>(974,025)</b>	<b>(692,167)</b>	<b>(114,813)</b>	<b>(1,781,005)</b>
<b>Change in Net Position</b>	<b>2,628,278</b>	<b>1,958,812</b>	<b>(154,498)</b>	<b>4,432,592</b>
<b>Net Position at Beginning of Year</b>	<b>14,755,105</b>	<b>25,392,887</b>	<b>2,843,153</b>	<b>42,991,145</b>
<b>Net Position at End of Year</b>	<b>\$ 17,383,383</b>	<b>\$ 27,351,699</b>	<b>\$ 2,688,655</b>	<b>\$ 47,423,737</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Business-Type Activities Enterprise Funds</b>			
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
<b>Cash Flows From Operating Activities:</b>				
Receipts from Customers and Users	\$ 6,260,854	\$ 6,875,385	\$ 355,227	\$ 13,491,466
Receipts from Other Revenues	38,164	165,568	171,363	375,095
Payments to Vendors	(1,273,857)	(1,444,442)	(314,846)	(3,033,145)
Payments to Employees	(1,031,139)	(1,130,613)	(202,157)	(2,363,909)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>3,994,022</b>	<b>4,465,898</b>	<b>9,587</b>	<b>8,469,507</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers from (to) Other Funds	(974,025)	(692,167)	(114,813)	(1,781,005)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(974,025)</b>	<b>(692,167)</b>	<b>(114,813)</b>	<b>(1,781,005)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
MCWT Project Drawdowns	4,591	-	-	4,591
Intergovernmental	-	273,357	-	273,357
Acquisition and Construction of Capital Assets	(329,405)	(1,380,508)	-	(1,709,913)
Principal Payments on Bonds and Notes	(445,411)	(1,620,200)	(1,000)	(2,066,611)
Interest Expense	(92,206)	(472,197)	(25)	(564,428)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(862,431)</b>	<b>(3,199,548)</b>	<b>(1,025)</b>	<b>(4,063,004)</b>
<b>Cash Flows from Investing Activities:</b>				
Investment Income	71,773	62,772	23,893	158,438
Sale/(Purchase) of Investments	(2,997,921)	-	(1,498,961)	(4,496,882)
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>(2,926,148)</b>	<b>62,772</b>	<b>(1,475,068)</b>	<b>(4,338,444)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(768,582)</b>	<b>636,955</b>	<b>(1,581,319)</b>	<b>(1,712,946)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>12,210,134</b>	<b>9,802,310</b>	<b>4,958,645</b>	<b>26,971,089</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 11,441,552</b>	<b>\$ 10,439,265</b>	<b>\$ 3,377,326</b>	<b>\$ 25,258,143</b>

( Continued )

**CITY OF NORTHAMPTON, MASSACHUSETTS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</b>				
<b>Operating Income (Loss)</b>	\$ 3,618,282	\$ 2,781,305	\$ (63,553)	\$ 6,336,034
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>				
Depreciation	393,057	1,204,360	70,156	1,667,573
Deferred (Outflows)/Inflows of Resources Related to Pensions	(122,293)	(248,084)	(11,297)	(381,674)
Change in Assets and Liabilities:				
Increase (Decrease) in Warrants Payable	130,016	(56,889)	(13,658)	59,469
Increase (Decrease) in Accrued Payroll	2,734	4,142	1,094	7,970
Increase (Decrease) in Compensated Absences	21,413	(2,059)	(1,781)	17,573
Increase (Decrease) in OPEB Obligation Payable	126,525	177,777	11,792	316,094
Increase (Decrease) in Net Pension Liability	8,997	649,418	16,384	674,799
Decrease (Increase) in User Charges Receivable	(184,709)	(44,072)	450	(228,331)
<b>Total Adjustments</b>	375,740	1,684,593	73,140	2,133,473
<b>Net Cash Provided by (Used for) Operating Activities</b>	\$ 3,994,022	\$ 4,465,898	\$ 9,587	\$ 8,469,507

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, 2017**

	<b>NORTHAMPTON</b>			
	<b>Employees Retirement System Pension Trust Fund (as of December 31, 2016)</b>		<b>Other Post Employment Benefits Trust Fund</b>	
		<b>Private Purpose Trust Funds</b>		<b>Agency Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 159,503	\$ -	\$ 221,089	\$ 310,403
Investments	106,075,429	433,771	1,755,350	-
Accrued Interest and Dividends	297,150	-	-	-
Accounts Receivable	5,626	-	-	-
<b>Total Assets</b>	<b>106,537,708</b>	<b>433,771</b>	<b>1,976,439</b>	<b>310,403</b>
<b>LIABILITIES</b>				
Warrants Payable	40,374	-	-	22,214
Due to Others	-	-	-	3,647
Due to Student Groups	-	-	-	162,986
Deposits and Escrows	-	-	-	121,556
<b>Total Liabilities</b>	<b>40,374</b>	<b>-</b>	<b>-</b>	<b>310,403</b>
<b>NET POSITION</b>				
Held in Trust for Pension Benefits and Other Purposes	\$ 106,497,334	\$ 433,771	\$ 1,976,439	\$ -

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, 2017**

	<b>NORTHAMPTON</b>		
	<b>Employees</b>		
	<b>Retirement</b>		
	<b>System Pension</b>	<b>Other</b>	<b>Private</b>
	<b>Trust Fund</b>	<b>Post Employment</b>	<b>Purpose</b>
	<b>(as of December</b>	<b>Benefits</b>	<b>Trust Funds</b>
	<b>31, 2016)</b>	<b>Trust Fund</b>	<b>Trust Funds</b>
<b>Additions</b>			
Contributions:			
Employers	\$ 5,629,486	\$ 3,732,254	\$ -
Plan Members	2,511,177	-	-
Transfers/Reimbursements from Other Systems	442,887	-	-
Federal Grant Reimbursements	15,690	-	-
Commonwealth of Massachusetts - COLA	66,413	-	-
Private Donations	-	-	10,000
<b>Total Contributions</b>	<b>8,665,653</b>	<b>3,732,254</b>	<b>10,000</b>
Investment Income:			
Interest & Dividends	2,327,016	13,111	40,134
Net Change in Fair Value of Investments	(3,077,591)	18,960	145,639
<b>Total Investment Earnings</b>	<b>(750,575)</b>	<b>32,071</b>	<b>185,773</b>
Less Investment Expense	(414,253)	-	-
<b>Net Investment Earnings</b>	<b>(1,164,828)</b>	<b>32,071</b>	<b>185,773</b>
<b>Total Additions</b>	<b>7,500,825</b>	<b>3,764,325</b>	<b>195,773</b>
<b>Deductions:</b>			
Benefit Payments to Plan Members and Beneficiaries	9,653,778	3,567,254	-
Refunds to Members	368,918	-	-
Transfers to Other Systems	769,833	-	-
Educational Scholarships	-	-	4,108
Human Services	-	-	1,600
General Expenses	207,475	-	15,399
<b>Total Deductions</b>	<b>11,000,004</b>	<b>3,567,254</b>	<b>21,107</b>
<b>Change in Net Position</b>	<b>(3,499,179)</b>	<b>197,071</b>	<b>174,666</b>
<b>Net Position at Beginning of Year</b>	<b>109,996,513</b>	<b>236,700</b>	<b>1,801,773</b>
<b>Net Position at End of Year</b>	<b>\$ 106,497,334</b>	<b>\$ 433,771</b>	<b>\$ 1,976,439</b>

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, 2017**

**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.

**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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**Fund financial statements**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

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

**Major Fund Criteria**

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

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

*and*

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

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

Proprietary and fiduciary funds are reported by fund type.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-wide financial statements**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of 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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

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.

