

**CITY OF NORTHAMPTON, MASSACHUSETTS**

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

**FISCAL YEAR ENDED JUNE 30, 2013**

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## Independent Auditor's Report

To the Honorable Mayor  
City of Northampton, Massachusetts

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northampton, Massachusetts, as of and for the year ended June 30, 2013, (except for the Northampton Contributory Retirement System, which is as of and for the year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northampton, Massachusetts, as of June 30, 2013, (except for the Northampton Contributory Retirement System, which is as of December 31, 2012), 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 on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *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 financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014, 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 & Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

January 10, 2014

## **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, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

### Financial Highlights

- The City's assets exceeded its liabilities by \$97,360,984 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$96,336,086, an increase of \$1,024,898 (1%).
- The City's governmental funds reported total ending fund balance of \$21,205,037, a decrease of \$3,159,248 (13%) from the previous year.
- The General Fund's total fund balance increased by \$2,130,213 (30%) to \$9,126,381. The ending General fund balance is 10% of revenues, transfers in and sale of tax foreclosures and 11% of expenditures and transfers out.
- The City's long term liabilities increased by \$94,494 during the fiscal year. This was primarily attributed to increases in the OPEB liability of \$7,740,735, in bond anticipation notes of \$1,325,000, and in compensated absences of \$466,233; and the retirement of leases, loans and bonds for (\$10,143,288).
- The City had General fund free cash certified by the Department of Revenue in the amount of \$3,200,159. The key factors that attributed to the free cash amount in the general fund for fiscal year 2013, approximately, are as follows:
  - Unexpended/unencumbered appropriations \$1,740,300
  - Excess over budget – state and local receipts \$835,100
  - Prior year free cash not appropriated \$278,300

### 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 and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, 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		
	2013	2012	Change
<b>Assets:</b>			
Current assets	\$ 38,150,359	\$ 38,652,672	\$ (502,313)
Noncurrent assets (excluding capital)	7,689,717	11,558,680	(3,868,963)
Capital assets	88,410,338	84,574,616	3,835,722
<b>Total assets</b>	<b>134,250,414</b>	<b>134,785,968</b>	<b>(535,554)</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt and lease)	8,264,081	7,800,939	463,142
Current debt and leases payable	6,861,397	6,116,031	745,366
Noncurrent liabilities (excluding debt and lease)	27,118,833	19,264,182	7,854,651
Noncurrent debt and leases payable	37,615,059	44,626,456	(7,011,397)
<b>Total liabilities</b>	<b>79,859,370</b>	<b>77,807,608</b>	<b>2,051,762</b>
<b>Net Position:</b>			
Net investment in capital assets	53,228,480	47,219,915	6,008,565
Restricted	16,737,318	20,064,708	(3,327,390)
Unrestricted	(15,574,754)	(10,306,263)	(5,268,491)
<b>Total net position</b>	<b>\$ 54,391,044</b>	<b>\$ 56,978,360</b>	<b>\$ (2,587,316)</b>

	Business-Type Activities		
	2013	2012	Change
<b>Assets:</b>			
Current assets	\$ 21,971,730	\$ 20,023,137	\$ 1,948,593
Capital assets	54,856,631	55,339,266	(482,635)
<b>Total assets</b>	<b>76,828,361</b>	<b>75,362,403</b>	<b>1,465,958</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt and lease)	704,991	630,610	74,381
Current debt and leases payable	2,581,103	2,552,257	28,846
Noncurrent liabilities (excluding debt and lease)	4,610,963	4,279,343	331,620
Noncurrent debt and leases payable	25,961,364	28,542,467	(2,581,103)
<b>Total liabilities</b>	<b>33,858,421</b>	<b>36,004,677</b>	<b>(2,146,256)</b>
<b>Net Position:</b>			
Net investment in capital assets	26,565,948	24,611,632	1,954,316
Restricted	5,807,235	4,051,803	1,755,432
Unrestricted	10,596,757	10,694,291	(97,534)
<b>Total net position</b>	<b>\$ 42,969,940</b>	<b>\$ 39,357,726</b>	<b>\$ 3,612,214</b>

**Financial Highlights**  
**Statement of Activities Highlights**

	Governmental Activities		
	2013	2012	Change
<b>Program Revenues:</b>			
Charges for services	\$ 14,285,414	\$ 13,807,600	\$ 477,814
Operating grants and contributions	27,663,106	27,392,176	270,930
Capital grants and contributions	1,942,089	1,645,907	296,182
<b>General Revenues:</b>			
Property taxes	45,975,300	43,487,921	2,487,379
Motor vehicle and other taxes	2,388,633	2,253,056	135,577
Hotel room occupancy and meals taxes	1,190,273	1,179,042	11,231
Penalties and interest on taxes	194,446	228,755	(34,309)
Nonrestricted grants and contributions	4,063,454	4,898,536	(835,082)
Unrestricted investment income	99,219	151,113	(51,894)
Gain/(Loss) on Sale of Capital Assets	49,901	-	49,901
Miscellaneous	9,845	8,448	1,397
<b>Total revenues</b>	<b>97,861,680</b>	<b>95,052,554</b>	<b>2,809,126</b>
<b>Expenses:</b>			
General government	5,246,352	5,418,251	(171,899)
Public safety	12,417,702	12,447,166	(29,464)
Public works	4,621,630	3,686,144	935,486
Education	39,092,248	38,755,386	336,862
Health and human services	2,719,173	3,448,306	(729,133)
Culture and recreation	2,355,170	3,051,283	(696,113)
Employee benefits and insurance	31,916,991	30,558,045	1,358,946
State assessments	2,829,881	2,941,251	(111,370)
Interest	1,945,229	1,635,295	309,934
<b>Total expenses</b>	<b>103,144,376</b>	<b>101,941,127</b>	<b>1,203,249</b>
<b>Contributions to Permanent Funds</b>	<b>10,500</b>	<b>16,650</b>	<b>(6,150)</b>
<b>Transfers, net</b>	<b>2,684,880</b>	<b>2,800,154</b>	<b>(115,274)</b>
<b>Change in net position</b>	<b>(2,587,316)</b>	<b>(4,071,769)</b>	<b>1,484,453</b>
<b>Net position - beginning of year</b>	<b>56,978,360</b>	<b>61,050,129</b>	<b>(4,071,769)</b>
<b>Net position - end of year</b>	<b>\$ 54,391,044</b>	<b>\$ 56,978,360</b>	<b>\$ (2,587,316)</b>

	<b>Business-Type Activities</b>		
	<b>2013</b>	<b>2012</b>	<b>Change</b>
<b>Program Revenues:</b>			
Sewer	\$ 6,346,101	\$ 5,912,055	\$ 434,046
Water	6,768,650	6,339,155	429,495
Solid Waste	1,985,613	3,135,625	(1,150,012)
<b>Total Revenues</b>	<b>15,100,364</b>	<b>15,386,835</b>	<b>(286,471)</b>
<b>Expenses:</b>			
Sewer	2,844,845	2,744,975	99,870
Water	3,933,364	4,422,773	(489,409)
Solid Waste	2,025,061	1,272,804	752,257
<b>Total expenses</b>	<b>8,803,270</b>	<b>8,440,552</b>	<b>362,718</b>
<b>Transfers, net</b>	<b>(2,684,880)</b>	<b>(2,800,154)</b>	<b>115,274</b>
<b>Change in net position</b>	<b>3,612,214</b>	<b>4,146,129</b>	<b>(533,915)</b>
<b>Net position - beginning of year</b>	<b>39,357,726</b>	<b>35,211,597</b>	<b>4,146,129</b>
<b>Net position - end of year</b>	<b>\$ 42,969,940</b>	<b>\$ 39,357,726</b>	<b>\$ 3,612,214</b>

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$97,360,984 at the close of fiscal year 2013.

Net position of \$79,794,428 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position \$22,544,553 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is (\$4,977,997).

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. The unrestricted governmental activities resulted in a negative balance of (\$4,977,997) as a result of the required accrual under GASB No. 45 of the OPEB liability obligation in the amount of \$25,918,302.

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 \$2,587,316 (5%) during the current fiscal year, which reflects the general fund's results of operations. This was mainly attributed to expenditures exceeding revenues by \$5,332,597, transfers in from the sewer, water and solid waste funds of \$2,684,880; the sale of a tax foreclosure of \$49,901 and contributions to permanent funds of \$10,500.

There was an increase of \$3,612,214 in net position reported in connection with the sewer, water and solid waste business-type activities. Of this, there was an increase of \$1,694,319 attributed to the sewer department, an increase of \$2,135,932 attributed to the water department and a decrease of \$218,037 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 \$21,205,037 a decrease of \$3,159,248 (13%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance - \$687,206 (3%).
- Restricted fund balance- \$10,796,563 (51%).
- Assigned fund balance - \$4,859,591 (23%).
- Unassigned fund balance - \$4,861,677 (23%).

At the end of the fiscal year, the General Fund reported a fund balance of \$9,126,381 increasing \$2,130,213 (30%) from the prior year. Of the \$9,126,381, the unassigned amount is \$5,618,635 (62%), the assigned amount of \$3,124,086 (34%) and restricted amount of \$383,660 (4%). General fund revenues of \$84,156,242 increased \$4,607,599 (6%) over the prior fiscal year while the expenditures also increased \$2,149,026 (3%) to \$85,439,578.

The main components of the increases from the prior year in general fund revenues were related to property taxes in the amount of \$2,264,540 (5%), charges for services \$1,876,072 (132%) resulting mainly from the ambulance receipts, and intergovernmental - "on-behalf" payments increasing \$197,618 (2%).

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

- Decrease in public safety expenditures of \$233,921 (2%).
- Increase in public works expenditures of \$230,783 (9%).
- Increase in education expenditures of \$305,237 (1%).
- Increase in employee benefits and insurance expenditures of \$835,464 (4%).
- Decrease in capital improvements expenditures of \$98,498 (28%).
- Increase in Principal and interest on debt service expenditures of \$1,021,353 (19%).

The *police facility construction fund* is used to account for financial resources to improve and construct a new police station. The fund has a balance of \$255,371 at the end of the fiscal year. The fund decreased by \$4,101,999 as a result of the expenditures.

## **Proprietary Funds**

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

### **Major Proprietary Funds**

The *Sewer Fund* is the financing and operations of the City's sewer system. The sewer fund shows an increase of \$1,694,319 in total operations. This change was mainly attributed to operating revenues sufficient to cover current operating costs by \$3,582,962, interest income of \$49,157, interest expense of

\$130,863 and transfers out to the general fund of \$1,806,937. Operating revenues increased by \$627,423 (11%) and operating expenses increased by \$95,327 (4%) from the prior year.

The *Water Fund* is the financing and operations of the City's water system. The water fund shows an increase of \$2,135,932 in total operations. This change resulted from operating revenues exceeding current operating costs by \$3,413,835, interest income of \$56,305, intergovernmental receipts of \$42,604, interest expense of \$677,458 and transfers out to the general fund of \$699,354. Operating revenues increased by \$434,959 (7%) while operating expenses decreased by \$428,934 (12%) from the prior year.

