

CITY OF NORTHAMPTON, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2005

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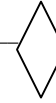
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Thomas J. Scanlon & Associates
Certified Public Accountants



Independent Auditors' Report

To the Honorable Mayor
Northampton, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northampton, Massachusetts, as of and for the fiscal year ended June 30, 2005, (except for the Northampton Contributory Retirement System, which is as of and for the year ended December 31, 2004), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Northampton, Massachusetts' management. Our responsibility is to express an opinion 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 Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2005, (except for the Northampton Contributory Retirement System, which is as of December 31, 2004), and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2005, on our consideration of the City of Northampton, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City of Northampton, Massachusetts, taken as a whole. The supplementary supporting statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Northampton, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements taken as a whole.

Management's discussion and analysis, located on the following pages, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and therefore, express no opinion on it.

THOMAS J. SCANLON,
Certified Public Accountant

South Deerfield, Massachusetts
November 23, 2005

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, 2005.

Financial Highlights

- The City's assets exceeded its liabilities by \$94,183,049 (net assets) for the fiscal year reported. This represents a \$6,905,473 increase over restated total net assets at June 30, 2004.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$64,849,174 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$7,247,028 are restricted by constraints imposed from outside the City such as grantors, laws or regulations.
 - (3) Unrestricted net assets of \$22,086,847 represent a portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$17,966,006 this year. This compares to the prior year ending fund balance of \$12,932,959 showing an increase of \$5,033,047 during the current year. Unreserved fund balance of \$15,944,754 for fiscal year 2005 shows a \$4,236,880 increase from the prior year.
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$5,363,946, or 8.2% of total General Fund expenditures including transfers and 7.9% of total General Fund revenues including transfers.
- Total liabilities of the City decreased by \$1,904,698 to \$64,762,966 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Northampton's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include the sewer, water and solid waste activities.

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

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

Proprietary funds. The City maintains three types of propriety funds.

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

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Highlights

Statement of Net Assets Highlights

	Governmental Activities		
	2005	2004 as restated	Change
Assets:			
Current assets	\$ 27,936,475	\$ 24,697,382	\$ 3,239,093
Noncurrent assets (excluding capital)	26,090,645	25,069,414	1,021,231
Capital assets	63,861,345	64,989,656	(1,128,311)
Total assets	117,888,465	114,756,452	3,132,013
Liabilities:			
Current liabilities (excluding debt)	4,545,407	4,751,738	(206,331)
Noncurrent liabilities (excluding debt)	2,304,784	2,920,031	(615,247)
Current debt	4,691,912	5,249,913	(558,001)
Noncurrent debt	37,334,694	38,426,106	(1,091,412)
Total liabilities	48,876,797	51,347,788	(2,470,991)
Net Assets:			
Capital assets net of related debt	50,769,847	47,910,468	2,859,379
Restricted	7,247,028	9,497,411	(2,250,383)
Unrestricted	10,994,793	6,000,785	4,994,008
Total net assets	69,011,668	63,408,664	5,603,004

	Business-Type Activities		
	2005	2004	Change
Assets:			
Current assets	\$ 13,105,023	\$ 11,171,207	\$ 1,933,816
Capital assets	27,952,527	28,017,581	(65,054)
Total assets	41,057,550	39,188,788	1,868,762
Liabilities:			
Current liabilities (excluding debt)	673,190	330,940	342,250
Noncurrent liabilities (excluding debt)	1,139,603	133,759	1,005,844
Current debt	1,825,302	3,163,301	(1,337,999)
Noncurrent debt	12,248,074	11,691,876	556,198
Total liabilities	15,886,169	15,319,876	566,293
Net Assets:			
Capital assets net of related debt	14,079,327	13,687,345	391,982
Unrestricted	11,092,054	10,181,567	910,487
Total net assets	25,171,381	23,868,912	1,302,469

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2005	2004	Change
Program Revenues:			
Charges for services	\$ 9,763,183	\$ 9,239,917	\$ 523,266
Operating grants and contributions	22,299,504	22,399,688	(100,184)
Capital grants and contributions	5,206,230	858,409	4,347,821
General Revenues:			
Property taxes	31,304,580	30,322,695	981,885
Motor vehicle and other taxes	2,311,902	2,237,740	74,162
Hotel room occupancy taxes	329,332	336,309	(6,977)
Penalties and interest on taxes	164,891	318,777	(153,886)
Nonrestricted grants and contributions	4,852,174	4,292,955	559,219
Unrestricted investment income	379,149	228,770	150,379
Miscellaneous	10,005	13,961	(3,956)
Contributions to Permanent Funds	23,100	10,900	12,200
Special Item -Gain on Sale of Capital Assets	1,099,000	(385,000)	1,484,000
Total revenues and special items	77,743,050	69,875,121	7,867,929
Expenses:			
General government	5,152,725	5,444,243	291,518
Public safety	8,928,128	8,704,168	(223,960)
Public works	3,419,290	3,448,272	28,982
Education	32,837,294	32,594,238	(243,056)
Health and human services	1,742,254	1,670,159	(72,095)
Culture and recreation	2,132,557	2,250,289	117,732
Employee benefits and insurance	16,392,231	14,806,321	(1,585,910)
State assessments	1,677,248	1,502,002	(175,246)
Interest	2,421,000	2,487,214	66,214
Total expenses	74,702,727	72,906,906	(1,795,821)
Transfers, net	2,562,681	2,491,223	71,458
Change in net assets	5,603,004	(540,562)	6,143,566
	Business-Type Activities		
	2005	2004	Change
Program Revenues:			
Sewer	\$ 3,977,731	\$ 3,658,688	\$ 319,043
Water	3,626,927	3,380,722	246,205
Solid Waste	3,931,019	3,378,632	552,387
Total Revenues	11,535,677	10,418,042	1,117,635
Expenses:			
Sewer	2,817,164	2,680,447	(136,717)
Water	2,408,580	1,899,188	(509,392)
Solid Waste	2,592,486	1,650,438	(942,048)
Total expenses	7,818,230	6,230,073	(1,588,157)
Unrestricted investment income	147,703	52,077	95,626
Transfers, net	(2,562,681)	(2,491,223)	(71,458)
Change in net assets	1,302,469	1,748,823	(446,354)

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$94,183,049 at the close of FY 2005.

Net assets of \$64,849,174 (69%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$7,247,028 (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$22,086,847 (24%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The governmental activities net assets increased by \$5,603,004 during the current fiscal year, which reflects the general fund's results of operations. This was mainly attributed to expenditures exceeding revenues by \$1,941,323, transfers in from the sewer, water and solid waste funds of \$2,562,681 and a gain of \$1,099,000 on the sale of capital assets.

There was an increase of \$1,302,469 in net assets reported in connection with the sewer, water and solid waste business-type activities. Of this, the sewer department incurred a decrease of \$104,402 and was attributed to budgeting revenues sufficient to cover current operational costs by \$1,190,825, less transfers out to the general fund of \$1,295,227, the water and solid waste departments incurred increases of \$761,423 and \$645,448, respectively and was attributable to budgeting revenues sufficient to cover current operational costs.

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, *unreserved 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 \$17,966,006. Of this year-end total, \$5,363,946 is the undesignated general fund balance, indicating availability for continuing City service requirements. Reserved and designated fund balances include \$1,417,740 committed to liquidate

encumbrances and carried forward articles remaining from the prior year; \$603,512 in perpetual permanent funds; \$1,057,809 reserved for the 2006 budget; \$9,268,807 in special revenue funds; \$171,035 in capital projects funds; and \$83,157 in permanent funds.

The total ending fund balances of the governmental funds shows an increase of \$5,033,047 in comparison with the prior year. The increase is attributable to expenditures exceeding revenues by \$981,634, transfers in from the business-type activities of \$2,562,681, proceeds from the sale of land of \$1,101,000 and proceeds from bonds of \$2,351,000.

Major Governmental Funds

The *general fund* is the City's primary operating fund and the largest source of day-to-day operations. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was \$5,363,946, while total fund balance reached \$7,121,695. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and revenues and transfers. Unreserved fund balance represents 8.2% of total general fund expenditures including transfers and total fund balance represents 10.9% of that same amount. Unreserved fund balance represents 7.9% of total general fund revenues including transfers and total fund balance represents 10.5% of that same amount.

The fund balance of the general fund increased by \$2,185,978. Of this amount \$572,596 was attributed to the expenditures over revenues, \$195,893 of net transfers in from the stabilization fund and non-major funds and \$2,562,681 in transfers in from the business-type activities.

The *stabilization fund* has accumulated a fund balance of \$1,233,239, or 1.9% of total General Fund expenditures including transfers and 1.8% of total General Fund revenues including transfers. These funds can be used for general or capital purposes upon City Council approval.

The fund balance of the stabilization fund increased by \$12,855. Of this amount \$21,780 was attributed to interest income and \$8,925 was attributed net transfers from/to the general fund. Please refer to Note 3G for additional information.

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 a decrease of \$104,402 in total operations, the result of revenues exceeding expenditures by \$1,190,825 and \$1,295,227 of transfers to the general fund.

The *water fund* is the financing and operations of the City's water system. The water fund shows an increase of \$761,423 in total operations, the result of revenues exceeding expenditures by \$1,275,281 and \$513,858 of transfers to the general fund.

The *solid waste fund* is the financing and operations of the City's solid waste system. The solid waste fund shows an increase of \$645,448 in total operations, the result of revenues exceeding expenditures by \$1,399,044 and \$753,596 of transfers to the general fund.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2005 was \$60,854,960. This was an increase of \$1,371,081 over the previous year's final budget.

There were negative variances in state receipts and interest on taxes revenue of \$118,317 and \$17,859, respectively attributed to estimating these amounts too high. This was more than offset by budgetary surpluses attributed primarily to tax title revenue plus accumulated interest of \$254,764, excise and other taxes of \$333,477, licenses, permits and fees of \$1,085,654 and interest on investments of \$127,112. Overall, actual total revenue exceeded the budget by \$1,664,831.

