

CITY OF NORTH ADAMS, MASSACHUSETTS

Report on the Examination of Basic Financial Statements

For the Year Ended June 30, 2017

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Independent Auditor's Report

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, 2017, (except for the North Adams Retirement System, which is as of December 31, 2016), and the related notes to the financial statements, which collectively comprise the City of North Adams, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of North Adams, Massachusetts, as of June 30, 2017, (except for the North Adams Retirement System, which is as of December 31, 2016), and the respective changes in financial position, and, the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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 March 15, 2018, 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

March 15, 2018

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, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$61,946,118 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$64,446,621 or a decrease of \$2,500,503 (4%).
- At the close of the current fiscal year, the City's total governmental funds reported total ending fund balance of \$4,569,143 this year, an increase of \$22,640 (.5%).
- The General Fund's total fund balance decreased \$198,655 (8%) to \$2,378,622. The ending General fund balance is 5% of revenues and transfers in and 5% of expenditures and transfers out.
- Total liabilities of the City increased by \$8,591,847 (14%) to \$71,386,071 during the fiscal year. This was mainly attributed to increases in the bond anticipation notes payable of \$3,365,217, in the OPEB liability of \$3,782,020 and in the net pension liability of \$3,212,348; and a net decrease in net debt and leases payable of \$1,885,094.
- The City had free cash certified by the Department of Revenue in the amount of \$324,132. The key factors that attributed to the free cash amount for fiscal year 2017 were unexpended/unencumbered appropriations of \$165,300 and amount over/(under) budget – state and local receipts of \$17,500.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, 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		
	2017	2016	Change
Assets:			
Current assets	\$ 16,520,756	\$ 12,960,906	\$ 3,559,850
Noncurrent assets (excluding capital assets)	1,089,709	1,334,483	(244,774)
Capital assets	109,919,681	109,425,376	494,305
Total assets	127,530,146	123,720,765	3,809,381
Deferred Outflows of Resources:			
Deferred outflows related to pensions	6,758,918	4,830,102	1,928,816
Liabilities:			
Current liabilities (excluding debt and lease)	3,812,690	3,666,149	146,541
Current debt and leases payable	5,511,796	2,136,499	3,375,297
Noncurrent liabilities (excluding debt and lease)	51,825,936	44,860,753	6,965,183
Noncurrent debt and leases payable	10,235,649	12,130,823	(1,895,174)
Total liabilities	71,386,071	62,794,224	8,591,847
Deferred Inflows of Resources:			
Deferred inflows related to pensions	956,875	1,310,022	(353,147)
Net Position:			
Net investment in capital assets	95,506,719	96,746,878	(1,240,159)
Restricted	5,664,153	3,778,405	1,885,748
Unrestricted	(39,224,754)	(36,078,662)	(3,146,092)
Total net position	\$ 61,946,118	\$ 64,446,621	\$ (2,500,503)

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2017	2016	Change
Program Revenues:			
Charges for services	\$ 5,880,191	\$ 6,203,617	\$ (323,426)
Operating grants and contributions	24,250,694	23,225,329	1,025,365
Capital grants and contributions	3,947,281	7,903,943	(3,956,662)
General Revenues:			
Property taxes	16,039,612	15,765,065	274,547
Motor vehicle and other taxes	1,214,870	1,107,157	107,713
Hotel room occupancy taxes	486,093	461,274	24,819
Penalties and interest on taxes	283,456	203,352	80,104
Nonrestricted grants	4,386,448	4,215,298	171,150
Unrestricted investment income	12,064	8,381	3,683
Miscellaneous	34,582	45,234	(10,652)
Gain on sale of capital asset	20,643	-	20,643
Total revenues	56,555,934	59,138,650	(2,582,716)
Expenses:			
General government	3,335,595	3,379,949	(44,354)
Airport	716,087	731,968	(15,881)
Public safety	4,891,469	4,661,358	230,111
Public works	5,512,943	4,677,764	835,179
Education	23,107,045	21,408,944	1,698,101
Health and human services	1,052,627	1,103,402	(50,775)
Culture and recreation	1,321,472	1,277,203	44,269
Employee benefits and insurance	16,212,939	14,241,267	1,971,672
State assessments	2,402,427	2,281,866	120,561
Interest	503,833	511,440	(7,607)
Total expenses	59,056,437	54,275,161	4,781,276
Change in net position	(2,500,503)	4,863,489	(7,363,992)
Net position - beginning of year	64,446,621	59,583,132	4,863,489
Net position - end of year	\$ 61,946,118	\$ 64,446,621	\$ (2,500,503)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows or resources by \$61,946,118 at the close of fiscal year 2017.

Net position of \$95,506,719 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, \$5,664,153 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$39,224,754).

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

The governmental activities net position decreased by \$2,500,503 (4%) during the current fiscal year. The key elements of the decrease in net position for fiscal year 2017 was attributed to the acquisition of \$4,620,635 in new capital assets (mainly the School renovation project) exceeding the sale of capital assets of \$37,900 and the depreciation expense (normally spread out over the useful life of the asset) for the year of \$4,088,430 and the increase in the change in deferred outflow/inflow of resources related to pensions of approximately \$2.3 million; and approximate decreases in the change to the OPEB liability of \$3.8 million and to the change of net pension liability of \$3.2 million.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$4,569,143 an increase of \$22,640 (.5%) in comparison with the prior year.

Breakdown of the governmental fund balances are as follows:

- Restricted fund balance – \$3,747,772.
- Committed fund balance – \$514,423.
- Assigned fund balance – \$649,895.
- Unassigned fund balance – (\$342,947).

At the end of the fiscal year, the General Fund reported a fund balance of \$2,378,622 decreasing \$198,655 (8%) from the prior year. Of the \$2,378,622, the unassigned amount is \$1,728,727 (73%) and the assigned amount is \$649,895 (27%). General fund revenues were \$1,818,875 (4%) more than the prior fiscal year and expenditures also increased by \$2,823,194 (7%).

The main components of the increases in general fund revenues were related to increases in property taxes in the amount of \$735,792 (5%), in intergovernmental receipts of \$322,596 (2%) and in intergovernmental on-behalf receipts of \$875,259 (32%) from the prior year.

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

- Increase in Education expenditures of \$962,859 (6%).
- Increase in Employee benefits and insurance expenditures of \$1,454,330 (14%).

The *School Renovation Fund* is used to account for the construction of a new middle school. The fund has a balance of (\$557,297) and shows an increase of \$1,063,061 (66%) in total operations. This amount was attributed to receipts from the Massachusetts School Building Authority of \$1,063,061.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2017 was \$42,604,630. This was an increase of \$1,358,823 (3%) over the previous year's budget.

There was a decrease of \$9,612 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 \$815,166. Of the \$815,166 in under budget expenditures \$649,895 has been carried over to fiscal year 2018.

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 of \$62,954, user charges of \$62,149, and licenses, permits and fees of \$34,252 as receipts did not meet budgeted expectations.

There were negative variances in public works of \$140,494 (mainly from the transfer station operations) and in debt service (principal) of \$64,999 as the expenses exceeded the budget.

Overall, the variance with the final budget was a positive \$269,843 consisting of a revenue surplus of \$104,572 and the appropriation surplus of \$165,271.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$109,919,681.