The *Solid Waste Fund* is the financing and operations of the City's landfills. The solid waste fund shows a decrease of \$218,037 in total operations. This change resulted from operating costs exceeding revenues by \$25,651, interest income of \$24,073, interest expense of \$37,870 and transfers out to the general fund of \$178,589. Operating revenues decreased by \$1,145,365 (37%) while operating expenses increased by \$772,469 (64%) from the prior year.

### ***General Fund Budgetary Highlights***

The final general fund budget for fiscal year 2013 was \$81,628,686. This was an increase of \$3,616,753 (5%) over the previous year's final budget.

There was an increase of \$1,891,943 between the original budget and the final amended budget. The change is attributed to the City amending specific budget line items of the final budget, mainly the capital improvements line item increase of \$1,614,418.

General fund expenditures were less than budgeted by \$4,864,382. Of the \$4,864,382 in under budget expenditures, \$3,124,086 has been carried over to fiscal year 2014 leaving a surplus of \$1,740,296 to close to undesignated fund balance.

The total actual revenue for State and local receipts exceeded the amount that was budget by \$835,101. There were negative variances in interest on taxes of \$9,410, a result of more timely payments, and investment income of \$40,044 due to the economic conditions.

The variance with the final budget was a positive \$2,641,921 consisting of a revenue surplus of \$901,625 and an appropriation surplus of \$1,740,296.

### ***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, 2013 amounts to \$88,410,338 and \$54,856,631, 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:

- Purchase of conservation land for \$501,178.
- Energy conservation improvements for \$1,085,700.
- Police vehicles and equipment for \$168,150.
- Fire department rescue boat for \$43,410.
- Building inspector vehicle for \$21,418.
- DPW facility improvements for \$19,570.
- Road and infrastructure improvements for \$977,540.
- Northampton Public School vehicle for \$12,000.
- Northampton high school track resurfacing for \$78,850.
- Northampton Public Schools' improvements for \$37,880.
- Smith Vocational improvements for \$119,575.

- Parks department vehicles and equipment for \$51,745.

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

- Parking garage improvements of \$210.
- The police facility for \$4,126,116.
- DPW garage improvements for \$33,274.
- Florence recreational field improvements for \$1,269,450.

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

- In the sewer fund, for the Bradford Street pump station construction in progress for \$14,070 and the sewer infrastructure improvements for \$223,130.
- In the water fund, vehicles purchased for \$71,155, watershed land purchases for \$87,000 and water mains infrastructure improvements construction in progress for \$505,850.
- In the solid waste fund, the Leachate field improvements for \$678,320.

**Debt Administration.** The City's outstanding governmental debt, as of June 30, 2013, totaled \$42,301,273 as follows:

- \$10,592,000 for school projects.
- \$22,361,000 for City building projects (mainly the new police facility).
- \$873,000 for land acquisitions.
- \$733,000 for storm and surface drains.
- \$31,273 for the Septic V community septic program.
- \$80,000 for the skate park.
- \$113,000 for road and sidewalk projects.
- \$964,000 for departmental equipment.
- \$265,000 for fiber optic network and city wide telephone system.
- \$85,000 for bridge repairs.
- \$165,000 for technology.
- \$6,039,000 for energy projects.

The City has bond anticipation notes outstanding in the amount of \$2,125,000 as of June 30, 2013; \$800,000 is for the Department of Public Works facility improvements, \$125,000 is for a school parking lot and \$1,200,000 is for the Florence Fields improvements.

The City's outstanding business-type debt totaled, as of June 30, 2013, totaled \$28,542,467 as follows:

- \$3,268,047 in sewer debt.
- \$24,570,420 in water debt.
- \$704,000 in solid waste debt.

The City also has capital leases for ambulances. The last lease payment is due in 2014. The City currently owes \$52,550 on the leases consisting of \$50,183 in principal and \$2,367 in interest.

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

**Next Year's Annual City Council Votes - Fiscal Year 2014**

The financial statements of the City of Northampton as of June 30, 2013 do not reflect the fiscal year 2014 budget approved by the City Council on June 27, 2013. The City Council has authorized a fiscal year 2014 operating and capital budget as follows:

<b>Governmental Funds:</b>	
From Tax Levy	\$ 73,748,328
From Parking Meter Receipts	1,728,110
From undesignated fund balance	
Appropriations	236,500
Reserve for debt	34,154
<b>From Business-Type Funds:</b>	
Sewer fund receipts	7,574,347
Sewer retained earnings	1,282,500
Water fund receipts	7,344,638
Water retained earnings	47,969
Solid waste fund receipts	767,779
Solid waste retained earnings	737,776
<b>From Other Available Funds:</b>	
Cemetery perpetual care funds	25,000
Comcast 1 - net reserve	160,000
Community Preservation Funds	12,145
Conservation wetlands fees	6,000
Municipal waterways fund	3,000
Reserve for energy rebates fund	145,000
Sale of cemetery lots	10,000
	<u>\$ 93,863,246</u>
<b>Business Type-Funds:</b>	
From sewer receipts	\$ 7,574,347
From sewer retained earnings	1,282,500
	<u>\$ 8,856,847</u>
From water receipts	\$ 7,392,607
From water retained earnings	344,264
	<u>\$ 7,736,871</u>
From solid waste receipts	\$ 767,779
From solid waste retained earnings	737,776
	<u>\$ 1,505,555</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, 2013**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Cash Equivalents	\$ 27,980,161	\$ 20,376,624	\$ 48,356,785
Investments	1,105,276	-	1,105,276
Receivables, net of allowance for uncollectibles:			
Property Taxes	1,014,455	-	1,014,455
Deferred Property Taxes	183,544	-	183,544
Tax Liens	414,595	-	414,595
Excise and Other Taxes	346,707	-	346,707
User Charges	-	1,343,322	1,343,322
Departmental	419,658	-	419,658
Loans	95,850	-	95,850
Due from Other Governments	6,590,113	251,784	6,841,897
Total current assets	<u>38,150,359</u>	<u>21,971,730</u>	<u>60,122,089</u>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	7,689,717	-	7,689,717
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	35,177,298	6,640,200	41,817,498
Depreciable	53,233,040	48,216,431	101,449,471
Total noncurrent assets	<u>96,100,055</u>	<u>54,856,631</u>	<u>150,956,686</u>
<b>Total Assets</b>	<u>134,250,414</u>	<u>76,828,361</u>	<u>211,078,775</u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants Payable	2,766,507	472,245	3,238,752
Accrued Payroll	3,129,061	70,714	3,199,775
Retainage Payable	240,342	-	240,342
Payroll Withholdings	583,354	-	583,354
Tax Refund Payable	43,000	-	43,000
Accrued Interest	271,418	96,212	367,630
Compensated Absences	1,230,399	65,820	1,296,219
Bond Anticipation Notes Payable	2,125,000	-	2,125,000
Bonds and Leases Payable	4,736,397	2,581,103	7,317,500
Total current liabilities	<u>15,125,478</u>	<u>3,286,094</u>	<u>18,411,572</u>
<b>NONCURRENT:</b>			
Landfill Closure	-	3,575,000	3,575,000
Compensated Absences	2,127,056	109,438	2,236,494
OPEB Obligation Payable	24,991,777	926,525	25,918,302
Bonds and Leases Payable	37,615,059	25,961,364	63,576,423
Total noncurrent liabilities	<u>64,733,892</u>	<u>30,572,327</u>	<u>95,306,219</u>
<b>Total Liabilities</b>	<u>79,859,370</u>	<u>33,858,421</u>	<u>113,717,791</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	53,228,480	26,565,948	79,794,428
Restricted for:			
Capital Projects	1,408,525	5,807,235	7,215,760
Federal & State Grants	4,809,987	-	4,809,987
Community Preservation	2,841,994	-	2,841,994
Permanent Funds:			
Expendable	327,831	-	327,831
Nonexpendable	687,206	-	687,206
Other Purposes	6,661,775	-	6,661,775
Unrestricted	(15,574,754)	10,596,757	(4,977,997)
<b>Total Net Position</b>	<u>\$ 54,391,044</u>	<u>\$ 42,969,940</u>	<u>\$ 97,360,984</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, 2013**

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 5,246,352	\$ 3,556,613	\$ 1,412,280	\$ -	\$ (277,459)	\$ -	\$ (277,459)
Public Safety	12,417,702	3,340,323	866,984	-	(8,210,395)	-	(8,210,395)
Public Works	4,621,630	129,512	151,438	1,022,966	(3,317,714)	-	(3,317,714)
Education	39,092,248	6,591,416	13,404,306	106,457	(18,990,069)	-	(18,990,069)
Health and Human Services	2,719,173	198,168	2,432,432	-	(88,573)	-	(88,573)
Culture and Recreation	2,355,170	469,382	135,970	812,666	(937,152)	-	(937,152)
Employee Benefits and Insurance	31,916,991	-	8,782,839	-	(23,134,152)	-	(23,134,152)
State Assessments	2,829,881	-	-	-	(2,829,881)	-	(2,829,881)
Interest	1,945,229	-	476,857	-	(1,468,372)	-	(1,468,372)
<b>Total Governmental Activities</b>	<b>103,144,376</b>	<b>14,285,414</b>	<b>27,663,106</b>	<b>1,942,089</b>	<b>(59,253,767)</b>	<b>-</b>	<b>(59,253,767)</b>

<b>Business-Type Activities:</b>							
Sewer	2,844,845	6,296,944	49,157	-	-	3,501,256	3,501,256
Water	3,933,364	6,669,741	98,909	-	-	2,835,286	2,835,286
Solid Waste	2,025,061	1,961,540	24,073	-	-	(39,448)	(39,448)
<b>Total Primary Government</b>	<b>\$ 111,947,646</b>	<b>\$ 29,213,639</b>	<b>\$ 27,835,245</b>	<b>\$ 1,942,089</b>	<b>(59,253,767)</b>	<b>6,297,094</b>	<b>(52,956,673)</b>

<b>General Revenues:</b>							
Property taxes	45,975,300						45,975,300
Motor vehicle and other taxes	2,388,633						2,388,633
Hotel room occupancy and Meals taxes	1,190,273						1,190,273
Penalties & interest on taxes	194,446						194,446
Grants & contributions not restricted to specific programs	4,063,454						4,063,454
Unrestricted investment income	99,219						99,219
Gain/(Loss) on Sale of Capital Assets	49,901						49,901
Miscellaneous	9,845						9,845
<b>Contributions to Permanent Funds</b>	<b>10,500</b>						<b>10,500</b>
<b>Transfers, net</b>	<b>2,684,880</b>					<b>(2,684,880)</b>	<b>-</b>
<b>Total General Revenues, Contributions and Transfers</b>	<b>56,666,451</b>					<b>(2,684,880)</b>	<b>53,981,571</b>

