

**CITY OF NORTH ADAMS, MASSACHUSETTS**

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

**For the Year Ended June 30, 2014**

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**Independent Auditor's Report**

SCANLON & ASSOCIATES, LLC, 8 Tina Drive, S. Deerfield, MA 01373

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To the Honorable Mayor  
City of North Adams, Massachusetts

**Report on the Financial Statements**

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Basis for Qualified Opinion on the Aggregate Remaining Fund Information***

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 financial statements as part of our audit of the City's basic financial statements. The North Adams Contributory Retirement System's financial activities are included in the City's basic financial statements in the fiduciary funds and represent 99 percent, 99 percent and 99 percent of the assets, net position and revenues, respectively, of the City's fiduciary funds.

***Qualified Opinion on the Aggregate Remaining Fund Information***

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion on the Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the City of North Adams, Massachusetts, as of June 30, 2014 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of North Adams, Massachusetts, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 11 and the *Schedule of Funding Progress and Employer Contributions* on pages 49 and 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of North Adams, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of North Adams, Massachusetts' internal control over financial reporting and compliance.



Scanlon & Associates, LLC  
South Deerfield, Massachusetts  
December 22, 2014

## **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, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

### Financial Highlights

- The City's assets exceeded its liabilities by \$63,337,653 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$65,010,357 or a decrease of \$1,672,704 (3%).
- At the close of the current fiscal year, the City's total governmental funds reported total ending fund balance of \$1,549,481 this year, a decrease of \$779,833 (34%).
- The General Fund's total fund balance increased \$325,891 (54%) to \$934,369. The ending General fund balance is 2% of revenues and 2% of expenditures.
- Total liabilities of the City increased by \$5,060,632 (16%) to \$36,439,110 during the fiscal year. This was mainly attributed to increases in the OPEB liability of \$3,064,318, warrants payable of \$866,225, in bond anticipation notes of \$2,150,000 and the retirement of loans and bonds for (\$1,560,526).

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, 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 two categories: governmental 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.

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

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

### Financial Highlights

#### Statement of Net Position Highlights

	Governmental Activities		
	2014	2013	Change
<b>Assets:</b>			
Current assets	\$ 14,489,684	\$ 11,588,852	\$ 2,900,832
Noncurrent assets (excluding capital assets)	1,842,390	2,094,255	(251,865)
Capital assets	83,444,689	82,705,728	738,961
<b>Total assets</b>	<b>99,776,763</b>	<b>96,388,835</b>	<b>3,387,928</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt and lease)	4,351,452	2,933,448	1,418,004
Current debt and leases payable	5,886,479	3,856,211	2,030,268
OPEB obligation payable	18,345,522	15,281,204	3,064,318
Noncurrent liabilities (excluding debt and lease)	379,646	390,810	(11,164)
Noncurrent debt and leases payable	7,476,011	8,916,805	(1,440,794)
<b>Total liabilities</b>	<b>36,439,110</b>	<b>31,378,478</b>	<b>5,060,632</b>
<b>Net Position:</b>			
Net investment in capital assets	72,176,455	72,279,659	(103,204)
Restricted	5,333,238	4,276,062	1,057,176
Unrestricted	(14,172,040)	(11,545,364)	(2,626,676)
<b>Total net position</b>	<b>\$ 63,337,653</b>	<b>\$ 65,010,357</b>	<b>\$ (1,672,704)</b>

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

	Governmental Activities		
	2014	2013	Change
<b>Program Revenues:</b>			
Charges for services	\$ 6,495,729	\$ 6,301,263	\$ 194,466
Operating grants and contributions	24,569,232	25,511,213	(941,981)
Capital grants and contributions	4,364,851	5,273,872	(909,021)
<b>General Revenues:</b>			
Property taxes	14,437,346	13,686,993	750,353
Motor vehicle and other taxes	951,473	967,611	(16,138)
Hotel room occupancy taxes	425,931	401,323	24,608
Penalties and interest on taxes	185,265	140,176	45,089
Nonrestricted grants	3,977,705	3,887,320	90,385
Unrestricted investment income	8,073	8,610	(537)
Miscellaneous	1,958	161	1,797
Gain on sale of capital asset	218,418	-	218,418
<b>Total revenues</b>	<b>55,635,981</b>	<b>56,178,542</b>	<b>(542,561)</b>
<b>Expenses:</b>			
General government	3,518,660	3,352,525	166,135
Airport	578,213	515,711	62,502
Public safety	4,570,638	4,579,778	(9,140)
Public works	6,129,185	6,112,630	16,555
Education	22,532,942	22,805,709	(272,767)
Health and human services	1,084,072	960,128	123,944
Culture and recreation	1,292,898	1,306,027	(13,129)
Employee benefits and insurance	14,590,227	14,565,556	24,671
State assessments	2,575,871	2,672,099	(96,228)
Interest	435,979	514,529	(78,550)
<b>Total expenses</b>	<b>57,308,685</b>	<b>57,384,692</b>	<b>(76,007)</b>
<b>Change in net position</b>	<b>(1,672,704)</b>	<b>(1,206,150)</b>	<b>(466,554)</b>
<b>Net position - beginning of year</b>	<b>65,010,357</b>	<b>66,216,507</b>	<b>(1,206,150)</b>
<b>Net position - end of year</b>	<b>\$ 63,337,653</b>	<b>\$ 65,010,357</b>	<b>\$ (1,672,704)</b>

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$63,337,653 at the close of fiscal year 2014.

Net position of \$72,176,455 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 position, \$5,333,238 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is (\$14,172,040).

At the end of the current fiscal year, the City is able to report positive balances in two of the three categories of net position for its governmental activities. The unrestricted governmental activities resulted in a negative

balance mainly due to 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 position is \$18,345,522.

The governmental activities net position decreased by \$1,672,704 (3%) during the current fiscal year. The key elements of the decrease in net position for fiscal year 2014 was attributed to the acquisition of \$5,037,822 in new capital assets exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$4,267,761, the sale of a piece of land along the Mohawk Trail with a cost of \$31,100 and a decrease as a result of recognizing this year's OPEB obligation of \$3,064,318.

### **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 \$1,549,481 a decrease of \$779,833 (34%) in comparison with the prior year.

Breakdown of the governmental fund balances are as follows:

- Restricted fund balance - \$2,907,388.
- Committed fund balance - \$83,412.
- Assigned fund balance - \$248,658.
- Unassigned fund balance – (\$1,689,977).

At the end of the fiscal year, the General Fund reported a fund balance of \$934,369 increasing \$325,891 (54%) from the prior year. Of the \$934,369, the unassigned amount is \$685,711 (73%) and the assigned amount is \$248,658 (27%). General fund revenues were \$373,814 (1%) more than the prior fiscal year as expenditures decreased by \$655,439 (1%).

The main components of the increases in general fund revenues were related to increases in property taxes from the prior year in the amount of \$937,003 (7%) and user charges of \$209,379, and decreases in intergovernmental receipts of \$688,724 (4%) and licenses, permits and fees of \$138,470 (8%).

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

- Increase in General government expenditures of \$117,883 (5%).
- Increase in Education expenditures \$271,667 (2%).
- Decrease in Employee benefits and insurance expenditures of \$184,025 (2%).
- Decrease in State assessments of \$96,228 (4%).
- Decrease in principal and interest on debt service expenditures of \$687,686 (30%).

