

**CITY OF NORTHAMPTON, MASSACHUSETTS**

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

**FISCAL YEAR ENDED JUNE 30, 2006**

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Thomas J. Scanlon & Associates  
Certified Public Accountants

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**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, 2006, (except for the Northampton Contributory Retirement System, which is as of and for the year ended December 31, 2005), 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northampton, Massachusetts, as of June 30, 2006, (except for the Northampton Contributory Retirement System, which is as of December 31, 2005), 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 October 26, 2006, 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 opinions 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  
October 26, 2006

## **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, 2006.

### Financial Highlights

- The City's assets exceeded its liabilities by \$95,916,179 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$94,183,049.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$66,028,104 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 \$7,153,534 are restricted by constraints imposed from outside the City such as grantors, laws or regulations.
  - (3) Unrestricted net assets of \$22,734,541 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 \$14,257,091 this year. This compares to the prior year ending fund balance of \$17,966,006 showing a decrease of \$3,708,915 during the current year. Unreserved fund balance of \$12,229,659 for fiscal year 2006 shows a \$3,715,095 decrease from the prior year.
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$3,611,533, or 5.01% of total General Fund expenditures including transfers and 5.16% of total General Fund revenues including transfers and capital lease.
- Total liabilities of the City increased by \$4,009,461 to \$68,772,427 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		
	2006	2005	Change
<b>Assets:</b>			
Current assets	\$ 27,935,641	\$ 27,936,475	\$ (834)
Noncurrent assets (excluding capital)	23,849,322	26,090,645	(2,241,323)
Capital assets	64,194,305	63,861,345	332,960
<b>Total assets</b>	<b>115,979,268</b>	<b>117,888,465</b>	<b>(1,909,197)</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt and lease)	4,988,725	4,545,407	443,318
Noncurrent liabilities (excluding debt and lease)	1,930,075	2,304,784	(374,709)
Current debt and lease payable	7,391,601	4,691,912	2,699,689
Noncurrent debt and lease payable	33,689,241	37,334,694	(3,645,453)
<b>Total liabilities</b>	<b>47,999,642</b>	<b>48,876,797</b>	<b>(877,155)</b>
<b>Net Assets:</b>			
Capital assets net of related debt	50,101,268	50,769,847	(668,579)
Restricted	7,153,534	7,247,028	(93,494)
Unrestricted	10,724,824	10,994,793	(269,969)
<b>Total net assets</b>	<b>67,979,626</b>	<b>69,011,668</b>	<b>(1,032,042)</b>

	Business-Type Activities		
	2006	2005	Change
<b>Assets:</b>			
Current assets	\$ 13,454,788	\$ 13,105,023	\$ 349,765
Capital assets	35,254,550	27,952,527	7,302,023
<b>Total assets</b>	<b>48,709,338</b>	<b>41,057,550</b>	<b>7,651,788</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	405,702	673,190	(267,488)
Noncurrent liabilities (excluding debt)	1,039,369	1,139,603	(100,234)
Current debt	8,743,801	1,825,302	6,918,499
Noncurrent debt	10,583,913	12,248,074	(1,664,161)
<b>Total liabilities</b>	<b>20,772,785</b>	<b>15,886,169</b>	<b>4,886,616</b>
<b>Net Assets:</b>			
Capital assets net of related debt	15,926,836	14,079,327	1,847,509
Unrestricted	12,009,717	11,092,054	917,663
<b>Total net assets</b>	<b>27,936,553</b>	<b>25,171,381</b>	<b>2,765,172</b>

## Financial Highlights

### Statement of Activities Highlights

	Governmental Activities		
	2006	2005	Change
<b>Program Revenues:</b>			
Charges for services	\$ 10,449,045	\$ 9,763,183	\$ 685,862
Operating grants and contributions	23,943,002	22,299,504	1,643,498
Capital grants and contributions	2,575,082	5,206,230	(2,631,148)
<b>General Revenues:</b>			
Property taxes	32,347,855	31,304,580	1,043,275
Motor vehicle and other taxes	2,314,247	2,311,902	2,345
Hotel room occupancy taxes	359,388	329,332	30,056
Penalties and interest on taxes	259,840	164,891	94,949
Nonrestricted grants and contributions	4,909,346	4,852,174	57,172
Unrestricted investment income	605,181	379,149	226,032
Miscellaneous	9,346	10,005	(659)
<b>Total revenues and special items</b>	<b>77,772,332</b>	<b>76,620,950</b>	<b>1,151,382</b>
<b>Expenses:</b>			
General government	5,569,393	5,152,725	(416,668)
Public safety	9,987,792	8,928,128	(1,059,664)
Public works	4,631,313	3,419,290	(1,212,023)
Education	33,901,717	32,837,294	(1,064,423)
Health and human services	1,812,956	1,742,254	(70,702)
Culture and recreation	3,450,348	2,132,557	(1,317,791)
Employee benefits and insurance	18,133,103	16,392,231	(1,740,872)
State assessments	2,092,756	1,677,248	(415,508)
Interest	1,824,238	2,421,000	596,762
<b>Total expenses</b>	<b>81,403,616</b>	<b>74,702,727</b>	<b>(6,700,889)</b>
<b>Special Item:</b>			
<b>Gain on Sale of Capital Assets</b>	-	1,099,000	(1,099,000)
<b>Contributions to Permanent Funds</b>	9,294	23,100	(13,806)
<b>Transfers, net</b>	2,589,948	2,562,681	27,267
<b>Change in net assets</b>	(1,032,042)	5,603,004	(6,635,046)
<b>Net assets - beginning of year</b>	69,011,668	63,408,664	5,603,004
<b>Net assets - end of year</b>	\$ 67,979,626	\$ 69,011,668	\$ (1,032,042)

	<b>Business-Type Activities</b>		
	<b>2006</b>	<b>2005</b>	<b>Change</b>
<b>Program Revenues:</b>			
Sewer	\$ 3,865,406	\$ 3,977,731	\$ (112,325)
Water	3,996,082	3,626,927	369,155
Solid Waste	3,539,926	3,931,019	(391,093)
<b>Total Revenues</b>	<b>11,401,414</b>	<b>11,535,677</b>	<b>(134,263)</b>
<b>Expenses:</b>			
Sewer	2,762,988	2,817,164	54,176
Water	2,264,880	2,408,580	143,700
Solid Waste	1,530,896	2,592,486	1,061,590
<b>Total expenses</b>	<b>6,558,764</b>	<b>7,818,230</b>	<b>1,259,466</b>
<b>Unrestricted investment income</b>	<b>512,470</b>	<b>147,703</b>	<b>364,767</b>
<b>Transfers, net</b>	<b>(2,589,948)</b>	<b>(2,562,681)</b>	<b>(27,267)</b>
<b>Change in net assets</b>	<b>2,765,172</b>	<b>1,302,469</b>	<b>1,462,703</b>
<b>Net assets - beginning of year</b>	<b>25,171,381</b>	<b>23,868,912</b>	<b>1,302,469</b>
<b>Net assets - end of year</b>	<b>\$ 27,936,553</b>	<b>\$ 25,171,381</b>	<b>\$ 2,765,172</b>

### ***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 \$95,916,179 at the close of FY 2006.

Net assets of \$66,028,104 (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 \$7,153,534 (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$22,734,541 (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 decreased by \$1,032,042 during the current fiscal year, which reflects the general fund's results of operations. This was mainly attributed

to expenditures exceeding revenues by \$3,631,284, transfers in from the sewer, water and solid waste funds of \$2,589,948 and contributions to permanent funds of \$9,294. There was an increase of \$2,765,172 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 \$95,764 and was attributed to budgeting revenues sufficient to cover current operational costs by \$1,195,228, less transfers out to the general fund of \$1,290,992. The water department incurred an increase of \$1,449,236 and was attributed to budgeting revenues sufficient to cover current operational costs by \$1,984,764, less transfers out to the general fund of \$535,528. The solid waste department incurred an increase of \$1,411,700 and was attributed to budgeting revenues sufficient to cover current operational costs by \$2,175,128, less transfers out to the general fund of \$763,428.

### ***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 \$14,257,091. Of this year-end total, \$3,611,533 is the undesignated general fund balance, indicating availability for continuing City service requirements. Reserved and designated fund balances include \$1,414,626 committed to liquidate encumbrances and carried forward articles remaining from the prior year; \$612,806 in perpetual permanent funds; \$1,004,000 reserved for the 2007 budget; \$10,053,159 in special revenue funds; (\$2,545,220) in capital projects funds; and \$106,187 in permanent funds.

The total ending fund balances of the governmental funds shows a decrease of \$3,708,915 in comparison with the prior year. The decrease is attributable to expenditures exceeding revenues by \$6,500,671, transfers in from the business-type activities of \$2,589,948, a capital lease for \$124,610 and proceeds from bonds of \$77,198.

### ***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 \$3,611,533, while total fund balance reached \$5,026,159. 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/undesignated fund balance represents 5.01% of total general fund expenditures including transfers and total fund balance represents 6.97% of that same amount. Unreserved/undesignated fund balance represents 5.16% of total general fund revenues including transfers and the execution of a capital lease and total fund balance represents 7.18% of that same amount.

The fund balance of the general fund decreased by \$2,095,536. Of this amount \$4,091,749 was attributed to the expenditures over revenues, \$1,888,925 of net transfers to the stabilization fund, \$1,170,580 of net transfers from the non-major funds, \$2,589,948 in transfers in from the business-type activities and \$124,610 from the execution of a capital lease.

The *stabilization fund* has accumulated a fund balance of \$3,159,606, or 4.38% of total General Fund expenditures including transfers and 4.51% of total General Fund revenues including transfers and the execution of a capital lease. These funds can be used for general or capital purposes upon City Council approval.

The fund balance of the stabilization fund increased by \$1,926,367. Of this amount \$37,442 was attributed to interest income, \$2,480,000 of transfers in from the general fund and \$591,075 out to the general fund. Please refer to Note 3H 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 \$95,764 in total operations, the result of revenues exceeding expenditures by \$1,195,228 and \$1,290,992 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 \$1,449,236 in total operations, the result of revenues exceeding expenditures by \$1,984,764 and \$535,528 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 \$1,411,700 in total operations, the result of revenues exceeding expenditures by \$2,175,128 and \$763,428 of transfers to the general fund.