During the year, the City Council voted increases totaling \$1,025,159 to the original budget. The increases are primarily attributed to salaries and personal services for \$190,501, traffic control and street lights for \$16,000, emergency medical services for \$97,205, veterans benefits for \$35,000, legal services for \$40,000, contractual services for \$8,000, Smith Vocational High School projects for \$259,540, snow and ice expenditures for \$354,234, Department of Public Works flood control overtime expenses for \$3,000, building inspector travel for \$2,400, a litter vacuum for \$7,879 and postage for \$11,400. Of the \$2,338,204 in unexpended/committed budget expenditures \$1,417,740 has been carried over to fiscal year 2006 leaving a surplus of \$920,464 to close to undesignated fund balance.

Capital Asset and Debt Administration

Capital Assets. Major Capital asset additions (including the completion of construction in progress items) in the governmental activities consisted of renovations to the Feiker Daycare for \$167,856, the purchase of land for Sheldon Field for \$5,000, \$252,551 for public safety equipment and vehicles, \$216,045 for public works vehicles and infrastructure, including a street sweeper for \$106,657, a 47 passenger school bus for the school for \$52,971 and \$670,935 for exterior renovations to the Academy of Music.

Construction in progress additions during the year consisted of a heating system, new boilers, HVAC and equipment and computers for Smith Vocational High School for \$246,385, Forbes Library renovations and a boiler for \$237,336, City Hall exterior upgrade for \$10,592, parking garage payment system for \$126,643 and parking garage renovations for \$36,861.

Capital asset additions during the year of \$1,549,437 in the business-type activity consisted of; in the sewer fund, \$62,598 for a backhoe/loader, \$106,896 catch basin cleaner, \$37,213 for a Ford F-350 utility truck and \$264,910 in infrastructure; in the water fund, \$27,661 for a Ford F-250 pick-up truck, \$81,048 for a backhoe/loader, \$50,000 for hydrants and meters, and \$89,169 in construction in progress for Route 66 water mains; in the solid waste fund, \$32,056 in infrastructure for the landfill access road and construction in progress expenditures for \$432,562 for the cell I landfill closure project, \$205,515 for phase 4 landfill improvements and \$159,809 in phase 5 landfill expansion.

Debt Administration. The City's outstanding governmental long-term debt, as of June 30, 2005, totaled \$41,246,606, of which \$34,878,666 is for school projects, \$5,050,458 is for City building projects, \$720,500 for an aerial ladder fire truck, \$431,000 is for land acquisitions, \$48,000 for storm and surface drains, \$45,000 for recreation facilities and \$72,982 for the Septic V community septic program.

The City's outstanding business-type long term debt was \$3,917,150 in sewer debt, \$6,741,726 in water debt, and \$3,264,500 in solid waste debt that is fully supported by the rates and do not rely on a general fund subsidy.

Requests for Information

This financial report is designed to provide a general overview of the City of Northampton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Auditor, City Hall, 210 Main Street, Northampton, Massachusetts.

BASIC FINANCIAL STATEMENTS

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 19,424,610	\$ 11,832,459	\$ 31,257,069
Investments	573,804	-	573,804
Receivables, net of allowance for uncollectibles			
Property Taxes	746,378	-	746,378
Deferred Property Taxes	133,940	-	133,940
Taxes in Litigation	6,794	-	6,794
Rollback Taxes	8,300	-	8,300
Tax Liens	675,107	-	675,107
Excise Taxes and Other Taxes	409,662	-	409,662
User Charges	-	1,236,406	1,236,406
Departmental	86,918	-	86,918
Special Assessments	27,786	36,158	63,944
Loans	120,094	-	120,094
Due from Other Governments	5,719,932	-	5,719,932
Other	3,150	-	3,150
Total current assets	<u>27,936,475</u>	<u>13,105,023</u>	<u>41,041,498</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	26,090,645	-	26,090,645
Capital Assets, net of accumulated Depreciation			
Nondepreciable	8,966,390	3,803,354	12,769,744
Depreciable	54,894,955	24,149,173	79,044,128
Total noncurrent assets	<u>89,951,990</u>	<u>27,952,527</u>	<u>117,904,517</u>
Total Assets	<u>117,888,465</u>	<u>41,057,550</u>	<u>158,946,015</u>
LIABILITIES			
CURRENT:			
Warrants Payable	1,589,244	448,544	2,037,788
Accrued Payroll	962,695	-	962,695
Payroll Withholdings	399,775	-	399,775
Tax Refund Payable	199,512	-	199,512
Taxes Collected in Advance	-	-	-
Accrued Interest	433,859	130,766	564,625
Compensated Absences	960,322	93,880	1,054,202
Bond Anticipation Notes	780,000	150,000	930,000
Bonds Payable	3,911,912	1,675,302	5,587,214
Total current liabilities	<u>9,237,319</u>	<u>2,498,492</u>	<u>11,735,811</u>
NONCURRENT:			
Landfill Closure	-	1,058,910	1,058,910
Compensated Absences	2,304,784	80,693	2,385,477
Bonds Payable	37,334,694	12,248,074	49,582,768
Total noncurrent liabilities	<u>39,639,478</u>	<u>13,387,677</u>	<u>53,027,155</u>
Total Liabilities	<u>48,876,797</u>	<u>15,886,169</u>	<u>64,762,966</u>
NET ASSETS:			
Invested in Capital Assets, net of related deb	50,769,847	14,079,327	64,849,174
Restricted for:			
Capital Projects	139,204	-	139,204
Loans	120,094	-	120,094
Federal & State Grants	3,357,231	-	3,357,231
Permanent Funds:			
Expendable	88,307	-	88,307
Nonexpendable	603,512	-	603,512
Other Purposes	2,938,680	-	2,938,680
Unrestricted	10,994,793	11,092,054	22,086,847
Total Net Assets	<u>\$ 69,011,668</u>	<u>\$ 25,171,381</u>	<u>\$ 94,183,049</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, 2005**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 5,152,725	\$ 2,875,712	\$ 1,189,866	\$ -	\$ (1,087,147)	\$ -	\$ (1,087,147)
Public Safety	8,928,128	1,484,260	643,235	-	(6,800,633)	-	(6,800,633)
Public Works	3,419,290	84,147	420,093	678,588	(2,236,462)	-	(2,236,462)
Education	32,837,294	4,623,836	12,568,820	3,523,628	(12,121,010)	-	(12,121,010)
Health and Human Services	1,742,254	167,515	1,219,518	-	(355,221)	-	(355,221)
Culture and Recreation	2,132,557	527,713	106,077	1,004,014	(494,753)	-	(494,753)
Employee Benefits and Insurance	16,392,231	-	5,168,466	-	(11,223,765)	-	(11,223,765)
State Assessments	1,677,248	-	-	-	(1,677,248)	-	(1,677,248)
Interest	2,421,000	-	983,429	-	(1,437,571)	-	(1,437,571)
Total Governmental Activities	74,702,727	9,763,183	22,299,504	5,206,230	(37,433,810)	-	(37,433,810)
Business-Type Activities:							
Sewer	2,817,164	3,977,731	-	-	-	1,160,567	1,160,567
Water	2,408,580	3,626,927	-	-	-	1,218,347	1,218,347
Solid Waste	2,592,486	3,931,019	-	-	-	1,338,533	1,338,533
Total Primary Government	\$ 82,520,957	\$ 21,298,860	\$ 22,299,504	\$ 5,206,230	(37,433,810)	3,717,447	(33,716,363)
General Revenues:							
Property taxes					31,304,580	-	31,304,580
Motor vehicle and other taxes					2,311,902	-	2,311,902
Hotel room occupancy taxes					329,332	-	329,332
Penalties & interest on taxes					164,891	-	164,891
Grants & contributions not restricted to specific programs					4,852,174	-	4,852,174
Unrestricted investment income					379,149	147,703	526,852
Miscellaneous					10,005	-	10,005
Contributions to Permanent Funds					23,100	-	23,100
Special Items:							
Gain on Sale of Capital Assets					1,099,000	-	1,099,000
Transfers, net					2,562,681	(2,562,681)	-
Total General Revenues, Special Items, Contributions and Transfers					43,036,814	(2,414,978)	40,621,836
Change in Net Assets					5,603,004	1,302,469	6,905,473
Net Assets:							
Beginning of year (as restated)					63,408,664	23,868,912	87,277,576
End of year					\$ 69,011,668	\$ 25,171,381	\$ 94,183,049

**CITY OF NORTHAMPTON, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General Fund	Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 8,786,700	\$ 1,233,239	\$ 9,404,671	\$ 19,424,610
Investments	-		573,804	573,804
Receivables, net of allowance for uncollectibles				
Property Taxes	746,378	-	-	746,378
Deferred Property Taxes	133,940	-	-	133,940
Taxes in Litigation	6,794	-	-	6,794
Rollback Taxes	8,300	-	-	8,300
Tax Liens	675,107	-	-	675,107
Excise Taxes	409,662	-	-	409,662
Departmental	86,918	-	-	86,918
Special Assessments	-	-	27,786	27,786
Loans	-	-	120,094	120,094
Due from Other Governments	28,668,857	-	3,141,720	31,810,577
Other	3,150			3,150
Total Assets	\$ 39,525,806	\$ 1,233,239	\$ 13,268,075	\$ 54,027,120
LIABILITIES AND FUND EQUITY:				
Liabilities:				
Warrants Payable	\$ 964,073	\$ -	\$ 625,171	\$ 1,589,244
Accrued Payroll	962,695	-	-	962,695
Employee Withholdings	399,775	-	-	399,775
Tax Refund Payable	199,512	-	-	199,512
Deferred Revenue:				
Property Taxes	507,040	-	-	507,040
Other	29,371,016	-	2,251,832	31,622,848
Bond Anticipation Note Payable	-	-	780,000	780,000
Total Liabilities	32,404,111	-	3,657,003	36,061,114
Fund Equity:				
Reserved For:				
Encumbrances and continuing appropriation:				
Perpetual Permanent Funds	1,417,740	-	-	1,417,740
Perpetual Permanent Funds	-	-	603,512	603,512
Unreserved:				
Designated for Subsequent Years' Expenditures:				
Undesignated, reported in:				
General Fund	340,009	591,075	126,725	1,057,809
Special Revenue	5,363,946	-	-	5,363,946
Capital Projects	-	642,164	8,626,643	9,268,807
Permanent Funds	-	-	171,035	171,035
Permanent Funds	-	-	83,157	83,157
Total Fund Equity	7,121,695	1,233,239	9,611,072	17,966,006
Total Liabilities and Fund Equity	\$ 39,525,806	\$ 1,233,239	\$ 13,268,075	\$ 54,027,120

