

CITY OF HAVERHILL, MASSACHUSETTS

Financial Statements

June 30, 2020

(With Accountants' Report Thereon)

Giusti, Hingston and Company
Certified Public Accountants

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City of Haverhill, Massachusetts
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Haverhill
4 Summer Street
Haverhill, MA 01830

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, 2020, (December 31, 2019 for the Contributory Retirement System) which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Haverhill, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 opinion.

Opinion

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, 2020 (and the Contributory Retirement System as of December 31, 2019) and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary statement, the retirement system schedules and the other post employment benefit schedules 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 reported dated December 4, 2020, on our consideration of the City of Haverhill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Haverhill's internal control over financial reporting and compliance.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
December 4, 2020

City of Haverhill, Massachusetts
Management's Discussion and Analysis
June 30, 2020

As management of the City of Haverhill, we offer readers of the City of Haverhill's financial statements this narrative overview and analysis of the financial activities of the City of Haverhill for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the attached financial statements and notes to the financial statements.

Financial Statements

Financial Highlights

- The assets and deferred outflows of the City of Haverhill, Massachusetts exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by (\$343,616,284) (*net position*).
- The government's total net position decreased by \$44,732,707. The Governmental Activities decreased by \$41,576,443 or 13%. The business type activities decreased by \$3,156,264 or -14%. The primary cause for the decrease in net position of the governmental activities is the recognition of the expense related to the net pension liability and the OPEB liability changes.
- At the end of the current fiscal year, unassigned fund balance in the general fund was \$17,990,728, or 8.0% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Haverhill's June 30, 2020 **basic financial statements**. The City of Haverhill's basic financial statements comprise three components: 1) **government-wide financial statements**, 2) **fund financial statements**, and 3) **notes to the financial statements**. This report also contains other supplementary information in addition to the basic financial statements themselves. Please refer to the Table of Contents for a concise breakdown of the financial statements.

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

The *statement of Net Position* presents information on all of the City of Haverhill, Massachusetts' assets/deferred outflows and liabilities/deferred inflows, with the differences between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Haverhill, Massachusetts is improving or deteriorating.

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

The government-wide financial statement have separate columns for governmental activities and business-type activities.

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.

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, federal, state and other local revenues finance these activities.
- **Business Type Activities** – Activities reported here include Water and Sewer activities. User fees charged to customers receiving services finance these activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Haverhill, Massachusetts, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Proprietary fund types – The City of Haverhill, Massachusetts maintains two proprietary (enterprise) fund types. The enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Haverhill, Massachusetts uses enterprise funds to account for its water and sewer activities.

Proprietary business type funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for the water and sewer activities.

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.

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*.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of Haverhill, Massachusetts’ progress in funding its obligation to provide pension and OPEB benefits to its employees. The *required supplementary information* also includes budget versus actual information.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the statement of net position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the Governmental funds balance sheet – total fund balances to the statement of net position.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

Financial Analysis of the Government-wide Financial Statements

Net Position

Net position may serve over time as a meaningful indicator of a government’s financial position. See the condensed net position table below:

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>(As Revised)</u>		<u>(As Revised)</u>		<u>(As Revised)</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 53,300,651	\$ 53,022,157	\$ 19,777,765	\$ 11,394,701	\$ 73,078,416	\$ 64,416,858
Capital Assets	223,890,782	228,568,925	106,889,041	96,361,395	330,779,823	324,930,320
Total Assets	<u>277,191,433</u>	<u>281,591,082</u>	<u>126,666,806</u>	<u>107,756,096</u>	<u>403,858,239</u>	<u>389,347,178</u>
Deferred Outflows of Resources	101,646,797	32,508,323	5,526,925	2,198,895	107,173,722	34,707,218
Current Liabilities	16,313,868	27,190,651	12,799,639	35,171,463	29,113,507	62,362,114
Long Term Liabilities	687,744,677	588,987,802	98,156,466	51,420,330	785,901,143	640,408,132
Total Liabilities	<u>704,058,545</u>	<u>616,178,453</u>	<u>110,956,105</u>	<u>86,591,793</u>	<u>815,014,650</u>	<u>702,770,246</u>
Deferred Inflows of Resources	37,752,972	19,317,796	1,880,623	849,931	39,633,595	20,167,727
Net Position:						
Net Investment in Capital Assets	171,830,091	165,304,902	32,681,935	36,685,090	204,512,026	201,989,992
Restricted	9,586,643	3,941,746	-	-	9,586,643	3,941,746
Unrestricted (Deficit)	(544,390,021)	(490,643,492)	(13,324,932)	(14,171,823)	(557,714,953)	(504,815,315)
Total Net Position	<u>\$ (362,973,287)</u>	<u>\$ (321,396,844)</u>	<u>\$ 19,357,003</u>	<u>\$ 22,513,267</u>	<u>\$ (343,616,284)</u>	<u>\$ (298,883,577)</u>

The net position of the City decreased by (\$44,732,707). The net position of the governmental activities decreased by (\$41,576,443) or 13% and the net position of the business-type activities increased by (\$3,156,264) or -14%.

Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the City's net position has changed during the fiscal year.

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>(As Revised)</u>		<u>(As Revised)</u>		<u>(As Revised)</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Charges for Services	\$ 7,212,490	\$ 7,803,438	\$ 17,436,571	\$ 18,995,219	\$ 24,649,061	\$ 26,798,657
Operating Grants and Contributions	104,080,857	90,731,720	255,793	241,359	104,336,650	90,973,079
Capital Grants and Contributions	-	714,805	2,540,150	-	2,540,150	714,805
General Revenues:						
Real Estate and Personal Property Taxes	106,851,104	103,190,616	-	-	106,851,104	103,190,616
Excises	9,427,016	9,265,488	-	-	9,427,016	9,265,488
Penalties and Interest on taxes	372,945	490,899	-	-	372,945	490,899
Other Taxes, Assessments and in Lieu						
Payments	2,415,706	2,267,951	-	-	2,415,706	2,267,951
Intergovernmental Not Restricted to						
a Specific Program	10,715,999	11,389,725	-	-	10,715,999	11,389,725
Earnings on Investment	1,045,204	1,246,171	-	-	1,045,204	1,246,171
Other Revenue	1,027,495	295,424	-	-	1,027,495	295,424
Total Revenues	243,148,816	227,396,237	20,232,514	19,236,578	263,381,330	246,632,815
Expenses						
General Government	5,161,571	4,112,365	-	-	5,161,571	4,112,365
Public Safety	28,096,396	30,145,909	-	-	28,096,396	30,145,909
Education	122,473,888	110,845,929	-	-	122,473,888	110,845,929
Public Works	16,200,109	15,577,064	-	-	16,200,109	15,577,064
Human Services	4,312,826	4,500,107	-	-	4,312,826	4,500,107
Community Development	4,004,028	3,225,947	-	-	4,004,028	3,225,947
Debt Service	1,885,803	2,078,761	-	-	1,885,803	2,078,761
Health Insurance and Other						
Employee Benefits	54,879,253	22,673,851	-	-	54,879,253	22,673,851
Pension Benefits	25,090,314	24,222,536	-	-	25,090,314	24,222,536
Other Expenditures	646,645	-	-	-	646,645	-
Water and Sewer	-	-	23,388,778	21,045,239	23,388,778	21,045,239
Teacher's Retirement on Behalf Payments	21,974,426	17,117,970	-	-	21,974,426	17,117,970
Total Expenses	284,725,259	234,500,439	23,388,778	21,045,239	308,114,037	255,545,678
Increase (Decrease) in Net Position	\$ (41,576,443)	\$ (7,104,202)	\$ (3,156,264)	\$ (1,808,661)	\$ (44,732,707)	\$ (8,912,863)

Governmental Activities

In fiscal year 2020, property taxes accounted for approximately 48% of the revenues.

Business-type Activities

Water and Sewer rates are structured to cover all costs related to each activity.

Financial Analysis of the City's Funds

General Fund – Fund Balance

Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts’ Department of Revenue (DOR) determines the amount of general fund - fund balance available for appropriation. In general, this amount (commonly known as “free cash”) is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations, or both.

General Fund Budgetary Highlights

The differences between the original budget and the final amended budget were mostly made up of transfers voted by the City Council.