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:

- Land purchases for \$497,500.
- Airport runway/taxiway improvements for \$1,590,229.
- City Hall heating and air conditioning units for \$40,408.
- Animal shelter improvements for \$2,360.
- Police vehicle purchases for \$83,090.
- Fire Department vehicle purchase for \$24,260.
- Department of public works facility improvements for \$821,849.
- Department of public works vehicles and equipment purchases for \$115,145.
- Roads and sidewalks improvements for \$280,492.
- School Department vehicle and equipment purchases for \$106,607.
- Armory improvements for \$422,378.
- Noel Field Athletic Complex skate park development for \$636,317.

Debt. The City's governmental outstanding long-term notes and debt as of June 30, 2017 totaled \$12,130,823. Of this, \$280,000 is for street and sidewalk improvements, \$65,000 for Greylock and Sullivan roofs, \$1,923,900 for municipal purpose loans, \$6,173,400 for the middle school renovations, \$387,700 for airport improvements, \$289,500 for landfill closure, \$1,624,015 for water and sewer system improvements, \$133,308 for the Heritage Park settlement and \$1,254,000 is for an Intergovernmental Loan - Section 108 U. S. Department of Housing and Urban Development (HUD).

The City also has a capital lease for the financing of a school department vehicle. The lease is due in 2019. The City currently owes \$19,853 on the lease consisting of \$18,072 in principal and \$1,781 in interest.

The City also has bond anticipation notes outstanding as of June 30, 2017 in the amount of \$3,598,550 for the middle school improvements, departmental equipment and a land purchase.

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

Fiscal Year 2017 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, 2017 do not reflect the fiscal year 2018 City Council actions. The City Council meeting on June 13, 2017 authorized a fiscal year 2018 operating and capital budget as follows:

Budget:
Raise and Appropriate (Taxation and Estimated Revenue) \$ 39,955,755

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, 2017**

	Primary Government
	Governmental Activities
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ 8,199,252
Investments	362,336
Receivables, net of allowance for uncollectibles:	
Property Taxes	711,441
Tax Liens	2,493,206
Excise Taxes	220,671
User Charges	581,168
Departmental	178,449
Loans	268,122
Due from Other Governments	3,308,256
Tax Foreclosures	197,855
Total current assets	16,520,756
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Loans	1,044,000
Due from Other Governments	45,709
Capital Assets, net of accumulated Depreciation	
Nondepreciable	21,937,578
Depreciable	87,982,103
Total noncurrent assets	111,009,390
Total Assets	127,530,146
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	6,758,918
LIABILITIES	
CURRENT:	
Warrants and Accounts Payable	1,054,945
Retainage Payable	37,221
Accrued Payroll	1,679,762
Payroll Withholdings	301,891
Tax Refund Payable	45,000
Accrued Interest	180,318
Other	44,773
Compensated Absences	468,780
Bond Anticipation Notes Payable	3,598,550
Intergovernmental - Loan Payable	210,000
Bonds and Leases Payable	1,703,246
Total current liabilities	9,324,486
NONCURRENT:	
Compensated Absences	387,126
OPEB Obligation Payable	31,029,891
Net Pension Liability	20,408,919
Intergovernmental - Loan Payable	1,044,000
Bonds and Leases Payable	9,191,649
Total noncurrent liabilities	62,061,585
Total Liabilities	71,386,071
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	956,875
NET POSITION	
Net Investment in Capital Assets	95,506,719
Restricted for:	
Capital Projects	1,592,659
Federal & State Grants	852,596
Permanent Funds	525,479
Other Purposes	2,693,419
Unrestricted	(39,224,754)
Total Net Position	\$ 61,946,118

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, 2017

	Program Revenues				Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and
					Changes in Net Position
Primary Government:					Primary Government
Governmental Activities:					Governmental Activities
General Government	\$ 3,335,595	\$ 563,985	\$ 829,259	\$ -	\$ (1,942,351)
Airport	716,087	61,746	-	1,481,688	827,347
Public Safety	4,891,469	529,901	960,609	-	(3,400,959)
Public Works	5,512,943	3,379,001	30,239	1,038,773	(1,064,930)
Education	23,107,045	753,880	18,104,308	1,063,062	(3,185,795)
Health and Human Services	1,052,627	145,775	518,307	-	(388,545)
Culture and Recreation	1,321,472	445,903	112,401	363,758	(399,410)
Employee Benefits and Insurance	16,212,939	-	3,651,314	-	(12,561,625)
State Assessments	2,402,427	-	-	-	(2,402,427)
Interest	503,833	-	44,257	-	(459,576)
Total Primary Government	\$ 59,056,437	\$ 5,880,191	\$ 24,250,694	\$ 3,947,281	\$ (24,978,271)
General Revenues:					
Property Taxes					16,039,612
Motor vehicle and other taxes					1,214,870
Hotel room occupancy & Meal taxes					486,093
Penalties & Interest on Taxes					283,456
Grants & Contributions not restricted to specific programs					4,386,448
Unrestricted Investment Income					12,064
Miscellaneous					34,582
Gain on Sale of Capital Asset					20,643
Total General Revenues					22,477,768
Change in Net Position					(2,500,503)
Net Position:					
Beginning of year					64,446,621
End of year					\$ 61,946,118

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

**CITY OF NORTH ADAMS, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	School Renovation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 4,529,158	\$ 379,641	\$ 3,290,453	\$ 8,199,252
Investments	-	-	362,336	362,336
Receivables, net of allowance for uncollectibles:				
Property Taxes	711,441	-	-	711,441
Tax Liens	2,493,206	-	-	2,493,206
Excise Taxes	220,671	-	-	220,671
User Charges	581,168	-	-	581,168
Departmental	133,831	-	44,618	178,449
Loans	-	-	1,312,122	1,312,122
Due from Other Governments	528,733	1,063,062	1,672,193	3,263,988
Tax Foreclosures	197,855	-	-	197,855
Total Assets	\$ 9,396,063	\$ 1,442,703	\$ 6,681,722	\$ 17,520,488
Liabilities:				
Warrants and Accounts Payable	\$ 336,593	\$ -	\$ 718,352	\$ 1,054,945
Retainage Payable	-	-	37,221	37,221
Accrued Payroll	1,679,762	-	-	1,679,762
Employee Withholdings	301,891	-	-	301,891
Tax Refund Payable	45,000	-	-	45,000
Other	44,773	-	-	44,773
Bond Anticipation Note Payable	-	2,000,000	1,598,550	3,598,550
Total Liabilities	2,408,019	2,000,000	2,354,123	6,762,142
Deferred Inflows of Resources - Unavailable Revenue	4,609,422	-	1,579,781	6,189,203
Fund Balance:				
Restricted	-	-	3,747,772	3,747,772
Committed	-	-	514,423	514,423
Assigned	649,895	-	-	649,895
Unassigned	1,728,727	(557,297)	(1,514,377)	(342,947)
Total Fund Balance	2,378,622	(557,297)	2,747,818	4,569,143
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,396,063	\$ 1,442,703	\$ 6,681,722	\$ 17,520,488