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

The final general fund budget for fiscal year 2006 was \$65,617,281. This was an increase of \$4,762,321 over the previous year's final budget.

There were negative variances in state receipts of \$25,207 attributed to estimating these amounts too high. This was more than offset by budgetary surpluses attributed primarily to property tax and tax title revenue plus accumulated interest of \$360,520, excise and other taxes of \$298,078, licenses, permits and fees of \$346,839, interest on taxes of \$10,590 and interest on investments of \$257,739. Overall, actual total revenue exceeded the budget by \$1,248,559.

During the year, the City Council voted increases totaling \$2,090,265 to the original budget. The increases are primarily attributed to ambulance service expenditures for \$218,500, a capital program for the parking division for \$198,000, veterans service

benefits for \$70,000, legal services for the planning department for \$30,000, the legal services account for \$55,100, capital program conservation land acquisition for \$50,000, MIS professional technical services for \$12,000, Turkey Hill land acquisition for \$70,000, various fire department accounts for \$251,973, various police department accounts for \$29,062, employees health insurance for \$134,700, snow and ice expenditures for \$240,786, parking division, custodial services for \$11,000, Smith Vocational High School capital projects for \$200,000, increased energy and fuel costs of \$435,240 and \$83,904 for various other budget line items. Of the \$1,761,026 in unexpended/committed budget expenditures \$1,414,626 has been carried over to fiscal year 2007 leaving a surplus of \$346,400 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 two central service vehicles for \$48,937, the acquisition of 2 parcels of conservation land for \$76,575, the acquisition of Fitzgerald Lake conservation land for \$8,500, the acquisition of the Turkey Hill/Mineral Hills land for \$231,000, 4 police cruisers for \$103,290, a fire rescue boat and trailer for \$17,854, an ambulance for \$124,610, department of public works garage roof for \$169,690, department of public works John Deere loader for \$119,967, department of public works dump truck for \$105,862, a salt shed for \$173,600, a wheelchair school bus for \$64,604, a new Holland skidsteer for Smith Vocational High School for \$37,205, a 2005 John Deere dozer for Smith Vocational High School for \$72,915, a tractor with a bucket for the cemetery department for \$28,250, a ballfield groomer for \$16,300, a storage tank for \$28,989 and Ryan Road school and Smith Vocational High School parking lots for \$200,000.

Construction in progress additions to capital assets during the year consisted of the garage pay system for \$139,199, garage renovations for \$54,295, the Ryan Road school HVAC system for \$136,000, Crescent Street and Bridge Road sidewalks and roads for \$420,082, Jackson Street school HVAC for \$20,095, Senior center for \$659,508, Forbes Library renovations for \$743,789 and Veterans Field drainage improvements for \$93,911.

Capital asset additions during the year of \$8,989,841 in the business-type activity consisted of; in the sewer fund, \$50,000 for the sewer portion of the department of public works buildings, \$68,870 for a Ford - 550 truck, \$68,297 for sewer line improvements, and \$189,692 for the Crescent/Bridge Road sewer project; in the water fund, \$508,111 Crescent/Bridge Road water mains, \$24,431 for a Ford Ranger vehicle, \$7,032,612 for the water treatment plant project and \$60,275 for the Route 66 water main; in the solid waste fund, \$901,556 for the cell I landfill closure project, \$24,245 for phase 4 landfill improvements and \$61,752 in phase 5 landfill expansion.

**Debt Administration.** The City's outstanding governmental long-term debt, as of June 30, 2006, totaled \$37,407,694, of which \$31,632,659 is for school projects, \$4,601,266 is for City building projects, \$645,000 for an aerial ladder fire truck, \$377,000 is for land acquisitions, \$44,000 for storm and surface drains, \$40,000 for recreation facilities, \$67,769 for the Septic V community septic program and \$3,548,538 in bond anticipation notes.

The City's outstanding business-type long term debt was \$3,605,730 in sewer debt, a total of \$13,043,484 in water debt consisting of long term debt of \$6,113,845 and bond anticipation notes of \$6,929,639, and a total of \$2,528,500 in solid waste debt consisting of long term debt of \$2,528,500 and bond anticipation notes of \$150,000, that are fully supported by the rates and do not rely on a general fund subsidy.

The City also has a capital lease for an ambulance. The last lease payment is due in 2010. The City currently owes \$138,628 on the lease consisting of \$124,610 in principal and \$14,018 in interest.

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

### ***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, 2006**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Cash Equivalents	\$ 18,467,829	\$ 12,259,636	\$ 30,727,465
Investments	610,743	-	610,743
Receivables, net of allowance for uncollectibles:			
Property Taxes	661,826	-	661,826
Deferred Property Taxes	112,910	-	112,910
Taxes in Litigation	6,794	-	6,794
Rollback Taxes	8,300	-	8,300
Tax Liens	558,673	-	558,673
Excise Taxes and Other Taxes	352,375	-	352,375
User Charges	-	1,170,208	1,170,208
Departmental	195,847	-	195,847
Special Assessments	20,809	24,944	45,753
Loans	114,027	-	114,027
Due from Other Governments	6,825,508	-	6,825,508
Other	-	-	-
Total current assets	<u>27,935,641</u>	<u>13,454,788</u>	<u>41,390,429</u>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	23,849,322	-	23,849,322
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	10,894,197	10,078,716	20,972,913
Depreciable	53,300,108	25,175,834	78,475,942
Total noncurrent assets	<u>88,043,627</u>	<u>35,254,550</u>	<u>123,298,177</u>
<b>Total Assets</b>	<u>115,979,268</u>	<u>48,709,338</u>	<u>164,688,606</u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants Payable	1,793,927	174,052	1,967,979
Accrued Payroll	1,040,600	-	1,040,600
Payroll Withholdings	424,216	-	424,216
Tax Refund Payable	212,385	-	212,385
Accrued Interest	418,855	136,652	555,507
Compensated Absences	1,098,742	94,998	1,193,740
Bond Anticipation Notes	3,548,538	7,079,639	10,628,177
Bonds and Lease Payable	3,843,063	1,664,162	5,507,225
Total current liabilities	<u>12,380,326</u>	<u>9,149,503</u>	<u>21,529,829</u>
<b>NONCURRENT:</b>			
Landfill Closure	-	982,349	982,349
Compensated Absences	1,930,075	57,020	1,987,095
Bonds and Lease Payable	33,689,241	10,583,913	44,273,154
Total noncurrent liabilities	<u>35,619,316</u>	<u>11,623,282</u>	<u>47,242,598</u>
<b>Total Liabilities</b>	<u>47,999,642</u>	<u>20,772,785</u>	<u>68,772,427</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, net of related debt	50,101,268	15,926,836	66,028,104
Restricted for:			
Capital Projects	126,234	-	126,234
Loans	114,027	-	114,027
Federal & State Grants	3,592,493	-	3,592,493
Permanent Funds:			
Expendable	106,187	-	106,187
Nonexpendable	612,806	-	612,806
Other Purposes	2,601,787	-	2,601,787
Unrestricted	10,724,824	12,009,717	22,734,541
<b>Total Net Assets</b>	<u>\$ 67,979,626</u>	<u>\$ 27,936,553</u>	<u>\$ 95,916,179</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, 2006**

