

CITY OF HAVERHILL, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2021

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JUNE 30, 2021

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	13
Statement of net position	15
Statement of activities	16
Governmental funds – balance sheet	18
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position	19
Governmental funds – statement of revenues, expenditures and changes in fund balances	20
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	21
Proprietary funds – statement of net position	22
Proprietary funds – statement of revenues, expenses and changes in net position	23
Proprietary funds – statement of cash flows	24
Fiduciary funds – statement of fiduciary net position	25
Fiduciary funds – statement of changes in fiduciary net position	26
Notes to basic financial statements	27
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual	67
Pension Plan Schedules – Retirement System	69
Schedule of changes in the net pension liability and related ratios	70
Schedule of employer contributions	72
Schedule of investment returns	73
Pension Plan Schedules – City	74
Schedule of the City's proportionate share of the net pension liability	75
Schedule of the City's contributions	76
Schedule of special funding amounts of the net pension liability	77
Other postemployment benefit plan schedules	78
Schedule of changes in the City's total OPEB liability and related ratios	79
Notes to required supplementary information	80

Independent Auditor's Report

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

Report on the Financial Statements

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, 2021 (except for the Haverhill Contributory Retirement System which is as of and for the year ended December 31, 2020), 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Haverhill, Massachusetts, as of June 30, 2021 (except for the Haverhill Contributory Retirement System which is as of and for the year ended December 31, 2020), 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.

Other Matters

Financial Statements for the Year Ended June 30, 2020

The financial statements for the prior period were audited by a predecessor auditor, whose opinion dated December 4, 2020, was unmodified. As part of our audit of the 2021, financial statements, we also audited the adjustments as described in Note 18 that were applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 financial statements of the City other than with respect to adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

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, 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 April 22, 2022, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Haverhill, Massachusetts' internal control over financial reporting and compliance.



April 22, 2022

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, 2021. 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 \$359.6 million (net position).
- At the close of the current year, the City's general fund reported an ending fund balance of \$29.0 million. Total fund balance represents 12% of total general fund expenditures.
- The City's total debt (short-term and long-term combined) decreased by \$2.3 million during the year.
- The City's total other postemployment benefit (OPEB) liability increased by \$1.9 million and totaled \$474.7 million at year-end.
- The City's net pension liability (NPL) decreased by \$18.2 million and totaled \$155.3 million at year-end.
- In order to take advantage of favorable interest rates, the City issued \$2.8 million of general obligation refunding bonds on December 17, 2020. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$3.1 million and became callable on February 1, 2021. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$310,000 and a reduction of \$323,000 in future debt service payments.
- Beginning net position/fund balance of the governmental activities, business-type activities, and other applicable funds were restated to reflect corrections of prior year balances (See Note 18).
- Beginning net position/fund balance of the governmental activities and nonmajor governmental funds were revised to reflect the implementation of GASB Statement #84 – *Fiduciary Activities* (See Note 18).

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 \$359.6 million at the close of 2021.

Net position of \$177.2 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, \$5.0 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 \$573.0 million. The primary reason for this deficit balance is the recognition of the total other postemployment benefit and net pension liabilities totaling \$474.7 million and \$155.3 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 \$383.3 million at the close of 2021.

Governmental net position decreased by \$18.9 million during the current year. The primary components of this decrease include a \$1.4 million increase in the total other postemployment benefit liability, a \$21.0 million decrease from the net change in deferred outflows/(inflows) related to other postemployment benefits, and a \$14.2 million decrease from the net change in deferred outflows/(inflows) related to pension. These decreases were offset by a decrease in the City's net pension liability totaling \$17.0 million.

Beginning net position of the City's governmental activities was restated to reflect the correction of prior year balances and was revised to reflect the implementation of GASB Statement #84 – *Fiduciary Activities* and the presentation of major funds in accordance with GASB 34. Previously reported net position was in a deficit position totaling \$362,973,287 and has been restated/revised to a deficit position totaling \$364,401,425 (See Note 18).

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

	2021	2020 (As Revised/Restated)
Assets:		
Current assets.....	\$ 65,007,521	\$ 54,297,551
Noncurrent assets (excluding capital).....	698,054	786,608
Capital assets, non depreciable.....	10,284,232	10,284,232
Capital assets, net of accumulated depreciation....	209,972,390	213,606,550
Total assets.....	285,962,197	278,974,941
Deferred outflows of resources.....	60,794,624	101,646,797
Liabilities:		
Current liabilities (excluding debt).....	22,498,194	10,040,175
Noncurrent liabilities (excluding debt).....	620,107,051	639,256,325
Current debt.....	11,059,265	9,485,339
Noncurrent debt.....	44,273,043	48,488,352
Total liabilities.....	697,937,553	707,270,191
Deferred inflows of resources.....	32,117,876	37,752,972
Net position:		
Net investment in capital assets.....	177,154,886	171,830,091
Restricted.....	4,967,516	7,131,675
Unrestricted.....	(565,421,010)	(543,363,191)
Total net position.....	\$ (383,298,608)	\$ (364,401,425)

Governmental expenses totaled \$282.9 million of which \$127.4 million (45%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$136.6 million, primarily coming from property taxes, motor vehicle excise taxes, payments in lieu of taxes and non-restricted state aid.

The decrease in public safety expense is primarily due to decreases in expense recognized from the change in the total OPEB liability, the net pension liability and the related deferred inflows and outflows of resources. These decreases were offset by an increase due to the implementation of GASB Statement #84 – *Fiduciary Activities*, which required police detail activity to be recorded as a governmental activity for the first time.

The decrease in education expense is primarily due to decreases in expense recognized from the change in the total OPEB liability, the net pension liability and the related deferred inflows and outflows of resources. These decreases were offset by increases due to the implementation of GASB Statement #84 – *Fiduciary Activities*, as well as an increase from the recognition of expenses for on-behalf payments made to the Massachusetts Teachers Retirement System.

Operating grants and contributions increased due to funding received to offset costs associated with the Coronavirus Pandemic (COVID-19). COVID-19 related expenses recognized on the government wide financial statements totaled \$10.8 million.

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

	2021	2020
Program Revenues:		
Charges for services.....	\$ 8,461,453	\$ 5,776,032
Operating grants and contributions.....	114,596,669	101,148,301
Capital grants and contributions.....	4,381,071	3,382,537
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	110,542,791	106,472,130
Tax liens.....	1,735,509	354,199
Motor vehicle and other excise taxes.....	9,169,267	9,429,140
Penalties and interest on taxes.....	652,723	372,945
Payments in lieu of taxes.....	2,463,392	2,415,706
Grants and contributions not restricted to specific programs.....	10,192,138	11,443,105
Unrestricted investment income.....	864,739	1,045,203
Miscellaneous.....	948,932	1,027,470
Total revenues.....	264,008,684	242,866,768
Expenses:		
General government.....	8,777,162	8,852,659
COVID-19.....	10,789,082	587,997
Public safety.....	46,265,770	53,275,966
Education.....	189,175,621	192,495,713
Public works.....	17,726,688	18,040,223
Human services.....	5,784,635	5,841,526
Community and economic development.....	2,590,201	3,491,692
Interest.....	1,796,708	1,857,435
Total expenses.....	282,905,867	284,443,211
Change in net position.....	(18,897,183)	(41,576,443)
Net position, beginning of year (As revised/restated)...	(364,401,425)	(322,824,982)
Net position, end of year.....	\$ (383,298,608)	\$ (364,401,425)

Business-type Activities

For the City's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23.7 million at the close of 2021.

Beginning net position of the City's business-type activities was restated to reflect corrections of prior year balances. Previously reported net position of \$19,357,003 has been restated to \$23,591,277 (See Note 18).

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

	2021	2020 (As Restated)
Assets:		
Current assets.....	\$ 22,346,066	\$ 24,422,720
Noncurrent assets (excluding capital).....	783,364	850,787
Capital assets, non depreciable.....	2,043,855	4,223,712
Capital assets, net of accumulated depreciation....	112,003,472	102,665,329
Total assets.....	137,176,757	132,162,548
Deferred outflows of resources.....	3,726,647	5,526,925
Liabilities:		
Current liabilities (excluding debt).....	2,376,786	822,093
Noncurrent liabilities (excluding debt).....	26,884,641	27,750,584
Current debt.....	19,166,558	13,239,014
Noncurrent debt.....	66,806,828	70,405,882
Total liabilities.....	115,234,813	112,217,573
Deferred inflows of resources.....	1,976,385	1,880,623
Net position:		
Net investment in capital assets.....	31,246,375	32,681,935
Unrestricted.....	(7,554,169)	(9,090,658)
Total net position.....	\$ 23,692,206	\$ 23,591,277
Program Revenues:		
Charges for services.....	\$ 23,296,911	\$ 22,932,313
Operating grants and contributions.....	176,394	255,793
Capital grants and contributions.....	-	1,441,214
Total revenues.....	23,473,305	24,629,320
Expenses:		
Water.....	10,859,810	11,993,048
Sewer.....	12,512,566	11,395,730
Total expenses.....	23,372,376	23,388,778
Change in net position.....	100,929	1,240,542
Net position, beginning of year (As restated).....	23,591,277	22,350,735
Net position, end of year.....	\$ 23,692,206	\$ 23,591,277

Business-type net position of \$31.2 million represents the net investment in capital assets. The balance of *unrestricted net position* has a year-end deficit of \$7.6 million. The primary reason for this deficit balance is the recognition of the total other postemployment benefit and net pension liabilities totaling \$16.5 million and \$10.4 million, respectively.

The water enterprise fund net position decreased by \$1.2 million in the current year. This was primarily due to a \$151,000 increase in the other postemployment benefits liability, a \$353,000 decrease from the change in deferred outflows/inflows of resources related to other postemployment benefits and a \$909,000 decrease from the change in deferred outflows/inflows of resources related to pensions. These decreases were offset by a \$568,000 decrease in the net pension liability.

The sewer enterprise fund net position increased by \$1.3 million in the current year. This increase is primarily due to an operating surplus of \$1.9 million.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of 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 \$36.3 million. This was comprised of the general fund totaling \$29.0 million, a \$2.5 million deficit balance in the COVID-19 fund, and the nonmajor funds totaling \$9.9 million.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$17.9 million, while total fund balance was \$29.0 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 8% of the general fund expenditures, while total fund balance represents 12% of the same amount. Committed fund balance totals \$400,000, which is related to the OPEB stabilization fund. Assigned fund balance totals \$10.7 million and includes \$5.8 million of unexpended appropriations that were encumbered to be expended in the subsequent year and \$4.9 million of fund balance that was voted to fund subsequent years' expenditures.

