

CITY OF NORTHAMPTON, MASSACHUSETTS

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

For the Year Ended June 30, 2016

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Independent Auditor's Report

To the Honorable Mayor
City of Northampton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northampton, Massachusetts, as of and for the year ended June 30, 2016, (except for the Northampton Contributory Retirement System, which is as of and for the year ended December 31, 2015), and the related notes to the financial statements, which collectively comprise the City of Northampton, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northampton, Massachusetts, as of June 30, 2016, (except for the Northampton Contributory Retirement System, which is as of December 31, 2015), and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan and other post employment benefit plan schedules as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Northampton, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the City of Northampton, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Northampton, Massachusetts' internal control over financial reporting and compliance.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

December 15, 2016

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, 2016. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities by \$60,968,899 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities and deferred inflows of resources by \$53,534,876, an increase of \$7,434,023 (14%).
- The City's governmental funds reported total ending fund balance of \$41,592,639, an increase of \$6,064,212 (17%) from the previous year.
- The General Fund's total fund balance increased by \$3,251,295 (22%) to \$18,358,736. The ending General fund balance is 19% of revenues and transfers in and 20% of expenditures and transfers out.
- The City's long term liabilities increased by \$8,801,713 (6%) to \$163,360,242 during the fiscal year. This was primarily attributed to increases in the Other Post Employment Benefits (OPEB) obligation payable of \$6,257,472 and in the net pension liability of \$8,140,251 and decreases in warrants payable of \$1,084,280, in accrued payrolls of \$1,261,841 and in net bonds payable of \$2,824,800.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Proprietary funds. The City maintains one type of proprietary fund.

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

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

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

Financial Highlights

Statement of Net Position Highlights

	Governmental Activities		
	2016	2015	Change
Assets:			
Current assets	\$ 52,356,919	\$ 49,273,931	\$ 3,082,988
Noncurrent assets (excluding capital)	3,326,596	4,357,574	(1,030,978)
Capital assets	92,828,945	89,362,848	3,466,097
Total assets	148,512,460	142,994,353	5,518,107
Deferred Outflows of Resources:			
Deferred outflows related to pensions	4,184,389	-	4,184,389
Liabilities:			
Current liabilities (excluding debt)	6,240,194	8,130,228	(1,890,034)
Current debt payable	4,487,912	4,540,212	(52,300)
Noncurrent liabilities (excluding debt)	92,048,016	78,114,666	13,933,350
Noncurrent debt payable	31,942,973	33,623,635	(1,680,662)
Total liabilities	134,719,095	124,408,741	10,310,354
Deferred Inflows of Resources:			
Deferred inflows related to pensions	-	3,719,909	(3,719,909)
Net Position:			
Net investment in capital assets	60,771,269	57,271,731	3,499,538
Restricted	25,169,915	22,790,941	2,378,974
Unrestricted	(67,963,430)	(65,196,969)	(2,766,461)
Total net position	\$ 17,977,754	\$ 14,865,703	\$ 3,112,051

	Business-Type Activities		
	2016	2015	Change
Assets:			
Current assets	\$ 27,757,004	\$ 25,096,839	\$ 2,660,165
Capital assets	43,651,075	43,939,875	(288,800)
Total assets	71,408,079	69,036,714	2,371,365
Deferred Outflows of Resources:			
Deferred outflows related to pensions	224,213	-	224,213
Liabilities:			
Current liabilities (excluding debt)	562,613	1,199,503	(636,890)
Current debt payable	2,139,677	2,254,588	(114,911)
Noncurrent liabilities (excluding debt)	5,816,139	5,669,118	147,021
Noncurrent debt payable	20,122,718	21,026,579	(903,861)
Total liabilities	28,641,147	30,149,788	(1,508,641)
Deferred Inflows of Resources:			
Deferred inflows related to pensions	-	217,753	(217,753)
Net Position:			
Net investment in capital assets	21,466,337	20,658,708	807,629
Restricted	1,400,066	62,469	1,337,597
Unrestricted	20,124,742	17,947,996	2,176,746
Total net position	\$ 42,991,145	\$ 38,669,173	\$ 4,321,972

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2016	2015	Change
Program Revenues:			
Charges for services	\$ 18,304,363	\$ 17,328,188	\$ 976,175
Operating grants and contributions	24,637,102	21,283,757	3,353,345
Capital grants and contributions	2,305,337	5,205,023	(2,899,686)
General Revenues:			
Property taxes	53,882,847	52,079,123	1,803,724
Motor vehicle and other taxes	2,829,187	2,579,212	249,975
Hotel room occupancy and meals taxes	1,391,703	1,243,331	148,372
Penalties and interest on taxes	202,240	245,778	(43,538)
Nonrestricted grants and contributions	5,163,207	4,270,599	892,608
Unrestricted investment income	135,548	112,378	23,170
Miscellaneous	66,657	26,815	39,842
Total revenues	108,918,191	104,374,204	4,543,987
Expenses:			
General government	7,283,992	6,282,862	1,001,130
Public safety	13,885,635	13,872,779	12,856
Public works	4,442,462	4,946,425	(503,963)
Education	43,245,195	42,091,269	1,153,926
Health and human services	2,496,227	2,276,367	219,860
Culture and recreation	3,078,677	3,915,833	(837,156)
Employee benefits and insurance	27,922,661	24,379,241	3,543,420
State assessments	3,486,409	3,258,040	228,369
Interest	1,372,024	1,376,612	(4,588)
Total expenses	107,213,282	102,399,428	4,813,854
Contributions to Permanent Funds	16,000	20,100	(4,100)
Transfers, net	1,391,142	1,877,753	(486,611)
Change in net position	3,112,051	3,872,629	(760,578)
Net position - beginning of year	14,865,703	10,993,074	3,872,629
Net position - end of year	\$ 17,977,754	\$ 14,865,703	\$ 3,112,051

	Business-Type Activities		
	2016	2015	Change
Program Revenues:			
Sewer	\$ 6,070,377	\$ 6,598,932	\$ (528,555)
Water	6,881,817	7,255,988	(374,171)
Solid Waste	550,368	575,194	(24,826)
Total Revenues	13,502,562	14,430,114	(927,552)
Expenses:			
Sewer	2,914,555	2,509,718	404,837
Water	4,524,122	4,145,503	378,619
Solid Waste	350,771	448,265	(97,494)
Total expenses	7,789,448	7,103,486	685,962
Transfers, net	(1,391,142)	(1,877,753)	486,611
Change in net position	4,321,972	5,448,875	(1,126,903)
Net position - beginning of year	38,669,173	33,220,298	5,448,875
Net position - end of year	\$ 42,991,145	\$ 38,669,173	\$ 4,321,972

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$60,968,899 at the close of fiscal year 2016.

Net position of \$82,237,606 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position \$26,569,981 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$47,838,688).

At the end of the current fiscal year, the City is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities and for the government as a whole. The unrestricted governmental activities and government as a whole resulted in a negative balance mainly due to the accrual of the OPEB obligation and net pension liabilities that are required under GASB to be recognized in the City's financial statements. These liabilities are presented on the statement of net position.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the business-type activities.

The governmental activities net position increased by \$3,112,051 (21%) during the current fiscal year, which reflects the general fund's results of operations. The key elements of the increase in net position for fiscal year 2016 was attributed an increase as the result of the acquisition of \$9,333,651 in new capital assets exceeding the depreciation expense (cost spread out over the useful life of the asset) for the year of \$5,867,554 and the decrease from net change in the OPEB obligation of \$6,195,641.

There was an increase of \$4,321,972 (11%) in net position reported in connection with the sewer, water and solid waste business-type activities. Of this, there were increases of \$2,100,265 attributed to the sewer department, of \$1,738,778 attributed to the water department and of \$482,929 attributed to the solid waste activities.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$41,592,639, an increase of \$6,064,212 (17%) in comparison with the prior year.

Breakdown of the governmental fund balances are as follows:

- Nonspendable fund balance – \$732,106 (2%).
- Restricted fund balance – \$21,691,374 (52%).
- Committed fund balance – \$989,514 (3%).
- Assigned fund balance – \$5,294,874 (12%).
- Unassigned fund balance – \$12,884,771 (31%).

At the end of the fiscal year, the General Fund reported a fund balance of \$18,358,736 increasing \$3,251,295 (22%) from the prior year. Of the \$18,358,736, the unassigned amount is \$12,884,771 (70%), the assigned amount of \$5,231,967 (29%) and restricted amount of \$241,998 (1%). General fund revenues increased \$4,809,539 (6%) over the prior fiscal year while the expenditures also increased \$5,112,897 (6%). Other activities in the General fund were transfers in from other funds of \$3,208,443.

The main components of the increase from the prior year in general fund revenues were related to increases in property taxes in the amount of \$1,420,884 (3%); licenses, permits and fees of \$400,511 (4%) and intergovernmental - "on-behalf" payments of \$1,890,227 (54%).

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

- Decrease in Public works expenditures of \$529,481 (21%).
- Increase in Education expenditures of \$1,216,385 (4%).
- Increase in Employee benefits and insurance expenditures of \$2,538,044 (13%).
- Increase in Capital improvements expenditures of \$1,679,816 (88%).

Proprietary Funds

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

Major Proprietary Funds

The *Sewer Fund* is the financing and operations of the City's sewer system. The fund has accumulated a balance of \$14,755,105 and shows an increase of \$2,100,265 (17%) in total operations. This change was mainly attributed to operating revenues exceeding current operating costs by \$3,094,017, interest income of \$18,281, intergovernmental and other receipts of \$125,639, interest expense of \$82,115 and net transfers out to the governmental funds of \$1,055,557. Operating revenues decreased by \$608,305 (9%) while operating expenses increased by \$417,800 (17%) from the prior year.

The *Water Fund* is the financing and operations of the City's water system. The fund has accumulated a balance of \$25,392,887 and shows an increase of \$1,738,778 (7%) in total operations. This change resulted from operating revenues exceeding current operating costs by \$2,562,214, interest income of \$12,003, intergovernmental and other receipts of \$336,304, interest expense of \$552,826 and net transfers out to the governmental funds of \$618,917. Operating revenues decreased by \$553,450 (8%) while operating expenses increased by \$410,013 (12%) from the prior year.

The *Solid Waste Fund* is the financing and operations of the City's transfer stations and landfill closure. The solid waste fund shows an increase of \$482,929 (20%) in total operations. This change resulted from operating revenues exceeding current operating costs by \$186,270, interest income of \$13,362, interest expense of \$35 and net transfers in from other funds of \$283,332. Operating revenues decreased by \$14,356 (3%) while operating expenses also decreased by \$82,383 (19%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2016 was \$92,923,659. This was an increase of \$3,704,200 (4%) over the previous year's final budget.

There was an increase of \$3,006,790 between the original budget and the final amended budget. The changes are attributed to the City amending specific budget line items of the final budget, mainly due to an increase in the capital improvements line item of \$3,132,009.

General fund expenditures were less than budgeted by \$7,428,011. Of the \$7,428,011 in under budget expenditures, \$5,231,967 has been carried over to fiscal year 2017.