### **General Fund Budgetary Highlights**

The final general fund budget for fiscal year 2014 was \$40,024,331. This was a decrease of \$75,503 (.19%) over the previous year's budget.

There was an increase of \$434,811 between the total original budget and the total final amended budget. The changes are attributed to council votes during the year for various budget operating line items.

General fund expenditures were less than budgeted by \$559,257. Of the \$559,257 in under budget expenditures \$248,658 has been carried over to fiscal year 2014.

There are negative variances in the City's revenues. A major contributor to this was the economic downturn in the economy. Among the negative variances were intergovernmental receipts \$140,975 and license, permits and fees \$157,517. The overall the total revenues did meet budget expectations with a surplus of \$39,048.

There was a negative variance in general government of \$3,401. The total overall expenses ended with a surplus of \$310,599.

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

**Capital Assets.** The City's investment in capital assets for its governmental activities as of June 30, 2014 amounts to \$83,444,689.

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 runway/taxiway improvements for \$985,150.
- Police station heating and air conditioning (HVAC) replacement for \$24,185.
- Road and sidewalk improvements for \$487,285.
- Department of public works vehicles and equipment for \$118,805.
- Silvio Conte Middle School renovation for \$2,846,909.
- Armory improvements for \$337,337.
- Noel Field restroom restoration for \$238,150.

**Debt.** The City's governmental outstanding long-term notes and debt as of June 30, 2014 totaled \$8,846,483. Of this, \$665,000 is for street and sidewalk improvements, \$260,000 is for Greylock and Sullivan roofs, \$1,640,000 is for municipal purpose loans, \$693,100 for landfill closure, \$3,704,283 is for water and sewer system improvements and \$1,884,000 is for Intergovernmental Loan - Section 108 U. S. Department of Housing and Urban Development (HUD).

The City also has capital leases for the financing of three police vehicles, one fire department vehicle and a department of public works tractor. The leases are due in 2017. The City currently owes \$75,501 on the leases consisting of \$70,423 in principal and \$5,078 in interest.

The City also has bond anticipation notes outstanding as of June 30, 2014 in the amount of \$4,445,684.

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

### **Fiscal Year 2014 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, 2014 do not reflect the fiscal year 2015 City Council actions. The City Council meeting on June 26, 2014 authorized a fiscal year 2015 operating and capital budget as follows:

<b>Budget:</b>	
Raise and Appropriate (Taxation and Estimated Revenue)	<u>\$ 37,729,404</u>

### **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 POSITION  
JUNE 30, 2014**

	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>ASSETS</b>	
CURRENT:	
Cash and Cash Equivalents	\$ 6,725,530
Investments	355,410
Receivables, net of allowance for uncollectibles:	
Property Taxes	379,382
Tax Liens	2,313,663
Excise Taxes	147,262
User Charges	653,970
Departmental	210,039
Loans	273,022
Due from Other Governments	3,231,738
Tax Foreclosures	199,668
Total current assets	14,489,684
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Loans	1,674,000
Due from Other Governments	168,390
Capital Assets, net of accumulated Depreciation	
Nondepreciable	24,521,176
Depreciable	58,923,513
Total noncurrent assets	85,287,079
<b>Total Assets</b>	<b>99,776,763</b>
<b>LIABILITIES</b>	
CURRENT:	
Warrants and Accounts Payable	1,590,000
Retainage Payable	69,883
Accrued Payroll	1,785,218
Payroll Withholdings	223,869
Accrued Interest	179,369
Other	34,385
Compensated Absences	468,728
Bond Anticipation Note Payable	4,445,684
Intergovernmental - Loan Payable	210,000
Bonds and Leases Payable	1,230,795
Total current liabilities	10,237,931
NONCURRENT:	
Compensated Absences	379,646
OPEB Obligation Payable	18,345,522
Intergovernmental - Loan Payable	1,674,000
Bonds and Leases Payable	5,802,011
Total noncurrent liabilities	26,201,179
<b>Total Liabilities</b>	<b>36,439,110</b>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	72,176,455
Restricted for:	
Capital Projects	2,116,168
Federal & State Grants	643,124
Permanent Funds	477,026
Other Purposes	2,096,920
Unrestricted	(14,172,040)
<b>Total Net Position</b>	<b>\$ 63,337,653</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, 2014**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 3,518,660	\$ 524,348	\$ 602,765	\$ -	\$ (2,391,547)
Airport	578,213	108,058	-	980,257	510,102
Public Safety	4,570,638	499,879	425,796	-	(3,644,963)
Public Works	6,129,185	3,816,616	114,079	792,610	(1,405,880)
Education	22,532,942	986,868	17,885,479	2,119,181	(1,541,414)
Health and Human Services	1,084,072	154,191	519,704	-	(410,177)
Culture and Recreation	1,292,898	405,769	164,596	472,803	(249,730)
Employee Benefits and Insurance	14,590,227	-	4,721,317	-	(9,868,910)
State Assessments	2,575,871	-	-	-	(2,575,871)
Interest	435,979	-	135,496	-	(300,483)
<b>Total Primary Government</b>	<b>\$ 57,308,685</b>	<b>\$ 6,495,729</b>	<b>\$ 24,569,232</b>	<b>\$ 4,364,851</b>	<b>\$ (21,878,873)</b>
<b>General Revenues:</b>					
Property Taxes					14,437,346
Motor vehicle and other taxes					951,473
Hotel room occupancy & Meal taxes					425,931
Penalties & Interest on Taxes					185,265
Grants & Contributions not restricted to specific programs					3,977,705
Unrestricted Investment Income					8,073
Miscellaneous					1,958
Gain on Sale of Capital Asset					218,418
<b>Total General Revenues</b>					<b>20,206,169</b>
					<b>Change in Net Position (1,672,704)</b>
					<b>Net Position:</b>
					Beginning of year 65,010,357
					End of year <b>\$ 63,337,653</b>