	<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>
<b>Governmental Activities:</b>							
General Government	\$ 5,569,393	\$ 3,148,988	\$ 1,190,460	\$ -	\$ (1,229,945)	\$ -	\$ (1,229,945)
Public Safety	9,987,792	1,663,997	542,369	-	(7,781,426)	-	(7,781,426)
Public Works	4,631,313	64,643	215,938	1,762,682	(2,588,050)	-	(2,588,050)
Education	33,901,717	4,940,790	13,185,497	-	(15,775,430)	-	(15,775,430)
Health and Human Services	1,812,956	177,266	2,067,467	-	431,777	-	431,777
Culture and Recreation	3,450,348	453,361	97,045	812,400	(2,087,542)	-	(2,087,542)
Employee Benefits and Insurance	18,133,103	-	5,579,973	-	(12,553,130)	-	(12,553,130)
State Assessments	2,092,756	-	-	-	(2,092,756)	-	(2,092,756)
Interest	1,824,238	-	1,064,253	-	(759,985)	-	(759,985)
<b>Total Governmental Activities</b>	<b>81,403,616</b>	<b>10,449,045</b>	<b>23,943,002</b>	<b>2,575,082</b>	<b>(44,436,487)</b>	<b>-</b>	<b>(44,436,487)</b>
<b>Business-Type Activities:</b>							
Sewer	2,762,988	3,865,406	-	-	-	1,102,418	1,102,418
Water	2,264,880	3,996,082	-	-	-	1,731,202	1,731,202
Solid Waste	1,530,896	3,539,926	-	-	-	2,009,030	2,009,030
<b>Total Primary Government</b>	<b>\$ 87,962,380</b>	<b>\$ 21,850,459</b>	<b>\$ 23,943,002</b>	<b>\$ 2,575,082</b>	<b>(44,436,487)</b>	<b>4,842,650</b>	<b>(39,593,837)</b>
<b>General Revenues:</b>							
Property taxes					32,347,855	-	32,347,855
Motor vehicle and other taxes					2,314,247	-	2,314,247
Hotel room occupancy taxes					359,388	-	359,388
Penalties & interest on taxes					259,840	-	259,840
Grants & contributions not restricted to specific programs					4,909,346	-	4,909,346
Unrestricted investment income					605,181	512,470	1,117,651
Miscellaneous					9,346	-	9,346
<b>Contributions to Permanent Funds</b>					9,294	-	9,294
<b>Transfers, net</b>					2,589,948	(2,589,948)	-
<b>Total General Revenues, Contributions and Transfers</b>					<b>43,404,445</b>	<b>(2,077,478)</b>	<b>41,326,967</b>
<b>Change in Net Assets</b>					<b>(1,032,042)</b>	<b>2,765,172</b>	<b>1,733,130</b>
<b>Net Assets:</b>							
Beginning of year					69,011,668	25,171,381	94,183,049
End of year					<b>\$ 67,979,626</b>	<b>\$ 27,936,553</b>	<b>\$ 95,916,179</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	General Fund	Stabilization Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 6,896,984	\$ 3,159,606	\$ 8,411,239	\$ 18,467,829
Investments	-	-	610,743	610,743
Receivables, net of allowance for uncollectibles:				
Property Taxes	661,826	-	-	661,826
Deferred Property Taxes	112,910	-	-	112,910
Taxes in Litigation	6,794	-	-	6,794
Rollback Taxes	8,300	-	-	8,300
Tax Liens	558,673	-	-	558,673
Excise Taxes	352,375	-	-	352,375
Departmental	105,005	-	90,842	195,847
Special Assessments	-	-	20,809	20,809
Loans	-	-	114,027	114,027
Due from Other Governments	26,770,568	-	3,904,262	30,674,830
<b>Total Assets</b>	<b>\$ 35,473,435</b>	<b>\$ 3,159,606</b>	<b>\$ 13,151,922</b>	<b>\$ 51,784,963</b>
<b>LIABILITIES AND FUND EQUITY:</b>				
<b>Liabilities:</b>				
Warrants Payable	\$ 1,010,814	\$ -	\$ 783,113	\$ 1,793,927
Accrued Payroll	1,040,600	-	-	1,040,600
Employee Withholdings	424,216	-	-	424,216
Tax Refund Payable	212,385	-	-	212,385
Accrued Interest on Short-Term Debt	16,000	-	-	16,000
Deferred Revenue:				
Property Taxes	556,251	-	-	556,251
Other	27,187,010	-	2,748,945	29,935,955
Bond Anticipation Note Payable	-	-	3,548,538	3,548,538
<b>Total Liabilities</b>	<b>30,447,276</b>	<b>-</b>	<b>7,080,596</b>	<b>37,527,872</b>
<b>Fund Equity:</b>				
Reserved For:				
Encumbrances and continuing appropriations	1,414,626	-	-	1,414,626
Perpetual Permanent Funds	-	-	612,806	612,806
Unreserved:				
Designated for Subsequent Years' Expenditures	-	900,000	104,000	1,004,000
Undesignated, reported in:				
General Fund	3,611,533	-	-	3,611,533
Special Revenue	-	2,259,606	7,793,553	10,053,159
Capital Projects	-	-	(2,545,220)	(2,545,220)
Permanent Funds	-	-	106,187	106,187
<b>Total Fund Equity</b>	<b>5,026,159</b>	<b>3,159,606</b>	<b>6,071,326</b>	<b>14,257,091</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 35,473,435</b>	<b>\$ 3,159,606</b>	<b>\$ 13,151,922</b>	<b>\$ 51,784,963</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	General Fund	Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 32,436,108	\$ -	\$ -	\$ 32,436,108
State Receipts	15,593,139	-	-	15,593,139
Excise and Other Taxes	2,727,078	-	3,844	2,730,922
Licenses, Permits, Fees	8,321,212	-	-	8,321,212
Interest on Taxes	259,840	-	-	259,840
Interest on Investments	567,739	37,442	84,058	689,239
Net Increase (Decrease) in Fair Value of Investment:	-	-	(11,431)	(11,431)
Intergovernmental - "On-behalf" Payments	5,563,345	-	-	5,563,345
Additions	-	-	9,294	9,294
Grants and Fees	-	-	13,827,640	13,827,640
<b>Total Revenues</b>	<b>65,468,461</b>	<b>37,442</b>	<b>13,913,405</b>	<b>79,419,308</b>
<b>Expenditures:</b>				
Current:				
General Government	4,007,451	-	1,475,363	5,482,814
Public Safety	8,403,358	-	965,175	9,368,533
Public Works	2,845,910	-	2,636,442	5,482,352
Education	26,007,830	-	6,667,526	32,675,356
Health and Human Services	614,193	-	1,860,838	2,475,031
Culture and Recreation	1,503,242	-	2,716,115	4,219,357
Employee Benefits and Insurance	18,352,428	-	-	18,352,428
State Assessments	2,092,756	-	-	2,092,756
Debt Service:				
Principal	3,881,897	-	34,214	3,916,111
Interest	1,851,145	-	4,096	1,855,241
<b>Total Expenditures</b>	<b>69,560,210</b>	<b>-</b>	<b>16,359,769</b>	<b>85,919,979</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(4,091,749)</b>	<b>37,442</b>	<b>(2,446,364)</b>	<b>(6,500,671)</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	4,447,400	2,480,000	95,797	7,023,197
Operating Transfers Out	(2,575,797)	(591,075)	(1,266,377)	(4,433,249)
Capital Lease	124,610	-	-	124,610
Proceeds from Bonds	-	-	77,198	77,198
<b>Total Other Financing Sources (Uses)</b>	<b>1,996,213</b>	<b>1,888,925</b>	<b>(1,093,382)</b>	<b>2,791,756</b>
<b>Net Change in Fund Balances</b>	<b>(2,095,536)</b>	<b>1,926,367</b>	<b>(3,539,746)</b>	<b>(3,708,915)</b>
<b>Fund Balances, Beginning of Year</b>	<b>7,121,695</b>	<b>1,233,239</b>	<b>9,611,072</b>	<b>17,966,006</b>
<b>Fund Balances, End of Year</b>	<b>\$ 5,026,159</b>	<b>\$ 3,159,606</b>	<b>\$ 6,071,326</b>	<b>\$ 14,257,091</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Assets**  
**For the Year Ended June 30, 2006**

<b>Total Governmental Fund Balances</b>		\$	14,257,091
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds			64,194,305
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis			30,492,206
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:			
Bonds and Notes Payable	\$	(37,532,304)	
Compensated Absences		<u>(3,028,817)</u>	(40,561,121)
In statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due			<u>(402,855)</u>
<b>Net Assets of Governmental Activities</b>		<b>\$</b>	<b><u><u>67,979,626</u></u></b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2006**

**Net Change in Fund Balances - Total Governmental Funds** \$ (3,708,915)

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	\$ 3,666,797	
Depreciation	<u>(3,333,837)</u>	332,960

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 (1,637,682)

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	3,916,110	
Capital Lease Financing	(124,610)	
Proceeds from Bonds	<u>(77,198)</u>	3,714,302

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	236,289	
Net Change in Accrued Interest on Long-Term Debt	<u>31,004</u>	<u>267,293</u>

**Change in Net Assets of Governmental Activities** \$ (1,032,042)

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, 2006**

	Budgeted Amounts		Actual	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis		
<b>Revenues:</b>					
Property Taxes	\$ 31,967,724	\$ 32,222,224	\$ 32,582,744	\$ -	\$ 360,520
State Receipts	15,618,346	15,618,346	15,593,139	-	(25,207)
Excise and Other Taxes	2,429,000	2,429,000	2,727,078	-	298,078
Licenses, Permits, Fees	7,974,373	7,974,373	8,321,212	-	346,839
Interest on Taxes	249,250	249,250	259,840	-	10,590
Interest on Investments	310,000	310,000	567,739	-	257,739
<b>Total Revenues</b>	<b>58,548,693</b>	<b>58,803,193</b>	<b>60,051,752</b>	<b>-</b>	<b>1,248,559</b>
<b>Expenditures:</b>					
Current:					
General Government	4,584,739	4,742,834	4,007,451	641,377	94,006
Public Safety	7,597,337	8,362,743	8,278,748	7,890	76,105
Public Works	2,747,803	3,188,364	2,845,910	239,732	102,722
Education	25,980,752	26,403,647	26,007,830	388,058	7,759
Health and Human Services	566,997	649,312	614,193	1,069	34,050
Culture and Recreation	1,624,320	1,646,095	1,503,242	136,500	6,353
Employee Benefits and Insurance	12,539,119	12,794,637	12,789,083	-	5,554
State Assessments	2,040,119	2,040,119	2,092,756	-	(52,637)
Debt Service:					
Principal	3,951,699	3,951,699	3,881,897	-	69,802
Interest	1,894,131	1,837,831	1,835,145	-	2,686
<b>Total Expenditures</b>	<b>63,527,016</b>	<b>65,617,281</b>	<b>63,856,255</b>	<b>1,414,626</b>	<b>346,400</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(4,978,323)</b>	<b>(6,814,088)</b>	<b>(3,804,503)</b>	<b>(1,414,626)</b>	<b>1,594,959</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Out)	3,214,748	1,362,248	1,871,603	-	509,355
<b>Total Other Financing Sources (Uses)</b>	<b>3,214,748</b>	<b>1,362,248</b>	<b>1,871,603</b>	<b>-</b>	<b>509,355</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(1,763,575)</b>	<b>(5,451,840)</b>	<b>(1,932,900)</b>	<b>(1,414,626)</b>	<b>2,104,314</b>
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>7,081,869</b>	<b>7,081,869</b>	<b>7,081,869</b>	<b>-</b>	<b>-</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 5,318,294</b>	<b>\$ 1,630,029</b>	<b>\$ 5,148,969</b>	<b>\$ (1,414,626)</b>	<b>\$ 2,104,314</b>

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Reconciliation of Revenues and Expenditures**  
**from Budgetary Basis to GAAP Basis**  
**For the Year Ended June 30, 2006**

	<b>Revenues</b>	<b>Expenditures</b>
<b>Reported on a Budgetary Basis</b>	\$ 60,051,752	\$ 63,856,255
Net Decrease in Revenue from recording Refund Taxes Payable	(12,873)	
Recognition of intergovernmental Revenue - "on behalf payments"	5,563,345	
Recognition of Expenditures - "on behalf payments"		5,563,345
Net Increase in Expenditures - Accrued Expenses		16,000
Capital Lease		124,610
Net Decrease in Revenue from Recording 60-Day Receipts	(133,763)	
<b>Reported on a GAAP Basis</b>	\$ 65,468,461	\$ 69,560,210