<b>Change in Net Position</b>							
<b>Net Position:</b>							
Beginning of year	(2,587,316)				3,612,214		1,024,898
End of year	56,978,360				39,357,726		96,336,086
	\$ 54,391,044	\$	42,969,940	\$	97,360,984		

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	General Fund	Police Facility Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 13,676,849	\$ 820,041	\$ 13,483,271	\$ 27,980,161
Investments	-	-	1,105,276	1,105,276
Receivables, net of allowance for uncollectibles:				
Property Taxes	998,382	-	16,073	1,014,455
Deferred Property Taxes	183,544	-	-	183,544
Tax Liens	411,097	-	3,498	414,595
Excise and Other Taxes	346,707	-	-	346,707
Departmental	419,658	-	-	419,658
Loans	-	-	95,850	95,850
Due from Other Governments	9,836,187	-	4,443,643	14,279,830
<b>Total Assets</b>	<b>\$ 25,872,424</b>	<b>\$ 820,041</b>	<b>\$ 19,147,611</b>	<b>\$ 45,840,076</b>
<b>LIABILITIES AND FUND BALANCE:</b>				
<b>Liabilities:</b>				
Warrants and Accounts Payable	\$ 1,186,767	\$ 451,262	\$ 1,128,478	\$ 2,766,507
Accrued Payroll	3,101,927	-	27,134	3,129,061
Retainage Payable	-	113,408	126,934	240,342
Employee Withholdings	583,354	-	-	583,354
Tax Refund Payable	43,000	-	-	43,000
Deferred Revenue:				
Property Taxes	664,382	-	16,073	680,455
Other	11,166,613	-	3,900,707	15,067,320
Bond Anticipation Note Payable	-	-	2,125,000	2,125,000
<b>Total Liabilities</b>	<b>16,746,043</b>	<b>564,670</b>	<b>7,324,326</b>	<b>24,635,039</b>
<b>Fund Balance:</b>				
Nonspendable	-	-	687,206	687,206
Restricted	383,660	255,371	10,157,532	10,796,563
Assigned	3,124,086	-	1,735,505	4,859,591
Unassigned	5,618,635	-	(756,958)	4,861,677
<b>Total Fund Balance</b>	<b>9,126,381</b>	<b>255,371</b>	<b>11,823,285</b>	<b>21,205,037</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 25,872,424</b>	<b>\$ 820,041</b>	<b>\$ 19,147,611</b>	<b>\$ 45,840,076</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, 2013**

	General Fund	Police Facility Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 45,104,535	\$ -	\$ 932,947	\$ 46,037,482
Intergovernmental	15,238,997	-	11,908,125	27,147,122
Excise and Other Taxes	2,295,502	-	3,733	2,299,235
Hotel Room Occupancy and Meals Taxes	1,190,273	-	-	1,190,273
Charges for Services	3,302,552	-	3,201,132	6,503,684
Licenses, Permits, Fees	8,062,862	-	-	8,062,862
Interest on Taxes	191,590	-	2,856	194,446
Investment Income	94,657	-	108,831	203,488
Gifts and Donations	-	-	285,869	285,869
Other	-	-	292,867	292,867
Intergovernmental - "On-behalf" Payments	8,675,274	-	-	8,675,274
<b>Total Revenues</b>	<b>84,156,242</b>	<b>-</b>	<b>16,736,360</b>	<b>100,892,602</b>
<b>Expenditures:</b>				
Current:				
General Government	4,639,179	-	1,481,009	6,120,188
Public Safety	10,565,407	4,101,999	1,277,792	15,945,198
Public Works	2,802,001	-	2,183,024	4,985,025
Education	30,076,893	-	6,367,693	36,444,586
Health and Human Services	1,384,047	-	1,269,477	2,653,524
Culture and Recreation	1,826,858	-	1,670,702	3,497,560
Employee Benefits and Insurance	24,546,992	-	-	24,546,992
Capital Improvements	254,313	-	-	254,313
State Assessments	2,829,881	-	-	2,829,881
Debt Service:				
Principal	4,759,000	-	2,720,214	7,479,214
Interest	1,755,007	-	295,736	2,050,743
<b>Total Expenditures</b>	<b>85,439,578</b>	<b>4,101,999</b>	<b>17,265,647</b>	<b>106,807,224</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,283,336)</b>	<b>(4,101,999)</b>	<b>(529,287)</b>	<b>(5,914,622)</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	3,468,762	-	125,707	3,594,469
Operating Transfers Out	(125,707)	-	(783,882)	(909,589)
Sale of Tax Foreclosure	70,494	-	-	70,494
<b>Total Other Financing Sources (Uses)</b>	<b>3,413,549</b>	<b>-</b>	<b>(658,175)</b>	<b>2,755,374</b>
<b>Net Change in Fund Balances</b>	<b>2,130,213</b>	<b>(4,101,999)</b>	<b>(1,187,462)</b>	<b>(3,159,248)</b>
<b>Fund Balances, Beginning of Year</b>	<b>6,996,168</b>	<b>4,357,370</b>	<b>13,010,747</b>	<b>24,364,285</b>
<b>Fund Balances, End of Year</b>	<b>\$ 9,126,381</b>	<b>\$ 255,371</b>	<b>\$ 11,823,285</b>	<b>\$ 21,205,037</b>

**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, 2013**

<b>Total Governmental Fund Balances</b>		\$	21,205,037
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			88,410,338
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			15,747,775
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:			
Bonds and Leases Payable	\$	(42,351,456)	
Other Post Employment Benefits Payable		(24,991,777)	
Compensated Absences		(3,357,455)	(70,700,688)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			(271,418)
<b>Net Position of Governmental Activities</b>		<b>\$</b>	<b>54,391,044</b>
			<b>54,391,044</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, 2013**

**Net Change in Fund Balances - Total Governmental Funds** \$ (3,159,248)

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	\$ 8,541,066	
Sale of Capital Assets	(20,593)	
Depreciation	<u>(4,684,751)</u>	3,835,722

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. (3,070,323)

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 and Lease Principal 7,591,031

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	(419,867)	
Net Change in Other Post Employment Benefits	(7,470,145)	
Net Change in Accrued Interest on Long-Term Debt	<u>105,514</u>	<u>(7,784,498)</u>

**Change in Net Position of Governmental Activities** \$ (2,587,316)

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, 2013**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original Budget	Final Budget	Budgetary Basis	Carried Forward to Next Year	Final Budget Positive (Negative)
<b>Revenues:</b>					
Property Taxes	\$ 44,968,011	\$ 44,968,011	\$ 45,034,535	\$ -	\$ 66,524
Intergovernmental	15,111,148	15,111,148	15,238,997	-	127,849
Excise and Other Taxes	2,109,802	2,109,802	2,295,502	-	185,700
Hotel Room Occupancy and Meals Taxes	1,066,390	1,066,390	1,190,273	-	123,883
Charges for Services	3,259,575	3,259,575	3,302,552	-	42,977
Licenses, Permits, Fees	7,658,716	7,658,716	8,062,862	-	404,146
Interest on Taxes	201,000	201,000	191,590	-	(9,410)
Investment Income	133,000	133,000	92,956	-	(40,044)
<b>Total Revenues</b>	<b>74,507,642</b>	<b>74,507,642</b>	<b>75,409,267</b>	<b>-</b>	<b>901,625</b>
<b>Expenditures:</b>					
Current:					
General Government	4,918,638	4,892,330	4,639,179	79,608	173,543
Public Safety	10,939,925	11,018,894	10,565,407	10,027	443,460
Public Works	3,139,885	3,229,628	2,802,001	176,520	251,107
Education	30,195,020	30,195,020	30,076,893	118,127	-
Health and Human Services	1,353,082	1,502,206	1,384,047	8,265	109,894
Culture and Recreation	1,839,368	1,847,155	1,826,858	-	20,297
Employee Benefits and Insurance	16,410,000	16,417,900	15,871,718	61,500	484,682
Capital Improvements	1,316,710	2,931,128	254,313	2,670,039	6,776
State Assessments	3,008,540	3,008,540	2,829,881	-	178,659
Debt Service:					
Principal	4,788,000	4,788,000	4,759,000	-	29,000
Interest	1,827,575	1,797,885	1,755,007	-	42,878
<b>Total Expenditures</b>	<b>79,736,743</b>	<b>81,628,686</b>	<b>76,764,304</b>	<b>3,124,086</b>	<b>1,740,296</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(5,229,101)</b>	<b>(7,121,044)</b>	<b>(1,355,037)</b>	<b>(3,124,086)</b>	<b>2,641,921</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Out)	3,026,559	2,361,888	2,443,055	-	81,167
Sale of Tax Foreclosure	-	-	70,494	-	70,494
<b>Total Other Financing Sources (Uses)</b>	<b>3,026,559</b>	<b>2,361,888</b>	<b>2,513,549</b>	<b>-</b>	<b>151,661</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(2,202,542)</b>	<b>(4,759,156)</b>	<b>1,158,512</b>	<b>(3,124,086)</b>	<b>2,793,582</b>
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>6,079,741</b>	<b>6,079,741</b>	<b>6,079,741</b>	<b>-</b>	<b>-</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 3,877,199</b>	<b>\$ 1,320,585</b>	<b>\$ 7,238,253</b>	<b>\$ (3,124,086)</b>	<b>\$ 2,793,582</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, 2013**

	<b>Revenues</b>	<b>Expenditures</b>
<b>Reported on a Budgetary Basis</b>	<b>\$ 75,409,267</b>	<b>\$ 76,764,304</b>
 <i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	1,701	-
Net Increase in Revenue from recording Refund Taxes Payable	173,000	-
Recognition of Intergovernmental Revenue - "on behalf payments"	8,675,274	-
Recognition of Expenditures - "on behalf payments"	-	8,675,274
Net Decrease in Revenue from Recording 60-Day Receipts	(103,000)	-
<b>Reported on a GAAP Basis</b>	<b>\$ 84,156,242</b>	<b>\$ 85,439,578</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, 2013**