Capital Asset and Debt Administration

Capital assets. The City of Haverhill, Massachusetts’ investments in capital assets as of June 30, 2020, amounts to \$455,041,249 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, equipment and vehicles. See Capital Asset schedule below:

**Capital Assets at June 30, 2020 and June 30, 2019
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 10,284,232	\$ 10,284,232	\$ 1,771,855	\$ 1,771,855	\$ 136,317,513	\$ 12,056,087
Construction in Progress	-	-	2,451,857	11,357,486	2,451,857	11,357,486
Buildings	119,023,468	122,742,252	17,294,045	23,953	136,317,513	122,766,205
Improvements	6,830,960	7,024,292	21,152,009	22,091,216	27,982,969	29,115,508
Infrastructure	82,925,400	84,417,727	53,857,052	49,814,696	136,782,452	134,232,423
Equipment	2,257,619	2,370,431	10,276,531	11,235,277	12,534,150	13,605,708
Vehicles	2,569,103	1,729,991	85,692	66,912	2,654,795	1,796,903
Total	<u>\$ 223,890,782</u>	<u>\$ 228,568,925</u>	<u>\$ 106,889,041</u>	<u>\$ 96,361,395</u>	<u>\$ 455,041,249</u>	<u>\$ 324,930,320</u>

Debt

The City had \$54,419,116 in Governmental Activities debt and \$74,637,326 in Business Type activity debt outstanding on June 30, 2020.

Outstanding Debt at June 30, 2020 and June 30, 2019

	<u>2020</u>	<u>2019</u>
Governmental Activities	\$ 54,419,116	\$ 55,865,143
Business-type Activities	<u>74,637,326</u>	<u>30,326,527</u>
Total Long-term Debts	<u>\$ 129,056,442</u>	<u>\$ 86,191,670</u>

Fiscal Year 2020 Budget

An initiative state statute, commonly known as “Proposition 2 ½”, limits the amount of property taxes that the City can assess in any one year. In general, the City’s property tax levy may increase by 2 ½ percent over the prior year’s tax levy, plus any additional amount derived by new developments or other changes made to existing property. If a community wishes to levy taxes above the limitations imposed by “Proposition 2 ½ “, it is necessary to obtain the approval of a majority of the voters at an election to do an override.

Request for Information

This financial report is designed to provide a general overview of the City of Haverhill, Massachusetts’ 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:

City of Haverhill
City Auditor
4 Summer Street
Haverhill, Massachusetts 01830

City of Haverhill, Massachusetts
Statement of Net Position
June 30, 2020
(Continued on Page 10)

	Governmental	Business Type	Government
	<u>Activities</u>	<u>Activities</u>	<u>Wide</u>
			<u>Total</u>
Assets			
Current:			
Cash/Investments	\$ 43,288,752	\$ 9,824,030	\$ 53,112,782
Receivables:			
Real Estate and Personal Property	3,054,806	-	3,054,806
Motor Vehicle and Other Excise	1,882,181	-	1,882,181
Tax Liens and Foreclosures	2,818,799	-	2,818,799
Departmental and Other	114,352	228,679	343,031
User Charges	-	2,181,155	2,181,155
Intergovernmental	1,355,153	6,693,114	8,048,267
Noncurrent:			
Departmental and Other	786,608	426,698	1,213,306
Intergovernmental	-	424,089	424,089
Capital Assets:			
Not Being Depreciated	10,284,232	4,223,712	14,507,944
Assets Being Depreciated, Net	213,606,550	102,665,329	316,271,879
Total Assets	<u>277,191,433</u>	<u>126,666,806</u>	<u>403,858,239</u>
Deferred Outflows of Resources			
Pensions	14,061,028	2,456,300	16,517,328
Other Post Employment Benefits	87,585,769	3,070,625	90,656,394
Total Deferred Outflows of Resources	<u>101,646,797</u>	<u>5,526,925</u>	<u>107,173,722</u>
Liabilities			
Current:			
Warrants Payable	3,363,975	-	3,363,975
Employees' Withholding Payable	1,727,509	-	1,727,509
Accrued Compensated Absences	914,849	42,947	957,796
Workers' Compensation	67,494	-	67,494
Tax Refunds Payable	61,884	-	61,884
Capital Lease Obligations	261,974	-	261,974
Other Liabilities	63,890	-	63,890
Notes Payable	3,554,575	7,908,634	11,463,209
Accrued Landfill Liabilities	69,000	-	69,000
Accrued Interest	297,954	616,614	914,568
Bonds Payable	5,930,764	4,231,444	10,162,208
Noncurrent:			
Bonds Payable	48,488,352	70,405,882	118,894,234
Capital Lease Obligations	1,965,870	-	1,965,870
Accrued Landfill Liabilities	14,941,000	-	14,941,000
Accrued Compensated Absences	3,659,395	171,789	3,831,184
Net Pension Liability	161,939,816	11,565,820	173,505,636
Net Other Post Employment Benefit Liability	456,750,244	16,012,975	472,763,219
Total Liabilities	<u>704,058,545</u>	<u>110,956,105</u>	<u>815,014,650</u>

City of Haverhill, Massachusetts
Statement of Net Position
June 30, 2020
(Continued from Page 9)

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Government</u> <u>Wide</u> <u>Total</u>
Deferred Inflows of Resources			
Pensions	10,737,290	933,494	11,670,784
Other Post Employment Benefits	27,015,682	947,129	27,962,811
Total Deferred Inflows of Resources	37,752,972	1,880,623	39,633,595
Net Position			
Net Investment in Capital Assets	171,830,091	32,681,935	204,512,026
Restricted for:			
Capital Projects and Other Items	465,590	-	465,590
Special Revenue	9,121,053	-	9,121,053
Unrestricted (Deficit)	(544,390,021)	(13,324,932)	(557,714,953)
Total Net Position	\$ (362,973,287)	\$ 19,357,003	\$ (343,616,284)

City of Haverhill, Massachusetts
Statement of Activities
Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business Type	
						Activities	Activities
<i>Governmental Activities:</i>							
General Government	\$ 5,161,571	\$ 1,881,438	\$ 271,960	\$ -	\$ (3,008,173)	\$ -	\$ (3,008,173)
Public Safety	28,096,396	2,955,047	1,519,296	-	(23,622,053)	-	(23,622,053)
Education	122,473,888	1,446,381	93,533,636	-	(27,493,871)	-	(27,493,871)
Public Works	16,200,109	157,023	1,916,518	-	(14,126,568)	-	(14,126,568)
Human Services	4,312,826	753,601	3,428,440	-	(130,785)	-	(130,785)
Community Development	4,004,028	19,000	3,286,634	-	(698,394)	-	(698,394)
Debt Service	1,885,803	-	124,373	-	(1,761,430)	-	(1,761,430)
Health Insurance and Other Employee Benefits	54,879,253	-	-	-	(54,879,253)	-	(54,879,253)
Pension Benefits	25,090,314	-	-	-	(25,090,314)	-	(25,090,314)
Other Expenditures	646,645	-	-	-	(646,645)	-	(646,645)
Teacher's Retirement on Behalf Payments	21,974,426	-	-	-	(21,974,426)	-	(21,974,426)
Total Governmental Activities	284,725,259	7,212,490	104,080,857	-	(173,431,912)	-	(173,431,912)
<i>Business-Type Activities:</i>							
Water	11,993,048	7,145,671	-	2,540,150	-	(2,307,227)	(2,307,227)
Sewer	11,395,730	10,290,900	255,793	-	-	(849,037)	(849,037)
Total Business Type Activities	23,388,778	17,436,571	255,793	2,540,150	-	(3,156,264)	(3,156,264)
	\$ 308,114,037	\$ 24,649,061	\$ 104,336,650	\$ 2,540,150	(173,431,912)	(3,156,264)	(176,588,176)
<i>General Revenues:</i>							
					106,851,104	-	106,851,104
					9,427,016	-	9,427,016
					372,945	-	372,945
					2,415,706	-	2,415,706
					10,715,999	-	10,715,999
					1,045,204	-	1,045,204
					1,027,495	-	1,027,495
					131,855,469	-	131,855,469
					(41,576,443)	(3,156,264)	(44,732,707)
					(321,396,844)	22,513,267	(298,883,577)
					\$(362,973,287)	\$ 19,357,003	\$(343,616,284)