There was a negative variance in intergovernmental receipts of \$102,601 as revenues did not meet budget expectations.

Overall, the variance with the final budget was a positive \$4,125,564 consisting of a revenue surplus of \$1,929,520 and an appropriation surplus of \$2,196,044.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$92,828,945 and \$43,651,075, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds include:

- Foreclosure property for \$25,772
- Purchases of conservation land for \$383,650.
- Mailing machine purchase for \$23,567.
- Management Information Systems equipment for \$68,322.
- Parking maintenance vehicle for \$36,357.
- Parking garage improvements for \$243,326.
- Police and Building Inspector vehicles for \$334,102.
- Fire Station improvements for \$52,555.
- Fire Department vehicles and equipment for \$227,985.
- Highway vehicles and equipment for \$190,962.
- Rail Trail extension for \$393,657.
- Road and drainage infrastructure improvements for \$2,363,804.
- Northampton Public Schools' vehicles and equipment for \$178,092.
- Northampton Public Schools' improvements for \$1,507,398.
- Smith Vocational vehicles and equipment for \$208,729.

- Florence recreational fields improvements for \$648,175.
- Forbes Library improvements for \$189,162.
- Parks Department modular building for \$440,900.
- Parks improvements for \$1,817,136.

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

For the Sewer Department:

- Equipment purchase for \$24,910.
- Sewer infrastructure improvements for \$715,338.

For the Water Department:

- Equipment purchase for \$24,910.
- Watershed land purchases for \$180,000.
- Water infrastructure improvements for \$348,780.

Debt Administration. The City's outstanding governmental debt, as of June 30, 2016, totaled \$36,430,885 as follows:

- \$5,165,450 for school projects.
- \$3,316,700 for City building projects
- \$14,655,000 for police facility.
- \$620,000 for land acquisitions.
- \$831,100 for storm and surface drains.
- \$2,545,000 for road, sidewalk and bridge projects.
- \$15,635 for the Septic V community septic program.
- \$2,350,000 for park improvements.
- \$2,061,000 for departmental vehicles and equipment.
- \$90,000 for technology.
- \$4,781,000 for energy projects.

The City's outstanding business-type debt totaled, as of June 30, 2016, totaled \$22,189,329 as follows:

- \$3,318,233 in sewer debt.
- \$18,870,096 in water debt.
- \$1,000 in solid waste debt.

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

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

Next Year's Annual City Council Votes

The City of Northampton City Council votes a budget for the next fiscal year at a City Council meeting before the end of the fiscal year. The financial statements for June 30, 2016 do not reflect the fiscal year 2017 City Council actions. The City Council meeting on June 28, 2016 authorized a fiscal year 2017 operating and capital budget as follows:

From raise and appropriate		\$	80,094,277
From Business-Type Funds:			
Sewer fund receipts	\$	6,271,872	
Sewer retained earnings		974,025	7,245,897
Water fund receipts		<u>6,787,245</u>	
Water stabilization		676,523	
Water retained earnings		<u>692,167</u>	8,155,935
Solid waste fund receipts		399,000	
Solid waste retained earnings		<u>304,263</u>	703,263
From Other Available Funds:			
General Fund:			
Reserve for Debt			28,729
Non-major Governmental Funds:			
Cemetery perpetual care funds		10,000	
Community Preservation Funds		13,609	
Conservation wetlands fees		5,000	
Municipal waterways fund		1,500	
Reserve for energy rebates fund		62,907	
Parking Meter Receipts		1,773,627	
Sale of cemetery lots		<u>5,000</u>	1,871,643
Stormwater fund receipts		1,957,558	
Stormwater retained earnings		<u>268,422</u>	2,225,980
			<u>\$ 100,325,724</u>

Requests for Information

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

BASIC FINANCIAL STATEMENTS

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 44,090,818	\$ 26,971,089	\$ 71,061,907
Investments	1,233,185	-	1,233,185
Receivables, net of allowance for uncollectibles:			
Property Taxes	870,958	-	870,958
Deferred Property Taxes	122,115	-	122,115
Tax Liens	308,183	-	308,183
Excise Taxes	247,029	-	247,029
User Charges	-	781,324	781,324
Departmental	550,094	-	550,094
Loans	63,379	-	63,379
Due from Other Governments	4,871,158	4,591	4,875,749
Total current assets	<u>52,356,919</u>	<u>27,757,004</u>	<u>80,113,923</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	3,326,596	-	3,326,596
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	25,117,980	3,552,245	28,670,225
Depreciable	67,710,965	40,098,830	107,809,795
Total noncurrent assets	<u>96,155,541</u>	<u>43,651,075</u>	<u>139,806,616</u>
Total Assets	<u>148,512,460</u>	<u>71,408,079</u>	<u>219,920,539</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	4,184,389	224,213	4,408,602
LIABILITIES			
CURRENT:			
Warrants Payable	1,659,620	378,481	2,038,101
Accrued Payroll	2,612,366	32,538	2,644,904
Payroll Withholdings	518,801	-	518,801
Accrued Interest	225,442	85,259	310,701
Compensated Absences	1,223,965	66,335	1,290,300
Bond Anticipation Notes Payable	-	73,066	73,066
Bonds Payable	4,487,912	2,066,611	6,554,523
Total current liabilities	<u>10,728,106</u>	<u>2,702,290</u>	<u>13,430,396</u>
NONCURRENT:			
Landfill Closure	-	1,820,000	1,820,000
Compensated Absences	2,180,418	59,137	2,239,555
OPEB Obligation Payable	43,410,555	1,447,675	44,858,230
Net Pension Liability	46,457,043	2,489,327	48,946,370
Bonds Payable	31,942,973	20,122,718	52,065,691
Total noncurrent liabilities	<u>123,990,989</u>	<u>25,938,857</u>	<u>149,929,846</u>
Total Liabilities	<u>134,719,095</u>	<u>28,641,147</u>	<u>163,360,242</u>
NET POSITION			
Net Investment in Capital Assets	60,771,269	21,466,337	82,237,606
Restricted for:			
Capital Projects	3,919,336	1,400,066	5,319,402
Federal & State Grants	6,329,646	-	6,329,646
Community Preservation	2,396,319	-	2,396,319
Permanent Funds:			
Expendable	325,005	-	325,005
Nonexpendable	732,106	-	732,106
Other Purposes	11,467,503	-	11,467,503
Unrestricted	(67,963,430)	20,124,742	(47,838,688)
Total Net Position	<u>\$ 17,977,754</u>	<u>\$ 42,991,145</u>	<u>\$ 60,968,899</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, 2016**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 7,283,992	\$ 3,627,351	\$ 1,620,984	\$ -	\$ (2,035,657)	\$ -	\$ (2,035,657)
Public Safety	13,885,635	3,547,593	569,027	-	(9,769,015)	-	(9,769,015)
Public Works	4,442,462	2,156,030	113,559	1,234,540	(938,333)	-	(938,333)
Education	43,245,195	8,249,791	14,760,752	574,797	(19,659,855)	-	(19,659,855)
Health and Human Services	2,496,227	258,391	1,088,564	-	(1,149,272)	-	(1,149,272)
Culture and Recreation	3,078,677	465,207	711,849	496,000	(1,405,621)	-	(1,405,621)
Employee Benefits and Insurance	27,922,661	-	5,422,771	-	(22,499,890)	-	(22,499,890)
State Assessments	3,486,409	-	-	-	(3,486,409)	-	(3,486,409)
Interest	1,372,024	-	349,596	-	(1,022,428)	-	(1,022,428)
Total Governmental Activities	107,213,282	18,304,363	24,637,102	2,305,337	(61,966,480)	-	(61,966,480)
Business-Type Activities:							
Sewer	2,914,555	5,926,457	75,120	68,800	-	3,155,822	3,155,822
Water	4,524,122	6,533,510	252,095	96,212	-	2,357,695	2,357,695
Solid Waste	350,771	537,006	13,362	-	-	199,597	199,597
Total Primary Government	\$ 115,002,730	\$ 31,301,336	\$ 24,977,679	\$ 2,470,349	(61,966,480)	5,713,114	(56,253,366)
General Revenues:							
Property taxes					53,882,847	-	53,882,847
Motor vehicle and other taxes					2,829,187	-	2,829,187
Hotel room occupancy and Meals taxes					1,391,703	-	1,391,703
Penalties & interest on taxes					202,240	-	202,240
Grants & contributions not restricted to specific programs					5,163,207	-	5,163,207
Unrestricted investment income					135,548	-	135,548
Miscellaneous					66,657	-	66,657
Contributions to Permanent Funds					16,000	-	16,000
Transfers, net					1,391,142	(1,391,142)	-
Total General Revenues, Contributions, Special Item and Transfers					65,078,531	(1,391,142)	63,687,389
Change in Net Position					3,112,051	4,321,972	7,434,023
Net Position:							
Beginning of year					14,865,703	38,669,173	53,534,876
End of year					\$ 17,977,754	\$ 42,991,145	\$ 60,968,899

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

**CITY OF NORTHAMPTON, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 22,136,066	\$ 21,954,752	\$ 44,090,818
Investments	-	1,233,185	1,233,185
Receivables, net of allowance for uncollectibles:			
Property Taxes	858,339	12,619	870,958
Deferred Property Taxes	122,115	-	122,115
Tax Liens	304,234	3,949	308,183
Excise Taxes	247,029	-	247,029
Departmental	362,901	187,193	550,094
Loans	-	63,379	63,379
Due from Other Governments	4,936,799	3,260,955	8,197,754
Total Assets	\$ 28,967,483	\$ 26,716,032	\$ 55,683,515
Liabilities:			
Warrants and Accounts Payable	\$ 951,652	\$ 707,968	\$ 1,659,620
Accrued Payroll	2,600,275	12,091	2,612,366
Employee Withholdings	518,801	-	518,801
Total Liabilities	4,070,728	720,059	4,790,787
Deferred Inflows of Resources:			
Unavailable Revenue	6,538,019	2,762,070	9,300,089
Fund Balance:			
Nonspendable	-	732,106	732,106
Restricted	241,998	21,449,376	21,691,374
Committed	-	989,514	989,514
Assigned	5,231,967	62,907	5,294,874
Unassigned	12,884,771	-	12,884,771
Total Fund Balance	18,358,736	23,233,903	41,592,639
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 28,967,483	\$ 26,716,032	\$ 55,683,515