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, 2005

	General Fund	Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 31,665,940	\$ -	\$ -	\$ 31,665,940
State Receipts	15,238,739	-	-	15,238,739
Excise and Other Taxes	2,628,477	-	3,354	2,631,831
Licenses, Permits, Fees	7,882,406	-	-	7,882,406
Interest on Taxes	164,891	-	-	164,891
Interest on Investments	353,112	21,780	39,116	414,008
Net Increase (Decrease) in Fair Value of Investment:	-	-	(11,353)	(11,353)
Intergovernmental - "On-behalf" Payments	5,128,548	-	-	5,128,548
Additions	-	-	23,100	23,100
Grants and Fees	-	-	12,289,413	12,289,413
Total Revenues	63,062,113	21,780	12,343,630	75,427,523
Expenditures:				
Current:				
General Government	3,607,420	-	1,499,235	5,106,655
Public Safety	7,379,936	-	1,077,344	8,457,280
Public Works	2,526,578	-	926,475	3,453,053
Education	24,520,771	-	6,487,274	31,008,045
Health and Human Services	528,066	-	1,197,945	1,726,011
Culture and Recreation	1,455,119	-	1,527,897	2,983,016
Employee Benefits and Insurance	16,552,719	-	-	16,552,719
State Assessments	1,677,248	-	-	1,677,248
Debt Service:				
Principal	3,736,199	-	50,214	3,786,413
Interest	1,650,653	-	8,064	1,658,717
Total Expenditures	63,634,709	-	12,774,448	76,409,157
Excess of Revenues Over (Under) Expenditures	(572,596)	21,780	(430,818)	(981,634)
Other Financing Sources (Uses):				
Operating Transfers In	4,683,030	791,075	1,133,381	6,607,486
Operating Transfers Out	(1,924,456)	(800,000)	(1,320,349)	(4,044,805)
Sale of Land	-	-	1,101,000	1,101,000
Proceeds from Bonds	-	-	2,351,000	2,351,000
Total Other Financing Sources (Uses)	2,758,574	(8,925)	3,265,032	6,014,681
Net Change in Fund Balances	2,185,978	12,855	2,834,214	5,033,047
Fund Balances, Beginning of Year	4,935,717	1,220,384	6,776,858	12,932,959
Fund Balances, End of Year	\$ 7,121,695	\$ 1,233,239	\$ 9,611,072	\$ 17,966,006

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Assets
For the Year Ended June 30, 2005

Total Governmental Fund Balances		\$	17,966,006
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds			63,861,345
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis			32,129,888
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:			
Bonds and Notes Payable	\$	(41,246,606)	
Compensated Absences		<u>(3,265,106)</u>	(44,511,712)
In statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due			<u>(433,859)</u>
Net Assets of Governmental Activities		\$	<u><u>69,011,668</u></u>

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ 5,033,047

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 reported as depreciation expense:

Capital Outlay Purchases	\$ 2,023,175	
Sale of Capital Assets	(2,000)	
Depreciation	<u>(3,149,486)</u>	(1,128,311)

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 1,216,527

The Issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

Repayment of Debt Principal	3,786,413	
Net Loss on Refunding of Bonds	(609,000)	
Proceeds from Bonds	<u>(2,351,000)</u>	826,413

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	(191,389)	
Net Change in Accrued Interest on Long-Term Debt	<u>(153,283)</u>	<u>(344,672)</u>

Change in Net Assets of Governmental Activities \$ 5,603,004

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, 2005**

	Budgeted Amounts		Actual	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis		
Revenues:					
Taxes	\$ 30,945,212	\$ 31,326,788	\$ 31,581,552	\$ -	\$ 254,764
State Receipts	15,357,056	15,357,056	15,238,739	-	(118,317)
Excise and Other Taxes	2,295,000	2,295,000	2,628,477	-	333,477
Licenses, Permits, Fees	6,796,752	6,796,752	7,882,406	-	1,085,654
Interest on Taxes	182,750	182,750	164,891	-	(17,859)
Interest on Investments	226,000	226,000	353,112	-	127,112
Total Revenues	55,802,770	56,184,346	57,849,177	-	1,664,831
Expenditures:					
Current:					
General Government	4,068,949	4,094,768	3,607,420	296,948	190,400
Public Safety	7,103,859	7,573,085	7,379,936	50,000	143,149
Public Works	2,571,716	2,928,950	2,526,578	360,986	41,386
Education	24,728,097	25,103,571	24,520,771	543,203	39,597
Health and Human Services	503,107	563,257	528,066	30,103	5,088
Culture and Recreation	1,426,182	1,599,957	1,455,119	136,500	8,338
Employee Benefits and Insurance	11,757,339	11,757,339	11,424,171	-	333,168
State Assessments	1,785,256	1,785,256	1,677,248	-	108,008
Debt Service:					
Principal	3,734,099	3,781,199	3,736,199	-	45,000
Interest	2,234,298	1,667,578	1,661,248	-	6,330
Total Expenditures	59,912,902	60,854,960	58,516,756	1,417,740	920,464
Excess of Revenues Over (Under) Expenditures	(4,110,132)	(4,670,614)	(667,579)	(1,417,740)	2,585,295
Other Financing Sources (Uses):					
Operating Transfers In (Out)	(3,492,656)	2,758,574	2,758,574	-	-
Total Other Financing Sources (Uses)	(3,492,656)	2,758,574	2,758,574	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(7,602,788)	(1,912,040)	2,090,995	(1,417,740)	2,585,295
Budgetary Fund Balance - Beginning of Year	4,990,874	4,990,874	4,990,874	-	-
Budgetary Fund Balance - End of Year	\$ (2,611,914)	\$ 3,078,834	\$ 7,081,869	\$ (1,417,740)	\$ 2,585,295

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, 2005

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 57,849,177	\$ 58,516,756
Net decrease in Revenue from recording Refund Taxes Payable	(64,181)	
Recognition of intergovernmental Revenue - "on behalf payments"	5,128,548	
Recognition of Expenditures - "on behalf payments"		5,128,548
Net Decrease in Expenditures - Accrued Expenses		(10,595)
Net Increase in Revenue from Recording 60-Day Receipts	148,569	
Reported on a GAAP Basis	\$ 63,062,113	\$ 63,634,709

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

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2005**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
ASSETS				
CURRENT:				
Cash and Cash Equivalents	\$ 2,239,186	\$ 5,738,709	\$ 3,854,564	\$ 11,832,459
User Charges, net of allowance for uncollectibles	319,744	250,451	666,211	1,236,406
Special Assessments	36,158	-	-	36,158
Total current assets	<u>2,595,088</u>	<u>5,989,160</u>	<u>4,520,775</u>	<u>13,105,023</u>
NONCURRENT:				
Capital Assets, net of accumulated Depreciation:				
Nondepreciable	4,909	1,879,031	1,919,414	3,803,354
Depreciable	7,552,636	9,420,306	7,176,231	24,149,173
Total noncurrent assets	<u>7,557,545</u>	<u>11,299,337</u>	<u>9,095,645</u>	<u>27,952,527</u>
Total Assets	<u>10,152,633</u>	<u>17,288,497</u>	<u>13,616,420</u>	<u>41,057,550</u>
LIABILITIES				
CURRENT:				
Accounts Payable	358,281	47,971	42,292	448,544
Accrued Interest	33,612	64,421	32,733	130,766
Compensated Absences	49,649	27,985	16,246	93,880
Bond Anticipation Notes Payable	-	-	150,000	150,000
Bonds Payable	311,421	627,881	736,000	1,675,302
Total current liabilities	<u>752,963</u>	<u>768,258</u>	<u>977,271</u>	<u>2,498,492</u>
NONCURRENT:				
Landfill Closure	-	-	1,058,910	1,058,910
Compensated Absences	47,052	19,643	13,998	80,693
Bonds Payable	3,605,729	6,113,845	2,528,500	12,248,074
Total noncurrent liabilities	<u>3,652,781</u>	<u>6,133,488</u>	<u>3,601,408</u>	<u>13,387,677</u>
Total Liabilities	<u>4,405,744</u>	<u>6,901,746</u>	<u>4,578,679</u>	<u>15,886,169</u>
NET ASSETS:				
Invested in Capital Assets, net of related debt	3,640,395	4,557,611	5,881,321	14,079,327
Unrestricted	2,106,494	5,829,140	3,156,420	11,092,054
Total Net Assets	<u>\$ 5,746,889</u>	<u>\$ 10,386,751</u>	<u>\$ 9,037,741</u>	<u>\$ 25,171,381</u>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2005**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
Operating Revenues:				
Charges for Services	\$ 3,947,829	\$ 3,554,993	\$ 3,900,696	\$ 11,403,518
Other	29,902	71,934	30,323	132,159
Total Operating Revenues	3,977,731	3,626,927	3,931,019	11,535,677
Operating Expenses:				
Salaries & Wages	616,482	589,601	271,323	1,477,406
Operating Expenses	1,172,666	1,053,216	1,780,767	4,006,649
Depreciation	738,188	471,766	404,537	1,614,491
Total Operating Expenses	2,527,336	2,114,583	2,456,627	7,098,546
Operating Income (Loss)	1,450,395	1,512,344	1,474,392	4,437,131
Non-Operating Revenues (Expenses):				
Interest Income	30,258	56,934	60,511	147,703
Interest Expense	(289,828)	(293,997)	(135,859)	(719,684)
Total Non-Operating Revenues (Expenses)	(259,570)	(237,063)	(75,348)	(571,981)
Income (Loss) Before Operating Transfers	1,190,825	1,275,281	1,399,044	3,865,150
Operating Transfers:				
Transfers In (Out)	(1,295,227)	(513,858)	(753,596)	(2,562,681)
Total Operating Transfers	(1,295,227)	(513,858)	(753,596)	(2,562,681)
Change in Net Assets	(104,402)	761,423	645,448	1,302,469
Net Assets at Beginning of Year	5,851,291	9,625,328	8,392,293	23,868,912
Net Assets at End of Year	\$ 5,746,889	\$ 10,386,751	\$ 9,037,741	\$ 25,171,381