The general fund increased by \$1.9 million, which is due to a budgetary basis operating surplus of \$4.1 million, offset by a \$1.4 million decrease in the stabilization funds which are component of the general fund for GAAP basis reporting as well as a decrease related to tax receipts received within the 60 days of year end totaling \$765,000.

The COVID-19 fund ended the year with a deficit fund balance totaling \$2.5 million. This deficit relates to expenditures associated with responding to the COVID-19 pandemic that are anticipated to be funded by the Coronavirus Aid, Relief and Economic Security Act and emergency assistance from the Federal Emergency Management Agency.

General Fund Budgetary Highlights

The original 2021 approved budget authorized \$212.1 million in appropriations, carryforwards, and other amounts to be raised. During the year, the Council approved a supplemental appropriation totaling \$2.0 million for employee benefits that was funded by a transfer from the stabilization fund.

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, 2021, amounts to \$334.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, vehicles, machinery and equipment, and infrastructure.

Current year additions for the governmental investment in capital assets totaled \$6.9 million. \$899,000 of additions relate to building improvements, \$1.1 million relates to machinery and equipment, \$3.3 million relate to infrastructure, and \$1.5 million relates to vehicle acquisition.

The water and sewer additions totaled \$12.1 million. \$4.7 million relates to new water infrastructure, \$3.4 million relates to buildings and \$202,000 for other water assets. An additional \$2.1 million relates to sewer infrastructure, \$503,000 for buildings, \$412,000 for machinery and equipment, and \$458,000 for vehicles.

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 \$50.6 million, of which \$42.9 million relates to general obligation bonds, \$6.2 million relates to direct borrowings and placements from the MCWT, and \$1.5 million relates to unamortized bond premiums.

Throughout the duration of the project, construction costs for the Hunking Middle School have been reimbursed by the Massachusetts School Building Authority (MSBA). The project is completed and the City has been awaiting final reimbursement once the MSBA has completed its final review. The final review was completed subsequent to year end on September 21, 2021, and costs remaining to be reimbursed totaled \$2.4 million, which has been recorded as a receivable in the City's financial statements as of June 30, 2021.

In order to take advantage of favorable interest rates, the City issued \$2.8 million of general obligation refunding bonds on December 17, 2020. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$3.1 million and became callable on February 1, 2021. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$310,000 and a reduction of \$323,000 in future debt service payments.

The water enterprise fund has \$43.6 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 \$27.4 million of outstanding long-term debt, which is fully supported by rates and does not rely on a general fund subsidy.

Short-term debt outstanding at year-end for the general government totaled \$2.7 million, which mainly related to the Hunking Middle School.

The water and sewer enterprise funds outstanding short-term debt totaled \$6.7 and \$8.2 million, respectively, and were 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

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STATEMENT OF NET POSITION

JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 45,354,292	\$ 11,490,052	\$ 56,844,344
Investments.....	7,247,473	-	7,247,473
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,826,429	-	1,826,429
Tax liens.....	3,093,500	-	3,093,500
Motor vehicle and other excise taxes.....	1,342,183	-	1,342,183
User charges.....	-	8,672,038	8,672,038
Departmental and other.....	257,046	57,361	314,407
Intergovernmental.....	5,168,810	2,126,615	7,295,425
Tax foreclosures.....	717,788	-	717,788
Total current assets.....	65,007,521	22,346,066	87,353,587
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	654,282	369,337	1,023,619
Intergovernmental.....	43,772	414,027	457,799
Capital assets, nondepreciable.....	10,284,232	2,043,855	12,328,087
Capital assets, net of accumulated depreciation.....	209,972,390	112,003,472	321,975,862
Total noncurrent assets.....	220,954,676	114,830,691	335,785,367
TOTAL ASSETS.....	285,962,197	137,176,757	423,138,954
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	6,765,645	1,438,775	8,204,420
Deferred outflows related to other postemployment benefits.....	54,028,979	2,287,872	56,316,851
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	60,794,624	3,726,647	64,521,271
LIABILITIES			
CURRENT:			
Warrants payable.....	3,989,592	1,455,090	5,444,682
Tax refunds payable.....	68,097	-	68,097
Accrued interest.....	419,195	712,696	1,131,891
Other liabilities.....	2,696,561	-	2,696,561
Unearned revenue.....	12,236,749	-	12,236,749
Landfill closure.....	120,000	-	120,000
Compensated absences.....	2,948,000	209,000	3,157,000
Workers' compensation.....	20,000	-	20,000
Capital lease obligations.....	270,652	-	270,652
Notes payable.....	2,749,575	14,884,702	17,634,277
Bonds payable.....	8,039,038	4,281,856	12,320,894
Total current liabilities.....	33,557,459	21,543,344	55,100,803
NONCURRENT:			
Landfill closure.....	15,190,000	-	15,190,000
Compensated absences.....	1,706,000	-	1,706,000
Workers' compensation.....	110,000	-	110,000
Net pension liability.....	144,906,296	10,369,136	155,275,432
Total other postemployment benefits liability.....	458,194,755	16,515,505	474,710,260
Capital lease obligations.....	1,695,217	-	1,695,217
Bonds payable.....	42,577,826	66,806,828	109,384,654
Total noncurrent liabilities.....	664,380,094	93,691,469	758,071,563
TOTAL LIABILITIES.....	697,937,553	115,234,813	813,172,366
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	17,679,618	1,364,993	19,044,611
Deferred inflows related to other postemployment benefits.....	14,438,258	611,392	15,049,650
TOTAL DEFERRED INFLOWS OF RESOURCES.....	32,117,876	1,976,385	34,094,261
NET POSITION			
Net investment in capital assets.....	177,154,886	31,246,375	208,401,261
Restricted for:			
Gifts and grants.....	4,967,516	-	4,967,516
Unrestricted.....	(565,421,010)	(7,554,169)	(572,975,179)
TOTAL NET POSITION.....	\$ (383,298,608)	\$ 23,692,206	\$ (359,606,402)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
Governmental Activities:					
General government.....	\$ 8,777,162	\$ 2,502,534	\$ 805,212	\$ -	\$ (5,469,416)
COVID-19.....	10,789,082	-	9,706,826	-	(1,082,256)
Public safety.....	46,265,770	2,658,631	1,283,998	-	(42,323,141)
Education.....	189,175,621	662,215	101,140,490	2,367,332	(85,005,584)
Public works.....	17,726,688	280,980	268,304	2,011,329	(15,166,075)
Human services.....	5,784,635	280,374	701,743	-	(4,802,518)
Community and economic development....	2,590,201	2,076,719	680,687	2,410	169,615
Interest.....	1,796,708	-	9,409	-	(1,787,299)
Total Governmental Activities.....	282,905,867	8,461,453	114,596,669	4,381,071	(155,466,674)
Business-Type Activities:					
Water.....	10,859,810	9,664,688	-	-	(1,195,122)
Sewer.....	12,512,566	13,632,223	176,394	-	1,296,051
Total Business-Type Activities.....	23,372,376	23,296,911	176,394	-	100,929
Total Primary Government.....	\$ 306,278,243	\$ 31,758,364	\$ 114,773,063	\$ 4,381,071	\$ (155,365,745)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(155,466,674)	\$ 100,929	\$ (155,365,745)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	110,542,791	-	110,542,791
Tax liens.....	1,735,509	-	1,735,509
Motor vehicle and other excise taxes.....	9,169,267	-	9,169,267
Penalties and interest on taxes.....	652,723	-	652,723
Payments in lieu of taxes.....	2,463,392	-	2,463,392
Grants and contributions not restricted to specific programs.....	10,192,138	-	10,192,138
Unrestricted investment income.....	864,739	-	864,739
Miscellaneous.....	948,932	-	948,932
Total general revenues.....	136,569,491	-	136,569,491
Change in net position.....	(18,897,183)	100,929	(18,796,254)
<i>Net position:</i>			
Beginning of year (As Restated/Revised).....	(364,401,425)	23,591,277	(340,810,148)
End of year..... \$	(383,298,608)	\$ 23,692,206	\$ (359,606,402)

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2021

	General	COVID-19	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 22,164,969	\$ 9,882,329	\$ 13,306,994	\$ 45,354,292
Investments.....	7,247,473	-	-	7,247,473
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	1,826,429	-	-	1,826,429
Tax liens.....	3,093,500	-	-	3,093,500
Motor vehicle and other excise taxes.....	1,342,183	-	-	1,342,183
Departmental and other.....	911,328	-	-	911,328
Intergovernmental.....	2,665,315	-	2,547,267	5,212,582
Tax foreclosures.....	717,788	-	-	717,788
TOTAL ASSETS.....	\$ 39,968,985	\$ 9,882,329	\$ 15,854,261	\$ 65,705,575
LIABILITIES				
Warrants payable.....	\$ 1,823,936	\$ 182,681	\$ 1,982,975	\$ 3,989,592
Tax refunds payable.....	68,097	-	-	68,097
Other liabilities.....	1,481,657	-	1,214,904	2,696,561
Unearned revenue.....	-	12,236,749	-	12,236,749
Notes payable.....	-	-	2,749,575	2,749,575
TOTAL LIABILITIES.....	3,373,690	12,419,430	5,947,454	21,740,574
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	7,634,033	-	-	7,634,033
FUND BALANCES				
Restricted.....	-	-	10,323,664	10,323,664
Committed.....	400,129	-	-	400,129
Assigned.....	10,658,130	-	-	10,658,130
Unassigned.....	17,903,003	(2,537,101)	(416,857)	14,949,045
TOTAL FUND BALANCES.....	28,961,262	(2,537,101)	9,906,807	36,330,968
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 39,968,985	\$ 9,882,329	\$ 15,854,261	\$ 65,705,575

See notes to basic financial statements.