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

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

#### **D. Cash and Cash Equivalents**

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

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

Investment income from proprietary funds is maintained in those funds.

#### **E. Investments**

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

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, 2016 and include betterments, special assessments and liens. Taxes are used to finance the operations of the City for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The City has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the City sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The City has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The City mailed preliminary tax bills for the fiscal year 2017 on June 30, 2016 and September 30, 2016, that were due on August 1, 2016 and November 1, 2016 and actual bills on December 27, 2016, and March 31, 2017, that were due on February 1, 2017 and May 1, 2017, respectively.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

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 2017 is as follows;

Legal Levy Limit Under Proposition		
2 1/2 for fiscal year 2017	\$	54,433,890
Add: Debt Exclusion		1,093,418
Maximum Allowable Levy	\$	55,527,308

The total amount raised by taxation was \$55,525,582.

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 veterans' services, storm water fees, school department fees, ambulance and other general government receipts.

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

**Loans**

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

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:

<b>Capital Asset Type</b>	<b>Years</b>
Buildings and renovations	10-40
Machinery, equipment and other	3-15
Infrastructure	20-50

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

**H. Interfund Transfers**

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

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

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

**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 City has only one item in this category, *deferred outflows related to pensions*.

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 City has only one item in this category, *deferred inflows related to pensions*.

**Fund financial statements**

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

"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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

“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.

**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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

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.

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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

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 2017, the City incurred a final budget deficit of \$9,458,896 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	\$ 4,198,200
Reserve for Debt	28,729
Prior year's encumbrances	<u>5,231,967</u>
	<u>\$ 9,458,896</u>

**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, 2017 were \$70,726,663. Of these, \$32,207 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, 2016 were \$323,358. 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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

As of June 30, 2017, the City had the following investments and maturities:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years)</b>	
		<b>Less Than 1</b>	<b>1 to 5</b>
<b>Debt Securities:</b>			
U. S. treasury obligations	\$ 395,752	\$ -	\$ 395,752
U. S. government agencies	2,019,601	-	2,019,601
Corporate bonds	1,917,167	-	1,917,167
Money market mutual funds	75,828	75,828	-
	<u>4,408,348</u>	<u>\$ 75,828</u>	<u>\$ 4,332,520</u>
<b>Other Investments:</b>			
Certificate of deposits	3,681,106		
Equity mutual funds	3,367,642		
	<u>\$ 11,457,096</u>		

**Custodial Credit Risks - Investments**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's \$11,457,096, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department and in the City's name. The City has no policy on custodial credit risk.

**Interest Rate Risk**

The City does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

**Credit Risk**

The City's exposure to credit risk as of June 30, 2017 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<b><i>U. S. Treasury Obligations:</i></b>	
Aaa	\$ 395,752
<b><i>U. S. Government Agencies:</i></b>	
Aaa	\$ 2,019,601
<b><i>Corporate Bonds:</i></b>	
A1	198,234
A2	369,971
Aa3	276,556
Ba1	110,210
Ba2	49,062
Baa1	572,365
Baa2	199,224
Baa3	141,545
<b><i>Money Market Mutual Funds:</i></b>	
Not rated	75,828
	\$ 4,408,348

**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 14.37% 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, 2017**

The City has the following recurring fair value measurements as of June 30, 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	\$ 395,752	\$ 395,752	\$ -	\$ -
U. S. government agencies	2,019,601	2,019,601	-	-
Certificates of deposit	3,681,106	3,681,106	-	-
Equity mutual funds	3,367,642	3,367,642	-	-
Money market mutual fund	75,828	75,828	-	-
Corporate bonds	1,917,167	-	1,917,167	-
<b>Total Investments</b>	<b>\$ 11,457,096</b>	<b>\$ 9,539,929</b>	<b>\$ 1,917,167</b>	<b>\$ -</b>

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, 2017**

- v. No investment shall be made in a company with less than a five year operating history.
  - vi. The holdings within the equity portfolio shall be diversified such that:
    - a. The equity portfolio shall consist of no fewer than 25 holdings;
    - b. no single industry shall account for more than 20% of the total market value;
    - c. at no time shall small capitalization stocks represent less than 10% of the total equity market value nor more than 50%.
  - vii. Recognizing that equity turnover may vary with market conditions and the specific characteristics of individual issues, turnover shall be targeted at no more than 150% per year.
- D. Fixed income investments shall comply with the following policies as well as relevant PERAC regulations including any modifications permitted by an exemption issued to the Board.
- i. At least 65% of the market value of the fixed income portfolio shall be in holdings rated no less than A or equivalent.
  - ii. No more than 5% of the portfolio shall have a rating less than investment grade, and no bond shall be below a rating of B. Split-rated bonds, i.e. bonds rated investment grade by at least one agency but rated below investment grade by another, are included in this 5%.
  - iii. No holding shall be purchased unless there is at least \$50 million par of the issue outstanding at the time of purchase.
  - iv. No more than 5% of the total market value of the portfolio shall be invested in the direct (as opposed to asset-backed or mortgage-backed) debt obligations of any one fixed income issuer except that issues of the U.S. government or agencies that have the full faith and credit of the U.S. government may be held without limit. The investment Manager may exceed that level, up to a maximum of 10%, however, if he or she feels it is prudent to do so as long as the Investment Manager promptly advises the Secretary to the Board of the situation so that the Board may review the investment at its next meeting.
  - v. Fixed income holdings which are downgraded below BBB or Baa shall be sold within one year of the downgrading unless the exemption issued to the Board permits retention.
  - vi. The adjusted modified duration of the fixed income portfolio shall be within the range of 75% to 125% of the duration of the Index.
  - vii. Excluding purchases and sales of issues of the U.S. government or agencies that have the full faith and credit of the U.S. government, the turnover of the fixed income portfolio shall not exceed 150% per year.
  - viii. The holdings within the fixed income portfolio shall be diversified such that:
    - a. the holdings shall be diversified across sectors and industries with no single industry representing more than one third the market value
    - b. except that issues of the U.S. government or agencies that have the full faith and credit of the U.S. government may be held without limit.
    - c. the fixed income portfolio will consist of no fewer than 20 holdings
    - d. at no time shall more than 80% of the market value of the holdings nor less than 20% have an adjusted modified duration longer than the Index.
- E. Cash and cash equivalents shall be invested in any or all of the following instruments: money market funds, repurchase agreements, short term instruments issued by the

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

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, 2016, the System had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
<b>Debt Securities:</b>					
U. S. treasury obligations	\$ 8,201,175	\$ 999,650	\$ -	\$ 3,000,223	\$ 4,201,302
Corporate bonds	26,125,870	1,321,120	7,540,229	11,699,000	5,565,521
Municipal bonds	3,885,405	-	-	-	3,885,405
Money market mutual funds	756,350	756,350	-	-	-
	<u>38,968,800</u>	<u>\$ 3,077,120</u>	<u>\$ 7,540,229</u>	<u>\$ 14,699,223</u>	<u>\$ 13,652,228</u>
<b>Other Investments:</b>					
Equity securities-domestic stocks	66,392,311				
PRIM pooled funds	<u>714,318</u>				
	<u>\$ 106,075,429</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 \$106,075,429; 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, 2017**

The System's exposure to credit risk as of December 31, 2016 is as follows:

Related Debt Instruments	Fair Value
<b>Moody's Quality Ratings</b>	
<b><i>U. S. Treasury Obligations:</i></b>	
AAA	\$ 8,201,175
<b><i>Corporate Bonds:</i></b>	
AAA	5,598,297
AA	4,325,208
A	5,423,673
BAA	10,057,824
BA/B	720,868
<b><i>Municipal Bonds:</i></b>	
AAA	1,561,933
AA	489,561
A	613,894
BAA	1,138,424
BA/B	81,593
<b><i>Money Market Mutual Funds:</i></b>	
Not rated	756,350
	\$ 38,968,800