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, 2005**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	3,947,480	3,556,168	3,819,570	\$ 11,323,218
Receipts from Other Revenues	29,902	71,934	30,323	132,159
Payments to Vendors	(898,750)	(1,065,834)	(710,121)	(2,674,705)
Payments to Employees	(601,437)	(602,180)	(290,381)	(1,493,998)
Net Cash Provided by (Used for) Operating Activities	2,477,195	1,960,088	2,849,391	7,286,674
Cash Flows from Noncapital Financing Activities:				
Transfers from (to) Other Funds	(1,295,227)	(513,858)	(753,596)	(2,562,681)
Net Cash Provided by (Used for) Noncapital Financing Activities	(1,295,227)	(513,858)	(753,596)	(2,562,681)
Cash Flows from Capital and Related Financing Activities:				
Proceeds from the issuance of Bonds and Notes	-	-	565,500	565,500
Proceeds from the issuance of Refunding Bonds	2,539,000	3,814,000	1,829,000	8,182,000
Acquisition and Construction of Capital Assets	(471,617)	(247,878)	(829,942)	(1,549,437)
Principal Payments on Bonds and Notes	(293,019)	(527,782)	(662,500)	(1,483,301)
Payments to Refunding Escrow Agent	(2,539,000)	(3,814,000)	(1,829,000)	(8,182,000)
Interest Expense	(190,635)	(234,784)	(125,523)	(550,942)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(955,271)	(1,010,444)	(1,052,465)	(3,018,180)
Cash Flows from Investing Activities:				
Investment Income	30,258	56,934	60,511	147,703
Net Cash Provided by (Used for) Investing Activities	30,258	56,934	60,511	147,703
Net Increase (Decrease) in Cash and Cash Equivalents	256,955	492,720	1,103,841	1,853,516
Cash and Cash Equivalents at Beginning of Year	1,982,231	5,245,989	2,750,723	9,978,943
Cash and Cash Equivalents at End of Year	\$ 2,239,186	\$ 5,738,709	\$ 3,854,564	\$ 11,832,459

**CITY OF NORTHAMPTON, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2005**

Business-Type Activities Enterprise Funds			
Sewer Fund	Water Fund	Solid Waste Fund	Total

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

Operating Income (Loss)	\$ 1,450,395	\$ 1,512,344	\$ 1,474,392	4,437,131
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	738,188	471,766	404,537	1,614,491
Change in Assets and Liabilities:				
Increase (Decrease) in Warrants Payable	273,916	(12,618)	11,736	273,034
Increase (Decrease) in Accrued Payroll	(20,089)	(20,140)	(10,138)	(50,367)
Increase (Decrease) in Compensated Absences	35,134	7,561	(8,920)	33,775
Increase (Decrease) in Landfill Closure	-	-	1,058,910	1,058,910
Decrease (Increase) in User Charges Receivable	(349)	1,175	(81,126)	(80,300)
Total Adjustments	1,026,800	447,744	1,374,999	2,849,543
Net Cash Provided by (Used for) Operating Activities	\$ 2,477,195	\$ 1,960,088	\$ 2,849,391	\$ 7,286,674

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

**CITY OF NORTHAMPTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005**

	NORTHAMPTON		
	Employees		
	Retirement		
	System Pension		
	Trust Fund	Private	Agency
	(as of December	Purpose	Funds
	31, 2004)	Trust Funds	Funds
ASSETS			
Cash and Cash Equivalents	\$ 480,591	\$ 132,666	\$ 92,259
Investments	54,515,566	479,568	
Accrued Interest and Dividends	199,772	-	-
Accounts Receivable	809,675	-	927
Total Assets	56,005,604	612,234	93,186
LIABILITIES			
Warrants Payable	22,377	3,846	-
Due to Others	-	-	476
Due to Student Groups	-	-	55,983
Deposits and Escrows	-	-	36,727
Total Liabilities	22,377	3,846	93,186
NET ASSETS:			
Held in Trust for Pension Benefits and Other Purposes	\$ 55,983,227	\$ 608,388	\$ -

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

**CITY OF NORTHAMPTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005**

	NORTHAMPTON	
	Employees	
	Retirement	
	System Pension	
	Trust Fund	Private
	(as of December	Purpose
	31, 2004)	Trust Funds
Additions		
Contributions:		
Employers	\$ 3,118,009	\$ -
Plan Members	1,549,185	-
Transfers/Reimbursements from Other Systems	384,819	-
Federal Grant Reimbursements	17,361	-
Commonwealth of Massachusetts - COLA	210,875	-
Total Contributions	5,280,249	-
Investment Income:		
Interest & Dividends	1,859,723	12,833
Net Change in Fair Value of Investments	1,879,758	(15,309)
Total Investment Earnings	3,739,481	(2,476)
Less Investment Expense	(207,692)	-
Net Investment Earnings	3,531,789	(2,476)
Total Additions	8,812,038	(2,476)
Deductions:		
Benefit Payments to Plan Members and Beneficiaries	5,040,443	-
Refunds to Members	327,971	-
Transfers to Other Systems	283,346	-
Human Services	-	1,000
General Expenses	129,377	6,088
Total Deductions	5,781,137	7,088
Change in Net Assets	3,030,901	(9,564)
Net Assets at Beginning of Year	52,952,326	617,952
Nets Assets at End of Year	\$ 55,983,227	\$ 608,388

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

CITY OF NORTHAMPTON, MASSACHUSETTS
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 elderly, handicap and families. 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.

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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.

B. Government-Wide and Fund Financial Statements

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

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

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.

Fiduciary funds are reported by fund type.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the

CITY OF NORTHAMPTON, MASSACHUSETTS
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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 government 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 *stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves, and planning and development's ongoing and future operations.

The government 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 integrated solid waste management program.

Additionally, the government reports the following fund types:

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

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

The *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.

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

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

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

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

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

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

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".

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

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, 2004 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.

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The City mailed preliminary tax bills for the fiscal year 2005 on July 1, 2004 that were due on August 2, 2004 and November 1, 2004 and actual bills on December 30, 2004 that were due on February 1, 2005 and May 2, 2005.

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 2005 is \$31,798,675 consisting of a base of \$29,766,690 and a debt exclusion of \$2,031,985. The total amount raised by taxation was \$31,776,771.

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

Excise Taxes

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

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

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

User Charges

User charges and fees consist of sewer, water and solid waste and 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 included as a lien on the property owner's tax bill. Water, sewer charges, solid waste and 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 and other general government receipts.

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

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Special Assessments

Special assessments consists of Title V septic betterments in the governmental funds and sewer betterments in the business-type funds.

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

Loans

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

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

Due from Other Governments

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

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

G. Capital Assets

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

All 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) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

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Capital Asset Type	Years
Buildings and improvements	20-50
Machinery, equipment and other	3-10
Infrastructure	20-50

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

H. Interfund Transfers

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

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

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

I. Deferred Revenue

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

J. Net Assets and Fund Equity

Net assets are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Loans" represents community development outstanding loan receivable balances.

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

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“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.

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balances represent tentative management plans that are subject to change. Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual Permanent Funds” represent amounts held in trust for which only investment earnings may be expended.

“Designated for subsequent years’ expenditures” represents the amount of fund balance appropriated to be used for expenditures in the subsequent year’s budget. The Town includes the following in the reserve:

Major Governmental Funds:

General fund	\$ 340,009
Stabilization fund	591,075

Nonmajor Governmental Funds:

Municipal waterways fund	4,100	
Conservation wetlands fees	4,000	
Sale of cemetery lots	4,850	
Receipts reserved for the payment of debt	108,625	
Cemetery perpetual care fund	5,150	126,725
	<u>5,150</u>	<u>\$ 1,057,809</u>

K. Long-term Debt

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

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

L. Compensated Absences

The City grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement,

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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 60% and 80% share for PPO plans and HMO plans, respectively, insurance premiums in the general fund in the fiscal year paid. There were approximately 682 participants eligible to receive benefits at June 30, 2005. The estimated cost is \$2,285,779.

N. Use of Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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.

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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 2005, the City incurred a final budget deficit of \$1,912,040 for the General Fund.

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

Unreserved fund balance:	
Council votes	\$ 1,294,564
Prior year's encumbrances	644,673
Reserved for deficits	<u>(27,197)</u>
	<u><u>\$ 1,912,040</u></u>

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits – City Financials

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$20,574,002 of the government's bank balance of \$32,276,102 was exposed to custodial credit risk as follows:

Amount collateralized with securities held by the pledging financial institution's trust department not in the City's name	\$ 12,166,564
Uncollateralized	<u>8,407,438</u>
	<u><u>\$ 20,574,002</u></u>

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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 to it. The System does not have a deposit policy for custodial credit risk. Deposits at December 31, 2004 were \$753,374. None was 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 notes proceeds in term deposits and certificate of deposits 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, 2005, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1
Money market mutual fund	\$ 36,540	<u>\$ 36,540</u>
Other Investments:		
Equity securities	137,536	
Certificate of deposits	879,296	
	<u>\$ 1,053,372</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 \$1,053,372 in investments, \$553,372 are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the City’s name. The City has no policy on custodial credit risk.

