CITY OF HAVERHILL, MASSACHUSETTS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

(With Independent Auditors' Report Thereon)

CITY OF HAVERHILL, MASSACHUSETTS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

TABLE OF CONTENTS

CBIZ CPAs P.C.

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Independent Auditors' Report

To the Honorable Mayor and City Council
City of Haverhill, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Haverhill, Massachusetts (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards")*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenues, expenditures, and changes in fund balance – general fund-budget and actual, and various pension and other postemployment benefit plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2025, on our consideration of the City's 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

Merrimack, NH
July 1, 2025

Management's Discussion and Analysis

City of Haverhill, Massachusetts

Management's Discussion and Analysis

June 30, 2024

As management of the City of Haverhill, Massachusetts ("City"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2024. We encourage readers to consider the information presented in this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Financial Highlights

- The liabilities and deferred inflows of resources of the City exceeded the assets and deferred outflows of resources at the close of the most recent year by $234.7 million (net position).
- At the close of the current year, the City's general fund reported an ending fund balance of $30.1 million. Total fund balance represents 12% of total general fund expenditures.
- The City's total other postemployment benefit (OPEB) liability decreased by $37.9 million and totaled $307.8 million at year-end.
- The City's net pension liability (NPL) decreased by $18.8 million and totaled $135.8 million at year-end.
- In 2024, $4.4 million of the City's temporary financing agreements with the Massachusetts Clean Water Trust (MCWT), related to upgrades to the wastewater infrastructure networks, were permanently financed and therefore the interim loans were converted to long term debt.
- In 2024, the City entered into an interim loan financing agreement with the MCWT for a drinking water project. The City drew down $2.8 million of eligible funding for this project, which included $266,000 in principal loan forgiveness from the MCWT from their allotment of American Rescue Plan Act funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the City as a whole. The fund financial statements focus on the individual components of the City government, reporting the City's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the City's accountability. This report also contains other required supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all assets and liabilities and deferred outflows/(inflows) of resources, with the difference 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 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing 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 funds* with similar 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 decisions. 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 adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

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

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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by $234.9 million at the close of 2024.

Net position of $222.8 million reflects its net investment in capital assets (e.g., land, buildings, vehicles, machinery and equipment, building improvements, 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 governmental net position, $14.2 million, represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net position* has a year-end deficit of $471.7 million. The primary reason for this deficit balance is the recognition of the total other postemployment benefits liability and the net pension liability totaling $307.8 million and $135.8 million, respectively.

At the end of the current year, the City is able to report positive balances in two out of three categories of net position for the City as a whole.

The governmental and business-type activities of the City are presented on the following pages.

Governmental Activities

The City of Haverhill's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources for governmental activities by $270.4 million at the close of 2024.

Governmental net position increased by $56.2 million during the current year. The primary components of this increase include a $36.8 million increase from the change in the total other postemployment benefits liability and the related deferred outflows/(inflows) of resources, a $11.5 million increase from the change in the net pension liability and the related deferred outflows/(inflows) of resources, and the recognition of $14.0 million of capital grants.

Key components of the City's governmental activities net position are summarized below:

	2024	2023
Assets:		
Current assets	$ 117,322,154	$ 99,307,520
Noncurrent assets (excluding capital)	329,816	447,077
Capital assets, non depreciable	30,352,486	17,602,601
Capital assets, net of accumulated depreciation	199,503,214	200,730,231
Total assets	**347,507,670**	**318,087,429**
Deferred outflows of resources	**7,724,741**	**11,736,391**
Liabilities:		
Current liabilities (excluding debt)	35,480,274	42,429,750
Noncurrent liabilities (excluding debt)	439,664,401	493,159,282
Current debt	3,716,238	3,723,331
Noncurrent debt	78,374,328	50,258,710
Total liabilities	**557,235,241**	**589,571,073**
Deferred inflows of resources	**68,358,995**	**66,833,757**
Net position:		
Net investment in capital assets	185,185,796	177,116,907
Restricted	14,200,927	15,035,092
Unrestricted	(469,748,548)	(518,733,009)
Total net position	**$ (270,361,825)**	**$ (326,581,010)**

Governmental expenses totaled $262.5 million of which $166.9 million (64%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled $151.6 million, primarily coming from property taxes, motor vehicle excise taxes, payments in lieu of taxes and non-restricted state aid.

Key components of changes in the City's governmental activities net position are summarized below:

	2024	2023
Program Revenues:		
Charges for services	$ 10,812,928	$ 11,802,132
Operating grants and contributions	142,244,916	128,065,196
Capital grants and contributions	13,823,519	9,430,797
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable	121,633,699	117,790,948
Tax liens	878,751	1,049,839
Motor vehicle and other excise taxes	11,555,770	11,109,399
Penalties and interest on taxes	800,462	609,465
Payments in lieu of taxes	3,179,847	2,762,606
Grants and contributions not restricted to specific programs	10,312,422	11,734,093
Unrestricted investment income	3,222,308	1,886,867
Miscellaneous	-	461,412
Total revenues	**318,464,622**	**296,702,754**
Expenses:		
General government	8,922,332	9,294,448
Public safety	36,355,231	37,679,638
Education	185,392,615	198,491,448
Public works	20,908,164	16,832,805
Human services	5,878,781	5,070,455
Community and economic development	3,189,335	3,626,839
Interest	1,833,373	1,450,452
Total expenses	**262,479,831**	**272,446,085**
Excess (Deficiency) before transfers	**55,984,791**	**24,256,669**
Transfers	**234,394**	**-**
Change in net position	**56,219,185**	**24,256,669**
Net position, beginning of year	**(326,581,010)**	**(350,837,679)**
Net position, end of year	**$ (270,361,825)**	**$ (326,581,010)**

The decreases in public safety and education expenses mainly relate to the decrease in the City's total other postemployment benefit liability, net of related deferred inflows/outflows of resources. These departments are the largest of the City, attributing to more of a decrease for these functions.

Business-type Activities

For the City's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $35.7 million at the close of 2024.

Key components of the City's business-type activities net position are summarized below:

	2024	2023
Assets:		
Current assets	$ 22,959,389	$ 16,780,255
Noncurrent assets (excluding capital)	589,525	650,433
Capital assets, non depreciable	3,358,260	3,028,638
Capital assets, net of accumulated depreciation	111,597,929	113,375,661
Total assets	**138,505,103**	**133,834,987**
Deferred outflows of resources	**700,884**	**1,295,787**
Liabilities:		
Current liabilities (excluding debt)	2,749,715	2,591,614
Noncurrent liabilities (excluding debt)	19,662,894	22,493,625
Current debt	7,491,272	6,565,015
Noncurrent debt	70,914,690	71,345,748
Total liabilities	**100,818,571**	**102,996,002**
Deferred inflows of resources	**2,709,642**	**2,491,493**
Net position:		
Net investment in capital assets	37,610,826	39,587,350
Unrestricted	(1,933,052)	(9,944,071)
Total net position	$ **35,677,774**	$ **29,643,279**

	2024	2023
Program Revenues:		
Charges for services	$ 30,468,283	$ 26,718,712
Capital grants and contributions	400,141	3,580,880
Total revenues	**30,868,424**	**30,299,592**
Expenses:		
Water	11,381,448	10,677,601
Sewer	13,218,087	12,814,625
Total expenses	**24,599,535**	**23,492,226**
Excess (Deficiency) before transfers	**6,268,889**	**6,807,366**
Transfers	**(234,394)**	**-**
Change in net position	**6,034,495**	**6,807,366**
Net position, beginning of year	**29,643,279**	**22,835,913**
Net position, end of year	**$ 35,677,774**	**$ 29,643,279**

Business-type net position of $37.6 million represents the net investment in capital assets. The balance of *unrestricted net position* has a year-end deficit of $1.9 million. The primary reason for this deficit balance is the recognition of the total other postemployment benefits and net pension liabilities totaling $10.5 million and $9.1 million, respectively.

The water enterprise fund net position increased by $3.1 million in the current year. This was primarily due to an operating surplus of $3.0 million, $266,000 of capital contributions related to loan forgiveness from the MCWT, and a $780,000 transfer between City and water capital projects. These increases were offset by interest expense of $858,000.

The sewer enterprise fund net position increased by $2.9 million in the current year. This increase is primarily due to an operating surplus of $4.5 million. This increase was offset by interest expense of $837,000 as well as transfers out totaling $1.0 million, which was a transfer to the rainstorm nonmajor fund, for emergency rainstorm declaration costs.

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

As of the end of the current year, governmental funds reported a combined ending fund balance of $76.5 million. This was comprised of the general fund totaling $30.1 million, a $2.4 million deficit balance in the COVID-19 fund, $30.2 million for the school capital projects fund, and $18.7 million for the nonmajor funds.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was $18.7 million, while total fund balance was $30.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 7% of the general fund expenditures, while total fund balance represents 12% of the same amount.

Committed fund balance totals $470,000 and relates to the OPEB and youth mental health stabilization funds. Assigned fund balance totals $10.9 million and includes $5.6 million of unexpended appropriations that were encumbered to be expended in the subsequent year and $5.3 million of fund balance that was voted to fund subsequent years' expenditures.

The general fund increased by $1.7 million, which is due to a $1.7 million budgetary basis surplus. The budgetary surplus is primarily due to revenues exceeding the budget by $4.7 million, expenditures being under budget by $2.1 million and a $1.5 million increase in amounts carried forward to the next year. These increases were offset using $6.2 million of fund balance to fund the operating budget and a $348,000 decrease in the stabilization funds, which are reported as a component of the general fund on the fund based financial statements.

The COVID-19 fund ended the year with a deficit fund balance totaling $2.4 million. This deficit relates to expenditures incurred in previous years, associated with responding to the COVID-19 pandemic that are anticipated to be funded by emergency assistance from the Federal Emergency Management Agency.

The City has received significant funding from the American Rescue Plan Act (ARPA). In 2024, the City expended $7.7 million of these funds and therefore reported an equal amount of intergovernmental revenue. The grant funding is not recognized as revenue until the funding is expended and therefore the City reported a $21.2 million liability for unearned revenue related to this federal program.

In 2024, the City implemented GASB Statement #100, *Accounting Changes and Error Corrections,* and the City's school capital projects, previously reported as a nonmajor fund, met the criteria for major fund reporting. The City's school capital projects fund relates mainly to the Consentino Middle School construction project. The project is scheduled to be funded from the Massachusetts School Building Authority (MSBA) as well as from debt issuances. In 2024 the City recognized $6.3 million in proceeds from the MSBA and the City incurred $9.7 million in construction costs. The City received $25.0 million in bond proceeds and related premiums for the project. The fund has an ending fund balance of $30.2 million.

General Fund Budgetary Highlights

The original 2024 approved budget authorized $250.4 million in appropriations, carryforwards, and other amounts to be raised. During 2024, the Council also approved supplemental appropriations totaling $346,000. The change is primarily due to additional appropriations from the hospital trust.

Capital Asset and Debt Administration

Capital Assets. In conjunction with the annual operating budget, the City annually prepares a capital budget for the upcoming year and a five-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2024, amounts to $344.8 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, building improvements, vehicles, machinery and equipment, and infrastructure.

Current year additions for the governmental investment in capital assets totaled $23.4 million. $14.3 million relates to construction in progress, $2.3 million relates to buildings and improvements, $811,000 relates to machinery and equipment, $6.7 million relate to infrastructure, $715,000 relates to land and $847,000 relates to vehicle acquisition.

The water and sewer additions totaled $3.7 million. $971,000 relates to water infrastructure, $537,000 relates to water machinery and equipment, $181,000 relates to water land, and $545,000 relates to water construction in progress. An additional $1.5 million relates to sewer infrastructure and $588,000 relates to sewer construction in progress.

Debt Administration. The City maintains an AA credit rating with Standard and Poor's Financial Services and continues to maintain strong market access for both note and bond sales.

Outstanding long-term debt of the general government totaled $82.1 million, of which $72.8 million relates to general obligation bonds, $5.9 million relates to direct borrowings and placements, which includes $4.6 million from the Massachusetts Clean Water Trust and $1.3 million for other direct borrowings, and $3.4 million relates to unamortized bond premiums.

The water enterprise fund has $42.0 million of outstanding long-term debt, which is fully supported by rates and does not rely on a general fund subsidy.

The sewer enterprise fund has $33.6 million of outstanding long-term debt, which is fully supported by rates and does not rely on a general fund subsidy.

The water enterprise fund outstanding short-term debt totaled $2.5 million and was related to interim financing loans with the Massachusetts Clean Water Trust.

Please refer to the notes to the financial statements for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the City of Haverhill's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City Hall, 4 Summer Street, Haverhill, Massachusetts 01830.

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Basic Financial Statements

City of Haverhill, Massachusetts

Statement of Net Position

June 30, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents	$ 96,028,222	$ 11,808,961	$ 107,837,183
Investments	7,813,011	-	7,813,011
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes	2,432,279	-	2,432,279
Tax liens	3,700,026	-	3,700,026
Motor vehicle and other excise taxes	2,443,212	-	2,443,212
User charges	-	11,089,520	11,089,520
Departmental and other	96,807	60,908	157,715
Intergovernmental	4,174,498	-	4,174,498
Tax foreclosures	634,099	-	634,099
Total current assets	117,322,154	22,959,389	140,281,543
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Departmental and other	329,816	190,207	520,023
Intergovernmental	-	399,318	399,318
Capital assets, nondepreciable	30,352,486	3,358,260	33,710,746
Capital assets, net of accumulated depreciation	199,503,214	111,597,929	311,101,143
Total noncurrent assets	230,185,516	115,545,714	345,731,230
TOTAL ASSETS	347,507,670	138,505,103	486,012,773
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	7,724,741	700,884	8,425,625

See notes to basic financial statements.