**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, 2017**

The City has the following recurring fair value measurements for the System as of December 31, 2016:

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	\$ 8,201,175	\$ 8,201,175	\$ -	\$ -
Equity securities - domestic	66,392,311	66,392,311	-	-
Money market mutual fund	756,350	756,350	-	-
Corporate bonds	26,125,870	-	26,125,870	-
Municipal bonds	3,885,405	-	3,885,405	-
	105,361,111	\$ 75,349,836	\$ 30,011,275	\$ -
Investments Measured at Amortized Cost:				
External Investment Pools (PRIM)	714,318			
<b>Total Investments</b>	<b>\$ 106,075,429</b>			

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, 2017, receivables for the individual major governmental funds, non-major governmental funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 1,331,546	\$ (528,663)	\$ 802,883
Deferred property taxes	118,270	-	118,270
Tax liens	337,406	-	337,406
Taxes in litigation	6,794	(6,794)	-
Excise taxes	886,607	(665,966)	220,641
Departmental	1,444,071	(765,502)	678,569
Loans	59,342	-	59,342
Due from other governments	8,066,468	-	8,066,468
<b>Fiduciary funds:</b>			
<b>Northampton Employees Retirement System (at December 31, 2016):</b>			
Accounts Receivable	5,626	-	5,626
	\$ 12,256,130	\$ (1,966,925)	\$ 10,289,205

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

At June 30, 2017, receivables for the sewer, water and solid waste enterprise consist of the following:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Sewer Fund:</b>			
User charges	\$ 560,609	\$ (6,100)	\$ 554,509
<b>Water Fund:</b>			
User charges	431,696	(1,000)	430,696
<b>Solid Waste Fund:</b>			
User charges	65,981	(41,531)	24,450
	<u>\$ 1,058,286</u>	<u>\$ (48,631)</u>	<u>\$ 1,009,655</u>

The composition of amounts due from other governments as of June 30, 2017 for governmental funds and the business-type activities are as follows:

**Governmental Funds:**

**General Fund:**

**Commonwealth of Massachusetts:**

Department of Veterans Services:

    Veterans benefits

\$ 513,314

Massachusetts School Building Authority

    School Building Assistance - Capital portion

3,161,361 \$ 3,674,675

**Nonmajor Governmental Funds:**

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

    School title grants

39,117

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

169,803

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

    Community Development Block Grant

542,260

**U. S. Department of Public Health**

10,837

**Commonwealth of Massachusetts:**

    Department of Conservation and Recreation

30,000

    Department of Fire Services

15,964

    Executive Office of Environmental Affairs

588,203

    Executive Office of Public Safety & Homeland Security

32,258

    Massachusetts Department of Transportation:

        Highway Department

2,567,135

    Massachusetts Office on Disabilities

5,000

**Other:**

    Private Grants

391,216 4,391,793

\$ 8,066,468

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

**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:

<b>General Fund:</b>			
Property taxes	\$	548,167	
Deferred property taxes		118,270	
Tax liens		332,982	
Excise taxes		220,641	
Departmental		436,263	
Due from other governments		3,674,678	\$ 5,331,001
<b>Stormwater fund:</b>			
Departmental			225,327
<b>Nonmajor governmental funds:</b>			
Property taxes		12,716	
Tax liens		4,424	
Loans		59,342	
Due from other governments		2,764,442	2,840,924
			\$ 8,397,252

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2017, is as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 17,359,604	\$ 1,288,450	\$ (124)	\$ 18,647,930
Construction in progress	7,758,376	5,702,102	(6,874,873)	6,585,605
Total capital assets not being depreciated	25,117,980	6,990,552	(6,874,997)	25,233,535
Capital assets being depreciated:				
Buildings and improvements	122,094,364	7,517,783	(20,000)	129,592,147
Machinery, equipment and other	13,447,533	1,184,973	(39,247)	14,593,259
Infrastructure	25,516,867	1,121,650	-	26,638,517
Total capital assets being depreciated	161,058,764	9,824,406	(59,247)	170,823,923
Less accumulated depreciation for:				
Buildings	67,545,759	4,570,526	(20,000)	72,096,285
Machinery, equipment and other	10,490,472	984,451	(39,247)	11,435,676
Infrastructure	15,311,568	701,832	-	16,013,400
Total accumulated depreciation	93,347,799	6,256,809	(59,247)	99,545,361
Total capital assets being depreciated, net	67,710,965	3,567,597	-	71,278,562
Total governmental activities capital assets, net	\$ 92,828,945	\$ 10,558,149	\$ (6,874,997)	\$ 96,512,097

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 2,733,390	\$ 253,250	\$ -	\$ 2,986,640
Construction in progress	818,855	1,058,852	(786,730)	1,090,977
Total capital assets not being depreciated	<u>3,552,245</u>	<u>1,312,102</u>	<u>(786,730)</u>	<u>4,077,617</u>
Capital assets being depreciated:				
Buildings and Renovations	4,976,953	-	-	4,976,953
Machinery, equipment and other	3,000,155	329,011	-	3,329,166
Infrastructure	79,373,373	855,530	-	80,228,903
Total capital assets being depreciated	<u>87,350,481</u>	<u>1,184,541</u>	<u>-</u>	<u>88,535,022</u>
Less accumulated depreciation for:				
Buildings and Renovations	4,646,954	20,000	-	4,666,954
Machinery, equipment and other	2,607,162	156,963	-	2,764,125
Infrastructure	39,997,535	1,490,610	-	41,488,145
Total accumulated depreciation	<u>47,251,651</u>	<u>1,667,573</u>	<u>-</u>	<u>48,919,224</u>
Total capital assets being depreciated, net	<u>40,098,830</u>	<u>(483,032)</u>	<u>-</u>	<u>39,615,798</u>
Total business-type activities capital assets, net	<u>\$ 43,651,075</u>	<u>\$ 829,070</u>	<u>\$ (786,730)</u>	<u>\$ 43,693,415</u>

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

**Governmental Activities:**

General government	\$ 956,701
Public safety	1,272,987
Public works	902,181
Education	2,571,640
Health and human services	128,531
Culture and recreation	424,769
Total depreciation expense - governmental activities	<u>\$ 6,256,809</u>

**Business-Type Activities:**

Sewer fund	\$ 393,057
Water works fund	1,204,361
Solid waste fund	70,155
Total depreciation expense - business-type activities	<u>\$ 1,667,573</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

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

Interfund transfers for the fiscal year ended June 30, 2017, are summarized below:

Transfers Out:	Transfers In:		
	General fund	Nonmajor Governmental fund	Total
General fund	\$ -	\$ 31,870	\$ 31,870
Stormwater fund	268,422	-	268,422
Nonmajor governmental funds	539,240	-	539,240
Business-type fund	1,781,005	-	1,781,005
Total transfers out	<u>\$ 2,588,667</u>	<u>\$ 31,870</u>	<u>\$ 2,620,537</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, 2016	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2017
<b>Bond anticipation notes:</b>						
<b>Sewer Fund:</b>						
<b>Massachusetts Clean</b>						
<b>Water Trust Notes</b>						
Wastewater Management Plan	0.09%	12/31/2017	\$ 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, 2017**