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Interest Rate Risk

The City 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 City's exposure to credit risk as of June 30, 2005 is as follows:

Related Debt Instruments	Fair Value	Not Rated
Money market mutual fund	36,540	36,540
	<u>\$ 36,540</u>	<u>\$ 36,540</u>

Concentration of Credit Risk

The City places no limit on the amount the City may invest in one issuer. There are no investments that are more than 5 percent of the City's investments.

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.

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- 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;
 - 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

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- b. except that issues of the U.S. government or agencies that have the full faith and credit of the U.S. government may be held without limit.
- c. the fixed income portfolio will consist of no fewer than 20 holdings
- d. at no time shall more than 80% of the market value of the holdings nor less than 20% have an adjusted modified duration longer than the Index.

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

As of June 30, 2005, 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
Debt Securities:					
U. S. Treasury obligations	\$ 7,446,791	\$ -	\$ 3,375,496	\$ 3,751,812	\$ 319,483
U. S. Government agencies	2,201,591	-	1,043,818	554,993	602,780
Corporate debt	8,810,196	76,799	2,062,471	2,062,761	4,608,165
Money market mutual funds	611,749	611,749	-	-	-
	19,070,327	\$ 688,548	\$ 6,481,785	\$ 6,369,566	\$ 5,530,428
Other Investments:					
Equity securities - Domestic	35,445,239				
	<u>\$ 54,515,566</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 \$54,515,566 in investments, \$53,403,817 are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

Interest Rate Risk

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

Credit Risk

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

CITY OF NORTHAMPTON, MASSACHUSETTS
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The System's exposure to credit risk as of June 30, 2005 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<i>U. S. Treasury Obligations:</i>	
AAA	\$ 7,446,791
<i>U. S. Government Agencies:</i>	
Not rated	2,201,591
<i>Corporate Debt:</i>	
AAA	323,781
AA2	867,631
AA3	804,583
A1	303,171
A2	210,080
A3	234,767
BAA1	846,346
BAA2	2,548,602
BAA3	2,103,825
BA1	204,958
BA3	285,653
Not rated	76,799
<i>Money Market Mutual Funds:</i>	
Not rated	611,749
	19,070,327

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 are no qualified investments that are more than 5 percent.

B. Receivables

At June 30, 2005, 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:

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	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 994,191	\$ (247,813)	\$ 746,378
Deferred property taxes	133,940	-	133,940
Taxes in litigation	6,794	-	6,794
Rollback taxes	8,300	-	8,300
Tax liens	675,107	-	675,107
Excise taxes and other taxes	1,004,344	(594,682)	409,662
Departmental	89,181	(2,263)	86,918
Special assessments	27,786	-	27,786
Loans	120,094	-	120,094
Due from other governments	31,810,577	-	31,810,577
Fiduciary funds:			
Agency funds - Deputy Tax Collector	927	-	927
Employees Retirement System (as of December 31, 2004)			
Accounts receivable	809,675	-	809,675
	<u>\$ 35,680,916</u>	<u>\$ (844,758)</u>	<u>\$ 34,836,158</u>

At June 30, 2005, receivables for the sewer, water and solid waste enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
User charges	\$ 477,594	\$ (157,850)	\$ 319,744
Special assessments	36,158	-	36,158
Water Fund:			
User charges	270,516	(20,065)	250,451
Solid Waste Fund:			
User charges	746,211	(80,000)	666,211
	<u>\$ 1,530,479</u>	<u>\$ (257,915)</u>	<u>\$ 1,272,564</u>

The composition of amounts due from other governments as of June 30, 2005 for government funds is as follows:

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General Fund:

Commonwealth of Massachusetts:

Department of Education - School Building Assistance	\$ 28,050,295	
Department of Housing and Community Development:		
Community Development Block Grant	41,192	
Various Towns - Smith Vocational High School Tuitions	<u>577,370</u>	\$ 28,668,857

Nonmajor Governmental Funds:

U. S. Department of Housing and Urban Development -		
Community Development Block Grant	1,004,527	
Supportive Housing Program	735,857	
U. S. Department of Education - School Title Grants	39,056	
U. S Department of Agriculture - School Lunch	27,780	
U. S. Department of Justice - Cops in Schools	9,342	
U. S. Department of Homeland Security - Assistance		
to Firefighter Grant Program	8,705	
Commonwealth of Massachusetts -		
Department of Education		
School Grants	38,507	
School Lunch	1,098	
Department of Housing and Community Development -		
Academy of Music	85,512	
Massachusetts Highway Department	<u>1,191,336</u>	<u>3,141,720</u>
		<u><u>\$ 31,810,577</u></u>

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, 2005 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 \$507,040.

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

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General Fund:

Deferred property taxes	\$ 133,940	
Taxes in litigation	6,794	
Rollback taxes	8,300	
Tax Liens	675,107	
Excise Taxes	409,662	
Departmental	86,918	
Due from other governments	<u>28,050,295</u>	\$ 29,371,016

Nonmajor Governmental Funds:

Special assessments	27,786	
Loans	120,094	
Due from other governments	<u>2,103,952</u>	<u>2,251,832</u>
		<u><u>\$ 31,622,848</u></u>

C. Capital Assets

Governmental Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 8,400,402	\$ 5,000	\$ (2,000)	\$ 8,403,402
Construction in progress	435,305	657,817	(530,134)	562,988
Total capital assets not being depreciated	<u>8,835,707</u>	<u>662,817</u>	<u>(532,134)</u>	<u>8,966,390</u>
Capital assets being depreciated:				
Buildings and improvements	82,403,663	1,383,925	-	83,787,588
Machinery, equipment and other	6,708,470	418,900	(513,356)	6,614,014
Infrastructure	12,924,757	87,667	-	13,012,424
Total capital assets being depreciated	<u>102,036,890</u>	<u>1,890,492</u>	<u>(513,356)</u>	<u>103,414,026</u>
Less accumulated depreciation for:				
Buildings	29,575,095	2,596,175	-	32,171,270
Machinery, equipment and other	4,446,860	467,391	(513,356)	4,400,895
Infrastructure	11,860,986	85,920	-	11,946,906
Total accumulated depreciation	<u>45,882,941</u>	<u>3,149,486</u>	<u>(513,356)</u>	<u>48,519,071</u>
Total capital assets being depreciated, net	<u>56,153,949</u>	<u>(1,258,994)</u>	<u>-</u>	<u>54,894,955</u>
Total governmental activities capital assets, net	<u><u>\$ 64,989,656</u></u>	<u><u>\$ (596,177)</u></u>	<u><u>\$ (532,134)</u></u>	<u><u>\$ 63,861,345</u></u>

CITY OF NORTHAMPTON, MASSACHUSETTS
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Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,928,050	\$ -	\$ -	\$ 1,928,050
Construction in progress	988,249	887,055	-	1,875,304
Total capital assets not being depreciated	<u>2,916,299</u>	<u>887,055</u>	<u>-</u>	<u>3,803,354</u>
Capital assets being depreciated:				
Building and Renovations	18,507,376	-	-	18,507,376
Machinery, equipment and other	1,447,751	315,416	(233,918)	1,529,249
Infrastructure	40,571,251	346,966	-	40,918,217
Total capital assets being depreciated	<u>60,526,378</u>	<u>662,382</u>	<u>(233,918)</u>	<u>60,954,842</u>
Less accumulated depreciation for:				
Building and Renovations	10,270,011	544,482	-	10,814,493
Machinery, equipment and other	887,856	143,993	(233,918)	797,931
Infrastructure	24,267,229	926,016	-	25,193,245
Total accumulated depreciation	<u>35,425,096</u>	<u>1,614,491</u>	<u>(233,918)</u>	<u>36,805,669</u>
Total capital assets being depreciated, net	<u>25,101,282</u>	<u>(952,109)</u>	<u>-</u>	<u>24,149,173</u>
Total business-type activities capital assets, net	<u>\$ 28,017,581</u>	<u>\$ (65,054)</u>	<u>\$ -</u>	<u>\$ 27,952,527</u>

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

Governmental Activities:

General government	\$ 342,397
Public safety	440,323
Public works	175,486
Education	2,131,191
Health and human services	3,420
Culture and recreation	56,669
Total depreciation expense - governmental activities	<u>\$ 3,149,486</u>

Business-Type Activities:

Sewer fund	\$ 738,188
Water fund	471,766
Solid waste fund	404,537
Total depreciation expense - business-type activities	<u>\$ 1,614,491</u>

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D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2005, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General Fund	Stabilization Fund	Nonmajor Governmental Funds	
General fund	\$ -	\$ 791,075	\$ 1,133,381	\$ 1,924,456
Stabilization fund	800,000	-	-	800,000
Nonmajor governmental funds	1,320,349	-	-	1,320,349
Business-type activities	2,562,681	-	-	2,562,681
Total transfers out	<u>\$ 4,683,030</u>	<u>\$ 791,075</u>	<u>\$ 1,133,381</u>	<u>\$ 6,607,486</u>

E. Short-Term Financing

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

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

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Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2004	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2005
Governmental Activities:						
<i>Bond Anticipation Notes:</i>						
Fire truck	1.45%	11/23/04	\$ 80,000	\$ -	\$ 80,000	\$ -
Fire truck	1.24%	11/23/04	730,000	-	730,000	-
Forbes library	1.45%	11/23/04	35,000	-	35,000	-
School van	1.45%	11/23/04	37,000	-	37,000	-
City hall exterior	1.45%	11/23/04	40,000	-	40,000	-
School remodeling	1.24%	11/23/04	681,000	-	681,000	-
Land acquisition	1.45%	11/23/04	-	72,000	72,000	-
HVAC Project Ryan Road	1.45%	11/23/04	-	136,000	136,000	-
Outdoor recreational facility	1.45%	11/23/04	-	45,000	45,000	-
Parking	3.07%	06/27/06	-	225,000	-	225,000
Forbes library	3.07%	06/27/06	-	455,000	-	455,000
Smith Vocational school	3.07%	06/27/06	-	100,000	-	100,000
Total Governmental Activities			<u>\$ 1,603,000</u>	<u>\$ 1,033,000</u>	<u>\$ 1,856,000</u>	<u>\$ 780,000</u>
Business-Type Activities:						
<i>Bond Anticipation Notes:</i>						
<i>Water Fund:</i>						
Water mains on Route 66	1.19%	11/23/04	\$ 775,000	\$ -	\$ 775,000	\$ -
Water treatment plant	1.24%	11/23/04	400,000	-	400,000	-
Water treatment plant	1.45%	11/23/04	600,000	-	600,000	-
<i>Solid Waste Fund:</i>						
Landfill	3.07%	06/27/06	-	150,000	-	150,000
Total Business-type Activities			<u>\$ 1,775,000</u>	<u>\$ 150,000</u>	<u>\$ 1,775,000</u>	<u>\$ 150,000</u>
			<u>\$ 3,378,000</u>	<u>\$ 1,183,000</u>	<u>\$ 3,631,000</u>	<u>\$ 930,000</u>