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

JUNE 30, 2021

Total governmental fund balances.....	\$ 36,330,968
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	220,256,622
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	7,634,033
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.....	28,676,748
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(419,195)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable.....	(50,616,864)
Net pension liability.....	(144,906,296)
Total other postemployment benefits liability.....	(458,194,755)
Landfill closure.....	(15,310,000)
Capital lease obligations.....	(1,965,869)
Workers' compensation.....	(130,000)
Compensated absences.....	(4,654,000)
Net effect of reporting long-term liabilities.....	<u>(675,777,784)</u>
Net position of governmental activities.....	<u>\$ (383,298,608)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

	General	COVID-19	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 111,012,836	\$ -	\$ -	\$ 111,012,836
Tax liens.....	760,297	-	-	760,297
Motor vehicle and other excise taxes.....	9,709,265	-	-	9,709,265
Charges for services.....	-	-	588,091	588,091
Penalties and interest on taxes.....	652,723	-	-	652,723
Fees and rentals.....	1,658,693	-	-	1,658,693
Payments in lieu of taxes.....	2,463,392	-	-	2,463,392
Licenses and permits.....	2,455,703	-	-	2,455,703
Fines and forfeitures.....	452,635	-	-	452,635
Intergovernmental - School Building Authority.....	-	-	2,367,332	2,367,332
Intergovernmental - Teachers Retirement.....	24,874,281	-	-	24,874,281
Intergovernmental.....	74,303,610	-	16,870,677	91,174,287
Intergovernmental - COVID-19 relief.....	-	9,706,826	-	9,706,826
Departmental and other.....	1,430,838	-	3,343,690	4,774,528
Contributions and donations.....	-	-	61,288	61,288
Investment income.....	864,739	-	-	864,739
Miscellaneous.....	914,424	-	-	914,424
TOTAL REVENUES.....	231,553,436	9,706,826	23,231,078	264,491,340
EXPENDITURES:				
Current:				
General government.....	4,110,351	-	1,553,495	5,663,846
Public safety.....	24,845,323	-	4,601,793	29,447,116
Education.....	103,626,327	-	11,823,856	115,450,183
Public works.....	11,138,549	-	3,184,195	14,322,744
Human services.....	2,771,341	-	1,336,660	4,108,001
Community and economic development.....	1,016,661	-	1,268,443	2,285,104
COVID-19.....	-	11,872,405	-	11,872,405
Pension benefits.....	18,715,885	-	-	18,715,885
Pension benefits - Teachers Retirement.....	24,874,281	-	-	24,874,281
Property and liability insurance.....	735,015	-	-	735,015
Employee benefits.....	23,506,096	-	-	23,506,096
State and county charges.....	6,685,970	-	-	6,685,970
Debt service:				
Principal.....	9,710,510	-	-	9,710,510
Interest.....	1,918,253	-	-	1,918,253
TOTAL EXPENDITURES.....	233,654,562	11,872,405	23,768,442	269,295,409
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,101,126)	(2,165,579)	(537,364)	(4,804,069)
OTHER FINANCING SOURCES (USES):				
Issuance of bonds.....	-	-	1,958,000	1,958,000
Issuance of hospital deficit bonds.....	3,872,000	-	-	3,872,000
Issuance of refunding bonds.....	2,719,600	-	-	2,719,600
Premium from issuance of bonds.....	-	-	179,929	179,929
Premium from issuance of refunding bonds.....	309,087	-	-	309,087
Payments to refunded bond escrow agent.....	(3,028,687)	-	-	(3,028,687)
Transfers in.....	800,000	-	673,924	1,473,924
Transfers out.....	(673,924)	-	(800,000)	(1,473,924)
TOTAL OTHER FINANCING SOURCES (USES).....	3,998,076	-	2,011,853	6,009,929
NET CHANGE IN FUND BALANCES.....	1,896,950	(2,165,579)	1,474,489	1,205,860
FUND BALANCES AT BEGINNING OF YEAR (As Restated/Revised).....	27,064,312	(371,522)	8,432,318	35,125,108
FUND BALANCES AT END OF YEAR.....	\$ 28,961,262	\$ (2,537,101)	\$ 9,906,807	\$ 36,330,968

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, 2021

Net change in fund balances - total governmental funds.....	\$ 1,205,860
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay.....	6,926,385
Depreciation expense.....	<u>(10,560,545)</u>
Net effect of reporting capital assets.....	(3,634,160)
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.....	(482,656)
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.	
Principal payments on capital leases.....	261,975
Issuance of bonds.....	(1,958,000)
Issuance of hospital deficit bonds.....	(3,872,000)
Issuance of refunding bonds.....	(2,719,600)
Premium from issuance of bonds.....	(179,929)
Premium from issuance of refunding bonds.....	(309,087)
Payments to refunded bond escrow agent.....	3,028,687
Net amortization of premium from issuance of bonds.....	122,358
Net change in deferred charge on refunding.....	(20,688)
Debt service principal payments.....	<u>9,710,510</u>
Net effect of reporting long-term debt.....	4,064,226
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Net change in compensated absences accrual.....	(79,756)
Net change in accrued interest on long-term debt.....	19,877
Net change in deferred outflow/(inflow) of resources related to pensions.....	(14,237,711)
Net change in net pension liability.....	17,033,520
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	(20,979,366)
Net change in total other postemployment benefits liability.....	(1,444,511)
Net change in landfill closure.....	(300,000)
Net change in workers' compensation liability.....	<u>(62,506)</u>
Net effect of recording long-term liabilities.....	<u>(20,050,453)</u>
Change in net position of governmental activities.....	\$ <u><u>(18,897,183)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 6,326,990	\$ 5,163,062	\$ 11,490,052
Receivables, net of allowance for uncollectibles:			
User charges.....	3,410,485	5,261,542	8,672,027
Departmental and other.....	-	57,372	57,372
Intergovernmental.....	2,116,553	10,062	2,126,615
Total current assets.....	11,854,028	10,492,038	22,346,066
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	369,337	369,337
Intergovernmental.....	-	414,027	414,027
Capital assets, non depreciable.....	1,526,853	517,002	2,043,855
Capital assets, net of accumulated depreciation.....	65,104,750	46,898,722	112,003,472
Total noncurrent assets.....	66,631,603	48,199,088	114,830,691
TOTAL ASSETS.....	78,485,631	58,691,126	137,176,757
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	1,153,404	285,371	1,438,775
Deferred outflows related to other postemployment benefits.....	1,214,332	1,073,540	2,287,872
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	2,367,736	1,358,911	3,726,647
LIABILITIES			
CURRENT:			
Warrants payable.....	1,097,862	357,228	1,455,090
Accrued interest.....	397,613	315,083	712,696
Compensated absences.....	148,000	61,000	209,000
Notes payable.....	6,665,747	8,218,955	14,884,702
Bonds payable.....	2,240,370	2,041,486	4,281,856
Total current liabilities.....	10,549,592	10,993,752	21,543,344
NONCURRENT:			
Net pension liability.....	4,930,985	5,438,151	10,369,136
Total other postemployment benefits liability.....	9,525,573	6,989,932	16,515,505
Bonds payable.....	41,399,499	25,407,329	66,806,828
Total noncurrent liabilities.....	55,856,057	37,835,412	93,691,469
TOTAL LIABILITIES.....	66,405,649	48,829,164	115,234,813
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	569,768	795,225	1,364,993
Deferred inflows related to other postemployment benefits.....	324,508	286,884	611,392
TOTAL DEFERRED INFLOWS OF RESOURCES.....	894,276	1,082,109	1,976,385
NET POSITION			
Net investment in capital assets.....	19,014,240	12,232,135	31,246,375
Unrestricted.....	(5,460,798)	(2,093,371)	(7,554,169)
TOTAL NET POSITION.....	\$ 13,553,442	\$ 10,138,764	\$ 23,692,206

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
OPERATING REVENUES:			
Charges for services.....	\$ 9,664,688	\$ 13,632,223	\$ 23,296,911
OPERATING EXPENSES:			
Cost of services and administration.....	7,693,943	9,034,771	16,728,714
Depreciation.....	2,261,105	2,660,910	4,922,015
TOTAL OPERATING EXPENSES.....	9,955,048	11,695,681	21,650,729
OPERATING INCOME (LOSS).....	(290,360)	1,936,542	1,646,182
NONOPERATING REVENUES (EXPENSES):			
Interest expense.....	(904,762)	(816,885)	(1,721,647)
Intergovernmental.....	-	176,394	176,394
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(904,762)	(640,491)	(1,545,253)
CHANGE IN NET POSITION.....	(1,195,122)	1,296,051	100,929
NET POSITION AT BEGINNING OF YEAR (As Restated).....	14,748,564	8,842,713	23,591,277
NET POSITION AT END OF YEAR.....	\$ 13,553,442	\$ 10,138,764	\$ 23,692,206

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from customers and users.....	\$ 9,417,585	\$ 13,017,365	\$ 22,434,950
Payments to vendors.....	(3,897,070)	(6,043,862)	(9,940,932)
Payments to employees.....	(2,811,984)	(2,350,393)	(5,162,377)
NET CASH FROM OPERATING ACTIVITIES.....	2,708,531	4,623,110	7,331,641
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Departmental and other.....	-	95,502	95,502
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Proceeds from the issuance of bonds and notes.....	11,460,769	8,623,955	20,084,724
Premium from the issuance of bonds.....	-	95,000	95,000
Acquisition and construction of capital assets.....	(7,626,963)	(3,427,503)	(11,054,466)
Principal payments on bonds and notes.....	(4,059,922)	(9,153,755)	(13,213,677)
Interest expense.....	(938,467)	(734,235)	(1,672,702)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,164,583)	(4,596,538)	(5,761,121)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,543,948	122,074	1,666,022
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	4,783,042	5,040,988	9,824,030
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 6,326,990	\$ 5,163,062	\$ 11,490,052
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>			
<u>FROM OPERATING ACTIVITIES:</u>			
Operating income (loss).....	\$ (290,360)	\$ 1,936,542	\$ 1,646,182
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation.....	2,261,105	2,660,910	4,922,015
Deferred (outflows)/inflows related to pensions.....	909,142	539,882	1,449,024
Deferred (outflows)/inflows related to other postemployment benefits.....	353,402	93,614	447,016
Changes in assets and liabilities:			
User charges.....	(363,311)	(614,858)	(978,169)
Departmental and other.....	116,208	-	116,208
Warrants payable.....	159,846	269,409	429,255
Compensated absences.....	(20,269)	14,533	(5,736)
Net pension liability.....	(567,820)	(628,864)	(1,196,684)
Total other postemployment benefits.....	150,588	351,942	502,530
Total adjustments.....	2,998,891	2,686,568	5,685,459
NET CASH FROM OPERATING ACTIVITIES.....	\$ 2,708,531	\$ 4,623,110	\$ 7,331,641
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>			
Intergovernmental subsidy.....	\$ -	\$ 176,394	\$ 176,394
Issuance of refunding bonds.....	-	75,400	75,400
Long-term bonds refunded.....	-	(87,000)	(87,000)
Refunding premium.....	-	12,210	12,210
Change in the deferred loss on debt refunding.....	-	(610)	(610)
Acquisition of capital assets on account.....	(938,016)	(87,819)	(1,025,835)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