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

**CITY OF NORTH ADAMS, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,248,155	\$ 3,477,375	\$ 6,725,530
Investments	-	355,410	355,410
Receivables, net of allowance for uncollectibles:			
Property Taxes	379,382	-	379,382
Tax Liens	2,313,663	-	2,313,663
Excise Taxes	147,262	-	147,262
User Charges	653,970	-	653,970
Departmental Loans	76,537	133,502	210,039
Due from Other Governments	-	1,947,022	1,947,022
Tax Foreclosures	592,910	2,555,033	3,147,943
	199,668	-	199,668
<b>Total Assets</b>	<b>\$ 7,611,547</b>	<b>\$ 8,468,342</b>	<b>\$ 16,079,889</b>
<b>Liabilities:</b>			
Warrants and Accounts Payable	\$ 562,323	\$ 1,027,677	\$ 1,590,000
Retainage Payable	-	69,883	69,883
Accrued Payroll	1,678,220	106,998	1,785,218
Employee Withholdings	223,869	-	223,869
Other	34,385	-	34,385
Bond Anticipation Note Payable	-	4,445,684	4,445,684
<b>Total Liabilities</b>	<b>2,498,797</b>	<b>5,650,242</b>	<b>8,149,039</b>
<b>Deferred Inflows of Resources - Unavailable Revenue</b>	<b>4,178,381</b>	<b>2,202,988</b>	<b>6,381,369</b>
<b>Fund Balance:</b>			
Restricted	-	2,907,388	2,907,388
Committed	-	83,412	83,412
Assigned	248,658	-	248,658
Unassigned	685,711	(2,375,688)	(1,689,977)
<b>Total Fund Balance</b>	<b>934,369</b>	<b>615,112</b>	<b>1,549,481</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 7,611,547</b>	<b>\$ 8,468,342</b>	<b>\$ 16,079,889</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, 2014**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property Taxes	\$ 14,306,629	\$ -	\$ 14,306,629
Intergovernmental	18,273,749	9,835,357	28,109,106
Excise and Other Taxes	1,431,816	-	1,431,816
Charges for Services - User Charges	3,582,816	1,358,588	4,941,404
Licenses, Permits, Fees	1,515,458	-	1,515,458
Other	-	271,691	271,691
Interest on Delinquent Taxes	185,265	-	185,265
Investment Income	8,073	29,062	37,135
Intergovernmental - "On-behalf" Payments	4,715,837	-	4,715,837
<b>Total Revenues</b>	<b>44,019,643</b>	<b>11,494,698</b>	<b>55,514,341</b>
<b>Expenditures:</b>			
Current:			
General Government	2,536,591	693,094	3,229,685
Airport	-	1,058,525	1,058,525
Public Safety	3,615,951	734,711	4,350,662
Public Works	4,140,871	749,219	4,890,090
Education	16,738,081	7,696,383	24,434,464
Health and Human Services	992,439	80,845	1,073,284
Culture and Recreation	458,420	997,453	1,455,873
Employee Benefits and Insurance	11,525,909	-	11,525,909
State Assessments	2,575,871	-	2,575,871
Debt Service:			
Principal	1,271,551	237,500	1,509,051
Interest	325,227	115,051	440,278
<b>Total Expenditures</b>	<b>44,180,911</b>	<b>12,362,781</b>	<b>56,543,692</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(161,268)</b>	<b>(868,083)</b>	<b>(1,029,351)</b>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	509,241	22,082	531,323
Operating Transfers Out	(22,082)	(509,241)	(531,323)
Sale of Land	-	249,518	249,518
<b>Total Other Financing Sources (Uses)</b>	<b>487,159</b>	<b>(237,641)</b>	<b>249,518</b>
<b>Net Change in Fund Balances</b>	<b>325,891</b>	<b>(1,105,724)</b>	<b>(779,833)</b>
<b>Fund Balances, Beginning of Year</b>	<b>608,478</b>	<b>1,720,836</b>	<b>2,329,314</b>
<b>Fund Balances, End of Year</b>	<b>\$ 934,369</b>	<b>\$ 615,112</b>	<b>\$ 1,549,481</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 Position**  
**For the Year Ended June 30, 2014**

<b>Total Governmental Fund Balances</b>		\$	1,549,481
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			83,444,689
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			6,633,554
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:			
Bonds and Leases Payable	\$	(7,032,806)	
Intergovernmental Loan Payable		(1,884,000)	
Other Post Employment Benefits Payable		(18,345,522)	
Compensated Absences		(848,374)	(28,110,702)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			(179,369)
<b>Net Position of Governmental Activities</b>		\$	<u><u>63,337,653</u></u>

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, 2014**

**Net Change in Fund Balances - Total Governmental Funds** \$ (779,833)

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	\$ 5,037,822	
Sale of Capital Assets	(31,100)	
Depreciation	<u>(4,267,761)</u>	738,961

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 inflows, WPAT principal subsidy and Mass MoCA Receivable.

(96,778)

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

Repayment of Debt and Lease Principal		1,560,526
---------------------------------------	--	-----------

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	(35,560)	
Net Change in Other Post Employment Benefits	(3,064,318)	
Net Change in Accrued Interest on Long-Term Debt	<u>4,298</u>	<u>(3,095,580)</u>

**Change in Net Position of Governmental Activities** \$ (1,672,704)

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, 2014**

	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	\$ 14,461,788	\$ 14,203,708	\$ 14,272,429	\$ -	\$ 68,721
Intergovernmental	18,414,724	18,414,724	18,273,749	-	(140,975)
Excise and Other Taxes	1,418,689	1,418,689	1,431,816	-	13,127
Charges for Services - User Charges	3,373,437	3,373,437	3,582,816	-	209,379
Licenses, Permits, Fees	1,672,975	1,672,975	1,515,458	-	(157,517)
Interest on Delinquent Taxes	140,176	140,176	185,265	-	45,089
Interest on Investments	6,687	6,687	7,911	-	1,224
<b>Total Revenues</b>	<b>39,488,476</b>	<b>39,230,396</b>	<b>39,269,444</b>	<b>-</b>	<b>39,048</b>
<b>Expenditures:</b>					
Current:					
General Government	2,417,853	2,576,532	2,536,591	43,342	(3,401)
Public Safety	3,396,941	3,616,274	3,615,951	-	323
Public Works	3,964,501	4,164,976	4,140,871	-	24,105
Education	16,944,210	16,944,210	16,738,081	205,316	813
Health and Human Services	879,317	992,485	992,439	-	46
Culture and Recreation	487,133	458,460	458,420	-	40
Employee Benefits and Insurance	6,992,656	6,886,784	6,886,784	-	-
State Assessments	2,864,544	2,864,544	2,575,871	-	288,673
Debt Service:					
Principal	1,330,933	1,228,860	1,228,860	-	-
Interest	311,432	291,206	291,206	-	-
<b>Total Expenditures</b>	<b>39,589,520</b>	<b>40,024,331</b>	<b>39,465,074</b>	<b>248,658</b>	<b>310,599</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(101,044)</b>	<b>(793,935)</b>	<b>(195,630)</b>	<b>(248,658)</b>	<b>349,647</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Out)	(22,082)	487,159	487,159	-	-
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(123,126)</b>	<b>(306,776)</b>	<b>291,529</b>	<b>(248,658)</b>	<b>349,647</b>
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>567,797</b>	<b>567,797</b>	<b>567,797</b>	<b>-</b>	<b>-</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 444,671</b>	<b>\$ 261,021</b>	<b>\$ 859,326</b>	<b>\$ (248,658)</b>	<b>\$ 349,647</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, 2014**

	<b>Revenues</b>	<b>Expenditures</b>
<b>Reported on a Budgetary Basis</b>	\$ 39,269,444	\$ 39,465,074
<i>Adjustments:</i>		
Activity for Stabilization Fund Recorded in the General Fund for GAAP Purposes	162	-
Recognition of Intergovernmental Revenue - "on behalf payments"	4,715,837	-
Recognition of Expenditures - "on behalf payments"	-	4,715,837
Net Increase in Revenue from Recording 60-Day Receipts	34,200	-
<b>Reported on a GAAP Basis</b>	<b>\$ 44,019,643</b>	<b>\$ 44,180,911</b>