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, 2017**

	General Fund	School Renovation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 16,113,859	\$ -	\$ -	\$ 16,113,859
Intergovernmental	18,918,568	1,063,061	8,829,510	28,811,139
Excise and Other Taxes	1,675,361	-	-	1,675,361
Charges for Services - User Charges	3,036,715	-	1,252,752	4,289,467
Licenses, Permits, Fees	1,640,993	-	-	1,640,993
Other	-	-	184,127	184,127
Interest on Delinquent Taxes	283,456	-	-	283,456
Investment Income	12,064	-	21,670	33,734
Intergovernmental - "On-behalf" Payments	3,625,210	-	-	3,625,210
Total Revenues	45,306,226	1,063,061	10,288,059	56,657,346
Expenditures:				
Current:				
General Government	2,238,309	-	839,096	3,077,405
Airport	-	-	1,647,682	1,647,682
Public Safety	4,011,199	-	1,004,856	5,016,055
Public Works	3,688,227	-	2,266,990	5,955,217
Education	17,832,035	-	3,941,429	21,773,464
Health and Human Services	946,106	-	94,503	1,040,609
Culture and Recreation	524,456	-	1,384,951	1,909,407
Employee Benefits and Insurance	11,500,534	-	-	11,500,534
State Assessments	2,402,427	-	-	2,402,427
Debt Service:				
Principal	1,789,634	-	230,159	2,019,793
Interest	481,747	-	30,241	511,988
Total Expenditures	45,414,674	-	11,439,907	56,854,581
Excess of Revenues Over (Under) Expenditures	(108,448)	1,063,061	(1,151,848)	(197,235)
Other Financing Sources (Uses):				
Operating Transfers In	315	-	90,522	90,837
Operating Transfers Out	(90,522)	-	(315)	(90,837)
Capital Lease	-	-	27,999	27,999
Sale of Capital Asset	-	-	58,543	58,543
Proceeds from Bonds and Notes	-	-	133,333	133,333
Total Other Financing Sources (Uses)	(90,207)	-	310,082	219,875
Net Change in Fund Balances	(198,655)	1,063,061	(841,766)	22,640
Fund Balances, Beginning of Year	2,577,277	(1,620,358)	3,589,584	4,546,503
Fund Balances, End of Year	\$ 2,378,622	\$ (557,297)	\$ 2,747,818	\$ 4,569,143

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, 2017

Total Governmental Fund Balances		\$	4,569,143
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			109,919,681
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			6,279,180
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.			5,802,043
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	\$	(10,894,895)	
Intergovernmental Loan Payable		(1,254,000)	
Other Post Employment Benefits Payable		(31,029,891)	
Net Pension Liability		(20,408,919)	
Compensated Absences		(855,906)	(64,443,611)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			(180,318)
Net Position of Governmental Activities		\$	61,946,118

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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 22,640

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	\$ 4,620,635	
Sale of Capital Assets	(37,900)	
Depreciation	<u>(4,088,430)</u>	494,305

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, MCWT principal subsidy and Mass MoCA Receivable.

(122,055)

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	2,046,426	
Proceeds from Issuance of Bonds and Leases	<u>(161,332)</u>	1,885,094

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	(76,237)	
Net Change in Other Post Employment Benefits	(3,782,020)	
Net Change in Deferred Outflow/(Inflow) of Resources related to Pensions	2,281,963	
Net Change in Net Pension Liability	(3,212,348)	
Net Change in Accrued Interest on Long-Term Debt	<u>8,155</u>	<u>(4,780,487)</u>

Change in Net Position of Governmental Activities \$ (2,500,503)

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, 2017**

	Budgeted Amounts				Actual Budgetary Basis	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)	
	Amounts Carried Forward from Prior Year		Original Budget Final Budget					
	-	\$	-	\$				
Revenues:								
Property Taxes	\$	-	\$ 16,359,608	\$ 15,987,310	\$ 16,074,359	\$	-	\$ 87,049
Intergovernmental	-		18,981,522	18,981,522	18,918,568	-		(62,954)
Excise and Other Taxes	-		1,575,216	1,575,216	1,675,361	-		100,145
Charges for Services - User Charges	-		3,098,864	3,098,864	3,036,715	-		(62,149)
Licenses, Permits, Fees	-		1,675,245	1,675,245	1,640,993	-		(34,252)
Interest on Delinquent Taxes	-		207,169	207,169	283,456	-		76,287
Interest on Investments	-		7,720	7,720	8,166	-		446
Total Revenues	-		41,905,344	41,533,046	41,637,618	-		104,572
Expenditures:								
Current:								
General Government		12,000	2,283,703	2,429,204	2,238,309		62,686	128,209
Public Safety		-	4,037,127	4,122,443	4,011,199		-	111,244
Public Works		6,725	3,684,727	3,547,733	3,688,227		-	(140,494)
Education		692,093	17,737,213	18,429,306	17,832,035		587,209	10,062
Health and Human Services		-	969,237	960,702	946,106		-	14,596
Culture and Recreation		-	509,487	527,899	524,456		-	3,443
Employee Benefits and Insurance		-	8,072,299	7,977,712	7,940,993		-	36,719
State Assessments		-	2,448,741	2,448,741	2,402,427		-	46,314
Debt Service:								
Principal		-	1,680,293	1,680,293	1,745,292		-	(64,999)
Interest		-	480,597	480,597	460,420		-	20,177
Total Expenditures		710,818	41,903,424	42,604,630	41,789,464		649,895	165,271
Excess of Revenues Over (Under) Expenditures		(710,818)	1,920	(1,071,584)	(151,846)		(649,895)	269,843
Other Financing Sources (Uses):								
Operating Transfers In		-	-	50,000	50,315		-	315
Operating Transfers Out		-	(1,920)	(178,522)	(178,522)		-	-
Total Other Financing Sources (Uses)		-	(1,920)	(128,522)	(128,207)		-	315
Net Change in Budgetary Fund Balance		(710,818)	-	(1,200,106)	\$ (280,053)		\$ (649,895)	\$ 270,158
Other Budgetary Items:								
Free Cash and Other Reserves		-	-	489,288				
Prior Year Encumbrances		710,818	-	710,818				
Total Other Budgetary Items		710,818	-	1,200,106				
NET BUDGET	\$	-	\$	-	\$	-	\$	-

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, 2017

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 41,637,618	\$ 41,789,464
<i>Adjustments:</i>		
Activity for Stabilization Fund Recorded in the General Fund for GAAP Purposes	3,898	-
Net Decrease in Revenue from recording Refund Taxes Payable	(45,000)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	3,625,210	-
Recognition of Expenditures - "on behalf payments"	-	3,625,210
Net Increase in Revenue from Recording 60-Day Receipts	84,500	-
Reported on a GAAP Basis	\$ 45,306,226	\$ 45,414,674

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, 2017**

	North Adams Employees Retirement System Pension Trust Fund (as of December 31, 2016)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 5,015	\$ 315,507	\$ 148,978
Investments	53,816,509	-	-
Accrued Interest and Dividends	115,583	-	-
Accounts Receivable	60,289	-	-
Total Assets	53,997,396	315,507	148,978
LIABILITIES			
Warrants Payable	203,921	5,713	192
Due to Others	-	-	70,599
Due to Student Groups	-	-	78,187
Total Liabilities	203,921	5,713	148,978
NET POSITION			
Held in Trust for Pension Benefits and Other Purposes	\$ 53,793,475	\$ 309,794	\$ -