	Pension Trust Fund (as of December 31, 2020)	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents.....	\$ 2,472,172	\$ -
Investments:		
U.S. treasury bonds.....	-	684,553
Government sponsored enterprises.....	-	1,175,941
Corporate bonds.....	-	1,564,007
Equity securities.....	24,878,658	1,506,633
Bond mutual funds.....	-	605,291
Certificates of deposit.....		222,606
Investments in Pension Reserve Investment Trust.....	184,115,116	-
Pooled domestic fixed income funds.....	9,128,524	-
Pooled alternative investments.....	3,948,218	-
Pooled real estate funds.....	20,001,924	-
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	5,766	-
TOTAL ASSETS	244,550,378	5,759,031
LIABILITIES		
Warrants payable.....	141,268	-
NET POSITION		
Restricted for pensions.....	244,409,110	-
Held in trust for other purposes.....	-	5,759,031
TOTAL NET POSITION	\$ 244,409,110	\$ 5,759,031

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2021

	Pension Trust Fund (as of December 31, 2020)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 21,208,667	\$ -
Member contributions.....	4,591,141	-
Transfers from other systems.....	501,531	-
Retirement benefits - 3(8)c contributions from other systems.....	310,814	-
Member makeup payments and redeposits.....	41,459	-
Retirement benefits - Intergovernmental.....	203,196	-
Private donations.....	-	376,960
	<u>26,856,808</u>	<u>376,960</u>
Total contributions.....		
	<u>26,856,808</u>	<u>376,960</u>
Net investment income (loss):		
Investment income (loss).....	31,225,897	(120,717)
Less: investment expense.....	<u>(1,524,929)</u>	<u>-</u>
Net investment income (loss).....	<u>29,700,968</u>	<u>(120,717)</u>
TOTAL ADDITIONS.....	<u>56,557,776</u>	<u>256,243</u>
DEDUCTIONS:		
Administration.....	476,974	-
Transfers to other systems.....	627,869	-
Retirement benefits and refunds.....	28,992,140	-
Educational scholarships.....	<u>-</u>	<u>179,066</u>
	<u>30,096,983</u>	<u>179,066</u>
TOTAL DEDUCTIONS.....		
	<u>30,096,983</u>	<u>179,066</u>
NET INCREASE (DECREASE) IN NET POSITION.....	26,460,793	77,177
NET POSITION AT BEGINNING OF YEAR.....	<u>217,948,317</u>	<u>5,681,854</u>
NET POSITION AT END OF YEAR.....	<u>\$ 244,409,110</u>	<u>\$ 5,759,031</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 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 2021 was \$8,641,985. Stand-alone financial statements for the year ended June 30, 2021, 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 the statement of changes in net position) 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 *nonmajor governmental funds* consist of special revenue, debt service, capital project and permanent 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.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

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

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

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

Intergovernmental

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

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

G. Inventories***Government-Wide and Fund Financial Statements***

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

H. Capital Assets***Government-Wide and Proprietary Fund Financial Statements***

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

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

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

Capital Asset Type	Estimated Useful Life (in years)
Buildings.....	20-40
Buildings and improvements.....	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 position 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 and deferred outflows of resources related to other postemployment benefits 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 position 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

Excluding the permanent funds, 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

Several individual fund deficits exist at June 30, 2021, in the special revenue and capital project funds. These deficits will be funded by grants, bond proceeds, departmental revenues and available fund balance.

Actual expenditures exceeded appropriations for snow and ice removal and State and County charges. The snow and ice over-expenditure will be funded by the subsequent years' tax levy. 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 \$56,586,228 and the bank balance totaled \$58,983,209. Of the bank balance, \$3,173,615 was covered by Federal Depository Insurance, \$12,845,590 was covered by Depositors Insurance Fund, and \$42,964,004 was uninsured and uncollateralized.

At December 31, 2020, the carrying amount of deposits for the System totaled \$68,618 and the bank balance totaled \$1,575,754. 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 \$2,733,225 in U.S. treasury bonds, \$1,632,612 in government sponsored enterprises, \$2,856,000 in corporate bonds, \$3,611,966 in equity securities and \$323,143 in certificates of deposit, which have custodial credit risk exposure totaling \$11,156,946 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, 2021, the City had the following investments and maturities:

Investment Type	Fair value	Maturities		
		Under 1 Year	1-5 Years	6-10 Years
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 2,733,225	\$ 497,415	\$ 2,013,244	\$ 222,566
Government sponsored enterprises.....	1,632,612	202,599	1,330,667	99,346
Corporate bonds.....	2,856,000	-	2,751,415	104,585
Bond mutual funds.....	1,567,112	-	1,511,169	55,943
Total debt securities.....	8,788,949	\$ 700,014	\$ 7,606,495	\$ 482,440
<u>Other investments:</u>				
Equity securities.....	3,611,966			
Equity mutual funds.....	282,446			
Certificates of deposit.....	323,143			
Money market mutual funds.....	166,060			
MMDT - Cash portfolio.....	92,056			
Total investments.....	\$ 13,264,620			

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .019 to 16.28 years.

As of December 31, 2020, 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.....	\$ 9,128,524	\$ <u>9,128,524</u>
<u>Other investments:</u>		
Equity securities.....	24,878,658	
Pooled alternative investments.....	3,948,218	
Pooled real estate funds.....	20,001,924	
Money market mutual funds.....	2,403,554	
Pension reserve investment trust (PRIT).....	<u>184,115,116</u>	
Total investments.....	\$ <u>244,475,994</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, 2021, Standard & Poor's Investors Service rated the City's investments as follows:

<u>Quality Rating</u>	<u>Corporate Bonds</u>	<u>Bond Mutual Funds</u>
AA-.....	\$ 293,626	\$ -
A+.....	56,074	-
A.....	393,732	-
A-.....	455,417	-
BBB+.....	653,717	-
BBB.....	723,233	1,237,336
BB.....	280,201	-
B-.....	-	4,449
NR.....	-	325,327
Total.....	\$ <u>2,856,000</u>	\$ <u>1,567,112</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, 2020, \$9,128,524 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, 2021:

Investment Type	June 30, 2021	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)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 2,733,225	\$ 2,733,225	\$ -	\$ -
Government sponsored enterprises.....	1,632,612	1,632,612	-	-
Corporate bonds.....	2,856,000	-	2,856,000	-
Bond mutual funds.....	1,567,112	1,567,112	-	-
Total debt securities.....	8,788,949	5,932,949	2,856,000	-
<u>Other investments:</u>				
Equity securities.....	3,611,966	3,611,966	-	-
Equity mutual funds.....	282,446	282,446	-	-
Certificates of deposit.....	323,143	323,143	-	-
Money market mutual funds.....	166,060	166,060	-	-
Total other investments.....	4,383,615	4,383,615	-	-
Total investments measured at fair value.....	13,172,564	\$ 10,316,564	\$ 2,856,000	\$ -
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	92,056			
Total investments.....	\$ 13,264,620			

Government sponsored enterprises, U.S. treasury bonds, bond mutual funds, equity securities, mutual funds, certificates of deposit and international securities 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, 2020:

Investment Type	December 31, 2020	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)
Investments measured at fair value:				
<u>Debt securities:</u>				
Pooled domestic fixed income funds.....	\$ 9,128,524	\$ 9,128,524	\$ -	\$ -
<u>Other investments:</u>				
Equity securities.....	24,878,658	24,878,658	-	-
Pooled alternative investments.....	3,948,218	3,948,218	-	-
Pooled real estate funds.....	20,001,924	-	-	20,001,924
Money market mutual funds.....	2,403,554	2,403,554	-	-
Total other investments.....	51,232,354	31,230,430	-	20,001,924
Total investments measured at fair value.....	60,360,878	\$ 40,358,954	\$ -	\$ 20,001,924
Investments measured at net asset value:				
Pension reserve investment trust (PRIT).....	184,115,116			
Total investments.....	\$ 244,475,994			

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. Real estate investment trust 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, 2021, 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..... \$	1,868,280	\$ (41,851)	\$ 1,826,429
Tax liens.....	3,093,500	-	3,093,500
Motor vehicle and other excise taxes.....	1,690,079	(347,896)	1,342,183
Departmental and other.....	911,328	-	911,328
Intergovernmental.....	5,212,582	-	5,212,582
Total..... \$	<u>12,775,769</u>	<u>\$ (389,747)</u>	<u>\$ 12,386,022</u>