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, 2016**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 52,799,560	\$ 1,107,077	\$ 53,906,637
Intergovernmental	15,986,279	10,492,513	26,478,792
Excise and Other Taxes	2,816,435	4,225	2,820,660
Hotel Room Occupancy and Meals Taxes	1,391,703	-	1,391,703
Charges for Services	3,388,441	6,088,464	9,476,905
Licenses, Permits, Fees	9,356,666	-	9,356,666
Interest on Taxes	199,550	2,690	202,240
Investment Income	135,548	18,185	153,733
Gifts and Donations	-	508,410	508,410
Other	-	248,667	248,667
Intergovernmental - "On-behalf" Payments	5,417,722	-	5,417,722
Total Revenues	91,491,904	18,470,231	109,962,135
Expenditures:			
Current:			
General Government	5,367,127	1,253,831	6,620,958
Public Safety	11,421,822	1,295,863	12,717,685
Public Works	1,992,922	4,306,411	6,299,333
Education	34,370,837	6,729,394	41,100,231
Health and Human Services	1,416,859	922,548	2,339,407
Culture and Recreation	2,049,104	3,192,986	5,242,090
Employee Benefits and Insurance	22,295,058	-	22,295,058
Capital Improvements	3,585,044	-	3,585,044
State Assessments	3,486,409	-	3,486,409
Debt Service:			
Principal	4,333,000	870,962	5,203,962
Interest	1,130,870	239,669	1,370,539
Total Expenditures	91,449,052	18,811,664	110,260,716
Excess of Revenues Over (Under) Expenditures	42,852	(341,433)	(298,581)
Other Financing Sources (Uses):			
Operating Transfers In	3,231,925	23,482	3,255,407
Operating Transfers Out	(23,482)	(1,481,124)	(1,504,606)
Bond Premium	-	1,140,992	1,140,992
Proceeds from Issuance of Bonds	-	3,471,000	3,471,000
Total Other Financing Sources (Uses)	3,208,443	3,154,350	6,362,793
Net Change in Fund Balances	3,251,295	2,812,917	6,064,212
Fund Balances, Beginning of Year	15,107,441	20,420,986	35,528,427
Fund Balances, End of Year	\$ 18,358,736	\$ 23,233,903	\$ 41,592,639

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2016

Total Governmental Fund Balances		\$	41,592,639
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			92,828,945
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			9,300,089
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.			4,184,389
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:			
Bonds Payable	\$	(36,430,885)	
Other Post Employment Benefits Payable		(43,410,555)	
Net Pension Liability		(46,457,043)	
Compensated Absences		(3,404,383)	
			(129,702,866)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			(225,442)
Net Position of Governmental Activities		\$	17,977,754

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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$	6,064,212
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:</p>		
Capital Outlay Purchases	\$ 9,333,651	
Depreciation	<u>(5,867,554)</u>	3,466,097
<p>Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.</p>		
		(2,168,936)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:</p>		
Repayment of Debt Principal	5,203,962	
Proceeds from Bonds and Notes	<u>(3,471,000)</u>	1,732,962
<p>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:</p>		
Net Change in Compensated Absences	218,047	
Net Change in Other Post Employment Benefits	(6,195,641)	
Net Change in Net Pension Liability	(7,907,503)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	7,904,298	
Net Change in Accrued Interest on Long-Term Debt	<u>(1,485)</u>	(5,982,284)
Change in Net Position of Governmental Activities	\$	<u>3,112,051</u>

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, 2016**

	Budgeted Amounts			Actual Budgetary Basis	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried					
	Forward from Prior Year	Original Budget	Final Budget			
Revenues:						
Property Taxes	\$ -	\$ 52,587,457	\$ 52,587,457	\$ 52,847,560	\$ -	\$ 260,103
Intergovernmental	-	15,553,198	15,553,198	15,450,597	-	(102,601)
Excise and Other Taxes	-	2,399,950	2,399,950	2,816,435	-	416,485
Hotel Room Occupancy and Meals Taxes	-	1,120,000	1,120,000	1,391,703	-	271,703
Charges for Services	-	3,007,050	3,007,050	3,388,441	-	381,391
Licenses, Permits, Fees	-	8,713,598	8,713,598	9,356,666	-	643,068
Interest on Taxes	-	151,000	151,000	199,550	-	48,550
Investment Income	-	84,200	84,200	95,021	-	10,821
Total Revenues	-	83,616,453	83,616,453	85,545,973	-	1,929,520
Expenditures:						
Current:						
General Government	140,524	5,527,413	5,641,453	5,367,127	85,221	189,105
Public Safety	54,190	12,587,153	12,641,343	11,421,822	367,433	852,088
Public Works	104,558	2,309,127	2,413,685	1,992,922	186,994	233,769
Education	460,631	34,273,843	34,766,831	34,370,837	373,190	22,804
Health and Human Services	177	1,546,441	1,549,293	1,416,859	8,146	124,288
Culture and Recreation	13,716	2,156,048	2,171,490	2,049,104	13,119	109,267
Employee Benefits and Insurance	284,735	17,326,442	17,541,845	16,877,336	269,490	395,019
Capital Improvements	3,636,294	215,000	6,983,303	3,049,362	3,928,374	5,567
State Assessments	-	3,711,023	3,711,023	3,486,409	-	224,614
Debt Service:						
Principal	-	4,333,000	4,333,000	4,333,000	-	-
Interest	-	1,236,554	1,170,393	1,130,870	-	39,523
Total Expenditures	4,694,825	85,222,044	92,923,659	85,495,648	5,231,967	2,196,044
Excess of Revenues Over (Under) Expenditures	(4,694,825)	(1,605,591)	(9,307,206)	50,325	(5,231,967)	4,125,564
Other Financing Sources (Uses):						
Operating Transfers In	-	2,348,460	3,883,132	4,021,611	-	138,479
Operating Transfers Out	-	(772,676)	(2,596,158)	(2,596,158)	-	-
Total Other Financing Sources (Uses)	-	1,575,784	1,286,974	1,425,453	-	138,479
Net Change in Budgetary Fund Balance	(4,694,825)	(29,807)	(8,020,232)	\$ 1,475,778	\$ (5,231,967)	\$ 4,264,043
Other Budgetary Items:						
Free Cash and Other Reserves	-	30,424	3,326,024			
Prior Year Deficits	-	(617)	(617)			
Prior Year Encumbrances	4,694,825	-	4,694,825			
Total Other Budgetary Items	4,694,825	29,807	8,020,232			
NET BUDGET	\$ -	\$ -	\$ -			

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2016

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 85,545,973	\$ 85,495,648
<i>Adjustments:</i>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	40,527	-
Recognition of Intergovernmental Revenue - "on behalf payments"	5,417,722	-
Recognition of Expenditures - "on behalf payments"	-	5,417,722
Net Decrease in Revenue from Recording 60-Day Receipts	(48,000)	-
MSBA Projects Activity Recorded in General Fund	535,682	535,682
Reported on a GAAP Basis	\$ 91,491,904	\$ 91,449,052

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

CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
ASSETS				
CURRENT:				
Cash and Cash Equivalents	\$ 12,210,134	\$ 9,802,310	\$ 4,958,645	\$ 26,971,089
User Charges, net of allowance for uncollectibles	369,800	386,624	24,900	781,324
Due from Other Governments	4,591	-	-	4,591
Total current assets	12,584,525	10,188,934	4,983,545	27,757,004
NONCURRENT:				
Capital Assets, net of accumulated Depreciation:				
Nondepreciable	4,909	3,547,336	-	3,552,245
Depreciable	7,406,743	32,621,931	70,156	40,098,830
Total noncurrent assets	7,411,652	36,169,267	70,156	43,651,075
Total Assets	19,996,177	46,358,201	5,053,701	71,408,079
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	107,080	109,887	7,246	224,213
LIABILITIES				
CURRENT:				
Warrants and Accounts Payable	123,313	234,547	20,621	378,481
Accrued Payroll	12,829	17,473	2,236	32,538
Accrued Interest	22,002	63,257	-	85,259
Compensated Absences	32,838	28,849	4,648	66,335
Bond Anticipation Notes Payable	73,066	-	-	73,066
Bonds Payable	445,411	1,620,200	1,000	2,066,611
Total current liabilities	709,459	1,964,326	28,505	2,702,290
NONCURRENT:				
Landfill Closure	-	-	1,820,000	1,820,000
Compensated Absences	29,797	23,028	6,312	59,137
OPEB Obligation Payable	547,217	617,934	282,524	1,447,675
Net Pension Liability	1,188,857	1,220,017	80,453	2,489,327
Bonds Payable	2,872,822	17,249,896	-	20,122,718
Total noncurrent liabilities	4,638,693	19,110,875	2,189,289	25,938,857
Total Liabilities	5,348,152	21,075,201	2,217,794	28,641,147
NET POSITION				
Net Investment in Capital Assets	4,098,010	17,299,171	69,156	21,466,337
Restricted for Capital	1,396,330	3,736	-	1,400,066
Unrestricted	9,260,765	8,089,980	2,773,997	20,124,742
Total Net Position	\$ 14,755,105	\$ 25,392,887	\$ 2,843,153	\$ 42,991,145

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

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

**Business-Type Activities
Enterprise Funds**

	Sewer Fund	Water Fund	Solid Waste Fund	Total
Operating Revenues:				
Charges for Services	\$ 5,829,414	\$ 6,326,780	\$ 361,126	\$ 12,517,320
Other	97,043	206,730	175,880	479,653
Total Operating Revenues	5,926,457	6,533,510	537,006	12,996,973
Operating Expenses:				
Salaries & Wages	961,160	1,199,726	192,558	2,353,444
Operating Expenses	1,511,711	1,578,234	128,345	3,218,290
Depreciation	359,569	1,193,336	29,833	1,582,738
Total Operating Expenses	2,832,440	3,971,296	350,736	7,154,472
Operating Income (Loss)	3,094,017	2,562,214	186,270	5,842,501
Non-Operating Revenues (Expenses):				
Interest Income	18,281	12,003	13,362	43,646
Intergovernmental	68,800	134,323	-	203,123
Other	56,839	201,981	-	258,820
Interest Expense	(82,115)	(552,826)	(35)	(634,976)
Total Non-Operating Revenues (Expenses)	61,805	(204,519)	13,327	(129,387)
Income (Loss) Before Transfers and Other Items	3,155,822	2,357,695	199,597	5,713,114
Transfers and Other Items:				
Transfers In (Out)	(1,055,557)	(618,917)	283,332	(1,391,142)
Total Transfers and Other Items	(1,055,557)	(618,917)	283,332	(1,391,142)
Change in Net Position	2,100,265	1,738,778	482,929	4,321,972
Net Position at Beginning of Year	12,654,840	23,654,109	2,360,224	38,669,173
Net Position at End of Year	\$ 14,755,105	\$ 25,392,887	\$ 2,843,153	\$ 42,991,145