City of Haverhill, Massachusetts
Governmental Funds
Balance Sheet
June 30, 2020

	<u>General</u>	<u>Hunking Middle School</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash/Investments	\$ 31,197,000	\$ 17,180	\$ 12,074,572	\$ 43,288,752
Receivables:				
Real Estate and Property Taxes	3,054,806	-	-	3,054,806
Motor Vehicle and Other Excise	1,882,181	-	-	1,882,181
Tax Liens	2,818,799	-	-	2,818,799
Department and Other	900,960	-	-	900,960
Intergovernmental	79,672	-	1,275,481	1,355,153
Tax Foreclosure	757,787	-	-	757,787
Total Assets	\$ 40,691,205	\$ 17,180	\$ 13,350,053	\$ 54,058,438
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Warrants Payable	\$ 3,363,975	\$ -	\$ -	\$ 3,363,975
Employees' Withholding Payable	1,727,509	-	-	1,727,509
Tax Refunds Payable	61,884	-	-	61,884
Other Liabilities	63,761	-	129	63,890
Temporary Loans	-	2,854,575	700,000	3,554,575
Total Liabilities	5,217,129	2,854,575	700,129	8,771,833
Deferred Inflows of Resources:				
Unearned Revenue:				
Unavailable Revenue	8,409,764	-	464,713	8,874,477
Total Deferred Inflows of Resources	8,409,764	-	464,713	8,874,477
Fund Equity:				
Fund Balances:				
Restricted	-	-	12,667,441	12,667,441
Committed	322,781	-	-	322,781
Assigned	8,750,803	-	-	8,750,803
Unassigned	17,990,728	(2,837,395)	(482,230)	14,671,103
Total Fund Balances	27,064,312	(2,837,395)	12,185,211	36,412,128
Total Liabilities, Deferred Inflows and Fund Balances	\$ 40,691,205	\$ 17,180	\$ 13,350,053	\$ 54,058,438

City of Haverhill, Massachusetts
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2020

	General <u>Fund</u>	Hunking <u>Middle School</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Real Estate and Personal Property Taxes - Net	\$ 106,094,611	\$ -	\$ -	\$ 106,094,611
Tax Liens	849,039	-	-	849,039
Excises	8,739,101	-	-	8,739,101
Charges for Services	-	-	1,955,611	1,955,611
Penalties and Interest on Taxes	372,945	-	-	372,945
Payments in Lieu of Taxes	2,415,706	-	-	2,415,706
Fees and Rentals	1,240,826	-	-	1,240,826
Licenses and Permits	2,357,441	-	-	2,357,441
Fines and Forfeitures	720,541	-	-	720,541
Intergovernmental	93,033,648	-	20,958,135	113,991,783
Departmental and Other	826,336	-	589,039	1,415,375
Contributions and Donations	-	-	270,087	270,087
Earnings on Investments	1,045,204	-	-	1,045,204
Miscellaneous Revenue	706,719	-	124,374	831,093
Other Revenue	-	-	(700)	(700)
Total Revenues	<u>218,402,117</u>	<u>-</u>	<u>23,896,546</u>	<u>242,298,663</u>
Expenditures:				
Current				
General Government	3,730,214	-	1,539,898	5,270,112
Public Safety	23,374,864	-	2,690,368	26,065,232
Education	97,590,871	213,186	16,106,839	113,910,896
Public Works	10,423,052	-	3,197,872	13,620,924
Human Services	2,951,883	-	1,156,411	4,108,294
Community and Economic Development	1,042,589	-	2,852,381	3,894,970
Debt Service	7,514,460	-	-	7,514,460
Intergovernmental	6,397,262	-	-	6,397,262
Health Insurance and Other Employee Benefits	21,607,415	-	-	21,607,415
Pension Benefits	18,034,591	-	-	18,034,591
Other Expenditures	646,645	-	-	646,645
Teacher's Retirement on Behalf Payments	21,974,426	-	-	21,974,426
Total Expenditures	<u>215,288,272</u>	<u>213,186</u>	<u>27,543,769</u>	<u>243,045,227</u>
Excess of Revenues Over (Under) Expenditures	<u>3,113,845</u>	<u>(213,186)</u>	<u>(3,647,223)</u>	<u>(746,564)</u>
Other Financing Sources (Uses):				
Operating Transfers In	5,713	-	2,309,492	2,315,205
Operating Transfers (Out)	(1,728,492)	-	(586,713)	(2,315,205)
Proceeds from Borrowing	-	-	3,645,900	3,645,900
Premium on Bond	-	-	391,725	391,725
Total Other Financing Sources (Uses)	<u>(1,722,779)</u>	<u>-</u>	<u>5,760,404</u>	<u>4,037,625</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>1,391,066</u>	<u>(213,186)</u>	<u>2,113,181</u>	<u>3,291,061</u>
Fund Balance, Beginning	<u>25,673,246</u>	<u>(2,624,209)</u>	<u>10,072,030</u>	<u>33,121,067</u>
Fund Balance, Ending	<u>\$ 27,064,312</u>	<u>\$ (2,837,395)</u>	<u>\$ 12,185,211</u>	<u>\$ 36,412,128</u>

City of Haverhill, Massachusetts
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Position
 Fiscal Year Ended June 30, 2020

Total Governmental Fund Balances	\$ 36,412,128
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	223,890,782
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	8,116,690
Certain changes in the net pension liability are required to be included in the pension expense in future periods. These changes are reported as deferred outflow/deferred inflows of resources related to pensions	63,893,825
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds Payable	(54,419,116)
Accrued Interest on Bonds	(297,954)
Landfill Accrued Liability	(15,010,000)
Compensated Absences	(4,574,244)
Workers' Compensation	(67,494)
Capital Lease	(2,227,844)
Net Pension Liability	(161,939,816)
OPEB Liability	(456,750,244)
	(843,789,708)
Net Position of Governmental Activities	\$ (362,973,287)

City of Haverhill, Massachusetts
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Fiscal Year Ended June 30, 2020

Net change in fund balances - total governmental funds	\$ 3,291,061
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. This is the net change in the current period.	(4,678,143)
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unearned revenue.	850,153
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,446,030
Some expenses reported in the Statement of Activities, such as compensated absences, pension expense, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(42,630,546)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest is recognized as the interest accrues, regardless of when it is due.	<u>145,002</u>
Change in Net Position of Governmental Activities	<u><u>\$ (41,576,443)</u></u>

City of Haverhill, Massachusetts
Proprietary Funds
Statement of Net Position
June 30, 2020

Business - Type Activities
Enterprise Fund

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets			
Current:			
Cash and Cash Investments	\$ 4,783,042	\$ 5,040,988	\$ 9,824,030
Receivables, Net of Allowance for Uncollectibles:			
User Charges	992,746	1,188,409	2,181,155
Departmental and Other	133,166	95,513	228,679
Intergovernmental	6,674,337	18,777	6,693,114
Noncurrent:			
Receivables:			
Intergovernmental	-	424,089	424,089
Departmental and Other	-	426,698	426,698
Assets Not Being Depreciated	1,254,853	2,968,859	4,223,712
Assets Being Depreciated, Net	59,072,876	43,592,453	102,665,329
Total Assets	72,911,020	53,755,786	126,666,806
Deferred Outflows of Resources:			
Pension	1,822,838	633,462	2,456,300
Other Post Employment Benefit Obligations	1,797,734	1,272,891	3,070,625
Total Deferred Outflows of Resources	3,620,572	1,906,353	5,526,925
Liabilities			
Current:			
Notes Payable	688,969	7,219,665	7,908,634
Interest on Bonds Payable	22,452	594,162	616,614
Bonds Payable	2,275,317	1,956,127	4,231,444
Compensated Absences	33,654	9,293	42,947
Noncurrent:			
Bonds Payable	42,674,055	27,731,827	70,405,882
Compensated Absences	134,615	37,174	171,789
Net Pension Liability	5,498,805	6,067,015	11,565,820
Net Other Post Employment Benefit Liability	9,374,985	6,637,990	16,012,975
Total Liabilities	60,702,852	50,253,253	110,956,105
Deferred Inflows of Resources:			
Pension	330,060	603,434	933,494
Other Post Employment Benefits	554,508	392,621	947,129
Total Deferred Inflows of Resources	884,568	996,055	1,880,623
Net Position			
Net Investment in Capital Assets	19,712,315	12,969,620	32,681,935
Restricted for:			
Unrestricted (Deficit)	(4,768,143)	(8,556,789)	(13,324,932)
Total Net Position	\$ 14,944,172	\$ 4,412,831	\$ 19,357,003