At June 30, 2021, receivables for the water and sewer enterprise funds, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges..... \$	3,410,485	\$ -	\$ 3,410,485
Water intergovernmental - other.....	2,116,553	-	2,116,553
Sewer user charges.....	5,261,542	-	5,261,542
Sewer departmental and other.....	426,709	-	426,709
Sewer intergovernmental.....	424,089	-	424,089
Total..... \$	<u>11,639,378</u>	<u>\$ -</u>	<u>\$ 11,639,378</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
<u>Receivables and other asset types:</u>	
Real estate and personal property taxes.....	\$ 1,507,182
Tax liens.....	3,093,500
Motor vehicle and other excise taxes.....	1,342,183
Departmental and other.....	911,328
Intergovernmental.....	62,052
Tax foreclosures.....	717,788
Total.....	<u>\$ 7,634,033</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 10,284,232	\$ -	\$ -	\$ 10,284,232
<u>Capital assets being depreciated:</u>				
Buildings.....	189,485,160	-	-	189,485,160
Buildings and improvements.....	12,466,890	898,886	-	13,365,776
Machinery and equipment.....	4,276,741	1,138,323	(102,561)	5,312,503
Vehicles.....	7,913,678	1,542,561	(1,870,005)	7,586,234
Infrastructure.....	181,607,076	3,346,615	-	184,953,691
Total capital assets being depreciated.....	<u>395,749,545</u>	<u>6,926,385</u>	<u>(1,972,566)</u>	<u>400,703,364</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(70,273,779)	(4,019,831)	-	(74,293,610)
Buildings and improvements.....	(5,823,843)	(594,816)	-	(6,418,659)
Machinery and equipment.....	(2,019,122)	(517,776)	102,561	(2,434,337)
Vehicles.....	(5,344,575)	(597,457)	1,870,005	(4,072,027)
Infrastructure.....	(98,681,676)	(4,830,665)	-	(103,512,341)
Total accumulated depreciation.....	<u>(182,142,995)</u>	<u>(10,560,545)</u>	<u>1,972,566</u>	<u>(190,730,974)</u>
Total capital assets being depreciated, net.....	<u>213,606,550</u>	<u>(3,634,160)</u>	<u>-</u>	<u>209,972,390</u>
Total governmental activities capital assets, net.....	<u>\$ 223,890,782</u>	<u>\$ (3,634,160)</u>	<u>\$ -</u>	<u>\$ 220,256,622</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,254,853	\$ 272,000	\$ -	\$ 1,526,853
<u>Capital assets being depreciated:</u>				
Buildings.....	17,752,651	3,423,703	-	21,176,354
Buildings and improvements.....	21,652,447	-	-	21,652,447
Machinery and equipment.....	13,940,971	202,463	(10,260)	14,133,174
Vehicles.....	676,243	-	(279,063)	397,180
Infrastructure.....	36,514,940	4,666,813	-	41,181,753
Total capital assets being depreciated.....	90,537,252	8,292,979	(289,323)	98,540,908
<u>Less accumulated depreciation for:</u>				
Buildings.....	(478,845)	(528,871)	-	(1,007,716)
Buildings and improvements.....	(1,939,110)	(548,841)	-	(2,487,951)
Machinery and equipment.....	(10,403,482)	(370,350)	10,260	(10,763,572)
Vehicles.....	(638,170)	(6,970)	279,063	(366,077)
Infrastructure.....	(18,004,769)	(806,073)	-	(18,810,842)
Total accumulated depreciation.....	(31,464,376)	(2,261,105)	289,323	(33,436,158)
Total capital assets being depreciated, net.....	59,072,876	6,031,874	-	65,104,750
Total water activities capital assets, net.....	\$ 60,327,729	\$ 6,303,874	\$ -	\$ 66,631,603
Sewer:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 517,002	\$ -	\$ -	\$ 517,002
Construction in progress.....	2,451,857	-	(2,451,857)	-
Total capital assets not being depreciated....	2,968,859	-	(2,451,857)	517,002
<u>Capital assets being depreciated:</u>				
Buildings.....	133,912	503,139	-	637,051
Buildings and improvements.....	1,641,517	-	-	1,641,517
Machinery and equipment.....	20,139,222	412,388	(139,000)	20,412,610
Vehicles.....	299,257	457,712	(221,752)	535,217
Infrastructure.....	75,831,968	4,593,940	-	80,425,908
Total capital assets being depreciated.....	98,045,876	5,967,179	(360,752)	103,652,303
<u>Less accumulated depreciation for:</u>				
Buildings.....	(113,675)	(14,051)	-	(127,726)
Buildings and improvements.....	(202,846)	(73,310)	-	(276,156)
Machinery and equipment.....	(13,400,180)	(915,190)	139,000	(14,176,370)
Vehicles.....	(251,639)	(97,737)	221,752	(127,624)
Infrastructure.....	(40,485,083)	(1,560,622)	-	(42,045,705)
Total accumulated depreciation.....	(54,453,423)	(2,660,910)	360,752	(56,753,581)
Total capital assets being depreciated, net.....	43,592,453	3,306,269	-	46,898,722
Total sewer activities capital assets, net.....	\$ 46,561,312	\$ 3,306,269	\$ (2,451,857)	\$ 47,415,724

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

Governmental Activities:

General government.....	\$	459,633
Public safety.....		927,496
Education.....		4,295,706
Public works.....		4,729,791
Human services.....		147,919
		<u>147,919</u>
Total depreciation expense - governmental activities.....	\$	<u>10,560,545</u>

Business-Type Activities:

Water.....	\$	2,261,105
Sewer.....		2,660,910
		<u>2,660,910</u>
Total depreciation expense - business-type activities.....	\$	<u>4,922,015</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City did not record any interfund receivables and payables at June 30, 2021.

Interfund transfers for the year ended June 30, 2021, are summarized as follows:

Transfers Out:	Transfers In:			
	General fund	Nonmajor governmental funds	Total	
General fund.....	\$ -	\$ 673,924	\$ 673,924	(1)
Nonmajor governmental funds.....	<u>800,000</u>	<u>-</u>	<u>800,000</u>	(2)
Total.....	\$ <u>800,000</u>	\$ <u>673,924</u>	\$ <u>1,473,924</u>	

- (1) Budgeted transfers from the general fund to fund various capital projects including sidewalk repairs, City Hall repairs, as well as various other capital projects.
- (2) Budgeted transfers from other available funds to the general fund to fund the City's operating budget.

NOTE 6 – CAPITAL LEASES

The City entered into lease agreements to finance energy conservation improvements at the school department, as well as to finance the purchase of school vans and a tractor. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The following identifies the assets acquired under the lease agreement:

<u>Asset:</u>	<u>Governmental Activities</u>
School energy conservation improvements.....	\$ 2,500,000
School vans.....	257,040
MT7 tractor.....	<u>179,265</u>
Total cost.....	2,936,305
Less: accumulated depreciation.....	<u>(728,477)</u>
Total.....	<u>\$ 2,207,828</u>

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2021, are as follows:

<u>Years ending June 30:</u>	<u>Governmental Activities</u>
2022.....	\$ 328,548
2023.....	245,679
2024.....	245,679
2025.....	206,324
2026.....	206,324
2027.....	206,323
2028.....	206,324
2029.....	206,323
2030.....	206,323
2031.....	<u>206,323</u>
Total minimum lease payments.....	2,264,170
Less: amounts representing interest.....	<u>(298,301)</u>
Present value of minimum lease payments... \$	<u><u>1,965,869</u></u>

NOTE 7 – 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, 2021, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2020 (As Restated)	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2021
Governmental Funds:							
BAN	Municipal Purpose.....	2.00%	12/11/20	\$ 2,854,575	\$ -	\$ 2,854,575	\$ -
BAN	Municipal Purpose.....	2.00%	12/11/20	700,000	-	700,000	-
BAN	Municipal Purpose.....	1.00%	05/28/21	-	3,554,575	3,554,575	-
BAN	Municipal Purpose.....	1.50%	12/16/21	-	2,749,575	-	2,749,575
Total Governmental Funds.....				3,554,575	6,304,150	7,109,150	2,749,575
Business-Type Activities:							
BAN*	MCWT Interim Loan - water.....	2.00%	06/30/21	1,787,905	-	1,787,905	-
BAN**	MCWT Interim Loan - sewer.....	2.00%	06/30/21	6,677,284	-	6,677,284	-
BAN***	MCWT Interim Loan - sewer.....	2.00%	06/30/21	542,381	-	542,381	-
BAN*	MCWT Interim Loan - water.....	2.00%	06/30/22	-	6,665,747	-	6,665,747
BAN**	MCWT Interim Loan - sewer.....	2.00%	06/30/22	-	7,395,624	-	7,395,624
BAN***	MCWT Interim Loan - sewer.....	2.00%	06/30/22	-	823,331	-	823,331
Total Business-Type Activities.....				9,007,570	14,884,702	9,007,570	14,884,702
Total Short-term debt.....				\$ 12,562,145	\$ 21,188,852	\$ 16,116,720	\$ 17,634,277

On December 16, 2021, the \$2,749,575 BAN became due at which time \$2,530,829 was paid down with capital grant proceeds received from the Massachusetts School Building Authority. The remaining balance of \$218,746 was rolled over into a new BAN that matures on April 28, 2022, with an interest rate of 1.50% per annum.

(*) The Massachusetts Clean Water Trust (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 City entered into financing agreements where the City 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.

(**) The Massachusetts Clean Water Trust (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 wastewater treatment facility improvements totaling \$7,408,631, at a market interest rate of 2%. The City entered into a financing agreement where the City 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.

(***) The Massachusetts Clean Water Trust (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 City entered into a financing agreement where the City 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.

NOTE 8 – 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."

The City operated Hale Hospital until financial difficulties required the Hospital to be sold in 2001 with a significant loss. The Commonwealth enacted Chapter 387 of the Acts of 2000 for the purpose of allowing the City to issue State Qualified Deficit Financing Bond Anticipation Notes up to \$30 million. The legislation allows the City to amortize the deficit over a 20-year period ending no later than 2023. Therefore, the City recorded the initial note issuance as long-term debt. Pursuant to this legislation the City appropriates a principal paydown amount each year in the general fund and issues new notes to pay off the remaining outstanding principal balance. The new notes are a current refunding since the City has reported these series of one-year notes as long-term debt. There is no gain or loss on the current refunding. At June 30, 2021 there was one note outstanding for a total of \$3,872,000. In September 2021, the City issued a \$1,857,000 hospital current refunding note, due on September 1, 2022, where the proceeds were used to redeem a \$3,872,000 note due on September 1, 2021.