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

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 6,126,210	\$ 6,483,546	\$ 367,886	\$ 12,977,642
Receipts from Other Revenues	97,043	206,730	175,880	479,653
Payments to Vendors	(1,586,438)	(1,483,146)	(248,544)	(3,318,128)
Payments to Employees	(1,003,694)	(1,247,533)	(195,620)	(2,446,847)
Net Cash Provided by (Used for) Operating Activities	3,633,121	3,959,597	99,602	7,692,320
Cash Flows from Noncapital Financing Activities:				
Transfers from (to) Other Funds	(1,055,557)	(618,917)	(76,327)	(1,750,801)
Net Cash Provided by (Used for) Noncapital Financing Activities	(1,055,557)	(618,917)	(76,327)	(1,750,801)
Cash Flows from Capital and Related Financing Activities:				
Proceeds from the Issuance of Bonds and Notes	1,354,000	-	-	1,354,000
Proceeds from the Issuance of Refunding Bonds	788,000	1,329,750	1,000	2,118,750
Bond Premium	56,839	201,981	-	258,820
MCWT Project Drawdowns	68,475	-	-	68,475
Intergovernmental	68,800	134,323	-	203,123
Acquisition and Construction of Capital Assets	(929,750)	(738,656)	-	(1,668,406)
Principal Payments on Bonds and Notes	(1,212,850)	(3,350,738)	(1,000)	(4,564,588)
Interest Expense	(82,367)	(557,041)	(35)	(639,443)
Net Cash Provided by (Used for) Capital and Related Financing Activities	111,147	(2,980,381)	(35)	(2,869,269)
Cash Flows from Investing Activities:				
Investment Income	18,281	12,003	13,362	43,646
Net Cash Provided by (Used for) Investing Activities	18,281	12,003	13,362	43,646
Net Increase (Decrease) in Cash and Cash Equivalents	2,706,992	372,302	36,602	3,115,896
Cash and Cash Equivalents at Beginning of Year	9,503,142	9,430,008	4,922,043	23,855,193
Cash and Cash Equivalents at End of Year	\$ 12,210,134	\$ 9,802,310	\$ 4,958,645	\$ 26,971,089

(Continued)

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:				
Operating Income (Loss)	\$ 3,094,017	\$ 2,562,214	\$ 186,270	\$ 5,842,501
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	359,569	1,193,336	29,833	1,582,738
Deferred (Outflows)/Inflows of Resources Related to Pensions	(212,609)	(194,547)	(34,810)	(441,966)
Change in Assets and Liabilities:				
Increase (Decrease) in Warrants Payable	(31,956)	(149,403)	(751)	(182,110)
Increase (Decrease) in Accrued Payroll	(32,173)	(36,244)	(5,825)	(74,242)
Increase (Decrease) in Compensated Absences	(10,361)	(11,563)	2,763	(19,161)
Increase (Decrease) in OPEB Obligation Payable	74,585	96,353	10,890	181,828
Increase (Decrease) in Net Pension Liability	95,253	342,685	34,472	472,410
Increase (Decrease) in Landfill Closure	-	-	(130,000)	(130,000)
Decrease (Increase) in User Charges Receivable	296,796	156,766	6,760	460,322
Total Adjustments	539,104	1,397,383	(86,668)	1,849,819
Net Cash Provided by (Used for) Operating Activities	\$ 3,633,121	\$ 3,959,597	\$ 99,602	\$ 7,692,320

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

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	NORTHAMPTON			
	Employees Retirement System Pension		Other Post Employment Private Purpose Trust Funds	
	Trust Fund (as of December 31, 2015)	Trust Fund	Trust Funds	Agency Funds
ASSETS				
Cash and Cash Equivalents	\$ 112,855	\$ -	\$ 236,736	\$ 260,057
Investments	109,833,159	236,700	1,565,037	-
Accrued Interest and Dividends	216,471	-	-	-
Accounts Receivable	46,472	-	-	-
Total Assets	110,208,957	236,700	1,801,773	260,057
LIABILITIES				
Warrants Payable	212,444	-	-	1,620
Due to Others	-	-	-	3,387
Due to Student Groups	-	-	-	126,681
Deposits and Escrows	-	-	-	128,369
Total Liabilities	212,444	-	-	260,057
NET POSITION				
Held in Trust for Pension Benefits and Other Purposes	\$ 109,996,513	\$ 236,700	\$ 1,801,773	\$ -

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

**CITY OF NORTHAMPTON, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	NORTHAMPTON		
	Employees		
	Retirement		
	System Pension	Other	
	Trust Fund	Post Employment	Private
	(as of December	Benefits	Purpose
	31, 2015)	Trust Fund	Trust Funds
Additions			
Contributions:			
Employers	\$ 5,415,280	\$ 125,000	\$ -
Plan Members	2,519,158	-	-
Transfers/Reimbursements from Other Systems	425,580	-	-
Federal Grant Reimbursements	16,466	-	-
Commonwealth of Massachusetts - COLA	78,502	-	-
Total Contributions	<u>8,454,986</u>	<u>125,000</u>	<u>-</u>
Investment Income:			
Interest & Dividends	1,889,420	989	47,502
Net Change in Fair Value of Investments	(2,274,246)	8,180	(37,645)
Total Investment Earnings	<u>(384,826)</u>	<u>9,169</u>	<u>9,857</u>
Less Investment Expense	(431,726)	-	-
Net Investment Earnings	<u>(816,552)</u>	<u>9,169</u>	<u>9,857</u>
Total Additions	<u>7,638,434</u>	<u>134,169</u>	<u>9,857</u>
Deductions:			
Benefit Payments to Plan Members and Beneficiaries	8,971,441	-	-
Refunds to Members	246,302	-	-
Transfers to Other Systems	431,257	-	-
Educational Scholarships	-	-	23,760
General Expenses	193,663	-	31,035
Total Deductions	<u>9,842,663</u>	<u>-</u>	<u>54,795</u>
Change in Net Position	<u>(2,204,229)</u>	<u>134,169</u>	<u>(44,938)</u>
Net Position at Beginning of Year	<u>112,200,742</u>	<u>102,531</u>	<u>1,846,711</u>
Net Position at End of Year	<u>\$ 109,996,513</u>	<u>\$ 236,700</u>	<u>\$ 1,801,773</u>

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

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

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

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

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

Fund financial statements

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

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

Major Fund Criteria

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

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

and

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

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

Proprietary and fiduciary funds are reported by fund type.

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

Government-wide financial statements

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

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

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

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

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

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

D. Cash and Cash Equivalents

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

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

Investment income from proprietary funds is maintained in those funds.

E. Investments

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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 and Tax Liens

Property taxes are based on assessments as of January 1, 2015 and include betterments, special assessments and liens. Taxes are used to finance the operations of the City for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The City has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the City sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The City has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The City mailed preliminary tax bills for the fiscal year 2016 on June 30, 2015 and September 30, 2015, that were due on August 3, 2015 and November 2, 2015 and actual bills on December 28, 2015, and March 31, 2016, that were due on February 1, 2016 and May 2, 2016, respectively.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a City. The legal levy limit under Proposition 2 1/2 for fiscal year 2016 is as follows;

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2016	\$ 52,391,038
Add: Debt Exclusion	758,367
	<u>\$ 53,149,405</u>

The total amount raised by taxation was \$53,140,330.

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Excise Taxes

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

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

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

User Charges

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

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

Departmental

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

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

Loans

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

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

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

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

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

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

H. Interfund Transfers

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

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

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

I. Deferred Outflows and Inflows of Resources

Government-wide financial statements

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the City has only item in this category, *deferred outflows related to pensions*.

The government-wide financial statements *Statement of Net Position* will sometimes report a separate section, listed below total liabilities, for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City did not have any items that qualify for reporting in this category.

Fund financial statements

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

unavailable revenues for the City's property, excise and other taxes; departmental revenue, loans and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Net Position and Fund Balances

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

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

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

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

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

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

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

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

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

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

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

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

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

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

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

L. Compensated Absences

The City grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at 20% of their current rates of pay.

M. Pension Benefits

For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Northampton Retirement System (the System) and the Massachusetts Teachers Retirement System (MTRS) are provided. Additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

N. Post Retirement Benefits

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

O. Use of Estimates

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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.

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 2016, the City incurred a final budget deficit of \$8,020,232 for the General Fund.

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

Unassigned fund balance:	
Free cash votes	\$ 3,295,599
Overlay deficit	(616)
Reserve for Police Station Debt	30,424
Prior year's encumbrances	4,694,825
	\$ 8,020,232
	\$ 8,020,232

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits – City Financials

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2016 were \$72,735,058. Of these, \$31,234 are exposed to custodial credit risk as uninsured and uncollateralized.

Custodial Credit Risks – Deposits – Northampton Contributory Retirement System

Custodial credit risk is the risk that in the event of a bank failure, the System’s deposits may not be returned. The System does not have a deposit policy for custodial credit risk. Deposits at December 31, 2015 were \$248,439. None were exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies – City Financials

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

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

As of June 30, 2016, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1
Debt Securities:		
Money market mutual funds	\$ 130,258	\$ 130,258
	130,258	130,258
Other Investments:		
Equity mutual funds	2,904,440	
Equity securities-domestic stocks	224	
	\$ 3,034,922	

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

party. Of the City's \$3,034,922, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department and in the City's name. The City has no policy on custodial credit risk.

Interest Rate Risk

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

Credit Risk

The City's exposure to credit risk as of June 30, 2016 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
Money Market Mutual Funds:	
Not rated	\$ 130,258
	\$ 130,258

Concentration of Credit Risk

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

Investment Policies – Northampton Contributory Retirement System City Financials

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

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

- A. The assets shall be diversified among fixed income, equity, and short term investment and may include:
 - i. up to 3% of the total market value of the portfolio in limited partnerships, such as, but not limited to, venture capital investments;
 - ii. up to 8% of the total equity market value of the portfolio in foreign investments.

- B. The asset allocation of the portfolio shall lie within the range of 45%-65% common stock and 35%-55% fixed income as is permitted by an exemption issued to the Board.

- C. Equity investments shall comply with the following policies as well as relevant PERAC regulations including any modifications permitted by an exemption issued to the Board.
 - i. At least 75% of the market value of equity investments shall be in companies for which the market value of the outstanding shares is at least \$100 million at time of purchase.
 - ii. The investment in any one holding shall not exceed 5% of the total book value of equity investments at the time of purchase.
 - iii. All equity investments, including ADRs as permitted by an exemption issued to the Board, must be in securities traded on a major exchange or on the NASDAQ.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

- iv. The beta (a measure of equity volatility) shall average no more than 1.15 annually.
 - v. No investment shall be made in a company with less than a five year operating history.
 - vi. The holdings within the equity portfolio shall be diversified such that:
 - a. The equity portfolio shall consist of no fewer than 25 holdings;
 - b. no single industry shall account for more than 20% of the total market value;
 - c. at no time shall small capitalization stocks represent less than 10% of the total equity market value nor more than 50%.
 - vii. Recognizing that equity turnover may vary with market conditions and the specific characteristics of individual issues, turnover shall be targeted at no more than 150% per year.
- D. Fixed income investments shall comply with the following policies as well as relevant PERAC regulations including any modifications permitted by an exemption issued to the Board.
- i. At least 65% of the market value of the fixed income portfolio shall be in holdings rated no less than A or equivalent.
 - ii. No more than 5% of the portfolio shall have a rating less than investment grade, and no bond shall be below a rating of B. Split-rated bonds, i.e. bonds rated investment grade by at least one agency but rated below investment grade by another, are included in this 5%.
 - iii. No holding shall be purchased unless there is at least \$50 million par of the issue outstanding at the time of purchase.
 - iv. No more than 5% of the total market value of the portfolio shall be invested in the direct (as opposed to asset-backed or mortgage-backed) debt obligations of any one fixed income issuer except that issues of the U.S. government or agencies that have the full faith and credit of the U.S. government may be held without limit. The investment Manager may exceed that level, up to a maximum of 10%, however, if he or she feels it is prudent to do so as long as the Investment Manager promptly advises the Secretary to the Board of the situation so that the Board may review the investment at its next meeting.
 - v. Fixed income holdings which are downgraded below BBB or Baa shall be sold within one year of the downgrading unless the exemption issued to the Board permits retention.
 - vi. The adjusted modified duration of the fixed income portfolio shall be within the range of 75% to 125% of the duration of the Index.
 - vii. Excluding purchases and sales of issues of the U.S. government or agencies that have the full faith and credit of the U.S. government, the turnover of the fixed income portfolio shall not exceed 150% per year.
 - viii. The holdings within the fixed income portfolio shall be diversified such that:
 - a. the holdings shall be diversified across sectors and industries with no single industry representing more than one third the market value
 - b. except that issues of the U.S. government or agencies that have the full faith and credit of the U.S. government may be held without limit.
 - c. the fixed income portfolio will consist of no fewer than 20 holdings
 - d. at no time shall more than 80% of the market value of the holdings nor less than 20% have an adjusted modified duration longer than the Index.
- E. Cash and cash equivalents shall be invested in any or all of the following instruments: money market funds, repurchase agreements, short term instruments issued by the

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
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Treasury and other agencies of the U.S. government, commercial paper rated P1 and corporate debt maturing within one year at date of purchase.

