



**Powers &  
Sullivan, LLC**  
CPAs AND ADVISORS

***CITY OF HAVERHILL, MASSACHUSETTS***

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

***YEAR ENDED JUNE 30, 2023***

CITY OF HAVERHILL, MASSACHUSETTS  
REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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## **Independent Auditor's 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 accompanying 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, as of and for the year ended June 30, 2023 (except for the Haverhill Contributory Retirement System which is as of and for the year ended December 31, 2022), and the related notes to the financial statements, which collectively comprise the City of Haverhill, Massachusetts' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Haverhill, Massachusetts, as of June 30, 2023 (except for the Haverhill Contributory Retirement System which is as of and for the year ended December 31, 2022), 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Haverhill, Massachusetts 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 of Haverhill, Massachusetts' 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.

## **Auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 of Haverhill, Massachusetts' 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 of Haverhill, Massachusetts' 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 and required supplementary information, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not

express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2023, on our consideration of the City of Haverhill, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Haverhill, Massachusetts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Haverhill, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pons & Sullivan, LLC". The signature is written in a cursive, flowing style.

November 28, 2023

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

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, 2023. 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 of Haverhill exceeded the assets and deferred outflows of resources at the close of the most recent year by \$296.9 million (net position).
- At the close of the current year, the City's general fund reported an ending fund balance of \$28.4 million. Total fund balance represents 11% of total general fund expenditures.
- The City's total other postemployment benefit (OPEB) liability increased by \$6.7 million and totaled \$345.7 million at year-end.
- The City's net pension liability (NPL) increased by \$37.0 million and totaled \$154.7 million at year-end. This was mainly due to a net investment loss of \$30.1 million in the pension trust fund.
- In 2023, \$8.8 million of the City's temporary financing agreements with the Massachusetts Clean Water Trust (MCWT) related to upgrades to the water and wastewater infrastructure networks were permanently financed and therefore the interim loans were converted to long term debt.
- In 2023, the City was awarded \$2.3 million 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 of Haverhill'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, COVID-19, 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 of Haverhill 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 of Haverhill's liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$296.9 million at the close of 2023.

Net position of \$216.7 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, \$8.1 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 \$521.7 million. The primary reason for this deficit balance is the recognition of the total other postemployment benefits liability and the net pension liability totaling \$345.7 million and \$154.7 million, respectively.

At the end of the current year, the City of Haverhill 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 below.

### **Governmental Activities**

The City of Haverhill's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources for governmental activities by \$326.6 million at the close of 2023.

Governmental net position increased by \$24.3 million during the current year. The primary components of this increase include a \$9.2 million increase from the change in the total other postemployment benefits liability and the related deferred outflows/(inflows) of resources, a \$7.9 million increase from the change in the net pension liability and the related deferred outflows/(inflows) of resources, and the recognition of \$9.4 million of capital grants.

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

	2023	2022
<b>Assets:</b>		
Current assets.....	\$ 99,307,520	\$ 72,808,191
Noncurrent assets (excluding capital).....	447,077	562,933
Capital assets, non depreciable.....	17,602,601	12,520,107
Capital assets, net of accumulated depreciation....	200,730,231	202,958,116
<b>Total assets.....</b>	<b>318,087,429</b>	<b>288,849,347</b>
<b>Deferred outflows of resources.....</b>	<b>11,736,391</b>	<b>26,743,283</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	42,429,750	24,530,677
Noncurrent liabilities (excluding debt).....	493,159,282	452,816,112
Current debt.....	3,723,331	5,253,074
Noncurrent debt.....	50,258,710	43,071,971
<b>Total liabilities.....</b>	<b>589,571,073</b>	<b>525,671,834</b>
<b>Deferred inflows of resources.....</b>	<b>66,833,757</b>	<b>140,758,475</b>
<b>Net position:</b>		
Net investment in capital assets.....	177,116,907	168,870,799
Restricted.....	8,096,115	7,093,784
Unrestricted.....	(511,794,032)	(526,802,262)
<b>Total net position.....</b>	<b>\$ (326,581,010)</b>	<b>\$ (350,837,679)</b>

Governmental expenses totaled \$272.4 million of which \$149.3 million (55%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$147.4 million, primarily coming from property taxes, motor vehicle excise taxes, payments in lieu of taxes and non-restricted state aid.

The increases in general government, education and public safety expense were primarily related to the increase in employee benefits and pension expense, the change in the total other postemployment benefits liability, the change in the net pension liability, and the related deferred outflows (inflows) of resources.

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

	2023	2022
<b>Program Revenues:</b>		
Charges for services..... \$	11,802,132	\$ 10,175,744
Operating grants and contributions.....	128,065,196	122,209,382
Capital grants and contributions.....	9,430,797	2,485,945
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	117,790,948	114,134,799
Tax liens.....	1,049,839	789,774
Motor vehicle and other excise taxes.....	11,109,399	10,302,320
Penalties and interest on taxes.....	609,465	473,484
Payments in lieu of taxes.....	2,762,606	2,603,112
Grants and contributions not restricted to specific programs.....	11,734,093	12,345,856
Unrestricted investment income.....	1,886,867	193,955
Gain (loss) on sale of capital assets.....	-	809,453
Miscellaneous.....	461,412	443,727
<b>Total revenues.....</b>	<b>296,702,754</b>	<b>276,967,551</b>
<b>Expenses:</b>		
General government.....	9,292,680	8,504,369
COVID-19.....	1,768	355,662
Public safety.....	37,679,638	34,017,891
Education.....	198,491,448	175,407,933
Public works.....	16,832,805	16,499,027
Human services.....	5,070,455	5,279,452
Community and economic development.....	3,626,839	2,985,375
Interest.....	1,450,452	1,456,913
<b>Total expenses.....</b>	<b>272,446,085</b>	<b>244,506,622</b>
<b>Change in net position.....</b>	<b>24,256,669</b>	<b>32,460,929</b>
<b>Net position, beginning of year.....</b>	<b>(350,837,679)</b>	<b>(383,298,608)</b>
<b>Net position, end of year..... \$</b>	<b>(326,581,010)</b>	<b>(350,837,679)</b>

## Business-type Activities

For the City's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29.6 million at the close of 2023.

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

	2023	2022
<b>Assets:</b>		
Current assets.....	\$ 16,780,255	\$ 20,967,857
Noncurrent assets (excluding capital).....	650,433	712,454
Capital assets, non depreciable.....	3,028,638	2,244,621
Capital assets, net of accumulated depreciation....	113,375,661	108,722,959
<b>Total assets.....</b>	<b>133,834,987</b>	<b>132,647,891</b>
<b>Deferred outflows of resources.....</b>	<b>1,295,787</b>	<b>2,056,411</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	2,591,614	1,455,152
Noncurrent liabilities (excluding debt).....	22,493,625	20,618,938
Current debt.....	6,565,015	12,945,313
Noncurrent debt.....	71,345,748	70,012,313
<b>Total liabilities.....</b>	<b>102,996,002</b>	<b>105,031,716</b>
<b>Deferred inflows of resources.....</b>	<b>2,491,493</b>	<b>6,836,673</b>
<b>Net position:</b>		
Net investment in capital assets.....	39,587,350	30,676,699
Unrestricted.....	(9,944,071)	(7,840,786)
<b>Total net position.....</b>	<b>\$ 29,643,279</b>	<b>\$ 22,835,913</b>
<b>Program Revenues:</b>		
Charges for services.....	\$ 26,718,712	\$ 21,716,140
Capital grants and contributions.....	3,580,880	309,962
<b>Total revenues.....</b>	<b>30,299,592</b>	<b>22,026,102</b>
<b>Expenses:</b>		
Water.....	10,677,601	10,425,218
Sewer.....	12,814,625	12,457,177
<b>Total expenses.....</b>	<b>23,492,226</b>	<b>22,882,395</b>
<b>Change in net position.....</b>	<b>6,807,366</b>	<b>(856,293)</b>
<b>Net position, beginning of year.....</b>	<b>22,835,913</b>	<b>23,692,206</b>
<b>Net position, end of year.....</b>	<b>\$ 29,643,279</b>	<b>\$ 22,835,913</b>

Business-type net position of \$39.6 million represents the net investment in capital assets. The balance of *unrestricted net position* has a year-end deficit of \$9.9 million. The primary reason for this deficit balance is the recognition of the total other postemployment benefits and net pension liabilities totaling \$11.9 million and \$10.6 million, respectively.

The water enterprise fund net position increased by \$3.4 million in the current year. This was primarily due to an operating surplus of \$2.0 million and \$2.4 million of capital contributions related to loan forgiveness from the MCWT. These increases were offset by interest expense of \$986,000. The increase in revenues was due to rate and consumption increases.

The sewer enterprise fund net position increased by \$3.4 million in the current year. This increase is primarily due to an operating surplus of \$3.1 million and \$1.0 million of capital contributions related to loan forgiveness from the MCWT. These increases were offset by interest expense of \$904,000. The increase in revenues was due to rate and usage increases.

### ***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 \$51.6 million. This was comprised of the general fund totaling \$28.4 million, a \$2.4 million deficit balance in the COVID-19 fund, and the nonmajor funds totaling \$25.6 million.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$17.4 million, while total fund balance was \$28.4 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 11% of the same amount.

Committed fund balance totals \$675,000 and relates to the OPEB, opioid, and youth mental health stabilization funds. Assigned fund balance totals \$10.3 million and includes \$4.1 million of unexpended appropriations that were encumbered to be expended in the subsequent year and \$6.2 million of fund balance that was voted to fund subsequent years' expenditures.

The general fund decreased by \$1.5 million, which is mainly due to a budgetary basis loss of \$2.3 million which included \$1.0 million of transfers to stabilization funds which are a component of the general fund for GAAP reporting purposes, a \$97,000 decrease related to the change in the liability for tax refunds payable, and an \$89,000 decrease related to the net change from recording 60-day receipts for real estate and personal property taxes.

The COVID-19 fund ended the year with a deficit fund balance totaling \$2.4 million. This deficit relates to expenditures 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 2023, the City expended \$4.4 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 \$29.0 million liability for unearned revenue related to this federal program.