City of Haverhill, Massachusetts

Statement of Net Position (Continued)

June 30, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
CURRENT:			
Warrants payable	6,689,161	1,698,262	8,387,423
Tax refunds payable	485,252	-	485,252
Accrued interest	340,402	751,453	1,091,855
Other liabilities	3,781,107	-	3,781,107
Unearned revenue	21,195,352	-	21,195,352
Landfill closure	143,000	-	143,000
Compensated absences	2,800,000	300,000	3,100,000
Workers' compensation	46,000	-	46,000
Notes payable	-	2,511,969	2,511,969
Long-term debt	3,716,238	4,979,303	8,695,541
Total current liabilities	39,196,512	10,240,987	49,437,499
NONCURRENT:			
Landfill closure	13,577,000	-	13,577,000
Compensated absences	1,837,000	-	1,837,000
Workers' compensation	260,000	-	260,000
Net pension liability	126,726,878	9,120,906	135,847,784
Total other postemployment benefits liability	297,263,523	10,541,988	307,805,511
Long-term debt	78,374,328	70,914,690	149,289,018
Total noncurrent liabilities	518,038,729	90,577,584	608,616,313
TOTAL LIABILITIES	557,235,241	100,818,571	658,053,812
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	2,901,725	388,301	3,290,026
Deferred inflows related to other postemployment benefits	65,457,270	2,321,341	67,778,611
TOTAL DEFERRED INFLOWS OF RESOURCES	68,358,995	2,709,642	71,068,637
NET POSITION			
Net investment in capital assets	185,185,796	37,610,826	222,796,622
Restricted for:			
Gifts and grants	4,906,952	-	4,906,952
Other purposes	9,293,975	-	9,293,975
Unrestricted	(469,748,548)	(1,933,052)	(471,681,600)
TOTAL NET POSITION	$ (270,361,825)	$ 35,677,774	$ (234,684,051)

See notes to basic financial statements.

City of Haverhill, Massachusetts

Statement of Activities

Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
Governmental Activities:					
General government	$ 8,922,332	$ 2,614,825	$ 2,093,073	$ -	$ (4,214,434)
Public safety	36,355,231	3,300,742	2,275,507	313,010	(30,465,972)
Education	185,392,615	1,682,858	133,283,175	6,511,630	(43,914,952)
Public works	20,908,164	287,184	1,645,395	6,201,725	(12,773,860)
Human services	5,878,781	442,686	1,780,979	-	(3,655,116)
Community and economic development	3,189,335	2,484,633	1,166,787	797,154	1,259,239
Interest	1,833,373	-	-	-	(1,833,373)
Total Governmental Activities	262,479,831	10,812,928	142,244,916	13,823,519	**(95,598,468)**
Business-Type Activities:					
Water	11,381,448	13,538,604	-	265,505	2,422,661
Sewer	13,218,087	16,929,679	-	134,636	3,846,228
Total Business-Type Activities	24,599,535	30,468,283	-	400,141	**6,268,889**
Total Primary Government	$ 287,079,366	$ 41,281,211	$ 142,244,916	$ 14,223,660	$ **(89,329,579)**

See notes to basic financial statements.

City of Haverhill, Massachusetts

Statement of Activities (Continued)

Year Ended June 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page	$ **(95,598,468)**	$ **6,268,889**	$ **(89,329,579)**
General revenues:			
Real estate and personal property taxes, net of tax refunds payable	121,633,699	-	121,633,699
Tax liens	878,751	-	878,751
Motor vehicle and other excise taxes	11,555,770	-	11,555,770
Penalties and interest on taxes	800,462	-	800,462
Payments in lieu of taxes	3,179,847	-	3,179,847
Grants and contributions not restricted to specific programs	10,312,422	-	10,312,422
Unrestricted investment income	3,222,308	-	3,222,308
Transfers, net	234,394	(234,394)	-
Total general revenues	151,817,653	(234,394)	151,583,259
Change in net position	56,219,185	6,034,495	62,253,680
Net position:			
Beginning of year	(326,581,010)	29,643,279	(296,937,731)
End of year	$ (270,361,825)	$ 35,677,774	$ (234,684,051)

See notes to basic financial statements.

City of Haverhill, Massachusetts

Governmental Funds
Balance Sheet

June 30, 2024

	General	COVID-19	American Rescue Plan Act (ARPA)	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 23,074,611	$ -	$ 21,716,044	$ 28,312,611	$ 22,924,956	$ 96,028,222
Investments	7,813,011	-	-	-	-	7,813,011
Receivables, net of uncollectibles:						
Real estate and personal property taxes	2,432,279	-	-	-	-	2,432,279
Tax liens	3,700,026	-	-	-	-	3,700,026
Motor vehicle and other excise taxes	2,443,212	-	-	-	-	2,443,212
Departmental and other	426,623	-	-	-	-	426,623
Intergovernmental	12,536	-	-	3,963,076	198,886	4,174,498
Tax foreclosures	634,099	-	-	-	-	634,099
Due from other funds	2,419,318	-	-	-	-	2,419,318
TOTAL ASSETS	$ 42,955,715	$ -	$ 21,716,044	$ 32,275,687	$ 23,123,842	$ 120,071,288
LIABILITIES						
Warrants payable	$ 1,308,597	$ -	$ 520,692	$ 2,084,004	$ 2,775,868	$ 6,689,161
Tax refunds payable	485,252	-	-	-	-	485,252
Due to other funds	-	2,419,318	-	-	-	2,419,318
Other liabilities	2,119,328	-	-	-	1,661,779	3,781,107
Unearned revenue	-	-	21,195,352	-	-	21,195,352
Notes payable	-	-	-	-	-	-
TOTAL LIABILITIES	3,913,177	2,419,318	21,716,044	2,084,004	4,437,647	34,570,190
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	8,990,918	-	-	-	-	8,990,918
FUND BALANCES						
Restricted	-	-	-	30,191,683	18,686,195	48,877,878
Committed	469,718	-	-	-	-	469,718
Assigned	10,912,451	-	-	-	-	10,912,451
Unassigned	18,669,451	(2,419,318)	-	-	-	16,250,133
TOTAL FUND BALANCES	30,051,620	(2,419,318)	-	30,191,683	18,686,195	76,510,180
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 42,955,715	$ -	$ 21,716,044	$ 32,275,687	$ 23,123,842	$ 120,071,288

See notes to basic financial statements.

City of Haverhill, Massachusetts

Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position

June 30, 2024

Total governmental fund balances		$	76,510,180
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds			229,855,700
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds			8,990,918
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred			(60,634,254)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due			(340,402)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Long-term debt	(82,090,566)		
Net pension liability	(126,726,878)		
Total other postemployment benefits liability	(297,263,523)		
Landfill closure	(13,720,000)		
Workers' compensation	(306,000)		
Compensated absences	(4,637,000)		
Net effect of reporting long-term liabilities			(524,743,967)
Net position of governmental activities		$	(270,361,825)

See notes to basic financial statements.

City of Haverhill, Massachusetts

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2024

	General	COVID-19	American Rescue Plan Act (ARPA)	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real estate and personal property taxes,						
net of tax refunds	$ 121,518,890	$ -	$ -	$ -	$ -	$ 121,518,890
Tax liens	891,746	-	-	-	-	891,746
Motor vehicle and other excise taxes	11,256,901	-	-	-	-	11,256,901
Charges for services	-	-	-	-	1,628,632	1,628,632
Penalties and interest on taxes	800,462	-	-	-	-	800,462
Fees and rentals	1,343,262	-	-	-	-	1,343,262
Payments in lieu of taxes	3,179,847	-	-	-	-	3,179,847
Licenses and permits	3,042,486	-	-	-	-	3,042,486
Fines and forfeitures	740,832	-	-	-	-	740,832
Intergovernmental - Teachers Retirement	19,373,796	-	-	-	-	19,373,796
Intergovernmental	96,350,796	-	-	6,283,332	34,613,745	137,247,873
Intergovernmental - COVID-19 relief	-	-	7,696,164	-	-	7,696,164
Departmental and other	1,691,788	-	-	-	4,692,734	6,384,522
Contributions and donations	-	-	-	-	82,614	82,614
Investment income	3,222,308	-	-	-	-	3,222,308
TOTAL REVENUES	263,413,114	-	7,696,164	6,283,332	41,017,725	318,410,335
EXPENDITURES:						
Current:						
General government	4,898,359	-	724,529	-	1,593,941	7,216,829
Public safety	29,087,833	-	598,232	-	5,154,549	34,840,614
Education	125,348,256	-	231,717	9,679,653	29,252,885	164,512,511
Public works	12,862,084	-	4,302,160	-	6,005,366	23,169,610
Human services	3,273,785	-	947,708	-	1,138,054	5,359,547
Community and economic development	1,766,963	-	891,818	-	3,836,635	6,495,416
Pension benefits	21,299,610	-	-	-	-	21,299,610
Pension benefits - Teachers Retirement	19,373,796	-	-	-	-	19,373,796
Property and liability insurance	1,130,741	-	-	-	-	1,130,741
Employee benefits	27,995,151	-	-	-	-	27,995,151
State and county charges	8,762,494	-	-	-	-	8,762,494
Debt service:						
Principal	3,490,437	-	-	-	-	3,490,437
Interest	1,914,790	-	-	-	-	1,914,790
TOTAL EXPENDITURES	261,204,299	-	7,696,164	9,679,653	46,981,430	325,561,546
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,208,815	-	-	(3,396,321)	(5,963,705)	(7,151,211)
OTHER FINANCING SOURCES (USES):						
Issuance of bonds	-	-	-	23,912,342	6,045,316	29,957,658
Premium from issuance of bonds	-	-	-	1,087,658	786,540	1,874,198
Transfers in	-	-	-	-	2,290,335	2,290,335
Transfers out	(543,496)	-	-	-	(1,512,445)	(2,055,941)
TOTAL OTHER FINANCING SOURCES (USES)	(543,496)	-	-	25,000,000	7,609,746	32,066,250
NET CHANGE IN FUND BALANCES	1,665,319	-	-	21,603,679	1,646,041	24,915,039
FUND BALANCES AT BEGINNING OF YEAR AS PREVIOUSLY REPORTED	28,386,301	(2,419,318)	-	-	25,628,158	51,595,141
ADJUSTMENT - CHANGE FROM NONMAJOR TO MAJOR FUND	-	-	-	8,588,004	(8,588,004)	-
FUND BALANCES AT BEGINNING OF YEAR, AS ADJUSTED	28,386,301	(2,419,318)	-	8,588,004	17,040,154	51,595,141
FUND BALANCES AT END OF YEAR	$ 30,051,620	$ (2,419,318)	$ -	$ 30,191,683	$ 18,686,195	$ 76,510,180

See notes to basic financial statements.

City of Haverhill, Massachusetts

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2024

Net change in fund balances - total governmental funds		$ 24,915,039
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	23,392,385	
Depreciation expense	(11,869,517)	
Net effect of reporting capital assets		11,522,868
Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue		(132,890)
The issuance of long-term debt 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 has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.		
Issuance of bonds	(29,957,658)	
Premium from issuance of bonds	(1,874,198)	
Net amortization of premium from issuance of bonds	232,894	
Debt service principal payments	3,490,437	
Net effect of reporting long-term debt		(28,108,525)
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 the governmental funds.		
Net change in compensated absences accrual	90,000	
Net change in accrued interest on long-term debt	35,700	
Net change in deferred outflow/(inflow) of resources related to pensions	(5,878,356)	
Net change in net pension liability	17,351,978	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits	341,468	
Net change in total other postemployment benefits liability	36,506,903	
Net change in landfill closure	(300,000)	
Net change in workers' compensation liability	(125,000)	
Net effect of recording long-term liabilities		48,022,693
Change in net position of governmental activities		$ 56,219,185

See notes to basic financial statements.

City of Haverhill, Massachusetts

Proprietary Funds
Statement of Net Position

June 30, 2024

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
ASSETS			
CURRENT:			
Cash and cash equivalents	$ 3,841,547	$ 7,967,414	$ 11,808,961
Receivables, net of allowance for uncollectibles:			
User charges	4,767,897	6,321,623	11,089,520
Departmental and other	-	60,908	60,908
Total current assets	8,609,444	14,349,945	22,959,389
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Departmental and other	-	190,207	190,207
Intergovernmental	-	399,318	399,318
Capital assets, non depreciable	2,253,047	1,105,213	3,358,260
Capital assets, net of accumulated depreciation	65,207,310	46,390,619	111,597,929
Total noncurrent assets	67,460,357	48,085,357	115,545,714
TOTAL ASSETS	76,069,801	62,435,302	138,505,103
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	413,620	287,264	700,884
LIABILITIES			
CURRENT:			
Warrants payable	828,022	870,240	1,698,262
Accrued interest	395,029	356,424	751,453
Compensated absences	180,000	120,000	300,000
Notes payable	2,511,969	-	2,511,969
Bonds payable	2,360,630	2,618,673	4,979,303
Total current liabilities	6,275,650	3,965,337	10,240,987
NONCURRENT:			
Net pension liability	4,473,006	4,647,900	9,120,906
Total other postemployment benefits liability	6,073,687	4,468,301	10,541,988
Bonds payable	39,632,674	31,282,016	70,914,690
Total noncurrent liabilities	50,179,367	40,398,217	90,577,584
TOTAL LIABILITIES	56,455,017	44,363,554	100,818,571
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	216,739	171,562	388,301
Deferred inflows related to other postemployment benefits	1,337,423	983,918	2,321,341
TOTAL DEFERRED INFLOWS OF RESOURCES	1,554,162	1,155,480	2,709,642
NET POSITION			
Net investment in capital assets	23,308,193	14,302,633	37,610,826
Unrestricted	(4,833,951)	2,900,899	(1,933,052)
TOTAL NET POSITION	$ 18,474,242	$ 17,203,532	$ 35,677,774

See notes to basic financial statements.