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

**CITY OF NORTH ADAMS, MASSACHUSETTS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014**

	(UNAUDITED)		
	North Adams Employees Retirement System Pension Trust Fund		
	(as of December 31, 2013)	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,239	\$ 305,485	\$ 121,618
Investments	50,897,055	-	-
Accrued Interest and Dividends	67,718	-	-
Accounts Receivable	68,140	-	4,800
<b>Total Assets</b>	<b>51,035,152</b>	<b>305,485</b>	<b>126,418</b>
<b>LIABILITIES</b>			
Warrants Payable	15,988	-	-
Due to Others	-	-	32,203
Due to Student Groups	-	-	94,215
<b>Total Liabilities</b>	<b>15,988</b>	<b>-</b>	<b>126,418</b>
<b>NET POSITION:</b>			
Held in Trust for Pension Benefits and Other Purposes	\$ 51,019,164	\$ 305,485	\$ -

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

**CITY OF NORTH ADAMS, MASSACHUSETTS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	(UNAUDITED)	
	North Adams Employees Retirement System Pension	
	Trust Fund (as of December 31, 2013)	Private Purpose Trust Funds
<b>Additions</b>		
Contributions:		
Employers	\$ 2,585,501	\$ -
Plan Members	1,008,793	-
Transfers/Reimbursements from Other Systems	51,840	-
Commonwealth of Massachusetts - COLA	88,924	-
<b>Total Contributions</b>	<u>3,735,058</u>	<u>-</u>
Investment Income:		
Interest & Dividends	947,462	5,579
Net Change in Fair Value of Investments	7,424,592	-
<b>Total Investment Earnings</b>	<u>8,372,054</u>	<u>5,579</u>
Less Investment Expense	(225,931)	-
<b>Net Investment Earnings</b>	<u>8,146,123</u>	<u>5,579</u>
<b>Total Additions</b>	<u>11,881,181</u>	<u>5,579</u>
<b>Deductions:</b>		
Benefit Payments to Plan Members and Beneficiaries	4,232,068	-
Refunds to Members	270,261	-
Transfers to Other Systems	258,127	-
Educational Scholarships	-	5,135
General Expenses	124,514	-
<b>Total Deductions</b>	<u>4,884,970</u>	<u>5,135</u>
<b>Change in Net Position</b>	<u>6,996,211</u>	<u>444</u>
<b>Net Position at Beginning of Year</b>	<u>44,022,953</u>	<u>305,041</u>
<b>Net Position at End of Year</b>	<u>\$ 51,019,164</u>	<u>\$ 305,485</u>

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

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

**A. Reporting Entity**

The City 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 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

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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

### **Government-wide financial statements**

The government-wide financial statements (e.g., statement of net position and the statement of activities) 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 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 position and the change in net position.

### **Major Fund Criteria**

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

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

*and*

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

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

CITY OF NORTH ADAMS, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

Fiduciary funds are reported by fund type.

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

**Government-wide financial statements**

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

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

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

**Fund financial statements**

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

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

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

The City reports the following major governmental 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 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 or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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 and Trust 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.

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.

#### **D. Cash and Cash Equivalents**

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

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

#### **E. Investments**

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

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

All investments are carried at market value.

#### **F. Receivables**

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

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Property Taxes, Tax Foreclosures and Tax Liens**

Property taxes are based on assessments as of January 1, 2013 and include betterments, special assessments and liens. Taxes are used to finance the operations of the City for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The City has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the City sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The City has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The City mailed preliminary tax bills for the fiscal year 2014 on July 1, 2013 that were due on August 1, 2013 and November 1, 2013 and actual bills on December 27, 2013 that were due on February 1, 2014 and May 1, 2014.

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 2014 is \$14,434,111.

The total amount raised by taxation was \$14,429,008.

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 and sewer liens are processed each year and are included as a lien on the property owner's tax bill.

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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.

**Due from Other Governments**

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

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

**G. Capital Assets**

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

All purchases 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 and construction in progress) 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 renovations	10-40
Machinery, equipment and other	3-15
Infrastructure	20-50

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

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**H. Interfund Transfers**

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

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of 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.

**I. Deferred Inflows of Resource**

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

**J. Net Position and Fund Balances**

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

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

Net position has been "restricted for" the following:

- "Capital projects" represents amounts restricted for capital purposes.
- "Federal and state grants" represents amounts restricted by the federal and state government for various programs.
- "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.

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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.

#### **K. Long-term Debt**

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

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

#### **L. Compensated Absences**

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

#### **M. 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.

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**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 . . . ."

For fiscal year 2014, the City incurred a final budget deficit of \$306,776 for the General Fund.

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

Unassigned fund balance:		
Overlay surplus	\$	183,650
Prior years deficits		(107,966)
Prior year's encumbrances		231,092
		<hr/>
	\$	<u>306,776</u>

**B. Deficit Fund Balance**

The following funds had a deficit at June 30, 2014 as measured by the balances of unreserved fund balance:

Capital project funds have a total deficit of \$2,333,212. The City has temporary notes of \$4,445,684. These deficits will be eliminated upon the issuance of permanent debt and the receipts of grants.

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The special revenue solar project grant fund has a deficit of \$42,476. The deficit will be eliminated upon receipt of additional grant funds at the start of construction or by the City appropriating additional funds.

**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, 2014 were \$8,174,428. Of these, \$763,888 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, 2014, the City had the following investments and maturities:

Investment Type	Fair Value	Less Than 1	Investment Maturities (in Years)		
			1 to 5	6 to 10	More than 10
<b>Debt Securities:</b>					
U. S. government agencies	\$ 49,928	\$ -	\$ 25,389	\$ 24,539	\$ -
Corporate bonds	106,837	-	61,815	30,430	14,592
Money market mutual fund	2,217	2,217	-	-	-
	<u>158,982</u>	<u>\$ 2,217</u>	<u>\$ 87,204</u>	<u>\$ 54,969</u>	<u>\$ 14,592</u>
<b>Other Investments:</b>					
Equity Mutual Funds	76,220				
Equity Securities - Domestic (Stocks)	120,208				
	<u>\$ 355,410</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 \$355,410 in investments, the government has a custodial credit risk exposure

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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, 2014 is as follows:

Related Debt Instruments	Fair Value	Moody's Quality Rating				Not Rated
		Aaa	Aa	A	Bbb	
Debt Securities:						
U. S. government agencies	\$ 49,928	\$ 49,928	\$ -	\$ -	\$ -	\$ -
Corporate bonds	106,837	-	29,511	46,418	30,908	-
Money market mutual fund	2,217	-	-	-	-	2,217
	<u>\$ 158,982</u>	<u>\$ 49,928</u>	<u>\$ 29,511</u>	<u>\$ 46,418</u>	<u>\$ 30,908</u>	<u>\$ 2,217</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 City's investments are Federal Home Loan Bank amounting to 14.05% of the City's total investments.