Business-Type Activities Enterprise Funds				
	Sewer Fund	Water Fund	Solid Waste Fund	Total
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and Cash Equivalents	5,921,212	\$ 7,593,572	\$ 6,861,840	\$ 20,376,624
User Charges, net of allowance for uncollectibles	620,374	633,053	89,895	1,343,322
Due from Other Governments	251,784	-	-	251,784
Total current assets	6,793,370	8,226,625	6,951,735	21,971,730
<b>NONCURRENT:</b>				
Capital Assets, net of accumulated Depreciation:				
Nondepreciable	2,221,824	2,809,331	1,609,045	6,640,200
Depreciable	4,382,453	34,716,505	9,117,473	48,216,431
Total noncurrent assets	6,604,277	37,525,836	10,726,518	54,856,631
<b>Total Assets</b>	<b>13,397,647</b>	<b>45,752,461</b>	<b>17,678,253</b>	<b>76,828,361</b>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Warrants and Accounts Payable	156,066	174,482	141,697	472,245
Accrued Payroll	27,632	34,139	8,943	70,714
Accrued Interest	20,054	67,250	8,908	96,212
Compensated Absences	40,104	22,318	3,398	65,820
Bonds Payable	538,560	1,863,543	179,000	2,581,103
Total current liabilities	782,416	2,161,732	341,946	3,286,094
<b>NONCURRENT:</b>				
Landfill Closure	-	-	3,575,000	3,575,000
Compensated Absences	83,362	21,750	4,326	109,438
OPEB Obligation Payable	385,543	381,114	159,868	926,525
Bonds Payable	2,729,487	22,706,877	525,000	25,961,364
Total noncurrent liabilities	3,198,392	23,109,741	4,264,194	30,572,327
<b>Total Liabilities</b>	<b>3,980,808</b>	<b>25,271,473</b>	<b>4,606,140</b>	<b>33,858,421</b>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	3,588,014	12,955,416	10,022,518	26,565,948
Restricted for Capital Unrestricted	961,985	2,802,904	2,042,346	5,807,235
<b>Total Net Position</b>	<b>4,866,840</b>	<b>4,722,668</b>	<b>1,007,249</b>	<b>10,596,757</b>
<b>\$</b>	<b>9,416,839</b>	<b>\$ 20,480,988</b>	<b>\$ 13,072,113</b>	<b>\$ 42,969,940</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
<b>Operating Revenues:</b>				
Charges for Services	\$ 6,144,798	\$ 6,620,587	\$ 1,800,096	\$ 14,565,481
Other	152,146	49,154	161,444	362,744
<b>Total Operating Revenues</b>	<b>6,296,944</b>	<b>6,669,741</b>	<b>1,961,540</b>	<b>14,928,225</b>
<b>Operating Expenses:</b>				
Salaries & Wages	767,281	823,536	316,900	1,907,717
Operating Expenses	1,638,269	1,307,365	1,041,567	3,987,201
Depreciation	308,432	1,125,005	628,724	2,062,161
<b>Total Operating Expenses</b>	<b>2,713,982</b>	<b>3,255,906</b>	<b>1,987,191</b>	<b>7,957,079</b>
<b>Operating Income (Loss)</b>	<b>3,582,962</b>	<b>3,413,835</b>	<b>(25,651)</b>	<b>6,971,146</b>
<b>Non-Operating Revenues (Expenses):</b>				
Interest Income	49,157	56,305	24,073	129,535
Intergovernmental	-	42,604	-	42,604
Interest Expense	(130,863)	(677,458)	(37,870)	(846,191)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(81,706)</b>	<b>(578,549)</b>	<b>(13,797)</b>	<b>(674,052)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>3,501,256</b>	<b>2,835,286</b>	<b>(39,448)</b>	<b>6,297,094</b>
<b>Operating Transfers:</b>				
Transfers In (Out)	(1,806,937)	(699,354)	(178,589)	(2,684,880)
<b>Total Operating Transfers</b>	<b>(1,806,937)</b>	<b>(699,354)</b>	<b>(178,589)</b>	<b>(2,684,880)</b>
<b>Change in Net Position</b>	<b>1,694,319</b>	<b>2,135,932</b>	<b>(218,037)</b>	<b>3,612,214</b>
<b>Net Position at Beginning of Year</b>	<b>7,722,520</b>	<b>18,345,056</b>	<b>13,290,150</b>	<b>39,357,726</b>
<b>Net Position at End of Year</b>	<b>\$ 9,416,839</b>	<b>\$ 20,480,988</b>	<b>\$ 13,072,113</b>	<b>\$ 42,969,940</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers and Users	6,138,066	6,606,099	2,212,468	\$ 14,956,633
Receipts from Other Revenues	152,146	49,154	161,444	362,744
Payments to Vendors	(1,590,814)	(1,108,827)	(910,065)	(3,609,706)
Payments to Employees	(714,911)	(815,029)	(331,148)	(1,861,088)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>3,984,487</b>	<b>4,731,397</b>	<b>1,132,699</b>	<b>9,848,583</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers from (to) Other Funds	(1,806,937)	(699,354)	(178,589)	(2,684,880)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(1,806,937)</b>	<b>(699,354)</b>	<b>(178,589)</b>	<b>(2,684,880)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
WPAT Project Drawdowns	115,306	-	-	115,306
Intergovernmental	-	42,604	-	42,604
Acquisition and Construction of Capital Assets	(237,200)	(664,005)	(678,321)	(1,579,526)
Principal Payments on Bonds and Notes	(510,000)	(1,863,257)	(179,000)	(2,552,257)
Interest Expense	(134,538)	(689,668)	(40,108)	(864,314)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(766,432)</b>	<b>(3,174,326)</b>	<b>(897,429)</b>	<b>(4,838,187)</b>
<b>Cash Flows from Investing Activities:</b>				
Investment Income	49,157	56,305	24,073	129,535
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>49,157</b>	<b>56,305</b>	<b>24,073</b>	<b>129,535</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,460,275</b>	<b>914,022</b>	<b>80,754</b>	<b>2,455,051</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>4,460,937</b>	<b>6,679,550</b>	<b>6,781,086</b>	<b>17,921,573</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 5,921,212</b>	<b>\$ 7,593,572</b>	<b>\$ 6,861,840</b>	<b>\$ 20,376,624</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities Enterprise Funds			Total
	Sewer Fund	Water Fund	Solid Waste Fund	
<b>Operating Income (Loss)</b>	\$ 3,582,962	\$ 3,413,835	\$ (25,651)	6,971,146
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>				
Depreciation	308,432	1,125,005	628,724	2,062,161
Change in Assets and Liabilities:				
Increase (Decrease) in Warrants Payable	(48,500)	64,361	91,044	106,905
Increase (Decrease) in Accrued Payroll	(3,539)	6,865	(3,063)	263
Increase (Decrease) in Compensated Absences	55,909	1,642	(11,185)	46,366
Increase (Decrease) in OPEB Obligation Payable	95,955	134,177	40,458	270,590
Decrease (Increase) in User Charges Receivable	(6,732)	(14,488)	412,372	391,152
<b>Total Adjustments</b>	<u>401,525</u>	<u>1,317,562</u>	<u>1,158,350</u>	<u>2,877,437</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>\$ 3,984,487</u>	<u>\$ 4,731,397</u>	<u>\$ 1,132,699</u>	<u>\$ 9,848,583</u>

**Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:**

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2013**

	<b>NORTHAMPTON</b>		
	<b>Employees Retirement System Pension Trust Fund (as of December 31, 2012)</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,192,283	\$ 278,553	\$ 299,453
Investments	86,672,931	1,410,769	-
Accrued Interest and Dividends	217,486	-	-
Accounts Receivable	990,098	-	20,161
<b>Total Assets</b>	<b>89,072,798</b>	<b>1,689,322</b>	<b>319,614</b>
<b>LIABILITIES</b>			
Warrants Payable	2,122,703	500	-
Due to Others	-	-	26,285
Due to Student Groups	-	-	169,542
Deposits and Escrows	-	-	123,787
<b>Total Liabilities</b>	<b>2,122,703</b>	<b>500</b>	<b>319,614</b>
<b>NET POSITION:</b>			
Held in Trust for Pension Benefits and Other Purposes	\$ 86,950,095	\$ 1,688,822	\$ -

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>NORTHAMPTON</b>	
	<b>Employees</b>	
	<b>Retirement</b>	
	<b>System Pension</b>	
	<b>Trust Fund</b>	<b>Private</b>
	<b>(as of December</b>	<b>Purpose</b>
	<b>31, 2012)</b>	<b>Trust Funds</b>
<b>Additions</b>		
Contributions:		
Employers	\$ 4,548,927	\$ -
Plan Members	2,313,736	-
Transfers/Reimbursements from Other Systems	251,639	-
Federal Grant Reimbursements	14,641	-
Commonwealth of Massachusetts - COLA	51,500	-
Private Donations	-	5,914
<b>Total Contributions</b>	<b>7,180,443</b>	<b>5,914</b>
Investment Income:		
Interest & Dividends	2,303,645	54,722
Net Change in Fair Value of Investments	6,439,661	78,688
<b>Total Investment Earnings</b>	<b>8,743,306</b>	<b>133,410</b>
Less Investment Expense	(336,999)	-
<b>Net Investment Earnings</b>	<b>8,406,307</b>	<b>133,410</b>
<b>Total Additions</b>	<b>15,586,750</b>	<b>139,324</b>
<b>Deductions:</b>		
Benefit Payments to Plan Members and Beneficiaries	7,597,186	-
Refunds to Members	218,020	-
Transfers to Other Systems	477,737	-
Educational Scholarships	-	21,944
Human Services	-	11,770
General Expenses	179,771	11,500
<b>Total Deductions</b>	<b>8,472,714</b>	<b>45,214</b>
<b>Change in Net Position</b>	<b>7,114,036</b>	<b>94,110</b>
<b>Net Position at Beginning of Year</b>	<b>79,836,059</b>	<b>1,594,712</b>
<b>Net Position at End of Year</b>	<b>\$ 86,950,095</b>	<b>\$ 1,688,822</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

The Northampton Contributory Retirement System (the System) was established to provide retirement benefits to City employees, the City Housing Authority, employees, and their beneficiaries. The System is governed by a five-member board comprised of the City Auditor (ex-officio), two members elected by the System's participants, one member appointed by the Mayor and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

The system did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 210 Main Street, Northampton, Massachusetts.

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

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

**Government-wide financial statements**

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

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

**Fund financial statements**

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

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

**Major Fund Criteria**

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

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

*and*

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

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

Proprietary and fiduciary funds are reported by fund type.

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

**Government-wide financial statements**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

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

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

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

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

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

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

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

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

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

**D. Cash and Cash Equivalents**

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

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

Investment income from proprietary funds is maintained in those funds.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**E. Investments**

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

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

**F. Receivables**

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

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

Property taxes are based on assessments as of January 1, 2012 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 2013 on July 1, 2012 and October 1, 2012, that were due on August 1, 2012 and November 1, 2012 and actual bills on December 31, 2012, and April 1, 2013, that were due on February 1, 2013 and May 1, 2013, respectively.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a City. The legal levy limit under Proposition 2 1/2 for fiscal year 2013 is as follows;

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

Legal Levy Limit Under Proposition 2 1/2 for fiscal year 2013	\$ 43,768,074
Add: Debt Exclusion	1,640,306
	<u>\$ 45,408,380</u>

The total amount raised by taxation was \$45,388,432.

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

***Excise and Other Taxes***

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

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

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

***User Charges***

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

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

***Departmental***

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

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

***Loans***

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

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

***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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

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

**G. Capital Assets**

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

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

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

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

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

**H. Interfund Transfers**

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

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

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

**I. Deferred Revenue**

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

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**J. Net Position and Fund Balances**

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

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

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

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

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

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

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

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

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

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

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

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

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

*Assigned fund balance.* This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and City 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

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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. Post Retirement Benefits**

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

**N. Use of Estimates**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

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

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

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

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

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

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

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

For fiscal year 2013, the City incurred a final budget deficit of \$4,759,156 for the General Fund.