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, 2006**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
<b>ASSETS</b>				
CURRENT:				
Cash and Cash Equivalents	\$ 1,897,201	\$ 6,445,559	\$ 3,916,876	\$ 12,259,636
User Charges, net of allowance for uncollectibles	306,601	252,890	610,717	1,170,208
Special Assessments	24,944	-	-	24,944
Total current assets	<u>2,228,746</u>	<u>6,698,449</u>	<u>4,527,593</u>	<u>13,454,788</u>
NONCURRENT:				
Capital Assets, net of accumulated Depreciation:				
Nondepreciable	194,601	9,034,554	849,561	10,078,716
Depreciable	6,976,912	9,404,914	8,794,008	25,175,834
Total noncurrent assets	<u>7,171,513</u>	<u>18,439,468</u>	<u>9,643,569</u>	<u>35,254,550</u>
<b>Total Assets</b>	<u>9,400,259</u>	<u>25,137,917</u>	<u>14,171,162</u>	<u>48,709,338</u>
<b>LIABILITIES</b>				
CURRENT:				
Accounts Payable	23,320	136,522	14,210	174,052
Accrued Interest	32,551	78,244	25,857	136,652
Compensated Absences	55,734	26,085	13,179	94,998
Bond Anticipation Notes Payable	-	6,929,639	150,000	7,079,639
Bonds Payable	311,565	639,097	713,500	1,664,162
Total current liabilities	<u>423,170</u>	<u>7,809,587</u>	<u>916,746</u>	<u>9,149,503</u>
NONCURRENT:				
Landfill Closure	-	-	982,349	982,349
Compensated Absences	31,799	17,595	7,626	57,020
Bonds Payable	3,294,165	5,474,748	1,815,000	10,583,913
Total noncurrent liabilities	<u>3,325,964</u>	<u>5,492,343</u>	<u>2,804,975</u>	<u>11,623,282</u>
<b>Total Liabilities</b>	<u>3,749,134</u>	<u>13,301,930</u>	<u>3,721,721</u>	<u>20,772,785</u>
<b>NET ASSETS:</b>				
Invested in Capital Assets, net of related debt	3,565,783	5,395,984	6,965,069	15,926,836
Unrestricted	2,085,342	6,440,003	3,484,372	12,009,717
<b>Total Net Assets</b>	<u>\$ 5,651,125</u>	<u>\$ 11,835,987</u>	<u>\$ 10,449,441</u>	<u>\$ 27,936,553</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, 2006**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
<b>Operating Revenues:</b>				
Charges for Services	\$ 3,856,276	\$ 3,939,869	\$ 3,513,003	\$ 11,309,148
Other	9,130	56,213	26,923	92,266
<b>Total Operating Revenues</b>	3,865,406	3,996,082	3,539,926	11,401,414
<b>Operating Expenses:</b>				
Salaries & Wages	576,898	599,474	289,675	1,466,047
Operating Expenses	1,246,671	893,197	679,465	2,819,333
Depreciation	762,891	485,298	439,629	1,687,818
<b>Total Operating Expenses</b>	2,586,460	1,977,969	1,408,769	5,973,198
<b>Operating Income (Loss)</b>	1,278,946	2,018,113	2,131,157	5,428,216
<b>Non-Operating Revenues (Expenses):</b>				
Interest Income	92,810	253,562	166,098	512,470
Interest Expense	(176,528)	(286,911)	(122,127)	(585,566)
<b>Total Non-Operating Revenues (Expenses)</b>	(83,718)	(33,349)	43,971	(73,096)
<b>Income (Loss) Before Operating Transfers</b>	1,195,228	1,984,764	2,175,128	5,355,120
<b>Operating Transfers:</b>				
Transfers In (Out)	(1,290,992)	(535,528)	(763,428)	(2,589,948)
<b>Total Operating Transfers</b>	(1,290,992)	(535,528)	(763,428)	(2,589,948)
<b>Change in Net Assets</b>	(95,764)	1,449,236	1,411,700	2,765,172
<b>Net Assets at Beginning of Year</b>	5,746,889	10,386,751	9,037,741	25,171,381
<b>Net Assets at End of Year</b>	\$ 5,651,125	\$ 11,835,987	\$ 10,449,441	\$ 27,936,553

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, 2006**

	Business-Type Activities			
	Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
<b>Cash Flows From Operating Activities:</b>				
Receipts from Customers and Users	3,880,633	3,937,430	3,568,497	\$ 11,386,560
Receipts from Other Revenues	9,130	56,213	26,923	92,266
Payments to Vendors	(1,581,632)	(804,646)	(784,108)	(3,170,386)
Payments to Employees	(586,066)	(603,422)	(299,114)	(1,488,602)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>1,722,065</b>	<b>2,585,575</b>	<b>2,512,198</b>	<b>6,819,838</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers from (to) Other Funds	(1,290,992)	(535,528)	(763,428)	(2,589,948)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(1,290,992)</b>	<b>(535,528)</b>	<b>(763,428)</b>	<b>(2,589,948)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from the issuance of Bonds and Notes	-	6,929,639	-	6,929,639
Acquisition and Construction of Capital Assets	(376,859)	(7,625,429)	(987,553)	(8,989,841)
Principal Payments on Bonds and Notes	(311,421)	(627,881)	(736,000)	(1,675,302)
Interest Expense	(177,588)	(273,088)	(129,003)	(579,679)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(865,868)</b>	<b>(1,596,759)</b>	<b>(1,852,556)</b>	<b>(4,315,183)</b>
<b>Cash Flows from Investing Activities:</b>				
Investment Income	92,810	253,562	166,098	512,470
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>92,810</b>	<b>253,562</b>	<b>166,098</b>	<b>512,470</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(341,985)</b>	<b>706,850</b>	<b>62,312</b>	<b>427,177</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>2,239,186</b>	<b>5,738,709</b>	<b>3,854,564</b>	<b>11,832,459</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,897,201</b>	<b>\$ 6,445,559</b>	<b>\$ 3,916,876</b>	<b>\$ 12,259,636</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2006**

**Business-Type Activities  
 Enterprise Funds**

	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>
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**Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:**

<b>Operating Income (Loss)</b>	\$ 1,278,946	\$ 2,018,113	\$ 2,131,157	5,428,216
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>				
Depreciation	762,891	485,298	439,629	1,687,818
Change in Assets and Liabilities:				
Increase (Decrease) in Warrants Payable	(334,961)	88,551	(28,082)	(274,492)
Increase (Decrease) in Compensated Absences	(9,168)	(3,948)	(9,439)	(22,555)
Increase (Decrease) in Landfill Closure	-	-	(76,561)	(76,561)
Decrease (Increase) in User Charges Receivable	24,357	(2,439)	55,494	77,412
<b>Total Adjustments</b>	443,119	567,462	381,041	1,391,622
<b>Net Cash Provided by (Used for) Operating Activities</b>	\$ 1,722,065	\$ 2,585,575	\$ 2,512,198	\$ 6,819,838

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, 2006**

	<b>NORTHAMPTON</b>		
	<b>Employees Retirement System Pension Trust Fund</b>		
	<b>(as of December 31, 2005)</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 903,649	\$ 122,374	\$ 203,876
Investments	59,670,463	522,848	
Accrued Interest and Dividends	67,749	-	-
Accounts Receivable	823,547	-	1,038
<b>Total Assets</b>	<b>61,465,408</b>	<b>645,222</b>	<b>204,914</b>
<b>LIABILITIES</b>			
Warrants Payable	24,202	5,064	17,719
Due to Others	-	-	969
Due to Student Groups	-	-	116,671
Deposits and Escrows	-	-	69,555
<b>Total Liabilities</b>	<b>24,202</b>	<b>5,064</b>	<b>204,914</b>
<b>NET ASSETS:</b>			
Held in Trust for Pension Benefits and Other Purposes	\$ 61,441,206	\$ 640,158	\$ -

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, 2006**

	<b>NORTHAMPTON</b>	
	<b>Employees</b>	
	<b>Retirement</b>	
	<b>System Pension</b>	
	<b>Trust Fund</b>	<b>Private</b>
	<b>(as of December</b>	<b>Purpose</b>
	<b>31, 2005)</b>	<b>Trust Funds</b>
<b>Additions</b>		
Contributions:		
Employers	\$ 3,420,559	\$ -
Plan Members	1,755,326	-
Transfers/Reimbursements from Other Systems	163,668	-
Federal Grant Reimbursements	25,385	-
Commonwealth of Massachusetts - COLA	310,192	-
Total Contributions	5,675,130	-
Investment Income:		
Interest & Dividends	1,760,473	23,091
Net Change in Fair Value of Investments	3,962,236	25,834
Total Investment Earnings	5,722,709	48,925
Less Investment Expense	(214,005)	-
Net Investment Earnings	5,508,704	48,925
<b>Total Additions</b>	11,183,834	48,925
<b>Deductions:</b>		
Benefit Payments to Plan Members and Beneficiaries	5,080,406	-
Refunds to Members	179,608	-
Transfers to Other Systems	329,587	-
Educational Scholarships	-	321
Human Services	-	10,000
General Expenses	136,254	6,834
<b>Total Deductions</b>	5,725,855	17,155
<b>Change in Net Assets</b>	5,457,979	31,770
<b>Net Assets at Beginning of Year</b>	55,983,227	608,388
<b>Nets Assets at End of Year</b>	\$ 61,441,206	\$ 640,158

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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

**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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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 government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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".

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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, 2005 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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The City mailed preliminary tax bills for the fiscal year 2006 on July 1, 2005 that were due on August 1, 2005 and November 1, 2005 and actual bills on December 30, 2005 that were due on February 1, 2006 and May 1, 2006.

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 2006 is \$32,658,356 consisting of a base of \$31,277,815 and a debt exclusion of \$1,380,541. The total amount raised by taxation was \$32,643,509.

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, ambulance and other general government receipts.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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

***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:

**CITY OF NORTHAMPTON, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2006**

<u>Capital Asset Type</u>	<u>Years</u>
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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

“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:**

Stabilization fund	\$ 900,000
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**Nonmajor Governmental Funds:**

Municipal waterways fund	\$ 2,000	
Conservation wetlands fees	2,000	
Sale of cemetery lots	4,850	
Receipts reserved for the payment of debt	90,000	
Cemetery perpetual care fund	5,150	104,000
	5,150	104,000
	<u>5,150</u>	<u>\$ 1,004,000</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, 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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

**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 595 participants eligible to receive benefits at June 30, 2006. The estimated cost is \$2,472,246.

**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.

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.

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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 2006, the City incurred a final budget deficit of \$5,451,840 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	\$ 4,028,273
Prior year's encumbrances	1,417,367
Budget variance with recap	6,200
	<b>\$ 5,451,840</b>

**B. Deficit Fund Equity**

The following funds had deficits at June 30, 2006 as measured by the balances of unreserved fund balance.

