

**CITY OF NORTH ADAMS, MASSACHUSETTS**

**MANAGEMENT LETTER**

**FOR THE YEAR ENDED JUNE 30, 2011**

CITY OF NORTH ADAMS, MASSACHUSETTS

Management Letter

Year Ended June 30, 2011

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To the Honorable Mayor and City Council  
City of North Adams  
North Adams, Massachusetts

In planning and performing our audit of the basic financial statements of the City of North Adams as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the City of North Adams's internal accounting control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We have already discussed these comments and suggestions with City personnel. We will be pleased to discuss them in further detail and to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the management, the Mayor and City Council, others within the entity and the Commonwealth of Massachusetts Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.

*Scanlon & Associates LLC*  
Scanlon & Associates, LLC  
South Deerfield, Massachusetts  
March 2, 2012

## CURRENT YEAR COMMENTS AND RECOMMENDATIONS

### 1. Payroll Charged to Grants and Year-End Salary Appropriations

Comment:

During our audit we noted that payroll related expenditures charged to the 911 support grant and SAFER grant for fiscal year 2011 were approximately \$136,212 and \$152,716, respectively. We further noted that majority of these payroll costs were associated with regular pay and not overtime or other unordinary pay. The City should review and monitor regular payroll charged to grants and its impact on future City's budgets.

We further noted that the City made significant appropriation transfers at year-end of fiscal year 2011 to fund various salary line items in the City's Budget. Upon inquiry to management and review of documentation we noted majority of the amounts were for overtime and retroactive pay. We recommend that the City review this situation to determine its impact on future budgets and the integrity of the City's original budget submitted to council for adoption.

### 2. Risk Assessment Procedures and Financial Policies and Procedures Manual

Comment:

The City does not have a current comprehensive Policies and Procedures Manual to assist in documenting the policies, procedures and controls over key financial transactions, which have been in place and relied upon over the years.

A key component of the comprehensive Policies and Procedures Manual is the Risk Assessment Process. The financial management team within the City should document the policies, procedures and controls over key financial transactions, which by nature are deemed more susceptible to fraud, waste or abuse. The knowledge gained through the risk assessment process will help establish relevant and effective control procedures designed to assess the risks of material misstatement at the financial statement and relevant assertion level. Specific areas which should be assessed are documented as follows:

- Cash collected at a decentralized location (outside City Hall)
- Accounts Payable Preparation
- Payroll preparation
- Compliance with procurement laws and regulations
- Inventory of City assets, such as computer technology

The following questions should also be considered when conducting the assessment:

- What assets are susceptible to misappropriation?
- What departments receive cash receipts?
- What departments have movable inventory?
- What operations are most complex?
- How could assets be stolen?
- Are there any known internal control weaknesses that would allow misappropriations of assets to occur and remain undetected?
- How could potential misappropriation of assets be concealed?

### **3. Review Computer Financial Software for Update to Newer Version**

Comment:

The City utilizes KVS Information System (KVS) software to account for the City's financial transactions. KVS has two versions of the software, Standard (older version) and Enterprise (newer version). The City currently utilizes the older Standard version. We recommend the City review the current software version of KVS to determine if it would be beneficial to upgrade to the newer Enterprise version.

## PRIOR YEAR COMMENTS AND RECOMMENDATIONS

### OTHER ITEMS:

#### 4. Reliance on Reserves and Establish a Plan to Build up Reserves

Prior Year Comment:

We noted during our audit that the City used reserves (i.e. Sale of Land, Overlay surplus) to fund the City's 2010 operating budget. These reserves are considered a non-reoccurring available fund and should not be used on a consistent basis to fund reoccurring expenses. Also, we noted that the City also used receipts reserved (i.e. landfill receipts, sale of cemetery lots, parking meters and municipal access) as an available fund to fund the 2010 operating budget. The amounts voted appear to be in excess of the average annual amounts collected for these activities by the City. The practice of using non-reoccurring reserves to fund reoccurring expenditures and utilizing receipts reserved in excess of amounts collected will have a financial impact on the City.

The City should formulate and adopt a policy to establish financial healthy reserves and the use of those reserves.

Status:

Management of the City has taken our recommendation under advisement and has begun to draft a policy for future budget preparation process that will address the re-establishment of healthy reserves and use of reserves.

#### 5. Develop a Multi-Year Revenue and Expenditure Forecast – Operating and Capital

Prior Year Comment:

During our audit we noted that the City does not have a formal budget practice of forecasting multi-year revenue and expenditures for both operating and capital. The forecasting to multi-years should be between three to five years. In recent years municipalities have had significant financial constraints and have had difficulties in adopting budgets. By adopting this practice the City would establish sound financial practices.

During our audit we noted that the certain estimated receipt amounts were in excess of the actual collections. This was a direct result of having a practice of using prior year's actual revenues as a budget for the up coming year. In fiscal year 2009, there were several one-time revenues and these amounts were used as budgeted revenues for 2010. If this practice continues to occur the City will be financially impacted. The City should review all the estimated receipts in order to forecast a more accurate estimate of the revenues used to set the tax rate.

Status:

Management of the City has taken our recommendation under advisement and is currently working on revenue and expenditure forecasting plan along with a multi-year capital plan.

## **6. Review Special Revenue and Trust Fund Accounts**

### Prior Year Comment:

During our audit we noted several special revenue accounts and trust fund accounts that appear to be not utilized correctly, either by not being legally established by authorization or not meeting the definition of special revenue or trust. We recommend that the City Auditor review all the special revenue and trust accounts and verify each has been properly established by legal authorization and being accounted for under the correct fund. Also, the City should account for separately between expendable and non-expendable trust funds.

### Status:

We have met with the City Auditor to go over these funds. The City auditor has researched and reviewed these accounts and has made the necessary adjustments. (Completed)

## **7. Monitor Health Insurance Trust Fund**

### Prior Year Comment:

The City has adopted special legislation involving its contribution to the medical insurance trust fund. It allows the City to amortize no more than \$880,000 for a term of not more than seven years. The City beginning fiscal year 2011 (July 1, 2010) moved to a premium based insurance program. As of June 30, 2010 the medical insurance trust fund had a balance of approximately \$688,000. As of June 30, 2010 the City has a funding deficit for its share of contribution based on the working rates and participants of approximately \$680,000. The City should constantly monitor the balance of the trust and its impact on the deficit of \$680,000 that needs to be provided for.

### Status:

As of June 30, 2011 the trust fund has a balance of approximately \$733,922. The City utilized this balance to fund health insurance costs in fiscal year 2011, which was a major contribution to the City's certified free cash. (Completed)

## **8. Maintaining Budget Revenue and Expenditure Subsidiary Ledgers**

### Prior Year Comment:

During our audit we noted variances between the revenue and expenditure subsidiary ledgers and adopted budgets for revenues and expenditures. For instance, the debt line item budget and the state assessments in the subsidiary ledger did not agree to the budget line item adopted by City Council and amount raised on tax recapitulation sheet. Also, the estimated receipts (local and state) utilized on the tax recapitulation sheet did not agree to the revenue budget subsidiary ledger. We recommend that the City Auditor implement a procedure to reconcile the revenue and expenditure subsidiary ledger to the Council Votes and tax recapitulation sheet.

Also, we noted that expenditures for school debt project and Hoosac Water Quality District assessment were not incorporated as part of the budget voted by City Council. Instead, they were included on the tax recapitulation sheet as other amounts to be raised. In order to keep the integrity and true amount of the budget, these amounts should be part of the City's budget voted by City Council. We recommend that the City not include these amounts on the tax recapitulation sheet as other amounts raised and include them in the budget.

Status:

The City Auditor has implemented new procedures for maintain the revenue and expenditure subsidiary ledgers. (Completed)

**9. Component Units - North Adams Redevelopment Authority and MASS MoCA Cultural Development Commission**

Prior Year Comment:

During our audit we found a bank account that was in the custody of the City's community development department and not accounted for on the City's general ledger. This bank account is for activity involving Gateway Urban Heritage Park, which is controlled by the North Adams Redevelopment Authority Western. The City's community development department also maintains departmental accounting ledgers for this activity. We recommend that the City research this matter and determine if the North Adams Redevelopment Authority is a separate legally establish entity from the City and should maintain a separate complete set of financial statements.

Also, during our audit we noted that an organization was created as a municipal agency named the MASS MoCA Cultural Development Commission. This organization was created to hold title to the property and building for which the MASS MoCA Foundation operates and programming of the museum. The Mayor is the chairman of the commission and appoints six other members, with approval of City Council. The commission holds no cash instruments and its only assets appear to be the buildings. The City should research to determine if the commission has any fiduciary reporting responsibility to the City.

Status:

The City is reviewing the situation of these two agencies and its impact on the City's financial reporting. Also, during our audit we noted that the accounts receivable for the North Adams Redevelopment Authority has increased significantly. We noted that one of the renters is significantly delinquent. We have discussed this with management and they are aware and are currently in discussions with the tenant. As of January 1, 2012 The North Adams Redevelopment Authority is being accounted for on the City's general ledger.

**10. Long Term Debt**

Prior Year Comment:

During our review of the Treasurer's debt records we noted that the Treasurer's statement of Indebtedness did not agree to the loan supporting documents (i.e. amortization schedule) for three loans. We noted that all three loans were issued thru MWPAT, in which loan subsidies are involved. Also, the HUD section 108 loan for MASS MoCA was not included in the statement of indebtedness. Consequently, the City Auditor's general ledger was also incorrect as the Treasurer's statement of indebtedness was in agreement with the general ledger. We have proposed adjustments to the Treasurer's debt records and City Auditor's general ledger to reflect the accurate loan balances as of June 30, 2010. We recommend that the Treasurer insure that the statement of indebtedness is accurately completed and agree to loan supporting documents and also reconciled to the City Auditor's general ledger.

Also, we noted that the City has loan authorization project balances that date back several years. These projects appear to be inactive, obsolete or complete, thus leaving balances in the loan authorized that could be rescinded. We recommend that the City review all the loans authorized projects and determine if City Council should rescind the authorizations to borrow.