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

The original 2023 approved budget authorized \$236.4 million in appropriations, carryforwards, and other amounts to be raised. During the year, the Council approved supplemental appropriations totaling \$3.1 million, which was mainly related to the use of free cash to fund the City's general stabilization fund and the school department budget.

### ***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, 2023, amounts to \$334.7 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 \$13.5 million. \$4.8 million relates to construction in progress, \$2.3 million relates to buildings and improvements, \$571,000 relates to machinery and equipment, \$5.3 million relate to infrastructure, \$250,000 relates to land and \$262,000 relates to vehicle acquisition.

The water and sewer additions totaled \$10.6 million. \$3.6 million relates to water infrastructure, \$187,000 relates to water vehicles, \$301,000 relates to water machinery and equipment, and \$985,000 relates to water construction in progress. An additional \$5.2 million relates to sewer buildings and improvements, \$115,000 relates to sewer infrastructure and \$247,000 relates to sewer machinery and equipment.

**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 \$54.0 million, of which \$45.6 million relates to general obligation bonds, \$5.1 million relates to direct borrowings and placements from the Massachusetts Clean Water Trust, \$1.5 million for other direct borrowings, and \$1.8 million relates to unamortized bond premiums.

The water enterprise fund has \$44.1 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 \$31.8 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 outstanding short-term debt totaled \$2.0 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.

# ***Basic Financial Statements***



## STATEMENT OF NET POSITION

JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
CURRENT:			
Cash and cash equivalents.....	\$ 75,289,411	\$ 7,860,144	\$ 83,149,555
Investments.....	12,475,411	-	12,475,411
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,949,270	-	1,949,270
Tax liens.....	3,725,918	-	3,725,918
Motor vehicle and other excise taxes.....	2,145,833	-	2,145,833
User charges.....	-	8,858,090	8,858,090
Departmental and other.....	321,226	59,702	380,928
Intergovernmental.....	2,766,352	2,319	2,768,671
Tax foreclosures.....	634,099	-	634,099
Total current assets.....	99,307,520	16,780,255	116,087,775
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	434,541	251,115	685,656
Intergovernmental.....	12,536	399,318	411,854
Capital assets, nondepreciable.....	17,602,601	3,028,638	20,631,239
Capital assets, net of accumulated depreciation.....	200,730,231	113,375,661	314,105,892
Total noncurrent assets.....	218,779,909	117,054,732	335,834,641
TOTAL ASSETS.....	318,087,429	133,834,987	451,922,416
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	11,736,391	1,295,787	13,032,178
<b>LIABILITIES</b>			
CURRENT:			
Warrants payable.....	6,288,132	1,495,354	7,783,486
Tax refunds payable.....	386,850	-	386,850
Accrued interest.....	376,102	764,260	1,140,362
Other liabilities.....	3,367,033	-	3,367,033
Unearned revenue.....	28,993,633	-	28,993,633
Landfill closure.....	137,000	-	137,000
Compensated absences.....	2,854,000	332,000	3,186,000
Workers' compensation.....	27,000	-	27,000
Notes payable.....	-	1,954,116	1,954,116
Long-term debt.....	3,723,331	4,610,899	8,334,230
Total current liabilities.....	46,153,081	9,156,629	55,309,710
NONCURRENT:			
Landfill closure.....	13,283,000	-	13,283,000
Compensated absences.....	1,873,000	-	1,873,000
Workers' compensation.....	154,000	-	154,000
Net pension liability.....	144,078,856	10,575,638	154,654,494
Total other postemployment benefits liability.....	333,770,426	11,917,987	345,688,413
Long-term debt.....	50,258,710	71,345,748	121,604,458
Total noncurrent liabilities.....	543,417,992	93,839,373	637,257,365
TOTAL LIABILITIES.....	589,571,073	102,996,002	692,567,075
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	1,035,019	142,008	1,177,027
Deferred inflows related to other postemployment benefits.....	65,798,738	2,349,485	68,148,223
TOTAL DEFERRED INFLOWS OF RESOURCES.....	66,833,757	2,491,493	69,325,250
<b>NET POSITION</b>			
Net investment in capital assets.....	177,116,907	39,587,350	216,704,257
Restricted for:			
Gifts and grants.....	8,096,115	-	8,096,115
Unrestricted.....	(511,794,032)	(9,944,071)	(521,738,103)
TOTAL NET POSITION.....	\$ (326,581,010)	\$ 29,643,279	\$ (296,937,731)

See notes to basic financial statements.

# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

		Program Revenues				
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>	
<b>Primary Government:</b>						
<i>Governmental Activities:</i>						
General government.....	\$ 9,292,680	\$ 2,420,362	\$ 1,508,972	\$ 305,902	\$ (5,057,444)	
COVID-19.....	1,768	-	238,571	-	236,803	
Public safety.....	37,679,638	3,305,258	2,005,147	90,786	(32,278,447)	
Education.....	198,491,448	1,679,495	119,633,491	4,387,770	(72,790,692)	
Public works.....	16,832,805	267,500	1,671,937	4,571,339	(10,322,029)	
Human services.....	5,070,455	550,755	1,262,975	-	(3,256,725)	
Community and economic development....	3,626,839	3,578,762	1,744,103	75,000	1,771,026	
Interest.....	1,450,452	-	-	-	(1,450,452)	
Total Governmental Activities.....	272,446,085	11,802,132	128,065,196	9,430,797	(123,147,960)	
<i>Business-Type Activities:</i>						
Water.....	10,677,601	11,677,441	-	2,422,326	3,422,166	
Sewer.....	12,814,625	15,041,271	-	1,158,554	3,385,200	
Total Business-Type Activities.....	23,492,226	26,718,712	-	3,580,880	6,807,366	
Total Primary Government.....	\$ 295,938,311	\$ 38,520,844	\$ 128,065,196	\$ 13,011,677	\$ (116,340,594)	

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (continued)**

YEAR ENDED JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page..... \$	<b>(123,147,960)</b>	<b>\$ 6,807,366</b>	<b>\$ (116,340,594)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	117,790,948	-	117,790,948
Tax liens.....	1,049,839	-	1,049,839
Motor vehicle and other excise taxes.....	11,109,399	-	11,109,399
Penalties and interest on taxes.....	609,465	-	609,465
Payments in lieu of taxes.....	2,762,606	-	2,762,606
Grants and contributions not restricted to specific programs.....	11,734,093	-	11,734,093
Unrestricted investment income.....	1,886,867	-	1,886,867
Miscellaneous.....	461,412	-	461,412
Total general revenues.....	147,404,629	-	147,404,629
Change in net position.....	24,256,669	6,807,366	31,064,035
<i>Net position:</i>			
Beginning of year.....	(350,837,679)	22,835,913	(328,001,766)
End of year..... \$	<b>(326,581,010)</b>	<b>\$ 29,643,279</b>	<b>\$ (296,937,731)</b>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2023

	General	COVID-19	American Rescue Plan Act (ARPA)	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 21,972,389	\$ -	\$ 24,404,093	\$ 28,912,929	\$ 75,289,411
Investments.....	7,390,218	-	5,085,193	-	12,475,411
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	1,949,270	-	-	-	1,949,270
Tax liens.....	3,725,918	-	-	-	3,725,918
Motor vehicle and other excise taxes.....	2,145,833	-	-	-	2,145,833
Departmental and other.....	755,767	-	-	-	755,767
Intergovernmental.....	24,411	340,689	-	2,413,788	2,778,888
Tax foreclosures.....	634,099	-	-	-	634,099
Due from other funds.....	2,760,007	-	-	-	2,760,007
<b>TOTAL ASSETS.....</b>	<b>\$ 41,357,912</b>	<b>\$ 340,689</b>	<b>\$ 29,489,286</b>	<b>\$ 31,326,717</b>	<b>\$ 102,514,604</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 2,014,375	\$ -	\$ 495,653	\$ 3,778,104	\$ 6,288,132
Tax refunds payable.....	386,850	-	-	-	386,850
Due to other funds.....	-	2,760,007	-	-	2,760,007
Other liabilities.....	1,628,479	-	-	1,738,554	3,367,033
Unearned revenue.....	-	-	28,993,633	-	28,993,633
<b>TOTAL LIABILITIES.....</b>	<b>4,029,704</b>	<b>2,760,007</b>	<b>29,489,286</b>	<b>5,516,658</b>	<b>41,795,655</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue.....	8,941,907	-	-	181,901	9,123,808
<b>FUND BALANCES</b>					
Restricted.....	-	-	-	25,628,158	25,628,158
Committed.....	675,306	-	-	-	675,306
Assigned.....	10,294,436	-	-	-	10,294,436
Unassigned.....	17,416,559	(2,419,318)	-	-	14,997,241
<b>TOTAL FUND BALANCES.....</b>	<b>28,386,301</b>	<b>(2,419,318)</b>	<b>-</b>	<b>25,628,158</b>	<b>51,595,141</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 41,357,912</b>	<b>\$ 340,689</b>	<b>\$ 29,489,286</b>	<b>\$ 31,326,717</b>	<b>\$ 102,514,604</b>

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2023

Total governmental fund balances.....	\$ 51,595,141
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	218,332,832
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	9,123,808
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.....	(55,097,366)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(376,102)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Long-term debt.....	(53,982,041)
Net pension liability.....	(144,078,856)
Total other postemployment benefits liability.....	(333,770,426)
Landfill closure.....	(13,420,000)
Workers' compensation.....	(181,000)
Compensated absences.....	(4,727,000)
Net effect of reporting long-term liabilities.....	(550,159,323)
Net position of governmental activities.....	\$ (326,581,010)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2023