**B. Receivables**

At June 30, 2014, receivables for the individual major governmental funds, non-major governmental funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 386,163	\$ (6,781)	\$ 379,382
Tax liens	2,313,663	-	2,313,663
Excise taxes	215,262	(68,000)	147,262
User Charges	657,470	(3,500)	653,970
Departmental	249,094	(39,055)	210,039
Loans	1,947,022	-	1,947,022
Due from other governments	3,147,943	-	3,147,943
Tax Foreclosures	199,668	-	199,668
	<u>\$ 9,116,285</u>	<u>\$ (117,336)</u>	<u>\$ 8,998,949</u>

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The composition of amounts due from other governments as of June 30, 2014 for governmental funds is as follows:

**Governmental Funds:**

**General Fund:**

*Commonwealth of Massachusetts -*

**Department of Veteran Services:**

Veterans benefits	\$	592,910
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**Nonmajor Governmental Funds:**

*U. S. Department of Agriculture -*

School lunch	\$	45,336
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*U. S. Department of Education -*

School title grants		32,169
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*U. S. Department of Homeland Security -*

Federal Emergency Management Agency-Storm Damage Grant		310,181
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*U. S. Department of Transportation -*

Federal Aviation Administration		129,662
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*Commonwealth of Massachusetts -*

*Department of Elementary and Secondary Education:*

School lunch		674
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School grants		71,825
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Special Education Reimbursement		124,990
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*Executive Office of Public Safety and Homeland Security:*

Emergency 911 police grants		140,106
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Hazardous materials grant		3,101
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*Massachusetts Department of Transportation:*

Airport grants		11,356
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Highway Department - Chapter 90 funds		561,046
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*Massachusetts School Building Authority:*

School Building Assistance	1,124,587	2,555,033
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	\$	<u>3,147,943</u>
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**CITY OF NORTH ADAMS, MASSACHUSETTS**  
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**C. Deferred Inflows of Resources – Unavailable Revenue**

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

<b>General Fund:</b>			
Property taxes	\$	304,582	
Tax liens/foreclosures		2,513,331	
Excise taxes		147,262	
User Charges		538,915	
Departmental		191,592	
Due from other governments		482,699	
		<u>482,699</u>	\$ 4,178,381
<b>Nonmajor Governmental Funds:</b>			
Departmental		96,555	
Loans		1,884,000	
Due from other governments		222,433	
		<u>222,433</u>	2,202,988
			<u>\$ 6,381,369</u>

**D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, is as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 18,178,983	\$ -	\$ (31,100)	\$ 18,147,883
Construction in progress	6,367,053	4,391,660	(4,385,420)	6,373,293
Total capital assets not being depreciated	<u>24,546,036</u>	<u>4,391,660</u>	<u>(4,416,520)</u>	<u>24,521,176</u>
Capital assets being depreciated:				
Buildings and improvements	63,264,075	257,556	-	63,521,631
Machinery, equipment and vehicles	8,731,408	142,990	(155,935)	8,718,463
Infrastructure	50,085,803	4,631,035	-	54,716,838
Total capital assets being depreciated	<u>122,081,286</u>	<u>5,031,581</u>	<u>(155,935)</u>	<u>126,956,932</u>
Less accumulated depreciation for:				
Buildings	31,587,625	2,018,107	-	33,605,732
Machinery, equipment and other	6,630,756	592,965	(155,935)	7,067,786
Infrastructure	25,703,213	1,656,688	-	27,359,901
Total accumulated depreciation	<u>63,921,594</u>	<u>4,267,760</u>	<u>(155,935)</u>	<u>68,033,419</u>
Total capital assets being depreciated, net	<u>58,159,692</u>	<u>763,821</u>	<u>-</u>	<u>58,923,513</u>
Total governmental activities capital assets, net	<u>\$ 82,705,728</u>	<u>\$ 5,155,481</u>	<u>\$ (4,416,520)</u>	<u>\$ 83,444,689</u>

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

<b>Governmental Activities:</b>	
General government	\$ 293,121
Airport	504,837
Public safety	301,587
Public works	1,836,755
Education	919,304
Culture and recreation	412,156
Total depreciation expense - governmental activities	<u>\$ 4,267,760</u>

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

Interfund transfers for the fiscal year ended June 30, 2014, are summarized below:

Transfers Out:	Transfers In:		Total
	General fund	Nonmajor Governmental fund	
General fund	\$ -	\$ 22,082	\$ 22,082
Nonmajor governmental funds	509,241	-	509,241
Total transfers out	<u>\$ 509,241</u>	<u>\$ 22,082</u>	<u>\$ 531,323</u>

**F. Leases**

The City has entered into a lease agreement as lessee for financing the acquisition of three police vehicles, one fire department vehicle and a tractor for the department of public works. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

<b>Asset:</b>	<b>Governmental Activities</b>
Machinery, Equipment and Other	\$ 188,610
Less: Accumulated Depreciation	(26,504)
Total	<u>\$ 162,106</u>

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The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

Year Ending June 30,	Governmental Activities
2015	\$ 58,407
2016	8,547
2017	8,547
Total minimum lease payments	75,501
Less: amount representing interest	(5,078)
Present value of minimum lease payments	<u>\$ 70,423</u>

**G. 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 July 1, 2013	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2014
<b>Governmental Activities</b>						
<b>Bond anticipation notes:</b>						
Municipal purpose	0.60%	8/21/2014	\$ 1,021,297	-	-	\$ 1,021,297
Municipal purpose	0.60%	8/21/2014	1,021,297	-	-	1,021,297
School renovations	0.60%	8/21/2014	185,696	-	-	185,696
School feasibility	0.60%	8/21/2014	67,394	-	-	67,394
Departmental Equipment	0.60%	9/18/2014	-	150,000	-	150,000
School renovations	0.55%	10/1/2014	-	2,000,000	-	2,000,000
Total Governmental Activities			<u>\$ 2,295,684</u>	<u>\$ 2,150,000</u>	<u>\$ -</u>	<u>\$ 4,445,684</u>

**H. 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.

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

	Interest	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2014
<b>General Obligation Bonds:</b>					
<b>Inside Debt Limit:</b>					
Streets and Sidewalks	2.00-3.00%	6/15/2011	9/1/2018	900,000	\$ 665,000
Greylock and Sullivan Roof	4.50-6.00%	12/1/2007	9/15/2017	673,000	260,000
Municipal Purpose Loan of 2011	2.00-4.00%	6/15/2011	6/15/2023	2,276,433	1,640,000
<b>Outside Debt Limit:</b>					
Water	4.00-5.00%	7/1/2007	7/1/2018	6,115,000	3,380,000
<b>Massachusetts Water Pollution Abatement Trust</b>					
Inflow/Outflow Infiltration (1)	2.00%	2/1/2006	8/1/2023	360,907	231,102
Landfill Closing (1)	1.73%	11/1/1998	8/1/2018	2,253,000	693,100
Water Infiltration (1)	2.70%	2/1/2002	2/1/2017	495,789	93,181
<b>Total Bonds Payable</b>					<u>6,962,383</u>
MASS MoCA - Section 108 HUD (2)	4.48%	8/7/2003	8/1/2022	3,774,000	<u>1,884,000</u>
<b>Total Governmental Type Debt</b>					<u><u>\$ 8,846,383</u></u>

(1) Bonds were issued through Massachusetts Water Pollution Abatement Trust - Portion of Principal and Interest subsidized by Trust

(2) Bond was 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, 2014 are as follows:

**Governmental Type Activities**

Year	Principal	Interest	Total
2015	\$ 1,386,321	\$ 380,728	\$ 1,767,049
2016	1,416,247	316,933	1,733,180
2017	1,466,301	251,400	1,717,701
2018	1,473,396	180,678	1,654,074
2019	1,457,495	116,567	1,574,062
2020-2024	1,646,623	171,533	1,818,156
	<u>\$ 8,846,383</u>	<u>\$ 1,417,839</u>	<u>\$ 10,264,222</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 \$1,786,225 and interest costs of \$534,943 for three loans which the City has borrowed from MWPAT. The gross amount outstanding at June 30, 2014 for principal and interest combined for the three loans is \$1,164,417. The net repayments, including interest, are scheduled to be \$822,491. The principal subsidies are guaranteed and therefore a \$210,256

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
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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 2014 principal and interest subsidies totaled \$42,692 and \$34,021, respectively.