Status:

The City Auditor and Treasurer had made the necessary adjustments and have reconciled the debt records with the general ledger. The treasurer office has reviewed the loan authorization balances and obsolete authorizations will be brought to City Council by the end of the 3<sup>rd</sup> quarter of the fiscal year 2012. (Completed)

## **11. Financial Reporting – Full Purchase Order System and Requisition System**

Prior Year Comment:

The City currently does not use the practice of having a full purchase order system. A full purchase order system and requisition system should be implemented in order for encumbrance accounting to be implemented to assure effective budgetary control. By adopting the system, accountability at the departmental level can be controlled to facilitate effective planning for the City management. However, we feel that to properly implement a purchase order system the City would need to reorganize current financial personnel's duties and positions. Also, the City would need to educate departments on the purchase order system.

We recommend that the management of the City study to determine if it's feasible for the City to implement a full purchase order system. In determining whether it beneficial to implement a purchase order system certain factors should be assessed. For instance, does the current financial software have the capabilities of a purchase order system, the reorganization of personnel and overall cost.

Status:

The City has had discussions about this matter. The City auditor has implemented the use of purchase orders with one city department to determine the operational effectiveness it will have on the City' financial reporting. The effort will continue with the remaining City departments.

## **12. Overpayment to Vendor**

Prior Year Comment:

During our testing of expenditures we found that a vendor was overpaid approximately \$26,955 for contracted services associated with a building demolition project. We communicated this situation to City personnel to which they concurred. City personnel contacted the vendor and the vendor returned the monies. The City should review the above situation and implement new procedures for approval and processing of purchases. When designing and implementing new procedures several other management letter points should be taken under advisement as well

Status:

The City has reviewed it's procedures on processing expenditures. During our current audit testing we did not find any overpayment to vendors. (Completed)

### **13. Review of Investments**

Prior Year Comment:

During our audit we noted that there was no formal procedure to review the investments of the City periodically. The financial personnel of the City should review the investments periodically to see if they are in compliance with their investment policy, in compliance with legal investments for Massachusetts's municipalities and meeting the needs of the City. In today's market climate the importance of this procedure becomes essential.

Also, we noted that the City does not have a formal adopted investment policy. The City should adopt an investment policy. In this way, the responsibility of investing funds can be shared with other City officials to alleviate any interest rate pressures on the City treasurer.

Status:

The City is reviewing the situation. The City has not adopted an investment policy as of the date of the audit.

### **14. Procurement - Chapter 30 B**

Prior Year Comment:

Massachusetts General Laws Chapter 30B requires that purchases of \$5,000 to \$25,000 be supported by documentation that quotes were obtained by at least three vendors and that expenditures of \$25,000 or more be subjected to a formal bidding process. During our audit we tested the City's compliance of Chapter 30B. We noted several instances in which the procurement laws were not met. We communicate these instances with City personnel during our fieldwork.

We noted that the City has Purchasing Director position. However, we found during our testing that not all purchases are processing thru this department. We recommend that the City review the current procurement procedures and the job duties of the Purchasing Director position. Once this is completed the City should adopt procedures and policies to insure that all purchases are in accordance with the State's procurement laws.

Status:

During our current audit we tested the City's compliance with procurement laws. We again found instances where we could not find the necessary supporting documents to determine if compliance with procurement laws were met.

We again recommend that the City review its procedures and policies on compliance with procurement law.

## **15. Accounts Receivable – Veterans, Mass MoCA and Community Development Loans**

### Prior Year Comment:

The City currently has several accounts receivable that are not accounted for on the City's general ledger. The significant receivables noted during our audit were veterans, community development loans and Mass MoCA HUD Loan. To insure sound internal controls these receivables should be accounted for on the general ledger and reconciled periodically to departmental records. Also, the City should establish a procedure to review and monitor its various revenue streams to determine if receivables should be established as an internal control.

### Status:

The City Auditor has set up the receivables on the general ledger. (Completed)

## **16. Review Tax Title and Tax Foreclosure Accounts**

### Prior Year Comment:

As of June 30, 2010 the balances in the tax title and tax foreclosure accounts are approximately \$1,131,638 and \$656,303, respectively. In today's economic climate we have seen tax title and tax foreclosure accounts receivable increasing due to taxpayer's inability to pay their bills. Having a large or increasing amount of tax title receivables can have significant impact on a municipality to operate efficiently. We have been recommending that Cities and Towns implement procedures to monitor and review the tax title and tax foreclosure accounts receivable on a periodic basis.

### Status:

The City has reviewed the accounts and balance in tax title and tax foreclosure. The balances at June 30, 2011 for tax title and tax foreclosure are \$1,417,873 and \$250,680, respectively. In fiscal year 2011 the City had a foreclosure property auction which generated approximately \$100,840 in revenues for the general fund. (Completed)

## **17. Review Older Motor Vehicle Excise Levies**

### Prior Year Comment:

During our audit we noted that there is motor vehicle excise levies that go back to 1995. These levies should be researched and reconciled to the deputy collector's outstanding detailed lists. Once these levies are researched and reconciled to the deputy collector to insure accounts are marked at the Registry these amounts should be given to the assessor's office to be abated. Abating these older motor vehicle excise levies will reduce the City's receivables on the balance sheet. If any abated amount is collected, than these amounts can be recommitted at that time of collection.

### Status:

Abatements for 1995-1999 have been completed and the Collector's office is currently working on tax years 2000-2005. (Completed)

## **18. GASB Statement No. 45 – Other Post Employment Benefits (OPEB)**

### Prior Year Comment:

The city has met the requirements for implementation of GASB Statement No. 45, Accounting and Financial Reporting for Post Employment Benefits Other than Pensions. Now it is necessary for the City to understand the requirement necessary to stay in compliance with the statements. For financial reporting purposes an actuarial valuation is required at least biennially for OPEB plans with a total membership (active, retired, employees terminated who earned accumulated benefits but are not receiving them) of 200 or more.

The City last actuarial evaluation was dated June 30, 2008 used for June 30, 2009 financial statements. The City will need to have the information updated for the financial statement disclosures for fiscal year 2010 using the information and calculations from this actuarial report. The City will need a full actuarial study completed for fiscal year 2011 (July 1, 2010). The City should also perform a reconciliation of financial transactions of the City's health and life insurance costs for post employment benefits to the amounts used in the actuarial report.

Although there is no mandate that requires funding of the City's annual OPEB obligation, the City should be aware of its OPEB liability and the possible impact it could have on the City's finances.

### Status:

The City has had a full actuarial study completed for FY 2011. The City has taken under advisement the impact of GASB statement No.45 on its financial reporting. (Completed)

## **19. New Accounting and Financial Reporting Requirement for Fund Balances – GASB No. 54**

### Prior Year Comment:

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to enhance the usefulness of the fund balance information by providing clearer fund balance classifications that can be more consistently applied and to clarify the existing governmental fund type definitions. This Statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that will be made in reporting fund balance information is identifying amounts that are considered nonexpendable, such as fund balances associated with inventories. This statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Governments will also be required to classify and report amounts in the appropriate fund balances classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements will be required.

The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010 (FY 2011). Given the significance of the City's fund balance amounts, the new reporting requirement will have an impact on the City's financial statements. We recommend that the City become familiar with the new financial reporting requirement to insure that the City will be in compliance with requirements of GASB No. 54.

Status:

The City has implemented GASB Statement No. 54 in fiscal year 2011. (Completed)

**20. Establish Internal Audit Function**

Prior Year Comment:

Currently, the City does not perform regular departmental internal audits. Massachusetts General Laws provide powers and duties to the City Auditor to perform internal audit functions, including examining records of all departments responsible for receiving and expending funds. Internal audits compliment the independent audit and will provide important oversight over departmental accounting records throughout the year.

We recommend the City Auditor perform periodic internal audits of the Cities departmental records. This will result in improved oversight and should reduce the risk of errors and irregularities from occurring and going undetected.

Status:

The City has taken our recommendation under advisement and the City Auditor has begun the review several areas. These reviews will be ongoing in the future fiscal years.

**CITY OF NORTH ADAMS, MASSACHUSETTS**

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

**FISCAL YEAR ENDED JUNE 30, 2011**

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## Independent Auditor's Report

To the Honorable Mayor  
City of North Adams, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of North Adams, Massachusetts, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of North Adams, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of the North Adams Contributory Retirement System have not been audited and we were not engaged to audit the North Adams Contributory Retirement System as part of the audit of the City's basic financial statements. The North Adams Contributory Retirement System financial activities are included in the City's basic financial statements as a blended component unit in the fiduciary funds and represent 99.3 percent and 99.9 percent of the net assets and revenues, respectively, of the City's aggregate fiduciary funds.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the North Adams Contributory Retirement System's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the blended component unit for the City of North Adams, Massachusetts as of June 30, 2011 and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of North Adams, Massachusetts, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1B to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 2, 2012 on our consideration of the City of North Adams, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, appearing on pages 3 through 9, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of North Adams, Massachusetts's financial statements as a whole. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Scanlon & Associates LLC*  
Scanlon & Associates, LLC  
South Deerfield, Massachusetts

March 2, 2012

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of North Adams, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011.

### Financial Highlights

- The City's assets exceeded its liabilities by \$69,301,056 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$68,496,770 or a decrease of \$804,286 (1%).
- Total net assets are comprised of the following:
  - Capital assets, net of related debt, of \$70,363,430 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - Net assets of \$4,215,119 are restricted by constraints imposed from outside the City such as grantors, vendors, laws or regulations.
  - Unrestricted net assets of \$(5,277,493) represent a portion available to maintain the City's continuing obligations to citizens and creditors.
- At the close of the current fiscal year, the City's total governmental funds reported total ending fund balance of \$4,969,117 this year, an increase of \$2,574,724 (108%).
- The General Fund's total fund balance increased \$880,828 (73%) to \$2,091,015. The ending General fund balance is 5% of revenues and other sources and 5% of expenditures.
- Total liabilities of the City increased by \$466,334 (2%) to \$28,789,433 during the fiscal year. This was attributed to the increase in OPEB liability of \$2,775,325, a net reduction in bond anticipation notes of \$2,630,538, the issuance of \$3,643,099 in loans and bond payable and the retirement of loans and bonds for \$2,676,311, increase in compensated absences of \$63,830 and a decrease in other current liabilities of \$709,071.

### Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, airport, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, interest, and state assessments. The City does not have any functions classified as business-type activities.

**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 North Adams 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.** At the beginning of the fiscal year the City maintained one type of proprietary fund.

The *Internal service fund* is an accounting device used to accumulate and allocate costs internally among various functions. The City used the internal service fund to account for risk-financing activities related to active employees and retirees health insurance. Because these services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. The fund was closed at the end of the fiscal year when the City went to a premium based plan.

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

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

## Financial Highlights

### Statement of Net Assets Highlights

	Governmental Activities		
	2011	2010	Change
<b>Assets:</b>			
Current assets	\$ 13,265,604	\$ 14,369,623	\$ (1,104,019)
Noncurrent assets (excluding capital assets)	3,194,961	4,049,997	(855,036)
Capital assets	81,629,924	78,400,249	3,229,675
<b>Total assets</b>	<b>98,090,489</b>	<b>96,819,869</b>	<b>1,270,620</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	3,388,004	4,097,075	(709,071)
Noncurrent liabilities (excluding debt)	362,388	298,558	63,830
OPEB obligation payable	9,722,550	6,947,225	2,775,325
Current debt	2,925,380	5,137,976	(2,212,596)
Noncurrent debt	12,391,111	11,842,265	548,846
<b>Total liabilities</b>	<b>28,789,433</b>	<b>28,323,099</b>	<b>466,334</b>
<b>Net Assets:</b>			
Capital assets net of related debt	70,363,430	66,290,914	4,072,516
Restricted	4,215,119	2,915,723	1,299,396
Unrestricted	(5,277,493)	(709,867)	(4,567,626)
<b>Total net assets</b>	<b>\$ 69,301,056</b>	<b>\$ 68,496,770</b>	<b>\$ 804,286</b>

## Statement of Activities Highlights

	Governmental Activities		
	2011	2010	Change
<b>Program Revenues:</b>			
Charges for services	\$ 6,490,026	\$ 5,890,661	\$ 599,365
Operating grants and contributions	26,105,877	26,284,998	(179,121)
Capital grants and contributions	5,593,577	2,081,995	3,511,582
<b>General Revenues:</b>			
Property taxes	12,586,684	11,450,514	1,136,170
Motor vehicle and other taxes	924,183	950,872	(26,689)
Hotel room occupancy taxes	321,551	152,559	168,992
Penalties and interest on taxes	170,297	177,018	(6,721)
Nonrestricted grants	3,945,937	3,840,919	105,018
Unrestricted investment income	37,248	84,573	(47,325)
Miscellaneous	30,844	8,543	22,301
Gain on sale of tax foreclosures	100,840	54,052	46,788
<b>Total revenues</b>	<b>56,307,064</b>	<b>50,976,704</b>	<b>5,330,360</b>
<b>Expenses:</b>			
General government	3,564,764	2,675,554	889,210
Airport	147,398	31,420	115,978
Public safety	4,426,323	3,830,043	596,280
Public works	5,746,660	6,163,042	(416,382)
Education	22,601,814	22,260,502	341,312
Health and human services	763,410	648,077	115,333
Culture and recreation	1,231,589	1,255,406	(23,817)
Employee benefits and insurance	13,692,853	13,558,117	134,736
State assessments	2,665,939	2,652,068	13,871
Interest	662,028	732,073	(70,045)
<b>Total expenses</b>	<b>55,502,778</b>	<b>53,806,302</b>	<b>1,696,476</b>
<b>Change in net assets</b>	<b>804,286</b>	<b>(2,829,598)</b>	<b>3,633,884</b>
<b>Net assets - beginning of year</b>	<b>68,496,770</b>	<b>71,326,368</b>	<b>(2,829,598)</b>
<b>Net assets - end of year</b>	<b>\$ 69,301,056</b>	<b>\$ 68,496,770</b>	<b>\$ 804,286</b>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$69,301,056 at the close of FY 2011.

Net assets of \$70,363,430 reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$4,215,119 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$5,277,493) may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted governmental activities resulted in a negative balance of as a result of the accrual of the OPEB liability

obligation that is required under GASB to be recognized in the City's financial statements. The liability for OPEB as presented on the statement of net assets is \$9,722,550.

The governmental activities net assets increased by \$804,286 during current fiscal year, which reflects the general fund's results of operation.

### **Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$4,969,117 an increase of \$2,574,724 (108%) in comparison with the prior year.

Breakdown of the governmental fund balances are as follows:

- Restricted fund balance - \$3,177,566 (64%)
- Committed fund balance - \$227,599 (5%)
- Assigned fund balance - \$519,658 (10%)
- Unassigned fund balance - \$1,044,294 (21%).

At the end of the fiscal year, the General Fund reported a fund balance of \$2,091,015 increasing \$880,828 (73%) from the prior year. Of the \$2,091,015, the unassigned amount is \$1,571,357 (75%) and the assigned amount is \$519,658 (25%). General fund revenues were \$670,929 (2%) more than the prior fiscal year and expenditures decreased by \$820,401 (2%).

Increases in general fund revenues were as follows:

- Property taxes \$1,229,480 (11%)
- Excise and other taxes \$134,167 (12%)
- Charges for services – user charges \$391,118 (13%)
- Other revenues \$49,615 (159%)
- On behalf payments \$102,675 (2%).

Decreases in general fund revenues were as follows:

- Intergovernmental \$1,156,099 (6%)
- Licenses, permits and fees \$25,825 (2%)
- Interest on delinquent taxes \$6,721 (4%)
- Interest on investments \$47,481 (58%)

Increases in general fund expenditures were as follows:

- General government \$454,803 (23%)
- Public safety \$221,177 (7%)
- Health and human services \$109,266 (18%)
- State assessments \$13,871 (.52%)



Decrease in general fund expenditures was as follows:

- Public works \$525,212 (12%)
- Education \$71,173 (.43%)
- Culture and recreation \$53,837 (9%)
- Employees benefits and insurance \$404,157 (4%)
- Principal on debt service \$467,005 (21%)
- Interest on debt service \$98,134 (15%)

### ***Internal Service Funds***

The *health insurance claims fund*, presented as an internal service fund, was terminated at the end of the fiscal year. The fund was closed out at the end of the year with a balance of \$688,116.

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

The final general fund budget for fiscal year 2011 was \$40,145,520. This was an increase of \$311,980 (.78%) over the previous year's budget.

There was an increase between the original budget and the final budget of \$386,834. The increase was attributed to the City increasing the reserve account by \$90,000, the veterans services account by \$163,834, the MIS account by \$83,000 and the transfer station account by \$50,000.

There are negative variances in several of the City's estimated revenues. A major contributor to this was the economic downturn in the economy.

### ***Capital Asset and Debt Administration***

**Capital Assets.** The City's investment in capital assets for its governmental activities as of June 30, 2011 amounts to \$81,629,924.

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 included the following:

- Airport improvements \$5,327,770.
- Brownfields cleanup \$201,311.
- Armory building improvements \$310,557.
- Mohawk theatre Improvements \$37,613.
- Skating Rink Improvements \$91,813.
- Road and sidewalk improvements \$234,853
- City hall roof \$20,640.
- Public service vehicle \$24,000.
- School vehicle \$25,085
- Data center equipment \$38,448.
- Police and fire department equipment and gear \$265,226.
- School equipment \$293,004.

**Debt.** The City's governmental outstanding long-term notes and debt as of June 30, 2011, totaled \$14,595,364, of which \$12,081,364 is for municipal purpose loans and \$2,514,000 is for Intergovernmental Loan-Section 108 HUD.

The City also has bond anticipation notes outstanding as of June 30, 2011 in the amount of \$721,127.

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

***Fiscal Year 2012 Budget***

The City of North Adams 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, 2011 do not reflect the fiscal year 2012 City Council actions. The City Council meeting on June 14, 2011 authorized a fiscal year 2012 operating and capital budget as follows:

**Budget:**

Raise and Appropriate (Taxation and Estimated Revenue)	<u>\$ 35,074,495</u>
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***Requests for Information***

This financial report is designed to provide a general overview of the City of North Adams' 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, 10 Main Street, North Adams, Massachusetts, 01247.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF NORTH ADAMS, MASSACHUSETTS  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>ASSETS</b>	
CURRENT:	
Cash and Cash Equivalents	\$ 6,939,647
Investments	331,647
Receivables, net of allowance for uncollectibles:	
Property Taxes	405,858
Tax Liens	1,417,873
Excise Taxes	168,424
User Charges	417,194
Departmental	250,084
Loans	280,382
Due from Other Governments	2,803,815
Tax Foreclosures	250,680
Total current assets	13,265,604
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Loans	2,304,000
Due from Other Governments	890,961
Capital Assets, net of accumulated Depreciation	
Nondepreciable	31,079,256
Depreciable	50,550,668
Total noncurrent assets	84,824,885
<b>Total Assets</b>	<b>98,090,489</b>
<b>LIABILITIES</b>	
CURRENT:	
Warrants Payable	822,219
Accounts Payable	247,990
Accrued Payroll	1,455,607
Payroll Withholdings	171,564
Accrued Interest	257,578
Other	35,553
Compensated Absences	397,493
Bond Anticipation Note Payable	721,127
Intergovernmental - Loan Payable	210,000
Bonds Payable	1,994,253
Total current liabilities	6,313,384
NONCURRENT:	
Compensated Absences	362,388
OPEB Obligation Payable	9,722,550
Intergovernmental - Loan Payable	2,304,000
Bonds Payable	10,087,111
Total noncurrent liabilities	22,476,049
<b>Total Liabilities</b>	<b>28,789,433</b>
<b>NET ASSETS:</b>	
Invested in Capital Assets, net of related debt	70,363,430
Restricted for:	
Capital Projects	213,409
Federal & State Grants	1,459,209
Permanent Funds	437,137
Other Purposes	2,105,364
Unrestricted	(5,277,493)
<b>Total Net Assets</b>	<b>\$ 69,301,056</b>