	General	COVID-19	American Rescue Plan Act (ARPA)	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 118,106,951	\$ -	\$ -	\$ -	\$ 118,106,951
Tax liens.....	727,229	-	-	-	727,229
Motor vehicle and other excise taxes.....	10,479,392	-	-	-	10,479,392
Charges for services.....	-	-	-	1,705,794	1,705,794
Penalties and interest on taxes.....	609,465	-	-	-	609,465
Fees and rentals.....	1,320,367	-	-	-	1,320,367
Payments in lieu of taxes.....	2,762,606	-	-	-	2,762,606
Licenses and permits.....	4,097,670	-	-	-	4,097,670
Fines and forfeitures.....	867,028	-	-	-	867,028
Intergovernmental - Teachers Retirement.....	16,645,970	-	-	-	16,645,970
Intergovernmental.....	87,589,040	-	-	39,093,634	126,682,674
Intergovernmental - COVID-19 relief.....	-	340,689	4,264,651	-	4,605,340
Departmental and other.....	1,562,006	-	-	3,343,532	4,905,538
Contributions and donations.....	5,550	-	-	71,798	77,348
Investment income.....	1,784,749	-	102,118	-	1,886,867
Miscellaneous.....	588,043	-	-	-	588,043
<b>TOTAL REVENUES.....</b>	<b>247,146,066</b>	<b>340,689</b>	<b>4,366,769</b>	<b>44,214,758</b>	<b>296,068,282</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	4,779,967	-	1,368,439	2,577,031	8,725,437
Public safety.....	26,503,981	-	243,115	3,062,681	29,809,777
Education.....	120,377,302	-	55,808	33,375,638	153,808,748
Public works.....	12,463,797	-	2,457,417	3,788,974	18,710,188
Human services.....	3,059,106	-	127,320	1,076,691	4,263,117
Community and economic development.....	1,475,455	-	114,670	2,074,786	3,664,911
COVID-19.....	-	1,768	-	-	1,768
Pension benefits.....	20,836,109	-	-	-	20,836,109
Pension benefits - Teachers Retirement.....	16,645,970	-	-	-	16,645,970
Property and liability insurance.....	923,131	-	-	-	923,131
Employee benefits.....	26,322,953	-	-	-	26,322,953
State and county charges.....	8,370,284	-	-	-	8,370,284
Debt service:					
Principal.....	5,043,481	-	-	-	5,043,481
Interest.....	1,644,691	-	-	-	1,644,691
<b>TOTAL EXPENDITURES.....</b>	<b>248,446,227</b>	<b>1,768</b>	<b>4,366,769</b>	<b>45,955,801</b>	<b>298,770,565</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(1,300,161)</b>	<b>338,921</b>	<b>-</b>	<b>(1,741,043)</b>	<b>(2,702,283)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of bonds.....	-	-	-	10,180,000	10,180,000
Premium from issuance of bonds.....	-	-	-	730,071	730,071
Transfers in.....	-	-	-	160,000	160,000
Transfers out.....	(160,000)	-	-	-	(160,000)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(160,000)</b>	<b>-</b>	<b>-</b>	<b>11,070,071</b>	<b>10,910,071</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(1,460,161)</b>	<b>338,921</b>	<b>-</b>	<b>9,329,028</b>	<b>8,207,788</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>29,846,462</b>	<b>(2,758,239)</b>	<b>-</b>	<b>16,299,130</b>	<b>43,387,353</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 28,386,301</b>	<b>\$ (2,419,318)</b>	<b>\$ -</b>	<b>\$ 25,628,158</b>	<b>\$ 51,595,141</b>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds.....		\$ 8,207,788
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	13,528,372	
Depreciation expense.....	<u>(10,673,763)</u>	
Net effect of reporting capital assets.....		2,854,609
<p>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.....</p>		
		650,030
<p>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.</p>		
Issuance of bonds.....	(10,180,000)	
Premium from issuance of bonds.....	(730,071)	
Principal forgiveness on long-term debt.....	19,361	
Net amortization of premium from issuance of bonds.....	190,233	
Debt service principal payments.....	<u>5,043,482</u>	
Net effect of reporting long-term debt.....		(5,656,995)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(360,000)	
Net change in accrued interest on long-term debt.....	(20,419)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	42,362,368	
Net change in net pension liability.....	(34,414,795)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	16,555,458	
Net change in total other postemployment benefits liability.....	(7,363,375)	
Net change in landfill closure.....	1,440,000	
Net change in workers' compensation liability.....	<u>2,000</u>	
Net effect of recording long-term liabilities.....		<u>18,201,237</u>
Change in net position of governmental activities.....		<u>\$ 24,256,669</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

JUNE 30, 2023

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 1,795,608	\$ 6,064,536	\$ 7,860,144
Receivables, net of allowance for uncollectibles:			
User charges.....	3,851,733	5,006,357	8,858,090
Departmental and other.....	-	59,702	59,702
Intergovernmental.....	-	2,319	2,319
Total current assets.....	<u>5,647,341</u>	<u>11,132,914</u>	<u>16,780,255</u>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	251,115	251,115
Intergovernmental.....	-	399,318	399,318
Capital assets, non depreciable.....	2,511,636	517,002	3,028,638
Capital assets, net of accumulated depreciation.....	<u>65,296,062</u>	<u>48,079,599</u>	<u>113,375,661</u>
Total noncurrent assets.....	<u>67,807,698</u>	<u>49,247,034</u>	<u>117,054,732</u>
<b>TOTAL ASSETS.....</b>	<u><b>73,455,039</b></u>	<u><b>60,379,948</b></u>	<u><b>133,834,987</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	<u>853,398</u>	<u>442,389</u>	<u>1,295,787</u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	1,229,271	266,083	1,495,354
Accrued interest.....	420,917	343,343	764,260
Compensated absences.....	199,000	133,000	332,000
Notes payable.....	-	1,954,116	1,954,116
Bonds payable.....	<u>2,318,116</u>	<u>2,292,783</u>	<u>4,610,899</u>
Total current liabilities.....	<u>4,167,304</u>	<u>4,989,325</u>	<u>9,156,629</u>
<b>NONCURRENT:</b>			
Net pension liability.....	5,249,939	5,325,699	10,575,638
Total other postemployment benefits liability.....	6,436,941	5,481,046	11,917,987
Bonds payable.....	<u>41,823,304</u>	<u>29,522,444</u>	<u>71,345,748</u>
Total noncurrent liabilities.....	<u>53,510,184</u>	<u>40,329,189</u>	<u>93,839,373</u>
<b>TOTAL LIABILITIES.....</b>	<u><b>57,677,488</b></u>	<u><b>45,318,514</b></u>	<u><b>102,996,002</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	20,545	121,463	142,008
Deferred inflows related to other postemployment benefits.....	<u>1,268,964</u>	<u>1,080,521</u>	<u>2,349,485</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<u><b>1,289,509</b></u>	<u><b>1,201,984</b></u>	<u><b>2,491,493</b></u>
<b>NET POSITION</b>			
Net investment in capital assets.....	24,050,283	15,537,067	39,587,350
Unrestricted.....	<u>(8,708,843)</u>	<u>(1,235,228)</u>	<u>(9,944,071)</u>
<b>TOTAL NET POSITION.....</b>	<u><b>\$ 15,341,440</b></u>	<u><b>\$ 14,301,839</b></u>	<u><b>\$ 29,643,279</b></u>

See notes to basic financial statements.



**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2023

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
<b>OPERATING REVENUES:</b>			
Charges for services.....	\$ 11,677,441	\$ 15,041,271	\$ 26,718,712
<b>OPERATING EXPENSES:</b>			
Cost of services and administration.....	7,295,817	9,166,977	16,462,794
Depreciation.....	2,395,737	2,743,712	5,139,449
<b>TOTAL OPERATING EXPENSES.....</b>	<b>9,691,554</b>	<b>11,910,689</b>	<b>21,602,243</b>
<b>OPERATING INCOME.....</b>	<b>1,985,887</b>	<b>3,130,582</b>	<b>5,116,469</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest expense.....	(986,047)	(903,936)	(1,889,983)
Intergovernmental.....	-	153,330	153,330
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(986,047)</b>	<b>(750,606)</b>	<b>(1,736,653)</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....</b>	<b>999,840</b>	<b>2,379,976</b>	<b>3,379,816</b>
<b>CAPITAL CONTRIBUTIONS.....</b>	<b>2,422,326</b>	<b>1,005,224</b>	<b>3,427,550</b>
<b>CHANGE IN NET POSITION.....</b>	<b>3,422,166</b>	<b>3,385,200</b>	<b>6,807,366</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>11,919,274</b>	<b>10,916,639</b>	<b>22,835,913</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 15,341,440</b>	<b>\$ 14,301,839</b>	<b>\$ 29,643,279</b>

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2023

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Receipts from customers and users.....	\$ 10,695,237	\$ 14,242,743	\$ 24,937,980
Payments to vendors.....	(5,183,721)	(7,525,789)	(12,709,510)
Payments to employees.....	(2,893,400)	(2,442,146)	(5,335,546)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>2,618,116</b>	<b>4,274,808</b>	<b>6,892,924</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>			
Departmental and other.....	-	58,520	58,520
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>			
Proceeds from the issuance of bonds and notes.....	82,601	2,366,439	2,449,040
Capital contributions.....	1,323,390	992,217	2,315,607
Acquisition and construction of capital assets.....	(4,078,489)	(5,512,896)	(9,591,385)
Principal payments on bonds and notes.....	(2,527,386)	(2,414,651)	(4,942,037)
Interest expense.....	(909,564)	(811,448)	(1,721,012)
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(6,109,448)</b>	<b>(5,380,339)</b>	<b>(11,489,787)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(3,491,332)</b>	<b>(1,047,011)</b>	<b>(4,538,343)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>5,286,940</b>	<b>7,111,547</b>	<b>12,398,487</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 1,795,608</b>	<b>\$ 6,064,536</b>	<b>\$ 7,860,144</b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u></b>			
Operating income (loss).....	\$ 1,985,887	\$ 3,130,582	\$ 5,116,469
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation.....	2,395,737	2,743,712	5,139,449
Deferred (outflows)/inflows related to pensions.....	(1,123,673)	(1,637,894)	(2,761,567)
Deferred (outflows)/inflows related to other postemployment benefits.....	(466,546)	(356,443)	(822,989)
Changes in assets and liabilities:			
User charges.....	(982,204)	(798,528)	(1,780,732)
Warrants payable.....	(59,636)	113,243	53,607
Compensated absences.....	44,000	32,000	76,000
Workers' compensation.....	-	(16,000)	(16,000)
Net pension liability.....	1,266,224	1,278,430	2,544,654
Total other postemployment benefits.....	(441,673)	(214,294)	(655,967)
<b>Total adjustments.....</b>	<b>632,229</b>	<b>1,144,226</b>	<b>1,776,455</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 2,618,116</b>	<b>\$ 4,274,808</b>	<b>\$ 6,892,924</b>
<b><u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u></b>			
Intergovernmental subsidy.....	\$ -	\$ (153,330)	\$ (153,330)
MCWT Loan forgiveness - capital contributions.....	1,098,936	13,007	1,111,943
MCWT Loan forgiveness - bonds payable.....	(1,098,936)	(13,007)	(1,111,943)
Acquisition of capital assets on account.....	(984,783)	-	(984,783)