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, 2017**

	North Adams Employees Retirement System Pension Trust Fund (as of December 31, 2016)	Private Purpose Trust Funds
Additions		
Contributions:		
Employers	\$ 2,939,245	\$ -
Plan Members	1,019,466	-
Transfers/Reimbursements from Other Systems	102,274	-
Commonwealth of Massachusetts - COLA	63,221	-
Miscellaneous	-	818
Total Contributions	<u>4,124,206</u>	<u>818</u>
Investment Income:		
Interest & Dividends	981,716	3,392
Net Change in Fair Value of Investments	(1,015,559)	-
Total Investment Earnings	<u>(33,843)</u>	<u>3,392</u>
Less Investment Expense	(245,500)	-
Net Investment Earnings	<u>(279,343)</u>	<u>3,392</u>
Total Additions	<u>3,844,863</u>	<u>4,210</u>
Deductions:		
Benefit Payments to Plan Members and Beneficiaries	4,502,947	-
Refunds to Members	94,151	-
Transfers to Other Systems	237,489	-
Educational Scholarships	-	2,178
General Expenses	121,960	-
Total Deductions	<u>4,956,547</u>	<u>2,178</u>
Change in Net Position	<u>(1,111,684)</u>	<u>2,032</u>
Net Position at Beginning of Year	<u>54,905,159</u>	<u>307,762</u>
Net Position at End of Year	<u>\$ 53,793,475</u>	<u>\$ 309,794</u>

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

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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 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 members 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 organizations. A description of the related organizations is 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 THE FINANCIAL STATEMENTS
June 30, 2017

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.

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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

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 funds:

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

The *school renovation fund* is used to account for financial resources to construct a new middle school.

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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.

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

The City maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

Level 3 inputs are unobservable for the asset or liability.

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

F. Receivables

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

Property Taxes, Tax Foreclosures and Tax Liens

Property taxes are based on assessments as of January 1, 2016 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 2017 on June 30, 2016 that were due on August 1, 2016 and November 1, 2016 and actual bills on December 29, 2016 that were due on February 1, 2017 and May 1, 2017.

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 2017 is \$16,317,472.

The total amount raised by taxation was \$16,139,226.

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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.

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.

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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:

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

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

H. Interfund Transfers

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

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

Government-wide financial statements

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

In addition to liabilities, the *Statement of Net Position* 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 a future period and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category is *deferred inflows related to pensions*.

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Fund financial statements

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

J. Net Position and Fund Balances

In the Government-Wide financial statements, the difference between the City's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays 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.

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.

CITY OF NORTH ADAMS, MASSACHUSETTS
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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. Pension Benefits

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

N. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50% to 75% share of insurance premiums in the general fund in the fiscal year paid.

CITY OF NORTH ADAMS, MASSACHUSETTS
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O. Use of Estimates

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

P. Total Column

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

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 1st 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 2017, the City incurred a final budget deficit of \$1,200,106 for the General Fund.

**CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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The City voted from the following sources to fund the deficit budget during the fiscal year:

Unassigned fund balance:	
Free cash votes	\$ 489,288
Prior year's encumbrances	710,818
	<u>\$ 1,200,106</u>

B. Deficit Fund Balance

The following funds had a deficit at June 30, 2017 as measured by the balances of unreserved fund balance:

- The School renovation fund, a major fund, has a deficit of \$557,297. This project is partially funded by the Massachusetts School Building Authority (MSBA). The City has bond anticipation note outstanding of \$2 million. The deficit will be eliminated upon the future receipt of funds or upon the issuance of permanent debt.
- Capital project airport improvements fund has a deficit of \$46,450. This deficit will be eliminated upon appropriation.
- Capital project Hodges Cross road facility fund has a deficit of \$1,319,350. The City has a bond anticipation note outstanding of \$1,498,550. This deficit will be eliminated upon the issuance of permanent debt.
- Capital project purchase of vehicles and equipment fund has a deficit of \$84,493. The City has a bond anticipation note outstanding of \$100,000. This deficit will be eliminated upon the issuance of permanent debt.
- Various special revenue funds have deficits totaling \$60,794 (highway grant fund of \$318, airport grant funds of \$28,504, Windsor Mill rents fund of \$9,755, Windsor Lake compound fund of \$100 and Police outside duty fund of \$22,117. These deficits will be eliminated upon additional receipts or appropriation.
- The skating rink revolving trust fund has a deficit of \$3,290. This deficit will be eliminated upon additional receipts or appropriation.

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, 2017 were \$9,889,252. Of these, none are exposed to custodial credit risk as uninsured and uncollateralized.

CITY OF NORTH ADAMS, MASSACHUSETTS
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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. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. MMDT’s fair value is measured at amortized cost.

As of June 30, 2017, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities:				
U. S. government agencies	\$ 24,953	\$ -	\$ 24,953	\$ -
Bond mutual funds	55,901	55,901	-	-
Corporate bonds	76,424	-	61,432	14,992
Money market mutual fund	12,300	12,300	-	-
	169,578	\$ 68,201	\$ 86,385	\$ 14,992
Other Investments:				
Equity Mutual Funds	84,769			
Equity Securities - Domestic (Stocks)	107,989			
	\$ 362,336			

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 \$362,336 in investments, the City has a custodial credit risk exposure because the related securities are uninsured, unregistered and held by the City’s brokerage firm, which is also the Counterparty to these securities. The City has no policy on custodial credit risk.

Interest Rate Risk

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

**CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

Credit Risk

The City's exposure to credit risk as of June 30, 2017 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
U. S. Government Agencies:	
AAA	\$ 24,953
Bond Mutual Funds:	
Not rated	55,901
Corporate Bonds:	
AA	14,992
A	45,801
BBB	15,631
Money Market Mutual Funds:	
Not rated	12,300
	\$ 169,578

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 and iShares amounting to 6.89% and 15.43%, respectively, of the City's total investments.

Fair Value of Investments

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2017:

Investment Type	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. government agencies	\$ 24,953	\$ 24,953	\$ -	\$ -
Equity mutual funds	84,769	84,769	-	-
Equity securities - domestic	107,989	107,989	-	-
Money market mutual fund	12,300	12,300	-	-
Bond mutual funds	55,901	-	55,901	-
Corporate bonds	76,424	-	76,424	-
Total Investments	\$ 362,336	\$ 230,011	\$ 132,325	\$ -

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investment Policies – North Adams Retirement System

Under the Public Employee's Retirement Administration Commission (PERAC) regulations, every retirement board shall file a statement of investment objectives with PERAC. Among the information to be filed are the investment policy, the rate of return expected, the expected level of risk, the asset mix, the degree of diversification, and other pertinent financial information. At all times, the Board's investments are subject to certain limitations set forth in Massachusetts General Laws, Chapter 32 and PERAC regulations.