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

**CITY OF NORTH ADAMS, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 3,564,764	\$ 401,334	\$ 1,163,042	\$ 123,987	(1,876,401)
Airport	147,398	39,587	224	5,110,825	5,003,238
Public Safety	4,426,323	522,139	617,070	-	(3,287,114)
Public Works	5,746,660	3,749,620	73,143	358,765	(1,565,132)
Education	22,601,814	1,232,192	19,099,992	-	(2,269,630)
Health and Human Services	763,410	164,410	320,922	-	(278,078)
Culture and Recreation	1,231,589	380,744	100,221	-	(750,624)
Employee Benefits and Insurance	13,692,853	-	4,463,605	-	(9,229,248)
State Assessments	2,665,939	-	-	-	(2,665,939)
Interest	662,028	-	267,658	-	(394,370)
<b>Total Primary Government</b>	<b>\$ 55,502,778</b>	<b>\$ 6,490,026</b>	<b>\$ 26,105,877</b>	<b>\$ 5,593,577</b>	<b>\$ (17,313,298)</b>
<b>General Revenues:</b>					
Property Taxes					
Motor vehicle and other taxes					12,586,684
Hotel room occupancy & Meal taxes					924,183
Penalties & Interest on Taxes					321,551
Grants & Contributions not restricted to specific programs					170,297
Unrestricted Investment Income					3,945,937
Miscellaneous					37,248
Gain on Sale of Tax Foreclosures					30,844
<b>Total General Revenues</b>					<b>18,117,584</b>
<b>Change in Net Assets</b>					<b>804,286</b>
<b>Net Assets:</b>					
Beginning of year					68,496,770
End of year					\$ 69,301,056

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

**CITY OF NORTH ADAMS, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,111,334	\$ 2,828,313	\$ 6,939,647
Investments	-	331,647	331,647
Receivables, net of allowance for uncollectibles:			
Property Taxes	405,858	-	405,858
Tax Liens	1,417,873	-	1,417,873
Excise Taxes	168,424	-	168,424
User Charges	417,194	-	417,194
Departmental	214,641	35,443	250,084
Loans	-	2,584,382	2,584,382
Due from Other Governments	1,641,957	1,693,320	3,335,277
Tax Foreclosures	250,680	-	250,680
<b>Total Assets</b>	<b>\$ 8,627,961</b>	<b>\$ 7,473,105</b>	<b>\$ 16,101,066</b>
<b>LIABILITIES AND FUND BALANCE:</b>			
<b>Liabilities:</b>			
Warrants Payable	\$ 554,797	\$ 267,422	\$ 822,219
Accounts Payable	18,531	229,459	247,990
Accrued Payroll	1,436,100	19,507	1,455,607
Employee Withholdings	171,564	-	171,564
Other	35,553	-	35,553
Deferred Revenue:			
Property Taxes	348,958	-	348,958
Other	3,971,443	3,357,488	7,328,931
Bond Anticipation Note Payable	-	721,127	721,127
<b>Total Liabilities</b>	<b>6,536,946</b>	<b>4,595,003</b>	<b>11,131,949</b>
<b>Fund Balance:</b>			
Restricted	-	3,177,566	3,177,566
Committed	-	227,599	227,599
Assigned	519,658	-	519,658
Unassigned	1,571,357	(527,063)	1,044,294
<b>Total Fund Balance</b>	<b>2,091,015</b>	<b>2,878,102</b>	<b>4,969,117</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 8,627,961</b>	<b>\$ 7,473,105</b>	<b>\$ 16,101,066</b>

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

**CITY OF NORTH ADAMS, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property Taxes	\$ 12,645,503	\$ -	\$ 12,645,503
Intergovernmental	18,391,741	13,292,050	31,683,791
Excise and Other Taxes	1,254,012	-	1,254,012
Charges for Services - User Charges	3,433,624	1,250,998	4,684,622
Licenses, Permits, Fees	1,608,968	-	1,608,968
Other	80,762	194,784	275,546
Interest on Delinquent Taxes	170,297	-	170,297
Interest on Investments	33,827	46,096	79,923
Intergovernmental - "On-behalf" Payments	4,317,089	-	4,317,089
<b>Total Revenues</b>	<b>41,935,823</b>	<b>14,783,928</b>	<b>56,719,751</b>
<b>Expenditures:</b>			
Current:			
General Government	2,403,082	1,570,090	3,973,172
Airport	-	5,353,698	5,353,698
Public Safety	3,505,114	885,457	4,390,571
Public Works	3,883,735	330,171	4,213,906
Education	16,308,399	5,659,714	21,968,113
Health and Human Services	714,590	48,820	763,410
Culture and Recreation	541,213	419,750	960,963
Employee Benefits and Insurance	10,210,991	15,000	10,225,991
State Assessments	2,665,939	-	2,665,939
Debt Service:			
Principal	1,759,645	210,000	1,969,645
Interest	552,652	134,240	686,892
<b>Total Expenditures</b>	<b>42,545,360</b>	<b>14,626,940</b>	<b>57,172,300</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(609,537)</b>	<b>156,988</b>	<b>(452,549)</b>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	1,389,525	-	1,389,525
Operating Transfers Out	-	(1,389,525)	(1,389,525)
Sale of Tax Foreclosure Property	100,840	-	100,840
Proceeds from Bonds and Notes	-	2,926,433	2,926,433
<b>Total Other Financing Sources (Uses)</b>	<b>1,490,365</b>	<b>1,536,908</b>	<b>3,027,273</b>
<b>Net Change in Fund Balances</b>	<b>880,828</b>	<b>1,693,896</b>	<b>2,574,724</b>
<b>Fund Balances, Beginning of Year</b>	<b>1,210,187</b>	<b>1,184,206</b>	<b>2,394,393</b>
<b>Fund Balances, End of Year</b>	<b>\$ 2,091,015</b>	<b>\$ 2,878,102</b>	<b>\$ 4,969,117</b>

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

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Assets**  
**For the Year Ended June 30, 2011**

<b>Total Governmental Fund Balances</b>		\$	4,969,117
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			81,629,924
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			8,037,388
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:			
Bonds Payable	\$	(12,081,364)	
Intergovernmental Loan Payable		(2,514,000)	
Other Post Employment Benefits Payable		(9,722,550)	
Compensated Absences		(759,881)	(25,077,795)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			(257,578)
<b>Net Assets of Governmental Activities</b>		<b>\$</b>	<b>69,301,056</b>

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



**CITY OF NORTH ADAMS, 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, 2011**

**Net Change in Fund Balances - Total Governmental Funds** \$ 2,574,724

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:

Capital Outlay Purchases	\$ 6,870,321	
Depreciation	<u>(3,640,646)</u>	3,229,675

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

(516,948)

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

Repayment of Debt Principal	1,969,645	
Net Loss on Refunding	(10,000)	
Proceeds from Bonds and Notes	<u>(2,926,433)</u>	(966,788)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Net Change in Compensated Absences	(87,800)	
Net Change in Other Post Employment Benefits	(2,775,325)	
Net Change in Accrued Interest on Long-Term Debt	<u>34,864</u>	(2,828,261)

Internal Service funds are used by management to account for Health Insurance activities.

The net activity of Internal Service Funds is reported with Governmental Activities	<u>(688,116)</u>	
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**Change in Net Assets of Governmental Activities** \$ 804,286

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

**CITY OF NORTH ADAMS, MASSACHUSETTS  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGETARY BASIS - (NON-GAAP) -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis		
<b>Revenues:</b>					
Property Taxes	\$ 13,744,096	\$ 12,652,096	\$ 12,639,803	\$ -	\$ (12,293)
Intergovernmental	18,801,009	18,801,009	18,391,741	-	(409,268)
Excise and Other Taxes	1,240,000	1,240,000	1,254,012	-	14,012
Charges for Services - User Charges	3,895,000	3,895,000	3,433,624	-	(461,376)
Licenses, Permits, Fees	1,392,000	1,392,000	1,608,968	-	216,968
Other	133,379	133,379	80,762	-	(52,617)
Interest on Delinquent Taxes	110,000	110,000	170,297	-	60,297
Interest on Investments	50,000	50,000	31,199	-	(18,801)
<b>Total Revenues</b>	<b>39,365,484</b>	<b>38,273,484</b>	<b>37,610,406</b>	<b>-</b>	<b>(663,078)</b>
<b>Expenditures:</b>					
Current:					
General Government	2,406,839	2,506,158	2,403,082	35,511	67,565
Public Safety	3,078,801	3,525,135	3,505,114	2,803	17,218
Public Works	4,032,433	3,965,969	3,883,735	37,100	45,134
Education	17,006,326	16,769,277	16,308,399	443,744	17,134
Health and Human Services	570,604	738,601	714,590	-	24,011
Culture and Recreation	623,158	567,809	541,213	500	26,096
Employee Benefits and Insurance	6,705,014	6,737,060	5,981,921	-	755,139
State Assessments	2,864,919	2,864,919	2,665,939	-	198,980
Debt Service:					
Principal	1,719,413	1,719,413	1,719,413	-	-
Interest	751,179	751,179	504,865	-	246,314
<b>Total Expenditures</b>	<b>39,758,686</b>	<b>40,145,520</b>	<b>38,228,271</b>	<b>519,658</b>	<b>1,397,591</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(393,202)</b>	<b>(1,872,036)</b>	<b>(617,865)</b>	<b>(519,658)</b>	<b>734,513</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Out)	-	1,315,000	1,389,525	-	74,525
Sale of Tax Foreclosure Property	-	-	100,840	-	100,840
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>1,315,000</b>	<b>1,490,365</b>	<b>-</b>	<b>175,365</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(393,202)</b>	<b>(557,036)</b>	<b>872,500</b>	<b>(519,658)</b>	<b>909,878</b>
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>845,627</b>	<b>845,627</b>	<b>845,627</b>	<b>-</b>	<b>-</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 452,425</b>	<b>\$ 288,591</b>	<b>\$ 1,718,127</b>	<b>\$ (519,658)</b>	<b>\$ 909,878</b>

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

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**Reconciliation of Revenues and Expenditures**  
**from Budgetary Basis to GAAP Basis**  
**For the Year Ended June 30, 2011**