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

	Pension Trust Fund (as of December 31, 2022)	Private Purpose Trust Fund
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 2,067,663	\$ 189,593
Investments:		
U.S. treasury bonds.....	-	996,937
Government sponsored enterprises.....	-	740,673
Corporate bonds.....	-	1,747,393
Equity securities.....	21,779,200	1,443,153
Bond mutual funds.....	-	446,818
Certificates of deposit.....		98,965
Investments in Pension Reserve Investment Trust.....	212,682,578	-
Pooled domestic fixed income funds.....	7,524,209	-
Pooled alternative investments.....	3,318,324	-
Pooled real estate funds.....	16,462,199	-
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	33,738	-
Interest and dividends.....	3,183	-
<b>TOTAL ASSETS</b> .....	<u>263,871,094</u>	<u>5,663,532</u>
<b>LIABILITIES</b>		
Warrants payable.....	<u>89,578</u>	<u>200</u>
<b>NET POSITION</b>		
Restricted for pensions.....	263,781,516	-
Held in trust for other purposes.....	<u>-</u>	<u>5,663,332</u>
<b>TOTAL NET POSITION</b> .....	<u>\$ 263,781,516</u>	<u>\$ 5,663,332</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2023

	Pension Trust Fund (as of December 31, 2022)	Private Purpose Trust Fund
<b>ADDITIONS:</b>		
Contributions:		
Employer contributions.....	\$ 23,675,914	\$ -
Member contributions.....	5,219,373	-
Transfers from other systems.....	1,249,482	-
Retirement benefits - 3(8)c contributions from other systems.....	410,462	-
Member makeup payments and redeposits.....	61,548	-
Reimbursement of 91A overearnings.....	56,068	-
Retirement benefits - Intergovernmental.....	82,049	-
Private donations.....	-	559,533
	<u>30,754,896</u>	<u>559,533</u>
Total contributions.....		
	<u>30,754,896</u>	<u>559,533</u>
Net investment income:		
Investment income (loss).....	(28,311,669)	189,393
Less: investment expense.....	(1,798,391)	-
	<u>(30,110,060)</u>	<u>189,393</u>
Net investment income (loss).....		
	<u>(30,110,060)</u>	<u>189,393</u>
TOTAL ADDITIONS.....	<u>644,836</u>	<u>748,926</u>
<b>DEDUCTIONS:</b>		
Administration.....	479,908	-
Transfers to other systems.....	803,924	-
Retirement benefits - 3(8)c transfer to other systems.....	1,079,363	-
Retirement benefits and refunds.....	29,013,703	-
Health and human services.....	-	100,850
Educational scholarships.....	-	731,437
	<u>31,376,898</u>	<u>832,287</u>
TOTAL DEDUCTIONS.....		
	<u>31,376,898</u>	<u>832,287</u>
NET INCREASE (DECREASE) IN NET POSITION.....	(30,732,062)	(83,361)
NET POSITION AT BEGINNING OF YEAR.....	294,513,578	5,746,693
NET POSITION AT END OF YEAR.....	<u>\$ 263,781,516</u>	<u>\$ 5,663,332</u>

See notes to basic financial statements.

**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 2023 was \$8,669,621. Stand-alone financial statements for the year ended June 30, 2023, are available at Whittier Regional Vocational Technical High School, 115 Amesbury Line Road, Haverhill, Massachusetts 01830.

## B. Government-Wide and Fund Financial Statements

### *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. 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 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 *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.

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. 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, 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, 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.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. 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 1<sup>st</sup> 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 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> 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, 2023.

***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:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
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 (Net Position)*

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 Equity*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.

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, 2023, in the COVID-19 fund. It is anticipated that this deficit will be funded by grants and available fund balance.

Actual expenditures exceeded appropriations for State and County charges. State and County charges are assessments from the Commonwealth, which are directly deducted from local receipts provided by the State. The City is not required to raise the State and County assessment deficit.

**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.

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.

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 \$77,627,027 and the bank balance totaled \$81,060,970. Of the bank balance, \$3,659,465 was covered by Federal Depository Insurance, \$12,163,295 was covered by Depositors Insurance Fund, \$40,000,000 was collateralized and \$25,238,210 was uninsured and uncollateralized.

At December 31, 2022, the carrying amount of deposits for the System totaled \$750,935 and the bank balance totaled \$1,025,641. 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.

The City's investments subject to custodial credit risk include \$8,373,776 in U.S. treasury bonds, \$1,026,437 in government sponsored enterprises, \$3,216,139 in corporate bonds, \$3,484,732 in equity securities and \$145,251 in certificates of deposit, which have custodial credit risk exposure totaling \$16,246,335 because the related securities are uninsured, unregistered and held by the counterparty.

The System's investments subject to custodial credit risk include \$21,779,200 in equity securities because the related securities are uninsured, unregistered and held by the counterparty.

#### 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, 2023, the City had the following investments and maturities:

Investment Type	Fair value	Maturities		
		Under 1 Year	1-5 Years	6-10 Years
Debt securities:				
U.S. treasury bonds.....	\$ 8,373,776	\$ 5,787,511	\$ 2,238,235	\$ 348,030
Government sponsored enterprises.....	1,026,437	-	905,861	120,576
Corporate bonds.....	3,216,139	665,511	2,252,184	298,444
Bond mutual funds.....	1,424,712	-	417,943	1,006,769
Total debt securities.....	14,041,064	\$ 6,453,022	\$ 5,814,223	\$ 1,773,819
Other investments:				
Equity securities.....	3,484,732			
Mutual funds.....	278,303			
Certificates of deposit.....	145,251			
Money market mutual funds.....	5,616,022			
MMDT - Cash portfolio.....	96,099			
Total investments.....	\$ 23,661,471			

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from 1.98 to 14.64 years.



As of December 31, 2022, the System had the following investments and maturities:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities 6-10 Years</u>
<u>Debt securities:</u>		
Pooled domestic fixed income funds.....	\$ 7,524,209	\$ <u>7,524,209</u>
<u>Other investments:</u>		
Equity securities.....	21,779,200	
Pooled alternative investments.....	3,318,324	
Pooled real estate funds.....	16,462,199	
Money market mutual funds.....	1,316,728	
Pension reserve investment trust (PRIT).....	<u>212,682,578</u>	
Total investments.....	\$ <u>263,083,238</u>	

### 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, 2023, Standard & Poor's Investors Service rated the City's investments as follows:

<u>Quality Rating</u>	<u>Government Sponsored</u>	<u>Corporate Bonds</u>	<u>Bond Mutual Funds</u>
AAA.....	\$ -	\$ 166,100	\$ 1,360,832
AA+.....	1,026,437	-	-
AA.....	-	-	28,246
AA-.....	-	298,700	-
A+.....	-	613,930	18,863
A.....	-	346,569	-
A-.....	-	408,042	-
BBB+.....	-	819,216	-
BBB.....	-	563,582	-
BB.....	-	-	3,325
B+.....	-	-	3,366
B.....	-	-	5,031
NR.....	-	-	5,049
Total.....	\$ <u>1,026,437</u>	\$ <u>3,216,139</u>	\$ <u>1,424,712</u>

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, 2022, \$7,524,209 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 generally accepted accounting principles. 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, 2023:

Investment Type	June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments measured at fair value:</b>				
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 8,373,776	\$ 8,373,776	\$ -	\$ -
Government sponsored enterprises.....	1,026,437	1,026,437	-	-
Corporate bonds.....	3,216,139	-	3,216,139	-
Bond mutual funds.....	1,424,712	1,424,712	-	-
Total debt securities.....	14,041,064	10,824,925	3,216,139	-
<u>Other investments:</u>				
Equity securities.....	3,484,732	3,484,732	-	-
Mutual funds.....	278,303	278,303	-	-
Certificates of deposit.....	145,251	145,251	-	-
Money market mutual funds.....	5,616,022	5,616,022	-	-
Total other investments.....	9,524,308	9,524,308	-	-
Total investments measured at fair value.....	23,565,372	\$ 20,349,233	\$ 3,216,139	\$ -
<b>Investments measured at amortized cost:</b>				
MMDT - Cash portfolio.....	96,099			
Total investments.....	\$ 23,661,471			

U.S. treasury bonds, government sponsored enterprises, 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. 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, 2022:

Investment Type	December 31, 2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments measured at fair value:</b>				
<u>Debt securities:</u>				
Pooled domestic fixed income funds.....	\$ 7,524,209	\$ 7,524,209	\$ -	\$ -
<u>Other investments:</u>				
Equity securities.....	21,779,200	21,779,200	-	-
Pooled alternative investments.....	3,318,324	3,318,324	-	-
Pooled real estate funds.....	16,462,199	-	-	16,462,199
Money market mutual funds.....	1,316,728	1,316,728	-	-
Total other investments.....	42,876,451	26,414,252	-	16,462,199
Total investments measured at fair value.....	50,400,660	\$ 33,938,461	\$ -	\$ 16,462,199
<b>Investments measured at net asset value:</b>				
Pension reserve investment trust (PRIT).....	212,682,578			
Total investments.....	\$ 263,083,238			

Pooled domestic fixed income funds, equity securities, pooled alternative investments 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. Pooled real estate funds classified in level 3 are valued using either a discounted cash flow or market comparable companies' technique.