- The fire outside duty account has a deficit of \$26,070. The deficit will be eliminated upon the future receipt of funds.
- The dog revolving fund has a deficit of \$1,188. The deficit will be eliminated upon the future receipt of funds.
- The juvenile firesetter intervention program has a deficit of \$4,886. The deficit will be eliminated upon the future receipt of funds.
- The capital projects fund has various individual projects that are overdrawn for a total of \$2,643,077. These deficits will be eliminated upon the issuance of permanent debt.

**3. DETAILED NOTES**

**A. Deposits and Investments**

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

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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. Deposits at June 30, 2006 were \$33,220,806. Of these, \$8,032,586 were exposed to custodial credit risk as uninsured and uncollateralized.

**Custodial Credit Risks – Deposits – Northampton Contributory Retirement System**

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk. Deposits at December 31, 2005 were \$1,029,921. 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 certificates 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, 2006, the City had the following investments and maturities:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in Years) Less Than 1</b>
Money market mutual fund	\$ 134,356	\$ 134,356
Other Investments:		
Equity securities	163,951	
Certificate of deposits	835,284	
	<u>\$ 1,133,591</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 \$1,133,591

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in investments, \$633,591 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.

**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, 2006 is as follows:

<b>Related Debt Instruments</b>	<b>Fair Value</b>	<b>Not Rated</b>
Money market mutual fund	134,356	134,356
	<u>\$ 134,356</u>	<u>\$ 134,356</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.

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- C. Equity investments shall comply with the following policies as well as relevant PERAC regulations including any modifications permitted by an exemption issued to the Board.
- i. At least 75% of the market value of equity investments shall be in companies for which the market value of the outstanding shares is at least \$100 million at time of purchase.
  - ii. The investment in any one holding shall not exceed 5% of the total book value of equity investments at the time of purchase.
  - iii. All equity investments, including ADRs as permitted by an exemption issued to the Board, must be in securities traded on a major exchange or on the NASDAQ.
  - iv. The beta (a measure of equity volatility) shall average no more than 1.15 annually.
  - v. No investment shall be made in a company with less than a five year operating history.
  - vi. The holdings within the equity portfolio shall be diversified such that:
    - a. the equity portfolio shall consist of no fewer than 25 holdings;
    - b. no single industry shall account for more than 20% of the total market value;
    - 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.

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- vi. The adjusted modified duration of the fixed income portfolio shall be within the range of 75% to 125% of the duration of the Index.
  - vii. Excluding purchases and sales of issues of the U.S. government or agencies that have the full faith and credit of the U.S. government, the turnover of the fixed income portfolio shall not exceed 150% per year.
  - viii. The holdings within the fixed income portfolio shall be diversified such that:
    - a. the holdings shall be diversified across sectors and industries with no single industry representing more than one third the market value
    - b. except that issues of the U.S. government or agencies that have the full faith and credit of the U.S. government may be held without limit.
    - c. the fixed income portfolio will consist of no fewer than 20 holdings
    - d. at no time shall more than 80% of the market value of the holdings nor less than 20% have an adjusted modified duration longer than the Index.
- E. Cash and cash equivalents shall be invested in any or all of the following instruments: money market funds, repurchase agreements, short term instruments issued by the Treasury and other agencies of the U.S. government, commercial paper rated P1 and corporate debt maturing within one year at date of purchase.

As of June 30, 2006, the System had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10 Years
<b>Debt Securities:</b>					
U. S. Treasury obligations	\$ 4,829,449	\$ -	\$ 485,255	\$ 1,881,787	\$ 2,462,407
U. S. Government agencies	3,418,413	648,463	2,077,039	244,298	448,613
Corporate debt	8,171,683	-	1,703,328	3,847,487	2,620,868
Money market mutual funds	1,969,562	1,969,562	-	-	-
	<u>18,389,107</u>	<u>\$ 2,618,025</u>	<u>\$ 4,265,622</u>	<u>\$ 5,973,572</u>	<u>\$ 5,531,888</u>
<b>Other Investments:</b>					
Equity securities - Domestic	39,022,892				
Equity mutual funds	2,258,464				
	<u>\$ 59,670,463</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 \$59,670,463

in investments, \$54,942,437 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**

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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

The System's exposure to credit risk as of June 30, 2006 is as follows:

Related Debt Instruments	Fair Value
<b>Moody's Quality Ratings</b>	
<b><i>U. S. Treasury Obligations:</i></b>	
AAA	\$ 4,829,450
<b><i>U. S. Government Agencies:</i></b>	
Not rated	3,418,413
<b><i>Corporate Debt:</i></b>	
AAA	319,353
AA1	200,074
AA2	378,735
AA3	138,497
A1	1,168,541
A2	206,614
A3	662,402
BAA1	688,244
BAA2	1,261,091
BAA3	1,839,844
BA1	580,478
BA3	260,937
Not rated	466,872
<b><i>Money Market Mutual Funds:</i></b>	
Not rated	1,969,562
	\$ 18,389,107

**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**

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At June 30, 2006, 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:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 914,639	\$ (252,813)	\$ 661,826
Deferred property taxes	112,910	-	112,910
Taxes in litigation	6,794	-	6,794
Rollback taxes	8,300	-	8,300
Tax liens	558,673	-	558,673
Excise taxes and other taxes	954,807	(602,432)	352,375
Departmental	246,401	(50,554)	195,847
Special assessments	20,809	-	20,809
Loans	114,027	-	114,027
Due from other governments	30,674,830	-	30,674,830
<b>Fiduciary funds:</b>			
Agency funds - Deputy Tax Collector	1,038	-	1,038
<b>Employees Retirement System (as of December 31, 2005)</b>			
Accounts receivable	823,547	-	823,547
	<u>\$ 34,436,775</u>	<u>\$ (905,799)</u>	<u>\$ 33,530,976</u>

At June 30, 2006, receivables for the sewer, water and solid waste enterprise consist of the following:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Sewer Fund:</b>			
User charges	\$ 464,451	\$ (157,850)	\$ 306,601
Special assessments	24,944	-	24,944
<b>Water Fund:</b>			
User charges	272,955	(20,065)	252,890
<b>Solid Waste Fund:</b>			
User charges	690,717	(80,000)	610,717
	<u>\$ 1,453,067</u>	<u>\$ (257,915)</u>	<u>\$ 1,195,152</u>

The composition of amounts due from other governments as of June 30, 2006 for government funds is as follows:

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**General Fund:**

**Commonwealth of Massachusetts:**

School Building Authority - School Building Assistance  
 Capital portion \$ 26,042,952

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

Community Development Block Grant 40,728  
 Supportive Housing Program 3,192

**Private funds -**

Elder Vision - Council on Aging Reimbursement for Salaries 9,577

**Various Towns -**

Smith Vocational High School Tuitions 671,097

**Due from City Retirement System**

3,022 \$ 26,770,568

**Nonmajor Governmental Funds:**

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

Community Development Block Grant \$ 735,559  
 Supportive Housing Program 1,295,131  
 Private Development Program 24,683

**U. S. Department of Education -**

School Title Grants 404,628

**U. S. Department of Agriculture -**

School Lunch 29,173

**U. S. Department of Justice -**

Cops in Schools 8,802

**Commonwealth of Massachusetts -**

Department of Education - School Lunch 1,151  
 Department of Education - School Grants 1,545

Department of Environmental Protection - DEP Idling  
 Reduction Grant 8,000

Department of Fire Services - Hazmat Training 2,767

Department of Public Health - Public Health and Wellness  
 Program 2,000

Executive Office of Environmental Affairs - Urban Brownfield  
 Grant 64,585

Massachusetts Cultural Council 2,050

Massachusetts Highway Department 1,250,935

**Massachusetts Development Finance Agency (Mayor's Office):**

School Revolving - MTC Solar Project 53,000

MassDevelopment Northampton State Hospital Marketing 18,169

**Private -**

Center of New Americans - Even Start 2,084 3,904,262

\$ 30,674,830

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.

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The balance of the general fund deferred revenues account is equal to all of June 30, 2006 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 \$556,251.

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

**General Fund:**

Deferred property taxes	\$ 112,910	
Taxes in litigation	6,794	
Rollback taxes	8,300	
Tax Liens	558,673	
Excise Taxes	352,375	
Departmental	105,005	
Due from other governments	<u>26,042,953</u>	\$ 27,187,010

**Nonmajor Governmental Funds:**

Departmental	\$ 90,842	
Special assessments	20,809	
Loans	114,027	
Due from other governments	<u>2,523,267</u>	<u>2,748,945</u>
		<u>\$ 29,935,955</u>

**C. Capital Assets**

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**Governmental Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 8,403,402	\$ 316,075	\$ -	\$ 8,719,477
Construction in progress	562,988	2,038,649	(426,917)	2,174,720
Total capital assets not being depreciated	8,966,390	2,354,724	(426,917)	10,894,197
Capital assets being depreciated:				
Buildings and improvements	83,787,588	672,784	-	84,460,372
Machinery, equipment and other	6,614,014	837,217	(199,537)	7,251,694
Infrastructure	13,012,424	228,989	-	13,241,413
Total capital assets being depreciated	103,414,026	1,738,990	(199,537)	104,953,479
Less accumulated depreciation for:				
Buildings	32,171,270	2,628,453	-	34,799,723
Machinery, equipment and other	4,400,895	611,548	(199,537)	4,812,906
Infrastructure	11,946,906	93,836	-	12,040,742
Total accumulated depreciation	48,519,071	3,333,837	(199,537)	51,653,371
Total capital assets being depreciated, net	54,894,955	(1,594,847)	-	53,300,108
Total governmental activities capital assets, net	\$ 63,861,345	\$ 759,877	\$ (426,917)	\$ 64,194,305

**Business-Type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,928,050	-	-	\$ 1,928,050
Construction in progress	1,875,304	8,778,243	(2,502,881)	8,150,666
Total capital assets not being depreciated	3,803,354	8,778,243	(2,502,881)	10,078,716
Capital assets being depreciated:				
Building and Renovations	18,507,376	2,107,406	-	20,614,782
Machinery, equipment and other	1,529,249	93,301	-	1,622,550
Infrastructure	40,918,217	513,772	-	41,431,989
Total capital assets being depreciated	60,954,842	2,714,479	-	63,669,321
Less accumulated depreciation for:				
Building and Renovations	10,814,493	581,272	-	11,395,765
Machinery, equipment and other	797,931	166,106	-	964,037
Infrastructure	25,193,245	940,440	-	26,133,685
Total accumulated depreciation	36,805,669	1,687,818	-	38,493,487
Total capital assets being depreciated, net	24,149,173	1,026,661	-	25,175,834
Total business-type activities capital assets, net	\$ 27,952,527	\$ 9,804,904	\$ (2,502,881)	\$ 35,254,550