	<b>Revenues</b>	<b>Expenditures</b>
<b>Reported on a Budgetary Basis</b>	<b>\$ 37,610,406</b>	<b>\$ 38,228,271</b>
<i>Adjustments:</i>		
Activity for Stabilization Fund Recorded in the General Fund for GAAP Purposes	2,628	-
Recognition of Intergovernmental Revenue - "on behalf payments"	4,317,089	-
Recognition of Expenditures - "on behalf payments"	-	4,317,089
Net Increase in Revenue from Recording 60-Day Receipts	5,700	-
<b>Reported on a GAAP Basis</b>	<b>\$ 41,935,823</b>	<b>\$ 42,545,360</b>

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

**CITY OF NORTH ADAMS, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND  
 AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Governmental Activities - Internal Service Fund</u>
<b>Operating Revenues:</b>	
Other	\$ 41,448
<b>Total Operating Revenues</b>	<u>41,448</u>
<b>Operating Expenses:</b>	
Employee Benefits & Insurance	<u>732,985</u>
<b>Total Operating Expenses</b>	<u>732,985</u>
<b>Operating Income (Loss)</b>	<u>(691,537)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Interest Income	<u>3,421</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>3,421</u>
<b>Change in Net Assets</b>	(688,116)
<b>Net Assets at Beginning of Year</b>	<u>688,116</u>
<b>Net Assets at End of Year</b>	<u>\$ -</u>

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

**CITY OF NORTH ADAMS, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Governmental Activities - Internal Service Fund</u>
<b>Cash Flows From Operating Activities:</b>	
Receipts from Interfund Services Provided	\$ -
Receipts from Other Revenues	197,597
Payments for Health Claims and Insurance	<u>(1,057,397)</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>(859,800)</u>
<b>Cash Flows from Investing Activities:</b>	
Investment Income	<u>3,421</u>
<b>Net Cash Provided by (Used for) Investing Activities</b>	<u>3,421</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(856,379)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>856,379</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ -</u></u>

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

Operating Income (Loss)	\$ (691,537)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>	
Change in Assets and Liabilities:	
Increase (Decrease) in Accrued Claims	(324,412)
Decrease (Increase) in Other Accounts Receivable	<u>156,149</u>
<b>Total Adjustments</b>	<u>(168,263)</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u><u>\$ (859,800)</u></u>

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

**CITY OF NORTH ADAMS, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2011**

	(UNAUDITED)		
	North Adams Employees Retirement System Pension Trust Fund		
	Private Purpose Trust Funds	Agency Funds	
	(as of December 31, 2010)		
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 111,561	\$ 278,623	\$ 1,030,001
Investments	40,517,252	-	-
Accrued Interest and Dividends	98,991	-	-
Accounts Receivable	91,785	-	-
<b>Total Assets</b>	<b>40,819,589</b>	<b>278,623</b>	<b>1,030,001</b>
<b>LIABILITIES</b>			
Warrants Payable	482,528	-	11,668
Due to Others	-	-	7,716
Due to Student Groups	-	-	101,453
Refunding Ecsrow	-	-	900,000
Deposits and Escrows	-	-	9,164
<b>Total Liabilities</b>	<b>482,528</b>	<b>-</b>	<b>1,030,001</b>
<b>NET ASSETS:</b>			
Held in Trust for Pension Benefits and Other Purposes	\$ 40,337,061	\$ 278,623	\$ -

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

**CITY OF NORTH ADAMS, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011**

	(UNAUDITED)	
	North Adams Employees Retirement System Pension Trust Fund (as of December 31, 2010)	Private Purpose Trust Funds
<b>Additions</b>		
Contributions:		
Employers	\$ 2,300,187	\$ -
Plan Members	967,116	-
Transfers/Reimbursements from Other Systems	62,383	-
Commonwealth of Massachusetts - COLA	117,100	-
Private Donations	-	606
<b>Total Contributions</b>	<u>3,446,786</u>	<u>606</u>
Investment Income:		
Interest & Dividends	1,115,775	3,421
Net Change in Fair Value of Investments	3,569,330	-
<b>Total Investment Earnings</b>	<u>4,685,105</u>	<u>3,421</u>
Less Investment Expense	(197,310)	-
<b>Net Investment Earnings</b>	<u>4,487,795</u>	<u>3,421</u>
<b>Total Additions</b>	<u>7,934,581</u>	<u>4,027</u>
<b>Deductions:</b>		
Benefit Payments to Plan Members and Beneficiaries	3,776,617	-
Refunds to Members	125,968	-
Transfers to Other Systems	244,930	-
Educational Scholarships	-	2,166
General Expenses	88,259	-
<b>Total Deductions</b>	<u>4,235,774</u>	<u>2,166</u>
<b>Change in Net Assets</b>	<u>3,698,807</u>	<u>1,861</u>
<b>Net Assets at Beginning of Year</b>	<u>36,638,254</u>	<u>276,762</u>
<b>Net Assets at End of Year</b>	<u>\$ 40,337,061</u>	<u>\$ 278,623</u>

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

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of North Adams, Massachusetts was created under the laws of the State of Massachusetts in 1895. The City operates under an elected Mayor and nine member Council form of government.

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 North Adams Contributory Retirement System (the System)*** was established to provide retirement benefits to City employees, and their beneficiaries. The System is governed by a five-member board comprised of two members elected by the System's participants, two member appointed by the governing authority and one member appointed by the other 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 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 85 Main Street, North Adams, Massachusetts, 01247.

The City is responsible for electing/appointing the governing board and/or committee members of the North Adams Housing Authority, Northern Berkshire Vocational Regional School and Hoosac Water Quality District. These related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond the City electing/appointing the board and/or committee members and not does not have oversight responsibility. Audited financial statements are available from the respective organization. A description of the related organizations are as follows:

***North Adams 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.

***Northern Berkshire Vocational Regional School District*** - A regional school district made up of seven communities to serve and provide a learning environment in specific career areas. The regional school district is a separate entity under the Commonwealth of Massachusetts. The City elects four district committee members and appoints one member from the City's school committee for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the City.

***Hoosac Water Quality District*** - A regional district for the purpose of building, maintaining and operating a system of sewerage collection and disposal system for the City of North Adams, Town of Williamstown and Town of Clarksburg. The District is administered by the District Commission, which is composed of four members, two of which are appointed by the North Adams City



**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

Council. The district is responsible for the operating and capital costs related to the district and operates independently from the City.

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

**B. Implementation of New Accounting Principle**

In fiscal year 2011, the City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the City is bound to honor constraints on specific purposes for which amounts in the funds may be spent. Application of the Statement requires the City to classify and report amounts in the appropriate fund balance classifications. The City's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned or unassigned.

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

**Government-wide financial statements**

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

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

**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 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 the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net assets and the change in net assets.

*Major Fund Criteria:*

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

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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

*and,*

If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for both governmental and enterprise 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.

Internal service funds and fiduciary funds are reported by fund type.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. 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 government 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 fund:

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 proprietary fund:

The *internal service fund* is used to account for the activity in the health insurance fund.

At the end of the fiscal year the City changed to a premium based plan. As a result the proprietary fund does not exist at the end of the fiscal year.

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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

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

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

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 funds types:

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

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

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings may be used for purposes that support the governmental programs.

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are employer and employee contributions and stop-loss insurance proceeds. Operating expenses for the internal service fund include the cost of health insurance claims, administrative expenses and stop-loss insurance. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**E. 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).

**F. Investments**

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

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

All investments are carried at market value.

**G. 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, 2010 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

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

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 2011 on June 30, 2010 that were due on August 2, 2010 and November 1, 2010 and actual bills on December 28, 2010 that were due on February 1, 2011 and May 2, 2011.

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 2011 is \$12,854,941. The total amount raised by taxation was \$12,854,165.

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

***Excise Taxes***

Excise taxes consist of motor vehicle excise. Motor vehicle excise taxes are assessed annually for each vehicle 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 tax calculation is the fair market value of the vehicle multiplied by the \$25 per \$1,000 of valuation.

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

***User Charges***

User charges primarily consist of water and sewer. The user charges are billed monthly for commercial accounts and billed quarterly for residential accounts. The bills are based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water liens are processed each year and are included as a lien on the property owner's tax bill.

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

***Departmental***

Departmental receivables consist primarily of parking tickets, landfill fees, demolition liens, rents, trash bags for outside vendors, police outside duty and other miscellaneous departmental billings.

The allowance for uncollectible accounts is estimated based upon 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.

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

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

***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.

**H. Capital Assets**

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

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

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

<b>Capital Asset Type</b>	<b>Years</b>
Buildings and improvements	10-40
Machinery, equipment and vehicles	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.

**I. 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 activities.

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.

**J. Deferred Revenue**

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

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

**K. Net Assets and Fund Balances**

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

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

Net assets have been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

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

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

"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 and can be modified or rescinded only by vote of the City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit.

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

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

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

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**L. Long-term Debt**

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

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

**M. 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 their current rates of pay. The Liability for compensated absences is reported in the government-wide statements.

**N. Use of Estimates**

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

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

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

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1<sup>st</sup> 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 available funds may be appropriated by City Council vote.

Massachusetts law requires cities and towns to provide 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 . . . "



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For fiscal year 2011, the City incurred a final budget deficit of \$557,036 for the General Fund.

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

Free cash	\$	163,833
Prior year appropriation		90,000
Prior year's encumbrances		303,203
		557,036
		557,036

**B. Deficit Fund Balance**

The following funds had a deficit at June 30, 2011 as measured by the balances of unreserved fund balance:

Capital project funds have a total deficit of \$527,063. The deficit will be eliminated upon the issuance of permanent debt and the receipt of grants.

**3. DETAILED NOTES**

**A. Deposits and Investments**

**Custodial Credit Risks – Deposits**

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, 2011 were \$8,901,214. Of these, \$1,064,831 were exposed to custodial credit risk as uninsured and uncollateralized.

**Investment Policies**

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, 2011, the City had the following investments and maturities:

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Investment Type	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. Governmental agencies	\$ 19,897	\$ -	\$ 19,897
Money market mutual fund	130,042	130,042	-
	149,939	\$ 130,042	\$ 19,897
Other Investments:			
Equity securities - domestic	150,977		
Equity Mutual Funds	30,731		
	<u>\$ 331,647</u>		

**Custodial Credit Risks - Investments**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's \$331,647 in investments, the government has a custodial credit risk exposure because the related securities are uninsured, unregistered and held by the City's brokerage firm, which is also the Counterparty to these securities. The City has no policy on custodial credit risk.