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

Unreserved fund balance:		
Free cash	\$	2,556,614
Prior year's encumbrances		2,155,774
Reserve for police station debt		<u>46,768</u>
	\$	<u><u>4,759,156</u></u>

**B. Deficit Fund Balances**

The following funds had deficits at June 30, 2013 as measured by the balances of unreserved fund balance:

- Department of Public Works Facility capital project fund has a deficit of \$756,958. The City has a temporary note of \$800,000. The deficit will be eliminated upon the issuance of permanent debt.

**3. DETAILED NOTES**

**A. Deposits and Investments**

**Custodial Credit Risks – Deposits – City Financials**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2013 were \$49,109,281. Of these, \$7,665,264 were exposed to custodial credit risk as uninsured and uncollateralized.

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**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, 2012 were \$1,353,817. None were exposed to custodial credit risk as uninsured and uncollateralized.

**Investment Policies – City Financials**

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

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

As of June 30, 2013, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
<b>Debt Securities:</b>			
Corporate bonds	\$ 60,214	\$ -	\$ 60,214
Money market mutual funds	31,725	31,725	-
	<u>91,939</u>	<u>\$ 31,725</u>	<u>\$ 60,214</u>
<b>Other Investments:</b>			
Equity mutual funds	1,914,491		
Equity securities - Domestic	308,381		
Certificates of Deposit	201,234		
	<u>\$ 2,516,045</u>		

**Custodial Credit Risks - Investments**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's \$2,516,045, 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.

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**Credit Risk**

The City's exposure to credit risk as of June 30, 2013 is as follows:

Related Debt Instruments	Fair Value	Moody's Quality Ratings	
		A1	Not Rated
Debt Securities:			
Corporate bonds	\$ 60,214	\$ 60,214	\$ -
Money market mutual fund	31,725	-	31,725
	<u>\$ 91,939</u>	<u>\$ 60,214</u>	<u>\$ 31,725</u>

**Concentration of Credit Risk**

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

**Investment Policies – Northampton Contributory Retirement System City Financials**

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

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

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

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

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As of December 31, 2012, 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 Years
<b>Debt Securities:</b>					
U. S. Treasury obligations	\$ 11,641,971	\$ -	\$ 313,383	\$ 508,593	\$ 10,819,995
U. S. Government agencies	11,519	11,519	-	-	-
Corporate bonds	19,395,417	-	4,998,678	4,695,947	9,700,792
Money market mutual funds	1,478,422	1,478,422	-	-	-
	<u>32,527,329</u>	<u>\$ 1,489,941</u>	<u>\$ 5,312,061</u>	<u>\$ 5,204,540</u>	<u>\$ 20,520,787</u>
<b>Other Investments:</b>					
Equity securities - Domestic	52,751,246				
Pooled investment funds	1,394,356				
	<u>\$ 86,672,931</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 \$86,673,931 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.

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The System's exposure to credit risk as of December 31, 2012 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<b>U. S. Treasury Obligations:</b>	
AAA	\$ 11,641,971
<b>U. S. Government Agencies:</b>	
AAA	11,519
<b>Corporate Debt:</b>	
AAA	3,343,132
AA	4,471,043
A	3,974,260
BAA	6,644,466
BA/B	962,516
<b>Money Market Mutual Funds:</b>	
Not rated	1,478,422
	\$ 32,527,329

**Concentration of Credit Risk**

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

**B. Receivables**

At June 30, 2013, 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	\$ 1,414,455	\$ (400,000)	\$ 1,014,455
Deferred property taxes	183,544	-	183,544
Taxes in litigation	6,794	(6,794)	-
Rollback taxes	5,940	(5,940)	-
Tax liens	414,595	-	414,595
Excise taxes and other taxes	904,871	(558,164)	346,707
Departmental	883,582	(463,924)	419,658
Loans	95,850	-	95,850
Due from other governments	14,279,830	-	14,279,830
<b>Fiduciary funds:</b>			
<b>Westfield Employees Retirement System</b>			
<b>(at December 31, 2012):</b>			
Accounts Receivable	990,098	-	990,098
<b>Agency funds:</b>			
Accounts Receivable	20,161	-	20,161
	\$ 19,199,720	\$ (1,434,822)	\$ 17,764,898

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At June 30, 2013, 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	\$ 808,724	\$ (188,350)	\$ 620,374
Due from other governments	251,784	-	251,784
<b>Water Fund:</b>			
User charges	691,253	(58,200)	633,053
<b>Solid Waste Fund:</b>			
User charges	324,951	(235,056)	89,895
	<u>\$ 2,076,712</u>	<u>\$ (481,606)</u>	<u>\$ 1,595,106</u>

The composition of amounts due from other governments as of June 30, 2013 for governmental funds and the business-type activities are as follows:

**General Fund:**

***Commonwealth of Massachusetts:***

School Building Authority - School Building Assistance:

    Capital portion \$ 9,263,326

    Department of Elementary and Secondary Education 6,504

    Department of Revenue 19,234

**Northampton Employees Retirement System**

(As of December 31, 2012)

547,123 \$ 9,836,187

**Nonmajor Governmental Funds:**

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

    School lunch 295

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

    School title grants 67,857

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

    Community Development Block Grant 369,395

    Supportive Housing Program 900,905

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

1,049

***Commonwealth of Massachusetts***

    Department of Environmental Affairs 13,922

    Department of Environmental Protection 31,498

    Department of Revenue 9,023

    Executive Office of Public Safety and Homeland Security: 42,346

    Massachusetts Department of Transportation:

        Chapter 90 funds 2,977,870

***Departmental***

29,483 4,443,643

\$ 14,279,830

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**Business-Type Funds:**

**Sewer Fund:**

*Commonwealth of Massachusetts*

*Massachusetts Water Pollution Abatement Trust:*

Bradford Street pump station

\$ 251,784

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

The balance of the general fund deferred revenues account is equal to all of June 30, 2013 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections. At the end of the current fiscal year, the deferred revenue for property taxes is \$680,455.

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

**General Fund:**

Deferred property taxes	\$	183,544	
Tax Liens		411,097	
Excise and other taxes		346,707	
Departmental		961,939	
Due from other governments		9,263,326	\$ 11,166,613

**Nonmajor Governmental Funds:**

Tax Liens		3,498	
Loans		95,850	
Due from other governments		3,801,359	3,900,707
			\$ 15,067,320

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**C. Capital Assets**

Capital asset activity for the year ended June 30, 2013, are as follows

**Governmental Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 13,896,105	\$ 501,178	\$ (25,593)	\$ 14,371,690
Construction in progress	15,550,123	6,583,615	(1,328,130)	20,805,608
Total capital assets not being depreciated	29,446,228	7,084,793	(1,353,723)	35,177,298
Capital assets being depreciated:				
Buildings and improvements	99,393,249	2,492,680	-	101,885,929
Machinery, equipment and other	12,068,836	296,723	(663,278)	11,702,281
Infrastructure	18,408,275	-	-	18,408,275
Total capital assets being depreciated	129,870,360	2,789,403	(663,278)	131,996,485
Less accumulated depreciation for:				
Buildings	51,860,522	3,432,233	-	55,292,755
Machinery, equipment and other	9,396,135	923,582	(663,278)	9,656,439
Infrastructure	13,485,315	328,936	-	13,814,251
Total accumulated depreciation	74,741,972	4,684,751	(663,278)	78,763,445
Total capital assets being depreciated, net	55,128,388	(1,895,348)	-	53,233,040
Total governmental activities capital assets, net	\$ 84,574,616	\$ 5,189,445	\$ (1,353,723)	\$ 88,410,338

**Business-Type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 3,830,435	\$ 87,000	\$ -	\$ 3,917,435
Construction in progress	1,979,715	743,050	-	2,722,765
Total capital assets not being depreciated	5,810,150	830,050	-	6,640,200
Capital assets being depreciated:				
Buildings and Renovations	23,837,233	678,320	-	24,515,553
Machinery, equipment and other	2,746,067	71,155	(118,797)	2,698,425
Infrastructure	74,857,783	-	-	74,857,783
Total capital assets being depreciated	101,441,083	749,475	(118,797)	102,071,761
Less accumulated depreciation for:				
Buildings and Renovations	15,104,993	593,968	-	15,698,961
Machinery, equipment and other	2,405,460	154,971	(118,797)	2,441,634
Infrastructure	34,401,514	1,313,221	-	35,714,735
Total accumulated depreciation	51,911,967	2,062,160	(118,797)	53,855,330
Total capital assets being depreciated, net	49,529,116	(1,312,685)	-	48,216,431
Total business-type activities capital assets, net	\$ 55,339,266	\$ (482,635)	\$ -	\$ 54,856,631

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General government	\$ 794,357
Public safety	640,196
Public works	590,223
Education	2,343,464
Health and human services	118,316
Culture and recreation	198,195
Total depreciation expense - governmental activities	<u>\$ 4,684,751</u>

<b>Business-Type Activities:</b>	
Sewer fund	\$ 308,431
Water fund	1,125,005
Solid waste fund	628,724
Total depreciation expense - business-type activities	<u>\$ 2,062,160</u>

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

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 125,707	\$ 125,707
Nonmajor governmental funds	783,882	-	783,882
Business-type activities	2,684,880	-	2,684,880
Total transfers out	<u>\$ 3,468,762</u>	<u>\$ 125,707</u>	<u>\$ 3,594,469</u>

**E. Lease**

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

The assets acquired through the capital leases are as follow:

<b>Assets:</b>		<b>Governmental Activities</b>
Machinery, equipment and other	\$ 928,243	
Less: Accumulated Depreciation	(779,693)	
Total	<u>\$ 148,550</u>	

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, are as follows:

Year Ending June 30,	Governmental Activities
2014	\$ 52,550
Total minimum lease payments	52,550
Less: amount representing interest	(2,367)
Present value of minimum lease payments	<u>\$ 50,183</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 governmental activities are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2012	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2013
<b>Governmental Activities:</b>						
<b><i>Bond Anticipation Notes:</i></b>						
DPW Facility	1.25%	2/8/2013	\$ 800,000	\$ -	\$ 800,000	\$ -
DPW Facility	1.00%	2/7/2014	-	800,000	-	800,000
School parking lot	1.00%	2/7/2014	-	125,000	-	125,000
Florence fields recreational project	1.00%	2/7/2014	-	1,200,000	-	1,200,000
<b>Total Governmental Activities</b>			<u>\$ 800,000</u>	<u>\$ 2,125,000</u>	<u>\$ 800,000</u>	<u>\$ 2,125,000</u>