PRIT Investments are valued using the net asset value (NAV) method. This 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, 2023, 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
<u>Receivables:</u>			
Real estate and personal property taxes..... \$	2,001,413	\$ (52,143)	\$ 1,949,270
Tax liens.....	3,725,918	-	3,725,918
Motor vehicle and other excise taxes.....	2,544,829	(398,996)	2,145,833
Departmental and other.....	755,767	-	755,767
Intergovernmental.....	2,778,888	-	2,778,888
Total..... \$	<u>11,806,815</u>	<u>\$ (451,139)</u>	<u>\$ 11,355,676</u>

At June 30, 2023, receivables for the water and sewer enterprise funds, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges..... \$	3,851,733	\$ -	\$ 3,851,733
Sewer user charges.....	5,006,357	-	5,006,357
Sewer departmental and other.....	310,817	-	310,817
Sewer intergovernmental.....	401,637	-	401,637
Total..... \$	<u>9,570,544</u>	<u>\$ -</u>	<u>\$ 9,570,544</u>

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	Nonmajor Governmental Funds	Total
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 1,655,879	\$ -	\$ 1,655,879
Tax liens.....	3,725,918	-	3,725,918
Motor vehicle and other excise taxes.....	2,145,833	-	2,145,833
Departmental and other.....	755,767	-	755,767
Intergovernmental - highway improvements.....	-	181,901	181,901
Intergovernmental.....	24,411	-	24,411
Tax foreclosures.....	634,099	-	634,099
Total.....	\$ <u>8,941,907</u>	\$ <u>181,901</u>	\$ <u>9,123,808</u>

#### NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 10,227,373	\$ 250,000	\$ -	\$ 10,477,373
Construction in progress.....	2,292,734	4,832,494	-	7,125,228
Total capital assets not being depreciated....	12,520,107	5,082,494	-	17,602,601
<u>Capital assets being depreciated:</u>				
Buildings.....	188,537,503	672,391	(3,093,313)	186,116,581
Buildings and improvements.....	14,481,000	1,667,993	(54,507)	16,094,486
Machinery and equipment.....	5,706,811	571,083	(87,607)	6,190,287
Vehicles.....	7,788,661	262,375	(627,648)	7,423,388
Infrastructure.....	185,942,740	5,272,036	(597,780)	190,616,996
Total capital assets being depreciated.....	402,456,715	8,445,878	(4,460,855)	406,441,738
<u>Less accumulated depreciation for:</u>				
Buildings.....	(77,172,904)	(4,031,924)	3,093,313	(78,111,515)
Buildings and improvements.....	(6,912,096)	(463,369)	54,507	(7,320,958)
Machinery and equipment.....	(2,968,215)	(561,766)	87,607	(3,442,374)
Vehicles.....	(4,679,218)	(623,753)	627,648	(4,675,323)
Infrastructure.....	(107,766,166)	(4,992,951)	597,780	(112,161,337)
Total accumulated depreciation.....	(199,498,599)	(10,673,763)	4,460,855	(205,711,507)
Total capital assets being depreciated, net.....	202,958,116	(2,227,885)	-	200,730,231
Total governmental activities capital assets, net.....	\$ <u>215,478,223</u>	\$ <u>2,854,609</u>	\$ <u>-</u>	\$ <u>218,332,832</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,526,853	\$ -	\$ -	\$ 1,526,853
Construction in progress.....	-	984,783	-	984,783
Total capital assets not being depreciated....	1,526,853	984,783	-	2,511,636
<u>Capital assets being depreciated:</u>				
Buildings.....	21,176,354	-	-	21,176,354
Buildings and improvements.....	21,652,447	-	-	21,652,447
Machinery and equipment.....	12,587,774	300,658	-	12,888,432
Vehicles.....	397,180	186,788	(18,520)	565,448
Infrastructure.....	41,721,150	3,591,043	(773,245)	44,538,948
Total capital assets being depreciated.....	97,534,905	4,078,489	(791,765)	100,821,629
<u>Less accumulated depreciation for:</u>				
Buildings.....	(1,536,587)	(528,871)	-	(2,065,458)
Buildings and improvements.....	(3,036,792)	(548,841)	-	(3,585,633)
Machinery and equipment.....	(9,381,422)	(386,644)	-	(9,768,066)
Vehicles.....	(373,047)	(44,328)	18,520	(398,855)
Infrastructure.....	(19,593,747)	(887,053)	773,245	(19,707,555)
Total accumulated depreciation.....	(33,921,595)	(2,395,737)	791,765	(35,525,567)
Total capital assets being depreciated, net.....	63,613,310	1,682,752	-	65,296,062
Total water activities capital assets, net.....	\$ 65,140,163	\$ 2,667,535	\$ -	\$ 67,807,698
<b>Sewer:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 517,002	\$ -	\$ -	\$ 517,002
Construction in progress.....	200,766	-	(200,766)	-
Total capital assets not being depreciated....	717,768	-	(200,766)	517,002
<u>Capital assets being depreciated:</u>				
Buildings.....	637,051	-	-	637,051
Buildings and improvements.....	1,641,517	5,150,946	-	6,792,463
Machinery and equipment.....	19,130,710	247,319	-	19,378,029
Vehicles.....	535,217	-	-	535,217
Infrastructure.....	81,192,922	315,397	(617,975)	80,890,344
Total capital assets being depreciated.....	103,137,417	5,713,662	(617,975)	108,233,104
<u>Less accumulated depreciation for:</u>				
Buildings.....	(141,777)	(14,051)	-	(155,828)
Buildings and improvements.....	(349,466)	(78,144)	-	(427,610)
Machinery and equipment.....	(13,722,207)	(917,925)	-	(14,640,132)
Vehicles.....	(225,361)	(97,737)	-	(323,098)
Infrastructure.....	(43,588,957)	(1,635,855)	617,975	(44,606,837)
Total accumulated depreciation.....	(58,027,768)	(2,743,712)	617,975	(60,153,505)
Total capital assets being depreciated, net.....	45,109,649	2,969,950	-	48,079,599
Total sewer activities capital assets, net.....	\$ 45,827,417	\$ 2,969,950	\$ (200,766)	\$ 48,596,601

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

**Governmental Activities:**

General government.....	\$	501,508
Public safety.....		958,108
Education.....		4,300,431
Public works.....		4,893,919
Human services.....		19,797
		<u>10,673,763</u>
Total depreciation expense - governmental activities.....	\$	<u>10,673,763</u>

**Business-Type Activities:**

Water.....	\$	2,395,737
Sewer.....		2,743,712
		<u>5,139,449</u>
Total depreciation expense - business-type activities.....	\$	<u>5,139,449</u>

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables between funds at June 30, 2023 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund.....	COVID-19.....	\$ <u>2,760,007</u>

This represents a temporary advance between funds for cash flow purposes.

Interfund transfers for the year ended June 30, 2023, are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>	
	Nonmajor governmental funds	
General fund.....	\$ <u>160,000</u>	(1)

(1) Represents budgeted transfers from the general fund to the City Hall improvements fund and the youth activities/mental health special revenue fund.

**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, 2023, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2022	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2023
<b>Business-Type Activities:</b>							
BAN*	MCWT Interim Loan - water...	2.00%	06/30/23	\$ 7,521,643	\$ 82,601	\$ 7,604,244	\$ -
BAN**	MCWT Interim Loan - sewer...	2.00%	06/30/23	795,212	412,323	1,207,535	-
BAN***	MCWT Interim Loan - sewer...	1.50%	6/30/2024	-	1,954,116	-	1,954,116
Total Short-term debt.....				\$ 8,316,855	\$ 2,449,040	\$ 8,811,779	\$ 1,954,116

(\*) The MCWT temporary financing relates to a program in which the City is able to rehabilitate, expand, or upgrade the existing water infrastructure network. The City has been approved for costs totaling \$8,547,666 for the drinking water project at a market interest rate of 2%. The interim period on these loans ended in the current year, and the debt was bonded. This was reported as outstanding long-term debt at June 30, 2023.

(\*\*) The MCWT temporary financing relates to a program in which the City is able to rehabilitate, expand, or upgrade the existing wastewater infrastructure network. The City has been approved for costs totaling \$1,534,800 for the drinking water project at a market interest rate of 2%. The interim period on these loans ended in the current year, and the debt was bonded. This was reported as outstanding long-term debt at June 30, 2023.

(\*\*\*) 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 at a market interest rate of 1.5%. 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. During the temporary status of the loan the City is only liable for the payment of interest costs. In 2023, the City received \$2,946,333 of proceeds for this project which consisted \$1,954,116 of loan proceeds and \$992,217 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 sewer fund.

The City has also been approved by MCWT for costs totaling \$7,362,750 related to cleaning and lining the transmission main of the water treatment facility and the main storage tank of the water distribution system at a market interest rate of 1.5%. The City entered into a financing agreement where the City is allowed two years to expend funds against an 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. During the temporary status of the loan the City is only liable for the payment of interest costs. In 2023, the City received \$1,323,390 of proceeds which was considered loan forgiveness through the MCWT's allotment of funding from the American Rescue Plan Act. These proceeds have been reported as capital contributions in the sewer 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, 2023, 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, 2023
<b>From Direct Borrowings and Placements:</b>				
MCWT.....	2035	\$ 12,121,424	0.00 - 2.00	\$ 5,111,849
Capital Financing.....	2031	2,936,305	3.00 - 5.00	1,498,455
Sub-total direct borrowings and placements.....				6,610,304
<b>General Obligation Bonds:</b>				
Municipal Purpose Bonds of 2012.....	2032	2,762,700	4.03 - 4.33	1,070,000
Municipal Purpose Bonds of 2014.....	2034	3,165,000	0.70 - 3.48	975,000
Municipal Purpose Bonds of 2015.....	2045	11,197,000	3.60 - 4.00	9,020,000
Municipal Purpose Bonds of 2016.....	2041	1,677,000	2.00 - 4.00	1,315,000
Municipal Purpose Bonds of 2017.....	2042	2,215,000	2.00 - 4.00	1,530,000
Municipal Purpose Bonds of 2018.....	2047	15,723,500	3.00 - 5.00	13,140,000
Municipal Purpose Bonds of 2020.....	2039	3,645,900	2.13 - 5.00	3,000,000
Municipal Purpose Refunding Bonds of 2021.....	2029	2,719,600	2.00 - 5.00	1,743,200
Municipal Purpose Bonds of 2021.....	2041	1,958,000	2.00 - 5.00	1,720,000
Municipal Purpose Bonds of 2022.....	2042	2,195,000	3.00 - 5.00	1,890,000
Municipal Purpose Bonds of 2023.....	2043	10,180,000	4.00 - 5.00	10,180,000
Total General Obligation Bonds.....				45,583,200
Sub-total of long-term governmental debt.....				52,193,504
Add: Unamortized premium on bonds.....				1,788,537
Total governmental long-term debt.....				\$ 53,982,041