**Interest Rate Risk**

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

**Credit Risk**

The City's exposure to credit risk as of June 30, 2011 is as follows:

Related Debt Instruments	Fair Value	Moody's Quality Ratings	
		Aaa	Not Rated
Debt Securities:			
U. S. government agencies	\$ 19,897	\$ 19,897	\$ -
Money market mutual fund	130,042	-	130,042
	<u>\$ 149,939</u>	<u>\$ 19,897</u>	<u>\$ 130,042</u>

**Concentration of Credit Risk**

The City places no limit on the amount the City may invest in one issuer. More than 5 percent of the Town's investments are Federal Home Loan Bank amounting to 6.00% of the City's total investments.

**B. Receivables**

At June 30, 2011, receivables for the individual major governmental funds, non-major governmental funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

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	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 424,785	\$ (18,927)	\$ 405,858
Tax liens	1,417,873	-	1,417,873
Excise taxes	214,424	(46,000)	168,424
User Charges	417,194	-	417,194
Departmental	250,084	-	250,084
Loans	2,584,382	-	2,584,382
Due from other governments	3,335,277	-	3,335,277
Tax Foreclosures	250,680	-	250,680
	<u>\$ 8,894,699</u>	<u>\$ (64,927)</u>	<u>\$ 8,829,772</u>

The composition of amounts due from other governments as of June 30, 2011 for governmental funds is as follows:

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**General Fund:**

**Commonwealth of Massachusetts -**

**Massachusetts Emergency Management Agency:**

Severe winter storm and flood \$ 57,028

**Department of Veteran Services:**

Veterans benefits 339,032

**McCann Transportation:**

Reimbursement 15,281

**Massachusetts School Building Authority:**

School Building Assistance 1,230,616 \$ 1,641,957

**Nonmajor Governmental Funds:**

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

School lunch 42,779

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

School title grants 144,823

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

Western Region Homeland Security Advisory Council 1,975

**U. S. Department of Housing & Urban Development -**

Community Development Block Grant and special projects 234,474

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

Public safety grants 33,093

**Commonwealth of Massachusetts -**

**Massachusetts Department of Elementary &**

**Secondary Education:**

School lunch 580

School grants 6,459

**Executive Office of Public Safety and Homeland Security:**

Emergency 911 grant 142,660

Safer grant 19,672

Hazardous materials grant 696

**Division of Energy Resources:**

Energy ARRA grant 28,315

**Massachusetts School Building Authority:**

Feasibility study 9,877

**Massachusetts Highway Department:**

Chapter 90 highway funds 1,017,477

**Other Municipalities and Institutions**

10,440 1,693,320

\$ 3,335,277

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

The balance of the general fund deferred revenues account is equal to all of June 30, 2011 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections. The amount accrued for 60-day receipts for property taxes is \$56,900.

Deferred revenue reported in the governmental funds were as follows:

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**General Fund:**

Tax Liens	\$ 1,417,873	
Excise Taxes	168,424	
User Charges	417,194	
Departmental	214,641	
Due from other governments	1,502,631	
Tax Foreclosures	250,680	3,971,443

**Nonmajor Governmental Funds:**

Loans	2,584,382	
Due from other governments	773,106	3,357,488
		<u>\$ 7,328,931</u>

**C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

**Governmental Activities**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 18,178,983	\$ -	\$ -	\$ 18,178,983
Construction in progress	7,022,005	5,878,268	-	12,900,273
Total capital assets not being depreciated	25,200,988	5,878,268	-	31,079,256
Capital assets being depreciated:				
Buildings and improvements	60,339,239	51,148	-	60,390,387
Machinery, equipment and vehicles	6,954,704	706,051	-	7,660,755
Infrastructure	38,368,642	234,853	-	38,603,495
Total capital assets being depreciated	105,662,585	992,052	-	106,654,637
Less accumulated depreciation for:				
Buildings	25,831,126	1,883,996	-	27,715,122
Machinery, equipment and other	4,984,251	561,214	-	5,545,465
Infrastructure	21,647,947	1,195,435	-	22,843,382
Total accumulated depreciation	52,463,324	3,640,645	-	56,103,969
Total capital assets being depreciated, net	53,199,261	(2,648,593)	-	50,550,668
Total governmental activities capital assets, net	<u>\$ 78,400,249</u>	<u>\$ 3,229,675</u>	<u>\$ -</u>	<u>\$ 81,629,924</u>

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

**Governmental Activities:**

General government	\$ 287,377
Public safety	285,840
Public works	1,904,767
Education	892,035
Culture and recreation	270,626
Total depreciation expense - governmental activities	<u>\$ 3,640,645</u>

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

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

Transfers Out:	Transfers In: General Fund
Nonmajor governmental funds	\$ 1,389,525

**E. Short-Term Financing**

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

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

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2010	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2011
<b>Bond anticipation notes:</b>						
Municipal purpose	1.72%	07/09/10	\$ 833,332	\$ -	\$ 833,332	\$ -
Municipal purpose	1.20%	06/24/11	2,518,333	-	2,518,333	-
Athletic fields	1.20%	07/08/11	-	183,332	-	183,332
Municipal purpose	1.09%	06/22/12	-	537,795	-	537,795
			\$ 3,351,665	\$ 721,127	\$ 3,351,665	\$ 721,127

**F. Long Term Debt**

**General Obligation Bonds**

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

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

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	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2011
<b>General Obligation Bonds:</b>					
<b>Inside Debt Limit:</b>					
Streets and Sidewalks	4.10-6.50%	03/01/99	09/01/18	2,125,000	\$ 110,000
Streets and Sidewalks	2.00-3.00%	06/15/11	09/01/18	900,000	900,000
Greylock and Sullivan Roof	4.50-6.00%	12/01/07	09/15/07	673,000	460,000
Library	2.50%	07/09/10	07/09/13	466,666	466,666
Municipal Purpose Loan of 2011	2.00-4.00%	06/15/11	06/15/23	2,276,433	2,276,433
<b>Outside Debt Limit:</b>					
Drury High School	4.50-5.00%	09/15/06	09/25/11	615,000	125,000
Inflow/Outflow Infiltration (1)	2.00%	02/01/06	08/01/23	360,907	283,269
Brayton Elementary School	4.30-6.25%	03/01/93	03/01/13	12,192,000	1,200,000
Landfill Closing (1)	1.73%	11/01/98	08/01/18	2,253,000	1,006,600
Water	4.00-5.00%	07/01/07	07/01/18	6,115,000	5,075,000
Water Infiltration (1)	2.70%	02/01/02	02/01/17	495,789	178,396
<b>Total Bonds Payable</b>					<u>12,081,364</u>
MASS MoCA - Section 108 HUD (2)	4.48%	08/07/03	08/01/22	3,774,000	<u>2,514,000</u>
<b>Total Governmental Type Debt</b>					<u>\$ 14,595,364</u>

- (1) Bonds were issued through Massachusetts Water Pollution Abatement Trust - Portion of Principal and Interest subsidized by Trust
- (2) Bonds were issued through U.S. Department of Housing and Urban Development. Principal and Interest are reimbursed by a loan receivable from Massachusetts Museum of Contemporary Art, Inc.

**Future Debt Service**

The annual principal and interest payments to retire all general obligation long-term debt and intergovernmental loan outstanding as of June 30, 2011 are as follows:

**Governmental Type Activities**

Year	Principal	Interest	Total
2012	\$ 2,204,253	\$ 627,613	\$ 2,831,866
2013	2,035,676	587,951	2,623,627
2014	1,509,052	440,278	1,949,330
2015	1,386,321	380,728	1,767,049
2016	1,416,247	316,932	1,733,179
2017-2021	5,240,482	674,366	5,914,848
2022-2024	803,333	45,813	849,146
	<u>\$ 14,595,364</u>	<u>\$ 3,073,681</u>	<u>\$ 17,669,045</u>

The City is scheduled to be subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$305,381 and interest costs of \$253,921 for three loans which the City has borrowed from MWPAT. The gross amount outstanding at June 30, 2011 for principal and interest combined for the three loans is \$1,848,259. The net repayments, including interest, are scheduled to be \$1,288,957. The principal subsidies are guaranteed and therefore a \$305,381

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intergovernmental receivable has been reported in the government-wide financial statements. 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 2011 principal and interest subsidies totaled \$47,787 and \$40,232, respectively.

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2011 approximately \$659,939 of such assistance was received. Approximately \$1,319,878 will be received in future fiscal years. Of this amount, approximately \$89,262 represents reimbursement of long-term interest costs, and approximately \$1,230,616 represents reimbursement of approved construction costs. Accordingly, \$1,230,616 intergovernmental receivable and corresponding deferred revenue have been reported in governmental fund financial statements

At June 30, 2011 the City carried \$2,514,000 of debt, issued in prior fiscal years, under the United States Department of Housing and Urban Development (HUD) section 108 Loan Guarantee Program. The purpose of the program is to enable local governments to provide financing to urban renewal projects operated by either the government or third party developers. Debt issued under this program is secured by future entitlement allocations to the City under HUD's community Development Block Grant (CDBG) program. The loan proceeds from this program was used for the MASS MoCA project. Debt outstanding at the fiscal year-end is reported as intergovernmental loan payable on the Statement of Net Assets. Additionally, a receivable from the Massachusetts Museum of Contemporary Art, Inc. has been set up on the City's financial statements of which the proceeds are used to pay this loan obligation. Amounts received on the receivable and payments made on the loan are reported in the Community Development program income fund.