City of Haverhill, Massachusetts

Proprietary Funds
Statement of Revenues, Expenditures and Changes in Net Position

Year Ended June 30, 2024

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
OPERATING REVENUES:			
Charges for services	$ 13,538,604	$ 16,929,679	$ 30,468,283
OPERATING EXPENSES:			
Cost of services and administration	7,942,000	9,224,784	17,166,784
Depreciation	2,581,104	3,156,080	5,737,184
TOTAL OPERATING EXPENSES	10,523,104	12,380,864	22,903,968
OPERATING INCOME	3,015,500	4,548,815	7,564,315
NONOPERATING REVENUES (EXPENSES):			
Interest expense	(858,344)	(837,223)	(1,695,567)
Intergovernmental	-	134,636	134,636
TOTAL NONOPERATING REVENUES (EXPENSES), NET	(858,344)	(702,587)	(1,560,931)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	2,157,156	3,846,228	6,003,384
CAPITAL CONTRIBUTIONS	265,505	-	265,505
TRANSFERS:			
Transfers in	780,141	70,000	850,141
Transfers out	(70,000)	(1,014,535)	(1,084,535)
TOTAL TRANSFERS	710,141	(944,535)	(234,394)
CHANGE IN NET POSITION	3,132,802	2,901,693	6,034,495
NET POSITION AT BEGINNING OF YEAR	15,341,440	14,301,839	29,643,279
NET POSITION AT END OF YEAR	$ 18,474,242	$ 17,203,532	$ 35,677,774

See notes to basic financial statements.

City of Haverhill, Massachusetts

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2024

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	$ 12,622,440	$ 15,614,413	$ 28,236,853
Payments to vendors	(5,324,856)	(8,452,048)	(13,776,904)
Payments to employees	(3,033,760)	(2,351,713)	(5,385,473)
NET CASH FROM OPERATING ACTIVITIES	4,263,824	4,810,652	9,074,476
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	780,141	70,000	850,141
Transfers out	(70,000)	(1,014,535)	(1,084,535)
Departmental and other	-	59,702	59,702
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	710,141	(884,833)	(174,692)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the issuance of bonds and notes	3,128,274	2,423,531	5,551,805
Acquisition and construction of capital assets	(2,673,152)	(1,467,100)	(4,140,252)
Principal payments on bonds and notes	(2,494,590)	(2,106,764)	(4,601,354)
Interest expense	(888,558)	(872,608)	(1,761,166)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(2,928,026)	(2,022,941)	(4,950,967)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,045,939	1,902,878	3,948,817
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,795,608	6,064,536	7,860,144
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,841,547	$ 7,967,414	$ 11,808,961
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:			
Operating income	$ 3,015,500	$ 4,548,815	$ 7,564,315
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	2,581,104	3,156,080	5,737,184
Deferred (outflows)/inflows related to pensions	635,972	205,224	841,196
Deferred (outflows)/inflows related to other postemployment benefits	68,459	(96,603)	(28,144)
Changes in assets and liabilities:			
User charges	(916,164)	(1,315,266)	(2,231,430)
Warrants payable	38,140	15,946	54,086
Compensated absences	(19,000)	(13,000)	(32,000)
Net pension liability	(776,933)	(677,799)	(1,454,732)
Total other postemployment benefits	(363,254)	(1,012,745)	(1,375,999)
Total adjustments	1,248,324	261,837	1,510,161
NET CASH FROM OPERATING ACTIVITIES	$ 4,263,824	$ 4,810,652	$ 9,074,476
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:			
Intergovernmental subsidy	$ -	$ (134,636)	$ (134,636)
MCWT Loan - permenant financing of notes	-	(4,377,647)	(4,377,647)
MCWT Loan - issuance of bonds from the permenant financing of notes	-	4,377,647	4,377,647
MCWT Loan - forgiveness	(265,505)	-	(265,505)
Acquisition of capital assets on account	439,389	(588,211)	(148,822)

See notes to basic financial statements.

City of Haverhill, Massachusetts

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2024

	Pension Trust Fund (as of December 31, 2023)	Private Purpose Trust Fund
ASSETS		
Cash and cash equivalents	$ 6,942,425	$ 590,300
Investments:		
U.S. treasury bonds	-	995,738
Government sponsored enterprises	-	1,013,786
Corporate bonds	-	1,750,392
Equity securities	34,664,778	1,331,376
Bond mutual funds	-	441,522
Certificates of deposit	-	53,443
Investments in Pension Reserve Investment Trust	221,035,404	-
Fixed income funds	9,761,451	-
Pooled alternative investments	2,284,561	-
Pooled real estate funds	13,898,659	-
Receivables, net of allowance for uncollectibles:		
Departmental and other	185,119	-
Interest and dividends	15,497	-
TOTAL ASSETS	288,787,894	6,176,557
LIABILITIES		
Warrants payable	175,989	-
NET POSITION		
Restricted for pensions	288,611,905	-
Held in trust for other purposes	-	6,176,557
TOTAL NET POSITION	$ 288,611,905	$ 6,176,557

See notes to basic financial statements.

City of Haverhill, Massachusetts

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2024

	Pension Trust Fund (as of December 31, 2023)	Private Purpose Trust Fund
ADDITIONS:		
Contributions:		
Employer contributions	$ 24,193,397	$ -
Member contributions	5,639,656	-
Transfers from other systems	766,214	-
Retirement benefits - 3(8)c contributions from other systems	513,158	-
Member makeup payments and redeposits	87,047	-
Reimbursement of 91A overearnings	2,905	-
Retirement benefits - Intergovernmental	76,362	-
Private donations	-	111,144
Total contributions	31,278,739	111,144
Net investment income:		
Investment income	27,158,840	489,159
Less: investment expense	(1,804,241)	-
Net investment income	25,354,599	489,159
TOTAL ADDITIONS	56,633,338	600,303
DEDUCTIONS:		
Administration	613,704	-
Transfers to other systems	781,524	-
Retirement benefits - 3(8)c transfer to other systems	1,118,195	-
Retirement benefits and refunds	29,289,526	-
Educational scholarships	-	87,078
TOTAL DEDUCTIONS	31,802,949	87,078
NET INCREASE IN NET POSITION	24,830,389	513,225
NET POSITION AT BEGINNING OF YEAR	263,781,516	5,663,332
NET POSITION AT END OF YEAR	$ 288,611,905	$ 6,176,557

See notes to basic financial statements.

City of Haverhill, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the City of Haverhill, Massachusetts (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 accounting policies are described herein.

A. Reporting Entity

The City is a municipal corporation that is governed by an elected Mayor and City Council (Council). As required by GAAP, these basic financial statements present the government and its component units, entities for which the City is considered to be financially accountable.

For financial reporting purposes, the City has included all funds, organizations, 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. As required by GAAP, these basic financial statements present the City (primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship with the City.

Component Unit Presented as a Fiduciary Fund – The following component unit is presented as a Fiduciary Fund of the primary government due to the nature and significance of the relationship between the City and the component unit.

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

The System did not issue a separate audited financial statement. The System issues a publicly available un-audited 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 4 Summer Street, Haverhill, Massachusetts 01830.

Joint Ventures

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The City has entered into a joint venture with the City of Newburyport and the Towns of Amesbury, Georgetown, Groveland, Ipswich, Merrimac, Newbury, Rowley, Salisbury, and West Newbury to pool resources and share the costs, risks and rewards of providing vocational education through the Whittier Regional Vocational Technical High School. The City's assessment for 2024 was $8,655,804. Stand-alone financial statements for the year ended June 30, 2024, are available at Whittier Regional Vocational Technical High School, 115 Amesbury Line Road, Haverhill, Massachusetts 01830.

<u>B. Government-Wide and Fund Financial Statements</u>

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position and 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.

Fund Financial Statements

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

Major Fund Criteria

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

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

- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise 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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred, regardless of the timing of cash flows. Real estate and personal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

- Grants and contributions restricted to meeting the operational requirements of a particular function or segment.

- Grants and contributions restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain postemployment benefits, compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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 following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund. Stabilization fund is also classified as part of the general fund.

The *COVID-19 fund* is used to account for federal and state grant funding used to offset costs associated with the Coronavirus Pandemic.

The *American Rescue Plan Act (ARPA) fund* is used to account for federal funding awarded to the City in response to the Coronavirus Pandemic. Funding received is not earned until costs are incurred. Therefore, until spending occurs, funds received are reported as unearned revenue.

The *school capital projects fund* is used to account for and report financial resources used to fund education related capital improvements and construction.

The *nonmajor governmental funds* consist of special revenue, and capital project funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred, regardless of the timing of cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City's proprietary funds include the water and sewer enterprise funds which are used to account for the water and sewer activities.

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 governmental programs.

The following fiduciary fund types are reported:

The *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 pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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. Investments are carried at fair value.

E. Fair Value Measurements

The City reports required types of financial instruments in accordance with the fair value standards. Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, certain U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, certain U.S. government obligations, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

For more information on the fair value of the City's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes, Tax Liens and Tax Foreclosures

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessors for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are imposed in October of each year on delinquent properties and are recorded as receivables in the year they are processed. Real estate tax liens may be subject to foreclosure if the tax liens are not paid in accordance with the period required by the law (M.G.L. Ch.60, §50). Foreclosure proceedings are processed by the Treasurer or other tax lien custodian. Foreclosed properties can then be sold through advertised public auction or held for use by the City.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle and Other Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by $25 per $1,000 of value.

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

Water and Sewer User Fees

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. Water and sewer liens are processed in December of every year and included as a lien on the property owner's tax bill. Water and sewer fees and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables consist primarily of police detail receivables that are recorded as receivables in the year that the details are completed. The allowance for uncollectibles is estimated based on historical trends and specific account analysis. There was no allowance for uncollectibles reported as of June 30, 2024.

Intergovernmental

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

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

G. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, buildings, building improvements, vehicles, machinery and equipment, and infrastructure (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, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

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

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

Capital Asset Type	Estimated Useful Life (in years)
Buildings	20-40
Buildings and improvements	15-20
Machinery and equipment	5-15
Vehicles	5-10
Infrastructure	10-50

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.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has reported deferred outflows of resources related to pensions in this category.

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 assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has reported deferred inflows of resources related to pensions and deferred inflows of resources related to other postemployment benefits in this category.

Governmental 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 assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The City has reported unavailable revenues as deferred inflows of resources in this category.

J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances."

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

K. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

L. Net position and Fund Balance

Government-Wide Financial Statements (Net Position)

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

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

Net position has been "restricted for" the following:

"Gifts and grants" represents restrictions placed on assets from outside parties and consists primarily of state and federal grants. "Other Purposes" represents other funds that contain restrictions placed on assets from outside parties.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The governmental fund balance classifications are as follows:

"Nonspendable" fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

"Restricted" fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. A vote of the City Council is the highest level of decision making authority that can commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

"Assigned" fund balance includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. The City Council has by resolution authorized the City Auditor to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

"Unassigned" fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The City's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

M. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. Investment Income

Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income derived from the proprietary funds is retained by the proprietary funds.

O. Pensions

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 both the Haverhill Contributory Retirement System and the Massachusetts Teachers Retirement System and additions to/deductions from the Systems fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

Q. Use of Estimates

Government-Wide and Fund Financial Statements

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 the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

R. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

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.

S. Appropriation and Fund Deficits

A deficit exists at June 30, 2024, in the COVID-19 fund. It is anticipated that this deficit will be funded by grant proceeds and available fund balance.

Actual expenditures exceeded appropriations for the City’s other reserve fund. This deficit will be funded by the subsequent years’ tax levy.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents.” The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State

Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth. In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares. There are no limitations or restrictions on participant withdrawals, i.e., no redemption notice periods, maximum transaction amounts, ability of pool to impose liquidity fees or redemption gates. The City's investments in MMDT are unrated. MMDT maintains a cash portfolio with weighted average maturity of approximately 43 days.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board, which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy allows for unlimited bank deposits up to one year in financial institutions that are fully collateralized or fully insured by Federal Depository Insurance or the Depository Insurance Fund. The City's policy limits unsecured deposits to no more than 5% of an institution's assets and no more than 10% of the City's cash may be comprised of unsecured bank deposits. This percentage may be increased for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the City in the near future. These payments may be for such items as debt service payment or regional school assessments. Their credit worthiness will be tracked by Veribanc, or other bank credit worthiness reporting systems. They will be diversified as much as possible. CDs will be purchased for no more than one year and will be reviewed frequently.

At year-end, the carrying amount of deposits totaled $76,324,309 and the bank balance totaled $83,009,000. Of the bank balance, $3,666,942 was covered by Federal Depository Insurance, $10,600,138 was covered by Depositors Insurance Fund, $53,596,663 was collateralized and $15,145,257 was uninsured and uncollateralized. At December 31, 2023, the carrying amount of deposits for the System totaled $533,671 and the bank balance totaled $1,203,225. All of the bank balance was covered by Federal Depository Insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The City's policy to mitigate custodial credit risk requires review of the financial institution's financial statements and the background of the brokerage house and broker/dealer (Advisor). The intent of this qualification is to limit the City's exposure to only those institutions with a proven financial strength, capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the City, will be held in the City's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

Interest Rate Risk

The City's policy to mitigate interest rate risk is to manage the duration of investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The System follows PRIM policies for interest rate risk.