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

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**Governmental Activities:**

General government	\$ 366,788
Public safety	469,332
Public works	198,291
Education	2,227,926
Health and human services	2,018
Culture and recreation	69,482
Total depreciation expense - governmental activities	<u><u>\$ 3,333,837</u></u>

**Business-Type Activities:**

Sewer fund	\$ 762,891
Water fund	485,298
Solid waste fund	439,629
Total depreciation expense - business-type activities	<u><u>\$ 1,687,818</u></u>

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

Interfund transfers for the fiscal year ended June 30, 2006, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General Fund	Stabilization Fund	Nonmajor Governmental Funds	
General fund	\$ -	\$ 2,480,000	\$ 95,797	\$ 2,575,797
Stabilization fund	591,075	-	-	591,075
Nonmajor governmental funds	1,266,377	-	-	1,266,377
Business-type activities	2,589,948	-	-	2,589,948
Total transfers out	<u><u>\$ 4,447,400</u></u>	<u><u>\$ 2,480,000</u></u>	<u><u>\$ 95,797</u></u>	<u><u>\$ 7,023,197</u></u>

**E. Lease**

The City has entered into a lease agreement as lessee for financing the acquisition of an ambulance. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follow:

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	<b>Governmental Activities</b>
<b>Asset:</b>	
Machinery, equipment and other	\$ 124,610
Less: Accumulated Depreciation	<u>(12,461)</u>
Total	<u><u>112,149</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, are as follows:

<b>Year Ending June 30,</b>	<b>Governmental Activities</b>
2007	\$ 34,657
2008	34,657
2009	34,657
2010	<u>34,657</u>
Total minimum lease payments	\$ 138,628
Less: amount representing interest	<u>(14,018)</u>
Present value of minimum lease payments	<u><u>\$ 124,610</u></u>

**F. Short-Term Financing**

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

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

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Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2005	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2006
<b>Business-Type Activities:</b>						
<b>Bond Anticipation Notes:</b>						
<b>Solid Waste Fund:</b>						
Landfill	3.07%	06/27/06	\$ 150,000	\$ -	\$ 150,000	\$ -
Landfill	3.83%	03/28/07	-	150,000	-	150,000
<b>Water Fund:</b>						
Massachusetts Water Pollution Abatement Trust	1.63%	12/31/06	-	6,929,639	-	6,929,639
Total Business-type Activities			<u>\$ 150,000</u>	<u>\$ 7,079,639</u>	<u>\$ 150,000</u>	<u>\$ 7,079,639</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
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**G. Long Term Debt**

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. 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, 2006
<b>Inside Debt:</b>					
Land acquisition	4.5-6.5%	05/15/97	05/15/16	\$ 190,000	\$ 10,000
Storm and surface drains	4.5-6.5%	05/15/97	05/15/17	\$ 85,000	4,000
Fire station	5.0-5.75%	10/15/99	10/15/18	\$ 5,031,000	1,100,000
School building remodeling	5.00%	10/15/99	10/15/06	\$ 55,000	7,000
Library building remodeling	3.40%	10/15/02	09/01/19	\$ 830,000	653,000
Building construction	3.40%	10/15/02	09/01/07	\$ 135,800	64,460
Building construction	3.40%	10/15/02	09/01/06	\$ 177,299	25,806
Library	4.25%	01/19/05	01/19/12	\$ 350,000	300,000
Land acquisition	Various	11/15/04	10/15/23	\$ 72,000	64,000
Building remodeling - school	Various	11/15/04	10/15/23	\$ 767,000	723,000
Building remodeling - Feiker school	Various	11/15/04	10/15/23	\$ 145,000	116,000
Forbes library	Various	11/15/04	10/15/23	\$ 35,000	30,000
Repairs to city buildings	Various	11/15/04	10/15/23	\$ 40,000	35,000
Aerial ladder fire truck	Various	11/15/04	10/15/23	\$ 720,500	645,000
Departmental equipment - school	Various	11/15/04	10/15/23	\$ 37,000	27,000
Recreation facilities	Various	11/15/04	10/15/23	\$ 45,000	40,000
Refinanced:					
Police land acquisition	Various	11/15/04	10/15/18	\$ 229,000	227,000
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	2,320,000
Lilly Library - Additional expansion	4.75%	03/15/06	03/15/12	\$ 73,000	73,000
<b>Massachusetts Water Pollution Abatement Trust:</b>					
Title V Community Septic Management Program Bond	N/A	10/25/00	08/01/18	\$ 93,837	67,769
<b>Total Inside Debt</b>					<u>6,648,035</u>
<b>Outside Debt:</b>					
High school remodeling	5.17%	10/15/00	06/15/20	\$ 21,610,000	4,320,000
High school roof replacement	3.40%	10/15/02	09/01/17	\$ 400,000	319,000
High school remodeling	3.40%	10/15/02	09/01/19	\$ 5,565,000	4,593,000
School project	3.40%	10/15/02	09/01/09	\$ 3,112,008	1,982,465
School project	3.40%	10/15/02	09/01/09	\$ 1,967,701	1,104,194
Refinanced:					
School project	Various	11/15/04	10/15/19	\$ 18,508,000	18,441,000
<b>Total Outside Debt</b>					<u>30,759,659</u>
<b>Total Governmental Type Debt</b>					<u>\$ 37,407,694</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
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General obligation bonds currently outstanding of the business-type fund are as follows:

	<b>Interest Rate</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Original Amount Issued</b>	<b>Outstanding June 30, 2006</b>
<b>Inside Debt:</b>					
<b>Sewer:</b>					
Sewer Engineering Services	4.5%-5.6%	05/15/97	05/15/17	\$ 330,000	\$ 16,500
Sewer and Surface Drains	4.5%-5.6%	05/15/97	05/15/17	\$ 635,000	32,000
Sewer	5.0%-5.8%	10/15/99	10/15/19	\$ 3,865,000	778,000
Sewer	3.40%	10/15/02	09/01/09	\$ 370,129	251,230
Refinanced:					
Sewer	Various	11/15/04	10/15/19	\$ 2,539,000	<u>2,528,000</u>
<b>Total Inside Debt</b>					<u><b>\$ 3,605,730</b></u>
<b>Outside Debt:</b>					
<b>Water:</b>					
Water Improvement	4.5%-6.5%	05/15/97	05/15/15	\$ 1,100,000	\$ 65,000
Water Mains	5.0%-5.8%	10/15/99	10/15/19	\$ 970,000	200,000
Water Improvement	3.40%	10/15/02	09/01/09	\$ 566,989	376,845
Water Filtration Plant	Various	11/15/04	10/15/24	\$ 1,000,000	950,000
Route 66 Water Mains	Various	11/15/04	10/15/24	\$ 775,000	735,000
Refinanced:					
Water	Various	11/15/04	10/15/19	\$ 3,814,000	<u>3,787,000</u>
					<u><b>6,113,845</b></u>
<b>Solid Waste:</b>					
Landfill Closing	4.5%-6.5%	05/15/97	05/15/17	\$ 3,650,000	182,500
Landfill	5.00%	10/15/99	10/15/06	\$ 520,000	65,000
Expanding the City Landfill	3.40%	10/15/02	09/01/06	\$ 1,210,000	300,000
Landfill Planning	Various	11/15/04	10/15/06	\$ 130,500	65,000
Landfill	Various	11/15/04	10/15/06	\$ 190,000	95,000
Refinanced:					
Landfill	Various	11/15/04	10/15/16	\$ 1,829,000	<u>1,821,000</u>
					<u><b>2,528,500</b></u>
<b>Total Outside Debt</b>					<u><b>\$ 8,642,345</b></u>
<b>Total Business Type Debt</b>					<u><u><b>\$ 12,248,075</b></u></u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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A summary of the changes in governmental activities and business-type long term debt during the year is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due within One Year</b>
<b>Governmental activities:</b>					
<b><i>Bond Payable:</i></b>					
General obligation bonds	\$41,173,624	\$ 73,000	\$ 3,906,699	\$ 37,339,925	\$ 3,808,838
Massachusetts Water Pollution Abatement Trust bonds	72,982	-	5,213	67,769	5,214
Lease payable	-	124,610	-	124,610	29,011
Compensated absences	3,265,106	504,395	740,684	3,028,817	1,098,742
Governmental activity Long-term liabilities	<u>\$44,511,712</u>	<u>\$ 702,005</u>	<u>\$ 4,652,596</u>	<u>\$ 40,561,121</u>	<u>\$ 4,941,805</u>
<b>Business type activities:</b>					
<b><i>Bond Payable:</i></b>					
General obligation bonds	\$13,923,376	\$ -	\$ 1,675,302	\$ 12,248,074	\$ 1,664,162
Compensated absences	174,573	-	22,555	152,018	94,998
Business-type activity long term Long-term liabilities	<u>\$14,097,949</u>	<u>\$ -</u>	<u>\$ 1,697,857</u>	<u>\$ 12,400,092</u>	<u>\$ 1,759,160</u>

**Future Debt Service**

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2006 are as follows:

**Governmental Type Activities**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 3,814,052	\$ 1,612,873	\$ 5,426,925
2008	3,736,104	1,466,162	5,202,266
2009	3,656,998	1,317,722	4,974,720
2010	3,501,626	1,170,260	4,671,886
2011	2,828,214	1,019,126	3,847,340
2012-2016	12,883,065	3,230,723	16,113,788
2017-2021	6,885,635	648,648	7,534,283
2022-2024	102,000	6,475	108,475
	<u>\$ 37,407,694</u>	<u>\$ 10,471,989</u>	<u>\$ 47,879,683</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2006**

**Business-Type Activities**

Year	Principal	Interest	Total
2007	\$ 1,664,162	\$ 508,805	\$ 2,172,967
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	929,000	325,265	1,254,265
2012-2016	4,355,000	989,743	5,344,743
2017-2021	1,610,000	215,926	1,825,926
2022-2025	348,000	31,734	379,734
	<u>\$ 12,248,075</u>	<u>\$ 3,290,012</u>	<u>\$ 15,538,087</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, 2006 is \$18,840,481.