Details related to the outstanding indebtedness at June 30, 2021, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
From Direct Borrowings and Placements:				
MCWT.....	2033	\$ 12,121,424	0.00 - 2.00	\$ 6,201,238
General Obligation Bonds:				
Hospital restructuring bonds of 2011.....	2022	9,680,000	4.30	1,170,000
Municipal Purpose Bonds of 2012.....	2032	2,762,700	4.03 - 4.33	1,420,000
Municipal Purpose Bonds of 2014.....	2034	3,165,000	0.70 - 3.48	1,295,000
Municipal Purpose Bonds of 2015.....	2045	11,197,000	3.60 - 4.00	9,670,000
Municipal Purpose Bonds of 2016.....	2041	1,677,000	2.00 - 4.00	1,425,000
Municipal Purpose Bonds of 2017.....	2042	2,215,000	2.00 - 4.00	1,755,000
Municipal Purpose Bonds of 2018.....	2047	15,723,500	3.00 - 5.00	14,220,000
Municipal Purpose Bonds of 2020.....	2039	3,645,900	2.13 - 5.00	3,425,000
Municipal Purpose Refunding Bonds of 2021.....	2029	2,719,600	2.00 - 5.00	2,719,600
Municipal Purpose Bonds of 2021.....	2041	1,958,000	2.00 - 5.00	1,958,000
Total General Obligation Bonds.....				39,057,600
Sub-total of long-term governmental bonds.....				45,258,838
Hospital deficit refunding note.....	2022	3,872,000	1.00	3,872,000
Add: Unamortized premium on bonds.....				1,486,026
Total governmental bonds payable.....				\$ 50,616,864

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
2022.....	\$ 7,261,100	\$ 1,756,362	\$ 9,017,462	\$ 540,610	\$ 117,583	\$ 658,193
2023.....	2,155,300	1,518,082	3,673,382	548,780	106,332	655,112
2024.....	2,080,300	1,333,418	3,413,718	532,126	95,467	627,593
2025.....	2,112,300	1,223,762	3,336,062	540,651	85,195	625,846
2026.....	2,137,200	1,124,423	3,261,623	504,361	76,521	580,882
2027.....	1,788,400	1,024,863	2,813,263	513,260	68,163	581,423
2028.....	1,808,500	932,766	2,741,266	432,367	59,684	492,051
2029.....	1,636,500	848,411	2,484,911	441,650	51,020	492,670
2030.....	1,610,000	765,842	2,375,842	451,132	42,172	493,304
2031.....	1,600,000	692,378	2,292,378	460,816	33,135	493,951
2032.....	1,590,000	629,975	2,219,975	384,995	24,710	409,705
2033.....	1,475,000	572,179	2,047,179	393,365	17,010	410,375
2034.....	1,340,000	517,691	1,857,691	226,106	9,142	235,248
2035.....	1,270,000	473,896	1,743,896	231,019	4,620	235,639
2036.....	1,260,000	430,593	1,690,593	-	-	-
2037.....	1,295,000	390,299	1,685,299	-	-	-
2038.....	1,320,000	348,607	1,668,607	-	-	-
2039.....	1,350,000	305,966	1,655,966	-	-	-
2040.....	1,365,000	262,153	1,627,153	-	-	-
2041.....	1,265,000	218,285	1,483,285	-	-	-
2042.....	1,155,000	175,152	1,330,152	-	-	-
2043.....	1,145,000	133,929	1,278,929	-	-	-
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	1,776	106,776	-	-	-
Total.....	\$ 42,929,600	\$ 15,841,241	\$ 58,770,841	\$ 6,201,238	\$ 790,754	\$ 6,991,992

Throughout the duration of the project, construction costs for the Hunking Middle School have been reimbursed by the Massachusetts School Building Authority (MSBA). The project is completed, and the City has been awaiting final reimbursement once the MSBA has completed its final review. The final review was completed subsequent to year end on September 21, 2021, and costs remaining to be reimbursed totaled \$2,367,332 million, which has been recorded as a receivable in the City's financial statements as of June 30, 2021.

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 \$62,052 and interest costs for \$15,825. Thus, net MCWT loan repayments, including interest, are scheduled to be \$181,758. 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 2021 principal and interest subsidies totaled \$17,620 and \$9,409, respectively.

Bonds Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2021
From Direct Borrowings and Placements:				
Water - MCWT.....	2040	\$ 45,163,102	2.00	\$ 41,765,895
Sewer - MCWT.....	2037	33,467,895	2.00	20,193,763
				<u>61,959,658</u>
General Obligation Bonds:				
Water - Municipal Purpose Bonds of 2012.....	2023	483,000	4.02	90,000
Water - Municipal Purpose Bonds of 2014.....	2023	1,600,000	1.78	300,000
Water - Municipal Purpose Bonds of 2020.....	2040	1,257,800	2.00 - 5.00	1,170,000
Water - Municipal Purpose Bonds of 2021.....	2041	272,000	5.00	272,000
Sewer - Municipal Purpose Bonds of 2012.....	2023	1,244,300	3.93 - 4.04	230,000
Sewer - Municipal Purpose Bonds of 2016.....	2036	1,081,000	2.00 - 4.00	880,000
Sewer - Municipal Purpose Bonds of 2017.....	2042	478,000	2.00 - 4.00	385,000
Sewer - Municipal Purpose Bonds of 2018.....	2043	2,106,500	3.00 - 5.00	1,850,000
Sewer - Municipal Purpose Bonds of 2020.....	2040	3,156,300	2.00 - 5.00	2,995,000
Sewer - Municipal Purpose Refunding Bonds of 2021....	2029	75,400	2.00 - 5.00	75,400
Sewer - Municipal Purpose Bonds of 2021.....	2031	405,000	5.00	405,000
				<u>8,652,400</u>
Total Bonds Payable.....				<u>\$ 70,612,058</u>
Add: Unamortized premium on bonds.....				<u>476,626</u>
Total Bonds Payable, net.....				<u>\$ 71,088,684</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
2022.....	\$ 815,900	\$ 298,034	\$ 1,113,934	\$ 3,400,202	\$ 1,417,888	\$ 4,818,090
2023.....	744,700	269,802	1,014,502	3,476,882	1,333,882	4,810,764
2024.....	464,700	246,203	710,903	3,466,348	1,250,072	4,716,420
2025.....	457,700	226,079	683,779	3,497,225	1,168,349	4,665,574
2026.....	462,800	206,081	668,881	3,583,068	1,076,898	4,659,966
2027.....	461,600	180,504	642,104	3,665,324	998,641	4,663,965
2028.....	461,500	166,929	628,429	3,463,633	912,736	4,376,369
2029.....	473,500	147,224	620,724	3,340,827	830,797	4,171,624
2030.....	460,000	127,479	587,479	3,422,434	748,126	4,170,560
2031.....	455,000	108,754	563,754	3,505,377	663,211	4,168,588
2032.....	410,000	94,803	504,803	3,458,153	577,338	4,035,491
2033.....	410,000	84,261	494,261	3,541,250	490,510	4,031,760
2034.....	410,000	73,577	483,577	3,508,090	401,412	3,909,502
2035.....	410,000	62,390	472,390	3,581,401	312,616	3,894,017
2036.....	355,001	51,425	406,426	3,041,090	237,414	3,278,504
2037.....	285,000	40,789	325,789	3,107,186	176,033	3,283,219
2038.....	285,000	32,103	317,103	2,477,418	113,317	2,590,735
2039.....	285,000	23,307	308,307	2,531,262	63,185	2,594,447
2040.....	274,999	14,802	289,801	1,892,488	18,925	1,911,413
2041.....	100,000	9,156	109,156	-	-	-
2042.....	90,000	5,926	95,926	-	-	-
2043.....	80,000	2,800	82,800	-	-	-
Total.....	<u>\$ 8,652,400</u>	<u>\$ 2,472,428</u>	<u>\$ 11,124,828</u>	<u>\$ 61,959,658</u>	<u>\$ 12,791,350</u>	<u>\$ 74,751,008</u>

The sewer enterprise fund is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of \$424,089 and interest costs for \$1,143,075. Thus, net MCWT loan repayments, including interest, are scheduled to be \$8,205,401. The principal subsidies are guaranteed and therefore a \$424,089 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 2021 principal and interest subsidies totaled \$18,777 and \$157,617, respectively.

In order to take advantage of favorable interest rates, the City issued \$2,795,000 of general obligation refunding bonds on December 17, 2020. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$3,095,000 and became callable on February 1, 2021. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$310,114 and a reduction of \$322,965 in future debt service payments.

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, 2021, the City had the following authorized and unissued debt:

Purpose	Amount
School Remolding.....	\$ 2,680,000
Landfill.....	9,657,212
MWPAT CW-00-54A (Landfill).....	4,995
Departmental Equipment.....	115,000
Parking Deck.....	301
High School Renovation.....	227,488
Park Department Building Repairs.....	53,000
School Books.....	125,325
Fire Pumper Truck.....	70
School Energy Project.....	2,500,000
Hunking School.....	2,870,197
North Ave Road and Bridge Engineering.....	853,000
Parking Kiosks.....	363,874
CWSRF-143/ MCWT-CW-98-90.....	50,000
Sewer.....	1,520,000
Planning CSO.....	180,500
CSO Project MCWT-CW-03-34, 04-09.....	969,063
Sewer CW-05-17.....	321,426
Sewer Lake Street.....	444
Wastewater Odor.....	788,269
CSO System Improvements.....	1,685,620
Kenoza Ave Improvements.....	800,000
Flood Control.....	513,868
Sewer System Improvements.....	7,602,000
System Assets Planning.....	250,000
Water Treatment Plant.....	40,937
Water Mains 16-07.....	452,000
Water Distribution System.....	7,226,509
Total.....	\$ 41,851,098

Changes in Long-term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
General Obligation Bonds.....	\$ 46,565,899	\$ 8,549,600	\$ (12,185,899)	\$ -	\$ -	\$ 42,929,600	\$ 7,261,100
Direct borrowings and placements.....	6,733,848	-	(532,610)	-	-	6,201,238	540,610
Add: Unamortized premium on bonds...	1,119,368	489,016	(122,358)	-	-	1,486,026	237,328
Total bonds payable.....	54,419,115	9,038,616	(12,840,867)	-	-	50,616,864	8,039,038
Capital lease obligations.....	2,227,844	-	-	-	(261,975)	1,965,869	270,652
Landfill closure.....	15,010,000	-	-	452,000	(152,000)	15,310,000	120,000
Compensated absences.....	4,574,244	-	-	994,605	(914,849)	4,654,000	2,948,000
Workers' compensation.....	67,494	-	-	760,000	(697,494)	130,000	20,000
Net pension liability.....	161,939,816	-	-	1,700,149	(18,733,669)	144,906,296	-
Total other postemployment benefits liability.....	456,750,244	-	-	12,041,006	(10,596,495)	458,194,755	-
Total governmental activity long-term liabilities.....	\$ 694,988,757	\$ 9,038,616	\$ (12,840,867)	\$ 15,947,760	\$ (31,356,482)	\$ 675,777,784	\$ 11,397,690
Business-Type Activities:							
General Obligation Bonds.....	\$ 8,837,100	\$ 752,400	\$ (937,100)	\$ -	\$ -	\$ 8,652,400	\$ 815,900
Direct borrowings and placements.....	65,350,426	-	(3,356,007)	-	(34,761)	61,959,658	3,400,202
Add: Unamortized premium on bonds...	449,800	95,000	(68,174)	-	-	476,626	65,754
Total bonds payable.....	74,637,326	847,400	(4,361,281)	-	(34,761)	71,088,684	4,281,856
Compensated absences.....	214,736	-	-	37,211	(42,947)	209,000	209,000
Net pension liability.....	11,565,820	-	-	143,851	(1,340,535)	10,369,136	-
Total other postemployment benefits liability.....	16,012,975	-	-	951,242	(448,712)	16,515,505	-
Total business-type activity long-term liabilities.....	\$ 102,430,857	\$ 847,400	\$ (4,361,281)	\$ 1,132,304	\$ (1,866,955)	\$ 98,182,325	\$ 4,490,856