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

	<b>Balance</b>			<b>Balance</b>	<b>Amounts Due</b>
	<b>June 30, 2010</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2011</b>	<b>within One</b>
					<b>Year</b>
<b>Governmental activities:</b>					
<b>Bond Payable:</b>					
General obligation bonds	\$ 10,904,576	\$ 3,643,099	\$ 2,466,311	\$ 12,081,364	\$ 1,994,253
Intergovernmental loan - section 108	2,724,000	-	210,000	2,514,000	210,000
Compensated absences	672,081	113,341	25,541	759,881	397,493
OPEB obligation	6,947,225	2,775,325	-	9,722,550	-
Governmental activity					
Long-term liabilities	<u>\$ 21,247,882</u>	<u>\$ 6,531,765</u>	<u>\$ 2,701,852</u>	<u>\$ 25,077,795</u>	<u>\$ 2,601,746</u>

**Advance Refunding – June 15, 2011**

On June 15, 2011, the City issued \$900,000 of general obligation refunding bonds with an average interest rate of 2.23 percent to advance refund \$890,000 of outstanding bonds with an average interest rate of 6.38 percent. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general obligation long-term debt account group. The advance refunding resulted in an economic gain of \$62,118.



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**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, 2011, totaled \$4,213,000.

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 City's outside debt at June 30, 2011, totaled \$10,382,265.

The following is a computation of the legal debt limit as of June 30, 2011:

Equalized Valuation-Real Estate and Personal Property (2010)		\$	758,305,300
Debt Limit: 5 % of Equalized value		\$	37,915,265
Total Debt Outstanding:			
Governmental Activity Debt	\$	14,595,364	
Less: Debt Outside Debt Limit		(10,382,265)	4,213,099
Inside Debt Excess Borrowing Capacity at June 30, 2011		\$	33,702,166

**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.

Loan authorizations that have not been issued as of June 30, 2011 and are not reflected in the City's financial statements are as follows:

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Description	Date of Council meeting	Amount
Library	07/12/89	\$ 40,000
Streets and sidewalks	12/01/97	5,000
DHS renovation	12/01/02	1,385,000
Purchase of equipment	05/24/04	160,329
Streets and sidewalks	06/08/04	275,000
Elementary school	06/12/90	625
Streets and sidewalks	05/08/04	60,300
Inflow and infiltration evaluation	05/14/96	4,211
Inflow and infiltration evaluation	06/26/02	34,502
Library	06/14/05	150,000
Airport easements	03/15/06	820,000
Streets and sidewalks	06/28/06	315,000
Feasibility study	10/28/09	602,406
Improvements at the Harriman and West Airport	09/28/10	318,771
Improvements at Windsor Lake and Valley campground	10/12/10	110,699
		<u>\$ 4,281,843</u>

**Overlapping Debt**

The City pays assessments which includes debt service payments to other local governmental units providing services within the City's boundaries (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of the governmental unit, the estimated share of such debt being serviced by the City and the total of its share of estimated indirect debt.

	Long Term Debt Outstanding	City's Estimated Share	City's Estimated Indirect Debt
Northern Berkshire Vocational Tech School District	\$ 660,937	35%	\$ 228,684
Hoosac Water Quality District	7,443,293	55%	4,112,122
			<u>\$ 4,340,806</u>

**G. Fund Balances**

The following is a summary of the Governmental Fund balances of the City at the year ended June 30, 2011:

**CITY OF NORTH ADAMS, MASSACHUSETTS  
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	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Restricted:</b>			
Federal, state and local grants	\$ -	\$ 615,721	\$ 615,721
School revolving funds	-	1,376,079	1,376,079
Gifts and donations	-	205,143	205,143
Permanent funds	-	437,137	437,137
Capital projects	-	19,345	19,345
Other	-	524,141	524,141
	-	<u>3,177,566</u>	<u>3,177,566</u>
<b>Committed:</b>			
Parking meters and permits	-	112,302	112,302
Landfill/transfer station	-	115,297	115,297
	-	<u>227,599</u>	<u>227,599</u>
<b>Assigned:</b>			
General government	35,511	-	35,511
Public safety	2,803	-	2,803
Public works	37,100	-	37,100
Education	443,744	-	443,744
Culture and recreation	500	-	500
	<u>519,658</u>	-	<u>519,658</u>
Unassigned:	1,571,357	-	1,571,357
<b>Deficits:</b>			
Capital project funds	-	(527,063)	(527,063)
	<u>1,571,357</u>	<u>(527,063)</u>	<u>1,044,294</u>
<b>Total Governmental fund balances</b>	<b>\$ 2,091,015</b>	<b>\$ 2,878,102</b>	<b>\$ 4,969,117</b>

**H. Stabilization Fund**

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

At June 30, 2011 the balance in the stabilization fund is \$315,989 and is reported in the General Fund as unassigned fund balance.

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**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.

Changes in the reported liability since June 30, 2010 resulted from the following:

	<b>Healthcare claims</b>
Liability at beginning of fiscal year	\$ 324,412
Claims incurred for current fiscal year and changes in provisions for prior year	-
Claims paid for current fiscal year	(324,412)
Liability at ending of fiscal year	\$ -

At June 30, 2011 the City has adopted a premium based system.

**B. Contingent Liabilities**

**Litigation**

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2011. The outcome of lawsuits is not expected to materially affect the financial condition of the City.

**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 any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the City.

**C. Landfill Closure and Post-Closure Care Costs**

State and federal laws and regulations require that the City of North Adams 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 in November 1992 based upon 100% usage (filled) and has since been capped. Substantially all of the costs for closure have been paid as of June 30, 2001. Post-closure care is to be substantially performed by City employees in the normal course of their duties. Any additional or marginal costs for post-closure care have not been determined; however, such costs are

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**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

expected to be immaterial, and accordingly, no accrual has been provided for post-closure care costs as of the beginning or ending of the Fiscal Year. The actual cost of closure and post-closure care may be higher due to inflation, changes in technology, changes in estimates, or changes in landfill regulations.

**D. Other Post Employment Benefits Payable**

**GASB Statement No. 45**

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

**Plan Description**

-The City provides a variety of plans offered by Commonwealth Indemnity Plan Basic with CIC (Comprehensive), Fallon and Health New England for non-Medicare retirees.

-The City provides a variety of plans offered by Network Blue New England, Network Blue New England Enhance, Blue Cross New England Plan 2 and Medex 3 for non-Medicare actives and retirees.

-The City covers 75% of the health insurance premiums and 60% for \$5,000 retiree life insurance benefit.

-The City's teachers upon retirement participate in the Commonwealth Group Insurance Commission (GIC).

The number of participants as of July 1, 2010 follows:

Active members	322
Retirees	<u>377</u>
Total	<u><u>699</u></u>

**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 2011 fiscal year, total City premiums plus implicit costs for the retiree medical program are \$2,833,528.

**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:

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**June 30, 2011**

Normal Cost	\$ 5,559,419
Interest on net OPEB obligation	329,993
Amortization of unfunded actuarial accrued liability	<u>(280,559)</u>
Annual OPEB cost (expense)	5,608,853
Contributions made during the fiscal year	<u>(2,833,528)</u>
Increase in net OPEB obligation	2,775,325
Net OPEB Obligation - beginning of year	6,947,225
Net OPEB Obligation - end of year	<u><u>\$ 9,722,550</u></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 2011 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/09	\$ 6,218,205	43.73%	\$ 3,498,944
06/30/10	6,540,365	47.28%	6,947,225
06/30/11	5,608,853	50.50%	9,722,550

**Funded Status and Funding Process**

As of June 30, 2010, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$88,346,956, and the actuarial value of assets was 0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$88,346,956. The covered payroll (annual payroll of active employees covered by the plan) was not available, and the ratio of the UAAL to the covered payroll was 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.

**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 June 30, 2010, used the projected unit credit method. The OPEB liability is currently unfunded and the actuarial assumptions include a 4.75%, pay-as-you-go scenario for the investment rate of return, a 3.5% inflation rate and a trend rate of 10% for the current fiscal year decreasing by 0.75% for 6 years and by 0.50% for 1 year to an ultimate level of 5.00% per year. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at June 30, 2011 is 27 years.

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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011**

**E. Pension Plan**

**Plan Description**

The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the North Adams Contributory Retirement Board. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of Commonwealth of Massachusetts Teachers' Retirement System to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers' Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$4,317,089 for the fiscal year ending June 30, 2011, and, accordingly, are reported in the general fund as intergovernmental revenues and employee benefit expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987, and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the North Adams Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 85 Main Street, North Adams, Massachusetts 01247.

At December 31, 2010, the System's membership consists of the following:

Active Members	375
Retired Members, Beneficiaries and Survivors	216
	591
	591

**Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the employers required the City to contribute 98% of the total. Chapter 32B of the Massachusetts General Laws governs the contributions of plan members and the City.

The City's contribution to the System for the fiscal years ended June 30, 2011, 2010 and 2009 is shown below, which equaled its required contribution for each fiscal year.

<b>Year Ended June 30</b>	<b>City's Contribution</b>
2011	\$ 2,027,942
2010	\$ 1,965,049
2009	\$ 1,881,242

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

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**June 30, 2011**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Vale of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/11	\$ 41,029,431	\$ 60,459,413	\$ 19,429,982	67.9%	\$ 10,388,467	187.0%
01/01/09	38,262,875	56,836,816	18,573,941	67.3%	9,877,348	188.0%
01/01/07	35,448,787	52,841,995	17,393,208	67.1%	9,347,575	186.1%

The required information presented above was determined as part of the actuarial valuations at the dates indicated. The last actuarial valuation was prepared by the Public Employee Retirement Administration Commission as of January 1, 2011. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.0 % a year compounded annually, (b) projected salary, including longevity, increases of 4.75%, 5.00% and 5.25% for groups 1, 2 and 4 respectively, a year per member.

The total unfunded actuarial liability applicable to the City's employees at January 1, 2011 is as follows:

Actives	\$ 26,308,922
Retirees and inactives	34,150,491
Total actuarial liability	\$ 60,459,413
Assets	41,029,431
Unfunded acturial liability	\$ 19,429,982

Chapter 697 of the Acts of 1987, which was enacted on January 12, 1988, provides for funding of the Commonwealth's current unfunded pension liability over a period not greater than forty years. In addition, Chapter 697 contained significant financial incentives for local governmental units to establish its own state-approved funding schedule to eliminate its unfunded liability by June 30, 2028. The North Adams Retirement System accepted the provisions of Chapter 32, Section 22 (D), regarding acceptance of a funding schedule.

**Reporting Policies**

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

Investments are reported in accordance with PERAC requirements.