**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:

- 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

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
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The following is a summary of the activity of the Water Pollution Abatement Project Bond Resolution:

<b>No. 97-1050</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Less: Loan Subsidy Amount</b>	<b>Net Loan Repayments</b>
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
Fiscal Year 2006	5,213	3,239	8,452	3,239	5,213
	<u>\$ 67,769</u>	<u>\$ 25,136</u>	<u>\$ 92,905</u>	<u>\$ 25,136</u>	<u>\$ 67,769</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, 2006, totaled \$10,253,765.

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, 2006:

Equalized Valuation-Real Estate and Personal Property (2004)	<u>\$ 2,401,455,900</u>
Debt Limit: 2.5 % of Equalized value	\$ 60,036,398
Total Debt Outstanding	
Governmental Activity Debt	\$ 37,407,694
Less: Debt Outside Debt Limit	<u>30,759,659</u>
Business-Type Activity Debt	\$ 12,248,075
Less: Debt Outside Debt Limit	<u>8,642,345</u>
	<u>\$ 10,253,765</u>
Inside Debt Excess Borrowing Capacity at June 30, 2006	<u>\$ 49,782,633</u>

**Loans Authorized and Unissued - Memorandum Only**

Under the general laws of the Commonwealth of Massachusetts, a City must authorize debt at a City Council meeting. This authorized debt does not have to be actually issued at that

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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, 2006, which are not reflected in the City's financial statements are as follows:

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
10/06/05	School Department - Cafeteria Point of Sale System	30,000
10/06/05	Smith Vocational High School - Shop Equipment Computers	100,000
10/06/05	Remodeling, Reconstructing and Making Extraordinary Repairs to Forbes Library	278,438
10/06/05	Energy Conservation and Alternative Energy Improvements to School Department Buildings	130,000
10/06/05	Jackson Street School HVAC controls - school department	140,000
10/06/05	"E" Building Roof - Smith Vocational High School	60,000
10/06/05	Smith Vocational High School - Parking Lot	100,000
10/06/05	Construction of Salt Shed	33,600
10/06/05	Departmental Equipment and Vehicles as follows:	
	Fire Department - Fire Engine Replacement	378,500
	Police Department - Vehicle Replacement	29,000
	Police Department - Replace Closed Circuit TV System	49,500
	Department of Public Works - Replace Front End Loader	120,000
	Department of Public Works - Infield Grooming Machine	13,000
11/03/05	Construction of a Senior Center	3,927,500
05/04/06	Reconstruction of Roadway and Sidewalks on Ridgewood Terrace	310,000
05/04/06	Construction of a Senior Center	400,000
		<u>\$ 8,225,638</u>

The loan authorizations of the business-type activities as of June 30, 2006, which are not reflected in the City's financial statements are as follows:

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

<u>Date</u>	<u>Purpose</u>	<u>Amount</u>
	<b>Water Fund:</b>	
09/05/02	New Water Filtration Plant	\$ 21,750,000
10/20/05	New Water Filtration Plant	4,250,000
05/18/06	Water System Project	1,100,000
	<b>Solid Waste Fund:</b>	
06/03/04	Extraordinary Repairs to the Landfill	225,000
04/07/05	Engineering and Permitting Services for the Landfill	150,000
10/06/05	Engineering and Permitting Services for the Landfill	275,000
		<u>\$ 27,750,000</u>

**H. Stabilization Fund**

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the City may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the City and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a City by the City Council for any lawful purpose. At June 30, 2006, \$3,159,606 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 2007**

The financial statements of the City of Northampton as of June 30, 2006 do not reflect the fiscal year 2007 budget approved by the City Council on June 15, 2006, 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 2007 operating and capital budget as follows:

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

<b>Governmental Funds:</b>	
<i>From Tax Levy</i>	\$ 59,115,615
<i>From Parking Meter Receipts</i>	1,161,517
<b>From Business-Type Funds:</b>	
Sewer fund receipts	1,324,980
Water fund receipts	560,363
Solid waste fund receipts	781,800
<b>From Other Available Funds:</b>	
<b>Major Fund:</b>	
<b>Designated for Subsequent Years' Expenditures:</b>	
Stabilization fund	900,000
<b>Nonmajor Governmental Funds:</b>	
<b>Designated for Subsequent Years' Expenditures:</b>	
Sale of cemetery lots	4,850
Cemetery perpetual care funds	5,150
Conservation wetlands fees	2,000
Municipal waterways fund	2,000
Receipts reserved for payment of debt	90,000
	<u>\$ 63,948,275</u>
<b>Business Type-Funds:</b>	
From sewer receipts	\$ 4,157,612
From sewer retained earnings	285,831
	<u>\$ 4,443,443</u>
From water receipts	\$ 4,043,929
From water retained earnings	56,688
	<u>\$ 4,100,617</u>
From solid waste receipts	<u>\$ 3,375,012</u>

**C. Contingent Liabilities**

**Litigation**

Various cases are pending against the City at June 30, 2006. 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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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 was completed. A contract in the amount of \$734,810 had been awarded for the construction of Phase 4.

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

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

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

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

On June 30, 2006 the landfill closure fund is maintained in the solid waste business-type fund in the amount of \$1,790,645 of which the balance consists of \$3,819,559 in appropriated amounts; \$467,000 from the solid waste enterprise fund, \$68,959 in expenditures; \$2,810,000 in transfers and \$383,045 in interest earnings.

The City has reflected \$982,349 as the estimate of the landfill maintenance and monitoring costs as a liability at June 30, 2006, 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.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

**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 \$5,563,345 for the fiscal year ending June 30, 2006, 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, 2005, the System's membership consists of the following:

Active Members	646
Inactive Members	67
Retired Members, Beneficiaries and Survivors	325
	<u>1,038</u>

**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, 2006, 2005 and 2004 is shown below, which equaled its required contribution for each fiscal year.

**CITY OF NORTHAMPTON, MASSACHUSETTS  
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2006

Year

Ended June 30	City's Contribution
2006	\$ 3,294,187
2005	2,992,234
2004	2,668,462

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

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

Actuarial Valuation Date	Actuarial Vale 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 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.

## **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, 2006**

	Fund Balances July 1, 2005	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2006
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
School Grants	\$ 504,488	\$ 3,130,213	\$ 3,068,957	\$ 5,138	\$ 570,882
Academy of Music Renovations Grants	11,228	-	-	-	11,228
Arts Lottery Council Grants	27,335	24,606	40,933	(235)	10,773
Community Development Grants	7,726	2,189,775	2,191,355	3,163	9,309
Council on Aging Grants	53,614	30,261	29,122	-	54,753
Department of Environmental Protection Idling Grant	-	8,000	8,000	-	-
DHCD Priority Development Fund	-	24,683	12,625	-	12,058
Disaster Relief and Hazard Grants	23,361	-	-	-	23,361
EPA Brownfield's Pilot Program	(1,344)	7,352	5,487	(521)	-
Highway Grants	105	1,710,363	1,710,363	-	105
Library Grants	331,851	873,586	1,070,360	-	135,077
Other Programs and Grants	39,539	1,200	4,178	(404)	36,157
Public Safety Grants	124,556	390,747	370,826	12	144,489
Rail Trail Grants	46,611	54,476	45,869	-	55,218
Recycling Grants	84,209	4,130	82,521	-	5,818
Urban Brownsfield's Assessment	-	64,585	64,585	-	-
<b>Schools:</b>					
School Lunch Revolving	96,725	820,601	834,364	48,000	130,962
School Lunch Commodities	-	39,755	39,755	-	-
Revolving Accounts	576,190	465,227	615,020	45,000	471,397
School Choice	1,921,580	1,091,547	1,139,629	-	1,873,498
Energy Incentive Grant	2,997	-	-	(2,997)	-
E-Rate Telecommunications Reimbursements	19,963	-	4,404	-	15,559
Grant Indirect Expenses	61,619	20,911	5,889	-	76,641
MTC Solar Project	-	53,000	5,050	-	47,950
Privately Funded Grants	3,461	40,500	39,587	(1,962)	2,412
State Special Education Reimbursement Fund	262,284	468,613	461,581	-	269,316
<b>Other:</b>					
Accrued Interest and Premiums on Loans	508,573	-	-	(508,573)	-
Ambulance Fund	79,293	330,384	-	(218,500)	191,177
Athletic Leagues Revolving Fund	136,166	179,713	189,010	-	126,869
Cable Access Studio	-	125,000	-	-	125,000
Comcast Internet Equipment	10,000	-	-	-	10,000
<b>Total Page 62</b>	<b>\$ 4,932,130</b>	<b>\$ 12,149,228</b>	<b>\$ 12,039,470</b>	<b>\$ (631,879)</b>	<b>\$ 4,410,009</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED, JUNE 30, 2006**