City of Haverhill, Massachusetts
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2020

	Business - Type Activities		Total
	Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	
Operating Revenues:			
Charges for Services	\$ 7,145,671	\$ 10,290,900	\$ 17,436,571
Total Operating Revenues	<u>7,145,671</u>	<u>10,290,900</u>	<u>17,436,571</u>
Operating Expenditures:			
Personal Services	2,866,082	2,163,311	5,029,393
Nonpersonal Service	6,674,729	5,683,805	12,358,534
Depreciation	2,029,540	2,466,375	4,495,915
Total Operating Expenditures	<u>11,570,351</u>	<u>10,313,491</u>	<u>21,883,842</u>
Operating Income	<u>(4,424,680)</u>	<u>(22,591)</u>	<u>(4,447,271)</u>
Nonoperating Revenues (Expenses):			
Intergovernmental, Net	2,540,150	255,793	2,795,943
Interest on Debt	(422,697)	(1,082,239)	(1,504,936)
Total Nonoperating Revenues (Expenses)	<u>2,117,453</u>	<u>(826,446)</u>	<u>1,291,007</u>
Income Before Contributions and Transfers	<u>(2,307,227)</u>	<u>(849,037)</u>	<u>(3,156,264)</u>
Other Financing Sources (Uses):			
Payment in Lieu of Taxes	-	-	-
Contributions Capital Assets	-	-	-
Transfer Capital Assets	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>(2,307,227)</u>	<u>(849,037)</u>	<u>(3,156,264)</u>
Total Net Position July 1, 2019	<u>17,251,399</u>	<u>5,261,868</u>	<u>22,513,267</u>
Total Net Position June 30, 2020	<u>\$ 14,944,172</u>	<u>\$ 4,412,831</u>	<u>\$ 19,357,003</u>

City of Haverhill, Massachusetts
Statement of Cash Flows
Proprietary Fund
Fiscal Year Ended June 30, 2020

	Business - Type Activities		
	Enterprise Funds		
	Water	Sewer	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 7,713,046	\$ 11,514,977	\$ 19,228,023
Payments to Employees	(2,833,467)	(2,140,844)	(4,974,311)
Payments to Vendors	(6,758,925)	(7,936,016)	(14,694,941)
Net Cash Flows Provided (Used) by Operating Activities	(1,879,346)	1,438,117	(441,229)
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(7,545,283)	(7,478,279)	(15,023,562)
Grant Income	1,098,936	11,245	1,110,181
Proceeds from Bonds	10,237,540	9,774,020	20,011,560
Proceeds from Bond Anticipation Notes	688,969	542,381	1,231,350
Premium on Sale of Bonds	49,500	400,300	449,800
Principal Payments on Notes and Bonds	(1,018,486)	(1,745,752)	(2,764,238)
Interest Expense	(424,834)	(631,314)	(1,056,148)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	3,086,342	872,601	3,958,943
Net Increase (Decrease) in Cash and Cash Equivalents	1,206,996	2,310,718	3,517,714
Cash and Cash Equivalents, July 1, 2019	3,576,046	2,730,270	6,306,316
Cash and Cash Equivalents, June 30, 2020	\$ 4,783,042	\$ 5,040,988	\$ 9,824,030
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (4,424,680)	\$ (22,591)	\$ (4,447,271)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	2,029,540	2,466,375	4,495,915
(Increase) Decrease in Assets/Deferred Outflows of Resources:			
Accounts Receivable	567,374	1,224,077	1,791,451
Deferred Outflows of Resources	(2,718,104)	(609,926)	(3,328,030)
Increase (Decrease) in Liabilities/Deferred Inflows of Resources:			
Warrants and Accounts Payable	(2,801,611)	(1,355,970)	(4,157,581)
Net Pension Liability	1,460,235	(718,564)	741,671
Deferred Inflows of Resources	9,324,549	6,771,989	16,096,538
Other Post Employment Benefit Obligations	(5,316,649)	(6,317,273)	(11,633,922)
Net Cash Provided by Operating Activities	\$ (1,879,346)	\$ 1,438,117	\$ (441,229)

City of Haverhill, Massachusetts
Statement of Net Position
Fiduciary Funds
June 30, 2020

	Pension Trust		
	Fund	Private	
	As of	Purpose	Agency
	<u>December 31, 2019</u>	<u>Trust Funds</u>	<u>Funds</u>
Assets			
Cash and Investments	\$ 1,383,909	\$ 1,966,721	\$ 1,783,508
Receivables:			
Investments Sold - Funds Not Received	59,156	-	-
Miscellaneous	1,222	-	-
	<hr/>	<hr/>	<hr/>
Total Receivables	60,378	-	-
	<hr/>	<hr/>	<hr/>
Investments at Fair Value:			
US Treasury and Agency Debt Securities	-	935,391	-
Corporate Bonds	-	1,585,503	-
Equity Securities	-	537,459	-
Certificates of Deposit	-	656,780	-
PRIT Funds	151,434,386	-	-
Stocks	22,564,644	-	-
Pooled Estate Funds	19,607,290	-	-
Pooled Domestic Equity Funds	9,435,943	-	-
Pooled Alternative Investments	13,635,849	-	-
	<hr/>	<hr/>	<hr/>
Total Investments	216,678,112	3,715,133	-
	<hr/>	<hr/>	<hr/>
Total Assets	218,122,399	5,681,854	1,783,508
	<hr/>	<hr/>	<hr/>
Liabilities			
Accounts Payable	14,190	-	-
Employees' Withholding Payable	-	-	237,662
Other Liabilities	-	-	1,545,846
Investments Purchased - Not Yet Paid For	159,892	-	-
	<hr/>	<hr/>	<hr/>
Total Liabilities	174,082	-	1,783,508
	<hr/>	<hr/>	<hr/>
Net Position			
Net Position Held in Trust	\$ 217,948,317	\$ 5,681,854	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

City of Haverhill, Massachusetts
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2020

	Pension Trust Fund Fiscal Year Ended <u>December 31, 2019</u>	Private Purpose <u>Trust Funds</u>
Additions:		
Contributions:		
Members	\$ 4,518,038	\$ -
Members - Transfers from Other Systems	539,524	-
Retirement Benefits - 3(8)C from Other Systems	385,786	-
Employer	20,452,808	-
Other Contributions	147,347	6,300
Total Contributions	<u>26,043,503</u>	<u>6,300</u>
Transfers from Other Funds	<u>-</u>	<u>-</u>
Net Investment Income (Loss) :		
Net Appreciation in the Fair Value of Plan Assets and Gains and (Losses)	26,086,655	-
Interest and Dividends	4,968,730	354,508
Total Investment Income (Loss)	<u>31,055,385</u>	<u>354,508</u>
Less Investment Expense	<u>1,484,614</u>	<u>-</u>
Net Investment Income (Loss)	<u>29,570,771</u>	<u>354,508</u>
Total Additions (Reductions)	<u>55,614,274</u>	<u>360,808</u>
Deductions:		
Benefit Payments, Including Refunds of Member Contributions	26,733,996	-
Members - Transfers To Other Systems	694,740	-
Retirement Benefits - 3(8)C to Other Systems	905,231	-
Administrative Expenses	441,688	-
Scholarships and Other Expenses	-	130,777
Total Deductions	<u>28,775,655</u>	<u>130,777</u>
Net Increase (Decrease)	<u>26,838,619</u>	<u>230,031</u>
Net Position Held In Trust:		
Beginning of Year	191,109,698	5,451,823
End of Year	<u>\$ 217,948,317</u>	<u>\$ 5,681,854</u>

City of Haverhill, Massachusetts
Notes to the Financial Statements
June 30, 2020

1. Summary of Significant Accounting Policies

(A) Reporting Entity

The accompanying financial statements present the financial position of the City of Haverhill as of June 30, 2020. The report includes all the services provided by the City to its residents and businesses within its boundaries. The City of Haverhill was founded in 1641 and was incorporated in 1869. The City is governed by an elected Mayor and City Council. Municipal services provided include education, public safety, recreation, public works, library and general administration. Criteria used in determining the scope of the reporting entity included the City's ability to significantly influence operations, selection of governing authority, designation of management, financial interdependency and accountability for fiscal matters. All operations of the City that meet the preceding criteria are included in the reporting entity. Included in the financial statements is the City of Haverhill Retirement System (the System) as of June 30, 2020.