Pension Reserves Investment Trust (PRIT) Fund is a pooled investment fund created under the supervision of the Pension Reserves Investment Management (PRIM) Board. The PRIT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. PRIT's fair value is measured at amortized cost. As of December 31, 2016, the System had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
Debt Securities:					
U. S. treasury obligations	\$ 3,617,520	\$ 999,650	\$ -	\$ 467,190	\$ 2,150,680
Corporate bonds	11,680,133	128,334	2,414,779	5,007,341	4,129,679
Money market mutual fund	373,809	373,809	-	-	-
	<u>15,671,462</u>	<u>\$ 1,501,793</u>	<u>\$ 2,414,779</u>	<u>\$ 5,474,531</u>	<u>\$ 6,280,359</u>
Other Investments:					
Pooled Alternative investment funds	98,981				
Equity securities - domestic	35,361,180				
PRIT - Hedge Funds	2,684,886				
	<u>\$ 53,816,509</u>				

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the System's \$53,816,509 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

Interest Rate Risk

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

Credit Risk

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

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

The System's exposure to credit risk as of December 31, 2016 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<i>U. S. Treasury Obligations:</i>	
Aaa	\$ 3,617,520
<i>Corporate Bonds:</i>	
AAA	3,266,424
AA	3,044,233
A	2,049,885
BAA	2,814,768
BA	504,823
<i>Money Market Mutual Funds:</i>	
Not rated	373,809
	\$ 15,671,462

Concentration of Credit Risk

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

Fair Value of Retirement Investments

The City categorizes its fair value measurements for the System within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements for the System as of December 31, 2016:

Investment Type	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. treasury obligations	\$ 3,617,520	\$ 3,617,520	\$ -	\$ -
Equity securities - domestic	35,361,180	35,361,180	-	-
Money market mutual fund	373,809	373,809	-	-
External Investment Pools (PRIT)-hedge funds	2,684,886	2,684,886	-	-
Corporate bonds	11,680,133	-	11,680,133	-
	53,717,528	\$ 42,037,395	\$ 11,680,133	\$ -
Investments Measured at Amortized Cost:				
Pooled Venture Capital Funds	98,981			
Total Investments	\$ 53,816,509			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

B. Receivables

At June 30, 2017, receivables for the individual major governmental funds, non-major governmental funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 715,441	\$ (4,000)	\$ 711,441
Tax liens	2,493,206	-	2,493,206
Excise taxes	305,671	(85,000)	220,671
User Charges	584,668	(3,500)	581,168
Departmental	274,498	(96,049)	178,449
Loans	1,315,250	(3,128)	1,312,122
Due from other governments	3,263,988	-	3,263,988
Tax Foreclosures	197,855	-	197,855
Fiduciary funds:			
<i>North Adams Employees Retirement System</i>			
<i>Pension Trust Fund (at December 31, 2016):</i>			
Accounts Receivable	60,289	-	60,289
	\$ 9,210,866	\$ (191,677)	\$ 9,019,189

**CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

The composition of amounts due from other governments as of June 30, 2017 for governmental funds is as follows:

General Fund:

Commonwealth of Massachusetts

Department of Veteran Services:

Veterans benefits	\$	528,733
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School Renovation Fund:

Commonwealth of Massachusetts:

Massachusetts School Building Authority

School Building Assistance - capital portion		1,063,062
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Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch	\$	100,342
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U. S. Department of Education:

School title grants		220,168
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U. S. Department of Homeland Security:

Fire Department grant		130,515
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Pass through Massachusetts Emergency Management Agency:

Emergency Management Agency Performance grant		3,220
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U. S. Department of Transportation:

Federal Aviation Administration		120,514
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Commonwealth of Massachusetts

Department of Elementary and Secondary Education:

School lunch		1,019
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School grants		53,178
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Executive Office of Economic Development:

Massachusetts Works Grant		599,691
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Executive Office of Energy & Environmental Affairs:

Noel Field Skate Park Grant		139,666
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Executive Office of Public Safety and Homeland Security:

Hazardous Materials Grant		809
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Massachusetts Department of Transportation:

Highway Department - Chapter 90 funds		253,071
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Massachusetts Historical Commission:

Notre Dame Emergency grant		50,000	1,672,193
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	\$	<u>3,263,988</u>
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CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

C. Deferred Inflows of Resources – Unavailable Revenue

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

General Fund:			
Property taxes	\$	567,312	
Tax liens/foreclosures		2,691,060	
Excise taxes		220,671	
User Charges		585,028	
Departmental		75,711	
Due from other governments		469,640	\$ 4,609,422
Nonmajor Governmental Funds:			
Departmental		72,711	
Loans		1,254,000	
Due from other governments		253,070	1,579,781
			\$ 6,189,203

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, is as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 18,147,883	\$ 497,500	\$ (37,900)	\$ 18,607,483
Construction in progress	6,685,441	2,975,633	(6,330,979)	3,330,095
Total capital assets not being depreciated	24,833,324	3,473,133	(6,368,879)	21,937,578
Capital assets being depreciated:				
Buildings and improvements	93,129,059	1,072,858	-	94,201,917
Machinery, equipment and vehicles	9,540,997	329,102	-	9,870,099
Infrastructure	56,974,002	6,076,521	-	63,050,523
Total capital assets being depreciated	159,644,058	7,478,481	-	167,122,539
Less accumulated depreciation for:				
Buildings	36,778,435	-	2,100,375	38,878,810
Machinery, equipment and other	7,763,697	(107,220)	304,423	7,960,900
Infrastructure	30,509,874	-	1,790,852	32,300,726
Total accumulated depreciation	75,052,006	(107,220)	4,195,650	79,140,436
Total capital assets being depreciated, net	84,592,052	7,585,701	(4,195,650)	87,982,103
Total governmental activities capital assets, net	\$ 109,425,376	\$ 11,058,834	\$ (10,564,529)	\$ 109,919,681

**CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

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

Governmental Activities:	
General government	\$ 261,575
Airport	658,634
Public safety	(4,247)
Public works	1,248,760
Education	1,468,953
Culture and recreation	454,755
Total depreciation expense - governmental activities	<u>\$ 4,088,430</u>

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2017, are summarized below:

Transfers Out:	Transfers In:		Total
	General fund	Nonmajor Governmental fund	
General fund	\$ -	\$ 90,522	\$ 90,522
Nonmajor governmental funds	315	-	315
Total transfers out	<u>\$ 315</u>	<u>\$ 90,522</u>	<u>\$ 90,837</u>

F. Leases

The City has entered into a lease agreement as lessee for financing the acquisition of a school department vehicle. 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:

Asset:	Governmental Activities
Machinery, Equipment and Other	\$ 27,999
Less: Accumulated Depreciation	(5,600)
Total	<u>\$ 22,399</u>

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, are as follows:

Year Ending June 30,	Governmental Activities
2018	\$ 9,927
2019	9,926
Total minimum lease payments	19,853
Less: amount representing interest	(1,781)
Present value of minimum lease payments	\$ 18,072

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, 2016	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2017
Governmental Activities						
Bond anticipation notes:						
Departmental Equipment	0.74%	8/18/2016	\$ 83,333	\$ -	\$ 83,333	\$ -
Departmental Equipment	0.75%	9/15/2016	150,000	-	150,000	-
Middle School construction	0.89%	7/27/2017	-	2,000,000	-	2,000,000
Departmental Equipment	0.90%	9/12/2017	-	100,000	-	100,000
Purchase property	1.10%	1/18/2018	-	1,498,550	-	1,498,550
Total Governmental Activities			\$ 233,333	\$ 3,598,550	\$ 233,333	\$ 3,598,550

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.

**CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2017
General Obligation Bonds:					
Inside Debt Limit:					
Streets and Sidewalks	2.00-3.00%	6/15/2011	9/1/2018	900,000	\$ 280,000
Greylock and Sullivan Roof	4.50-6.00%	12/1/2007	9/15/2017	673,000	65,000
Municipal Purpose Loan of 2011	2.00-4.00%	6/15/2011	6/15/2023	2,276,433	1,065,000
Municipal Purpose Loan of 2014	2.00-3.00%	8/19/2014	3/1/2030	1,150,700	858,900
Heritage Park	4.50%	2/4/2016	2/3/2023	160,000	133,308
Outside Debt Limit:					
Water	4.00-5.00%	7/1/2007	7/1/2018	6,115,000	1,455,000
Middle School Renovation	3.60%	8/19/2014	3/1/2040	6,500,000	6,173,400
Airport Improvements	1.87%	8/19/2014	3/1/2022	561,700	387,700
Massachusetts Clean Water Trust:					
Inflow/Outflow Infiltration (1)	2.00%	2/1/2006	8/1/2023	360,907	169,015
Landfill Closing (1)	1.73%	11/1/1998	8/1/2018	2,253,000	289,500
Total Bonds Payable					<u>10,876,823</u>
MASS MoCA - Section 108 HUD (2)	variable	5/28/2015	8/1/2022	3,774,000	<u>1,254,000</u>
Total Governmental Type Debt					<u><u>\$ 12,130,823</u></u>

(1) Bonds were issued through Massachusetts Clean Water 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, 2017 are as follows:

Year	Principal	Interest	Total
2018	\$ 1,904,494	\$ 427,756	\$ 2,332,250
2019	1,899,577	350,993	2,250,570
2020	867,246	293,428	1,160,674
2021	873,332	258,529	1,131,861
2022	799,459	222,817	1,022,276
2023-2027	1,711,715	876,615	2,588,330
2028-2032	1,375,000	661,675	2,036,675
2033-2037	1,600,000	409,769	2,009,769
2038-2040	1,100,000	88,800	1,188,800
	<u>\$ 12,130,823</u>	<u>\$ 3,590,382</u>	<u>\$ 15,721,205</u>

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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The City is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) 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 MCWT. The gross amount outstanding at June 30, 2017 for principal and interest combined for the three loans is \$495,975. The net repayments, including interest, are scheduled to be \$385,110. The principal subsidies are guaranteed and therefore a \$80,483 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 2017 principal and interest subsidies totaled \$44,342 and \$21,327, respectively.

At June 30, 2017, the City carried \$1,254,000 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. The principal and interest are guaranteed and therefore a \$9,494 intergovernmental receivable has been reported in the government-wide financial statements. 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:

	Balance			Balance	Amounts Due
	July 1, 2016	Additions	Reductions	June 30, 2017	within One
					Year
Governmental activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$ 11,903,468	\$ -	\$ 1,485,159	\$ 10,418,309	\$ 1,531,098
Massachusetts Clean					
Water Trust bonds	649,815	-	191,301	458,514	163,396
Intergovernmental loan - section 108	1,464,000	-	210,000	1,254,000	210,000
Capital leases	16,706	27,999	26,633	18,072	8,752
Compensated absences	779,669	97,158	20,921	855,906	468,780
OPEB liability obligation	27,247,871	3,782,020	-	31,029,891	-
Net pension liability	17,196,571	3,212,348	-	20,408,919	-
Governmental activity					
Long-term liabilities	<u>\$ 59,258,100</u>	<u>\$ 7,119,525</u>	<u>\$ 1,934,014</u>	<u>\$ 64,443,611</u>	<u>\$ 2,382,026</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, 2017, totaled \$2,402,210.

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, 2017, totaled \$9,728,613.

**CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

The following is a computation of the legal debt limit as of June 30, 2017:

Equalized Valuation-Real Estate and Personal Property (2016)		\$ 763,510,000
Debt Limit: 5 % of Equalized value		<u>38,175,500</u>
Total Debt Outstanding	\$ 12,130,823	
Less: Debt Outside Debt Limit	<u>(9,728,613)</u>	<u>2,402,210</u>
Inside Debt Excess Borrowing Capacity at June 30, 2017		<u>\$ 35,773,290</u>

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts, a City must authorize debt at a City Council meeting. This authorized debt does not have to be actually issued at that 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, 2017 and are not reflected in the City's financial statements are as follows:

<u>Date of Council meeting</u>	<u>Description</u>	<u>Amount</u>
10/28/2009	Feasibility study	\$ 530,012
12/11/2011	Infrastructure repairs due to Hurricane Irene damage	1,668,000
2/5/2013	Silvio Conte Middle School renovation and addition	<u>21,192,594</u>
		<u>\$ 23,390,606</u>

Overlapping Debt

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

	<u>Current Year's Debt</u>	<u>City's Estimated Share</u>	<u>City's Estimated Indirect Debt</u>
Hoosac Water Quality District	\$ 6,086,130	55.34%	<u>\$ 3,309,901</u>

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

I. Fund Balances

The following is a summary of the City's Governmental fund balances at the year ended June 30, 2017:

	General Fund	School Renovation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:				
Federal, state and local grants	\$ -	\$ -	\$ 540,595	\$ 540,595
School revolving	-	-	1,866,562	1,866,562
Gifts and donations	-	-	169,628	169,628
Permanent funds	-	-	525,479	525,479
Capital projects	-	-	1,698	1,698
Other	-	-	643,810	643,810
	-	-	<u>3,747,772</u>	<u>3,747,772</u>
Committed:				
Parking meters and permits	-	-	219,403	219,403
Landfill/transfer station	-	-	295,020	295,020
	-	-	<u>514,423</u>	<u>514,423</u>
Assigned:				
General government	62,686	-	-	62,686
Education	587,209	-	-	587,209
	<u>649,895</u>	-	-	<u>649,895</u>
Unassigned:				
General Fund	1,728,727	-	-	1,728,727
Deficits:				
Capital Projects	-	(557,297)	(1,450,293)	(2,007,590)
Special Revenue	-	-	(60,794)	(60,794)
Trust funds	-	-	(3,290)	(3,290)
	<u>1,728,727</u>	<u>(557,297)</u>	<u>(1,514,377)</u>	<u>(342,947)</u>
Total Governmental fund balances	<u>\$ 2,378,622</u>	<u>\$ (557,297)</u>	<u>\$ 2,747,818</u>	<u>\$ 4,569,143</u>

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, 2017, the balance in the stabilization fund is \$971,378; which is reported in the General Fund as unassigned fund balance.

**CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

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 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, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

The City has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, City management believes such disallowances, if any, will not be material.

C. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued.

D. 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.

E. Pension Plan

Plan Description

The City is a member of the North Adams Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the North Adams Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 85 Main Street, Room 322, North Adams, Massachusetts 01247.

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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

Special Funding Situation

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in the MTRS. Since the City does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2016. The City's portion of the collective pension expense contributed by the Commonwealth of \$3,559,541 on-behalf payments for the fiscal year ending June 30, 2017 is reported as intergovernmental revenues and insurance and employee benefits expenditures in the General Fund as of the measurement date.