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

Year	From General Obligation Bonds			From Direct Borrowings and Placements		
	Principal	Interest	Total	Principal	Interest	Total
2024.....	\$ 2,755,300	\$ 1,743,224	\$ 4,498,524	\$ 735,137	\$ 138,135	\$ 873,272
2025.....	2,802,300	1,613,419	4,415,719	710,767	121,403	832,170
2026.....	2,832,200	1,488,129	4,320,329	679,232	107,974	787,206
2027.....	2,503,400	1,361,677	3,865,077	693,018	94,728	787,746
2028.....	2,303,500	1,248,359	3,551,859	617,150	81,225	698,375
2029.....	2,076,500	1,149,993	3,226,493	631,597	67,396	698,993
2030.....	2,075,000	1,054,697	3,129,697	646,388	53,239	699,627
2031.....	2,080,000	859,645	2,939,645	661,529	38,745	700,274
2032.....	2,095,000	890,042	2,985,042	384,995	24,710	409,705
2033.....	2,005,000	817,471	2,822,471	393,365	17,010	410,375
2034.....	1,885,000	749,851	2,634,851	226,106	9,142	235,248
2035.....	1,835,000	688,865	2,523,865	231,020	4,620	235,640
2036.....	1,845,000	627,607	2,472,607	-	-	-
2037.....	1,900,000	563,869	2,463,869	-	-	-
2038.....	1,945,000	497,901	2,442,901	-	-	-
2039.....	2,005,000	429,929	2,434,929	-	-	-
2040.....	2,035,000	359,841	2,394,841	-	-	-
2041.....	1,960,000	290,473	2,250,473	-	-	-
2042.....	1,885,000	217,665	2,102,665	-	-	-
2043.....	1,850,000	148,029	1,998,029	-	-	-
2044.....	1,085,000	92,898	1,177,898	-	-	-
2045.....	1,125,000	53,951	1,178,951	-	-	-
2046.....	595,000	13,584	608,584	-	-	-
2047.....	105,000	1,777	106,777	-	-	-
Total.....	\$ 45,583,200	\$ 16,962,896	\$ 62,546,096	\$ 6,610,304	\$ 758,327	\$ 7,368,631

The governmental funds are scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$24,411 and interest costs for \$3,071. Thus, net MCWT loan repayments, including interest, are scheduled to be \$65,587. 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 2023 principal and interest subsidies totaled \$19,361 and \$5,063, respectively.

**Long-Term Debt Schedule – Enterprise Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
<b>From Direct Borrowings and Placements:</b>				
Water - MCWT.....	2040	\$ 49,979,306	2.00	\$ 42,724,419
Sewer - MCWT.....	2037	40,739,839	2.00	25,105,232
				<u>67,829,651</u>
<b>General Obligation Bonds:</b>				
Water - Municipal Purpose Bonds of 2020.....	2040	1,257,800	2.00 - 5.00	1,005,000
Water - Municipal Purpose Bonds of 2021.....	2041	272,000	5.00	240,000
Water - Municipal Purpose Bonds of 2022.....	2042	150,000	3.00 - 5.00	140,000
Sewer - Municipal Purpose Bonds of 2016.....	2036	1,081,000	2.00 - 4.00	780,000
Sewer - Municipal Purpose Bonds of 2017.....	2042	478,000	2.00 - 4.00	335,000
Sewer - Municipal Purpose Bonds of 2018.....	2043	2,106,500	3.00 - 5.00	1,680,000
Sewer - Municipal Purpose Bonds of 2020.....	2040	3,156,300	2.00 - 5.00	2,675,000
Sewer - Municipal Purpose Refunding Bonds of 2021....	2029	75,400	2.00 - 5.00	56,800
Sewer - Municipal Purpose Bonds of 2021.....	2031	405,000	5.00	320,000
Sewer - Municipal Purpose Bonds of 2022.....	2042	575,000	3.00 - 5.00	545,000
				<u>7,776,800</u>
Total Long-Term Debt.....				<u>\$ 75,606,451</u>
Add: Unamortized premium on bonds.....				<u>350,196</u>
Total Long-Term Debt, net.....				<u>\$ 75,956,647</u>

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

Year	From General Obligation Bonds			From Direct Borrowings and Placements		
	Principal	Interest	Total	Principal	Interest	Total
2024.....	\$ 505,298	\$ 442,002	\$ 947,300	\$ 4,050,490	\$ 1,377,755	\$ 5,428,245
2025.....	497,700	402,822	900,522	4,093,781	1,292,511	5,386,292
2026.....	502,800	368,984	871,784	4,192,306	1,197,456	5,389,762
2027.....	501,600	329,500	831,100	4,287,514	1,115,513	5,403,027
2028.....	501,500	305,151	806,651	4,099,051	1,022,934	5,121,985
2029.....	513,500	274,529	788,029	3,989,756	934,177	4,923,933
2030.....	500,000	243,429	743,429	4,085,161	844,538	4,929,699
2031.....	495,000	213,658	708,658	4,182,201	752,505	4,934,706
2032.....	450,000	189,957	639,957	4,149,372	659,358	4,808,730
2033.....	445,000	170,580	615,580	4,247,172	565,098	4,812,270
2034.....	445,000	150,974	595,974	4,229,030	468,408	4,697,438
2035.....	445,000	130,662	575,662	4,317,678	371,854	4,689,532
2036.....	390,001	110,356	500,357	3,793,036	288,726	4,081,762
2037.....	320,000	90,283	410,283	3,875,134	219,245	4,094,379
2038.....	315,000	72,029	387,029	3,261,709	148,255	3,409,964
2039.....	315,000	53,452	368,452	3,332,247	89,667	3,421,914
2040.....	305,000	34,971	339,971	2,710,519	36,769	2,747,288
2041.....	130,000	19,163	149,163	933,494	9,018	942,512
2042.....	119,999	6,014	126,013	-	-	-
2043.....	79,402	2,798	82,200	-	-	-
Total.....	<u>\$ 7,776,800</u>	<u>\$ 3,611,314</u>	<u>\$ 11,388,114</u>	<u>\$ 67,829,651</u>	<u>\$ 11,393,787</u>	<u>\$ 79,223,438</u>

The sewer enterprise fund is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of \$401,637 and interest costs for \$852,235. Thus, net MCWT loan repayments, including interest, are scheduled to be \$ 6,834,741. The principal subsidies are guaranteed and therefore a \$401,637 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 2023 principal and interest subsidies totaled \$12,390 and \$140,940, respectively.

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, 2023, the City had the following authorized and unissued debt:

Purpose	Amount
MCWT projects.....	\$ 50,000
School roof remodeling.....	2,680,000
Sewer project.....	1,520,000
Planning CSO project.....	180,500
High school remodeling.....	227,488
Landfill closure.....	4,995
Combined sewer overflow water pollution project.....	969,063
Departmental equipment.....	115,000
Parking deck.....	301
Sewer project.....	321,426
Park department building repairs.....	53,000
School department text books.....	125,325
Old Haverhill landfill.....	9,657,212
Hunking middle school.....	120,642
Flood control improvements.....	513,868
Fire pumper truck.....	70
City/School facilities energy efficiency improvements.....	2,500,000
CSO system improvements.....	1,176,720
Water transmission mains.....	452,000
Sewer project.....	444
Additional water treatment plant.....	40,937
Wastewater treatment facility improvements.....	788,269
Water transmission and distribution mains financing and engineering.....	377,834
Kenoza Avenue and Lawrence Street sewer systems.....	800,000
Phase III combined sewer overflow.....	508,900
Sewer system improvements.....	193,134
Water and wastewater asset management plan.....	250,000
Water distribution system.....	54,250
High school gym roof replacement.....	643,282
Old Haverhill landfill engineering and construction.....	7,785,500
Moody school roof replacement.....	832,335
Consentino School.....	151,544,154
Water distribution system improvements.....	3,380,000
Sewer system improvements.....	7,004,200
Water, wastewater, and stormwater asset management plan Phase II.....	250,000
Total.....	\$ 195,120,849

Changes in Long-term Liabilities

During the year ended June 30, 2023, 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
<b>Governmental Activities:</b>							
General Obligation Bonds.....	\$ 39,720,500	\$ 10,180,000	\$ (4,317,300)	\$ -	\$ -	\$ 45,583,200	\$ 2,755,300
Direct borrowings and placements.....	5,660,629	-	(529,419)	-	(19,361)	5,111,849	532,126
Capital financing.....	1,695,217	-	-	-	(196,762)	1,498,455	203,011
Add: Unamortized premium on bonds...	1,248,699	730,071	(190,233)	-	-	1,788,537	232,894
Total long-term debt.....	48,325,045	10,910,071	(5,036,952)	-	(216,123)	53,982,041	3,723,331
Landfill closure.....	14,860,000	-	-	-	(1,440,000)	13,420,000	137,000
Compensated absences.....	4,367,000	-	-	2,868,000	(2,508,000)	4,727,000	2,854,000
Workers' compensation.....	183,000	-	-	855,000	(857,000)	181,000	27,000
Net pension liability.....	109,664,061	-	-	55,283,063	(20,868,268)	144,078,856	-
Total other postemployment benefits liability.....	326,407,051	-	-	17,135,832	(9,772,457)	333,770,426	-
Total governmental activity long-term liabilities.....	\$ 503,806,157	\$ 10,910,071	\$ (5,036,952)	\$ 76,141,895	\$ (35,661,848)	\$ 550,159,323	\$ 6,741,331
<b>Business-Type Activities:</b>							
General Obligation Bonds.....	\$ 8,561,500	\$ -	\$ (784,700)	\$ -	\$ -	\$ 7,776,800	\$ 505,298
Direct borrowings and placements.....	65,668,399	8,811,779	(4,157,337)	-	(2,493,190)	67,829,651	4,050,490
Add: Unamortized premium on bonds...	410,872	-	(60,676)	-	-	350,196	55,111
Total long-term debt.....	74,640,771	8,811,779	(5,002,713)	-	(2,493,190)	75,956,647	4,610,899
Compensated absences.....	256,000	-	-	332,000	(256,000)	332,000	332,000
Workers' compensation.....	16,000	-	-	74,000	(90,000)	-	-
Net pension liability.....	8,030,984	-	-	4,076,421	(1,531,767)	10,575,638	-
Total other postemployment benefits liability.....	12,573,954	-	-	611,872	(1,267,839)	11,917,987	-
Total business-type activity long-term liabilities.....	\$ 95,517,709	\$ 8,811,779	\$ (5,002,713)	\$ 5,094,293	\$ (5,638,796)	\$ 98,782,272	\$ 4,942,899