As of June 30, 2024, the City had the following investments and maturities:

		Maturities		
Investment Type	**Fair value**	**Under 1 Year**	**1-5 Years**	**6-10 Years**
Debt securities:				
U.S. treasury bonds	$ 3,779,587	$ 857,951	$ 2,677,560	$ 244,076
Government sponsored enterprises	1,052,637	351,646	579,470	121,521
Corporate bonds	3,260,840	744,713	2,390,932	125,195
Bond mutual funds	1,464,659	-	455,015	1,009,644
Total debt securities	9,557,723	$ 1,954,310	$ 6,102,977	$ 1,500,436
Other investments:				
Equity securities	3,448,057			
Mutual funds	314,602			
Certificates of deposit	78,886			
Money market mutual funds	32,001,592			
MMDT - Cash portfolio	101,582			
Total investments	$ 45,502,442			

Certain other investments are considered cash and cash equivalents reported within the City's financial statements, which is disclosed as follows:

Money market mutual funds	$ 32,001,592
MMDT - Cash portfolio	101,582
Carrying amount of deposits	76,324,309
Total cash and cash equivalents	$ 108,427,483
Governmental activities total cash	$ 96,028,222
Business-type activities total cash	11,808,961
Fiduciary funds total cash	590,300
Total cash and cash equivalents	$ 108,427,483

The System participates in PRIT. The effective weighted duration rate for PRIT's fixed income investments ranged from 2.98 to 14.57 years.

As of December 31, 2023, the System had the following investments and maturities:

Investment Type		Fair value		Maturities 6-10 Years
Debt securities:				
Fixed income funds	$	9,761,451	$	9,761,451
Other investments:				
Equity securities		34,664,778		
Pooled alternative investments		2,284,561		
Pooled real estate funds		13,898,659		
Money market mutual funds		6,408,754		
Pension reserve investment trust (PRIT)		221,035,404		
Total investments	$	288,053,607		

Credit Risk

The City's policy to mitigate credit risk allows for unlimited investments in United States Treasury and United States Government Agency obligations. In regard to other investments, the City will only purchase investment grade securities with a high concentration in securities rated A or better. The City may invest in the Massachusetts Municipal Depository Trust (MMDT) with no limit to the amount of funds placed in the fund.

As of June 30, 2024, Standard & Poor's Investors Service rated the City's investments as follows:

Quality Rating		Government Sponsored Enterprises		Corporate Bonds		Bond Mutual Funds
AAA	$	-	$	169,290	$	44,411
AA+		1,052,637		-		-
AA		-		-		1,374,110
AA-		-		167,376		-
A+		-		271,108		-
A		-		706,455		7,370
A-		-		608,371		-
BBB+		-		565,482		27,268
BBB		-		772,758		-
BB		-		-		3,991
BB-		-		-		3,656
B				-		3,853
Total	$	1,052,637	$	3,260,840	$	1,464,659

The City's investments in money market mutual funds were unrated.

The System has not adopted a formal policy related to credit risk. As of December 31, 2023, $9,761,451 of the System's investment in pooled domestic fixed income funds were rated in the range of AAA to BBB by Standard & Poor's Investors Service. The System's investments in PRIT and money market mutual funds were unrated.

Concentration of Credit Risk

The City will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The City did not have any investments in any one issuer exceeding 5 percent of their total investments.

The System follows PRIM policies for concentration of credit risk. The System did not have any investments in any one issuer exceeding 5 percent of their total investments.

Fair Value of Investments

The City holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the City's mission, the City determines that the disclosures related to these investments only need to be disaggregated by major type. The City chooses a tabular format for disclosing the levels within the fair value hierarchy.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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, 2024:

		Fair Value Measurements Using		
Investment Type	June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Debt securities:				
U.S. treasury bonds	$ 3,779,587	$ -	$ 3,779,587	$ -
Government sponsored enterprises	1,052,637	-	1,052,637	-
Corporate bonds	3,260,840	-	3,260,840	-
Bond mutual funds	1,464,659	1,464,659	-	-
Total debt securities	9,557,723	1,464,659	8,093,064	-
Other investments:				
Equity securities	3,448,057	3,448,057	-	-
Mutual funds	314,602	314,602	-	-
Certificates of deposit	78,886	78,886	-	-
Money market mutual funds	32,001,592	32,001,592	-	-
Total other investments	35,843,137	35,843,137	-	-
Total investments measured at fair value	45,400,860	$ 37,307,796	$ 8,093,064	$ -
Investments measured at amortized cost:				
MMDT - Cash portfolio	101,582			
Total investments	$ 45,502,442			

Bond mutual funds, equity securities, mutual funds, certificates of deposit and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. U.S. treasury bonds, government sponsored enterprises, and corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined to not be appropriate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

The retiree pension defined benefit plan holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan's activities, the plan shows greater disaggregation in its disclosures. The plan chooses a tabular format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The System has the following recurring fair value measurements as of December 31, 2023:

		Fair Value Measurements Using		
Investment Type	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Debt securities:				
Fixed income funds	$ 9,761,451	$ 9,761,451	$ -	$ -
Other investments:				
Equity securities	34,664,778	34,664,778	-	-
Money market mutual funds	6,408,754	6,408,754	-	-
Total other investments	41,073,532	41,073,532	-	-
Total investments measured at fair value	50,834,983	$ 50,834,983	$ -	$ -
Investments measured at net asset value:				
Pooled alternative investments	2,284,561			
Pooled real estate funds	13,898,659			
Pension reserve investment trust (PRIT)	221,035,404			
Total investments	$ 288,053,607			

Fixed income funds, equity securities, and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

PRIT Investments, pooled real estate funds, and pooled alternative investments are valued using the net asset value (NAV) method.

The PRIT investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 – RECEIVABLES

At June 30, 2024, receivables for the individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Real estate and personal property taxes.....	$ 2,503,375	$ (71,096)	$ 2,432,279
Tax liens..	3,700,026	-	3,700,026
Motor vehicle and other excise taxes........	2,900,534	(457,322)	2,443,212
Departmental and other.......................	426,623	-	426,623
Intergovernmental............................	4,174,498	-	4,174,498
Total...	$ 13,705,056	$ (528,418)	$ 13,176,638

At June 30, 2024, receivables for the water and sewer enterprise funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Water user charges...........................	$ 4,767,897	$ -	$ 4,767,897
Sewer user charges...........................	6,321,623	-	6,321,623
Sewer departmental and other..............	251,115	-	251,115
Sewer intergovernmental.....................	399,318	-	399,318
Total...	$ 11,739,953	$ -	$ 11,739,953

Governmental funds report *unavailable revenue* 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 year, the various components of *unavailable revenue* reported in the governmental funds are as follows:

	General Fund
Receivables and other asset types:	
Real estate and personal property taxes	$ 1,774,422
Tax liens	3,700,026
Motor vehicle and other excise taxes	2,443,212
Departmental and other	426,623
Intergovernmental	12,536
Tax foreclosures	634,099
Total	$ 8,990,918

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 10,477,373	$ 715,530	$ -	$ 11,192,903
Construction in progress	7,125,228	14,327,089	(2,292,734)	19,159,583
Total capital assets not being depreciated	17,602,601	15,042,619	(2,292,734)	30,352,486
Capital assets being depreciated:				
Buildings	186,116,581	796,187	-	186,912,768
Buildings and improvements	16,094,486	1,533,712	-	17,628,198
Machinery and equipment	6,190,287	811,055	(419,876)	6,581,466
Vehicles	7,423,388	847,336	(1,201,044)	7,069,680
Infrastructure	190,616,996	6,654,210	-	197,271,206
Total capital assets being depreciated	406,441,738	10,642,500	(1,620,920)	415,463,318
Less accumulated depreciation for:				
Buildings	(78,111,515)	(4,107,216)	-	(82,218,731)
Buildings and improvements	(7,320,958)	(837,799)	-	(8,158,757)
Machinery and equipment	(3,442,374)	(720,938)	419,876	(3,743,436)
Vehicles	(4,675,323)	(762,952)	1,201,044	(4,237,231)
Infrastructure	(112,161,337)	(5,440,612)	-	(117,601,949)
Total accumulated depreciation	(205,711,507)	(11,869,517)	1,620,920	(215,960,104)
Total capital assets being depreciated, net	200,730,231	(1,227,017)	-	199,503,214
Total governmental activities capital assets, net	$ 218,332,832	$ 13,815,602	$ (2,292,734)	$ 229,855,700

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
Capital assets not being depreciated:				
Land	$ 1,526,853	$ 180,800	$ -	$ 1,707,653
Construction in progress	984,783	545,394	(984,783)	545,394
Total capital assets not being depreciated	2,511,636	726,194	(984,783)	2,253,047
Capital assets being depreciated:				
Buildings	21,176,354	-	-	21,176,354
Buildings and improvements	21,652,447	-	-	21,652,447
Machinery and equipment	12,888,432	536,964	-	13,425,396
Vehicles	565,448	-	-	565,448
Infrastructure	44,538,948	1,955,388	-	46,494,336
Total capital assets being depreciated	100,821,629	2,492,352	-	103,313,981
Less accumulated depreciation for:				
Buildings	(2,065,458)	(528,871)	-	(2,594,329)
Buildings and improvements	(3,585,633)	(548,841)	-	(4,134,474)
Machinery and equipment	(9,768,066)	(525,053)	-	(10,293,119)
Vehicles	(398,855)	(44,328)	-	(443,183)
Infrastructure	(19,707,555)	(934,011)	-	(20,641,566)
Total accumulated depreciation	(35,525,567)	(2,581,104)	-	(38,106,671)
Total capital assets being depreciated, net	65,296,062	(88,752)	-	65,207,310
Total water activities capital assets, net	$ 67,807,698	$ 637,442	$ (984,783)	$ 67,460,357

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
Capital assets not being depreciated:				
Land	$ 517,002	$ -	$ -	$ 517,002
Construction in progress	-	588,211	-	588,211
Total capital assets not being depreciated	517,002	588,211	-	1,105,213
Capital assets being depreciated:				
Buildings	637,051	-	-	637,051
Buildings and improvements	6,792,463	-	-	6,792,463
Machinery and equipment	19,378,029	-	-	19,378,029
Vehicles	535,217	-	-	535,217
Infrastructure	80,890,344	1,467,100	-	82,357,444
Total capital assets being depreciated	108,233,104	1,467,100	-	109,700,204
Less accumulated depreciation for:				
Buildings	(155,828)	(14,052)	-	(169,880)
Buildings and improvements	(427,610)	(478,916)	-	(906,526)
Machinery and equipment	(14,640,132)	(897,924)	-	(15,538,056)
Vehicles	(323,098)	(97,738)	-	(420,836)
Infrastructure	(44,606,837)	(1,667,450)	-	(46,274,287)
Total accumulated depreciation	(60,153,505)	(3,156,080)	-	(63,309,585)
Total capital assets being depreciated, net	48,079,599	(1,688,980)	-	46,390,619
Total sewer activities capital assets, net	$ 48,596,601	$ (1,100,769)	$ -	$ 47,495,832

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

Governmental Activities:		
General government	$	546,196
Public safety		991,657
Education		4,623,919
Public works		5,675,943
Human services		31,802
Total depreciation expense - governmental activities	$	11,869,517
Business-Type Activities:		
Water	$	2,581,104
Sewer		3,156,080
Total depreciation expense - business-type activities	$	5,737,184

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables between funds at June 30, 2024, consist of a temporary advance of funds from the general fund to the COVID-19 fund totaling $2,419,318.

Interfund transfers for the year ended June 30, 2024, are summarized as follows:

	Transfers In:				
Transfers Out:	Nonmajor governmental funds	Sewer fund	Water fund	Total	
General fund	$ 543,496	$ -	$ -	$ 543,496	(1)
Nonmajor governmental funds	732,304	-	780,141	1,512,445	(2)
Sewer enterprise fund	1,014,535	-	-	1,014,535	(3)
Water enterprise fund	-	70,000	-	70,000	(4)
Total	$ 2,290,335	$ 70,000	$ 780,141	$ 3,140,476	

(1) Represents a budgeted transfer from the general fund to the City capital projects fund and transfers out of stabilization funds to special revenue funds for opioid and youth mental health services.
(2) Represents a transfer from the City capital projects fund to the water enterprise fund for water infrastructure improvements, as well as transfers between various nonmajor funds.
(3) Represents a transfer from the sewer enterprise fund to the rainstorm capital improvements fund for emergency rainstorm declaration costs.
(4) Represents a transfer from the water enterprise fund to the sewer enterprise fund for sewer capital costs.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise fund, respectively. Details related to the short-term debt activity for the year ended June 30, 2024, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2023	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2024	
Governmental Funds:								
BAN	Road Improvements	4.25%	11/21/24	$ -	$ 1,350,000	$ 1,350,000	$ -	(1)
BAN	Fire Truck	4.25%	11/21/24	-	1,765,316	1,765,316	-	(1)
BAN	Tennis Facility	4.25%	11/21/24	-	3,200,000	3,200,000	-	(1)
BAN	JG Whittier Modular Classroom	4.25%	11/21/24	-	3,800,000	3,800,000	-	(1)
BAN	Salt/Snowplowing Truck	4.25%	11/21/24	-	516,540	516,540	-	(1)
BAN	Consentino School	4.25%	11/21/24	-	20,000,000	20,000,000	-	(1)
BAN	Silver Hill School	4.25%	11/21/24	-	300,000	300,000	-	(1)
BAN	Moody School Boiler	4.25%	11/21/24	-	900,000	900,000	-	(1)
	Total Governmental Funds			-	31,831,856	31,831,856	-	
Business-Type Activities:								
BAN	Crystal Street Land Acquisition	4.25%	11/21/24	-	180,800	180,800	-	(1)
BAN*	MCWT Interim Loan - sewer	1.50%	On Demand	1,954,116	2,423,531	4,377,647	-	
BAN**	MCWT Interim Loan - water	1.50%	On Demand	-	2,777,474	265,505	2,511,969	
	Total Business-Type Activities			1,954,116	5,381,805	4,823,952	2,511,969	
	Total Short-term debt			$ 1,954,116	$ 37,213,661	$ 36,655,808	$ 2,511,969	

(1) On the due date of November 21, 2024, the City retired $32,012,656 of the BANs outstanding with $30,127,658 of bond proceeds, and $1,884,998 of bond premiums. Accordingly, these BANs have been reported as long-term debt in the City's financial statements.