F. Long Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

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

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	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2005
Inside Debt:					
Land acquisition - conservation	5.24%	12/01/95	12/01/05	\$ 49,000	\$ 4,000
Land acquisition - police	5.24%	12/01/95	12/01/13	\$ 525,000	30,000
Land acquisition	4.5-6.5%	05/15/97	05/15/16	\$ 190,000	20,000
Building remodeling - library	4.5-6.5%	05/15/97	05/15/06	\$ 370,000	35,000
Building remodeling - school	4.5-6.5%	05/15/97	05/15/06	\$ 250,000	20,000
Storm and surface drains	4.5-6.5%	05/15/97	05/15/17	\$ 85,000	8,000
Fire station	5.0-5.75%	10/15/99	10/15/18	\$ 5,031,000	1,375,000
School building remodeling	5.00%	10/15/99	10/15/06	\$ 55,000	15,000
Library building remodeling	3.40%	10/15/02	09/01/19	\$ 830,000	712,000
Building construction	3.40%	10/15/02	09/01/07	\$ 135,800	100,413
Building construction	3.40%	10/15/02	09/01/06	\$ 177,299	78,045
Library	4.25%	01/19/05	01/19/12	\$ 350,000	350,000
Land acquisition	Various	11/15/04	10/15/23	\$ 72,000	72,000
Building remodeling - school	Various	11/15/04	10/15/23	\$ 767,000	767,000
Building remodeling - Feiker school	Various	11/15/04	10/15/23	\$ 145,000	145,000
Forbes library	Various	11/15/04	10/15/23	\$ 35,000	35,000
Repairs to city buildings	Various	11/15/04	10/15/23	\$ 40,000	40,000
Aerial ladder fire truck	Various	11/15/04	10/15/23	\$ 720,500	720,500
Departmental equipment - school	Various	11/15/04	10/15/23	\$ 37,000	37,000
Recreation facilities	Various	11/15/04	10/15/23	\$ 45,000	45,000
Refinanced:					
Police land acquisition	Various	11/15/04	10/15/18	\$ 229,000	229,000
Land acquisition - Gerogianna	Various	11/15/04	10/15/18	\$ 76,000	76,000
Storm and surface drains	Various	11/15/04	10/15/18	\$ 40,000	40,000
Fire station	Various	11/15/04	10/15/18	\$ 2,325,000	2,325,000
Massachusetts Water Pollution Abatement Trust:					
Title V Community Septic Management Program Bond	N/A	10/25/00	08/01/18	\$ 93,837	72,982
Total Inside Debt					<u>7,351,940</u>
Outside Debt:					
School project	5.24%	12/01/95	05/01/13	\$ 412,500	25,000
School project	5.56%	05/15/96	05/01/16	\$ 14,482,000	745,000
High school remodeling	5.17%	10/15/00	06/15/20	\$ 21,610,000	5,400,000
High school roof replacement	3.40%	10/15/02	09/01/17	\$ 400,000	346,000
High school remodeling	3.40%	10/15/02	09/01/19	\$ 5,565,000	4,917,000
School project	3.40%	10/15/02	09/01/09	\$ 3,112,008	2,551,711
School project	3.40%	10/15/02	09/01/09	\$ 1,967,701	1,401,955
Refinanced:					
School project	Various	11/15/04	10/15/19	\$ 18,508,000	18,508,000
Total Outside Debt					<u>33,894,666</u>
Total Governmental Type Debt					<u>\$ 41,246,606</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
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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, 2005
Inside Debt:					
Sewer:					
Sewer Engineering Services	4.5%-5.6%	05/15/97	05/15/17	\$ 330,000	\$ 33,000
Sewer and Surface Drains	4.5%-5.6%	05/15/97	05/15/17	\$ 635,000	64,000
Sewer	5.0%-5.8%	10/15/99	10/15/19	\$ 3,865,000	970,000
Sewer	3.40%	10/15/02	09/01/09	\$ 370,129	311,150
Refinanced:					
Sewer	Various	11/15/04	10/15/19	\$ 2,539,000	2,539,000
Total Inside Debt					<u>\$ 3,917,150</u>
Outside Debt:					
Water:					
Water Improvement	5.24%	12/01/95	12/01/15	\$ 5,938,000	\$ 306,000
Water Improvement	4.5%-6.5%	05/15/97	05/15/15	\$ 1,100,000	130,000
Water Mains	5.0%-5.8%	10/15/99	10/15/19	\$ 970,000	250,000
Water Improvement	3.40%	10/15/02	09/01/09	\$ 566,989	466,726
Water Filtration Plant	Various	11/15/04	10/15/24	\$ 1,000,000	1,000,000
Route 66 Water Mains	Various	11/15/04	10/15/24	\$ 775,000	775,000
Refinanced:					
Water	Various	11/15/04	10/15/19	\$ 3,814,000	3,814,000
					<u>6,741,726</u>
Solid Waste:					
Landfill Area	5.24%	12/01/95	12/01/05	\$ 100,000	10,000
Landfill Closing	4.5%-6.5%	05/15/97	05/15/17	\$ 3,650,000	365,000
Landfill	5.00%	10/15/99	10/15/06	\$ 520,000	140,000
Expanding the City Landfill	3.40%	10/15/02	09/01/06	\$ 1,210,000	600,000
Landfill Planning	Various	11/15/04	10/15/06	\$ 130,500	130,500
Landfill	Various	11/15/04	10/15/06	\$ 190,000	190,000
Refinanced:					
Landfill	Various	11/15/04	10/15/16	\$ 1,829,000	1,829,000
					<u>3,264,500</u>
Total Outside Debt					<u>\$ 10,006,226</u>
Total Business Type Debt					<u>\$ 13,923,376</u>

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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
Governmental activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$41,994,823	\$23,389,500	\$24,210,699	\$41,173,624	\$3,906,698
Massachusetts Water Pollution Abatement Trust bonds	\$78,196	\$-	\$5,214	72,982	\$5,214
Compensated absences	3,073,717	191,389	-	3,265,106	960,322
Governmental activity Long-term liabilities	<u>\$45,146,736</u>	<u>\$23,580,889</u>	<u>\$24,215,913</u>	<u>\$44,511,712</u>	<u>\$4,872,234</u>
Business type activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$13,080,177	\$10,277,500	\$9,434,301	\$13,923,376	\$1,675,302
Compensated absences	140,798	33,775	-	174,573	93,880
Business-type activity long term Long-term liabilities	<u>\$13,220,975</u>	<u>\$10,311,275</u>	<u>\$9,434,301</u>	<u>\$14,097,949</u>	<u>\$1,769,182</u>

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2005 are as follows:

Governmental Type Activities

Year	Principal	Interest	Total
2006	\$3,911,912	\$1,813,929	\$5,725,841
2007	3,801,052	1,612,873	5,413,925
2008	3,724,104	1,466,162	5,190,266
2009	3,644,998	1,317,722	4,962,720
2010	3,489,626	1,170,260	4,659,886
2011-2015	13,595,067	3,857,301	17,452,368
2016-2020	8,942,847	1,036,099	9,978,946
2021-2025	137,000	11,572	148,572
	<u>\$41,246,606</u>	<u>\$12,285,918</u>	<u>\$53,532,524</u>

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Business-Type Activities

Year	Principal	Interest	Total
2006	\$ 1,675,302	\$ 579,681	\$ 2,254,983
2007	1,664,161	508,805	2,172,966
2008	1,116,109	448,985	1,565,094
2009	1,115,216	406,264	1,521,480
2010	1,110,588	363,290	1,473,878
2011-2015	4,516,000	1,202,692	5,718,692
2016-2020	2,293,000	311,345	2,604,345
2021-2025	433,000	48,631	481,631
	<u>\$ 13,923,376</u>	<u>\$ 3,869,693</u>	<u>\$ 17,793,069</u>

Advance Refunding

On November 15, 2004, the City advance refunded a general obligation bond issue with a general obligation refunding note. Of this issue, the City issued \$29,360,000 of general obligation refunding bonds to refund 1995 bonds in the aggregate principal amount of \$3,250,000, the 1996 bonds in the aggregate principal amount of \$6,985,000, the 1997 bonds in the aggregate principal amount of \$2,895,000, the 1999 bonds in the aggregate principal amount of \$4,685,000 and the 2000 bonds in the aggregate principal amount of \$10,800,000 and together with the 1995 refunded bonds, the 1996 refunded bonds, the 1997 refunded bonds and the 1999 refunded bonds. The refunded bonds achieved a total savings of approximately 56.63% or \$1,890,061. As a result, the refunded bonds, including the business-type bonds, are considered to be defeased and the liability has been removed from the general obligation long-term debt and the business-type debt.

U. S. Bank National Association (the "escrow agent") has established a irrevocable trust fund designated the City of Northampton, Massachusetts Refunding Escrow Fund and moneys in the amount of \$31,453,283 have been set aside in the trust. The moneys in the refunding trust and any investments held as part of such fund shall be held in trust for the benefit of the owners of the refunded bonds and shall be applied by the Escrow Agent solely to the payment of the redemption price of and interest of the refunded bonds. These moneys will be used to purchase government obligations.

The balance, at market, of the refunding trust agreement at June 30, 2005 is \$30,544,429.