(B) Component Units

The following component unit is, while a separate entity in substance, part of the governmental operations of the City and data from this unit is therefore combined with data of the City as the primary government. Component units are required to be included in the City's reporting entity if its operational and financial relationships with the City are significant.

The Retirement System - Substantially all employees of the City, except teachers and certain administrative personnel employed by the School Department, participate in the System. The System was established under the Authority of Chapter 32 of the Massachusetts General Laws, as amended, and is an independent retirement system which functions for the benefit of these employees. The powers of the System are vested in the Retirement Board. Complete financial statements for the System can be obtained from the City of Haverhill Contributory Retirement System, 4 Summer Street, Haverhill, Massachusetts 01830.

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.

The financial statements of the Haverhill Housing Authority (the "Authority") are not included in the financial statements because the City does not exercise significant oversight over the Authority.

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. Stand-alone financial statements for the year ended June 30, 2020, are available at Whittier Regional Vocational Technical High School, 115 Amesbury Line Road, Haverhill, Massachusetts 01830.

(C) Government-wide and fund financial statements

The **government-wide financial statements** (i.e., the **Statement of Net Position** and the **Statement of Activities**) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Major Fund Criteria

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

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% 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.

(D) Measurement focus, basis of accounting, and financial statement presentation

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized

when they become measurable and available as net current assets. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of real estate and personal property taxes, motor vehicle excise tax, amounts due under grants, charges for services and investment income. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. Revenues from other financing sources are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, sick pay, and other employee amounts which are not to be liquidated from expendable and available resources; and (2) principal and interest on general long-term debt which are recognized when due.

Agency fund assets and liabilities are accounted for on the modified accrual basis of accounting.

(E) Financial Statement Presentation

The accounting policies of the City of Haverhill, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2020 conform to generally accepted accounting principles for local government units, except as indicated hereafter, as amended by Statement 1, Governmental Accounting and Financial Reporting Principles, issued by the National Council on Governmental Accounting.

The City reports the General Fund as the only major governmental fund. The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The trust and agency funds are used to account for assets held by the City in a trustee capacity ("Trust Funds") or as an agent ("Agency Funds") for individuals, private organizations and other governmental units. These include expendable trust funds, and non-expendable trust funds. Expendable trust funds allow for the principal and earnings to be spent for a particular purpose, whereas, non-expendable trust funds allow only the earnings to be spent. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds or trust funds).

The above agency funds, capital projects funds and special revenue funds have been combined together and represent the "non major governmental funds" in the governmental funds financial statements, with the exception of the private-purpose trust funds (explained below) which have been separated and are shown separately in the fund financial statements.

The fiduciary funds - private-purpose trust funds are used to account for resources legally held in trust for the City's use. All resources of the fund, including earnings on invested resources, may be used to support the organization's activities.

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

(F) Budgets and Appropriations

The proposed annual appropriations for the General Fund of the City are submitted for consideration by the Mayor at the Annual City Council Meeting which is held 170 days after the

official formation of government each year (typically from May 1 to June 15). Public hearings are held in the 45-day period after the Annual City Council Meeting is held. If a budget is not approved by the City Council within that time frame, the budget submitted by the Mayor becomes law. Supplemental appropriations may also be voted at special City Council meetings. The City has an administration and finance committee which submits reports on proposed appropriations at City Council meetings. The City does not vote on annual appropriations for the special revenue and capital projects funds.

The Financial Statement that reflects the annual operating budget is prepared using a basis (budgetary basis) which differs from generally accepted accounting principles (GAAP basis). In order to provide a meaningful comparison of actual results with the budget, the actual and budget amounts are presented in accordance with the non GAAP method in the Statement of Revenues, Expenditures, Budget and Actual (Budgetary Basis) General Fund.

The major differences between GAAP and budgetary basis are as follows:

1. Encumbrances are reported as a reservation of fund balance (GAAP basis) as opposed to being recorded as expenditure (budgetary basis).
2. Revenue recognition, including the provision for abatements - real estate and personal property tax revenues are recognized when measurable and available (GAAP basis) as opposed to being recognized on a cash basis (budgetary basis).
3. Appropriation of unreserved fund balance is classified as another financing source for the budgetary basis; it is not reflected in the GAAP basis amounts.

An annual budget is legally adopted only for the General Fund. All financial orders are initiated or recommended by the Mayor. Expenditures may not legally exceed appropriations at the department level. Each department head may transfer, without City Council approval, appropriation balances from one expenditure account to another within the department or budget with the approval of the Mayor and City Auditor. The City Council and the department head, however, must approve any transfer of unencumbered appropriation balances between departments.

At the close of each fiscal year, unencumbered appropriation balances (appropriations less expenditures and encumbrances) lapse or revert to the unreserved fund balance. Unencumbered appropriation balances in the Capital Projects Fund, however, do not lapse at the end of the fiscal year.

It is unlawful to authorize an expenditure in excess of the amounts which have been appropriated by the City Council.

(G) Cash and Cash Equivalents

Cash and cash equivalents consist substantially of interest-bearing deposits with financial institutions and investments with original maturities of three months or less.

(H) Investments

Effective January 1, 1997, and applied retroactively to January 1, 1996, the City adopted the provisions of GASB Statement No. 25, "Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans," and GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers." Aside from changing the reporting format of the basic financial statements and the required supplementary information, GASB No's. 25 and 27 require, in most cases, that investments in equity securities with readily determinable fair values and all investments in debt securities which are held by municipal retirement systems be reported at fair value based on quoted market prices.

Prior to the adoption of these standards, equity securities held by the Contributory Retirement System were recorded at their fair market values based on quoted market prices. Debt securities, however, were valued at amortized cost, which is the original cost of the investment adjusted for bond premium amortization or discount accretion over the expected life of the investment.

The deferred compensation plan invests in mutual funds which are recorded at their quoted market value.

(I) Restricted Assets

Assets within the individual funds, which can be designated by the City for any use within the fund's purpose, are considered to be unrestricted assets. Assets which are restricted for specific uses by bonded debt requirements, grant provisions, state law, or other requirements are classified as restricted assets.

(J) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Equipment	5-15
Building Improvements	20-40
Infrastructure	10-50
Vehicles	5-10
Land Improvements	20-40

(K) Other Assets

Inventories, prepaid expenses and other current assets, and unamortized bond issue costs are recorded as other assets when the City has such items. Inventories, consisting of materials and supplies, would be stated at the lower of cost (first-in, first-out method) or market.

(L) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the balance sheet 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.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element,

deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City's governmental fund financial statements (balance sheet) reflect deferred inflows of resources for revenues that do not meet the available criteria. The government wide financial statements (the Statement of Net Position) reflects deferred outflows of resources and deferred inflow of resources related to pensions and other post employment benefits.

(M) Compensated Absences

Compensated absences incurred by governmental fund types are recorded in the funds if they normally will be liquidated with then expendable available resources.

(N) Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in Governmental Funds. Open encumbrances at year end are reported as reservations of fund balances. Encumbrances do not constitute expenditures or liabilities, except for budgetary purposes.

Certain unexpended and unencumbered appropriations for incomplete projects are carried over to succeeding years. Such continuing appropriations are accounted for similar to encumbrances.

(O) Transfers

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as operating transfers and are reported as other financing sources (uses).

(P) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Investments

i. Deposits

Custodial Credit Risk - Deposits

Custodial Credit Risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2020, \$32,351,981 of the City's bank balance of \$49,298,497 was uninsured and uncollateralized.

Uninsured and Uncollateralized \$ 32,315,981

ii. Investments

a) As of June 30, 2020, the City had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>Over 5</u>
<u>Debt Securities:</u>				
U.S. Treasury / Agency Securities	\$ 4,410,435	\$ 557,732	\$ 2,852,058	\$ 1,000,645
Corporate Bonds and Other	2,582,068	665,349	1,487,539	429,180
Bond Mutual Funds	930,824	-	263,654	667,170
Total Debt Securities	<u>7,923,327</u>	<u>\$ 1,223,081</u>	<u>\$ 4,603,251</u>	<u>\$ 2,096,995</u>
<u>Other Investments</u>				
Equities	3,158,756			
Equity Mutual Funds	280,025			
Certificates of Deposit	656,780			
Money Market Mutual Funds	232,200			
MMDT - Cash Portfolio	91,884			
Total Investments	<u>\$ 12,342,972</u>			

b) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

c) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The City does not have a formal policy relating to credit risk.

d) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a formal policy that limits the amount it may invest in a single user (State law limits the amount that may be deposited in a financial institution without collateralization).