As of December 31, 2015, the System had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
Debt Securities:					
U. S. treasury obligations	\$ 26,507,821	\$ 7,999,381	\$ 294,702	\$ 11,116,050	\$ 7,097,688
Corporate bonds	8,769,436	199,999	2,507,624	2,844,548	3,217,265
Municipal bonds	5,947,929	-	-	-	5,947,929
Money market mutual funds	1,480,826	1,480,826	-	-	-
	42,706,012	\$ 9,680,206	\$ 2,802,326	\$ 13,960,598	\$ 16,262,882
Other Investments:					
Equity securities-domestic stocks	65,492,462				
Pooled alternative investment capital	1,634,685				
	<u>\$ 109,833,159</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 \$109,833,159; in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

Interest Rate Risk

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

Credit Risk

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The System's exposure to credit risk as of December 31, 2015 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<i>U. S. Treasury Obligations:</i>	
AAA	\$ 26,507,821
<i>Corporate Bonds:</i>	
AAA	2,562,902
AA	806,034
A	1,277,981
BAA	4,122,519
<i>Municipal Bonds:</i>	
AAA	899,987
AA	5,047,942
<i>Money Market Mutual Funds:</i>	
Not rated	1,480,826
	\$ 42,706,012

Concentration of Credit Risk

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

B. Receivables

At June 30, 2016, receivables for the individual major governmental funds, non-major governmental funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 1,379,782	\$ (508,824)	\$ 870,958
Deferred property taxes	122,115	-	122,115
Tax liens	308,183	-	308,183
Taxes in litigation	6,794	(6,794)	-
Excise taxes	908,657	(661,628)	247,029
Departmental	1,229,391	(679,297)	550,094
Loans	63,379	-	63,379
Due from other governments	8,197,754	-	8,197,754
Fiduciary funds:			
<i>Northampton Employees Retirement System (at December 31, 2015):</i>			
Accounts Receivable	46,472	-	46,472
	\$ 12,262,527	\$ (1,856,543)	\$ 10,405,984

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

At June 30, 2016, receivables for the sewer, water and solid waste enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
User charges	\$ 529,900	\$ (160,100)	\$ 369,800
Due from other governments	4,591	-	4,591
Water Fund:			
User charges	441,624	(55,000)	386,624
Solid Waste Fund:			
User charges	66,431	(41,531)	24,900
	\$ 1,042,546	\$ (256,631)	\$ 785,915

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The composition of amounts due from other governments as of June 30, 2016 for governmental funds and the business-type activities are as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:

Homeless Transportation \$ 25,678

Department of Revenue:

Veterans, blind and surviving spouse 15,707

Department of Veterans Services:

Veterans benefits 523,827

Massachusetts School Building Authority

School Building Assistance - Capital portion 4,357,574

Due from Various Municipalities:

Tuitions 14,013 \$ 4,936,799

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch 12,663

U. S. Department of Education:

School title grants 4,763

U. S. Department of Housing and Urban Development:

Community Development Block Grant 804,889

U. S. Department of Public Health

16,479

Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:

School lunch 1,011

School title grants -

State Special Education Reimbursement fund -

Department of Fish and Game 14,437

Executive Office of Environmental Affairs 364,893

Executive Office of Public Safety & Homeland Security:

Public safety grants 30,208

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds 2,002,724

Winter Road Rapid Recovery Program -

Other 4,000

Private Grants: 4,888 3,260,955

\$ 8,197,754

Business-Type Funds:

Sewer Fund:

Commonwealth of Massachusetts:

Massachusetts Clean Water Trust:

Sewer Management Plan (CWP-10-14) \$ 4,591

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

C. Deferred Inflows of Resources – Unavailable Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

General Fund:			
Property taxes	\$	620,339	
Deferred property taxes		122,115	
Tax liens		304,234	
Excise taxes		247,029	
Departmental		362,901	
Due from other governments		4,881,401	\$ 6,538,019
<hr/>			
Nonmajor governmental funds:			
Property taxes		12,619	
Tax liens		3,949	
Departmental		187,193	
Loans		63,379	
Due from other governments		2,494,930	2,762,070
		<hr/>	<hr/>
		\$	9,300,089
		<hr/>	<hr/>

D. Capital Assets

Capital asset activity for the year ended June 30, 2016, is as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets not being depreciated:				
Land	\$ 16,950,182	\$ 409,422	\$ -	\$ 17,359,604
Construction in progress	3,118,690	4,790,186	(150,500)	7,758,376
Total capital assets not being depreciated	<hr/> 20,068,872	<hr/> 5,199,608	<hr/> (150,500)	<hr/> 25,117,980
Capital assets being depreciated:				
Buildings and improvements	121,439,479	654,885	-	122,094,364
Machinery, equipment and other	14,078,002	1,268,116	(1,898,585)	13,447,533
Infrastructure	23,155,325	2,361,542	-	25,516,867
Total capital assets being depreciated	<hr/> 158,672,806	<hr/> 4,284,543	<hr/> (1,898,585)	<hr/> 161,058,764
Less accumulated depreciation for:				
Buildings	63,235,824	4,309,935	-	67,545,759
Machinery, equipment and other	11,444,272	944,785	(1,898,585)	10,490,472
Infrastructure	14,698,734	612,834	-	15,311,568
Total accumulated depreciation	<hr/> 89,378,830	<hr/> 5,867,554	<hr/> (1,898,585)	<hr/> 93,347,799
Total capital assets being depreciated, net	<hr/> 69,293,976	<hr/> (1,583,011)	<hr/> -	<hr/> 67,710,965
Total governmental activities capital assets, net	<hr/> \$ 89,362,848	<hr/> \$ 3,616,597	<hr/> \$ (150,500)	<hr/> \$ 92,828,945
	<hr/>	<hr/>	<hr/>	<hr/>

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,553,390	\$ 180,000	\$ -	\$ 2,733,390
Construction in progress	659,577	703,598	(544,320)	818,855
Total capital assets not being depreciated	<u>3,212,967</u>	<u>883,598</u>	<u>(544,320)</u>	<u>3,552,245</u>
Capital assets being depreciated:				
Buildings and Renovations	4,976,953	-	-	4,976,953
Machinery, equipment and other	3,061,631	49,820	(111,296)	3,000,155
Infrastructure	78,468,533	904,840	-	79,373,373
Total capital assets being depreciated	<u>86,507,117</u>	<u>954,660</u>	<u>(111,296)</u>	<u>87,350,481</u>
Less accumulated depreciation for:				
Buildings and Renovations	4,624,454	22,500	-	4,646,954
Machinery, equipment and other	2,585,151	133,307	(111,296)	2,607,162
Infrastructure	38,570,604	1,426,931	-	39,997,535
Total accumulated depreciation	<u>45,780,209</u>	<u>1,582,738</u>	<u>(111,296)</u>	<u>47,251,651</u>
Total capital assets being depreciated, net	<u>40,726,908</u>	<u>(628,078)</u>	<u>-</u>	<u>40,098,830</u>
Total business-type activities capital assets, net	<u>\$ 43,939,875</u>	<u>\$ 255,520</u>	<u>\$ (544,320)</u>	<u>\$ 43,651,075</u>

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

Governmental Activities:

General government	\$ 917,254
Public safety	1,234,920
Public works	827,396
Education	2,484,410
Health and human services	121,898
Culture and recreation	281,676
Total depreciation expense - governmental activities	<u>\$ 5,867,554</u>

Business-Type Activities:

Sewer fund	\$ 359,569
Water works fund	1,193,335
Solid waste fund	29,834
Total depreciation expense - business-type activities	<u>\$ 1,582,738</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2016, are summarized below:

Transfers Out:	Transfers In:			Total
	General fund	Nonmajor Governmental fund	Business-type fund	
General fund	\$ -	\$ 23,482	\$ -	\$ 23,482
Nonmajor governmental funds	1,435,192	-	45,932	1,481,124
Business-type fund	1,796,733	-	-	1,796,733
Total transfers out	\$ 3,231,925	\$ 23,482	\$ 45,932	\$ 3,301,339

The remaining \$359,659 amount shown on the Statement of Activities in transfers represents transfers that occurred into the solid waste proprietary fund (\$239,662 for the pension liability and \$119,997 for the OPEB liability).