Benefits Provided

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

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

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

Contributions

MGL Chapter 32 governs the contributions of plan members and the City. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The City's proportionate share of the required contribution to the System for the year ended December 31, 2016 was \$2,589,784, representing 28.4% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Pension Liability

As of June 30, 2017, the City reported a liability of \$20,408,919 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the City's proportional percentage was 88.11%, which was a slight increase from the last measurement.

Pension Expense

For the year ended June 30, 2017, the City recognized a pension expense of \$3,501,491 and reported deferred outflows of resources related to pensions of \$6,758,918 from net difference between projected and actual investment earnings on pension plan investments and changes in assumption; and deferred inflows of resources related to pensions of \$956,875 from the net difference between expected and actual experience.

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

<u>For years ended June 30,</u>	
2018	\$ 1,450,511
2019	1,450,511
2020	1,450,511
2021	<u>1,450,510</u>
	<u><u>\$ 5,802,043</u></u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2016:

Valuation date	January 1, 2015; updated to December 31, 2016 measurement date.
Actuarial cost method	Entry Age Normal
Amortization method	Total appropriation increase 4.32% per year until fiscal year 2028 with a final amortization payment in fiscal year 2029.
Remaining amortization period	12 years from July 1, 2017
Asset valuation method	The actuarial value of assets is the market value. For funding purposes, gains and losses each year are recognized over 5 years.
Investment rate of return	7.5% net of pension plan investment expense, including inflation.

**CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

Inflation	Not explicitly assumed.
Projected salary increase	Select and ultimate by job group, ultimate rates of 4.25% for Group 1 and 4.75% for Group 4.
Cost of living adjustments	3.00% per year of the first \$13,000
Mortality rates	Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct). Post retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct). For disabled retirees, the rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2012 (gender distinct).

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Large Capital Equities	40%	7.50%
Small/Medium Capital Equities	15%	7.75%
International Equities	7%	7.83%
Emerging Market Equities	3%	9.61%
Fixed income	35%	4.00%
Total	<u>100%</u>	

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 0.06%. The money-weighted rate of return considers the changing amounts actually invested during a period and weighs the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

**CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017**

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that member employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments or current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%. As well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability	\$ 28,042,770	\$ 20,408,919	\$ 13,949,575

F. Other Post Employment Benefits Payable

GASB Statement No. 45

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, requires Cities to account for OPEB, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns the post employment benefits, rather than when they use them. To the extent that an entity does not fund their actuarially required contribution, a post employment benefit liability is recognized on the Statement of Net Position.

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 632 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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 2017 fiscal year, total City premiums plus implicit costs for the retiree medical program are \$2,424,192.

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:

Annual required contribution		\$	6,165,509
Interest on net OPEB obligation			975,474
Adjustment to annual required contribution			(934,771)
Annual OPEB cost (expense)			6,206,212
Contributions made during the fiscal year			(2,424,192)
Increase in net OPEB obligation			3,782,020
Net OPEB Obligation - beginning of year			27,247,871
Net OPEB Obligation - end of year			\$ 31,029,891

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 6,206,212	39.1%	\$ 31,029,891
6/30/2016	\$ 7,322,041	38.1%	\$ 27,247,871
6/30/2015	\$ 6,943,314	37.0%	\$ 22,718,542

Funded Status and Funding Process

As of June 30, 2016, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$85,245,389, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$85,245,389. 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.

CITY OF NORTH ADAMS, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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, 2016, used the entry age normal-level percentage of payroll credit method. The OPEB liability is currently unfunded and the actuarial assumptions include a 3.58% discount rate, a 3.50% inflation rate and a medical/drug trend rate decreasing to an ultimate level of 4.50% per year.

The unfunded actuarial accrued liability is being amortized over 30 years open basis. The remaining amortization period at June 30, 2017 is 22 years.

G. Implementation Of New GASB Pronouncements

The GASB issued Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2017.

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

The GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, for implementation in fiscal year 2017.

The GASB issued Statement No. 82, *Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73*, for implementation in fiscal year 2017.

H. Future GASB Pronouncements

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

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2018.

The GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, for implementation in fiscal year 2018.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2021.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTH ADAMS, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
North Adams Retirement System
For the Year Ended June 30, 2017

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

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

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
City's share of the net pension liability (asset)	88.11%	87.98%	88.85%
City's proportionate share net pension liability (asset)	<u>\$ 20,408,919</u>	<u>\$ 17,196,571</u>	<u>\$ 12,388,356</u>
City's covered employee payroll	\$ 10,359,000	\$ 10,359,000	\$ 10,090,000
City's percentage	88.11%	87.98%	88.85%
City's share of covered employee payroll	<u>\$ 9,127,315</u>	<u>\$ 9,113,848</u>	<u>\$ 8,964,965</u>
Net pension liability percentage of covered-employee payroll	223.6%	188.7%	138.2%
Plan fiduciary net position as a percentage of the total pension liability	69.9%	73.7%	80.2%

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

CITY OF NORTH ADAMS, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
North Adams Retirement System
For the Year Ended June 30, 2017

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

Schedule of the City's Contributions:

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 2,589,784	\$ 2,478,795	\$ 2,357,190
Less: Contributions in relation to the actuarially determined contribution	<u>(2,589,784)</u>	<u>(2,478,795)</u>	<u>(2,357,190)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 10,359,000	\$ 10,359,000	\$ 10,090,000
City's percentage	<u>88.11%</u>	<u>87.98%</u>	<u>88.85%</u>
City's proportionate share of covered employee payroll	<u>\$ 9,127,315</u>	<u>\$ 9,113,848</u>	<u>\$ 8,964,965</u>
Contributions percentage of covered-employee payroll	28.4%	27.2%	26.3%

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

CITY OF NORTH ADAMS, MASSACHUSETTS
Required Supplementary Information
Other Post-Employment Benefit Plan (GASB 45) Schedule
Year Ended June 30, 2017

Schedule of Funding Progress

Other Post Employment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2016	\$ -	\$ 85,245,389	\$ 85,245,389	0%	N/A	N/A
6/30/2014	\$ -	\$ 90,807,141	\$ 90,807,141	0%	N/A	N/A
6/30/2012	\$ -	\$ 77,925,152	\$ 77,925,152	0%	N/A	N/A

Schedule of Contribution Funding

Other Post Employment Benefits			
Fiscal Year Ended June 30	Annual Required Contributions	Actual Contributions Made	Percentage Contributed
2017	\$ 6,206,212	\$ 2,424,192	39.1%
2016	\$ 7,322,041	\$ 2,792,712	38.1%
2015	\$ 6,943,314	\$ 2,570,294	37.0%

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, 2016
Actuarial cost method	Entry Age Normal-Level percentage of payroll
Amortization period	30-years open amortization payments

Actuarial Assumptions:

Investment rate of return	N/A
General inflation rate	3.50%
Medical/drug cost trend rate	decreasing to an ultimate trend 4.50% rate per year

Plan Membership:

Current active members	256
Current retirees, beneficiaries and dependents	376
Total	<u>632</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, 2017