At June 30, 2014, the City carried \$1,884,000 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 were used for the MASS MoCA project. Debt outstanding at the fiscal year-end is reported as intergovernmental loan payable on the Statement of Net position. 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>Beginning</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due within One Year</b>
<b>Governmental activities:</b>					
<b>Bond Payable:</b>					
General obligation bonds	\$ 7,070,000	\$ -	\$ 1,125,000	\$ 5,945,000	\$ 995,500
Massachusetts Water Pollution Abatement Bond	1,191,435	-	174,052	1,017,383	180,821
Intergovernmental loan - section 108	2,094,000	-	210,000	1,884,000	210,000
<b>Capital leases</b>	121,897	-	51,474	70,423	54,475
<b>Compensated absences</b>	812,814	52,757	17,197	848,374	468,728
<b>OPEB liability obligation</b>	15,281,204	3,064,318	-	18,345,522	-
Governmental activity Long-term liabilities	<u>\$ 26,571,350</u>	<u>\$ 3,117,075</u>	<u>\$ 1,577,723</u>	<u>\$ 28,110,702</u>	<u>\$ 1,909,524</u>

**Legal Debt Limit**

Under Section 10 of Chapter 44 of the Massachusetts General Laws, a City may authorize indebtedness up to a limit of 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, 2014, totaled \$2,565,000.

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, 2014, totaled \$6,281,383.

**CITY OF NORTH ADAMS, MASSACHUSETTS  
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The following is a computation of the legal debt limit as of June 30, 2014:

Equalized Valuation-Real Estate and Personal Property (2012)		\$	746,159,900
			37,307,995
Debt Limit: 5 % of Equalized value			37,307,995
Total Debt Outstanding	\$	8,846,383	
Less: Debt Outside Debt Limit		(6,281,383)	2,565,000
			2,565,000
 Inside Debt Excess Borrowing Capacity at June 30, 2014		 \$	 34,742,995
			34,742,995

**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, 2014 and are not reflected in the City's financial statements are as follows:

Date of Council meeting	Description	Amount
10/28/2009	Feasibility study	\$ 530,012
12/11/2011	Infrastructure repairs due to Hurricane Irene damage	1,700,000
2/5/2013	Silvio Conte Middle School renovation and addition	27,506,898
		\$ 29,736,910

**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.

	Current Year's Debt	City's Estimated Share	City's Estimated Indirect Debt
Northern Berkshire Vocational Tech School District	\$ 281,250	28.00%	\$ 78,750
Hoosac Water Quality District	7,505,144	66.59%	4,147,589
			\$ 4,226,339

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**I. Fund Balances**

The following is a summary of the Governmental Fund balances of the City at the year ended June 30, 2014:

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Restricted:</b>			
Federal, state and local grants	\$ -	\$ 357,668	\$ 357,668
School revolving	-	1,195,609	1,195,609
Gifts and donations	-	206,348	206,348
Permanent funds	-	477,026	477,026
Capital projects	-	3,696	3,696
Other	-	667,041	667,041
	-	2,907,388	2,907,388
<b>Committed:</b>			
Parking meters and permits	-	37,094	37,094
Landfill/transfer station	-	46,318	46,318
	-	83,412	83,412
<b>Assigned:</b>			
General government	43,342	-	43,342
Education	205,316	-	205,316
	248,658	-	248,658
<b>Unassigned:</b>			
General Fund	685,711	-	685,711
<b>Deficits:</b>			
Capital Projects	-	(2,333,212)	(2,333,212)
Special Revenue	-	(42,476)	(42,476)
	685,711	(2,375,688)	(1,689,977)
<b>Total Governmental fund balances</b>	<b>\$ 934,369</b>	<b>\$ 615,112</b>	<b>\$ 1,549,481</b>

**J. 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, 2014, the balance in the stabilization fund is \$244 and is reported in the General Fund as unassigned fund balance.

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**4. OTHER INFORMATION**

**A. Risk Management**

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

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

**B. Contingent Liabilities**

**Litigation**

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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014. 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 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. Subsequent Event**

**Long Term Debt Authorized**

On August 7, 2014 the City issued \$8,212,400 of general obligation bonds, the proceeds will be used to finance the construction, renovation and expansion of various projects and the purchase of vehicles and equipment under Massachusetts General Laws, Chapter 44A and Chapter 70B. Interest on the bonds will be payable September 1 and March 1, commencing March 1, 2015 with a rate of 2.0% through 5.0% from 2015 through 2029. The bonds mature on September 1 of the years 2015 to 2029.

**CITY OF NORTH ADAMS, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

The proceeds of the general obligation bonds issued will be used to finance the following:

	<b>Date Authorized</b>	<b>Amount Issued</b>
<b><i>Municipal Purpose Loan of 2015:</i></b>		
Conte Middle School renovations	2/6/2013	\$ 6,500,000
City's share of constuction at the Harriman and West Airport	10/27/2010	561,700
Street repairs resulting from Hurrican Irene damages	12/28/2011	465,500
Handicapped access improvements	4/24/2013	250,000
Computer system improvements	8/15/2012	160,000
Conte Middle School feasibility study	10/28/2009	145,000
Improvements to Windsor and Historic Valley Campground	10/27/2010	130,200
		<u>\$ 8,212,400</u>

**E. Other Post Employment Benefits Payable**

**GASB Statement No. 45**

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

**Plan Description**

In addition to providing pension benefits, the City provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. There are approximately 714 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

**Funding Policy**

The contribution requirements of plan members and the City are established and may be amended through City policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2014 fiscal year, total City premiums plus implicit costs for the retiree medical program are \$3,012,930.

**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:

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

Normal Cost	\$ 5,986,138
Interest on net OPEB obligation	687,654
Adjustment to annual required contribution	<u>(596,544)</u>
Annual OPEB cost (expense)	6,077,248
Contributions made during the fiscal year	<u>(3,012,930)</u>
Increase in net OPEB obligation	3,064,318
Net OPEB Obligation - beginning of year	15,281,204
Net OPEB Obligation - end of year	<u><u>\$ 18,345,522</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 2014 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 6,077,248	49.6%	\$ 18,345,522
6/30/2013	\$ 5,799,554	50.8%	\$ 15,281,204
6/30/2012	\$ 5,871,732	54.0%	\$ 12,425,582

**Funded Status and Funding Process**

As of June 30, 2012, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$77,925,152, and the actuarial value of assets was 0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$77,925,152. 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. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

The City OPEB actuarial valuation as of June 30, 2012, used the projected unit credit method. The OPEB liability is currently unfunded and the actuarial assumptions include a 4.5%, pay-as-you-go scenario for the investment rate of return, a 3.5% inflation rate and a medical/drug trend rate of 1.0% for the current fiscal year and 7.5% in fiscal year 2014 decreasing by 0.5% for 5 years to an ultimate level of 5.0% 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, 2014 is 24 years.