(*) The MCWT temporary financing relates to a program in which the City is able to repair and rehabilitate the existing wastewater infrastructure network. The City has been approved for costs totaling $8,187,035 and $753,965 for the wastewater project. The City entered into a financing agreement where it is allowed two years to expend funds against the interim loan, and in 2024, the City permanently financed the loan. This has been recorded as long-term debt in the City's financial statements.
(**) The MCWT temporary financing relates to a program in which the City is able to finance the costs of a drinking water project. The City has been approved for costs totaling $7,362,750 for the water

project. The City entered into a financing agreement where it is allowed two years to expend funds against the interim loan. After the two years, the City will determine the final construction costs and a permanent debt schedule will be agreed upon and payable over 20 years. In 2024, the City recognized $265,505 of loan forgiveness through the MCWT's allotment of funding from the American Rescue Plan Act. The proceeds related to the loan forgiveness have been reported as capital contributions in the water fund.

NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit." Details related to the outstanding indebtedness at June 30, 2024, and the debt service requirements are as follows:

Long-Term Debt Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2024
From Direct Borrowings and Placements:				
MCWT	2035	$ 12,121,424	0.00 - 2.00	$ 4,579,723
Capital Financing	2031	2,936,305	3.00 - 5.00	1,295,444
Sub-total direct borrowings and placements				5,875,167
General Obligation Bonds:				
Municipal Purpose Bonds of 2012	2032	2,762,700	4.03 - 4.33	970,000
Municipal Purpose Bonds of 2014	2034	3,165,000	0.70 - 3.48	865,000
Municipal Purpose Bonds of 2015	2045	11,197,000	3.60 - 4.00	8,680,000
Municipal Purpose Bonds of 2016	2041	1,677,000	2.00 - 4.00	1,260,000
Municipal Purpose Bonds of 2017	2042	2,215,000	2.00 - 4.00	1,420,000
Municipal Purpose Bonds of 2018	2047	15,723,500	3.00 - 5.00	12,590,000
Municipal Purpose Bonds of 2020	2039	3,645,900	2.13 - 5.00	2,790,000
Municipal Purpose Refunding Bonds of 2021	2029	2,719,600	2.00 - 5.00	1,247,900
Municipal Purpose Bonds of 2021	2041	1,958,000	2.00 - 5.00	1,610,000
Municipal Purpose Bonds of 2022	2042	2,195,000	3.00 - 5.00	1,595,000
Municipal Purpose Bonds of 2023	2043	10,180,000	4.00 - 5.00	9,800,000
Municipal Purpose Bonds of 2024	2045	29,957,658	4.00 - 5.00	29,957,658
Total General Obligation Bonds				72,785,558
Sub-total of long-term governmental debt				78,660,725
Add: Unamortized premium on bonds				3,429,841
Total governmental long-term debt				$ 82,090,566

Debt service requirements for principal and interest for governmental bonds payable in future years are as follows:

	From General Obligation Bonds			From Direct Borrowings and Placements		
Year	Principal	Interest	Total	Principal	Interest	Total
2025	$ 2,802,300	$ 1,612,835	$ 4,415,135	$ 710,767	$ 128,447	$ 839,214
2026	3,619,858	4,666,828	8,286,686	679,232	113,187	792,419
2027	3,713,400	3,421,874	7,135,274	693,018	99,944	792,962
2028	3,546,000	3,215,312	6,761,312	617,150	86,446	703,596
2029	3,354,000	3,020,327	6,374,327	631,597	72,627	704,224
2030	3,387,500	2,824,847	6,212,347	646,388	58,548	704,936
2031	3,430,000	2,525,920	5,955,920	661,529	44,202	705,731
2032	3,477,500	2,448,817	5,926,317	384,995	24,710	409,705
2033	3,430,000	2,264,871	5,694,871	393,365	17,010	410,375
2034	3,352,500	2,081,626	5,434,126	226,106	9,142	235,248
2035	3,350,000	1,900,515	5,250,515	231,020	4,620	235,640
2036	3,402,500	1,727,307	5,129,807	-	-	-
2037	3,492,500	1,560,669	5,053,169	-	-	-
2038	3,577,500	1,388,701	4,966,201	-	-	-
2039	3,682,500	1,211,329	4,893,829	-	-	-
2040	3,680,000	1,029,841	4,709,841	-	-	-
2041	3,652,500	846,973	4,499,473	-	-	-
2042	3,627,500	656,765	4,284,265	-	-	-
2043	3,642,500	465,729	4,108,229	-	-	-
2044	2,930,000	285,098	3,215,098	-	-	-
2045	2,935,000	118,151	3,053,151	-	-	-
2046	595,000	13,584	608,584	-	-	-
2047	105,000	1,777	106,777	-	-	-
Total	$ 72,785,558	$ 39,289,696	$ 112,075,254	$ 5,875,167	$ 658,883	$ 6,534,050

The City has authorized funding for the Consentino Middle School construction project. The project is eligible for funding from the Massachusetts School Building Authority (MSBA). The MSBA project budget totaled $160.0 million, and the MSBA approved a reimbursement rate of 80% of eligible costs. Under the program, the assistance is paid to support construction costs to reduce the total debt service of the City. In 2024, the City received $2.2 million from the MSBA, and recorded an intergovernmental receivable for an additional $4.0 million, which was received subsequent to year end.

Long-Term Debt Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2024
From Direct Borrowings and Placements:				
Water - MCWT	2044	$ 49,979,306	2.00	$ 40,515,629
Sewer - MCWT	2037	40,739,839	2.00	27,641,179
				68,156,808
General Obligation Bonds:				
Water - Municipal Purpose Bonds of 2020	2040	1,257,800	2.00 - 5.00	925,000
Water - Municipal Purpose Bonds of 2021	2041	272,000	5.00	225,000
Water - Municipal Purpose Bonds of 2022	2042	150,000	3.00 - 5.00	130,000
Water - Municipal Purpose Bonds of 2024	2043	170,000	4.00 - 5.00	170,000
Sewer - Municipal Purpose Bonds of 2016	2036	1,081,000	2.00 - 4.00	730,000
Sewer - Municipal Purpose Bonds of 2017	2042	478,000	2.00 - 4.00	235,000
Sewer - Municipal Purpose Bonds of 2018	2043	2,106,500	3.00 - 5.00	1,670,000
Sewer - Municipal Purpose Bonds of 2020	2040	3,156,300	2.00 - 5.00	2,515,000
Sewer - Municipal Purpose Refunding Bonds of 2021	2029	75,400	2.00 - 5.00	47,100
Sewer - Municipal Purpose Bonds of 2021	2031	405,000	5.00	280,000
Sewer - Municipal Purpose Bonds of 2022	2042	575,000	3.00 - 5.00	515,000
				7,442,100
Total Long-Term Debt				$ 75,598,908
Add: Unamortized premium on bonds				295,085
Total Long-Term Debt, net				$ 75,893,993

Debt service requirements for principal and interest for water and sewer enterprise fund bonds payable in future years are noted as follows:

	From General Obligation Bonds			From Direct Borrowings and Placements		
Year	Principal	Interest	Total	Principal	Interest	Total
2025	$ 497,700	$ 262,644	$ 760,344	$ 4,432,024	$ 1,495,559	$ 5,927,583
2026	512,800	249,600	762,400	4,536,177	1,388,212	5,924,389
2027	511,600	215,470	727,070	4,637,106	1,293,735	5,930,841
2028	511,500	197,566	709,066	4,454,459	1,191,274	5,645,733
2029	523,500	173,536	697,036	4,351,077	1,092,440	5,443,517
2030	510,000	149,179	659,179	4,260,442	992,524	5,252,966
2031	505,000	126,304	631,304	4,357,482	890,010	5,247,492
2032	460,000	109,653	569,653	4,324,653	786,177	5,110,830
2033	455,000	97,486	552,486	4,422,453	681,019	5,103,472
2034	455,000	85,252	540,252	4,404,311	573,215	4,977,526
2035	455,000	72,478	527,478	4,492,959	465,327	4,958,286
2036	400,001	59,932	459,933	3,968,317	370,639	4,338,956
2037	330,000	47,839	377,839	4,050,415	289,372	4,339,787
2038	325,000	37,747	362,747	3,436,990	206,357	3,643,347
2039	325,000	27,508	352,508	3,507,528	135,511	3,643,039
2040	315,000	17,553	332,553	2,885,800	70,108	2,955,908
2041	139,999	10,457	150,456	1,108,775	29,607	1,138,382
2042	125,000	6,314	131,314	175,281	7,584	182,865
2043	85,000	2,901	87,901	175,281	1,912	177,193
2044	-	-	-	175,278	1,911	177,189
Total	$ 7,442,100	$ 1,949,419	$ 9,391,519	$ 68,156,808	$ 11,962,493	$ 80,119,301

The sewer enterprise fund is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of $399,318 and interest costs for $719,918. Thus, net MCWT loan repayments, including interest, are scheduled to be $6.2 million. The principal subsidies are guaranteed and therefore a $399,318 intergovernmental receivable has been reported in the proprietary fund financial statements. Since the City is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements. The 2024 principal and interest subsidies totaled $134,636.

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2024, the City had the following authorized and unissued debt:

Purpose		Amount
Other City Projects	$	289,018
Police Department Computer Replacement		100,000
Departmental Equipment		115,000
Hunking Middle School		120,622
School Dept. Text Books		125,325
Planning (CSO Planning)		180,500
Land Acquisition		180,800
Sewer System Improvements		193,134
High School Remodeling		227,488
Water & Wastewater Asset Management Plan		250,000
Water, Wastewater & Stormwater Asset Management Plan Phase II		250,000
Citizens Center Boiler		275,000
Sewer CW-05-17		321,426
Citizens Center Skylight & Roof Repair		330,000
Water Transmission and Distribution Mains Financing and Engineering (DWP-18-06)		377,834
Water Transmission Mains (DW-16-07)		452,000
Phase 3 Combined Sewer Overflow (CW-19-12)		508,900
Flood Control Improvements		513,868
Salt/Snowplowing Trucks (2)		516,540
High School Gym Roof Replacement		643,283
Wastewater Treatment Facility Improvements (CW-17-14)		788,269
Sewer Systems - Kenoza Ave and Lawrence Street		800,000
Moody School Roof Replacement		832,335
Combined Sewer Overflow Water Pollution Abatement Project-CW-03-34 & CW-04-09		969,063
CSO System Improvements		1,176,720
Road Improvements		1,350,000
Silver Hill Elementary School Boiler		1,471,297
Wastewater Treatment Plant & South Mill St. Pumping Station Improvements		1,500,000
Sewer		1,520,000
Fire Truck		1,765,316
Moody School Boiler Replacement		2,411,355
City/School Facilities Energy Efficiency Improvements		2,500,000
School Roof Remodeling		2,680,000
Sewer Pumping Station Improvements		2,700,000
Tennis Facility		3,200,000
Water Distribution System Improvements		3,380,000
JG Whittier Middle School Modular Classrooms		3,800,000
Sewer System Improvements		9,000,000
Old Haverhill Landfill (CWSRF 3403)		9,657,212
Old Haverhill Landfill Engineering and Construction - Groveland Road		10,600,000
Consentino School		126,831,691
Total	$	194,903,996

City of Haverhill, Massachusetts

Notes to Basic Financial Statements

Year Ended June 30, 2024

Changes in Long-term Liabilities

During the year ended June 30, 2024, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
General Obligation Bonds	$ 45,583,200	$ 29,957,658	$ (2,755,300)	$ -	$ -	$ 72,785,558	$ 2,802,300
Direct borrowings and placements	5,111,849	-	(532,126)	-	-	4,579,723	540,651
Capital financing	1,498,455	-	-	-	(203,011)	1,295,444	170,116
Add: Unamortized premium on bonds	1,788,537	1,874,198	(232,894)	-	-	3,429,841	203,171
Total long-term debt	53,982,041	31,831,856	(3,520,320)	-	(203,011)	82,090,566	3,716,238
Landfill closure	13,420,000	-	-	495,000	(195,000)	13,720,000	143,000
Compensated absences	4,727,000	-	-	2,764,000	(2,854,000)	4,637,000	2,800,000
Workers' compensation	181,000	-	-	1,415,000	(1,290,000)	306,000	46,000
Net pension liability	144,078,856	-	-	9,857,685	(27,209,663)	126,726,878	-
Total other postemployment benefits liability	333,770,426	-	-	17,614,570	(54,121,473)	297,263,523	-
Total governmental activity long-term liabilities	$ 550,159,323	$ 31,831,856	$ (3,520,320)	$ 32,146,255	$ (85,873,147)	$ 524,743,967	$ 6,705,238
Business-Type Activities:							
General Obligation Bonds	$ 7,776,800	$ 170,000	$ (504,700)	$ -	$ -	$ 7,442,100	$ 497,700
Direct borrowings and placements	67,829,651	4,377,647	(4,050,490)	-	-	68,156,808	4,432,024
Add: Unamortized premium on bonds	350,196	-	(55,111)	-	-	295,085	49,579
Total long-term debt	75,956,647	4,547,647	(4,610,301)	-	-	75,893,993	4,979,303
Compensated absences	332,000	-	-	300,000	(332,000)	300,000	300,000
Net pension liability	10,575,638	-	-	921,741	(2,376,473)	9,120,906	-
Total other postemployment benefits liability	11,917,987	-	-	624,673	(2,000,672)	10,541,988	-
Total business-type activity long-term liabilities	$ 98,782,272	$ 4,547,647	$ (4,610,301)	$ 1,846,414	$ (4,709,145)	$ 95,856,887	$ 5,279,303

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

GASB #54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The City has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB #54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The City's highest level of decision making authority is City Council.

- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

As of June 30, 2024, the governmental fund balances consisted of the following:

	General	COVID-19	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Restricted for:					
City federal & state grants	$ -	$ -	$ -	$ 298,794	$ 298,794
School federal & state grants	-	-	-	4,220,059	4,220,059
School lunch	-	-	-	3,475,886	3,475,886
City revolving funds	-	-	-	667,560	667,560
School revolving funds	-	-	-	2,305,828	2,305,828
City gift funds	-	-	-	297,285	297,285
School gift funds	-	-	-	90,814	90,814
Other special revenue	-	-	-	1,234,702	1,234,702
Receipts reserved for appropriation	-	-	-	1,609,999	1,609,999
School capital projects	-	-	30,191,683	-	30,191,683
Other capital projects	-	-	-	4,485,268	4,485,268
Committed to:					
OPEB stabilization fund	442,977	-	-	-	442,977
Youth mental health stabilization fund	26,741	-	-	-	26,741
Assigned to:					
General government	142,514	-	-	-	142,514
Public safety	287,479	-	-	-	287,479
Education	4,544,791	-	-	-	4,544,791
Public works	542,136	-	-	-	542,136
Human services	7,625	-	-	-	7,625
Community and economic development	5,081	-	-	-	5,081
Employee benefits	82,825	-	-	-	82,825
Subsequent years' expenditures	5,300,000	-	-	-	5,300,000
Unassigned	18,669,451	(2,419,318)	-	-	16,250,133
Total Fund Balances	$ 30,051,620	$ (2,419,318)	$ 30,191,683	$ 18,686,195	$ 76,510,180

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

At year end, the general stabilization fund totaled $7,140,421 and is reported as unassigned fund balance within the general fund. The OPEB stabilization and youth mental health stabilization fund totaled $442,977 and $26,741, respectively and are reported as committed fund balance within the general fund.

NOTE 9 – RISK FINANCING

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 for which the City carries commercial insurance. The City administers various premium-based health care plans, workers compensation and other insurance for its employees and retirees.

The City participates in premium-based health care plans for its active employees and retirees. The City is self-insured for its workers' compensation and unemployment compensation activities. Settlements have not exceeded coverage for each of the past three years. The incurred but not reported liability related to unemployment claims is immaterial and therefore not recorded.

Workers' Compensation

The City participates in a self-insured workers' compensation plan for which the City employs a third party administrator. Workers' compensation claims are administered by the third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future workers' compensation liability is based on history and injury type.

At June 30, 2024, the amount of the liability for workers' compensation claims totaled $306,000. Changes in the reported liability since July 1, 2022, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2023.............	$ 199,000	$ 929,000	$ (947,000)	$ 181,000	$ 27,000
2024.............	181,000	1,415,000	(1,290,000)	306,000	46,000

NOTE 10 – PENSION PLAN

Plan Descriptions

The City is a member of the Haverhill Contributory Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 3 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System is a component unit and is reported as a pension trust fund in the fiduciary fund financial statements.

The City is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. 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 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting https://mtrs.state.ma.us/service/financial-reports/.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions 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 MTRS. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2023. The City's portion of the collective pension expense, contributed by the Commonwealth, of $19,373,796 is reported in the general fund as intergovernmental revenue and pension benefits in the current year. The portion of the Commonwealth's collective net pension liability associated with the City is $207,494,571 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service. There were no changes in benefit terms that affected the measurement of the total pension liability at December 31, 2023.

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 increase 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.

At December 31, 2023, the System's membership consists of the following:

Active members	1,114
Inactive members	453
Retirees and beneficiaries currently receiving benefits	1,063
Total	2,630

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding $30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the System a legislatively mandated actuarially determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2023, was $24,193,397 , 44.98% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City's proportionate share of the required contribution was $22,834,887, which was $31,697 less than the City's actual contribution.

Pension Liabilities

The components of the net pension liability of the participating member units at December 31, 2023, were as follows:

Total pension liability	$ 432,342,135
Total pension plan's fiduciary net position	(288,611,905)
Total net pension liability	$ 143,730,230
The pension plan's fiduciary net position as a percentage of the total pension liability	66.76%

At June 30, 2024, the City reported a liability of $135,847,784 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024. Accordingly, the total pension liability was updated 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, except for the portion related to early retirement incentives (ERI), which is allocated to individual employers in proportion with the amount of ERI payments made as part of the fiscal 2024 contribution. At December 31, 2023, the City's proportion was 94.52%, which decreased from the proportion measured at December 31, 2022, which was 94.61%.

Pension Expense

For the year ended June 30, 2024, the City recognized pension expense of $10,779,426. At June 30, 2024, the City reported deferred outflows of resources related to pensions of $8,425,625 and deferred inflows of resources related to pensions of $3,290,026. The balances of deferred outflows and inflows at June 30, 2024, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience	$ 1,081,969	$ (2,963,490)	$ (1,881,521)
Difference between projected and actual earnings, net	7,162,049	-	7,162,049
Changes in proportion and proportionate share of contributions	181,607	(326,536)	(144,929)
Total deferred outflows/(inflows) of resources	$ 8,425,625	$ (3,290,026)	$ 5,135,599

The deferred outflows and inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

Year ended June 30:	
2025	$ (1,500,569)
2026	1,196,248
2027	7,434,718
2028	(1,994,798)
Total	$ 5,135,599

Actuarial Assumptions

The total pension liability in the January 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Valuation date…………………………………	January 1, 2024
Actuarial cost method…………………………	Individual Entry Age Normal.
Asset valuation method………………………	The actuarial value of assets is the fair value of assets as of the valuation date.
Investment rate of return……………………	7.00%, net of pension plan investment expense, including inflation.
Inflation rate……………………………………	2.50% per year
Projected salary increases……………………	Group 1: 6.00% - 4.25%, based on service. Group 4: 7.00% - 4.75%, based on service.
Payroll growth…………………………………	3.50% per year
Mortality rates…………………………………	Mortality rates were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. For disabled lives, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

Investment policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. 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 weighting 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 asset class included in the pension plan's target asset allocation as of December 31, 2023 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	23.50%	4.40%
International equity	11.50%	4.10%
Emerging markets equity	5.00%	6.70%
Core fixed income	13.80%	2.40%
Value added fixed income	5.50%	5.30%
Private equity	13.00%	7.70%
Real estate	11.50%	4.10%
Timberland	5.20%	4.60%
Portfolio completion	11.00%	3.90%
Total	100.00%	

Rate of return

For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.66%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.00% as of December 31, 2023 and as of December 31, 2022. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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 schedule on the following page presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
The City's proportionate share of the net pension liability	$ 179,288,695	$ 135,847,784	$ 99,032,857
System total net pension liability	$ 189,691,760	$ 143,730,230	$ 104,779,150

Changes of assumptions

None.

Changes in plan provisions

None.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City of Haverhill administers a single-employer defined benefit healthcare plan (Retiree Health Plan). The Plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the City and the unions representing City employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement #75.

Funding Policy

Contribution requirements are also negotiated between the City and union representatives. The required contribution is based on a pay-as-you-go financing requirement. Depending on the healthcare plan selected and date of hire, the City contributes various percentages ranging from 70% to 85% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs. For life insurance, the City contributes $5.40 per month for each retiree receiving $5,000 of basic life insurance.

Total OPEB Liability

GASB Statement #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period. The City's total OPEB liability of $307,500,344 was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2024.

Employees Covered by Benefit Terms

At June 30, 2024, the Plan's membership consists of the following:

Active members	1,317
Inactive employees or beneficiaries currently receiving benefits	1,977
Total	3,294

Significant Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2024, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement date that was updated to the same date, to be in accordance with GASB Statement #75:

Valuation date	June 30, 2024
Actuarial cost method	Entry Age Normal. Benefits are attributed ratably to service from date of hire until full eligibility date. Full eligibility date is assumed to be first eligibility for retiree medical benefits.
Marital Status	60% of male employees and 50% of female employees are assumed to have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands.
Participation	95% of future retiree teachers are assumed to participate in the retiree medical plan, 95% of future non-teacher retirees are expected to participate in the retiree medical plan and 100% of future retirees are expected to elect life insurance.
Health care trend rate	4.50%
Discount rate	4.00%, net of investment expenses.

Mortality:	
Group 1 and 2……............................	Pub-2010 public plans general activity, general healthy, general survivors and general disabled.
Group 4…......................................	Pub-2010 Public plans public safety active, healthy public safety, public safety survivors and public safety disabled.
	Both include generational adjusting based on Scale MP-2018 to 2025.

Discount rate

The discount rate used to measure the total OPEB liability was 4.00% as of June 30, 2024, and 3.50% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Because there is no funding policy and the City has not established a qualified OPEB trust fund, the discount rate was determined by a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA or higher, which was based on the bond buyer 20-year municipal AA rate.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2023……………………………………	$ 345,688,413
Changes for the year:	
Service cost……………………………………………	6,133,608
Interest…………………………………………………	12,100,251
Differences between expected and actual experience…….	(21,308,318)
Changes in assumptions…..............………………………	(22,501,462)
Benefit payments………………………………………	(12,306,981)
Net change…………………………………………	(37,882,902)
Balances at June 30, 2024……………………………………	$ 307,805,511

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total other postemployment benefit liability, calculated using the discount rate of 4.00% as well as what the total other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
Total OPEB liability..................	$ 355,475,024	$ 307,805,511	$ 269,480,267

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the total other postemployment benefit liability, calculated using the current healthcare trend rate of 4.50%, as well as what the total other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease (3.50%)	Current Trend (4.50%)	1% Increase (5.50%)
Total OPEB liability..................	$ 266,927,423	$ 307,805,511	$ 359,743,539

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB

For the year ended June 30, 2024, the City recognized OPEB expense of $25,945,534. At June 30, 2024, the City reported deferred inflows of resources related to OPEB of $67,778,611 in the following categories:

Deferred Category	Deferred Inflows of Resources
Differences between expected and actual experience..........	$ (30,779,923)
Changes in assumptions..	(36,998,688)
Total deferred outflows/(inflows) of resources..................	$ (67,778,611)

The deferred (inflows) of resources related to OPEB will be recognized in pension expense as follows:

Measurement date year ended June 30:		
2025	$	(43,141,601)
2026		(9,586,385)
2027		(9,586,385)
2028		(5,464,240)
Total deferred (inflows) of resources	$	(67,778,611)

Changes of Assumptions

The discount rate increased from 3.50% to 4.00%.

Changes of Plan Provisions

None.

NOTE 12 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the City to close its old landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The City had operated a solid waste landfill that ceased operations in 1996. The City has reflected $13,720,000 as the estimate of the landfill closure liability at June 30, 2024, in the government-wide financial statements governmental activities. This amount is based on estimates of what it would cost to perform all future closure and post closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 13 – CONTINGENCIES

Federal Award Programs

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2024, these programs are still subject to financial and compliance audits by their grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Litigation

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2024, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2024.

NOTE 14 – COMMITMENTS

Cosentino Middle School Construction Project

The City has entered into, or is planning to enter into, contracts totaling $145,744,033 for the construction of the new Consentino Middle School.

Water and Wastewater Infrastructure Projects

The MCWT temporary financing relates to a program in which the City is able to finance the costs of a drinking water project. The City has been approved for costs totaling $7,362,750 for the water project. The City entered into a financing agreement where it is allowed two years to expend funds against the interim loan. After the two years, the City will determine the final construction costs and a permanent debt schedule will be agreed upon and payable over 20 years. In 2024, the City recognized $265,505 of loan forgiveness through the MCWT's allotment of funding from the American Rescue Plan Act. The proceeds related to the loan forgiveness have been reported as capital contributions in the water fund. See Note 6 – Short Term Financing for further information.

Encumbrances

The general fund has various commitments outstanding for goods and services related to encumbrances totaling $5.6 million.

NOTE 15 – TAX INCREMENT FINANCING AGREEMENTS

The City enters into tax increment financing (TIF) agreements with local business under Chapter 40, Section 59 of the Massachusetts General Laws. Under this section of the law, localities may grant property tax exemptions of the business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The exemptions may be granted to any business located within or promising to relocate to the City. For the fiscal year ended June 30, 2024, the City exempted property taxes totaling $1,892,179 under this program.

The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governmental entities.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 1, 2025, which is the date the financial statements were available to be issued.