	Fund Balances July 1, 2005	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2006
<b>Continued from Page 62</b>	\$ 4,932,130	\$ 12,149,228	\$ 12,039,470	\$ (631,879)	\$ 4,410,009
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Compost Revolving Fund	20	-	-	-	20
Connecticut River Channel Markers	16,998	8,990	15,952	-	10,036
Conservation Funds	4,457	22,258	13,301	(3,121)	10,293
Council on Aging Revolving Funds	12,774	31,437	20,168	-	24,043
Dog Revolving Fund	62	-	1,250	-	(1,188)
Dog Refund	62,695	-	-	-	62,695
Downtown Parking Reserve	55,787	-	-	-	55,787
Feiker School Rental Revolving	12,805	67,832	48,858	-	31,779
Fire Department Revolving Funds	201,737	236,262	230,346	-	207,653
Fire Outside Detail	(19,408)	27,146	33,808	-	(26,070)
Firearms Licenses Revolving	3,437	13,588	14,325	-	2,700
Florence Community Center Revolving	(1,433)	96,366	77,476	-	17,457
Gifts & Donations	169,336	70,269	86,429	1,255	154,431
Handicapped Fund	4,306	-	-	-	4,306
Hazardous Waste Revolving	551	-	-	-	551
Innovative Enterprises Fund	3,000	-	-	-	3,000
Insurance Reimbursements	139	-	-	-	139
James House and Lot Revolving	9,211	-	-	(9,211)	-
J.F.K. Family and Aquatics Center Fund	16,129	88,943	81,354	-	23,718
Juvenile Firesetter Intervention Program	(3,561)	-	1,325	-	(4,886)
Keg Tag Forfeit Revolving	468	-	-	-	468
Maintenance of School Buildings Revolving Fund	7,545	42,010	40,778	-	8,777
Municipal Waterways Fund	3,093	3,843	-	(4,100)	2,836
Northampton State Hospital Marketing	(2,644)	18,169	14,169	-	1,356
Parking Meter Reserves and Passes	806,266	131,784	-	(181,649)	756,401
Police Court Time	30,519	-	-	(23,251)	7,268
Police Outside Detail	68,369	246,946	262,127	-	53,188
Public Works Grants Projects Revolving	12,609	112,456	50,674	-	74,391
Receipts Reserved for Payment of Debt	288,552	-	-	(108,625)	179,927
Recreation Revolving	51,331	149,027	160,325	-	40,033
<b>Total Page 63</b>	<b>\$ 6,747,280</b>	<b>\$ 13,516,554</b>	<b>\$ 13,192,135</b>	<b>\$ (960,581)</b>	<b>\$ 6,111,118</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED, JUNE 30, 2006**

	Fund Balances July 1, 2005	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2006
<b>Continued from Page 63</b>	\$ 6,747,280	\$ 13,516,554	\$ 13,192,135	\$ (960,581)	\$ 6,111,118
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Sale of Cemetery Lots	18,500	6,250	-	(5,000)	19,750
Sale of Land	416,309	20,188	-	-	436,497
Sale of Lumber	229,797	11,000	6,328	-	234,469
Saving Lives Program	(1)	-	-	1	-
Septic Repair Loan Repayments	57,169	8,162	5,213	-	60,118
Stormwater Management	19,351	8,148	21,666	-	5,833
Affordable Housing Fund	735	528	852	-	411
Conservation Land Purchase Fund	38,868	255,441	186,825	-	107,484
Drug Forfeiture Fund	4,430	2,353	1,488	-	5,295
E. Lyman Fund	32	2	-	-	34
Hampton Gardens Fund	583,291	23,105	144,310	-	462,086
Library Fund	59,647	-	-	-	59,647
Park Street Improvements Fund	2,343	102	-	-	2,445
Smith Vocational High School Fund	570,467	21,899	-	(200,000)	392,366
<b>Total Special Revenue Funds</b>	<b>8,748,218</b>	<b>13,873,732</b>	<b>13,558,817</b>	<b>(1,165,580)</b>	<b>7,897,553</b>
<b>Capital Projects:</b>					
City Hall Exterior Upgrades	23,456	-	-	-	23,456
Crescent Street Drainage	-	-	294,102	-	(294,102)
Department of Public Works Roof	-	-	125,000	-	(125,000)
Department of Public Works Salt Shed	-	-	173,600	-	(173,600)
Elm Street Drainage Repair	4,507	-	-	-	4,507
Feiker School Renovations	(7,499)	7,499	-	-	-
Fire Department Aerial Platform Tower	1,868	-	-	-	1,868
Fire Department Custom Pumper	61,643	-	-	-	61,643
Food Services Van	26	-	-	-	26
Forbes Library Renovations	(161,924)	-	714,876	-	(876,800)
Front End Loader	-	-	119,967	-	(119,967)
Garage Payment System	(126,643)	-	12,555	4,198	(135,000)
Infield Grooming Machine	-	-	13,000	-	(13,000)
<b>Total Page 64</b>	<b>\$ (204,566)</b>	<b>\$ 7,499</b>	<b>\$ 1,453,100</b>	<b>\$ 4,198</b>	<b>\$ (1,645,969)</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED, JUNE 30, 2006**

	Fund Balances July 1, 2005	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2006
<b>Continued from Page 64</b>	\$ (204,566)	\$ 7,499	\$ 1,453,100	\$ 4,198	\$ (1,645,969)
<b>Capital Projects (continued):</b>					
Jackson Street HVAC System	-	-	20,094	-	(20,094)
Lilly Library Renovations	350,000	-	423,000	73,000	-
Police Administrative Vehicle	-	-	29,000	-	(29,000)
New Fire Station Construction	3,010	-	-	-	3,010
Northampton High School Renovations and Addition	24,090	-	24,090	-	-
Northampton Senior Center	-	-	488,082	-	(488,082)
Rail Trail Acquisition	2,251	-	2,251	-	-
Ryan Road School HVAC Project	71,275	-	71,275	-	-
Ryan Road Parking Lot	-	-	100,000	-	(100,000)
Sewer Septic Work	2,988	-	-	-	2,988
Smith Vocational High School New Boilers	2,866	-	2,507	-	359
Smith Vocational High School Parking Lot	-	-	100,000	-	(100,000)
Smith Vocational High School Shop Equipment	(80,879)	-	87,553	-	(168,432)
<b>Total Capital Projects</b>	<u>171,035</u>	<u>7,499</u>	<u>2,800,952</u>	<u>77,198</u>	<u>(2,545,220)</u>
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care Funds:	<u>603,512</u>	<u>9,294</u>	<u>-</u>	<u>-</u>	<u>612,806</u>
<b>Permanent Funds:</b>					
Cemeteries:					
Perpetual Care Fund	<u>88,307</u>	<u>22,880</u>	<u>-</u>	<u>(5,000)</u>	<u>106,187</u>
<b>Total Non-Major Governmental Funds</b>	<u>\$ 9,611,072</u>	<u>\$ 13,913,405</u>	<u>\$ 16,359,769</u>	<u>\$ (1,093,382)</u>	<u>\$ 6,071,326</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES, ROLLBACK TAXES  
AND DEFERRED PROPERTY TAXES  
JULY 1, 2005 TO JUNE 30, 2006**

	<b>Uncollected Taxes July 1, 2005</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Taxes June 30, 2006</b>	<b>Uncollected Taxes Per Detail June 30, 2006</b>
<b>Real Estate Taxes:</b>						
Levy of 2006	\$ -	\$ 31,958,383	\$ 251,076	\$ 31,217,802	\$ 489,505	\$ 489,505
Levy of 2005	546,542	-	171,995	325,996	48,551	48,820
Levy of 2004	80,224	-	(2,973)	83,197	-	-
Levy of 2003	2,122	-	2,127	(5)	-	-
Levy of 2002	(1,124)	-	(1,124)	-	-	-
Prior Years	520	-	520	-	-	-
	<u>628,284</u>	<u>31,958,383</u>	<u>421,621</u>	<u>31,626,990</u>	<u>538,056</u>	<u>538,325</u>
<b>Personal Property Taxes:</b>						
Levy of 2006	-	689,579	480	671,321	17,778	17,778
Levy of 2005	17,852	-	374	5,539	11,939	11,939
Levy of 2004	15,821	-	-	458	15,363	15,363
Levy of 2003	160,622	-	-	513	160,109	160,087
Levy of 2002	27,864	-	-	68	27,796	27,779
Prior Years	143,748	-	-	150	143,598	144,791
	<u>365,907</u>	<u>689,579</u>	<u>854</u>	<u>678,049</u>	<u>376,583</u>	<u>377,737</u>
<b>Total Real Estate and Personal Property Taxes</b>	<u>\$ 994,191</u>	<u>\$ 32,647,962</u>	<u>\$ 422,475</u>	<u>\$ 32,305,039</u>	<u>\$ 914,639</u>	<u>\$ 916,062</u>
<b>Rollback Taxes</b>	<u>\$ 8,300</u>	<u>\$ 13,476</u>	<u>\$ -</u>	<u>\$ 13,476</u>	<u>\$ 8,300</u>	<u>\$ 8,300</u>
<b>Deferred Property Taxes</b>	<u>\$ 133,940</u>	<u>\$ 16,507</u>	<u>\$ 37,537</u>	<u>\$ -</u>	<u>\$ 112,910</u>	<u>\$ 112,910</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES  
JULY 1, 2005 TO JUNE 30, 2006**

	Uncollected Taxes July 1, 2005	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2006	Uncollected Taxes Per Detail June 30, 2006
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2006	\$ -	\$ 2,054,255	\$ 49,340	\$ 1,810,970	\$ 193,945	\$ 193,945
Levy of 2005	253,977	323,801	33,573	497,759	46,446	46,446
Levy of 2004	47,306	5,262	18,684	10,540	23,344	23,319
Levy of 2003	21,977	-	459	5,088	16,430	16,539
Levy of 2002	21,448	-	199	2,117	19,132	18,946
Prior Years	626,949	-	64	4,995	621,890	617,361
	<u>971,657</u>	<u>2,383,318</u>	<u>102,319</u>	<u>2,331,469</u>	<u>921,187</u>	<u>916,556</u>
<b>Boat Excise Taxes:</b>						
Levy of 2006	-	8,900	281	7,169	1,450	1,450
Levy of 2005	1,073	-	-	143	930	930
Levy of 2004	953	-	-	20	933	933
Levy of 2003	1,885	-	-	178	1,707	1,659
Levy of 2002	2,358	-	-	123	2,235	2,235
Prior Years	26,418	-	-	53	26,365	26,268
	<u>32,687</u>	<u>8,900</u>	<u>281</u>	<u>7,686</u>	<u>33,620</u>	<u>33,475</u>
<b>Total Motor Vehicle Excise and Boat Excise Taxes</b>	<u>\$ 1,004,344</u>	<u>\$ 2,392,218</u>	<u>\$ 102,600</u>	<u>\$ 2,339,155</u>	<u>\$ 954,807</u>	<u>\$ 950,031</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
 SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION  
 JULY 1, 2005 TO JUNE 30, 2006**

	<b>Uncollected Accounts July 1, 2005</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Accounts June 30, 2006</b>	<b>Uncollected Accounts Per Detail June 30, 2006</b>
<b>Tax Liens</b>	\$ 675,107	\$ 147,802	\$ 80	\$ 264,156	\$ 558,673	\$ 558,673
<b>Taxes in Litigation</b>	\$ 6,794	\$ -	\$ -	\$ -	\$ 6,794	\$ 6,794