NOTE 9 – 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, 2021, the governmental fund balances consisted of the following:

	General	COVID-19	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Restricted for:				
School federal & state grants..... \$	- \$	- \$	4,996,582 \$	4,996,582
School lunch.....	-	-	248,028	248,028
City revolving funds.....	-	-	290,541	290,541
School revolving funds.....	-	-	1,323,028	1,323,028
City gift funds.....	-	-	129,326	129,326
School gift funds.....	-	-	35,039	35,039
Other special revenue.....	-	-	764,624	764,624
Receipts reserved for appropriation.....	-	-	1,064,131	1,064,131
Other capital projects.....	-	-	1,472,365	1,472,365
Committed to:				
OPEB stabilization fund.....	400,129	-	-	400,129
Assigned to:				
General government.....	125,429	-	-	125,429
Public safety.....	530,561	-	-	530,561
Education.....	4,708,617	-	-	4,708,617
Public works.....	235,133	-	-	235,133
Human services.....	5,418	-	-	5,418
Community and economic development...	4,307	-	-	4,307
Employee benefits.....	148,665	-	-	148,665
Subsequent years' expenditures.....	4,900,000	-	-	4,900,000
Unassigned.....	17,903,003	(2,537,101)	(416,857)	14,949,045
Total Fund Balances..... \$	<u>28,961,262</u>	<u>\$ (2,537,101)</u>	<u>\$ 9,906,807</u>	<u>\$ 36,330,968</u>

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 \$4,330,061 and is reported as unassigned fund balance within the general fund. The OPEB stabilization fund totaled \$400,129 and is reported as committed fund balance within the general fund.

NOTE 10 – 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, 2021, the amount of the liability for workers' compensation claims totaled \$130,000. Changes in the reported liability since July 1, 2019, are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2020.....	\$ 458,000	\$ 67,494	\$ (458,000)	\$ 67,494	\$ 67,494
2021.....	67,494	760,000	(697,494)	130,000	20,000

NOTE 11 – 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 <http://www.mass.gov/osc/publications-and-reports/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, 2020. The City's portion of the collective pension expense, contributed by the Commonwealth, of \$24,874,281 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 \$201,387,819 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, 2020.

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, 2020, the System's membership consists of the following:

Active members.....	1,048
Inactive members.....	297
Retirees and beneficiaries currently receiving benefits.....	<u>1,087</u>
Total.....	<u><u>2,432</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 actuarial determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2020, was \$21,208,667, 46.75% 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 \$20,056,420, which was \$17,784 less than the City's actual contribution.

Pension Liabilities

The components of the net pension liability of the participating member units at December 31, 2020, were as follows:

Total pension liability.....	\$	408,459,696
Total pension plan's fiduciary net position.....		<u>(244,409,110)</u>
Total net pension liability.....	\$	<u>164,050,586</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....		59.84%

At June 30, 2021, the City reported a liability of \$155,275,432 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, 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 2021 contribution. At December 31, 2020, the City's proportion was 94.65%, which decreased from the proportion measured at December 31, 2019, which was 95.70%.

Pension Expense

For the year ended June 30, 2021, the City recognized pension expense of \$17,530,735. At June 30, 2021, the City reported deferred outflows of resources related to pensions of \$8,204,420 and deferred inflows of resources related to pensions of \$19,044,611. The balances of deferred outflows and inflows at June 30, 2021, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 259,747	\$ (2,590,666)	\$ (2,330,919)
Difference between projected and actual earnings, net.....	-	(15,044,427)	(15,044,427)
Changes of assumptions.....	6,971,755	-	6,971,755
Changes in proportion and proportionate share of contributions...	972,918	(1,409,518)	(436,600)
Total deferred outflows/(inflows) of resources.....	\$ <u>8,204,420</u>	\$ <u>(19,044,611)</u>	\$ <u>(10,840,191)</u>

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

Year ended June 30:

2022.....	\$ (2,326,919)
2023.....	(682,326)
2024.....	(5,056,458)
2025.....	<u>(2,774,488)</u>
Total.....	\$ <u>(10,840,191)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled forward to December 31, 2020:

Valuation date.....	January 1, 2020
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. The annual increase in appropriation is further limited to 5.20% in FY2022 and 6.06% thereafter.
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: a) 75% of gains and losses of the prior year. b) 50% of the gains and losses of the second prior year, and c) 25% of gains and losses of the third prior year. 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.
Investment rate of return.....	7.00%, net of pension plan investment expense, including inflation.
Discount rate.....	7.00%
Inflation rate.....	2.30% per year
Projected salary increases.....	Group 1: 6% - 4.25%, based on service. Group 4: 7% - 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 January 1, 2020 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	25.70%	4.10%
International equity.....	15.00%	4.30%
Emerging markets equity.....	6.00%	6.10%
Core fixed income.....	13.50%	0.40%
Value added fixed income.....	7.80%	3.90%
Private equity.....	8.00%	7.90%
Real estate.....	10.00%	3.70%
Timberland.....	7.00%	4.30%
Hedged funds.....	7.00%	2.90%
Total.....	100.00%	

Rate of return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.81%. 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, 2020 and December 31, 2019. 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.....	\$ 196,287,253	\$ 155,275,432	\$ 120,474,173
System total net pension liability.....	\$ 207,380,127	\$ 164,050,586	\$ 127,282,587

Changes of assumptions

None.

Changes in plan provisions

None.

NOTE 12 – 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 \$474,710,260 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2020.

Employees Covered by Benefit Terms

At June 30, 2020, the Plan's membership consists of the following:

Active members.....	1,250
Inactive employees or beneficiaries currently receiving benefits.....	1,960
Total.....	<u>3,210</u>

Significant Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2020, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement, that was rolled forward to June 30, 2021:

Valuation date.....	June 30, 2020
Actuarial cost method.....	Entry Age Normal. Benefits are attributed ratably to service from date of hire until full eligibility date. Full eligibility date is assumed to be first eligibility for retiree medical benefits.
Marital Status.....	60% of male employees and 50% of female employees are assumed to have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands.
Participation.....	95% of future retiree teachers are assumed to participate in the retiree medical plan, 95% of future non-teacher retirees are expected to participate in the retiree medical plan and 100% of future retirees are expected to elect life insurance.
Health care trend rate.....	4.50%
Discount rate.....	2.25%, net of investment expenses.

Discount rate

The discount rate used to measure the total OPEB liability was 2.25% as of June 30, 2021, and as of June 30, 2020. 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, 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

	<u>Total OPEB Liability</u>
Balances at June 30, 2020.....	\$ 472,763,219
Changes for the year:	
Service cost.....	2,424,100
Interest.....	10,568,148
Benefit payments.....	<u>(11,045,207)</u>
Net change.....	<u>1,947,041</u>
Balances at June 30, 2021.....	<u>\$ 474,710,260</u>

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 2.25% 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 (1.25%)	Current Discount Rate (2.25%)	1% Increase (3.25%)
Total OPEB liability.....	\$ 598,026,307	\$ 474,710,260	\$ 386,166,612

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.....	\$ 384,639,418	\$ 474,710,260	\$ 597,822,793

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$34,418,629. At June 30, 2021, the City reported deferred outflows of resources related to OPEB of \$56,316,851, and deferred inflows of resources related to OPEB of \$15,049,650 in the following categories:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (15,049,650)	\$ (15,049,650)
Changes in assumptions.....	56,316,851	-	56,316,851
Total deferred outflows/(inflows) of resources.....	\$ 56,316,851	\$ (15,049,650)	\$ 41,267,201

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

Measurement date year ended June 30:

2022.....	\$ 24,052,641
2023.....	17,214,560
Total deferred outflows/(inflows) of resources....	\$ 41,267,201

Changes of Assumptions

None.

Changes of Plan Provisions

None.

NOTE 13 – 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 \$15,310,000 as the estimate of the landfill closure liability at June 30, 2021, 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 14 – CONTINGENCIES

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, 2021, 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.

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, 2021, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2021.

NOTE 15 – COMMITMENTS

The City has authorized \$41.1 million to complete the renovation of the Kenoza Lake water treatment plant. Construction of the upgrades to the Kenoza Lake water treatment plant is financed by the Drinking Water State Revolving Fund (DWSRF). The DWSRF program is administered by the Commonwealth of Massachusetts Department of Environmental Protection. As of June 30, 2021, the City has expended \$39.7 million to complete the project.

The City has authorized \$8.5 million for costs associated with rehabilitating, expanding and/or upgrading the existing water infrastructure network. Construction costs are financed through an interim loan agreement with the Massachusetts Clean Water Trust. As of June 30, 2021, the City has expended \$7.6 million to complete the project.

The City has authorized \$8.3 million for various wastewater infrastructure improvements. Construction costs are financed through an interim loan agreement with the Massachusetts Clean Water Trust. As of June 30, 2021, the City has expended \$8.0 million to complete the projects.

The general fund has various commitments outstanding for goods and services related to encumbrances totaling \$5.8 million.

NOTE 16 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The City is considered an essential business and although it was closed to the public for a period of time, departments remained operational, and most employees continued to perform their daily duties. In addition, a number of businesses were forced to stop or significantly reduce operations decreasing, the City's portion of certain revenues. The City has also incurred unanticipated costs specifically related to the pandemic.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020 and ends on December 30, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding.

In addition to the CARES Act, on March 11, 2021, the United States Federal Government established the American Rescue Plan (ARP) Act to enhance the United States' recovery from the economic and health effects of the COVID-19 pandemic. This Act requires that the payment from these funds be used to cover costs related to; public health; negative economic impacts; services to disproportionately impacted communities; premium pay; infrastructure; revenue replacement; or administration. These funds can only be used to cover costs incurred between March 3, 2021, and December 31, 2024. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding.

In addition to funding from the CARES Act and the ARP Act, there are several other federal and state grants available, however, the full extent of the financial impact to the City cannot be determined as of the date of the financial statements.