NOTE 17 – CHANGE WITHIN REPORTING ENTITY

During the fiscal year ended June 30, 2024, the City reviewed its fund classifications and determined that the school capital projects fund, previously reported as a nonmajor governmental fund, meets the criteria for major fund reporting according to Governmental Accounting Standards Board (GASB) Statement #34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.*

The school capital projects fund has been reclassified as a major governmental fund for the fiscal year ended June 30, 2024. This reclassification is based on the fund's financial activity, which did not previously meet the quantitative thresholds established for major fund reporting. The effects of this reclassification are reflected in the accompanying financial statements for the fiscal year ended June 30, 2024, in accordance with GASB Statement #100, *Accounting Changes and Error Corrections*. The reclassification did not impact the total net position or change in net position of the City.

	Reporting Units Affected by Adjustments of Beginning Balance	
	Funds	
	School Capital Projects	Nonmajor Governmental Funds
June 30, 2023, as previously reported......	$ -	$ 25,628,158
Change from nonmajor to a major fund.....	8,588,004	(8,588,004)
June 30, 2023, as adjusted..................	$ 8,588,004	$ 17,040,154

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2024, the following GASB pronouncement was implemented:

- GASB Statement #100, *Accounting Changes and Error Corrections*. This pronouncement was reflected in the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.
- The GASB Issued Statement #102, *Certain Risk Disclosures*, which is required to be implemented in 2025.
- The GASB Issued Statement #103, *Financial Reporting Model Improvements,* which is required to be implemented in 2026.
- The GASB Issued Statement #104, *Disclosure of Certain Capital Assets*, which is required to be implemented in 2026.

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

Required Supplementary Information

City of Haverhill, Massachusetts

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual

Year Ended June 30, 2024

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
REVENUES:					
Real estate and personal property taxes, net of tax refunds	$ 122,664,684	$ 122,664,684	$ 121,248,055	$ -	$ (1,416,629)
Tax liens	-	-	891,746	-	891,746
Motor vehicle and other excise taxes	10,376,870	10,376,870	11,256,901	-	880,031
Penalties and interest on taxes	500,500	500,500	800,462	-	299,962
Fees and rentals	902,500	902,500	1,343,262	-	440,762
Payments in lieu of taxes	2,624,200	2,624,200	3,179,847	-	555,647
Licenses and permits	2,328,535	2,328,535	3,042,486	-	713,951
Fines and forfeitures	726,200	726,200	740,832	-	14,632
Intergovernmental	97,082,931	97,082,931	96,336,283	-	(746,648)
Departmental and other	801,200	801,200	1,691,788	-	890,588
Investment income	1,200,000	1,200,000	3,333,413	-	2,133,413
TOTAL REVENUES	239,207,620	239,207,620	243,865,075	-	4,657,455
EXPENDITURES:					
Current:					
General government	5,075,255	5,374,912	4,871,610	74,672	428,630
Public safety	28,057,525	28,456,025	28,029,244	220,927	205,854
Education	130,304,697	130,254,697	125,554,579	4,544,790	155,328
Public works	13,088,876	13,076,032	12,447,759	513,772	114,501
Human services	3,399,058	3,360,558	3,273,785	4,805	81,968
Community and economic development	1,692,316	2,155,442	1,766,963	5,208	383,271
Pension benefits	21,646,740	21,299,740	21,299,610	-	130
Property and liability insurance	945,801	1,195,801	1,130,741	-	65,060
Employee benefits	29,208,930	29,690,234	28,867,952	248,277	574,005
Salary reserve	2,307,967	1,512,270	1,512,270	-	-
Other reserve	633,683	24,598	26,749	-	(2,151)
State and county charges	8,827,111	8,827,111	8,762,494	-	64,617
Debt service:					
Principal	3,114,531	3,287,426	3,287,426	-	-
Interest	1,972,367	1,899,472	1,857,609	-	41,863
TOTAL EXPENDITURES	250,274,857	250,414,318	242,688,791	5,612,451	2,113,076
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(11,067,237)	(11,206,698)	1,176,284	(5,612,451)	6,770,531
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves	4,101,316	4,101,316	-	-	(4,101,316)
Use of free cash	6,193,120	6,193,120	-	-	(6,193,120)
Transfers in	872,801	1,219,262	872,801	-	(346,461)
Transfers out	(100,000)	(307,000)	(307,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	11,067,237	11,206,698	565,801	-	(10,640,897)
NET CHANGE IN FUND BALANCE	-	-	1,742,085	(5,612,451)	(3,870,366)
BUDGETARY FUND BALANCE, Beginning of year	20,518,485	20,518,485	20,518,485	-	-
BUDGETARY FUND BALANCE, End of year	$ 20,518,485	$ 20,518,485	$ 22,260,570	$ (5,612,451)	$ (3,870,366)

See notes to required supplementary information.

Pension Plan Schedules – Retirement System

The Pension Plan's Schedule of Changes in the Net Pension Liability and Related Ratios presents multi-year trend information on the net pension liability and related ratios.

The Pension Plan's Schedule of Contributions presents multi-year trend information on the required and actual contributions to the pension plan and related ratios.

The Pension Plan's Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on retirement assets, net of investment expense.

See notes to required supplementary information.

City of Haverhill, Massachusetts

Schedule of Changes in the Net Pension Liability and Related Ratios

Haverhill Contributory Retirement System

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023
Total pension liability:										
Service cost	$ 4,276,136	$ 4,457,871	$ 5,091,379	$ 5,577,886	$ 5,814,947	$ 6,047,544	$ 8,042,809	$ 8,324,309	$ 9,024,303	$ 9,275,062
Interest	25,172,959	25,608,700	24,463,813	25,327,896	26,993,422	27,455,653	27,653,190	28,159,110	28,918,846	29,517,654
Changes in benefit terms	-	-	-	-	-	2,150,157	-	-	-	-
Differences between expected and actual experience	-	-	2,750,089	3,933,465	-	(4,834,450)	-	2,981,241	-	(3,951,966)
Changes in assumptions	-	-	15,636,834	13,629,952	-	11,330,399	-	-	-	-
Benefit payments	(24,393,730)	(23,974,413)	(25,274,903)	(25,251,773)	(26,213,522)	(27,117,198)	(28,478,130)	(29,022,008)	(29,600,553)	(29,743,559)
Net change in total pension liability	5,055,365	6,092,158	22,667,212	23,217,426	6,594,847	15,032,105	7,217,869	10,442,652	8,342,596	5,097,191
Total pension liability - beginning	322,582,714	327,638,079	333,730,237	356,397,449	379,614,875	386,209,722	401,241,827	408,459,696	418,902,348	427,244,944
Total pension liability - ending (a)	$ 327,638,079	$ 333,730,237	$ 356,397,449	$ 379,614,875	$ 386,209,722	$ 401,241,827	$ 408,459,696	$ 418,902,348	$ 427,244,944	$ 432,342,135
Plan fiduciary net position:										
Employer contributions	$ 14,661,848	$ 15,869,862	$ 16,511,360	$ 17,851,950	$ 17,878,483	$ 20,452,808	$ 21,208,667	$ 22,325,823	$ 23,675,914	$ 24,193,397
Member contributions	4,103,074	3,455,693	3,764,777	4,035,100	4,368,364	4,373,927	4,506,262	4,677,181	5,782,545	5,639,656
Net investment income (loss)	12,874,474	(3,625,996)	12,685,293	27,090,598	(6,206,275)	29,570,770	29,700,968	52,603,235	(30,110,060)	25,354,599
Administrative expenses	(546,094)	(481,093)	(472,465)	(616,282)	(438,100)	(441,688)	(476,974)	(479,763)	(479,908)	(613,704)
Retirement benefits and refunds	(24,393,730)	(23,974,413)	(25,274,903)	(25,251,773)	(26,213,522)	(27,117,198)	(28,478,130)	(29,022,008)	(29,600,553)	(29,743,559)
Net increase (decrease) in fiduciary net position	6,699,572	(8,755,947)	7,214,062	23,109,593	(10,611,050)	26,838,619	26,460,793	50,104,468	(30,732,062)	24,830,389
Fiduciary net position - beginning of year	173,453,468	180,153,040	171,397,093	178,611,155	201,720,748	191,109,698	217,948,317	244,409,110	294,513,578	263,781,516
Fiduciary net position - end of year (b)	$ 180,153,040	$ 171,397,093	$ 178,611,155	$ 201,720,748	$ 191,109,698	$ 217,948,317	$ 244,409,110	$ 294,513,578	$ 263,781,516	$ 288,611,905
Net pension liability - ending (a)-(b)	$ 147,485,039	$ 162,333,144	$ 177,786,294	$ 177,894,127	$ 195,100,024	$ 183,293,510	$ 164,050,586	$ 124,388,770	$ 163,463,428	$ 143,730,230
Plan fiduciary net position as a percentage of the total pension liability	54.99%	51.36%	50.12%	53.14%	49.48%	54.32%	59.84%	70.31%	61.74%	66.76%
Covered payroll	$ 37,792,808	$ 38,734,500	$ 40,037,584	$ 42,190,684	$ 42,369,388	$ 42,890,540	$ 45,363,109	$ 48,302,130	$ 50,349,027	$ 53,792,954
Net pension liability as a percentage of covered payroll	390.25%	419.09%	444.05%	421.64%	460.47%	427.35%	361.64%	257.52%	324.66%	267.19%

See notes to required supplementary information.

City of Haverhill, Massachusetts

Schedule of Contributions

Haverhill Contributory Retirement System

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2023.....	$ 24,161,700	$ (24,193,397)	$ (31,697)	$ 53,792,954	44.98%
December 31, 2022.....	23,643,755	(23,675,914)	(32,159)	50,349,027	47.02%
December 31, 2021.....	22,292,809	(22,325,823)	(33,014)	48,302,130	46.22%
December 31, 2020.....	21,190,883	(21,208,667)	(17,784)	45,363,109	46.75%
December 31, 2019.....	20,419,494	(20,452,808)	(33,314)	42,890,540	47.69%
December 31, 2018.....	17,850,259	(17,878,483)	(28,224)	42,369,388	42.20%
December 31, 2017.....	17,507,028	(17,851,950)	(344,922)	42,190,684	42.31%
December 31, 2016.....	16,469,879	(16,511,360)	(41,481)	40,037,584	41.24%
December 31, 2015.....	15,840,897	(15,869,862)	(28,965)	38,734,500	40.97%
December 31, 2014.....	14,638,101	(14,661,848)	(23,747)	37,792,808	38.80%

See notes to required supplementary information.

City of Haverhill, Massachusetts

Schedule of Investment Returns

Haverhill Contributory Retirement System

Year	Annual money-weighted rate of return, net of investment expense
December 31, 2023	9.66%
December 31, 2022	-10.27%
December 31, 2021	21.69%
December 31, 2020	13.81%
December 31, 2019	15.66%
December 31, 2018	-2.13%
December 31, 2017	15.46%
December 31, 2016	7.62%
December 31, 2015	-1.73%
December 31, 2014	7.62%

See notes to required supplementary information.

Pension Plan Schedules – City

The Schedule of the City's Proportionate Share of the Net Pension Liability presents multi-year trend information on the City's net pension liability and related ratios.

The Schedule of City's Contributions presents multi-year trend information on the City's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the City along with related ratios.

City of Haverhill, Massachusetts

Schedule of the City's Proportionate Share of the Net Pension Liability

Haverhill Contributory Retirement System

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2023……	94.52%	$ 135,847,784	$ 50,082,987	271.25%	66.76%
December 31, 2022……	94.61%	154,654,494	46,915,571	329.64%	61.74%
December 31, 2021……	94.62%	117,695,045	45,121,636	260.84%	70.31%
December 31, 2020……	94.65%	155,275,432	42,206,333	367.90%	59.84%
December 31, 2019……	95.70%	173,505,636	39,656,687	437.52%	54.32%
December 31, 2018……	95.06%	185,458,181	39,241,159	472.61%	49.48%
December 31, 2017……	95.06%	169,102,486	38,828,347	435.51%	53.14%
December 31, 2016……	95.35%	169,524,586	36,801,857	460.64%	50.12%
December 31, 2015……	95.39%	154,851,511	38,734,500	399.78%	51.36%
December 31, 2014……	95.79%	141,269,878	34,552,896	408.85%	54.99%

See notes to required supplementary information.

City of Haverhill, Massachusetts

Schedule of the City's Contributions

Haverhill Contributory Retirement System

Year		Actuarially determined contribution		Contributions in relation to the actuarially determined contribution		Contribution deficiency (excess)		Covered payroll	Contributions as a percentage of covered payroll
June 30,2024................	$	22,834,887	$	(22,866,584)	$	(31,697)	$	50,834,232	44.98%
June 30, 2023...............		22,367,876		(22,400,035)		(32,159)		47,619,305	47.04%
June 30, 2022...............		21,091,391		(21,124,405)		(33,014)		45,798,461	46.12%
June 30, 2021...............		20,056,420		(20,074,204)		(17,784)		42,839,428	46.86%
June 30, 2020...............		19,326,327		(19,359,641)		(33,314)		40,251,537	48.10%
June 30, 2019...............		16,935,463		(16,962,293)		(26,830)		39,829,776	42.59%
June 30, 2018...............		16,612,725		(16,940,056)		(327,331)		39,410,772	42.98%
June 30, 2017...............		15,685,281		(15,724,771)		(39,490)		37,353,885	42.10%
June 30, 2016...............		15,086,263		(15,113,837)		(27,574)		39,315,518	38.44%
June 30, 2015...............		13,990,894		(13,990,894)		-		35,071,189	39.89%

See notes to required supplementary information.