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

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2013
<b>Inside Debt:</b>					
Library building remodeling	3.40%	10/15/2002	9/1/2019	\$ 830,000	\$ 325,000
Land acquisition	Various	11/15/2004	10/15/2023	\$ 72,000	8,000
Building remodeling - school	Various	11/15/2004	10/15/2023	\$ 767,000	415,000
Aerial ladder fire truck	Various	11/15/2004	10/15/2023	\$ 720,500	140,000
Recreation facilities	Various	11/15/2004	10/15/2023	\$ 45,000	5,000
Refinanced:					
Police land acquisition	Various	11/15/2004	10/15/2018	\$ 229,000	15,000
Land acquisition - Gerogianna	Various	11/15/2004	10/15/2018	\$ 76,000	20,000
Storm and surface drains	Various	11/15/2004	10/15/2018	\$ 40,000	16,000
Fire station	Various	11/15/2004	10/15/2018	\$ 2,325,000	1,470,000
Municipal Purpose Loan of 2007:					
School energy	3.75-4.0%	3/15/2007	3/15/2016	\$ 60,000	18,000
SVAHS shop computers	3.75-4.0%	3/15/2007	3/15/2016	\$ 300,000	84,000
Ridgewood Terrace roads	3.75-4.0%	3/15/2007	3/15/2016	\$ 173,400	53,000
Veteran's field skatepark	3.75-4.0%	3/15/2007	3/15/2022	\$ 140,000	80,000
Senior center	3.75-4.0%	3/15/2007	3/15/2026	\$ 3,910,000	2,674,000
Forbes library remodeling	3.75-4.0%	3/15/2007	3/15/2026	\$ 982,900	653,000
Schools and DPW garage remodeling	3.75-4.0%	3/15/2007	3/15/2026	\$ 415,000	271,000
DPW salt/sand shed	3.75-4.0%	3/15/2007	3/15/2026	\$ 173,600	113,000
Storm and surface drains	3.75-4.0%	3/15/2007	3/15/2026	\$ 602,000	412,000
Municipal Purpose Loan of 2009:					
City-wide fiber optic network	2.0-5.0%	2/12/2009	2/1/2029	\$ 710,000	140,000
City-wide telephone system	2.0-5.0%	2/12/2009	2/1/2029	\$ 648,000	125,000
DPW roof repairs	2.0-5.0%	2/12/2009	2/1/2029	\$ 25,000	15,000
Ryan Road bridge repairs	2.0-5.0%	2/12/2009	2/1/2029	\$ 125,000	85,000
Various school projects	2.0-5.0%	2/12/2009	2/1/2029	\$ 744,000	295,000
Municipal Purpose Loan of 2010:					
Drainage	3.01%	12/1/2010	11/15/2025	\$ 100,000	80,000
Sidewalk construction	1.70%	12/1/2010	11/15/2014	\$ 186,500	60,000
Police station	3.19%	12/1/2010	11/15/2025	\$ 1,100,000	950,000
Technology	2.31%	12/1/2010	11/15/2019	\$ 225,500	165,000
Energy conservation improvements	3.27%	12/1/2010	11/15/2025	\$ 4,893,000	4,375,000
Qualified energy conservation	1.73%	12/22/2010	11/15/2025	\$ 1,607,000	1,391,000
Clean renewable energy	1.73%	12/22/2010	11/15/2025	\$ 261,000	225,000
Massachusetts Water Pollution					
Abatement Trust - Title V Community					
Septic Management Program Bond	N/A	10/25/2000	8/1/2018	\$ 93,837	31,273
Sub-total page 46					<u>\$ 14,709,273</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
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**June 30, 2013**

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2013
<b>Inside Debt:</b>					\$ 14,709,273
Continued from Page 46					
Municipal Purpose Loan of 2012:					
Police Station 1	2.30%	2/9/2012	12/1/2031	\$ 10,000,000	9,500,000
Police Station 2	2.32%	2/9/2012	12/1/2031	\$ 887,000	870,000
Police Station 3	2.28%	2/9/2012	12/1/2031	\$ 5,580,000	5,515,000
NPS Wheelchair Bus	1.07%	2/9/2012	12/1/2015	\$ 50,000	35,000
Police Vehicles	1.06%	2/9/2012	12/1/2015	\$ 141,500	105,000
SVAHS Culinary Arts Renovations	1.07%	2/9/2012	12/1/2015	\$ 50,000	35,000
SVAHS Paint Booth Renovation	1.07%	2/9/2012	12/1/2016	\$ 50,000	35,000
DPW 2 Dump Truck	1.07%	2/9/2012	12/1/2015	\$ 130,000	90,000
DPW 2 Six-Wheel Trucks	1.06%	2/9/2012	12/1/2015	\$ 280,000	205,000
Recreation Dept. Mini-Bus	1.05%	2/9/2012	12/1/2016	\$ 45,000	35,000
Police Tactical Equipment	1.07%	2/9/2012	12/1/2016	\$ 60,000	45,000
DPW Equipment	1.05%	2/9/2012	12/1/2016	\$ 150,000	120,000
JFK Pool Filter	1.05%	2/9/2012	12/1/2016	\$ 75,000	60,000
JFK Tilt Kettle	1.09%	2/9/2012	12/1/2016	\$ 31,000	20,000
Bridge and Jackson Dishwashers	1.08%	2/9/2012	12/1/2016	\$ 35,500	25,000
SVAHS Cafeteria Renovation	1.05%	2/9/2012	12/1/2016	\$ 125,000	100,000
High School Track	1.44%	2/9/2012	12/1/2021	\$ 50,000	45,000
Bridge St. School PA System	1.05%	2/9/2012	12/1/2016	\$ 50,000	40,000
Drainage DPW	1.44%	2/9/2012	12/1/2021	\$ 250,000	225,000
Bean Farm Land Acquisition	1.79%	2/9/2012	12/1/2026	\$ 910,000	830,000
<b>Total Inside Debt</b>					<u>32,644,273</u>
<b>Outside Debt:</b>					
High school roof replacement	3.40%	10/15/2002	9/1/2017	\$ 400,000	130,000
High school remodeling	3.40%	10/15/2002	9/1/2019	\$ 5,565,000	25,000
Refinanced:					
School project	Various	11/15/2004	10/15/2019	\$ 18,508,000	9,502,000
<b>Total Outside Debt</b>					<u>9,657,000</u>
<b>Total Governmental Type Debt</b>					<u>\$ 42,301,273</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2013**

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

**Governmental Type Activities**

Year	Principal	Interest	Total
2014	\$ 4,686,214	\$ 1,510,735	\$ 6,196,949
2015	4,271,212	1,323,855	5,595,067
2016	3,725,212	1,150,908	4,876,120
2017	3,270,212	1,003,721	4,273,933
2018	3,160,211	873,486	4,033,697
2019-2023	12,623,212	2,642,152	15,265,364
2024-2028	7,320,000	978,028	8,298,028
2029-2032	3,245,000	193,875	3,438,875
	<u>\$ 42,301,273</u>	<u>\$ 9,676,760</u>	<u>\$ 51,978,033</u>

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

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2013
<b>Inside Debt:</b>					
<b>Sewer:</b>					
Refinanced:					
Sewer	Various	11/15/2004	10/15/2019	\$ 2,539,000	\$ 1,582,000
Municipal Purpose Loan of 2010:					
Wastewater treatment plant improvements	1.68%	12/1/2010	11/15/2013	\$ 660,000	220,000
Municipal Purpose Loan of 2012:					
Bradford Street Pump Station	2.30%	2/9/2012	12/1/2031	\$ 800,000	760,000
<b>Massachusetts Water Pollution Abatement Trust:</b>					
Comprehansive Wastewater Management Plan	2.00%	6/13/2012	7/15/2032	\$ 706,047	706,047
<b>Total Inside Debt page 48</b>					<u>\$ 3,268,047</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2013
<b>Inside Debt:</b>					
<b>Total Inside Debt page 48</b>					\$ 3,268,047
<b>Outside Debt:</b>					
<b>Water:</b>					
Water filtration plant	Various	11/15/2004	10/15/2024	\$ 1,000,000	607,000
Route 66 water mains	Various	11/15/2004	10/15/2024	\$ 775,000	455,000
Water	3.75-4.00%	3/15/2007	3/15/2026	\$ 1,100,000	747,000
Route 66 water mains	2.00-5.00%	2/12/2009	2/1/2029	\$ 1,200,000	955,000
<b>Massachusetts Water Pollution Abatement Trust:</b>					
Water filtration plant	2.00%	2/1/2007	8/1/2024	\$ 2,241,713	1,637,412
Water filtration plant	2.00%	12/14/2006	7/15/2026	\$ 9,612,283	7,132,622
Water filtration plant	2.00%	12/14/2006	7/15/2026	\$ 14,000,000	10,388,450
Water filtration plant	2.00%	3/18/2009	7/15/2028	\$ 1,250,000	1,006,698
Well chlorination project	2.00%	7/8/2010	7/15/2025	\$ 459,416	405,826
Well chlorination project	2.00%	6/13/2012	7/15/2032	\$ 119,412	119,412
Refinanced:					
Water	Various	11/15/2004	10/15/2019	\$ 3,814,000	1,116,000
					<u>24,570,420</u>
<b>Solid Waste:</b>					
Refinanced:					
Landfill	Various	11/15/2004	10/15/2016	\$ 1,829,000	704,000
					<u>704,000</u>
<b>Total Outside Debt</b>					<u>25,274,420</u>
<b>Total Business Type Debt</b>					<u>\$ 28,542,467</u>

**Business-Type Activities**

Year	Principal	Interest	Total
2014	\$ 2,581,103	\$ 742,163	\$ 3,323,266
2015	2,378,974	661,632	3,040,606
2016	2,303,553	585,180	2,888,733
2017	2,123,363	512,642	2,636,005
2018	1,908,610	452,601	2,361,211
2019-2023	9,329,805	1,499,415	10,829,220
2024-2028	7,368,534	410,099	7,778,633
2029-2033	548,525	25,759	574,284
<u>\$ 28,542,467</u>		<u>\$ 4,889,491</u>	<u>\$ 33,431,958</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2013**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
<b>Governmental activities:</b>					
<b><i>Bond Payable:</i></b>					
General obligation bonds	\$ 49,744,000	\$ -	\$ 7,474,000	\$ 42,270,000	\$ 4,681,000
Massachusetts Water Pollution Abatement Trust bonds	36,486	-	5,213	31,273	5,214
Lease payable	162,001	-	111,818	50,183	50,183
Compensated absences	2,937,588	419,867	-	3,357,455	1,230,399
OPEB obligation payable	17,521,632	7,470,145	-	24,991,777	-
Governmental activity Long-term liabilities	<u>\$ 70,401,707</u>	<u>\$ 7,890,012</u>	<u>\$ 7,591,031</u>	<u>\$ 70,700,688</u>	<u>\$ 5,966,796</u>
<b>Business type activities:</b>					
<b><i>Bond Payable:</i></b>					
General obligation bonds	\$ 8,437,001	\$ -	\$ 1,251,001	\$ 7,186,000	\$ 1,259,000
Massachusetts Water Pollution Abatement Trust bonds	22,657,723	-	1,301,256	21,356,467	1,322,103
Compensated absences	128,892	46,366	-	175,258	65,820
OPEB obligation payable	655,935	270,590	-	926,525	-
Landfill closure	3,575,000	-	-	3,575,000	-
Business-type activity Long-term liabilities	<u>\$ 35,454,551</u>	<u>\$ 316,956</u>	<u>\$ 2,552,257</u>	<u>\$ 33,219,250</u>	<u>\$ 2,646,923</u>

**Massachusetts Water Pollution Abatement Trust (MWPAT)**

The City is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$22,694,210 and interest costs of \$3,931,347 for eight loans which the City has borrowed from MWPAT. The gross amount outstanding at June 30, 2013 for principal and interest combined for the loans is \$24,872,381. The net repayments, including interest, are scheduled to be \$24,493,428. 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 2013 principal and interest subsidies totaled \$48,808.