Massachusetts Water Pollution Abatement Trust

The City has borrowed moneys from the Water Pollution Abatement Project Bond Resolution (Pool Loan Program). Under this program the borrower shall receive, as a credit against the loan repayment then due on this bond, the loan subsidy amounts (earnings on the equity of the trust). The City currently has one loan as follows:

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-a gross obligation of \$138,396 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$44,559 resulting in a net loan repayment of \$93,837

The following is a summary of the activity of the Water Pollution Abatement Project Bond Resolution:

No. 97-1050	Principal	Interest	Total	Less: Loan Subsidy Amount	Net Loan Repayments
Initial Loan Obligation	\$ 93,837	\$ 44,559	\$ 138,396	\$ 44,559	\$ 93,837
Repayments:					
Fiscal Year 2001	-	1,114	1,114	1,114	-
Fiscal Year 2002	5,213	4,073	9,286	4,073	5,213
Fiscal Year 2003	5,214	3,864	9,078	3,864	5,214
Fiscal Year 2004	5,214	3,656	8,870	3,656	5,214
Fiscal Year 2005	5,214	3,477	8,691	3,477	5,214
	<u>\$ 72,982</u>	<u>\$ 28,375</u>	<u>\$ 101,357</u>	<u>\$ 28,375</u>	<u>\$ 72,982</u>

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws, a City may authorize indebtedness up to a limit of 2 1/2 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, 2005, totaled \$11,269,090.

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

The following is a computation of the legal debt limit as of June 30, 2005:

Equalized Valuation-Real Estate and Personal Property (2004)	\$ 2,401,455,900
Debt Limit: 2.5 % of Equalized value	<u>\$ 60,036,398</u>
Total Debt Outstanding	
Governmental Activity Debt	\$ 41,246,606
Less: Debt Outside Debt Limit	<u>33,894,666</u>
Business-Type Activity Debt	\$ 13,923,376
Less: Debt Outside Debt Limit	<u>10,006,226</u>
	<u>\$ 11,269,090</u>
Inside Debt Excess Borrowing Capacity at June 30, 2005	<u>\$ 48,767,308</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005**

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, 2005, which are not reflected in the City's financial statements are as follows:

<u>Date</u>	<u>Purpose</u>	<u>Amount</u>
Authorized		
06/05/03	Drainage Improvements to Crescent Street	\$ 537,000
06/05/03	Purchase of School Department Vehicles	3,000
06/05/03	Repairs to City Owned Buildings	375,000
07/15/04	Remodeling, Reconstructing and Making Extraordinary Repairs to Feiker School	1,100
04/07/05	Remodeling, Reconstructing and Making Extraordinary Repairs to Forbes Library	455,000
04/07/05	Construction of Salt Shed	140,000
04/07/05	Repairs to School Buildings	90,000
04/07/05	Resurfacing School Parking Lots	200,000
04/07/05	School Department Vehicles, Equipment and Computers	100,000
04/07/05	City Departmental Equipment and Vehicles	225,000
		<u>\$ 2,126,100</u>

The loan authorizations of the business-type activities as of June 30, 2005, which are not reflected in the City's financial statements are as follows:

<u>Date</u>	<u>Purpose</u>	<u>Amount</u>
	Water Fund:	
09/05/02	New Water Filtration Plant	\$ 21,750,000
	Solid Waste Fund:	
06/03/04	Extraordinary Repairs to the Landfill	225,000
04/07/05	Engineering and Permitting Services for the Landfill	150,000
		<u>\$ 22,125,000</u>

G. 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

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

lawful purpose. At June 30, 2005, \$1,233,239 has been set aside in a stabilization fund, which is classified as a major fund in the governmental funds financial statements.

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. City Council Votes - Fiscal Year 2006

The financial statements of the City of Northampton as of June 30, 2005 do not reflect the fiscal year 2006 budget approved by the City Council on June 16, 2005, with the exception of Unreserved Fund Balance-Designated for Subsequent Years' Expenditures and Reserved Retained Earnings as described below. The City Council has authorized a fiscal year 2006 operating and capital budget as follows:

Governmental Funds:	
<i>From Tax Levy</i>	\$ 55,327,679
<i>From Parking Meter Receipts</i>	1,187,095
From Business-Type Funds:	
Sewer fund receipts	1,290,992
Water fund receipts	535,528
Solid waste fund receipts	763,428
From Other Available Funds:	
Major Fund:	
Designated for Subsequent Years' Expenditures:	
General fund	340,009
Stabilization fund	591,075
Nonmajor Governmental Funds:	
Designated for Subsequent Years' Expenditures:	
Sale of cemetery lots	4,850
Cemetery perpetual care funds	5,150
Conservation wetlands fees	4,000
Municipal waterways fund	4,100
Receipts reserved for payment of debt	108,625
	<u>\$ 60,162,531</u>
Business Type-Funds:	
From sewer receipts	<u>\$ 3,915,301</u>
From water receipts	<u>\$ 3,500,450</u>
From solid waste receipts	<u>\$ 4,159,364</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

C. Contingent Liabilities

Litigation

Various cases are pending against the City at June 30, 2005. 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.

D. 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.

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 is projected to be completed. A contract in the amount of \$734,810 has 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:

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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, 2005 the landfill closure fund is maintained in the solid waste business-type fund in the amount of \$1,223,999 of which the balance consists of \$2,969,559 in appropriated amounts; \$68,959 in expenditures; \$1,985,000 in transfers and \$308,399 in interest earnings.

The City has reflected \$1,058,910 as the estimate of the landfill maintenance and monitoring costs as a liability at June 30, 2005, in the business-type activities of the government-wide financial statements. The amount is based on estimates of what it would cost to perform all future post closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

E. Pension Plan

Plan Description

The City contributes to the System, 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 \$5,128,548 for the fiscal year ending June 30, 2005, and, accordingly, are reported in the general fund as intergovernmental revenues and employee benefit expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987, and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the 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, 2004, the System's membership consists of the following:

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

Active Members	611
Inactive Members	67
Retired Members, Beneficiaries and Survivors	326
	1,004

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, 2005, 2004 and 2003 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	City's Contribution
2005	\$ 2,992,234
2004	2,668,462
2003	2,541,628

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)
01/01/05	\$ 56,569	\$ 90,828	\$ 34,259	62%	\$ 18,120	189%
01/01/03	\$ 51,244	\$ 83,270	\$ 32,026	62%	\$ 18,226	176%
01/01/00	\$ 48,306	\$ 63,748	\$ 15,442	76%	\$ 15,833	98%

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, 2005. 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

CITY OF NORTHAMPTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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

Reporting Policies

The funds of the Northampton Employees Retirement System are accounted for under the accrual basis. 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.

5. RESTATEMENTS

RESTATEMENT OF GOVERNMENT-WIDE FINANCIAL STATEMENTS NET ASSETS:

June 30, 2004 Governmental activities total net assets as previously reported	\$ 62,530,834
<i>Add:</i>	
Recognized net book value retroactive infrastructure assets	877,830
June 30, 2004 Governmental activities total net assets	<u><u>\$ 63,408,664</u></u>

SUPPLEMENTARY SCHEDULES

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2005

	Fund Balances July 1, 2004	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2005
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 1,056,552	\$ 2,762,812	\$ 3,311,585	\$ (3,291)	\$ 504,488
Academy of Music Renovations Grants	9,350	672,814	670,936	-	11,228
Arts Lottery Council Grants	44,668	21,178	38,511	-	27,335
Community Development Grants	(1,390)	2,034,902	2,025,786	-	7,726
Council on Aging Grants	54,171	29,908	27,465	(3,000)	53,614
Disaster Relief and Hazard Grants	22,306	1,200	145	-	23,361
EPA Brownfield's Pilot Program	27,193	37,289	65,826	-	(1,344)
Highway Grants	105	633,375	633,375	-	105
Library Grants	651	384,356	53,156	-	331,851
Other Programs and Grants	32,550	8,033	1,044	-	39,539
Public Safety Grants	158,632	478,290	512,366	-	124,556
Rail Trail Grants	63,063	8,235	24,687	-	46,611
Recycling Grants	87,120	29,195	32,106	-	84,209
Schools:					
School Lunch Revolving	64,324	755,075	768,348	45,674	96,725
School Lunch Commodities	-	37,013	37,013	-	-
Revolving Accounts	176,145	578,881	440,793	261,957	576,190
School Choice	1,942,921	1,040,980	1,062,321	-	1,921,580
Energy Incentive Grant	2,997	-	-	-	2,997
E-Rate Telecommunications Reimbursements	5,919	17,642	3,598	-	19,963
Grant Indirect Expenses	52,488	12,466	3,335	-	61,619
Privately Funded Grants	3,238	21,050	20,827	-	3,461
State Special Education Reimbursement Fund	83,170	418,311	239,197	-	262,284
Other:					
Accrued Interest and Premiums on Loans	347,949	160,624	-	-	508,573
Ambulance Fund	469	176,029	-	(97,205)	79,293
Athletic Leagues Revolving Fund	116,074	215,641	188,549	(7,000)	136,166
Comcast Internet Equipment	-	10,000	-	-	10,000
Compost Revolving Fund	20	-	-	-	20
Connecticut River Channel Markers	16,303	10,927	10,232	-	16,998
Conservation Funds	5,320	12,300	9,163	(4,000)	4,457
Council on Aging Revolving Funds	493	24,709	15,428	3,000	12,774
Dog Revolving Fund	1,682	-	1,620	-	62
Total Page 59	\$ 4,374,483	\$ 10,593,235	\$ 10,197,412	\$ 196,135	\$ 4,966,441