City of Haverhill, Massachusetts

Schedule of the Special Funding Amounts of the Net Pension Liability

Massachusetts Teachers' Retirement System

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2024	$ 207,494,571	$ 19,373,796	58.48%
2023	202,358,604	16,645,970	57.75%
2022	169,929,346	13,636,122	62.03%
2021	201,387,819	24,874,281	50.67%
2020	181,206,442	21,974,426	53.95%
2019	168,923,687	17,117,970	54.84%
2018	160,435,307	16,745,100	54.25%
2017	153,786,397	15,687,221	52.73%
2016	142,197,190	11,533,458	55.38%
2015	111,625,445	7,755,155	61.64%

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Changes in the City's Total Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability.

The schedule is intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

City of Haverhill, Massachusetts

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

Other Postemployment Benefit Plan

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
Total OPEB Liability							
Service Cost	$ 1,730,476	$ 1,808,348	$ 1,808,347	$ 2,424,100	$ 2,533,184	$ 5,869,481	$ 6,133,608
Interest	14,007,718	14,226,433	13,741,765	10,568,148	10,608,907	11,878,223	12,100,251
Differences between expected and actual experience	-	(24,730,591)	(27,088,121)	-	(57,848,451)	-	(21,308,318)
Changes of assumptions	-	-	130,649,365	-	(79,485,786)	-	(22,501,462)
Benefit payments	(10,745,972)	(9,207,179)	(10,569,576)	(11,045,207)	(11,537,109)	(11,040,296)	(12,306,981)
Net change in total OPEB liability	4,992,222	(17,902,989)	108,541,780	1,947,041	(135,729,255)	6,707,408	(37,882,902)
Total OPEB liability - beginning	377,132,206	382,124,428	364,221,439	472,763,219	474,710,260	338,981,005	345,688,413
Total OPEB liability - ending	$ 382,124,428	$ 364,221,439	$ 472,763,219	$ 474,710,260	$ 338,981,005	$ 345,688,413	$ 307,805,511
Covered-employee payroll	$ 73,098,178	$ 74,589,978	$ 76,112,222	$ 77,665,533	$ 79,250,544	$ 82,024,313	$ 83,748,549
Total OPEB liability as a percentage of covered-employee payroll	522.76%	488.30%	621.14%	611.22%	427.73%	421.45%	367.54%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

City of Haverhill, Massachusetts

Notes to Required Supplementary Information

Year Ended June 30, 2024

NOTE A - BUDGETARY BASIS OF ACCOUNTING

Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by the Council. The Mayor presents an annual budget to the Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Council, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget requires majority Council approval via a supplemental appropriation or Council order.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of the Council.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2024 approved budget authorized $250.4 million in appropriations, carryforwards, and other amounts to be raised. During 2024, the Council also approved supplemental appropriations totaling $346,000. The change is primarily due to supplemental transfers in from available funds for operations.

The City Auditor has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the City's accounting system.

Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2024, is presented on the following page.

Net change in fund balance - budgetary basis	$	1,742,085
Perspective differences:		
Activity of the stabilization fund recorded in the general fund for GAAP		(347,601)
Basis of accounting differences:		
Net change in recording tax refunds payable		(98,402)
Net change in recording 60 day receipts		369,237
Recognition of revenue for on-behalf payments		19,373,796
Recognition of expenditures for on-behalf payments		(19,373,796)
Net change in fund balance - GAAP basis	$	1,665,319

Appropriation Deficits

Actual expenditures exceeded appropriations for the City's reserve fund. This deficit will be funded by the subsequent years' tax levy.

NOTE B – PENSION PLAN

Pension Plan Schedules – Retirement System

Schedule of Changes in the Net Pension Liability and Related Ratios

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the System's total pension liability, changes in the System's net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

Schedule of Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The appropriations are allocated amongst employers based on an actuarial basis.

City of Haverhill, Massachusetts

Notes to Required Supplementary Information

Year Ended June 30, 2024

Schedule of Investment Return

The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

Pension Plan Schedules – City

Schedule of the City's Proportionate Share of the Net Pension Liability

The Schedule of the City's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

Schedule of City's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The City may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation".

Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the City; the portion of the collective pension expense as both revenue and pension expense recognized by the City; and the Plan's fiduciary net position as a percentage of the total liability.

Changes of Assumptions

None.

Changes in Plan Provisions

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan (Retiree Health Plan). The plan provides lifetime healthcare and prescription drug benefits for eligible retirees and their spouses through the City's health insurance plan, which covers both active and retired members, including teachers.

The Other Postemployment Benefit Plan

<u>The Schedule of Changes in the City's Total Other Postemployment Benefit Liability and Related Ratios</u>

The Schedule of Changes in the City's Total Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability and related ratios.

<u>Changes of Assumptions</u>

The discount rate increased from 3.50% to 4.00%.

<u>Changes in Plan Provisions</u>

None.

CBIZ CPAs P.C.

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and City Council
City of Haverhill, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards")*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Haverhill, Massachusetts (the "City"), as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 1, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identity all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, as described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBIZ CPAs P.C.

Merrimack, NH
July 1, 2025

City of Haverhill, Massachusetts

Schedule of Findings and Responses

Year Ended June 30, 2024

Finding 2024-001: Accuracy of Census Data Files for the Other Postemployment Benefit Valuation – Material Weakness

Criteria: The City did not have a process in place to verify and approve the census data downloaded from their internal systems before sending the file to the actuarial specialist for use in the Other Postemployment Benefit (OPEB) valuation report. As a result, during the audit, it was discovered that the census data file was inaccurate and incomplete, and required the valuation report to be reissued multiple times.

Condition: According to the Governmental Accounting Standards Board (GASB) and best practices for OPEB reporting, it is essential that accurate and complete census data is used in the actuarial valuation to ensure the reliability of the reported OPEB liabilities. This includes establishing internal controls over the census data collection and verification process before it is provided to the actuarial specialist.

Cause: The lack of an established process and the absence of a control mechanism for verifying and approving the census data prior to its submission to the actuarial specialist led to incomplete and inaccurate data being used in the valuation. Upon discovery during the audit, the City re-downloaded the census data file and provided a second version of the dataset to the actuarial specialist, again without proper verification and approval that the file was accurate and complete. The second version of the census data file used in the updated actuarial report was also determined to be inaccurate, and therefore materially misstated. This required three different actuarial valuations to be issued due to the lack of internal controls over providing the actuarial specialist with accurate and complete census data.

Effect: The errors contained in the census data file had a material impact on the total OPEB liability and related deferred inflows of resources. Once the error was discovered, continued lack of verification and approval procedures over the census dataset required multiple updates to the actuarial valuation report delaying the ability to opine on the amounts reported within the financial statements. The impacts of these required updates reflected material differences in the City's OPEB liability and related deferred inflows of resources.

Recommendation: The City should implement a formal process for verifying and approving the census data before it is provided to the actuarial specialist for OPEB valuations. This process should include a reconciliation of payroll and human resources records with the census data, and a review and approval procedure by designated personnel to ensure completeness and accuracy.

Views of Responsible Officials: See Corrective Action Plan.

City of Haverhill, Massachusetts

Schedule of Findings and Responses

Year Ended June 30, 2024

Finding 2024-002: Lack of Internal Controls over the Preparation of the Schedule of Expenditures of Federal Awards – Material Weakness

Criteria: The Uniform Guidance (2 CFR Part 200) requires that auditees prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements. The SEFA should include all federal awards expended during the year and must be prepared in accordance with the guidelines set forth by the federal awarding agencies.

Condition: The City has significant federal grant expenditures; however, it was noted during the audit that the City does not have internal controls in place to ensure the preparation of an accurate and complete SEFA. Specifically, the City lacks designated personnel, documented processes, and oversight mechanisms to compile and review the SEFA. Furthermore, upon audit procedures performed to verify federal grant expenditures among various City departments, it was determined that departmental records of federal grant expenditures do not reconcile to the amounts as reported to the City's general ledger.

Cause: The absence of internal controls related to the preparation of the SEFA is attributed to a lack of awareness among City staff regarding the requirements of the Uniform Guidance. Additionally, there has been insufficient resources towards the development and implementation of necessary processes and controls over the preparation of the SEFA.

Effect: The lack of internal controls in place for SEFA preparation increases the risk of errors and omissions in the SEFA. This could lead to noncompliance with federal regulations, potential questioned costs, and inaccurate reporting of federal expenditures, ultimately compromising the reliability of financial information presented to federal awarding agencies.

Recommendation: We recommend that the City establish and document internal control procedures specifically for the preparation of the SEFA. This includes:

1. Assigning responsibility to knowledgeable personnel for the preparation and review of the SEFA.
2. Providing training to staff on the requirements of the Uniform Guidance related to SEFA preparation.
3. Implementing a review and approval process to ensure the accuracy and completeness of the SEFA.
4. Periodically monitoring and evaluating the effectiveness of these controls.

Views of Responsible Officials: See Corrective Action Plan.

Haverhill
Office of the City Auditor, Room 106
Phone: 978-374-2306 Fax: 978-373-8476
aperkins@cityofhaverhill.com

CORRECTIVE ACTION PLANS

Oversight Agency for Audit: U.S. Department of Education

The City of Haverhill, Massachusetts respectfully submits the following corrective action plans for the year ended June 30, 2024.

Name and address of the independent public accounting firm:
CBIZ CPAs P.C.
9 Executive Park Drive, Suite 100
Merrimack, NH 03054

Audit Period: July 1, 2023, through June 30, 2024

The findings from the June 30, 2024, schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

FINDINGS – FINANCIAL STATEMENTS AUDIT

Finding 2024-001: Accuracy of Census Data Files for the Other Postemployment Benefit Valuation – Material Weakness

Criteria: The City did not have a process in place to verify and approve the census data downloaded from their internal systems before sending the file to the actuarial specialist for use in the Other Postemployment Benefit (OPEB) valuation report. As a result, during the audit, it was discovered that the census data file was inaccurate and incomplete, and required the valuation report to be reissued multiple times.

Condition: According to the Governmental Accounting Standards Board (GASB) and best practices for OPEB reporting, it is essential that accurate and complete census data is used in the actuarial valuation to ensure the reliability of the reported OPEB liabilities. This includes establishing internal controls over the census data collection and verification process before it is provided to the actuarial specialist.

Cause: The lack of an established process and the absence of a control mechanism for verifying and approving the census data prior to its submission to the actuarial specialist led to incomplete and inaccurate data being used in the valuation. Upon discovery during the audit, the City re-downloaded the census data file and provided a second version of the dataset to the actuarial specialist, again without proper verification and approval that the file was accurate and complete. The second version of the census data file used in the updated actuarial report was also determined to be inaccurate, and therefore materially misstated. This required three different actuarial valuations to be issued due to the lack of internal controls over providing the actuarial specialist with accurate and complete census data.

Effect: The errors contained in the census data file had a material impact on the total OPEB liability and related deferred inflows of resources. Once the error was discovered, continuous lack of verification and approval procedures over the census dataset required multiple updates to the actuarial valuation report delaying the ability to opine on the amounts reported within the financial statements. The impacts of these required updates reflected material differences in the City's OPEB liability and related deferred inflows of resources.

Recommendation: The City should implement a formal process for verifying and approving the census data before it is provided to the actuarial specialist for OPEB valuations. This process should include a reconciliation of payroll and human resources records with the census data, and a review and approval procedure by designated personnel to ensure completeness and accuracy.

Views of Responsible Officials: City Management concurs with the recommendation. Steps will be taken to develop and implement a verification and approval process for the census data file prior to submission to the actuarial specialist for use in the valuation report. Management anticipates that these measures will be fully implemented by the next fiscal year.

Finding 2024-002: Lack of Internal Controls over the Preparation of the Schedule of Expenditures of Federal Awards – Material Weakness

Criteria: The Uniform Guidance (2 CFR Part 200), Section 200.510(b), requires that auditees prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements. The SEFA should include all federal awards expended during the year and must be prepared in accordance with the guidelines set forth by the federal awarding agencies.

Condition: The City has significant federal grant expenditures; however, it was noted during the audit that the City does not have internal controls in place to ensure the preparation of an accurate and complete SEFA. Specifically, the City lacks designated personnel, documented processes, and oversight mechanisms to compile and review the SEFA. Furthermore, upon audit procedures performed to verify federal grant expenditures among various City departments, it was determined that departmental records of federal grant expenditures do not reconcile to the amounts as reported to the City’s general ledger.

Cause: The absence of internal controls related to the preparation of the SEFA is attributed to a lack of awareness among City staff regarding the requirements of the Uniform Guidance. Additionally, there has been insufficient resources towards the development and implementation of necessary processes and controls over the preparation of the SEFA.

Effect: The lack of internal controls in place for SEFA preparation increases the risk of errors and omissions in the SEFA. This could lead to noncompliance with federal regulations, potential questioned costs, and inaccurate reporting of federal expenditures, ultimately compromising the reliability of financial information presented to federal awarding agencies.

Recommendation: We recommend that the City establish and document internal control procedures specifically for the preparation of the SEFA. This includes:

1. Assigning responsibility to knowledgeable personnel for the preparation and review of the SEFA.
2. Providing training to staff on the requirements of the Uniform Guidance related to SEFA preparation.
3. Implementing a review and approval process to ensure the accuracy and completeness of the SEFA.
4. Periodically monitoring and evaluating the effectiveness of these controls.

Views of Responsible Officials: Management concurs with the finding and recognizes the importance of internal controls for accurate SEFA preparation. The City plans to allocate resources towards training staff and establishing documented procedures. Management anticipates that these measures will be fully implemented by the next fiscal year.