**F. Financial Condition of the City**

In fiscal year 2010 the City sought special legislation from the Commonwealth of Massachusetts relative to the financial condition of the City's Medical Insurance Trust fund. The special act granted the City to borrow an amount not more than \$880,000 for the purpose of fully funding the Medical Insurance Trust for fiscal year 2010 and funding a settlement with the Public Employee Committee for underfunding the trust



**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2011**

in prior fiscal years. The special act also provides for an alternative to borrowing and has a provision to capitalize an amount not exceeding \$880,000 and amortize that amount in equal or decreasing annual installments over a period starting with fiscal year 2012 and not exceeding 7 years.

As of June 30, 2011, the City has not borrowed any amount under this special act. The City has funded the trust in fiscal year 2010 for \$680,000. The City has dissolved the trust at June 30, 2011 and has become a premium basis system.

**5. RESTATEMENTS**

As required by GASB Statement No. 54, fund balances as of June 30, 2010, have been restated. The beginning fund balance of the General fund increased by \$313,360 to \$1,210,187 to reflect the stabilization fund in the General fund and the beginning fund balance of the stabilization fund (a non-major governmental fund) was decreased by \$313,360.

**SUPPLEMENTARY SCHEDULES**

**CITY OF NORTH ADAMS, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Fund Balances		Revenues	Expenditures	Other Financing Sources (Uses)		Fund Balances June 30, 2011
	July 1, 2010	June 30, 2011			Sources	Uses	
<b>Special Revenue:</b>							
<b>Federal and State Grants:</b>							
School Grants	\$ 158,143	\$ 3,844,948	\$ 3,777,703	\$ (2)	\$ 225,386		
Airport Grants	10,352	5,110,825	5,018,293	-	102,884		
Arts Lottery Council Grant	56,772	49,703	52,928	-	53,547		
Community Development Grants	234,369	1,354,317	1,327,008	(190,000)	71,678		
Elderly Programs and Grants	1,248	22,785	23,986	-	47		
Energy American Recovery and Reinvestment Act	150,000	28,315	178,315	-	-		
Extended Polling Hours	21,387	3,530	11,940	-	12,977		
Federal Land and Water Conservation Fund	3,453	-	-	-	3,453		
Highway Grants	32,300	245,066	245,066	-	32,300		
Library Grants	69,472	28,170	45,070	729	53,301		
Other Grants and Programs	37,776	190,173	190,173	-	37,776		
Public Health Emergency Response	(166)	-	1,330	-	(1,496)		
Public Safety Grants	(34,785)	594,613	536,652	-	23,176		
Summer Work Youth Program	-	22,587	21,894	-	693		
<b>Schools:</b>							
School Lunch Revolving	175,910	632,687	642,509	-	166,088		
School Lunch Commodities	-	32,093	32,093	-	-		
School Choice	665,287	258,085	-	-	923,372		
School Insurance Reimbursement	2,292	-	-	-	2,292		
School Revolving Accounts	179,298	231,440	288,244	-	122,494		
State Special Education Reimbursement Fund	-	707,838	546,005	-	161,833		
<b>Other:</b>							
Airport Funds	53,896	23,941	11,378	(66,459)	-		
Board of Health Mini-Grant	-	3,000	-	-	3,000		
Conservation Commission	18,263	2,200	14,845	-	5,618		
Emergency Preparedness	1,600	-	-	-	1,600		
Fire Department Fines	700	200	-	-	900		
Friends of Massachusetts MOCA	1,039	-	-	-	1,039		
Gifts and Donations	213,200	76,910	84,967	-	205,143		
Hardman Park Firepump	36,610	12,999	29,830	-	19,779		
Landfill Transfer Station	46,936	118,361	-	(50,000)	115,297		
Municipal Access	105,084	34,216	-	(83,000)	56,300		
Parking Meters and Permits	47,030	65,272	-	-	112,302		
Police Outside Details	80	274,198	274,278	-	-		
	\$ 2,287,546	\$ 13,968,472	\$ 13,354,507	\$ (388,732)	\$ 2,512,779		

**CITY OF NORTH ADAMS, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Fund Balances July 1, 2010	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2011
<b>Continued from Page 48</b>	\$ 2,287,546	\$ 13,968,472	\$ 13,354,507	\$ (388,732)	\$ 2,512,779
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Premium on Bond	-	56,523	48,459	(8,064)	-
Property Damages	70,986	20,010	28,205	-	62,791
Sale of Cemetery Lots	5,445	4,366	-	-	9,811
Sale of City Property	1,227,346	-	-	(1,182,000)	45,346
The Armory	43,894	-	-	-	43,894
Town of Adams Sewer Program	21,400	26,031	16,707	-	30,724
Windsor Mill Rents	40,465	121,679	91,414	-	70,730
Colonel Lawrence	1,766	20	-	-	1,786
Library Building Fund	1,027	2	300	(729)	-
Mott 2005/2006 (Mohawk Theatre)	9,951	328	-	-	10,279
Skating Rink	267,357	244,461	251,274	(100,001)	160,543
<b>Total Special Revenue</b>	<b>\$ 3,977,183</b>	<b>\$ 14,441,892</b>	<b>\$ 13,790,866</b>	<b>\$ (1,679,526)</b>	<b>\$ 2,948,683</b>
<b>Capital Projects:</b>					
Airport Improvements	-	-	324,027	-	(324,027)
Alcombright and Greylock Athletic Fields	(338,137)	-	-	338,137	-
Conte School Feasibility Study	-	296,254	370,318	-	(74,064)
Education Reserve	1,348	-	-	-	1,348
Library Renovation	(466,666)	-	-	466,666	-
Mohawk Theatre	(512,601)	-	-	512,601	-
New Equipment	(746,165)	-	93,506	750,000	(89,671)
Reconstruction of Streets and Sidewalks	(718,160)	-	-	718,160	-
Skating Rink	(430,870)	-	-	430,870	-
Underground Tanks	2,349	-	-	-	2,349
Water Treatment Facility	15,648	-	-	-	15,648
Windsor Lake Improvement	-	-	39,301	-	(39,301)
<b>Total Capital Projects</b>	<b>(3,193,254)</b>	<b>296,254</b>	<b>827,152</b>	<b>3,216,434</b>	<b>(507,718)</b>

CITY OF NORTH ADAMS, MASSACHUSETTS  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2011

	Fund Balances July 1, 2010	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2011
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care	369,666	41,782	8,922	-	402,526
Tinker Trust Fund	30,611	4,000	-	-	34,611
<b>Total Perpetual Permanent Funds</b>	<b>400,277</b>	<b>45,782</b>	<b>8,922</b>	<b>-</b>	<b>437,137</b>
<b>Total - Non-Major Governmental Funds</b>	<b>\$ 1,184,206</b>	<b>\$ 14,783,928</b>	<b>\$ 14,626,940</b>	<b>\$ 1,536,908</b>	<b>\$ 2,878,102</b>

**CITY OF NORTH ADAMS, MASSACHUSETTS  
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES  
AND TAXES IN LITIGATION  
JULY 1, 2010 TO JUNE 30, 2011**

	Uncollected Taxes July 1, 2010	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2011	Uncollected Taxes Per Detail June 30, 2011
<b>Real Estate Taxes:</b>						
Levy of 2011	\$ -	\$ 11,833,333	\$ 254,720	\$ 11,185,382	\$ 393,231	\$ 393,231
Levy of 2010	323,506	-	30,884	291,987	635	635
Levy of 2009	1,837	-	-	383	1,454	1,454
Levy of 2008	45	-	-	45	-	-
Levy of 2007	45	-	-	45	-	-
Prior Years	4,906	-	-	25	4,881	4,881
	<u>330,339</u>	<u>11,833,333</u>	<u>285,604</u>	<u>11,477,867</u>	<u>400,201</u>	<u>400,201</u>
<b>Personal Property Taxes:</b>						
Levy of 2011	-	1,031,582	714	1,025,322	5,546	5,546
Levy of 2010	17,172	-	323	11,208	5,641	5,641
Levy of 2009	7,680	-	-	760	6,920	6,920
Levy of 2008	6,935	-	-	505	6,430	6,430
Levy of 2007	47	-	-	-	47	47
	<u>31,834</u>	<u>1,031,582</u>	<u>1,037</u>	<u>1,037,795</u>	<u>24,584</u>	<u>24,584</u>
<b>Taxes in Litigation</b>	5,506	-	-	5,506	-	-
<b>Total Real Estate and Personal Property Taxes and Taxes in Litigation</b>	<u>\$ 367,679</u>	<u>\$ 12,864,915</u>	<u>\$ 286,641</u>	<u>\$ 12,521,168</u>	<u>\$ 424,785</u>	<u>\$ 424,785</u>

CITY OF NORTH ADAMS, MASSACHUSETTS  
 SCHEDULE OF MOTOR VEHICLE EXCISE TAXES  
 JULY 1, 2010 TO JUNE 30, 2011

	Uncollected Taxes July 1, 2010	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2011	Uncollected Taxes Per Detail June 30, 2011
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2011	\$ -	\$ 840,616	\$ 21,335	\$ 702,073	\$ 117,208	\$ 117,208
Levy of 2010	106,151	103,982	17,146	166,588	26,399	26,399
Levy of 2009	32,524	518	1,849	14,656	16,537	16,537
Levy of 2008	14,035	-	690	1,601	11,744	11,744
Levy of 2007	9,013	-	190	1,056	7,767	7,767
Prior Years	79,314	-	41,177	3,368	34,769	34,769
<b>Total Motor Vehicle Excise Taxes</b>	<b>\$ 241,037</b>	<b>\$ 945,116</b>	<b>\$ 82,387</b>	<b>\$ 889,342</b>	<b>\$ 214,424</b>	<b>\$ 214,424</b>

CITY OF NORTH ADAMS, MASSACHUSETTS  
 SCHEDULE OF TAX LIENS  
 JULY 1, 2010 TO JUNE 30, 2011

Uncollected Accounts July 1, 2010	Commitments	Abatements and Adjustments	Adjusted Accounts Overpayments	Uncollected Accounts June 30, 2011	Uncollected Accounts Per Detail June 30, 2011
\$ 1,130,638	\$ 414,022	\$ -	\$ 126,787	\$ 1,417,873	\$ 1,417,873
<b>Tax Liens</b>					