**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, 2013, totaled \$35,912,320.

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
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The following is a computation of the legal debt limit as of June 30, 2013:

Equalized Valuation-Real Estate and Personal Property (2012)		\$ 3,341,950,700
Debt Limit: 5 % of Equalized value		<u>\$ 167,097,535</u>
Total Debt Outstanding		
Governmental Activity Debt	\$ 42,301,273	
Less: Debt Outside Debt Limit	<u>(9,657,000)</u>	32,644,273
Business-Type Activity Debt	28,542,467	
Less: Debt Outside Debt Limit	<u>(25,274,420)</u>	<u>3,268,047</u>
		<u>35,912,320</u>
Inside Debt Excess Borrowing Capacity at June 30, 2013		<u><u>\$ 131,185,215</u></u>

**Loans Authorized and Unissued - Memorandum Only**

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

The loan authorizations of the governmental activities as of June 30, 2013, which are not reflected in the City's financial statements are as follows:

<u>Date</u>	<u>Purpose</u>	<u>Amount</u>
9/1/2011	Flood control pumping station engine replacements	\$ 50,000
3/1/2012	Coles meadow road land acquisition	535,000
7/12/2012	Outdoor recreation improvements	625,000
5/2/2013	Public rail trails improvements	500,000
6/27/2013	Ryan Road roof replacement	150,000
6/27/2013	Smith vocational agricultural high school boiler replacement	150,000
6/27/2013	Department of public works vehicle and sidewalk plow	300,000
6/27/2013	River Road retaining wall slope stabilization	400,000
		<u><u>\$ 2,710,000</u></u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

**H. Fund Balances**

The following is a summary of the City Governmental Fund balances at the year ended June 30, 2013:

	<b>General Fund</b>	<b>Police Facility Construction</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Nonspendable:</b>				
Permanent funds	\$ -	\$ -	\$ 687,206	\$ 687,206
<b>Restricted:</b>				
Federal, state and local grants	-	-	912,778	912,778
School revolving funds	-	-	3,470,867	3,470,867
Other city revolving funds	-	-	570,971	570,971
Donations and gifts	-	-	798,939	798,939
Community preservation fund	-	-	1,622,423	1,622,423
Capital projects	-	255,371	985,113	1,240,484
Permanent funds	-	-	327,831	327,831
Other	-	-	1,468,610	1,468,610
Reserve for debt	383,660	-	-	383,660
	<u>383,660</u>	<u>255,371</u>	<u>10,157,532</u>	<u>10,796,563</u>
<b>Assigned:</b>				
General government	79,608	-	-	79,608
Public safety	10,027	-	-	10,027
Public works	176,520	-	-	176,520
Education	118,127	-	-	118,127
Health and human services	8,265	-	-	8,265
Insurance and employee benefits	61,500	-	-	61,500
Capital improvements	2,670,039	-	-	2,670,039
Energy projects	-	-	407,907	407,907
Parking fund	-	-	1,327,598	1,327,598
	<u>3,124,086</u>	<u>-</u>	<u>1,735,505</u>	<u>4,859,591</u>
<b>Unassigned:</b>				
General Fund	5,618,635	-	-	5,618,635
Deficit capital projects:				
Department of Public Works facility	-	-	(756,958)	(756,958)
	<u>5,618,635</u>	<u>-</u>	<u>(756,958)</u>	<u>4,861,677</u>
<b>Total Governmental fund balances</b>	<b>\$ 9,126,381</b>	<b>\$ 255,371</b>	<b>\$ 11,823,285</b>	<b>\$ 21,205,037</b>

**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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
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At June 30, 2013 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 891,487
Capital stabilization fund	<u>705,641</u>
	<u>\$ 1,597,128</u>

**4. OTHER INFORMATION**

**A. Risk Management**

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

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

**B. Contingent Liabilities**

**Litigation**

Various cases are pending against the City at June 30, 2013. The amount of the claims cannot be estimated at the present time. As a result, the potential loss, if any on these claims has not been recorded on the financial statements.

**Federal Financial Assistance**

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

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

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

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

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

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

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

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

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

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

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

On June 30, 2013, the landfill closure trust fund is maintained in the solid waste business-type fund in the amount of \$1,963,317.

The City has reflected \$3,575,000 as the estimate of the landfill maintenance and monitoring costs as a liability at June 30, 2013, in the business-type activities of the government-wide financial statements. The amount is based on estimates of what it would cost to perform all future post closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**D. Other Post Employment Benefits Payable**

**GASB Statement No. 45**

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

**Plan Description**

- The City provides the following plan types, Health New England HMO and Health New England PPO, MedPlus PPO and Medicare Advantage Plan.
- The group term life insurance - \$5,000.

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

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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 2013 fiscal year, total City premiums plus implicit costs for the retiree medical program are \$4,161,401 consisting of \$3,994,173 for governmental activities and \$167,228 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	\$ 11,500,088	\$ 439,157	\$ 11,939,245
Interest on net OPEB obligation	700,357	26,746	727,103
Adjustment to annual required contribution	(736,127)	(28,085)	(764,212)
Annual OPEB cost (expense)	11,464,318	437,818	11,902,136
Contributions made during the fiscal year	3,994,173	167,228	4,161,401
Increase in net OPEB obligation	7,470,145	270,590	7,740,735
Net OPEB Obligation - beginning of year	17,521,632	655,935	18,177,567
Net OPEB Obligation - end of year	<u>\$ 24,991,777</u>	<u>\$ 926,525</u>	<u>\$ 25,918,302</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 2013 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>
6/30/2011	\$ 6,487,299	51.38%	\$10,897,748
6/30/2012	\$ 11,198,476	34.99%	\$18,177,567
6/30/2013	\$ 11,902,136	34.96%	\$25,918,302

**Funded Status and Funding Process**

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

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress is as follows:

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

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

**Actuarial Methods and Assumptions**

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

The City OPEB actuarial valuation as of July 1, 2011 used the projected unit credit actuarial cost method. The OPEB liability is currently unfunded. The actuarial assumptions also include a payroll growth rate of 3.25%.

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at June 30, 2013 is 25 years.

**E. Pension Plan**

**Plan Description**

The City contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Northampton Contributory Retirement Board. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of Commonwealth of Massachusetts Teachers' Retirement System to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers' Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$8,675,274 for the fiscal year ending June 30, 2013, and, accordingly, are reported in the general fund as intergovernmental revenues and employee benefit expenditures.

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2013**

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

At December 31, 2012, the System's approximate membership consists of the following:

Active Members	624
Inactive Members	161
Retired Members, Beneficiaries and Survivors	363
	1,148

**Funding Policy**

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

The City's contribution to the System for the fiscal years ended June 30, 2013, 2012, and 2011 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	City's Contribution
2013	\$ 4,359,384
2012	\$ 4,198,899
2011	\$ 3,989,570

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

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2007	\$ 65,385	\$ 101,978	\$ 36,593	64%	\$ 20,336	180%
1/1/2008	\$ 71,799	\$ 108,846	\$ 37,047	66%	\$ 21,754	170%
1/1/2010	\$ 76,045	\$ 116,637	\$ 40,592	65%	\$ 22,556	180%
1/1/2012	\$ 79,531	\$ 131,388	\$ 51,857	61%	\$ 23,889	217%

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2013**

The required information presented above was determined as part of the actuarial valuations at the dates indicated. The last actuarial valuation was prepared by the Stone Consulting, Inc. as of January 1, 2012. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.75 % a year compounded annually, (b) projected salary, including longevity, increases of approximately 7% during the first eight years of employment and 4% thereafter, except for the next three years, the 4% is reduced by 2% (prior valuation reduction was 3% for two years and 2% in the third year).

The total unfunded actuarial liability at January 1, 2012 is as follows:

Active members	\$	58,676,990
Inactive and retired members and beneficiaries		72,710,809
Total actuarial liability		131,387,799
Assets		79,531,350
Unfunded actuarial liability	\$	51,856,449

**Reporting Policies**

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

Investments are reported in accordance with PERAC requirements.

## **SUPPLEMENTARY SCHEDULES**

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Fund Balances		Revenues		Expenditures		Other Financing Sources (Uses)		Fund Balances
	July 1, 2012								June 30, 2013
<b>Special Revenue:</b>									
<b>Federal and State Grants:</b>									
School Grants	\$ 143,090	\$	2,255,870	\$	2,293,243	\$	-	\$	105,717
Arts Lottery Council Grants	5,051		55,898		53,802		-		7,147
Community Development Grants	246,784		1,495,386		1,571,867		-		170,303
Council on Aging Grants	8,838		51,817		51,671		-		8,984
Disaster Relief and Hazard Grants	44,805		168,991		43,193		3,750		174,353
Economic Development Grants	44,992		-		30,475		-		14,517
Energy Grants	-		117,440		94,974		-		22,466
Health Grants	14,020		1,000		108		-		14,912
Highway Grants	57,160		765,980		823,140		-		-
Library Grants	3,802		44,686		47,837		-		651
Other Programs and Grants	3,780		79,869		68,237		-		15,412
Massachusetts School Building Administration	-		2,362,000		2,362,000		-		-
Planning Grants	80,929		812,666		892,692		-		903
Public Safety Grants	143,113		688,718		507,514		(3,750)		320,567
Rail Trail Grants	40,543		815		5,785		-		35,573
Recycling Grants	26,312		1,770		6,811		-		21,271
<b>Schools:</b>									
School Lunch Revolving	7,656		877,565		884,015		-		1,206
School Lunch Commodities	-		54,057		54,057		-		-
Grant Indirect Expenses	119,958		18,010		36,780		-		101,188
Privately Funded Grants	28,750		16,077		22,472		-		22,355
Revolving Accounts	1,087,345		1,093,793		1,082,182		-		1,098,956
School Choice	1,694,355		1,514,085		1,343,970		-		1,864,470
State Special Education Reimbursement Fund	234,296		575,963		427,565		-		382,694
<b>Other:</b>									
Baystate Gas Roundhouse Lot Fund	93,964		-		-		-		93,964
Public Health Nursing Revolving	7,608		4,697		6,136		-		6,169
Clean Energy Choice Grant	624		-		624		-		-
Community Preservation Fund	1,843,874		1,229,954		1,439,810		(11,595)		1,622,423
Committee on Disabilities Revolving Fund	5,700		5,800		-		-		11,500
<b>Total Special Revenue Page 59</b>	<b>\$ 5,987,349</b>	<b>\$</b>	<b>14,292,907</b>	<b>\$</b>	<b>14,150,960</b>	<b>\$</b>	<b>(11,595)</b>	<b>\$</b>	<b>6,117,701</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013**