Fair Value Measurement

Statement #72 of the Government Accounting Standards Board ("GASB") *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 -Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

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 has the following recurring fair value measurements as of June 30, 2020:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Investment by Fair Value Level:				
U.S. Treasury / Agency Securities	\$ 4,410,435	\$ 4,410,435	\$ -	\$ -
Corporate Bonds	2,582,068	-	2,582,068	-
Bond Mutual Funds	930,824	930,824	-	-
Equities	3,158,756	3,158,756	-	-
Equity Mutual Funds	280,025	280,025	-	-
Certificates of Deposit	656,780	656,780	-	-
Money Market Mutual Funds	232,200	232,200	-	-
Total Investments in the Fair Value Hierarchy:	<u>12,251,088</u>	<u>\$ 9,669,020</u>	<u>\$ 2,582,068</u>	<u>\$ -</u>
Investments Not Subject to Fair Value Hierarchy reporting:				
MMDT	<u>91,884</u>			
Total Investments Not Subject to Fair Value Hierarchy:	<u>91,884</u>			
Total Investments	<u>\$ 12,342,972</u>			

The investments classified in Level 1 of the fair value hierarchy were valued using prices quoted in active markets for those securities.

Contributory Retirement System

Deposits

Custodial Credit Risk - Deposits

At December 31, 2019, \$638,662 of the Haverhill Retirement System's bank balance of \$888,663 was uninsured and uncollateralized.

	Uninsured and Uncollateralized	<u>\$ 638,663</u>
<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities 6-10 Years</u>
Debt Related Securities:		
Pooled Domes Fixed Income Funds	\$ 9,435,942	\$ 9,435,942
Other Investments:		
Money Market Mutual Funds	\$ 708,200	
Stocks	22,564,645	
Pooled Alternative Investments	3,822,723	
Pooled Estate Funds	19,607,290	
PRIT Funds	<u>161,247,511</u>	
Total Other Investments	<u>207,950,369</u>	
Total Investments	<u>\$ 217,386,311</u>	

Approximately 74% of Haverhill Retirement System's investments are in PRIT funds, which were established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board. The Administration does not have the ability to control any of the investment decisions relative to its funds in PRIT.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The System's guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The manager of each fixed income portfolio is responsible for determining the maturity and commensurate returns of their portfolio.

Credit Risk

Credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The Public Employee Retirement Administration Commission has an investment policy that the Plan follows. In addition, the Plan has its own formal policy relating to credit risk.

The System allows investment managers to apply discretion under the Prudent Person rule. Investments are made, as a prudent person would be expected to act with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Plan has a formal policy that limits the amount it may invest in a single issuer.

Net Position Available for Plan Benefits

The following comprised the Net Position available for plan benefits as of December 31:

	<u>2018</u>	<u>2019</u>
Annuity Savings Fund	\$ 45,189,164	\$ 44,834,036
Annuity Reserve Fund	14,692,001	15,126,064
Special Fund for Military Service Credits	12,930	12,943
Pension Fund	12,483,139	13,881,252
Pension Reserve Fund	118,732,464	144,094,023
Total	<u>\$ 191,109,698</u>	<u>\$ 217,948,318</u>

3. Property Taxes

Levy - Real estate and personal property taxes are levied each January 1 for the following fiscal year ending June 30. Bills are due quarterly on August 1, November 1, February 1 and May 1 or thirty days subsequent to the mailing date. The City is allowed to take delinquent tax accounts into tax title subsequent to the mailing of the notice of demand on delinquent taxes and the failure of efforts to collect the taxes by the Deputy Tax Collector. Interest accrues on delinquent taxes at the rate of 14% per annum, and is recognized as revenue when received.

Lien - Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforceable lien expires on the third October 1 after the fiscal year levied. If the property has not been transferred by the third October 1, an unendorsed lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment.

Personal Liability - The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by the sale or taking of the property by the City. Limitations - The City is subject to certain limitations on the amount of property taxes it may levy. Levies are generally limited to 2 1/2% of the City's total assessed valuation of real property. In addition, the assessed valuation of real property is limited to an annual increase of 2 1/2%.

4. Accounts Receivable

The accounts receivable on the Financial Statements are listed below by levy.

General Fund

Property Taxes Receivable:

Real Estate Taxes

2020	\$ 2,484,322
2019 & Prior	<u>274,721</u>

Total Real Estate Taxes	<u>\$ 2,759,043</u>
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4. Accounts Receivable (Continued)

Personal Property Taxes		
2020	43,371	
2019	12,463	
2018	12,094	
2017	8,468	
2016	11,690	
2015 & Prior	<u>33,353</u>	
Total Personal Property Taxes		<u>121,439</u>
Tax Deferral		<u>174,324</u>
Total Property Taxes Receivable		<u>\$ 3,054,806</u>
Tax Liens and Foreclosures		<u>\$ 2,818,799</u>
Excise Taxes Receivable:		
Motor Vehicle Excise Taxes		
2020	\$ 990,566	
2019	280,263	
2018	121,212	
2017	91,011	
2016	66,414	
2015	53,356	
2014	52,541	
2013	51,117	
2012	53,175	
2011	48,331	
2010	<u>45,809</u>	
Total Motor Vehicle Excise Taxes		<u>\$ 1,853,795</u>
Boat Excise Taxes		
2020	10,028	
2019	2,864	
2018	2,401	
2017	2,000	
2016	1,507	
2015 & Prior	<u>2,170</u>	
Total Boat Excise Taxes		<u>20,970</u>
Farm Excise Taxes		
2020	1,414	
2019	265	
2018	266	
2017	2,748	
2015	<u>2,723</u>	
Total Farm Excise Taxes		<u>7,416</u>
Total Motor Vehicle and Other Excise Taxes		<u>\$ 1,882,181</u>
Other Accounts Receivable		<u>\$ 114,352</u>
User Charges - Water and Sewer		<u>\$ 2,181,155</u>

5. Temporary Loans

At June 30, 2020, the City had outstanding Bond Anticipation Notes (BAN's) and State Aid Anticipation Notes (SAAN's) used to finance various capital projects. All such notes are included in temporary loans in the Capital Projects Fund (Non Major Funds Column), and Business Activities fund as noted below.

Changes in Short Term Debt – the following is a summary of the short term debt transactions for the fiscal year ended June 30, 2020:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>
<u>Governmental Activities:</u>				
BAN State Aid Anticipation Note	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -
SAAN - Municipal Purpose	5,292,200	-	(5,292,200)	-
BAN - Hunking Middle School	-	2,854,575	-	2,854,575
BAN - Fire Rescue Truck	-	700,000	-	700,000
Total - Governmental	<u>6,292,200</u>	<u>3,554,575</u>	<u>(6,292,200)</u>	<u>3,554,575</u>
 <u>Business Activities:</u>				
BAN' - MCWT Interim Loan - Water	24,742,646	-	(24,742,646)	-
BAN' - MCWT Interim Loan - Water	2,601,239	-	(2,601,239)	-
BAN' - MCWT Interim Loan - Water	-	688,969	-	688,969
BAN' - MCWT Interim Loan - Sewer	792,362	5,884,922	-	6,677,284
BAN' - MCWT Interim Loan - Sewer	-	542,381	-	542,381
Total - Business Type	<u>28,136,247</u>	<u>7,116,272</u>	<u>(27,343,885)</u>	<u>7,908,634</u>
Grand Total	<u>\$ 34,428,447</u>	<u>\$ 10,670,847</u>	<u>\$ (33,636,085)</u>	<u>\$ 11,463,209</u>

6. 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 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. As of June 30, 2020, the balance of the note is \$5,913,000.

General obligation bonds outstanding at June 30, 2020 bear interest at various rates.