	Fund Balances				Other Financing	Fund Balances
	July 1, 2016	Revenues	Expenditures	Sources (Uses)	June 30, 2017	
Special Revenue:						
Federal and State Grants:						
School Grants	\$ 55,635	\$ 2,084,023	\$ 1,958,921	\$ (4,982)	\$	175,755
Airport Grants	(10,252)	1,481,689	1,499,941	-		(28,504)
Arts Lottery Council Grant	65,022	59,270	58,176	-		66,116
Community Development Grants	224,530	1,806,439	2,183,985	123,914		(29,102)
Council on Aging Grants	227	43,162	40,242	-		3,147
Capital Equipment and Facilities Grants	115,432	48,814	165,415	-		(1,169)
Highway Grants	(12,693)	338,435	304,764	-		20,978
Library Grants	24,901	12,081	31,744	-		5,238
Massachusetts Historical Commission	(4,000)	10,000	6,000	-		-
Other Grants and Programs	1,530	102,324	104,514	-		(660)
Public Safety Grants	96,460	870,766	667,252	-		299,974
Schools:						
School Lunch Revolving	365,038	1,162,312	1,113,974	-		413,376
School Lunch Commodities	-	59,092	59,092	-		-
School Choice	892,169	239,209	44,508	-		1,086,870
School Insurance Reimbursement	1,453	-	-	-		1,453
School Revolving Accounts	192,277	167,743	193,888	4,667		170,799
State Special Education Reimbursement Fund	145,775	556,793	508,503	-		194,065
Other:						
Airport Funds	35,483	69,875	57,453	-		47,905
Conservation Commission	(1,919)	3,657	1,550	1,920		2,108
Gifts and Donations	219,630	115,995	176,536	10,539		169,628
Hardman Park Firepump	18,536	16,236	16,940	-		17,832
Heritage Park Rents	37,961	52,003	72,336	(44)		17,584
Landfill Transfer Station	194,816	100,204	-	-		295,020
Municipal Access Cable	193,484	36,422	-	-		229,906
North Adams Farmers	7,727	27,450	24,849	-		10,328
Other Programs	48,083	6,040	61,787	48,687		41,023
Parking Meters and Permits	142,265	77,138	-	-		219,403
Police Outside Details	(8,273)	244,925	258,769	-		(22,117)
Total Special Revenue Page 57	\$ 3,041,297	\$ 9,792,097	\$ 9,611,139	\$ 184,701	\$	3,406,956

CITY OF NORTH ADAMS, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
Continued from Page 57	\$ 3,041,297	\$ 9,792,097	\$ 9,611,139	\$ 184,701	\$ 3,406,956
Special Revenue (continued):					
Other (continued):					
Property Damages	77,537	33,838	44,917	-	66,458
Sale of Cemetery Lots	84,924	13,100	-	-	98,024
Sale of City Property	5,000	-	-	58,544	63,544
Solar Project	-	-	240	-	(240)
The Armory Revolving	-	1,200	1,200	-	-
Town of Adams Sewer Program	47,251	40,319	40,319	-	47,251
Windsor Mill Rents	(6,570)	197,652	116,881	(83,956)	(9,755)
Winsor Lake Campground	(213)	4,437	4,324	-	(100)
Colonel Lawrence	1,957	29	-	-	1,986
Mott 2005/2006 (Mohawk Theatre)	10,535	4	-	(10,539)	-
Skating Rink	2,648	177,413	183,251	-	(3,190)
Total Special Revenue	3,264,366	10,260,089	10,002,271	148,750	3,670,934
Capital Projects:					
Airport Improvements	43,837	-	90,287	-	(46,450)
Conte Middle School Feasibility Study	9	-	-	-	9
Education Reserve	1,348	-	-	-	1,348
Hodges Cross Road Facility	-	-	1,319,350	-	(1,319,350)
New Equipment	(83,333)	-	-	83,333	-
Purchase of Vehicles and Equipment	(134,493)	-	27,999	77,999	(84,493)
Windsor Lake Improvement	341	-	-	-	341
Total Capital Projects	(172,291)	-	1,437,636	161,332	(1,448,595)
Permanent Funds:					
Cemetery Perpetual Care	460,898	23,970	-	-	484,868
Tinker Trust Fund	36,611	4,000	-	-	40,611
Total Permanent Funds	497,509	27,970	-	-	525,479
Total - Non-Major Governmental Funds	\$ 3,589,584	\$ 10,288,059	\$ 11,439,907	\$ 310,082	\$ 2,747,818

**CITY OF NORTH ADAMS, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Taxes July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2017	Uncollected Taxes Per Detail June 30, 2017
Real Estate Taxes:						
Levy of 2017	\$ -	\$ 14,930,000	\$ 301,573	\$ 14,152,748	\$ 475,679	\$ 475,679
Levy of 2016	378,221	-	1,835	282,862	93,524	93,437
Levy of 2015	8,687	-	1,831	1,766	5,090	5,090
Levy of 2014	12,100	-	1,889	-	10,211	10,211
Levy of 2013	1,833	-	1,802	-	31	31
Prior Years	30,209	-	(3,705)	4,145	29,769	29,769
	<u>431,050</u>	<u>14,930,000</u>	<u>305,225</u>	<u>14,441,521</u>	<u>614,304</u>	<u>614,217</u>
Personal Property Taxes:						
Levy of 2017	-	1,218,359	1,333	1,169,314	47,712	47,712
Levy of 2016	46,624	-	93	16,623	29,908	29,908
Levy of 2015	10,042	-	91	236	9,715	9,715
Levy of 2014	7,607	-	90	248	7,269	7,269
Levy of 2013	3,441	-	89	-	3,352	3,352
Prior Years	3,204	-	14,989	(14,966)	3,181	3,181
	<u>70,918</u>	<u>1,218,359</u>	<u>16,685</u>	<u>1,171,455</u>	<u>101,137</u>	<u>101,137</u>
Total Real Estate and Personal Property Taxes	<u>\$ 501,968</u>	<u>\$ 16,148,359</u>	<u>\$ 321,910</u>	<u>\$ 15,612,976</u>	<u>\$ 715,441</u>	<u>\$ 715,354</u>

**CITY OF NORTH ADAMS, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Taxes July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2017	Uncollected Taxes Per Detail June 30, 2017
Motor Vehicle Excise Taxes:						
Levy of 2017	\$ -	\$ 1,045,844	\$ 31,242	\$ 879,656	\$ 134,946	\$ 134,994
Levy of 2016	131,073	135,050	17,218	202,632	46,273	45,892
Levy of 2015	39,119	539	1,415	17,134	21,109	21,109
Levy of 2014	19,286	49	1,022	3,631	14,682	14,562
Levy of 2013	11,694	-	-	1,625	10,069	10,069
Prior Years	80,569	-	-	1,977	78,592	78,592
Total Motor Vehicle Excise Taxes	\$ 281,741	\$ 1,181,482	\$ 50,897	\$ 1,106,655	\$ 305,671	\$ 305,218

**CITY OF NORTH ADAMS, MASSACHUSETTS
 SCHEDULE OF TAX LIENS AND TAX FORECLOSURES
 JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Accounts July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2017	Uncollected Accounts Per Detail June 30, 2017
Tax Liens	\$ 2,699,551	\$ 255,704	\$ 823	\$ 461,226	\$ 2,493,206	\$ 2,744,152
Tax Foreclosures	\$ 197,855	\$ -	\$ -	\$ -	\$ 197,855	\$ 197,855