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

	<b>Interest Rate</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Original Amount Issued</b>	<b>Outstanding June 30, 2017</b>
<b>Inside Debt:</b>					
<b>Massachusetts Clean Water Trust:</b>					
Septic Management Program Bond	N/A	10/25/2000	8/1/2018	\$ 93,837	\$ 10,423
<b>Municipal Purpose Loan of 2009:</b>					
DPW roof repairs	2.0-5.0%	2/12/2009	2/1/2029	25,000	5,000
Ryan Road bridge repairs	2.0-5.0%	2/12/2009	2/1/2029	125,000	50,000
Various school projects	2.0-5.0%	2/12/2009	2/1/2029	427,000	155,000
<b>Municipal Purpose Loan of 2010:</b>					
Drainage	3.01%	12/1/2010	11/15/2025	100,000	45,000
Police station	3.19%	12/1/2010	11/15/2025	1,100,000	665,000
Technology	2.31%	12/1/2010	11/15/2019	225,500	65,000
Energy conservation improvements	3.27%	12/1/2010	11/15/2025	4,893,000	3,245,000
Qualified energy conservation	1.73%	12/22/2010	11/15/2025	1,607,000	963,000
Clean renewable energy	1.73%	12/22/2010	11/15/2025	261,000	153,000
<b>Municipal Purpose Loan of 2012:</b>					
Police Station 1	2.30%	2/9/2012	12/1/2031	10,000,000	7,500,000
Police Station 2	2.32%	2/9/2012	12/1/2031	887,000	770,000
Police Station 3	2.28%	2/9/2012	12/1/2031	5,580,000	4,990,000
High School Track	1.44%	2/9/2012	12/1/2021	50,000	25,000
Drainage DPW	1.44%	2/9/2012	12/1/2021	250,000	125,000
Bean Farm Land Acquisition	1.79%	2/9/2012	12/1/2026	910,000	555,000
<b>Municipal Purpose Loan of 2014:</b>					
DPW Facility	0.79%	2/6/2014	2/1/2017	275,000	-
School Parking Lot	1.00%	2/6/2014	2/1/2018	125,000	30,000
Florence Fields	2.34%	2/6/2014	2/1/2027	1,200,000	915,000
Ryan Road School Roof	1.94%	2/6/2014	2/1/2024	150,000	105,000
SVAHS Boiler	1.94%	2/6/2014	2/1/2024	150,000	105,000
DPW Vehicles	1.79%	2/6/2014	2/1/2019	300,000	120,000
<b>Municipal Purpose Loan of 2015:</b>					
DPW Equipment	1.26%	6/4/2015	6/1/2020	360,000	210,000
Street Resurfacing	1.27%	6/4/2015	6/1/2020	1,000,000	600,000
River Road Retaining Wall	1.73%	6/4/2015	6/1/2020	375,500	295,000
Streetlights	1.75%	6/4/2015	6/1/2020	700,000	560,000
DPW Vehicle	1.25%	6/4/2015	6/1/2020	162,500	90,000
Connecticut River Levee	1.73%	6/4/2015	6/1/2020	377,000	295,000
Sub-total page 52					<b>\$ 22,646,423</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2017
<b>Inside Debt:</b>					
Continued from Page 52					\$ 22,646,423
Municipal Purpose Loan of 2016:					
Fire Truck	1.34%	6/7/2016	6/1/2026	\$ 585,000	525,000
LED Streetlights	1.33%	6/7/2016	6/1/2026	225,000	200,000
Radio Consoles-Dispatch	1.05%	6/7/2016	6/1/2021	375,000	300,000
Street Resurfacing	1.05%	6/7/2016	6/1/2021	500,000	400,000
Voice Over Internet Protocols system	1.05%	6/7/2016	6/1/2021	456,000	360,000
Refunding Loan of 2016:					
Library	1.36%	12/23/2015	9/1/2025	579,000	537,300
School Building Remodeling	1.36%	12/23/2015	9/1/2025	372,950	337,250
Surface Drainage	1.36%	12/23/2015	9/1/2025	263,100	259,100
Fire Station	1.36%	12/23/2015	9/1/2018	616,000	355,000
Senior Citizens Building	1.36%	12/23/2015	9/1/2025	1,661,200	1,661,200
Public Works Building Construction	1.36%	12/23/2015	9/1/2025	116,000	116,000
Outdoor Recreational Facility	1.36%	12/23/2015	9/1/2021	38,000	38,000
Refunding Loan of 2017:					
DPW Vehicle Replacement	1.52%	6/6/2017	6/1/2022	715,250	715,250
Forbes Library HVAC	1.52%	6/6/2017	6/1/2027	187,050	187,050
Forbes Library Windows	1.52%	6/6/2017	6/1/2026	46,500	46,500
River Road Retaining Wall	1.52%	6/6/2017	6/1/2017	386,000	386,000
Street Paving	1.52%	6/6/2017	6/1/2022	473,700	473,700
<b>Total Inside Debt</b>					<u>29,543,773</u>
<b>Outside Debt:</b>					
Pulaski Park renovations	1.05%	6/7/2016	6/1/2021	1,330,000	1,060,000
Refunding Loan of 2016:					
School remodeling	1.36%	12/23/2015	9/1/2019	61,000	30,700
High School project	1.36%	12/23/2015	9/1/2019	4,164,000	3,117,000
Refunding Loan of 2017:					
Pulaski Park Phase II	1.52%	6/6/2017	6/1/2027	627,500	627,500
Bridge Street Elementary School Roof	1.52%	6/6/2017	6/1/2027	464,500	464,500
Leeds Elementary School Roof	1.52%	6/6/2017	6/1/2027	464,500	464,500
<b>Total Outside Debt</b>					<u>5,764,200</u>
<b>Total Governmental Type Debt</b>					<u>\$ 35,307,973</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

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, 2017
<b>Inside Debt:</b>					
<b>Sewer:</b>					
Municipal Purpose Loan of 2012: Bradford Street Pump Station	2.30%	2/9/2012	12/1/2031	\$ 800,000	\$ 600,000
<b>Massachusetts Clean Water Trust:</b>					
Comprehansive Wastewater Management Plan	2.00%	6/13/2012	7/15/2032	706,047	509,822
Refunding Loan of 2016: Sewer projects	1.36%	12/23/2015	9/1/2019	786,000	548,000
<b>Total Inside Debt</b>					<u>1,657,822</u>
<b>Outside Debt:</b>					
<b>Sewer:</b>					
Wastewater Treatment Plant	1.35%	6/7/2016	6/1/2026	1,354,000	1,215,000
<b>Water:</b>					
Route 66 water mains	2.00-5.00%	2/12/2009	2/1/2029	1,200,000	690,000
<b>Massachusetts Clean Water Trust:</b>					
Water filtration plant	2.00%	2/1/2007	8/1/2024	2,241,713	1,168,614
Water filtration plant	2.00%	12/14/2006	7/15/2026	9,612,283	5,294,187
Water filtration plant	2.00%	12/14/2006	7/15/2026	14,000,000	7,710,825
Water filtration plant	2.00%	3/18/2009	7/15/2028	1,250,000	784,374
Well chlorination project	2.00%	7/8/2010	7/15/2025	459,416	291,994
Well chlorination project	2.00%	6/13/2012	7/15/2032	119,412	99,452
Refunding Loan of 2016: Water Filter Bed Construction	1.36%	12/23/2015	9/1/2024	409,300	363,000
Water Mains	1.36%	12/23/2015	9/1/2024	450,000	377,000
Water	1.36%	12/23/2015	9/1/2025	470,450	470,450
<b>Total Outside Debt</b>					<u>18,464,896</u>
<b>Total Business Type Debt</b>					<u>\$ 20,122,718</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

The annual principal and interest payments to retire all governmental and business-type activities long-term debt outstanding as of June 30, 2017 are as follows:

**Governmental**

Year	Principal	Interest	Total
2018	\$ 4,806,812	\$ 1,153,334	\$ 5,960,146
2019	5,009,061	975,615	5,984,676
2020	4,734,900	792,274	5,527,174
2021	3,301,700	642,187	3,943,887
2022	2,764,700	525,581	3,290,281
2023-2027	10,610,800	1,400,592	12,011,392
2028-2032	4,080,000	303,888	4,383,888
	<u>\$ 35,307,973</u>	<u>\$ 5,793,471</u>	<u>\$ 41,101,444</u>

**Business-type**

Year	Principal	Interest	Total
2018	\$ 2,012,870	\$ 481,719	\$ 2,494,589
2019	2,046,749	424,305	2,471,054
2020	2,072,709	367,407	2,440,116
2021	1,888,647	315,042	2,203,689
2022	1,924,424	266,088	2,190,512
2023-2027	9,434,841	620,182	10,055,023
2028-2032	697,954	42,320	740,274
2033	44,524	445	44,969
	<u>\$ 20,122,718</u>	<u>\$ 2,517,508</u>	<u>\$ 22,640,226</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due within One Year
<b>Governmental activities:</b>					
<b>Bonds Payable:</b>					
General obligation bonds	\$ 36,415,250	\$ 3,365,000	\$ 4,482,700	\$ 35,297,550	\$ 4,801,600
Massachusetts Clean Water Trust bonds	15,635	-	5,212	10,423	5,212
<b>Compensated absences</b>	3,404,383	14,621	94,866	3,324,138	1,238,556
<b>OPEB obligation payable</b>	43,410,555	6,362,745	-	49,773,300	-
<b>Net pension liability</b>	46,457,043	8,149,043	-	54,606,086	-
Governmental activity Long-term liabilities	<u>\$ 129,702,866</u>	<u>\$ 17,891,409</u>	<u>\$ 4,582,778</u>	<u>\$ 143,011,497</u>	<u>\$ 6,045,368</u>
<b>Business-type activities:</b>					
<b>Bonds Payable:</b>					
General obligation bonds	\$ 4,925,750	\$ -	\$ 662,300	\$ 4,263,450	\$ 577,400
Massachusetts Clean Water Trust bonds	17,263,579	-	1,404,311	15,859,268	1,435,470
<b>Landfill closure</b>	1,820,000	-	-	1,820,000	-
<b>Compensated absences</b>	125,472	21,413	3,840	143,045	71,153
<b>OPEB obligation payable</b>	1,447,675	316,094	-	1,763,769	-
<b>Net pension liability</b>	2,489,327	674,799	-	3,164,126	-
Business-type activity Long-term liabilities	<u>\$ 28,071,803</u>	<u>\$ 1,012,306</u>	<u>\$ 2,070,451</u>	<u>\$ 27,013,658</u>	<u>\$ 2,084,023</u>

**Massachusetts Clean Water Trust (MCWT)**

The City is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of \$28,482,718 and interest costs of \$6,619,178 for eight loans which the City has borrowed from MCWT. The gross amount outstanding at June 30, 2017 for principal and interest combined for the loans is \$17,646,956. The net repayments, including interest, are scheduled to be \$17,426,428. 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 2017 principal and interest subsidies totaled \$36,322.

**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, 2017, totaled \$31,201,596.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

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, 2017:

Equalized Valuation-Real Estate and Personal Property (2016)			\$ 3,523,921,000
Debt Limit: 5 % of Equalized value			176,196,050
Total Debt Outstanding			
Governmental Activity Debt	\$ 35,307,974		
Less: Debt Outside Debt Limit	(5,764,200)		29,543,774
Business-Type Activity Debt	20,122,718		
Less: Debt Outside Debt Limit	(18,464,896)		1,657,822
			31,201,596
Inside Debt Excess Borrowing Capacity at June 30, 2017			\$ 144,994,454

**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, 2017, which are not reflected in the City's financial statements, are as follows:

Date City Council Authorized	Purpose	Amount
9/1/2011	Flood control pumping station engine replacements	\$ 50,000
6/27/2013	River Road retaining wall slope stabilization	1,231,500
5/20/2016	Land Acquisition - Burts Pit Rd/Stone Ridge Rd/Overlook	500,000
6/3/2016	Look Memorial Park	625,000
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	Clement Street Bridge Project	375,000
4/21/2017	Forbes Library window replacement	350,000
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
		\$ 8,478,695

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

**H. Fund Balances**

The following is a summary of the City Governmental Fund balances at the year ended June 30, 2017:

	<b>General Fund</b>	<b>Stormwater Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Nonspendable:</b>				
Permanent funds	\$ -	\$ -	\$ 758,706	\$ 758,706
<b>Restricted:</b>				
Federal, state and local grants	-	-	3,837,350	3,837,350
School revolving funds	-	-	7,457,650	7,457,650
City revolving funds	-	-	942,805	942,805
Donations and gifts	-	-	1,237,069	1,237,069
Community preservation fund	-	-	1,331,320	1,331,320
Reserve for debt	213,269	-	-	213,269
Capital projects	-	-	4,234,489	4,234,489
Permanent funds	-	-	442,245	442,245
Other	-	2,117,923	612,757	2,730,680
	<u>213,269</u>	<u>2,117,923</u>	<u>20,095,685</u>	<u>22,426,877</u>
<b>Committed:</b>				
	-	-	-	-
Parking fund	-	-	675,369	675,369
Workers Compensation	-	-	179,790	179,790
	<u>-</u>	<u>-</u>	<u>855,159</u>	<u>855,159</u>
<b>Assigned:</b>				
General government	119,548	-	-	119,548
Public safety	98,958	-	-	98,958
Public works	199,207	-	-	199,207
Education	497,440	-	-	497,440
Culture and recreation	17,676	-	-	17,676
Employee benefits and insurance	247,905	-	-	247,905
Capital improvements	5,369,213	-	-	5,369,213
	<u>6,549,947</u>	<u>-</u>	<u>-</u>	<u>6,549,947</u>
<b>Unassigned:</b>				
General Fund	14,089,498	-	-	14,089,498
<b>Total Governmental fund balances</b>	<u>\$ 20,852,714</u>	<u>\$ 2,117,923</u>	<u>\$ 21,709,550</u>	<u>\$ 44,680,187</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

**I. Stabilization Fund**

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

At June 30, 2017 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 2,913,177
Capital stabilization fund	2,450,491
Fiscal stability stabilization fund	2,918,188
	<hr/>
	\$ 8,281,856
	<hr/>

**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, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

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, 2017**

As of June 30, 2017, the City of Northampton abated property taxes amounting to \$10,814 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 \$6,044.

A 50% for the first seven years and 25% for the remaining six years property tax abatement agreement was approved in March 2010 for the Coca-cola Company to make improvements to the property at the Industrial Drive location of at least \$25 million to construct an approximately 13,000 square foot building, retain its existing employment level of 172 employees and add 40 new full-time permanent jobs. In addition, the Coca-cola Company agrees to operate its business and maintain the level of jobs for a period of at least five years (term is thirteen years). The abatement for this fiscal year totaled \$4,770.

**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 \$1,820,000 as the estimate of the landfill maintenance and monitoring costs as of June 30, 2017 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 December 20, 2017, which is 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, 2017**

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, 2016. The City's portion of the collective pension expense contributed by the Commonwealth of \$7,656,668 on-behalf payments for the fiscal year ending June 30, 2017 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, 2016 was \$5,365,570, representing 20.7% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

**Pension Liability**

As of June 30, 2017, the City reported a liability of \$57,770,212 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, 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, 2016, 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, 2017, the City recognized a pension cost of \$7,550,783, reported deferred outflows of resources related to pensions of \$12,950,924, from the net difference between projected and actual investment earnings on pension plan investments, 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 \$1,888,737 from the changes in proportion and differences between employer contributions and proportion share of the contributions and the difference between expected and actual experience. Since the System performs an actuarial valuation bi-annually, there are no reported differences between the expected and actual experience or a change of assumptions as of December 31, 2016.