(A) Changes in Long Term Debt – the following is a summary of bond transactions for the year ended June 30, 2020:

Bonds Payable Schedule - Governmental

<u>Project</u>	<u>Matures Through</u>	<u>Original Loan Amount</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2020</u>
MCWT	2033	\$ 12,121,424	0.00 - 2.00	\$ 6,733,848
Municipal Purpose Bonds of 2010	2029	10,027,261	2.80 - 3.80	3,782,000
Hospital Restructuring Bonds of 2011	2022	9,680,000	4.30	2,290,000
Municipal Purpose Bonds of 2012	2032	2,762,700	4.03 - 4.33	1,365,000
Municipal Purpose Bonds of 2014	2034	3,165,000	0.70 - 3.48	1,515,000
Municipal Purpose Bonds of 2015	2045	11,197,000	3.60 - 4.00	9,985,000
Municipal Purpose Bonds of 2016	2041	1,677,000	2.00 - 4.00	1,480,000
Municipal Purpose Bonds of 2017	2042	2,215,000	2.00 - 4.00	1,870,000
Municipal Purpose Bonds of 2018	2047	15,723,500	3.00 - 5.00	14,720,000
Municipal Purpose Bonds of 2020	2039	3,645,900	2.13 - 5.00	<u>3,645,900</u>
Sub-Total of Long-term Governmental Bonds				<u>47,386,748</u>
Hospital Deficit Refunding Note	2021	7,000,000	1.75	<u>5,913,000</u>
Add: Unamortized Premiums on Bonds				<u>1,119,368</u>
Total Governmental Bonds Payable				<u>\$ 54,419,116</u>

(B) Summary of Debt Service Requirements to Maturity

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 5,847,511	\$ 1,822,366	\$ 7,669,877
2022	5,884,610	1,603,317	7,487,927
2023	4,510,281	1,421,919	5,932,200
2024	2,551,126	1,262,771	1,169,251
2025	2,567,152	1,169,251	3,736,403
2026	2,580,361	1,069,780	3,650,141
2027	2,210,258	980,073	3,190,331
2028	2,149,367	998,957	3,148,324
2029	1,986,650	820,739	2,807,389
2030	1,961,132	742,216	2,703,348
2031	1,960,816	673,940	2,634,756
2032	1,874,995	612,469	2,487,464
2033	1,778,365	555,310	2,333,675
2034	1,471,106	505,676	1,976,782
2035	1,406,018	463,717	1,869,735
2036	1,170,000	411,066	1,581,066
2037	1,205,000	383,919	1,588,919
2038	1,230,000	347,383	1,577,383
2039	1,260,000	302,838	1,562,838
2040	1,275,000	260,303	1,535,303
2041	1,210,000	208,160	1,418,160
2042	1,155,000	175,147	1,330,147
2043	1,145,000	133,928	1,278,928
2044	1,085,000	92,897	1,177,897
2045	1,125,000	53,953	1,178,953
2046	595,000	13,584	608,584
2047	105,000	1,772	106,772
Total	<u>\$ 53,299,748</u>	<u>\$ 17,087,451</u>	<u>\$ 67,742,553</u>

(B) Summary of Debt Service Requirements to Maturity (Continued)

Bonds Payable Schedule - Enterprise Funds

Project	Matures <u>Through</u>	Original Loan <u>Amount</u>	Interest Rate <u>(%)</u>	Outstanding at June 30, <u>2020</u>
Water - MCWT	2040	\$ 2,786,681	2.00	\$ 43,669,872
Water - Municipal Purpose Bonds of 2012	2023	1,974,000	4.02	225,000
Water - Municipal Purpose Bonds of 2014	2023	1,600,000	1.78	480,000
Water - Municipal Purpose Bonds of 2020	2040	525,000	5.00 - 2.13	525,000
Sewer - MCWT	2035	23,219,765	2.00	21,680,554
Sewer - Municipal Purpose Bonds of 2010	2029	187,800	3.90	98,000
Sewer - Municipal Purpose Bonds of 2012	2023	1,244,300	3.93 - 4.04	350,000
Sewer - Municipal Purpose Bonds of 2016	2036	1,081,000	2.00 - 4.00	925,000
Sewer - Municipal Purpose Bonds of 2017	2042	343,000	2.00 - 4.00	295,000
Sewer - Municipal Purpose Bonds of 2018	2043	2,106,500	3.00 - 5.00	2,050,000
Sewer - Municipal Purpose Bonds of 2020	2040	3,156,300		<u>3,889,100</u>
Subtotal of Bonds Payable				<u>74,187,526</u>
Add: Unamortized Premiums on Bonds				<u>449,800</u>
Total Enterprise Fund Bonds Payable				<u>\$ 74,637,326</u>

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 4,206,107	\$ 1,691,497	\$ 5,897,604
2022	4,157,802	1,791,900	5,949,702
2023	4,169,515	1,583,746	5,753,261
2024	3,879,219	1,478,200	5,357,419
2025	3,902,931	1,376,771	5,279,702
2026	3,993,811	1,251,538	5,245,349
2027	4,075,104	1,140,990	5,216,094
2028	3,873,452	997,055	4,870,507
2029	3,762,686	900,662	4,663,348
2030	3,829,333	840,695	4,670,028
2031	3,907,317	705,388	4,612,705
2032	3,855,135	643,997	4,499,132
2033	3,938,273	543,491	4,481,764
2034	3,905,159	463,147	4,368,306
2035	3,978,515	171,223	4,149,738
2036	3,388,251	304,780	3,693,031
2037	3,384,392	246,239	3,630,631
2038	2,754,473	162,821	2,917,294
2039	2,808,566	104,549	2,913,115
2040	2,157,485	48,331	2,205,816
2041	90,000	9,050	99,050
2042	90,000	5,763	95,763
2043	<u>80,000</u>	<u>2,800</u>	<u>82,800</u>
	<u>\$ 74,187,526</u>	<u>\$ 16,464,633</u>	<u>\$ 90,652,159</u>

(C) Long -Term Debt Authorizations

General Obligation Bonds authorized and unissued at June 30, 2020 are summarized as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
2/3/1999	99 School Remolding	\$ 2,680,000
7/29/1998	CWSRF-143/ CW-98-90	50,000
12/2/1999	Sewer	1,520,000
1/17/2002	Planning CSO	180,500
3/13/2003	High School Renovation	227,488
5/2/2003	MWPAT CW-00-54A (Landfill)	4,995
6/16/2003	CSO Project MWPAT-CW-03-34, 04-09	969,063
8/26/2004	05 Departmental Equipment	115,000
12/23/2004	Parking Deck	301
5/24/2005	Sewer CW-05-17	321,426
12/20/2006	07 Park Dept Building Repairs	53,000
1/16/2007	07 School Books	125,325
9/21/2010	Landfill	9,657,212
9/18/2012	Hunking School Feasibility Study	20
6/3/2014	Hunking School	2,975,197
7/8/2014	Fire Pumper Truck	70
10/13/2015	School Enger Project	2,500,000
3/8/2016	CSO System Improvements	1,176,720
9/21/2016	Water Mains 16-07	452,000
10/18/2016	Sewer Lake Street	444
4/4/2017	Water Treatment Plant (additional funding to 15-C)	40,937
6/20/2017	Wastewater Odor	788,269
7/24/2018	Water Distribution System	377,834
4/29/2019	CSO System Improvements	508,900
4/29/2019	Kenoza Ave Improvements	800,000
6/25/2019	Fire Rescue Truck	700,000
2/11/2020	High School Pool Roof	170,000
	Total	<u>\$ 26,394,701</u>