F. Short-Term Financing

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

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

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2015	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2016
Bond anticipation notes:						
Sewer Fund:						
<i>Massachusetts Clean Water Trust Notes</i>						
Wastewater Management Plan	0.09%	12/31/16	\$ -	\$ 73,066	\$ -	\$ 73,066

G. Long Term Debt

General Obligation Bonds

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2016
Inside Debt:					
<i>Massachusetts Clean Water Trust:</i>					
Septic Management Program Bond	N/A	10/25/00	08/01/18	\$ 93,837	\$ 15,635
Municipal Purpose Loan of 2007:					
Veteran's field skatepark	3.75-4.0%	03/15/07	03/15/22	140,000	10,000
Senior center	3.75-4.0%	03/15/07	03/15/26	3,910,000	206,000
Forbes library remodeling	3.75-4.0%	03/15/07	03/15/26	982,900	54,000
Schools and DPW garage remodeling	3.75-4.0%	03/15/07	03/15/26	415,000	24,000
DPW salt/sand shed	3.75-4.0%	03/15/07	03/15/26	173,600	10,000
Storm and surface drains	3.75-4.0%	03/15/07	03/15/26	602,000	33,000
Municipal Purpose Loan of 2009:					
DPW roof repairs	2.0-5.0%	02/12/09	02/01/29	25,000	7,500
Ryan Road bridge repairs	2.0-5.0%	02/12/09	02/01/29	125,000	55,000
Various school projects	2.0-5.0%	02/12/09	02/01/29	427,000	182,500
Municipal Purpose Loan of 2010:					
Drainage	3.01%	12/01/10	11/15/25	100,000	50,000
Police station	3.19%	12/01/10	11/15/25	1,100,000	735,000
Technology	2.31%	12/01/10	11/15/19	225,500	90,000
Energy conservation improvements	3.27%	12/01/10	11/15/25	4,893,000	3,540,000
Qualified energy conservation	1.73%	12/22/10	11/15/25	1,607,000	1,070,000
Clean renewable energy	1.73%	12/22/10	11/15/25	261,000	171,000
Municipal Purpose Loan of 2012:					
Police Station 1	2.30%	02/09/12	12/01/31	10,000,000	8,000,000
Police Station 2	2.32%	02/09/12	12/01/31	887,000	795,000
Police Station 3	2.28%	02/09/12	12/01/31	5,580,000	5,125,000
SVAHS Paint Booth Renovation	1.07%	02/09/12	12/01/16	50,000	5,000
Recreation Dept. Mini-Bus	1.05%	02/09/12	12/01/16	45,000	5,000
Police Tactical Equipment	1.07%	02/09/12	12/01/16	60,000	10,000
DPW Equipment	1.05%	02/09/12	12/01/16	150,000	30,000
JFK Pool Filter	1.05%	02/09/12	12/01/16	75,000	15,000
JFK Tilt Kettle	1.09%	02/09/12	12/01/16	31,000	5,000
Bridge and Jackson Dishwashers	1.08%	02/09/12	12/01/16	35,500	5,000
SVAHS Cafeteria Renovation	1.05%	02/09/12	12/01/16	125,000	25,000
High School Track	1.44%	02/09/12	12/01/21	50,000	30,000
Bridge St. School PA System	1.05%	02/09/12	12/01/16	50,000	10,000
Drainage DPW	1.44%	02/09/12	12/01/21	250,000	150,000
Bean Farm Land Acquisition	1.79%	02/09/12	12/01/26	910,000	620,000
Sub-total page 50					<u>\$ 21,083,635</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2016
Inside Debt:					
Continued from Page 50					\$ 21,083,635
Municipal Purpose Loan of 2014:					
DPW Facility	0.79%	02/06/14	02/01/17	\$ 275,000	5,000
School Parking Lot	1.00%	02/06/14	02/01/18	125,000	60,000
Florence Fields	2.34%	02/06/14	02/01/27	1,200,000	1,010,000
Ryan Road School Roof	1.94%	02/06/14	02/01/24	150,000	120,000
SVAHS Boiler	1.94%	02/06/14	02/01/24	150,000	120,000
DPW Vehicles	1.79%	02/06/14	02/01/19	300,000	180,000
Municipal Purpose Loan of 2015:					
Connecticut River Levee	1.73%	06/04/15	06/01/20	377,000	335,000
DPW Equipment	1.26%	06/04/15	06/01/20	360,000	285,000
Street Resurfacing	1.27%	06/04/15	06/01/20	1,000,000	800,000
River Road Retaining Wall	1.73%	06/04/15	06/01/20	375,500	335,000
Streetlights	1.75%	06/04/15	06/01/20	700,000	630,000
DPW Vehicle	1.25%	06/04/15	06/01/20	162,500	125,000
Municipal Purpose Loan of 2016:					
Fire Truck	1.34%	06/07/16	06/01/26	585,000	585,000
LED Streetlights	1.33%	06/07/16	06/01/26	225,000	225,000
Radio Consoles-Dispatch	1.05%	06/07/16	06/01/21	375,000	375,000
Street Resurfacing	1.05%	06/07/16	06/01/21	500,000	500,000
Voice Over Internet Protocols system	1.05%	06/07/16	06/01/21	456,000	456,000
Refunding Loan of 2016:					
Library	1.36%	12/23/15	09/01/25	579,000	579,000
School Building Remodeling	1.36%	12/23/15	09/01/25	372,950	372,950
Surface Drainage	1.36%	12/23/15	09/01/25	263,100	263,100
Fire Station	1.36%	12/23/15	09/01/18	616,000	616,000
Senior Citizens Building	1.36%	12/23/15	09/01/25	1,661,200	1,661,200
Public Works Building Construction	1.36%	12/23/15	09/01/25	116,000	116,000
Outdoor Recreational Facility	1.36%	12/23/15	09/01/21	38,000	38,000
Total Inside Debt					<u>30,875,885</u>
Outside Debt:					
Pulaski Park renovations	1.05%	06/07/16	06/01/21	1,330,000	1,330,000
Refinanced:					
School remodeling	1.36%	12/23/15	09/01/19	61,000	61,000
High School project	1.36%	12/23/15	09/01/19	4,164,000	4,164,000
Total Outside Debt					<u>5,555,000</u>
Total Governmental Type Debt					<u>\$ 36,430,885</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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

	Interest	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2016
Inside Debt:					
Sewer:					
Municipal Purpose Loan of 2012: Bradford Street Pump Station	2.30%	02/09/12	12/01/31	\$ 800,000	\$ 640,000
Massachusetts Clean Water Trust:					
Comprehansive Wastewater Management Plan	2.00%	06/13/12	07/15/32	706,047	536,233
Refunding Loan of 2016: Sewer projects	1.36%	12/23/15	09/01/19	786,000	788,000
Total Inside Debt					<u>1,964,233</u>
Outside Debt:					
Sewer:					
Wastewater Treatment Plant	1.35%	06/07/16	06/01/26	1,354,000	1,354,000
Water:					
Water	3.75-4.00%	03/15/07	03/15/26	1,100,000	58,000
Route 66 water mains	2.00-5.00%	02/12/09	02/01/29	1,200,000	755,000
Massachusetts Clean Water Trust:					
Water filtration plant	2.00%	02/01/07	08/01/24	2,241,713	1,291,677
Water filtration plant	2.00%	12/14/06	07/15/26	9,612,283	5,767,675
Water filtration plant	2.00%	12/14/06	07/15/26	14,000,000	8,400,446
Water filtration plant	2.00%	03/18/09	07/15/28	1,250,000	841,633
Well chlorination project	2.00%	07/08/10	07/15/25	459,416	321,311
Well chlorination project	2.00%	06/13/12	07/15/32	119,412	104,604
Refunding Loan of 2016: Water Filter Bed Construction	1.36%	12/23/15	09/01/24	409,300	409,300
Water Mains	1.36%	12/23/15	09/01/24	450,000	450,000
Water	1.36%	12/23/15	09/01/25	470,450	470,450
					<u>20,224,096</u>
Solid Waste:					
Refunding Loan of 2016: Landfill	1.36%	12/23/15	09/01/16	1,000	1,000
					<u>1,000</u>
Total Outside Debt					<u>20,225,096</u>
Total Business Type Debt					<u>\$ 22,189,329</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The annual principal and interest payments to retire all governmental and business-type activities long-term debt outstanding as of June 30, 2016 are as follows:

Governmental

Year	Principal	Interest	Total
2017	\$ 4,487,912	\$ 1,204,584	\$ 5,692,496
2018	4,311,811	1,041,016	5,352,827
2019	4,539,062	871,615	5,410,677
2020	4,279,900	702,374	4,982,274
2021	2,846,700	570,487	3,417,187
2022-2026	10,940,500	1,635,561	12,576,061
2027-2031	4,220,000	430,075	4,650,075
2032	805,000	12,075	817,075
	<u>\$ 36,430,885</u>	<u>\$ 6,467,787</u>	<u>\$ 42,898,672</u>

Business-type

Year	Principal	Interest	Total
2017	\$ 2,066,611	\$ 539,587	\$ 2,606,198
2018	2,012,871	481,719	2,494,590
2019	2,046,749	424,305	2,471,054
2020	2,072,709	367,407	2,440,116
2021	1,888,646	315,043	2,203,689
2022-2026	9,724,560	847,498	10,572,058
2027-2031	2,249,083	79,165	2,328,248
2032	128,100	2,371	130,471
	<u>\$ 22,189,329</u>	<u>\$ 3,057,095</u>	<u>\$ 25,246,424</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	\$ 38,143,000	\$ 11,342,250	\$ 13,070,000	\$ 36,415,250	\$ 4,482,700
Massachusetts Clean Water Trust bonds	20,847	-	5,212	15,635	5,212
Compensated absences	3,622,430	-	218,047	3,404,383	1,223,965
OPEB obligation payable	37,214,914	6,195,641	-	43,410,555	-
Net pension liability	38,549,540	7,907,503	-	46,457,043	-
Governmental activity					
Long-term liabilities	<u>\$ 117,550,731</u>	<u>\$ 25,445,394</u>	<u>\$ 13,293,259</u>	<u>\$ 129,702,866</u>	<u>\$ 5,711,877</u>
Business-type activities:					
Bond Payable:					
General obligation bonds	\$ 4,643,000	\$ 3,472,750	\$ 3,190,000	\$ 4,925,750	\$ 662,300
Massachusetts Clean Water Trust bonds	18,638,167	-	1,374,588	17,263,579	1,404,311
Landfill closure	1,950,000	-	130,000	1,820,000	-
Compensated absences	144,634	-	19,162	125,472	66,335
OPEB obligation payable	1,385,844	61,831	-	1,447,675	-
Net pension liability	2,256,579	232,748	-	2,489,327	-
Business-type activity					
Long-term liabilities	<u>\$ 29,018,224</u>	<u>\$ 3,767,329</u>	<u>\$ 4,713,750</u>	<u>\$ 28,071,803</u>	<u>\$ 2,132,946</u>

Refunding – December 23, 2015

On December 23, 2015, the City issued \$9,990,000 general obligation refunding bonds with an effective interest rate of 1.36 percent. The refund of outstanding bonds had an average interest rate of 3.4 to 4.0 percent. As a result, the funded bonds are considered to be defeased and the liability has been removed from the general obligation long-term debt. This refunding was undertaken to refund \$10,845,000 (\$8,535,000 in governmental debt and \$2,310,000 in business-type debt) of Municipal Purpose Loans 2002, 2004, and 2007. The refunding resulted in an economic gain of \$885,304 in the governmental and business-type activities.

Massachusetts Clean Water Trust (MCWT)

The City is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of \$28,482,718 and interest costs of \$6,619,178 for eight loans which the City has borrowed from MCWT. The gross amount outstanding at June 30, 2016 for principal and interest combined for the loans is \$19,420,096. The net repayments, including interest, are scheduled to be \$19,163,554. Since the City is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2016 principal and interest subsidies totaled \$39,032.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws, a City may authorize indebtedness up to a limit of 5 percent of the equalized valuation of the City. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The City's inside debt at June 30, 2016, totaled \$34,195,119.