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

<u>For years ended June 30,</u>	
<b>2018</b>	<b>\$ 2,701,276</b>
<b>2019</b>	<b>2,701,276</b>
<b>2020</b>	<b>3,688,933</b>
<b>2021</b>	<b>1,885,984</b>
<b>2022</b>	<b>77,014</b>
<b>Thereafter:</b>	<b><u>7,704</u></b>
	<b><u><u>\$ 11,062,187</u></u></b>

**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, 2016:

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, 2017**

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 increase	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, 2016, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>
Fixed income	30.0%	0.73%
Large Capital Equities	45.0%	4.37%
Mid/Small Capital Equities	15.0%	4.61%
International Equities	5.0%	4.69%
Emerging Market Equities	3.0%	6.42%
Private Equity	2.0%	6.31%
Total	<u>100.0%</u>	

**Rate of Return**

For the year ended December 31, 2016, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was (1.03%).

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

**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:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
City's net pension liability	\$ 76,385,336	\$ 57,770,212	\$ 43,828,683

**G. Other Post Employment Benefits Payable**

**GASB Statement No. 45**

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, requires the City to account for OPEB, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns the post employment benefits, rather than when they use them. To the extent that an entity does not fund their actuarially required contribution, a post employment benefit liability is recognized on the Statement of Net Position.

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

**Plan Description**

In addition to providing pension benefits as described on the following footnote, the City provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. As of the actuarial valuation date there are approximately 1,776 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

**Funding Policy**

The contribution requirements of plan members and the City are established and may be amended through City policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2017 fiscal year, total City premiums plus implicit costs for the retiree medical program are \$3,717,254 (employer contributions of \$3,567,254 and contributions to the trust of \$150,000) consisting of \$3,586,544 for governmental activities and \$130,710 for the business-type activities.

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the City's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the plan:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Annual required contribution	\$ 10,508,795	\$ 462,651	\$ 10,971,446
Interest on net OPEB obligation	1,740,810	53,519	1,794,329
Adjustment to annual required contribution	(2,419,984)	(74,397)	(2,494,381)
Amortization of Actuarial (Gains)/Losses	119,668	5,031	124,699
Annual OPEB cost (expense)	9,949,289	446,804	10,396,093
Expected employer contributions	(3,442,552)	(124,702)	(3,567,254)
Contributions to OPEB Trust over 30 years	(143,992)	(6,008)	(150,000)
Increase in net OPEB obligation	6,362,745	316,094	6,678,839
Net OPEB Obligation - beginning of year	43,410,555	1,447,675	44,858,230
Net OPEB Obligation - end of year	<u>\$ 49,773,300</u>	<u>\$ 1,763,769</u>	<u>\$ 51,537,069</u>

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 fiscal year and the two preceding years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2017	\$ 10,396,093	34.5%	\$ 51,537,069
6/30/2016	\$ 9,767,785	35.9%	\$ 44,858,230
6/30/2015	\$ 10,292,648	37.3%	\$ 38,600,758

**Funded Status and Funding Process**

As of July 1, 2015, the most recent valuation date, the plan was 0.1% funded. The actuarial liability for benefits was \$113,272,707, and the actuarial value of assets was \$102,531, resulting in an unfunded actuarial accrued liability (UAAL) of \$113,170,176. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the UAAL to the covered payroll were not available.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City OPEB actuarial valuation as of July 1, 2015, used the individual entry age actuarial cost method. Actuarial assumptions include a 4.0% investment rate of return, a 2.5% general inflation rate, a 3.0% payroll growth rate per annum and health care cost trend rate at an ultimate level of 5.0% per year.

The unfunded actuarial accrued liability is being amortized over 30 years using a flat dollar amount. The remaining amortization period at June 30, 2017 is 21 years.

**GASB Statement No. 74**

The City did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2017, the trust balance is \$433,771.

**Investments**

The OPEB Trust fund does not have a formal investment policy. As of June 30, 2017, 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).

**Net OPEB Liability**

The components of the net OPEB liability are as follows:

	June 30, 2017
Total OPEB liability	\$ 166,849,985
Less: Plan fiduciary net position	(433,771)
City's Net OPEB liability	\$ 166,416,214
Plan fiduciary net position as a percentage of the total OPEB liability	0.26%

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified;

Valuation date	June 30, 2017
Actuarial cost method	Individual Entry Age Normal
Inflation rate	2.75% annually
Participant salary increases	3.00% annually
Investment rate of return	6.75% annually
Healthcare cost trend rates	an ultimate trend rate of 5.00% annually
Mortality rates	RP-2000 Employees Mortality Table projected generational with Scale BB and a base year of 2009 for males and females. For members retired; RP-2000 Healthy Annuitant Mortality Table projected generational with Scale BB and a base year of 2009 for males and females. Disabled mortality; RP-2000 Healthy Annuitant Mortality Table projected generational with Scale BB and a base year of 2012 for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2017 is 3.13%.

**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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

Best estimates of arithmetic real rates of return for each major class included in the target asset allocation as of June 30, 2017, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return</b>
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	100.00%	
I. Real Rate of Return		4.00%
II. Add: Inflation Assumption		2.75%
III. Total Nominal Return (I. + II.)		6.75%
IV. Less: Investment Expense		N/A
V. Net investment Return (III.-IV.)		6.75%

**Rate of Return**

For the year ended June 30, 2017, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 10.11%.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.50%. 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.

**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 3.50% 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 (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	<b>1% Decrease (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
City's net OPEB liability	\$ 202,482,753	\$ 166,416,214	\$ 140,817,371

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2017**

**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:

	<b>1% Decrease 4.00%</b>	<b>Healthcare Cost Trend Rate 5.00%</b>	<b>1% Increase 6.00%</b>
City's net OPEB liability	\$ 130,769,170	\$ 166,416,214	\$ 213,443,048

**H. Implementation Of New GASB Pronouncements**

The GASB issued Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2017.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*, for implementation in fiscal year 2017.

The GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, for implementation in fiscal year 2017.

The GASB issued Statement No. 82, *Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73*, for implementation in fiscal year 2017.

**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. 75, *Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2018.

The GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, for implementation in fiscal year 2018.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2021.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF NORTHAMPTON, MASSACHUSETTS  
Required Supplementary Information  
Pension Plan Schedules  
Northampton Contributory Retirement System  
For the Year Ended June 30, 2017**

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>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
City's share of the net pension liability (asset)	95.31%	95.41%	95.01%
City's proportionate share net pension liability (asset)	\$ 57,770,212	\$ 48,946,370	\$ 40,806,119
City's share of covered employee payroll	\$ 25,946,748	\$ 24,725,513	\$ 23,013,954
Net pension liability percentage of covered-employee payroll	222.6%	198.0%	177.3%
Plan fiduciary net position as a percentage of the total pension liability	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, 2017**

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>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 5,365,570	\$ 5,166,378	\$ 4,766,326
Less: Contributions in relation to the actuarially determined contribution	<u>(5,365,570)</u>	<u>(5,166,378)</u>	<u>(4,766,326)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's share of covered employee payroll	\$ 25,946,748	\$ 24,725,513	\$ 23,013,954
Contributions percentage of covered-employee payroll	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**  
**Schedule of Funding Progress and Employer Contributions**  
**Other Post Employment Benefit Plan (GASB 45) Schedule**  
**Year Ended June 30, 2017**