**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, 2023, the governmental fund balances consisted of the following:

	General	COVID-19	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Restricted for:				
City federal & state grants..... \$	- \$	- \$	1,226,922 \$	1,226,922
School federal & state grants.....	-	-	6,458,859	6,458,859
School lunch.....	-	-	2,812,899	2,812,899
City revolving funds.....	-	-	562,811	562,811
School revolving funds.....	-	-	1,458,951	1,458,951
City gift funds.....	-	-	328,528	328,528
School gift funds.....	-	-	81,806	81,806
Other special revenue.....	-	-	705,851	705,851
Receipts reserved for appropriation.....	-	-	1,398,465	1,398,465
School capital projects.....	-	-	8,588,004	8,588,004
Other capital projects.....	-	-	2,005,062	2,005,062
Committed to:				
OPEB stabilization fund.....	412,069	-	-	412,069
Opioid stabilization fund.....	228,496	-	-	228,496
Youth mental health stabilization fund.....	34,741	-	-	34,741
Assigned to:				
General government.....	113,813	-	-	113,813
Public safety.....	255,644	-	-	255,644
Education.....	1,652,149	-	-	1,652,149
Public works.....	537,811	-	-	537,811
Human services.....	4,940	-	-	4,940
Community and economic development...	6,251	-	-	6,251
Salary reserve.....	1,512,270	-	-	1,512,270
Other reserve.....	18,438	-	-	18,438
Subsequent years' expenditures.....	6,193,120	-	-	6,193,120
Unassigned.....	17,416,559	(2,419,318)	-	14,997,241
Total Fund Balances..... \$	28,386,301 \$	(2,419,318) \$	25,628,158 \$	51,595,141

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 \$7,282,434 and is reported as unassigned fund balance within the general fund. The OPEB stabilization, opioid stabilization fund and youth mental health stabilization fund totaled \$412,069, \$228,496, and \$34,741, 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, 2023, the amount of the liability for workers' compensation claims totaled \$181,000. Changes in the reported liability since July 1, 2021, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2022.....	\$ 130,000	\$ 1,174,000	\$ (1,105,000)	\$ 199,000	\$ 29,000
2023.....	199,000	929,000	(947,000)	181,000	27,000

## **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, 2022. The City's portion of the collective pension expense, contributed by the Commonwealth, of \$16,645,970 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 \$202,358,604 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, 2022.

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, 2022, the System's membership consists of the following:

Active members.....	1,190
Inactive members.....	351
Retirees and beneficiaries currently receiving benefits.....	<u>1,082</u>
Total.....	<u><u>2,623</u></u>

*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, 2022, was \$23,675,914, 47.02% 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 \$22,367,876, which was \$32,159 less than the City's actual contribution.



*Pension Liabilities*

The components of the net pension liability of the participating member units at December 31, 2022, were as follows:

Total pension liability.....	\$	427,244,944
Total pension plan's fiduciary net position.....		<u>(263,781,516)</u>
Total net pension liability.....	\$	<u>163,463,428</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....		61.74%

At June 30, 2023, the City reported a liability of \$154,654,494 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. 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 2023 contribution. At December 31, 2022, the City's proportion was 94.61%, which decreased from the proportion measured at December 31, 2021, which was 94.62%.

*Pension Expense*

For the year ended June 30, 2023, the City recognized pension expense of \$14,235,549. At June 30, 2023, the City reported deferred outflows of resources related to pensions of \$13,032,178 and deferred inflows of resources related to pensions of \$1,177,027. The balances of deferred outflows and inflows at June 30, 2023, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 1,662,234	\$ (605,225)	\$ 1,057,009
Difference between projected and actual earnings, net.....	9,517,171	-	9,517,171
Changes of assumptions.....	1,418,457	-	1,418,457
Changes in proportion and proportionate share of contributions...	<u>434,316</u>	<u>(571,802)</u>	<u>(137,486)</u>
Total deferred outflows/(inflows) of resources.....	\$ <u>13,032,178</u>	\$ <u>(1,177,027)</u>	\$ <u>11,855,151</u>

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

Year ended June 30:

2024.....	\$ (1,657,952)
2025.....	623,099
2026.....	3,322,630
2027.....	<u>9,567,374</u>
Total.....	\$ <u>11,855,151</u>

*Actuarial Assumptions*

The total pension liability in the January 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2022:

Valuation date.....	January 1, 2022
Actuarial cost method.....	Individual Entry Age Normal.
Amortization method - UAAL.....	Increasing dollar amount at 4.00% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2032.
Amortization method - 2002 and 2003 ERI Actuarial Liability.....	Increasing dollar amount at 4.00% to reduce the Unfunded Actuarial Accrued Liability attributable to the 2002 ERI and 2003 ERI to zero on or before June 30, 2032.
Asset valuation method.....	The actuarial value of assets is the fair value of assets as of the valuation date reduced by the sum of: <ul style="list-style-type: none"> <li>a) 75% of gains and losses of the prior year.</li> <li>b) 50% of the gains and losses of the second prior year, and</li> <li>c) 25% of gains and losses of the third prior year.</li> </ul> <p>Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the fair value. The Actuarial valuation of assets is further constrained to be not less than 90% or more than 110% of fair value.</p>
Investment rate of return.....	7.00%, net of pension plan investment expense, including inflation.
Discount rate.....	7.00%
Inflation rate.....	2.40% 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, 2022 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	25.70%	4.50%
International equity.....	15.00%	4.30%
Emerging markets equity.....	6.00%	7.00%
Core fixed income.....	13.50%	2.10%
Value added fixed income.....	7.80%	5.20%
Private equity.....	8.00%	7.60%
Real estate.....	10.00%	3.10%
Timberland.....	7.00%	4.40%
Portfolio completion.....	7.00%	3.90%
Total.....	100.00%	

#### Rate of return

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -10.27%. 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, 2022 and December 31, 2021. 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 following 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.....	\$ 197,619,502	\$ 154,654,494	\$ 118,228,577
System total net pension liability.....	\$ 208,875,671	\$ 163,463,428	\$ 124,962,734

*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 \$345,688,413 was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2022, that was updated to June 30, 2023 to be in accordance with GASB Statement #75.

*Employees Covered by Benefit Terms*

At June 30, 2022, the Plan's membership consists of the following:

Active members.....	1,220
Inactive employees or beneficiaries currently receiving benefits.....	1,925
Total.....	<u>3,145</u>

*Significant Actuarial Methods and Assumptions*

The total OPEB liability in the June 30, 2022, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement date that was updated to June 30, 2023, to be in accordance with GASB Statement #75:

Valuation date.....	June 30, 2022
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
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
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.....	3.50%, net of investment expenses.
Mortality:	
Group 1 and 2.....	Pub-2010 public plans general activty, 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.

All 8 talbes include generational adjusting based on Scale MP-2018 to 2025.

*Discount rate*

The discount rate used to measure the total OPEB liability was 3.50% as of June 30, 2023, and June 30, 2022. 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, 2022.....	\$ 338,981,005
Changes for the year:	
Service cost.....	5,869,481
Interest.....	11,878,223
Benefit payments.....	(11,040,296)
Net change.....	6,707,408
Balances at June 30, 2023.....	\$ 345,688,413

*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 3.50% 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 (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability.....	\$ 407,398,979	\$ 345,688,413	\$ 297,407,015

*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	Current Trend	1% Increase
Total OPEB liability.....	\$ 292,582,845	\$ 345,688,413	\$ 414,462,990

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$369,257. At June 30, 2023, the City reported deferred inflows of resources related to OPEB of \$68,148,223 in the following categories:

Deferred Category	Deferred Inflows of Resources
Differences between expected and actual experience.....	\$ (28,705,655)
Changes in assumptions.....	(39,442,568)
Total deferred outflows/(inflows) of resources.....	\$ (68,148,223)

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

Measurement date year ended June 30:

2024.....	\$ (34,593,007)
2025.....	(33,555,216)
Total deferred (inflows) of resources.....	\$ (68,148,223)

*Changes of Assumptions*

None.

*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 \$13,420,000 as the estimate of the landfill closure liability at June 30, 2023, 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, 2023, these programs are still subject to financial and compliance audits. 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, 2023, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2023.

**NOTE 14 – COMMITMENTS**Cosentino Middle School Construction Project

The City has entered into, or is planning to enter into, contracts totaling \$151,544,154 for the construction of the new Cosentino Middle School.

Water and Wastewater Infrastructure Projects

The City has been approved for costs totaling \$7,362,750 for a drinking water project, in which the City is able to rehabilitate, expand, or upgrade the existing water infrastructure network. The costs are being funded under a temporary financing agreement with the Massachusetts Clean Water Trust (MCWT). See Note 6 – Short Term Financing for further information.

The City has been approved for costs totaling \$8,187,035 and \$753,965 for a wastewater project, in which the City is able to rehabilitate, expand, or upgrade the existing wastewater infrastructure network. The costs are being funded under a temporary financing agreement with the Massachusetts Clean Water Trust (MCWT). 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 \$4.1 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, 2023, the City exempted property taxes totaling \$418,000 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 November 28, 2023, which is the date the financial statements were available to be issued.