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, 2016:

Equalized Valuation-Real Estate and Personal Property (2014)		\$	3,351,978,800
			167,598,940
Debt Limit: 5 % of Equalized value			167,598,940
Total Debt Outstanding			
Governmental Activity Debt	\$	36,430,885	
Less: Debt Outside Debt Limit		(5,555,000)	30,875,885
Business-Type Activity Debt		22,189,330	
Less: Debt Outside Debt Limit		(18,870,096)	3,319,234
			34,195,119
Inside Debt Excess Borrowing Capacity at June 30, 2016		\$	133,403,821

Loans Authorized and Unissued - Memorandum Only

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

The loan authorizations of the governmental activities as of June 30, 2016, which are not reflected in the City's financial statements, are as follows:

Date City Council Authorized	Purpose	Amount
09/01/11	Flood control pumping station engine replacements	\$ 50,000
06/27/13	River Road retaining wall slope stabilization	1,231,625
2/20/2015	Finn Ryan School roof replacement	901,554
2/20/2015	Leeds Elementary School roof replacement	491,486
8/19/2015	Pulaski Park Renovation Project - Phase II	625,000
4/22/2016	Voice over internet protocol (VOIP) system	500
4/22/2016	Wastewater Treatment Plant Improvements	13
5/20/2016	Land Acquisition - Glendale/Westhampton Road	450,000
5/20/2016	Land Acquisition - Burts Pit Rd/Stone Ridge Rd/Overlook	500,000
6/3/2016	Look Memorial Park	625,000
6/3/2016	Pulaski Park Design/Construction	675,000
		\$ 5,550,178

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

H. Fund Balances

The following is a summary of the City Governmental Fund balances at the year ended June 30, 2016:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Permanent funds	\$ -	\$ 732,106	\$ 732,106
Restricted:			
Federal, state and local grants	-	3,771,337	3,771,337
School revolving funds	-	7,035,710	7,035,710
City revolving funds	-	806,962	806,962
Donations and gifts	-	1,114,691	1,114,691
Community preservation fund	-	2,379,751	2,379,751
Reserve for debt	241,998	-	241,998
Capital projects	-	3,919,336	3,919,336
Permanent funds	-	325,005	325,005
Other	-	2,096,584	2,096,584
	<u>241,998</u>	<u>21,449,376</u>	<u>21,691,374</u>
Committed:			
Parking fund	-	815,949	815,949
Workers Compensation	-	173,565	173,565
	<u>-</u>	<u>989,514</u>	<u>989,514</u>
Assigned:			
General government	85,221	-	85,221
Public safety	367,433	-	367,433
Public works	186,994	-	186,994
Education	373,190	-	373,190
Health and human services	8,146	-	8,146
Culture and recreation	13,119	-	13,119
Employee benefits and insurance	269,490	-	269,490
Capital improvements	3,928,374	-	3,928,374
Energy project rebates	-	62,907	62,907
	<u>5,231,967</u>	<u>62,907</u>	<u>5,294,874</u>
Unassigned:			
General Fund	<u>12,884,771</u>	-	<u>12,884,771</u>
Total Governmental fund balances	<u>\$ 18,358,736</u>	<u>\$ 23,233,903</u>	<u>\$ 41,592,639</u>

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

I. Stabilization Fund

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

At June 30, 2016 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 2,202,184
Capital stabilization fund	2,219,038
Fiscal stability stabilization fund	2,653,497
	<hr/>
	\$ 7,074,719
	<hr/>

4. OTHER INFORMATION

A. Risk Management

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

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

B. Contingent Liabilities

Litigation

Various cases are pending against the City at June 30, 2016. The amount of the claims cannot be estimated at the present time. As a result, the potential loss, if any on these claims has not been recorded on the financial statements.

Federal Financial Assistance

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

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

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

C. Landfill Closure and Post-closure Cost

State and federal laws and regulations require that the City of Northampton place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. The landfill ceased operations and no longer accepts solid waste in fiscal year 2013. Post-closure care is to be substantially performed by City employees in the normal course of their duties

The City has reflected a balance of \$1,820,000 as the estimate of the landfill maintenance and monitoring costs as of June 30, 2016 as a liability in the business-type activities of the government-wide financial statements. The amount is based on estimates of what it would cost to perform all future post closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

D. Pension Plan

Plan Description

The City is a member of the Northampton Contributory Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Northampton Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at Memorial Hall, 240 Main Street, Northampton, Massachusetts.

The City is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the City does not contribute. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for the contributions and future benefit requirements of the MTRS.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in the MTRS. Since the City does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2015. The City's portion of the collective pension expense contributed by the Commonwealth of \$5,417,722 on-behalf payments for the fiscal year ending June 30, 2016 is reported as intergovernmental revenues and employee benefits and insurance expenditures in the General Fund as of the measurement date.

Benefits Provided

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

his or her Group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost of living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's State law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

MGL Chapter 32 governs the contributions of plan members and the City. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The City's proportionate share of the required contribution to the System for the year ended December 31, 2015 was \$5,166,378, representing 20.9% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

Pension Liability

As of June 30, 2016, the City reported a liability of \$48,946,370 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the City's proportional percentage was 95.41%, which was a slight increase from the last measurement.

Pension Expense

For the year ended June 30, 2016, the City recognized a pension cost of \$4,976,077 and reported deferred outflows of resources related to pensions of \$4,408,602, from the net difference between projected and actual investment earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportion share of the contributions. Since the System performs an actuarial valuation bi-annually, there are no reported differences between the expected and actual experience or a change of assumptions as of December 31, 2015.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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

For years ended June 30,	
2017	\$ 847,209
2018	847,209
2019	847,209
2020	1,835,976
Thereafter:	<u>30,999</u>
	<u><u>\$ 4,408,602</u></u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2015:

Valuation date	January 1, 2014
Actuarial cost method	Individual Entry Age Normal
Amortization method	Closed - approximate level percent of payroll
Remaining amortization period	21 years for the fresh start base
Asset valuation method	Market value adjusted by accounts payable and receivables adjusted to phase in over 5 years investment gains and losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value.
Investment rate of return	7.75% per year
Projected salary increase	4.0% base rate per annum on average plus 3% steps for 8 years (base is reduced by .50% while receiving steps), Base rate is reduced by 2% in 2014 and 2015.
Cost of living adjustments	3.0% of first \$13,000.
Mortality rates	RP-2000 Generational Mortality table with Scale BB. For members retired under an Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality RP-2000 Generational Mortality table with Scale BB ages set forward 2 years.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed income	30.0%	1.20%
Large Capital Equities	40.0%	4.37%
Mid/Small Capital Equities	15.0%	4.61%
International Equities	10.0%	4.85%
Emerging Market Equities	3.0%	6.31%
Private Equity	2.0%	6.31%
Total	<u>100.0%</u>	

Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 0.75%.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarial determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute and in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments or current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%. As well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	\$ 66,765,543	\$ 48,946,370	\$ 35,008,973

E. Other Post Employment Benefits Payable

GASB Statement No. 45

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The City adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009 and thus recognizes the cost of post employment benefits in the

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the City's future cash flows.

Plan Description

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

Funding Policy

The contribution requirements of plan members and the City are established and may be amended through City policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2016 fiscal year, total City premiums plus implicit costs for the retiree medical program are \$3,510,313 consisting of \$3,386,879 for governmental activities and \$123,434 for the business-type activities.

Annual OPEB Cost and Net OPEB Obligation

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

	Governmental Activities	Business-type Activities	Total
Annual required contribution	\$ 10,146,725	\$ 446,711	\$ 10,593,436
Interest on net OPEB obligation	1,497,978	46,053	1,544,031
Adjustment to annual required contribution	(1,847,885)	(298,544)	(2,146,429)
Amortization of Actuarial (Gains)/Losses	(214,298)	(8,955)	(223,253)
Annual OPEB cost (expense)	9,582,520	185,265	9,767,785
Contributions made during the fiscal year	(3,386,879)	(123,434)	(3,510,313)
Increase in net OPEB obligation	6,195,641	61,831	6,257,472
Net OPEB Obligation - beginning of year	37,214,914	1,385,844	38,600,758
Net OPEB Obligation - end of year	<u>\$ 43,410,555</u>	<u>\$ 1,447,675</u>	<u>\$ 44,858,230</u>

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2016 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 9,767,785	35.9%	\$ 44,858,230
6/30/2015	\$ 10,292,648	37.3%	\$ 38,600,758
6/30/2014	\$ 9,614,460	35.2%	\$ 32,146,442

CITY OF NORTHAMPTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Funded Status and Funding Process

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

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

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

Actuarial Methods and Assumptions

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

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

The unfunded actuarial accrued liability is being amortized over 30 years using a flat dollar amount. The remaining amortization period at June 30, 2016 is 22 years.

Trust Fund

The City did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2016, the trust balance is \$236,700.

F. Implementation Of New GASB Pronouncements

The GASB issued Statement No. 72, *Fair Value Measurement and Application*, for implementation in 2017.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for implementation in 2017.

G. Future GASB Pronouncements

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTHAMPTON, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Northampton Contributory Retirement System
For the Year Ended June 30, 2016

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the City's proportion of the net pension liability and related ratios.

Schedule of the City's Proportionate Share of the Net pension Liability:

	<u>12/31/15</u>	<u>12/31/14</u>
City's share of the net pension liability (asset)	95.41%	95.01%
City's proportionate share net pension liability (asset)	\$ 48,946,370	\$ 40,806,119
City's share of covered employee payroll	\$ 24,725,513	\$ 23,013,954
Net pension liability percentage of covered-employee payroll	198.0%	177.3%
Plan fiduciary net position as a percentage of the total pension liability	68.2%	72.3%

Note: these schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

CITY OF NORTHAMPTON, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Northampton Contributory Retirement System
For the Year Ended June 30, 2016

The Schedule of the Employer Contributions presents multiyear trend information on the City's required and actual payments to the pension plan and related ratios.