**Schedule of Funding Progress**

<b>Other Post Employment Benefits</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Accrued Liability (AAL) Entry Aid (B)</b>	<b>Unfunded AAL (UAAL) (B-A)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a Percentage of Covered Payroll ((B-A)/C)</b>
7/1/2015	\$ 102,531	\$ 113,272,707	\$ 113,170,176	0.1%	N/A	N/A
7/1/2014	\$ 100,000	\$ 108,948,518	\$ 108,848,518	0.1%	N/A	N/A
7/1/2013	\$ -	\$ 126,171,744	\$ 126,171,744	0.0%	\$ 37,703,000	334.6%

**Schedule of Contribution Funding**

<b>Other Post Employment Benefits</b>			
<b>Fiscal Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Actual Contributions Made</b>	<b>Percentage Contributed</b>
2017	\$ 10,396,093	\$ 3,717,254	35.8%
2016	\$ 9,767,785	\$ 3,510,313	35.9%
2015	\$ 10,292,648	\$ 3,838,332	37.3%

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

**Actuarial Methods:**

Valuation date	July 1, 2015
Actuarial cost method	Individual Entry Age Actuarial Cost Method
Amortization method	30-year amortization payments
Remaining amortization period	23 years remaining as of July 1, 2015

**Actuarial Assumptions:**

Investment rate of return	4.0%
Discount rate	4.0%
Health Care cost trend rate	An ultimate trend rate of 5.0% per year

**Plan Membership:**

Current active members	962
Current retirees, beneficiaries and dependents	814
Total	<u>1,776</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Required Supplementary Information**  
**Other Post Employment Benefit Plan (GASB 74) Schedules**  
**For the Year Ended June 30, 2017**

**Schedule of Changes in the Net OPEB Liability:**

	<b>2017</b>
<b>Total OPEB liability</b>	
Service cost	\$ 6,842,408
Interest on net OPEB liability	5,951,743
Changes in Assumptions	45,406,942
Difference between actual and expected experience	(7,352,606)
Benefit payments, including refunds of member contributions	(3,567,254)
Net change in total OPEB liability	47,281,233
Total OPEB liability-beginning	119,568,752
<b>Total OPEB liability-ending (a)</b>	<b>\$ 166,849,985</b>
 <b>Plan fiduciary net position</b>	
Interest on total OPEB liability	\$ 8,285
Difference between actual and expected experience	17,277
Net investment income	6,509
Employer contributions to Trust	165,000
Net change in plan fiduciary net position	197,071
Total fiduciary net position-beginning	236,700
<b>Total fiduciary net position-ending (b)</b>	<b>\$ 433,771</b>
 <b>City's net OPEB liability (a-b)</b>	<b>\$ 166,416,214</b>

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 (GASB 74) Schedules**  
**For the Year Ended June 30, 2017**

**Schedule of Net OPEB Liability:**

	<b>6/30/2017</b>
Total OPEB liability	\$ 166,849,985
Less: Plan fiduciary net position	(433,771)
City's Net OPEB liability	\$ 166,416,214
 Plan fiduciary net position as a percentage of the total OPEB liability	0.26%
 City's share of covered employee payroll	\$ 50,244,173
 Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	331.21%

**Schedule of Contributions:**

	<b>6/30/2017</b>
Actuarially determined contribution	\$ 10,396,093
Less: Contributions in relation to the actuarially determined contribution	(3,717,254)
Contribution deficiency (excess)	\$ 6,678,839
 City's share of covered employee payroll	\$ 50,244,173
 Contributions percentage of covered-employee payroll	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.