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**F. 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 \$4,639,125 for the fiscal year ending June 30, 2014, and, accordingly, are reported in the general fund as intergovernmental revenues and employee benefit expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987, and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1987 must be approved by the 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, 2013, the System's membership consists of the following:

Active Members	344
Inactive Members	176
Retired Members, Beneficiaries and Survivors	216
Total	736

**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 88% 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, 2014, 2013, and 2012 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	Contribution
2014	\$ 2,296,817
2013	\$ 2,160,290
2012	\$ 2,018,667

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

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

Commission as of January 1, 2013. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.75 % a year compounded annually, (b) projected salary, including longevity, increases of 4.25%, 4.50% and 4.75% for groups 1, 2 and 4 respectively, a year per member.

**Schedule of Funding Progress**

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

Additionally, the Schedule of Employee Contributions, presented as Required Supplementary Information following the Notes to the Basic Financial Statements, presents multi-year trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the City is one participating employer, as well as the City's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the City.

The total unfunded actuarial liability applicable to the City's employees at January 1, 2013 is as follows:

Actives		\$ 26,418,152
Retirees and inactive		39,237,920
Total actuarial liability		\$ 65,656,072
Less: Assets		(42,504,356)
Unfunded actuarial liability		\$ 23,151,716

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.

**G. Implementation Of New GASB Pronouncements**

During fiscal year 2014, the GASB implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement introduced the concept of deferred outflows and deferred inflows to the financial statements. As such, certain items that were previously reported as assets and liabilities were reclassified to deferred outflows and deferred inflows.

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**H. Future GASB Pronouncements**

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the City's basic financial statements by recognizing as an asset/(liability) and revenue/(expense), the City's portion of the North Adams Contributory Retirement System actuarial accrued liability.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**Required Supplementary Information**  
**Schedule of Funding Progress and Employer Contributions**  
**Other Post-Employment Benefit Plan**  
**Year Ended June 30, 2014**

**Schedule of Funding Progress**

<b>Other Post Employment Benefits</b>							
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)	
6/30/2012	\$ -	\$ 77,925,152	\$ 77,925,152	0%	N/A	N/A	
6/30/2010	\$ -	\$ 88,346,956	\$ 88,346,956	0%	N/A	N/A	
6/30/2008	\$ -	\$ 94,807,615	\$ 94,807,615	0%	\$ 12,696,728	746.7%	

**Schedule of Contribution Funding**

<b>Other Post Employment Benefits</b>				
Fiscal Year Ended June 30	Annual Required Contributions	Actual Contributions Made	Percentage Contributed	
2014	\$ 6,077,248	\$ 3,012,930	49.6%	
2013	\$ 5,799,554	\$ 2,943,932	50.8%	
2012	\$ 5,871,732	\$ 3,168,700	54.0%	

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

**Actuarial Methods:**

Valuation date	June 30, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	30-year amortization payments

**Actuarial Assumptions:**

Investment rate of return	4.50%
Projected salary increases	3.50%
General inflation rate	3.50%
Medical/drug cost trend rate	5.00% ultimate trend rate per year

**Plan Membership:**

Current active members	318
Current retirees, beneficiaries and dependents	396
Total	<u>714</u>

**CITY OF NORTH ADAMS, MASSACHUSETTS**  
**Required Supplementary Information**  
**Schedule of Funding Progress and Employer Contributions**  
**North Adams Contributory Retirement System**  
**For the Year Ended June 30, 2014**

Schedule of Funding Progress

Pension System

North Adams Contributory Retirement System						City
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial 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)
1/1/2013	\$ 42,504,356	\$ 65,656,072	\$ 23,151,716	64.7%	\$ 10,089,660	229.5%
1/1/2011	\$ 41,029,431	\$ 60,459,413	\$ 19,429,982	67.9%	\$ 10,388,467	187.0%
1/1/2009	\$ 38,262,875	\$ 56,836,816	\$ 18,573,941	67.3%	\$ 9,877,348	188.0%

Schedule of Funding Progress

Pension System

North Adams Contributory Retirement System		City	
Fiscal Year Ended	Actual Contributions (A)	Actual Contributions (B)	Percentage of System-Wide Actual Contributions (B/A)
6/30/2014	\$ 2,585,501	\$ 2,296,817	88.83%
6/30/2013	\$ 2,439,152	\$ 2,160,290	88.57%
6/30/2012	\$ 2,301,087	\$ 2,039,014	88.61%

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

**Actuarial Methods:**

Valuation date	January 1, 2013
Actuarial cost method	Entry Age Normal Cost Method
Asset valuation method	The actuarial value of assets is determined in accordance with the deferred recognition method under which 20% of the gains or losses occurring in the prior year are recognized, 40% of those occurring 2 years ago, etc., so that 100% of gains or losses occurring 5 years ago are recognized. The actuarial value of assets will be adjusted, if necessary, in order to remain between 90% and 110% of market value.

**Actuarial Assumptions:**

Investment rate of return	7.75%
Projected salary increase	varies from 4.25% to 4.75%
Cost of living adjustments	3.00% per year (of the first \$13,000)

**Plan Membership:**

Active Members	344
Inactive Members	176
Retired Members, Beneficiaries and Survivors	216
Total	<u>736</u>

## **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, 2014**

	Fund Balances July 1, 2013	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2014
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
School Grants	\$ 204,667	\$ 2,674,491	\$ 2,798,099	\$ -	\$ 81,059
Airport Grants	41,990	949,432	968,198	-	23,224
Arts Lottery Council Grant	49,475	54,936	45,854	-	58,557
Brownfields Grants	(713)	-	9,634	713	(9,634)
Community Development Grants	75,105	1,322,380	1,296,903	-	100,582
Council on Aging Grants	-	24,280	24,280	-	-
Emergency Management Grants	(7,432)	-	-	7,432	-
Extended Polling Hours	647	10,526	-	-	11,173
Highway Grants	32,300	519,908	530,911	-	21,297
Library Grants	26,679	20,548	27,205	-	20,022
Massachusetts Historical Commission	-	-	7,500	-	(7,500)
Other Grants and Programs	11,102	13,847	13,847	-	11,102
Public Safety Grants	20,490	375,599	361,067	13,132	48,154
Urban Forestry Grant	-	-	10,000	-	(10,000)
<b>Schools:</b>					
School Lunch Revolving	182,937	710,920	712,455	-	181,402
School Lunch Commodities	-	37,402	37,402	-	-
School Choice	869,688	293,641	424,191	-	739,138
School Insurance Reimbursement	1,792	-	1,124	-	668
School Revolving Accounts	120,623	267,192	235,938	-	151,877
State Special Education Reimbursement Fund	247,415	499,951	624,842	-	122,524
<b>Other:</b>					
Airport Funds	10,428	71,665	65,275	-	16,818
Conservation Commission	(828)	600	1,823	805	(1,246)
Gifts and Donations	241,724	122,023	157,399	-	206,348
Hardman Park Firepump	18,261	17,055	18,459	-	16,857
Heritage Park Rents	240,893	47,835	77,006	-	211,722
Insurance Loss Control Grant	-	-	1,350	-	(1,350)
Landfill Transfer Station	16,305	124,727	-	(94,714)	46,318
Municipal Access	95,134	34,665	-	(15,000)	114,799
North Adams Farmers	1,734	10,557	10,608	-	1,683
Other Programs	6,739	-	3,000	-	3,739
Parking Meters and Permits	79,063	71,331	-	(113,300)	37,094
Police Outside Details	(418)	223,531	224,327	-	(1,214)
Property Damages	51,899	44,871	33,184	-	63,586
<b>Total Special Revenue Page 52</b>	<b>\$ 2,637,699</b>	<b>\$ 8,543,913</b>	<b>\$ 8,721,881</b>	<b>\$ (200,932)</b>	<b>\$ 2,258,799</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, 2014**