	Fund Balances		Revenues		Expenditures		Other Financing Sources (Uses)		Fund Balances	
	July 1, 2012		Revenues		Expenditures		Sources (Uses)		June 30, 2013	
<b>Continued from Page 59</b>										
<b>Special Revenue (continued):</b>										
<b>Other (continued):</b>										
Connecticut River Channel Markers	10,105		17,396		11,931		-		15,570	
Conservation Funds	17,789		4,467		481		(6,184)		15,591	
Cooley Dickinson Hospital Healthy Communities Grant	6		-		-		-		6	
Council on Aging Revolving Funds	64,253		73,434		67,882		-		69,805	
Dog Refund and Revolving Fund	55,059		1,314		2,433		-		53,940	
Energy Rebates	431,674		121,233		-		(145,000)		407,907	
Energy Sustainability Revolving Fund	55,179		11,443		7,060		-		59,562	
Fire Department Revolving Funds	147,549		241,493		156,432		(168,554)		64,056	
Fire Outside Detail	1,704		18,983		16,772		-		3,915	
Gifts & Donations	698,656		285,869		185,586		-		798,939	
Handicapped Funds	2,912		-		1,020		-		1,892	
Internet Access and Technology	207,788		143,939		-		(165,000)		186,727	
James House Rental	500		49,875		30,344		-		20,031	
Liquor Licenses Deposits	10,000		-		-		-		10,000	
MIIA Loss Control Grant	-		4,248		4,248		-		-	
Municipal Waterways Fund	2,552		3,733		-		(3,900)		2,385	
Northampton State Hospital Marketing	1,356		-		-		-		1,356	
Parking Meter Reserves and Passes	992,368		258,523		-		76,707		1,327,598	
Police Court Time	7,268		-		-		-		7,268	
Police Outside Detail	84,011		465,461		531,845		-		17,627	
Premium on Loans	-		12,948		10,335		(2,613)		-	
Public Works Grants Projects Revolving	80,088		6,545		1,684		-		84,949	
Recreation Revolving Funds	254,962		403,310		420,369		-		237,903	
Regionalization - PBRN	697		-		-		-		697	
Sale of Cemetery Lots	32,550		7,500		-		(5,000)		35,050	
Sale of Land	435,305		-		-		(210,142)		225,163	
<b>Total Special Revenue Page 60</b>	<b>\$ 9,581,680</b>	<b>\$</b>	<b>16,424,621</b>	<b>\$</b>	<b>15,599,382</b>	<b>\$</b>	<b>(641,281)</b>	<b>\$</b>	<b>9,765,638</b>	

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Fund Balances July 1, 2012	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2013
<b>Continued from Page 60</b>	\$ 9,581,680	\$ 16,424,621	\$ 15,599,382	\$ (641,281)	\$ 9,765,638
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Sale of Lumber	6,997	10,000	-	-	16,997
Septic Repair Loan Repayments	52,222	6,203	11,417	-	47,008
Survival Center Capital Fund	11,250	3,600	-	-	14,850
Tax Title Attorney Fees Revolving	10,480	5,274	-	-	15,754
Tourism Directional Signs	160	286	210	-	236
Affordable Housing Fund	998	2	-	-	1,000
Conservation Land Purchase Fund	355,943	169,787	2,145	-	523,585
Drug Forfeiture Fund	42,942	2,710	15,379	-	30,273
E. Lyman Fund	46	4	-	-	50
Library Fund	79,516	8,175	-	-	87,691
Park Street Improvements Fund	2,265	233	-	-	2,498
Smith Vocational High School Fund	74,363	152	-	-	74,515
<b>Total Special Revenue Funds</b>	<b>10,218,862</b>	<b>16,631,047</b>	<b>15,628,533</b>	<b>(641,281)</b>	<b>10,580,095</b>
<b>Capital Projects:</b>					
City Hall Exterior Upgrades	9,656	-	-	-	9,656
City-Wide Install Voice Telephone System	2,336	-	-	(2,336)	-
Department of Public Works Projects	(3,569)	-	253,472	-	(257,041)
Energy Conservation Projects	1,310,602	-	1,085,700	-	224,902
Forbes Library Renovations	11,078	-	-	-	11,078
Install Fiber Optic Wide Area Network	54,701	-	-	(54,701)	-
Management of Information Systems 5 Year Plan	143,551	-	61,263	57,037	139,325
Northampton Public Schools Projects	219,471	-	141,040	-	78,431
Public Safety Projects	42,847	-	33,931	-	8,916
Recreation Mini-Bus	45,000	-	45,000	-	-
Smith Vocational and Agricultural High School Projects	29,594	-	16,708	-	12,886
<b>Total Capital Projects</b>	<b>\$ 1,865,267</b>	<b>\$ -</b>	<b>\$ 1,637,114</b>	<b>\$ -</b>	<b>\$ 228,153</b>

CITY OF NORTHAMPTON, MASSACHUSETTS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Fund Balances July 1, 2012	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2013
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care Funds	\$ 676,706	\$ 10,500	\$ -	\$ -	\$ 687,206
<b>Permanent Funds:</b>					
Cemetery Funds	249,912	94,813	-	(16,894)	327,831
<b>Total Non-Major Governmental Funds</b>	<b>\$ 13,010,747</b>	<b>\$ 16,736,360</b>	<b>\$ 17,265,647</b>	<b>\$ (658,175)</b>	<b>\$ 11,823,285</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES, ROLLBACK TAXES,  
DEFERRED PROPERTY TAXES AND COMMUNITY PRESERVATION SURCHARGE  
JULY 1, 2012 TO JUNE 30, 2013**

	Uncollected Taxes July 1, 2012	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2013	Uncollected Taxes Per Detail June 30, 2013
<b>Real Estate Taxes:</b>						
Levy of 2013	\$ -	\$ 44,141,390	\$ 330,119	\$ 43,082,604	\$ 728,667	\$ 728,667
Levy of 2012	878,665	-	132,267	613,231	133,167	133,166
Levy of 2011	144,834	-	53,423	91,411	-	-
Levy of 2010	75	-	-	-	75	75
	<u>1,023,574</u>	<u>44,141,390</u>	<u>515,809</u>	<u>43,787,246</u>	<u>861,909</u>	<u>861,908</u>
<b>Personal Property Taxes:</b>						
Levy of 2013	-	1,247,043	6,156	1,216,354	24,533	24,549
Levy of 2012	52,857	-	604	5,607	46,646	46,646
Levy of 2011	25,281	-	-	1,613	23,668	23,668
Levy of 2010	26,125	-	-	583	25,542	25,542
Levy of 2009	22,871	-	142,624	(142,555)	22,802	22,802
Prior Years	394,837	-	-	1,555	393,282	398,332
	<u>521,971</u>	<u>1,247,043</u>	<u>149,384</u>	<u>1,083,157</u>	<u>536,473</u>	<u>541,539</u>
<b>Total Real Estate and Personal Property Taxes</b>	<b>\$ 1,545,545</b>	<b>\$ 45,388,433</b>	<b>\$ 665,193</b>	<b>\$ 44,870,403</b>	<b>\$ 1,398,382</b>	<b>\$ 1,403,447</b>
<b>Rollback Taxes</b>	<b>\$ 1,580</b>	<b>\$ 8,959</b>	<b>\$ -</b>	<b>\$ 4,599</b>	<b>\$ 5,940</b>	<b>\$ 5,940</b>
<b>Deferred Property Taxes</b>	<b>\$ 169,207</b>	<b>\$ 19,724</b>	<b>\$ -</b>	<b>\$ 5,387</b>	<b>\$ 183,544</b>	<b>\$ 184,018</b>
<b>Community Preservation Surcharge</b>	<b>\$ -</b>	<b>\$ 950,995</b>	<b>\$ 22,969</b>	<b>\$ 913,881</b>	<b>\$ 14,145</b>	<b>\$ 14,145</b>
Levy of 2013	-	950,995	22,969	913,881	14,145	14,145
Levy of 2012	18,657	-	1,593	15,136	1,928	1,928
Levy of 2011	2,298	-	444	1,854	-	-
<b>Total Community Preservation Surcharge</b>	<b>\$ 20,955</b>	<b>\$ 950,995</b>	<b>\$ 25,006</b>	<b>\$ 930,871</b>	<b>\$ 16,073</b>	<b>\$ 16,073</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES  
JULY 1, 2012 TO JUNE 30, 2013**

	Uncollected Taxes July 1, 2012	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2013	Uncollected Taxes Per Detail June 30, 2013
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2013	\$ -	2,180,620	48,798	1,911,891	\$ 219,931	\$ 219,931
Levy of 2012	129,423	215,338	35,782	269,685	39,294	39,294
Levy of 2011	44,597	133	1,289	13,105	30,336	30,336
Levy of 2010	22,429	64	223	4,071	18,199	18,199
Levy of 2009	15,780	-	39	1,363	14,378	14,378
Prior Years	726,206	-	180,074	3,313	542,819	542,759
	938,435	2,396,155	266,205	2,203,428	864,957	864,897

<b>Boat Excise Taxes:</b>						
Levy of 2013	-	8,977	471	7,466	1,040	1,040
Levy of 2012	760	-	-	-	760	760
Levy of 2011	1,047	-	-	-	1,047	1,047
Levy of 2010	1,199	-	-	-	1,199	1,199
Levy of 2009	905	-	-	-	905	905
Prior Years	34,963	-	-	-	34,963	34,963
	38,874	8,977	471	7,466	39,914	39,914

<b>Total Motor Vehicle Excise and Boat Excise Taxes</b>	\$ 977,309	\$ 2,405,132	\$ 266,676	\$ 2,210,894	\$ 904,871	\$ 904,811
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**CITY OF NORTHAMPTON, MASSACHUSETTS  
 SCHEDULE OF TAX LIENS, COMMUNITY PRESERVATION TAX LIENS AND TAXES IN LITIGATION  
 JULY 1, 2012 TO JUNE 30, 2013**

	Uncollected Accounts July 1, 2012	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2013	Uncollected Accounts Per Detail June 30, 2013
<b>Tax Liens</b>	\$ 424,441	\$ 141,755	\$ 952	\$ 154,147	\$ 411,097	\$ 411,097
<b>Community Preservation Tax Liens</b>	\$ 3,537	\$ 2,037	-	\$ 2,076	\$ 3,498	\$ 3,498
<b>Taxes in Litigation</b>	\$ 6,794	-	-	-	\$ 6,794	\$ 6,794