Schedule of the City's Contributions:

	<u>12/31/15</u>	<u>12/31/14</u>
Actuarially determined contribution	\$ 5,166,378	\$ 4,766,326
Less: Contributions in relation to the actuarially determined contribution	<u>(5,166,378)</u>	<u>(4,766,326)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's share of covered employee payroll	\$ 24,725,513	\$ 23,013,954
Contributions percentage of covered-employee payroll	20.9%	20.7%

Note: these schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

CITY OF NORTHAMPTON, MASSACHUSETTS
Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
Other Post Employment Benefit Plan Schedule
Year Ended June 30, 2016

Schedule of Funding Progress

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

Schedule of Contribution Funding

Other Post Employment Benefits			
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed
2016	\$ 9,767,785	\$ 3,510,313	35.9%
2015	\$ 10,292,648	\$ 3,838,332	37.3%
2014	\$ 9,614,460	\$ 3,386,320	35.2%

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

Actuarial Methods:

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

Actuarial Assumptions:

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

Plan Membership:

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

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, 2016**

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 201,810	\$ 2,451,811	\$ 2,587,047	\$ -	\$ 66,574
Arts Lottery Council Grants	14,406	51,197	40,019	-	25,584
Community Development Grants	200,035	305,584	315,584	-	190,035
Council on Aging Grants	10,631	71,692	77,864	-	4,459
Disaster Relief and Hazard Grants	28,993	-	-	(18,959)	10,034
Energy Grants	22,925	168,242	82,959	-	108,208
Health Grants	20,295	289,861	293,952	-	16,204
Highway Grants	-	1,735,319	1,735,319	-	-
Library Grants	-	53,491	53,491	-	-
Other Programs and Grants	18,681	400,000	403,497	-	15,184
Planning Grants	3,648	702,839	550,374	-	156,113
Public Safety Grants	10,072	424,954	350,906	(26,681)	57,439
Rail Trail Grants	21,351	227,397	156,716	-	92,032
Recycling Grants	25,671	7,500	3,700	-	29,471
Three County Fair Drainage Project	3,000,000	-	-	-	3,000,000
Schools:					
School Lunch Revolving	68,342	893,434	855,786	-	105,990
School Lunch Commodities	-	96,488	96,488	-	-
McKinney Vento Reimbursement	-	-	11,931	11,931	-
Privately Funded Grants	11,307	33,429	38,736	-	6,000
Revolving Accounts	2,208,296	1,734,600	1,125,569	-	2,817,327
School Choice	2,701,616	1,829,052	1,132,784	-	3,397,884
State Special Education Reimbursement Fund	512,079	716,755	520,324	-	708,510
Other:					
Baystate Gas Roundhouse Lot Fund	80,165	-	7,458	-	72,707
Board of Health Revolving	15,071	20,914	13,729	-	22,256
Community Preservation Fund	2,732,317	1,504,812	3,175,002	1,317,624	2,379,751
Committee on Disabilities Revolving Fund	14,556	9,920	20	-	24,456
Total Special Revenue Page 69	\$ 11,922,267	\$ 13,729,291	\$ 13,629,255	\$ 1,283,915	\$ 13,306,218

**CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Continued from Page 69	\$ 11,922,267	\$ 13,729,291	\$ 13,629,255	\$ 1,283,915	\$ 13,306,218
Special Revenue (continued):					
Other (continued):					
Connecticut River Channel Markers	8,864	17,668	16,575	-	9,957
Conservation Funds	17,075	8,125	708	(5,000)	19,492
Council on Aging Revolving Funds	130,862	122,849	92,605	-	161,106
Dog Refund and Revolving Fund	18,825	-	-	-	18,825
Energy Project Rebates	162,907	-	-	(100,000)	62,907
Energy Sustainability Revolving Fund	130,233	53,240	16,272	-	167,201
Fire Department Revolving Funds	39,662	112,974	93,487	-	59,149
Fire Outside Detail	4,819	13,859	15,928	-	2,750
Gifts & Donations	1,027,375	508,409	378,705	(42,388)	1,114,691
Internet Access and Technology	162,404	154,012	-	(316,416)	-
James House Rental	43,715	56,520	33,798	-	66,437
Liquor Licenses Deposits	20,000	-	-	-	20,000
Pleasant Street Drainage	-	45,735	-	-	45,735
Municipal Waterways Fund	2,482	4,225	-	(1,500)	5,207
Other Programs	2,276	17,000	16,438	-	2,838
Parking Meter Reserves and Passes	809,999	216,282	-	(210,332)	815,949
Police Court Time	7,268	-	-	-	7,268
Police Outside Detail	28,611	791,057	816,160	-	3,508
Premium on Loans	-	-	976,946	976,946	-
Public Works Grants Projects Revolving	84,885	-	21,186	-	63,699
Public Works Reuse Committee	1,203	1,484	835	-	1,852
Recreation Revolving Funds	233,470	419,207	410,018	-	242,659
Sale of Cemetery Lots	31,300	11,600	-	(5,000)	37,900
Total Special Revenue Page 70	\$ 14,890,502	\$ 16,283,537	\$ 16,518,916	\$ 1,580,225	\$ 16,235,348

**CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Continued from Page 70	\$ 14,890,502	\$ 16,283,537	\$ 16,518,916	\$ 1,580,225	\$ 16,235,348
Special Revenue (continued):					
Other (continued):					
Sale of Land	160,867	-	-	(160,867)	-
Septic Repair Loan Repayments	36,582	922	6,133	-	31,371
Survival Center Capital Fund	22,050	3,600	-	-	25,650
Tourism Directional Signs	311	50	-	-	361
Stormwater Fund	690,454	2,080,850	1,064,640	(269,999)	1,436,665
Affordable Housing Fund	1,003	3	-	-	1,006
Conservation Land Purchase Fund	444,619	34,553	163,292	-	315,880
Compensated Absences Fund	161,671	343	-	11,551	173,565
Drug Forfeiture Fund	34,079	10,888	10,270	-	34,697
E. Lyman Fund	57	-	-	-	57
Library Fund	100,251	9	-	(100,260)	-
Park Street Improvements Fund	2,856	-	-	-	2,856
Total Special Revenue Funds	16,545,302	18,414,755	17,763,251	1,060,650	18,257,456
Capital Projects:					
City Hall Exterior Upgrades	1,071	-	-	-	1,071
Connecticut River Levee	377,000	-	377,000	-	-
Department of Public Works Projects	1,990,059	39,119	647,481	725,000	2,106,697
Energy Conservation Projects	145,937	-	-	-	145,937
Forbes Library Renovations	10,738	-	-	-	10,738
Management of Information Systems 5 Year Plan	32,378	-	32,378	-	-
Northampton Public Schools Projects	26,682	-	-	-	26,682
Public Safety Projects	203,765	-	(8,446)	960,000	1,172,211
Voice over internet protocol (VOIP) system	-	-	-	456,000	456,000
Total Capital Projects	\$ 2,787,630	\$ 39,119	\$ 1,048,413	\$ 2,141,000	\$ 3,919,336

**CITY OF NORTHAMPTON, MASSACHUSETTS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016**

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Perpetual Permanent Funds:					
Cemetery Perpetual Care Funds	\$ 716,106	\$ 16,000	\$ -	\$ -	\$ 732,106
Permanent Funds:					
Cemetery Funds	371,948	357	-	(47,300)	325,005
Total Non-Major Governmental Funds	\$ 20,420,986	\$ 18,470,231	\$ 18,811,664	\$ 3,154,350	\$ 23,233,903

**CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND ROLLBACK TAXES
AND DEFERRED PROPERTY TAXES
JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Taxes July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2016	Uncollected Taxes Per Detail June 30, 2016
Real Estate Taxes:						
Levy of 2016	\$ -	\$ 51,780,206	\$ 395,343	\$ 50,774,810	\$ 610,053	\$ 610,053
Levy of 2015	727,352	-	86,927	476,697	163,728	163,728
Levy of 2014	110,113	-	31,613	78,480	20	20
Levy of 2013	1	-	-	-	1	-
Prior Years	768	-	-	15	753	45
	<u>838,234</u>	<u>51,780,206</u>	<u>513,883</u>	<u>51,330,002</u>	<u>774,555</u>	<u>773,846</u>
Personal Property Taxes:						
Levy of 2016	-	1,360,125	8,802	1,320,765	30,558	30,558
Levy of 2015	35,996	-	(42)	13,053	22,985	22,985
Levy of 2014	21,975	-	-	880	21,095	21,095
Levy of 2013	16,890	-	-	53	16,837	16,837
Levy of 2012	43,309	-	-	-	43,309	43,309
Prior Years	458,211	-	-	1,695	456,516	461,566
	<u>576,381</u>	<u>1,360,125</u>	<u>8,760</u>	<u>1,336,446</u>	<u>591,300</u>	<u>596,350</u>
Rollback Taxes	<u>1,308</u>	<u>15,112</u>	<u>-</u>	<u>15,112</u>	<u>1,308</u>	<u>1,308</u>
Total Real Estate, Personal Property and Rollback Taxes	<u>\$ 1,415,923</u>	<u>\$ 53,155,443</u>	<u>\$ 522,643</u>	<u>\$ 52,681,560</u>	<u>\$ 1,367,163</u>	<u>\$ 1,371,504</u>
Deferred Property Taxes	<u>\$ 149,189</u>	<u>\$ 12,715</u>	<u>\$ -</u>	<u>\$ 39,789</u>	<u>\$ 122,115</u>	<u>\$ 122,590</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF COMMUNITY PRESERVATION SURCHARGE
JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Taxes July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2016	Uncollected Taxes Per Detail June 30, 2016
Community Preservation Surcharge						
Levy of 2016	\$ -	\$ 1,126,867	\$ 22,469	\$ 1,093,534	\$ 10,864	\$ 10,864
Levy of 2015	13,144	-	1,616	9,753	1,775	1,775
Levy of 2014	1,795	-	348	1,467	(20)	(20)
Total Community Preservation Surcharge	\$ 14,939	\$ 1,126,867	\$ 24,433	\$ 1,104,754	\$ 12,619	\$ 12,619

**CITY OF NORTHAMPTON, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES
JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Taxes July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2016	Uncollected Taxes Per Detail June 30, 2016
Motor Vehicle Excise Taxes:						
Levy of 2016	\$ -	\$ 2,541,703	\$ 67,283	\$ 2,276,041	\$ 198,379	\$ 198,379
Levy of 2015	161,041	275,201	36,609	368,013	31,620	31,620
Levy of 2014	35,309	44	1,096	15,607	18,650	18,650
Levy of 2013	19,458	-	826	3,048	15,584	15,584
Levy of 2012	19,033	-	278	2,882	15,873	15,873
Prior Years	588,177	-	290	4,272	583,615	583,975
	<u>823,018</u>	<u>2,816,948</u>	<u>106,382</u>	<u>2,669,863</u>	<u>863,721</u>	<u>864,081</u>
Boat Excise Taxes:						
Levy of 2016	-	10,709	470	8,411	1,828	1,828
Levy of 2015	2,041	-	-	-	2,041	2,041
Levy of 2014	1,232	-	-	39	1,193	1,193
Levy of 2013	1,000	-	-	-	1,000	1,000
Levy of 2012	760	-	-	-	760	760
Prior Years	38,114	-	-	-	38,114	38,114
	<u>43,147</u>	<u>10,709</u>	<u>470</u>	<u>8,450</u>	<u>44,936</u>	<u>44,936</u>
Total Motor Vehicle Excise and Boat Excise Taxes	<u>\$ 866,165</u>	<u>\$ 2,827,657</u>	<u>\$ 106,852</u>	<u>\$ 2,678,313</u>	<u>\$ 908,657</u>	<u>\$ 909,017</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS
 SCHEDULE OF TAX LIENS, COMMUNITY PRESERVATION TAX LIENS AND TAXES IN LITIGATION
 JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Accounts July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2016	Uncollected Accounts Per Detail June 30, 2016
Tax Liens	\$ 273,030	\$ 180,483	\$ 21,741	\$ 127,538	\$ 304,234	\$ 304,270
Community Preservation Tax Liens	\$ 3,609	\$ 3,120	\$ 457	\$ 2,323	\$ 3,949	\$ 4,025
Taxes in Litigation	\$ 6,794	\$ -	\$ -	\$ -	\$ 6,794	\$ 6,794