NOTE 17 – 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, 2021, the City exempted property taxes totaling \$384,000 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 18 – RESTATEMENT/REVISION OF NET POSITION AND FUND BALANCE PREVIOUSLY REPORTED

Beginning net position of governmental activities and business-type activities have been restated/revised to reflect the following:

	Government-Wide Financial Statements		
	Governmental Activities	Business-type Activities	Total
June 30, 2020, previously reported balances.....	\$ (362,973,287)	\$ 19,357,003	\$ (343,616,284)
Restatement - To reclassify short term interim loan draw downs as short term debt.....	-	(1,098,936)	(1,098,936)
Restatement - To correct the total reported accrued interest on long-term debt.....	(141,118)	(162,532)	(303,650)
Restatement - To correct the total reported unbilled user charges.....	-	5,495,742	5,495,742
Restatement - To record unearned revenues for COVID-19 related grant revenue not yet spent.....	(1,989,378)	-	(1,989,378)
Revision - To implement GASB Statement #84 - <i>Fiduciary Activities</i>	702,358	-	702,358
June 30, 2020, restated/revised balances.....	\$ <u>(364,401,425)</u>	\$ <u>23,591,277</u>	\$ <u>(340,810,148)</u>

Beginning fund balance and net position of the governmental funds and proprietary funds, respectively, have been restated/revised to reflect the following:

	Fund Financial Statements				
	COVID-19	Hunking Middle School	Nonmajor Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund
June 30, 2020, previously reported balances.....	\$ -	\$ (2,837,395)	\$ 12,185,211	\$ 14,944,172	\$ 4,412,831
Revision - To report major funds in accordance with GASB 34.....	1,617,856	2,837,395	(4,455,251)	-	-
Restatement - To reclassify short term interim loan draw downs as short term debt.....	-	-	-	(1,098,936)	-
Restatement - To reclassify water enterprise fund long-term debt reported as sewer enterprise fund long-term debt.....	-	-	-	(732,800)	732,800
Restatement - To correct the total reported accrued interest on long-term debt.....	-	-	-	(401,340)	238,808
Restatement - To correct the total reported unbilled user charges.....	-	-	-	2,037,468	3,458,274
Restatement - To record unearned revenues for COVID-19 related grant revenue not yet spent.....	(1,989,378)	-	-	-	-
Revision - To implement GASB Statement #84 - <i>Fiduciary Activities</i>	-	-	702,358	-	-
June 30, 2020, restated/revised balances.....	\$ <u>(371,522)</u>	\$ -	\$ <u>8,432,318</u>	\$ <u>14,748,564</u>	\$ <u>8,842,713</u>

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 22, 2022, which is the date the financial statements were available to be issued.

NOTE 20 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2021, the following GASB pronouncements were implemented:

- GASB Statement #84, *Fiduciary Activities*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*. This pronouncement did not impact the basic financial statements.
- GASB Statement #98, *The Annual Comprehensive Financial Report*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which is required to be implemented in 2022.

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

Required Supplementary Information

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

YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Amounts	Variance
	Original Budget	Final Budget	Budgetary Amounts	Carried Forward To Next Year	to Final Budget
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 110,923,247	\$ 110,923,247	\$ 111,784,245	\$ -	\$ 860,998
Tax liens.....	-	-	760,297	-	760,297
Motor vehicle and other excise taxes.....	8,141,772	8,141,772	9,709,265	-	1,567,493
Penalties and interest on taxes.....	444,000	444,000	652,723	-	208,723
Fees and rentals.....	1,330,500	1,330,500	1,658,693	-	328,193
Payments in lieu of taxes.....	2,361,000	2,361,000	2,463,392	-	102,392
Licenses and permits.....	1,986,431	1,986,431	2,455,703	-	469,272
Fines and forfeitures.....	606,000	606,000	452,635	-	(153,365)
Intergovernmental.....	74,297,511	74,297,511	74,276,581	-	(20,930)
Departmental and other.....	995,440	995,440	1,430,838	-	435,398
Investment income.....	600,000	600,000	275,614	-	(324,386)
Miscellaneous.....	300,000	300,000	914,424	-	614,424
TOTAL REVENUES.....	201,985,901	201,985,901	206,834,410	-	4,848,509
EXPENDITURES:					
Current:					
General government.....	3,994,783	4,342,367	4,110,351	125,429	106,587
Public safety.....	25,278,839	25,839,485	24,845,323	530,561	463,601
Education.....	108,752,435	108,514,228	103,626,327	4,708,617	179,284
Public works.....	10,366,294	10,964,683	11,138,549	235,133	(408,999)
Human services.....	3,276,967	2,972,808	2,771,341	5,418	196,049
Community and economic development.....	963,248	1,045,231	1,016,661	4,307	24,263
Pension benefits.....	19,549,289	18,715,885	18,715,885	-	-
Property and liability insurance.....	674,000	736,000	735,015	-	985
Employee benefits.....	22,165,144	24,998,699	24,320,551	148,665	529,483
Salary reserve.....	770,856	735	-	-	735
Other reserve.....	650,000	-	-	-	-
State and county charges.....	6,587,749	6,587,749	6,685,970	-	(98,221)
Debt service:					
Principal.....	6,129,655	6,129,655	5,838,510	-	291,145
Interest.....	2,367,362	2,367,362	1,891,224	-	476,138
TOTAL EXPENDITURES.....	211,526,621	213,214,887	205,695,707	5,758,130	1,761,050
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(9,540,720)	(11,228,986)	1,138,703	(5,758,130)	6,609,559
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves.....	3,650,803	3,650,803	-	-	(3,650,803)
Use of free cash.....	5,100,000	5,100,000	-	-	(5,100,000)
Other amounts raised.....	(274,538)	(274,538)	-	-	274,538
Transfers in.....	1,614,455	3,614,455	3,614,455	-	-
Transfers out.....	(550,000)	(861,734)	(673,924)	-	187,810
TOTAL OTHER FINANCING SOURCES (USES).....	9,540,720	11,228,986	2,940,531	-	(8,288,455)
NET CHANGE IN FUND BALANCE.....	-	-	4,079,234	(5,758,130)	(1,678,896)
BUDGETARY FUND BALANCE, Beginning of year.....	19,900,690	19,900,690	19,900,690	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 19,900,690	\$ 19,900,690	\$ 23,979,924	\$ (5,758,130)	\$ (1,678,896)

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
Total pension liability:				
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).....	\$ 327,638,079	\$ 333,730,237	\$ 356,397,449	\$ 379,614,875
Plan fiduciary net position:				
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).....	\$ 180,153,040	\$ 171,397,093	\$ 178,611,155	\$ 201,720,748
Net pension liability - ending (a)-(b).....	\$ 147,485,039	\$ 162,333,144	\$ 177,786,294	\$ 177,894,127
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
\$	5,599,351	\$ 6,047,544	\$ 8,042,809
	26,993,422	27,455,653	27,653,190
	-	2,150,157	-
	-	(4,834,450)	-
	-	11,330,399	-
	<u>(25,997,926)</u>	<u>(27,117,198)</u>	<u>(28,478,130)</u>
	6,594,847	15,032,105	7,217,869
	<u>379,614,875</u>	<u>386,209,722</u>	<u>401,241,827</u>
\$	<u><u>386,209,722</u></u>	\$ <u><u>401,241,827</u></u>	\$ <u><u>408,459,696</u></u>
\$	17,878,483	\$ 20,452,808	\$ 21,208,667
	4,152,768	4,373,927	4,506,262
	(6,206,275)	29,570,770	29,700,968
	(438,100)	(441,688)	(476,974)
	<u>(25,997,926)</u>	<u>(27,117,198)</u>	<u>(28,478,130)</u>
	(10,611,050)	26,838,619	26,460,793
	<u>201,720,748</u>	<u>191,109,698</u>	<u>217,948,317</u>
\$	<u><u>191,109,698</u></u>	\$ <u><u>217,948,317</u></u>	\$ <u><u>244,409,110</u></u>
\$	<u><u>195,100,024</u></u>	\$ <u><u>183,293,510</u></u>	\$ <u><u>164,050,586</u></u>
	49.48%	54.32%	59.84%
\$	42,369,388	\$ 42,890,540	\$ 45,363,109
	460.47%	427.35%	361.64%

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, 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

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

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>
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
Total OPEB Liability				
Service Cost.....	\$ 1,730,476	\$ 1,808,348	\$ 1,808,347	\$ 2,424,100
Interest.....	14,007,718	14,226,433	13,741,765	10,568,148
Differences between expected and actual experience....	-	(24,730,591)	(27,088,121)	-
Changes of assumptions.....	-	-	130,649,365	-
Benefit payments.....	<u>(10,745,972)</u>	<u>(9,207,179)</u>	<u>(10,569,576)</u>	<u>(11,045,207)</u>
Net change in total OPEB liability.....	4,992,222	(17,902,989)	108,541,780	1,947,041
Total OPEB liability - beginning.....	<u>377,132,206</u>	<u>382,124,428</u>	<u>364,221,439</u>	<u>472,763,219</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>
Covered-employee payroll.....	\$ 79,421,152	\$ 81,009,575	\$ 83,112,961	\$ 85,606,350
Total OPEB liability as a percentage of covered-employee payroll.....	481.14%	449.60%	568.82%	554.53%

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 ACCOUNTING1. 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 2021 approved budget authorized \$212.1 million in appropriations, carryforwards, and other amounts to be raised. During 2021, the Council also approved supplemental appropriations totaling \$2.0 million. The change is primarily due to a transfer from the stabilization fund increasing the appropriation for employee benefits. 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, 2021, is presented below:

Net change in fund balance - budgetary basis.....	\$ 4,079,234
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	(1,410,876)
<u>Basis of accounting differences:</u>	
Net change in recording tax refunds payable.....	(6,212)
Net change in recording 60 day receipts.....	(765,196)
Recognition of revenue for on-behalf payments.....	24,874,281
Recognition of expenditures for on-behalf payments.....	<u>(24,874,281)</u>
Net change in fund balance - GAAP basis.....	\$ <u>1,896,950</u>

3. Appropriation Deficits

Actual expenditures exceeded appropriations for snow and ice removal and state and county charges. The snow and ice over-expenditure will be funded by the subsequent years' tax levy. 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.

Since the System performs an actuarial valuation bi-annually, there are no reported amounts for the changes in benefit terms and differences between expected and actual experience as of December 31, 2020.

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 covered payroll.

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 PlanThe 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.