**NOTE 17 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2023, the following GASB pronouncements were implemented:

- GASB Statement #91, *Conduit Debt Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #96, *Subscription-Based Information Technology Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #99, *Omnibus 2022*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

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



## ***Required Supplementary Information***

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**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Amounts	Variance
	Original	Final	Budgetary	Carried Forward	to Final
	Budget	Budget	Amounts	To Next Year	Budget
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 118,473,888	\$ 118,473,888	\$ 118,292,747	\$ -	\$ (181,141)
Tax liens.....	-	-	727,229	-	727,229
Motor vehicle and other excise taxes.....	10,100,641	10,100,641	10,479,392	-	378,751
Penalties and interest on taxes.....	455,000	455,000	609,465	-	154,465
Fees and rentals.....	1,238,600	1,238,600	1,320,367	-	81,767
Payments in lieu of taxes.....	2,500,000	2,500,000	2,762,606	-	262,606
Licenses and permits.....	2,591,275	2,591,275	4,097,670	-	1,506,395
Fines and forfeitures.....	720,000	720,000	867,028	-	147,028
Intergovernmental.....	87,563,017	87,563,017	87,564,616	-	1,599
Departmental and other.....	1,300,850	1,300,850	1,562,006	-	261,156
Investment income.....	280,000	280,000	1,606,088	-	1,326,088
Miscellaneous.....	-	-	152,211	-	152,211
TOTAL REVENUES.....	225,223,271	225,223,271	230,041,425	-	4,818,154
<b>EXPENDITURES:</b>					
Current:					
General government.....	4,598,088	5,188,397	4,779,967	113,813	294,617
Public safety.....	27,048,408	27,217,983	26,503,981	255,644	458,358
Education.....	120,707,924	122,254,924	120,583,626	1,652,149	19,149
Public works.....	11,080,191	12,894,930	12,146,165	537,811	210,954
Human services.....	3,295,325	3,158,175	3,059,106	4,940	94,129
Community and economic development.....	1,350,680	1,488,678	1,475,455	6,251	6,972
Pension benefits.....	21,173,486	20,836,109	20,836,109	-	-
Property and liability insurance.....	709,823	924,106	923,131	-	975
Employee benefits.....	26,835,003	27,517,010	27,177,587	-	339,423
Salary reserve.....	2,243,254	1,522,270	10,000	1,512,270	-
Other reserve.....	682,948	365,425	346,987	18,438	-
State and county charges.....	8,341,748	8,353,266	8,370,284	-	(17,018)
Debt service:					
Principal.....	6,202,785	4,846,720	4,846,720	-	-
Interest.....	1,912,092	1,582,341	1,571,349	-	10,992
TOTAL EXPENDITURES.....	236,181,755	238,150,334	232,630,467	4,101,316	1,418,551
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(10,958,484)	(12,927,063)	(2,589,042)	(4,101,316)	6,236,705
<b>OTHER FINANCING SOURCES (USES):</b>					
Use of prior year reserves.....	5,683,040	5,683,040	-	-	(5,683,040)
Use of free cash.....	5,300,000	8,264,161	-	-	(8,264,161)
Transfers in.....	854,634	1,428,586	1,428,586	-	-
Transfers out.....	(250,000)	(1,403,414)	(1,147,414)	-	256,000
TOTAL OTHER FINANCING SOURCES (USES).....	11,587,674	13,972,373	281,172	-	(13,691,201)
NET CHANGE IN FUND BALANCE.....	629,190	1,045,310	(2,307,870)	(4,101,316)	(7,454,496)
BUDGETARY FUND BALANCE, Beginning of year.....	22,826,355	22,826,355	22,826,355	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 23,455,545	\$ 23,871,665	\$ 20,518,485	\$ (4,101,316)	\$ (7,454,496)

See notes to required supplementary information.

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# ***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.

The schedules are 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.

**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
<b>Total pension liability:</b>				
Service cost.....	\$ 4,276,136	\$ 4,457,871	\$ 5,091,379	\$ 5,577,886
Interest.....	25,172,959	25,608,700	24,463,813	25,327,896
Changes in benefit terms.....	-	-	-	-
Differences between expected and actual experience.....	-	-	2,750,089	3,933,465
Changes in assumptions.....	-	-	15,636,834	13,629,952
Benefit payments.....	(24,393,730)	(23,974,413)	(25,274,903)	(25,251,773)
Net change in total pension liability.....	5,055,365	6,092,158	22,667,212	23,217,426
Total pension liability - beginning.....	322,582,714	327,638,079	333,730,237	356,397,449
Total pension liability - ending (a).....	<u>\$ 327,638,079</u>	<u>\$ 333,730,237</u>	<u>\$ 356,397,449</u>	<u>\$ 379,614,875</u>
<b>Plan fiduciary net position:</b>				
Employer contributions.....	\$ 14,661,848	\$ 15,869,862	\$ 16,511,360	\$ 17,851,950
Member contributions.....	4,103,074	3,455,693	3,764,777	4,035,100
Net investment income (loss).....	12,874,474	(3,625,996)	12,685,293	27,090,598
Administrative expenses.....	(546,094)	(481,093)	(472,465)	(616,282)
Retirement benefits and refunds.....	(24,393,730)	(23,974,413)	(25,274,903)	(25,251,773)
Net increase (decrease) in fiduciary net position.....	6,699,572	(8,755,947)	7,214,062	23,109,593
Fiduciary net position - beginning of year.....	173,453,468	180,153,040	171,397,093	178,611,155
Fiduciary net position - end of year (b).....	<u>\$ 180,153,040</u>	<u>\$ 171,397,093</u>	<u>\$ 178,611,155</u>	<u>\$ 201,720,748</u>
<b>Net pension liability - ending (a)-(b).....</b>	<u><b>\$ 147,485,039</b></u>	<u><b>\$ 162,333,144</b></u>	<u><b>\$ 177,786,294</b></u>	<u><b>\$ 177,894,127</b></u>
Plan fiduciary net position as a percentage of the total pension liability.....	54.99%	51.36%	50.12%	53.14%
Covered payroll.....	\$ 37,792,808	\$ 38,734,500	\$ 40,037,584	\$ 42,190,684
Net pension liability as a percentage of covered payroll.....	390.25%	419.09%	444.05%	421.64%

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.

	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
\$	5,814,947	\$ 6,047,544	\$ 8,042,809	\$ 8,324,309	\$ 9,024,303
	26,993,422	27,455,653	27,653,190	28,159,110	28,918,846
	-	2,150,157	-	-	-
	-	(4,834,450)	-	2,981,241	-
	-	11,330,399	-	-	-
	<u>(26,213,522)</u>	<u>(27,117,198)</u>	<u>(28,478,130)</u>	<u>(29,022,008)</u>	<u>(29,600,553)</u>
	6,594,847	15,032,105	7,217,869	10,442,652	8,342,596
	<u>379,614,875</u>	<u>386,209,722</u>	<u>401,241,827</u>	<u>408,459,696</u>	<u>418,902,348</u>
\$	<u>386,209,722</u>	<u>\$ 401,241,827</u>	<u>\$ 408,459,696</u>	<u>\$ 418,902,348</u>	<u>\$ 427,244,944</u>
\$	17,878,483	\$ 20,452,808	\$ 21,208,667	\$ 22,325,823	\$ 23,675,914
	4,368,364	4,373,927	4,506,262	4,677,181	5,782,545
	(6,206,275)	29,570,770	29,700,968	52,603,235	(30,110,060)
	(438,100)	(441,688)	(476,974)	(479,763)	(479,908)
	<u>(26,213,522)</u>	<u>(27,117,198)</u>	<u>(28,478,130)</u>	<u>(29,022,008)</u>	<u>(29,600,553)</u>
	(10,611,050)	26,838,619	26,460,793	50,104,468	(30,732,062)
	<u>201,720,748</u>	<u>191,109,698</u>	<u>217,948,317</u>	<u>244,409,110</u>	<u>294,513,578</u>
\$	<u>191,109,698</u>	<u>\$ 217,948,317</u>	<u>\$ 244,409,110</u>	<u>\$ 294,513,578</u>	<u>\$ 263,781,516</u>
\$	<u>195,100,024</u>	<u>\$ 183,293,510</u>	<u>\$ 164,050,586</u>	<u>\$ 124,388,770</u>	<u>\$ 163,463,428</u>
	49.48%	54.32%	59.84%	70.31%	61.74%
\$	42,369,388	\$ 42,890,540	\$ 45,363,109	\$ 48,302,130	\$ 50,349,027
	460.47%	427.35%	361.64%	257.52%	324.66%

**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, 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%

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.



**SCHEDULE OF INVESTMENT RETURNS**  
**HAVERHILL CONTRIBUTORY RETIREMENT SYSTEM**

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
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%

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.

# ***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.

These schedules are 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.

**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, 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%

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.

**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, 2023.....	\$ 22,367,876	\$ (22,400,035)	\$ (32,159)	\$ 46,915,571	47.75%
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%

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.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS  
OF THE NET PENSION LIABILITY  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

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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.

<u>Year</u>	<u>Commonwealth's 100% Share of the Associated Net Pension Liability</u>	<u>Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
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%

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.

# ***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.

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

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.

**NOTE A - BUDGETARY BASIS OF ACCOUNTING****1. 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 2023 approved budget authorized \$236.4 million in appropriations, carryforwards, and other amounts to be raised. During 2023, the Council also approved supplemental appropriations totaling \$3.1 million. The change is primarily due to free cash that was appropriated for transfers to the general stabilization fund and for the school department. The City Auditor has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the City's accounting system.

**2. 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, 2023, is presented below:

Net change in fund balance - budgetary basis.....	\$ (2,307,870)
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	1,033,505
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	(96,517)
Net change in recording 60 day receipts.....	(89,279)
Recognition of revenue for on-behalf payments.....	16,645,970
Recognition of expenditures for on-behalf payments.....	<u>(16,645,970)</u>
Net change in fund balance - GAAP basis.....	\$ <u>(1,460,161)</u>



### 3. Appropriation Deficits

Actual expenditures exceeded appropriations for state and county charges. State and county charges are assessments from the Commonwealth, which are directly deducted from local receipts provided by the State. The City is not required to raise the state and county assessment deficit.

## **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.

#### 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**The Schedule of Changes in the City's Total Other Postemployment Benefit Liability and Related Ratios

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.

Changes of Assumptions

None

Changes in Plan Provisions

None.