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2005

	Fund Balances July 1, 2004	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2005
Continued from Page 59	\$ 4,374,483	\$ 10,593,235	\$ 10,197,412	\$ 196,135	\$ 4,966,441
Special Revenue (continued):					
Other (continued):					
Dog Refund	62,695	-	-	-	62,695
Downtown Parking Reserve	55,787	-	-	-	55,787
Feiker School Rental Revolving	-	40,500	27,695	-	12,805
Fire Department Revolving Funds	197,745	231,907	227,915	-	201,737
Fire Outside Detail	(11,288)	22,528	30,648	-	(19,408)
Firearms Licenses Revolving	3,432	14,080	14,075	-	3,437
Florence Community Center Revolving	(10,090)	93,840	85,183	-	(1,433)
Gifts & Donations	178,746	92,758	112,189	10,021	169,336
Handicapped Fund	4,306	-	-	-	4,306
Hazardous Waste Revolving	551	-	-	-	551
Homeless Management Information Strategic Project	5,525	1,226	6,751	-	-
Innovative Enterprises Fund	3,000	-	-	-	3,000
Insurance Reimbursements	139	-	-	-	139
James House and Lot Revolving	5,383	119,401	115,573	-	9,211
J.F.K. Family and Aquatics Center Fund	-	107,717	91,588	-	16,129
Juvenile Firesetter Intervention Program	88	-	3,649	-	(3,561)
Keg Tag Forfeit Revolving	468	-	-	-	468
Maintenance of School Buildings Revolving Fund	8,173	30,039	30,667	-	7,545
Municipal Waterways Fund	3,839	3,354	-	(4,100)	3,093
Northampton State Hospital Marketing	16,616	-	19,260	-	(2,644)
Parking Meter Reserves and Passes	703,872	110,273	-	(7,879)	806,266
Police Court Time	10,599	19,920	-	-	30,519
Police Outside Detail	30,594	311,648	273,873	-	68,369
Public Works Grants Projects Revolving	(46,310)	198,131	139,212	-	12,609
Receipts Reserved for Payment of Debt	400,427	-	-	(111,875)	288,552
Recreation Revolving	22,606	188,676	160,221	270	51,331
Sale of Cemetery Lots	8,150	15,350	-	(5,000)	18,500
Sale of Land	416,309	-	275,250	275,250	416,309
Sale of Lumber	212,120	24,005	6,328	-	229,797
Total Page 60	\$ 6,657,965	\$ 12,218,588	\$ 11,817,489	\$ 352,822	\$ 7,411,886

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2005

	Fund Balances July 1, 2004	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2005
Continued from Page 60	\$ 6,657,965	\$ 12,218,588	\$ 11,817,489	\$ 352,822	\$ 7,411,886
Special Revenue (continued):					
Other (continued):					
Saving Lives Program	1,116	-	1,117	-	(1)
Septic Repair Loan Repayments	59,115	3,267	5,213	-	57,169
Stormwater Management	-	31,077	11,726	-	19,351
Affordable Housing Fund	-	1,107	372	-	735
Conservation Land Purchase Fund	39,014	21,611	21,757	-	38,868
Drug Forfeiture Fund	5,342	1,599	2,511	-	4,430
E. Lyman Fund	32	-	-	-	32
Hampton Gardens Fund	630,796	14,306	61,811	-	583,291
Library Fund	59,647	-	-	-	59,647
Park Street Improvements Fund	2,292	51	-	-	2,343
Smith Vocational High School Fund	-	4,257	-	566,210	570,467
Total Special Revenue Funds	7,455,319	12,295,863	11,921,996	919,032	8,748,218
Capital Projects:					
City Hall Exterior Upgrades	(5,952)	-	10,592	40,000	23,456
Elm Street Drainage Repair	4,507	-	-	-	4,507
Feiker School Renovations	-	15,357	167,856	145,000	(7,499)
Fire Department Custom Pumper	61,643	-	-	-	61,643
Fire Department Aerial Platform Tower	(796,657)	-	11,475	810,000	1,868
Forbes Library Renovations	877	-	197,801	35,000	(161,924)
Garage Payment System	-	-	126,643	-	(126,643)
Lilly Library Renovations	-	-	-	350,000	350,000
New Fire Station Construction	3,010	-	-	-	3,010
Northampton High School Renovations and Addition	37,551	-	13,461	-	24,090
Maintenance Van - School	(17,000)	-	-	17,000	-
Food Services Van	(19,974)	-	-	20,000	26
Rail Trail Acquisition	(5,900)	-	63,849	72,000	2,251
Ryan Road School HVAC Project	(3,177)	-	61,548	136,000	71,275
Sewer Septic Work	2,988	-	-	-	2,988
Smith Vocational High School Heating System	(531,793)	-	66,617	598,410	-
Total Page 61	\$ (1,269,877)	\$ 15,357	\$ 719,842	\$ 2,223,410	\$ 249,048

CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED, JUNE 30, 2005

	Fund Balances July 1, 2004	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2005
Continued from Page 61	\$ (1,269,877)	\$ 15,357	\$ 719,842	\$ 2,223,410	\$ 249,048
Capital Projects (continued):					
Smith Vocational High School New Boilers	(42,383)	-	37,341	82,590	2,866
Smith Vocational High School Shop Equipment	-	-	80,879	-	(80,879)
Veteran's Field Improvements	(30,610)	-	14,390	45,000	-
Total Capital Projects	<u>(1,342,870)</u>	<u>15,357</u>	<u>852,452</u>	<u>2,351,000</u>	<u>171,035</u>
Perpetual Permanent Funds:					
Cemetery Perpetual Care Funds:	<u>580,412</u>	<u>23,100</u>	<u>-</u>	<u>-</u>	<u>603,512</u>
Permanent Funds:					
Cemeteries:					
Perpetual Care Fund	<u>83,997</u>	<u>9,310</u>	<u>-</u>	<u>(5,000)</u>	<u>88,307</u>
Total Non-Major Governmental Funds	<u>\$ 6,776,858</u>	<u>\$ 12,343,630</u>	<u>\$ 12,774,448</u>	<u>\$ 3,265,032</u>	<u>\$ 9,611,072</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES, ROLLBACK TAXES
AND DEFERRED PROPERTY TAXES
JULY 1, 2004 TO JUNE 30, 2005**

	Uncollected Taxes July 1, 2004	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2005	Uncollected Taxes Per Detail June 30, 2005
Real Estate Taxes:						
Levy of 2005	\$ -	\$ 31,080,780	\$ 272,617	\$ 30,261,621	\$ 546,542	\$ 549,712
Levy of 2004	501,051	-	214,371	206,456	80,224	103,186
Levy of 2003	32,973	-	58,004	(27,153)	2,122	(6)
Levy of 2002	(738)	-	14,863	(14,477)	(1,124)	-
Levy of 2001	451	-	-	-	451	451
Prior Years	69	-	-	-	69	69
	<u>533,806</u>	<u>31,080,780</u>	<u>559,855</u>	<u>30,426,447</u>	<u>628,284</u>	<u>653,412</u>
Personal Property Taxes:						
Levy of 2005	-	721,871	8,211	695,808	17,852	17,865
Levy of 2004	19,384	-	-	3,563	15,821	15,821
Levy of 2003	162,556	-	-	1,934	160,622	160,600
Levy of 2002	28,175	-	-	311	27,864	27,847
Levy of 2001	28,771	-	-	592	28,179	28,979
Prior Years	116,150	-	-	581	115,569	115,962
	<u>355,036</u>	<u>721,871</u>	<u>8,211</u>	<u>702,789</u>	<u>365,907</u>	<u>367,074</u>
Total Real Estate and Personal Property Taxes	<u>\$ 888,842</u>	<u>\$ 31,802,651</u>	<u>\$ 568,066</u>	<u>\$ 31,129,236</u>	<u>\$ 994,191</u>	<u>\$ 1,020,486</u>
Rollback Taxes	<u>\$ 1,580</u>	<u>\$ 16,998</u>	<u>\$ -</u>	<u>\$ 10,278</u>	<u>\$ 8,300</u>	<u>\$ 8,300</u>
Deferred Property Taxes	<u>\$ 117,933</u>	<u>\$ 18,525</u>	<u>\$ 2,518</u>	<u>\$ -</u>	<u>\$ 133,940</u>	<u>\$ 133,940</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES
JULY 1, 2004 TO JUNE 30, 2005**

	Uncollected Taxes July 1, 2004	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2005	Uncollected Taxes Per Detail June 30, 2005
Motor Vehicle Excise Taxes:						
Levy of 2005	\$ -	\$ 2,026,543	\$ 43,549	\$ 1,729,017	\$ 253,977	\$ 253,498
Levy of 2004	208,794	372,170	26,001	507,657	47,306	46,946
Levy of 2003	41,656	10,960	6,838	23,801	21,977	22,086
Levy of 2002	26,843	269	120	5,544	21,448	21,262
Levy of 2001	29,130	-	25	1,563	27,542	24,380
Prior Years	602,918	-	97	3,414	599,407	598,006
	<u>909,341</u>	<u>2,409,942</u>	<u>76,630</u>	<u>2,270,996</u>	<u>971,657</u>	<u>966,178</u>
Boat Excise Taxes:						
Levy of 2005	-	8,123	432	6,618	1,073	1,073
Levy of 2004	954	-	-	1	953	953
Levy of 2003	1,925	-	-	40	1,885	1,837
Levy of 2002	2,443	-	-	85	2,358	2,358
Levy of 2001	2,630	-	-	110	2,520	2,412
Prior Years	23,898	-	-	-	23,898	23,909
	<u>31,850</u>	<u>8,123</u>	<u>432</u>	<u>6,854</u>	<u>32,687</u>	<u>32,542</u>
Total Motor Vehicle Excise and Boat Excise Taxes	<u>\$ 941,191</u>	<u>\$ 2,418,065</u>	<u>\$ 77,062</u>	<u>\$ 2,277,850</u>	<u>\$ 1,004,344</u>	<u>\$ 998,720</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS
 SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION
 JULY 1, 2004 TO JUNE 30, 2005**

	Uncollected Accounts July 1, 2004	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2005	Uncollected Accounts Per Detail June 30, 2005
Tax Liens	\$ 934,974	\$ 179,301	\$ 551	\$ 438,617	\$ 675,107	\$ 638,120
Taxes in Litigation	\$ 6,794	\$ -	\$ -	\$ -	\$ 6,794	\$ 6,794