	Fund Balances July 1, 2013	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2014
<b>Continued from Page 52</b>	\$ 2,637,699	\$ 8,543,913	\$ 8,721,881	\$ (200,932)	\$ 2,258,799
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Sale of Cemetery Lots	14,571	6,936	-	(3,863)	17,644
Sale of City Property	32,846	-	-	(32,846)	-
Solar Project	(22,541)	6,667	26,602	-	(42,476)
The Armory	1,377	2,895	25	-	4,247
Town of Adams Sewer Program	37,663	20,000	28,421	-	29,242
Windsor Mill Rents	86,606	142,444	150,133	-	78,917
Winsor Lake Campground	-	931	509	-	422
Colonel Lawrence	1,866	42	-	-	1,908
Mott 2005/2006 (Mohawk Theatre)	10,473	31	-	-	10,504
Skating Rink	134,881	275,606	302,092	-	108,395
<b>Total Special Revenue</b>	<u>2,935,441</u>	<u>8,999,465</u>	<u>9,229,663</u>	<u>(237,641)</u>	<u>2,467,602</u>
	(147,219)	(284,609)	(302,175)	-	(129,653)
<b>Capital Projects:</b>					
A.D.A. Compliance	(362)	-	83,195	-	(83,557)
Airport Improvements	(391,313)	30,825	25,054	-	(385,542)
Conte Middle School Feasibility Study	(149,979)	-	-	-	(149,979)
Conte Middle School Renovation	(62,616)	2,119,181	2,854,907	-	(798,342)
Education Reserve	1,348	-	-	-	1,348
Hurricane Irene Damage	(496,357)	310,182	35,469	-	(221,644)
Municipal Information System	(160,000)	-	-	-	(160,000)
New Equipment	(249,997)	-	-	-	(249,997)
Underground Tanks	2,349	-	-	-	2,349
Purchase of Vehicles and Equipment	-	-	134,493	-	(134,493)
Windsor Lake Improvement	(149,659)	-	-	-	(149,659)
<b>Total Capital Projects</b>	<u>(1,656,586)</u>	<u>2,460,188</u>	<u>3,133,118</u>	<u>-</u>	<u>(2,329,516)</u>
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care	409,370	27,045	-	-	436,415
Tinker Trust Fund	32,611	8,000	-	-	40,611
<b>Total Perpetual Permanent Funds</b>	<u>441,981</u>	<u>35,045</u>	<u>-</u>	<u>-</u>	<u>477,026</u>
<b>Total - Non-Major Governmental Funds</b>	<u>\$ 1,720,836</u>	<u>\$ 11,494,698</u>	<u>\$ 12,362,781</u>	<u>\$ (237,641)</u>	<u>\$ 615,112</u>

**CITY OF NORTH ADAMS, MASSACHUSETTS  
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES  
JULY 1, 2013 TO JUNE 30, 2014**

	Uncollected Taxes July 1, 2013	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2014	Uncollected Taxes Per Detail June 30, 2014
<b>Real Estate Taxes:</b>						
Levy of 2014	\$ -	\$ 13,478,408	\$ 362,897	\$ 12,790,007	\$ 325,504	\$ 325,504
Levy of 2013	299,533	-	31,418	264,778	3,337	3,337
Levy of 2012	4,876	-	1,861	150	2,865	2,865
Levy of 2011	30,883	-	2,094	-	28,789	28,789
Levy of 2010	635	-	635	-	-	-
Prior Years	6,335	-	1,454	-	4,881	4,881
	<u>342,262</u>	<u>13,478,408</u>	<u>400,359</u>	<u>13,054,935</u>	<u>365,376</u>	<u>365,376</u>
<b>Personal Property Taxes:</b>						
Levy of 2014	-	950,599	4,524	933,964	12,111	12,111
Levy of 2013	7,362	-	-	2,757	4,605	4,605
Levy of 2012	2,217	-	-	309	1,908	1,908
Levy of 2011	1,498	-	-	92	1,406	1,406
Levy of 2010	707	-	-	9	698	698
Prior Years	59	-	-	-	59	59
	<u>11,843</u>	<u>950,599</u>	<u>4,524</u>	<u>937,131</u>	<u>20,787</u>	<u>20,787</u>
<b>Total Real Estate and Personal Property Taxes</b>	<u>\$ 354,105</u>	<u>\$ 14,429,007</u>	<u>\$ 404,883</u>	<u>\$ 13,992,066</u>	<u>\$ 386,163</u>	<u>\$ 386,163</u>

**CITY OF NORTH ADAMS, MASSACHUSETTS  
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES  
JULY 1, 2013 TO JUNE 30, 2014**

	Uncollected Taxes July 1, 2013	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2014	Uncollected Taxes Per Detail June 30, 2014
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2014	\$ -	\$ 893,845	\$ 27,587	\$ 774,481	\$ 91,777	\$ 91,777
Levy of 2013	119,454	82,851	29,219	143,372	29,714	29,714
Levy of 2012	30,733	70	493	15,011	15,299	15,299
Levy of 2011	16,745	35	503	4,340	11,937	11,937
Levy of 2010	12,579	-	16	1,822	10,741	10,741
Prior Years	59,816	-	-	4,022	55,794	55,794
<b>Total Motor Vehicle Excise Taxes</b>	<b>\$ 239,327</b>	<b>\$ 976,801</b>	<b>\$ 57,818</b>	<b>\$ 943,048</b>	<b>\$ 215,262</b>	<b>\$ 215,262</b>

CITY OF NORTH ADAMS, MASSACHUSETTS  
 SCHEDULE OF TAX LIENS AND TAX FORECLOSURES  
 JULY 1, 2013 TO JUNE 30, 2014

	Uncollected Accounts July 1, 2013	Commitments	Abatements and Adjustments	Adjusted Accounts Overpayments	Uncollected Accounts June 30, 2014	Uncollected Accounts Per Detail June 30, 2014
Tax Liens	\$ 2,136,480	\$ 437,939	\$ -	\$ 260,756	\$ 2,313,663	\$ 2,313,663
Tax Foreclosures	\$ 250,680	\$ -	\$ 32,212	\$ 18,800	\$ 199,668	\$ 199,668