## **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, 2017**

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
School Grants	\$ 66,574	\$ 2,155,099	\$ 2,199,727	\$ -	\$ 21,946
Arts Lottery Council Grants	25,584	30,492	41,643	-	14,433
Community Development Grants	190,035	912,364	914,864	-	187,535
Council on Aging Grants	4,459	65,456	66,241	-	3,674
Disaster Relief and Hazard Grants	10,034	1,205,363	1,112,523	-	102,874
Energy Grants	108,208	91,940	199,386	-	762
Health Grants	16,204	304,986	291,963	-	29,227
Highway Grants	-	480,191	462,661	-	17,530
Library Grants	-	48,807	48,807	-	-
Other Programs and Grants	15,184	499,868	459,349	-	55,703
Planning Grants	156,113	1,466,529	1,396,553	-	226,089
Public Safety Grants	57,439	326,312	309,339	-	74,412
Rail Trail Grants	92,032	10,429	3,633	-	98,828
Recycling Grants	29,471	7,900	19,035	-	18,336
Three County Fair Drainage Project	3,000,000	-	14,000	-	2,986,000
<b>Schools:</b>					
School Lunch Revolving	105,990	947,913	910,092	-	143,811
School Lunch Commodities	-	71,012	71,012	-	-
Privately Funded Grants	6,000	460,162	388,601	-	77,561
Revolving Accounts	2,817,327	1,707,880	1,411,516	(124,167)	2,989,524
School Choice	3,397,884	1,617,281	1,333,097	-	3,682,068
State Special Education Reimbursement Fund	708,510	721,111	864,935	-	564,686
<b>Other:</b>					
Baystate Gas Roundhouse Lot Fund	72,707	-	30,071	-	42,636
Board of Health Revolving	22,256	19,839	18,773	-	23,322
Cable Access Fund	-	79,843	-	(35,200)	44,643
Committee on Disabilities Revolving Fund	24,456	4,400	208	-	28,648
Community Preservation Fund	2,379,751	1,446,427	3,146,249	651,391	1,331,320
<b>Total Special Revenue Page 77</b>	<b>\$ 13,306,218</b>	<b>\$ 14,681,604</b>	<b>\$ 15,714,278</b>	<b>\$ 492,024</b>	<b>\$ 12,765,568</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
<b>Continued from Page 77</b>	\$ 13,306,218	\$ 14,681,604	\$ 15,714,278	\$ 492,024	\$ 12,765,568
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Connecticut River Channel Markers	9,957	14,297	16,406	-	7,848
Conservation Wetlands Funds	19,492	8,235	2,408	(5,000)	20,319
Council on Aging Revolving Funds	161,106	134,720	66,669	-	229,157
Dog Refund and Revolving Fund	18,825	-	-	15,439	34,264
Energy Project Rebates	62,907	-	-	(62,907)	-
Energy Sustainability Revolving Fund	167,201	44,300	25,214	-	186,287
Fire Department Revolving Funds	59,149	113,320	81,909	-	90,560
Fire Outside Detail	2,750	28,716	29,794	-	1,672
Gifts & Donations	1,114,691	485,264	342,758	(20,127)	1,237,070
James House Rental	66,437	52,040	62,458	-	56,019
Liquor Licenses Deposits	20,000	-	-	-	20,000
Municipal Waterways Fund	5,207	5,421	-	(1,500)	9,128
Other Programs	48,573	162,076	123,988	-	86,661
Parking Meter Reserves and Passes	815,949	233,660	-	(374,240)	675,369
Police Court Time	7,268	-	-	-	7,268
Police Outside Detail	3,508	876,074	870,324	-	9,258
Public Works Grants Projects Revolving	63,699	-	3,480	-	60,219
Public Works Reuse Committee	1,852	1,763	1,483	-	2,132
Recreation Revolving Funds	242,659	441,183	415,249	-	268,593
Sale of Cemetery Lots	37,900	19,000	-	(5,000)	51,900
<b>Total Special Revenue Page 78</b>	<b>\$ 16,235,348</b>	<b>\$ 17,301,673</b>	<b>\$ 17,756,418</b>	<b>\$ 38,689</b>	<b>\$ 15,819,292</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
<b>Continued from Page 78</b>	\$ 16,235,348	\$ 17,301,673	\$ 17,756,418	\$ 38,689	\$ 15,819,292
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Septic Repair Loan Repayments	31,371	655	5,867	-	26,159
Survival Center Capital Fund	25,650	3,600	-	-	29,250
Tourism Directional Signs	361	-	-	-	361
Affordable Housing Fund	1,006	3	-	-	1,009
Conservation Land Purchase Fund	315,880	115,155	288,218	10,000	152,817
Compensated Absences Fund	173,565	488	-	5,737	179,790
Drug Forfeiture Fund	34,697	38,274	10,790	-	62,181
E. Lyman Fund	57	7	-	-	64
Park Street Improvements Fund	2,856	331	-	-	3,187
<b>Total Special Revenue Funds</b>	<b>16,820,791</b>	<b>17,460,186</b>	<b>18,061,293</b>	<b>54,426</b>	<b>16,274,110</b>
<b>Capital Projects:</b>					
City Hall Exterior Upgrades	1,071	-	1,071	-	-
Department of Public Works Projects	2,106,697	-	2,156,224	1,670,000	1,620,473
Energy Conservation Projects	145,937	-	-	-	145,937
Forbes Library Renovations	10,738	-	-	239,262	250,000
Premium on Bonds	-	-	52,317	56,824	4,507
Northampton Public Schools Projects	26,682	-	18,854	1,425,043	1,432,871
Public Safety Projects	1,172,211	-	391,510	-	780,701
Voice over internet protocol (VOIP) system	456,000	-	456,000	-	-
<b>Total Capital Projects</b>	<b>\$ 3,919,336</b>	<b>\$ -</b>	<b>\$ 3,075,976</b>	<b>\$ 3,391,129</b>	<b>\$ 4,234,489</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care Funds	\$ 732,106	\$ 26,600	\$ -	\$ -	\$ 758,706
<b>Permanent Funds:</b>					
Cemetery Funds	325,005	127,240	-	(10,000)	442,245
<b>Total Non-Major Governmental Funds</b>	<b>\$ 21,797,238</b>	<b>\$ 17,614,026</b>	<b>\$ 21,137,269</b>	<b>\$ 3,435,555</b>	<b>\$ 21,709,550</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND ROLLBACK TAXES  
AND DEFERRED PROPERTY TAXES  
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Taxes July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2017	Uncollected Taxes Per Detail June 30, 2017
<b>Real Estate Taxes:</b>						
Levy of 2017	\$ -	\$ 54,105,706	\$ 325,458	\$ 53,203,554	\$ 576,694	\$ 576,694
Levy of 2016	610,053	-	93,196	350,463	166,394	166,394
Levy of 2015	163,728	-	59,054	122,778	(18,104)	(18,104)
Levy of 2014	20	-	17,345	(12,246)	(5,079)	(5,079)
Levy of 2013	1	-	4,706	-	(4,705)	(4,705)
Prior Years	753	-	708	-	45	45
	<u>774,555</u>	<u>54,105,706</u>	<u>500,467</u>	<u>53,664,549</u>	<u>715,245</u>	<u>715,245</u>
<b>Personal Property Taxes:</b>						
Levy of 2017	-	1,427,204	5,074	1,394,499	27,631	27,631
Levy of 2016	30,558	-	(1)	9,152	21,407	21,407
Levy of 2015	22,985	-	-	2,081	20,904	20,904
Levy of 2014	21,095	-	-	1,272	19,823	19,823
Levy of 2013	16,837	-	-	1,680	15,157	15,157
Prior Years	499,825	-	(5,082)	7,552	497,355	497,355
	<u>591,300</u>	<u>1,427,204</u>	<u>(9)</u>	<u>1,416,236</u>	<u>602,277</u>	<u>602,277</u>
<b>Rollback Taxes</b>	<u>1,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,308</u>	<u>1,308</u>
<b>Total Real Estate, Personal Property and Rollback Taxes</b>	<u>\$ 1,367,163</u>	<u>\$ 55,532,910</u>	<u>\$ 500,458</u>	<u>\$ 55,080,785</u>	<u>\$ 1,318,830</u>	<u>\$ 1,318,830</u>
<b>Deferred Property Taxes</b>	<u>\$ 122,115</u>	<u>\$ 6,672</u>	<u>\$ -</u>	<u>\$ 10,517</u>	<u>\$ 118,270</u>	<u>\$ 118,744</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF COMMUNITY PRESERVATION SURCHARGE  
JULY 1, 2016 TO JUNE 30, 2017**

	<b>Uncollected Taxes July 1, 2016</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Taxes June 30, 2017</b>	<b>Uncollected Taxes Per Detail June 30, 2017</b>
<b>Community Preservation Surcharge</b>						
Levy of 2017	\$ -	\$ 1,180,582	\$ 22,928	\$ 1,147,562	\$ 10,092	\$ 10,092
Levy of 2016	10,864	-	1,218	7,022	2,624	2,624
Levy of 2015	1,775	-	517	1,258	-	-
Levy of 2014	(20)	-	(20)	-	-	-
<b>Total Community Preservation Surcharge</b>	<b>\$ 12,619</b>	<b>\$ 1,180,582</b>	<b>\$ 24,643</b>	<b>\$ 1,155,842</b>	<b>\$ 12,716</b>	<b>\$ 12,716</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES  
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Taxes July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2017	Uncollected Taxes Per Detail June 30, 2017
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2017	\$ -	\$ 2,583,655	\$ 62,220	\$ 2,366,683	\$ 154,752	\$ 154,752
Levy of 2016	198,379	265,627	28,661	392,182	43,163	43,163
Levy of 2015	31,620	-	3,841	8,183	19,596	19,596
Levy of 2014	18,650	-	1,536	1,399	15,715	15,715
Levy of 2013	15,584	-	-	2,120	13,464	13,464
Prior Years	599,488	-	13	4,784	594,691	596,296
	<u>863,721</u>	<u>2,849,282</u>	<u>96,271</u>	<u>2,775,351</u>	<u>841,381</u>	<u>842,986</u>
<b>Boat Excise Taxes:</b>						
Levy of 2017	-	11,712	564	9,988	1,160	1,160
Levy of 2016	1,828	-	153	587	1,088	1,088
Levy of 2015	2,041	-	15	50	1,976	1,976
Levy of 2014	1,193	-	-	50	1,143	1,143
Levy of 2013	1,000	-	-	15	985	985
Prior Years	38,874	-	-	-	38,874	38,874
	<u>44,936</u>	<u>11,712</u>	<u>732</u>	<u>10,690</u>	<u>45,226</u>	<u>45,226</u>
<b>Total Motor Vehicle Excise and Boat Excise Taxes</b>	<u>\$ 908,657</u>	<u>\$ 2,860,994</u>	<u>\$ 97,003</u>	<u>\$ 2,786,041</u>	<u>\$ 886,607</u>	<u>\$ 888,212</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
 SCHEDULE OF TAX LIENS, COMMUNITY PRESERVATION TAX LIENS AND TAXES IN LITIGATION  
 JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Accounts July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2017	Uncollected Accounts Per Detail June 30, 2017
<b>Tax Liens</b>	\$ 304,234	\$ 234,548	\$ -	\$ 205,800	\$ 332,982	\$ 333,018
<b>Community Preservation Tax Liens</b>	\$ 3,949	\$ 3,187	\$ -	\$ 2,712	\$ 4,424	\$ 4,500
<b>Taxes in Litigation</b>	\$ 6,794	\$ -	\$ -	\$ -	\$ 6,794	\$ 6,794