Long Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements and in the fund financial statements for proprietary fund types.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Changes in the government's long-term liabilities for the year ended June 30, 2020 are as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
<u>Governmental Activities</u>					
Long-term Bonds and Notes	\$ 55,075,584	\$ 3,645,900	\$ (5,421,736)	\$ 53,299,748	\$ 5,847,511
Add: Unamortized Premium	<u>789,559</u>	<u>391,728</u>	<u>(61,919)</u>	<u>1,119,368</u>	<u>83,253</u>
Total Bonds Payable	<u>55,865,143</u>	<u>4,037,628</u>	<u>(5,483,655)</u>	<u>54,419,116</u>	<u>5,930,764</u>
Capital Lease Obligations	2,079,106	436,306	(287,568)	2,227,844	261,974
Landfill Closure	15,160,000	-	(150,000)	15,010,000	69,000
Compensated Absences	2,270,000	2,758,244	(454,000)	4,574,244	914,849
Workers' Compensation	458,000	67,494	(458,000)	67,494	67,494
Net Pension Liability	174,634,032	39,908,488	(52,602,704)	161,939,816	-
OPEB Liabilities	<u>351,640,388</u>	<u>140,836,351</u>	<u>(35,726,495)</u>	<u>456,750,244</u>	<u>-</u>
Total Governmental Activities	<u>\$ 602,106,669</u>	<u>\$ 188,044,511</u>	<u>\$ (95,162,422)</u>	<u>\$ 694,988,758</u>	<u>\$ 7,244,081</u>
<u>Business Type Activities</u>					
Long-term Bonds and Notes	\$ 30,326,527	\$ 46,625,237	\$ (2,764,238)	\$ 74,187,526	\$ 4,206,107
Add: Unamortized Premium	<u>-</u>	<u>449,800</u>	<u>-</u>	<u>449,800</u>	<u>25,337</u>
Total Bonds Payable	<u>30,326,527</u>	<u>47,075,037</u>	<u>(2,764,238)</u>	<u>74,637,326</u>	<u>4,231,444</u>
Compensated Absences	126,000	113,936	(25,200)	214,736	42,947
Net Pension Liability	10,824,149	4,835,225	(4,093,554)	11,565,820	-
OPEB Liabilities	<u>12,581,051</u>	<u>5,831,581</u>	<u>(2,399,657)</u>	<u>16,012,975</u>	<u>-</u>
Total Business Type Activities	<u>\$ 53,857,727</u>	<u>\$ 57,855,779</u>	<u>\$ (9,282,649)</u>	<u>\$ 102,430,857</u>	<u>\$ 4,274,391</u>

7. Components of Fund Balance

Fund Balance Classification Policies and Procedures

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement (effective for fiscal year 2011) establishes accounting and financial reporting standards for all governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications.

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to the constraints on the specific purposes for which the amounts in those funds can be spent.

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

1. Nonspendable, includes amounts that cannot be spent because they are (a) not in spendable form (such as fund balance associated with inventories) or are (b) legally or contractually required to stay intact (i.e. corpus of a permanent trust fund),

2. Restricted, constraints are placed on the use of resources that can be spent only for the specific purposes that are either (a) imposed by creditors, grantors or contributors, or (b) imposed by law through constitutional provisions or through enabling legislation,
3. Committed, includes amounts that can be used only for the specific purposes determined by a formal action of the City Council (the City's highest level of decision-making authority),
4. Assigned, intended (by the City Council, Mayor or City Auditor) to be used by the government for specific purposes, but do not meet the criteria to be classified as restricted or committed, and
5. Unassigned, the residual classification for the government's general fund and includes all spendable amounts not contained in the restricted, committed or assigned categories.

The City Council is the highest level of decision making authority in the City. Committed fund balance cannot be used for any other purposes without formal vote taken by the City Council.

Details of Fund Balance Classifications

The following schedule shows the detail of the fund balance classifications displayed in the aggregate on the City's balance sheet.

	<u>General Fund</u>	<u>Middle School</u>	<u>Non Major Funds</u>	<u>Total</u>
Restricted for:				
General Government	\$ -	\$ -	\$ 609,541	609,541
Public Safety	-	-	652,749	652,749
Education	-	-	7,406,850	7,406,850
Public Works	-	-	1,383,702	1,383,702
Human Services	-	-	2,302,649	2,302,649
Community Development	-	-	311,950	311,950
Total Restricted	<u>-</u>	<u>-</u>	<u>12,667,441</u>	<u>12,667,441</u>
Committed to:				
Employee Benefits	322,781	-	-	322,781
Total Committed	<u>322,781</u>	<u>-</u>	<u>-</u>	<u>322,781</u>
Assigned to:				
Reduce the Tax Rate	5,100,000	-	-	5,100,000
General Government	86,194	-	-	86,194
Public Safety	289,644	-	-	289,644
Education	2,931,034	-	-	2,931,034
Public Works	337,304	-	-	337,304
Human Services	4,974	-	-	4,974
Community Development	1,653	-	-	1,653
Total Assigned	<u>8,750,803</u>	<u>-</u>	<u>-</u>	<u>8,750,803</u>
Unassigned	<u>17,990,728</u>	<u>(2,837,395)</u>	<u>(482,230)</u>	<u>14,671,103</u>
Total Fund Balances	<u>\$ 27,064,312</u>	<u>\$ (2,837,395)</u>	<u>\$ 12,185,211</u>	<u>\$ 36,412,128</u>

8. Budget Basis of Accounting

The budget amounts appearing in the financial statements are taken from the City's annual recap sheet and include only those amounts which pertain to June 30, 2020. The budget amounts include special City Council meeting votes applicable to June 30, 2020.

The expenditures on this statement are presented on a budgetary Non-GAAP basis. The difference between GAAP (Generally Accepted Accounting Principles) and Non-GAAP presentation is as follows:

	<u>Revenues</u>
As Reported Budget Basis	\$ 195,168,077
Adjustments:	
Sixty Day Property Tax Accrual - Net	825,372
Other adjustment	434,242
Teacher Retirement on Behalf Payments	21,974,426
As Reported GAAP Statement	<u>\$ 218,402,117</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 195,458,443
Adjustments:	
July 1, 2019 Encumbrances	2,692,282
June 30, 2020 Encumbrances	(3,650,803)
Other Adjustments	(1,186,076)
Teacher Retirement on Behalf Payments	21,974,426
As Reported GAAP Statement	<u>\$ 215,288,272</u>

9. Contributory Retirement System

Description of the Plan

General – Substantially all employees of the City of Haverhill, Whittier Regional Vocational Technical High School and the Haverhill Housing Authority (except teachers and administrators under contract employed by the School Department), are members of the Haverhill Retirement System (the System), a cost sharing, multiple employer Public Employee Retirement System (PERS). The System is administered by a five member Board on behalf of all eligible current employees and retirees (not including teachers who are part of MTRS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees and permanent, part-time employees working twenty or more hours per week. The System issues a stand-alone financial report that is available at 4 Summer Street, Haverhill, Massachusetts 01830.

At January 1, 2020, membership in the Plan consisted of:

Retirees and Beneficiaries Receiving Benefits	1,080
Inactive Membership	175
Active Members	<u>888</u>
Total	<u>2,143</u>

Retirement Benefits – Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3).

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member’s final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage based on the age of the member at retirement.

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
	<u>Hired on or before April 1 2012</u>		
2.50%	65+	60+	55+
2.40%	64	59	54
2.30%	63	58	53
2.20%	62	57	52
2.10%	61	56	51
2.00%	60	55	50
1.90%	59	N/A	49
1.80%	58	N/A	48
1.70%	57	N/A	47
1.60%	56	N/A	46
1.50%	55	N/A	45

A member’s final three-year average salary is defined as the greater of the highest consecutive three-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last three years of creditable service prior to retirement.

For employees hired on April 2, 2012 or later, the annual amount of the retirement allowance is based on the member’s final five-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage depending upon if they have less than or greater than thirty years of service and also depending on their age at retirement.

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
	<u>Hired on or after April 1 2012</u>		
2.50%	67+	62+	57+
2.35%	66	61	56
2.20%	65	60	55
2.05%	64	59	54
1.90%	63	58	53
1.75%	62	57	52
1.60%	61	56	51
1.45%	60	55	50

A member’s final five-year average salary is defined as the greater of the highest consecutive five-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last five years of creditable service prior to retirement.

For employees who became members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation for members who retire after April 2, 2012 will be limited to prohibit “spiking” of a member’s salary to increase the retirement benefit.

For all employees, the maximum annual amount of the retirement allowance is 80 percent of the member's final three-year average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

Survivor Benefits - Survivor benefits are extended to eligible beneficiaries of participants.

Vesting - If the employee was a member of the Plan prior to January 1, 1978 or was an elected official and had rendered at least six years of creditable service, the member may leave his/her contributions in the Annuity Savings Fund and be eligible to receive a superannuation retirement allowance at age fifty-five. Any employee who became a member of the Plan after January 1, 1978 (but prior to April 2, 2012), has at least ten years of service, and leaves his/her accumulated contributions on deposit with the Plan may request a retirement allowance upon attaining age 55. Any employee who became a member of the Plan on or after April 2, 2012, has at least ten years of service, and leaves his/her accumulated contributions on deposit with the Plan may request a retirement allowance upon attaining age 60 (Group 1), or age 55 (Group 2).

Disability Retirements - For members whose credible service began prior to April 2, 2012, the Plan provides for an ordinary disability retirement when a participant is permanently incapacitated from a cause unrelated to employment. The Plan also provides for an accidental disability retirement when the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, years of service, average compensation, group classification, and veteran status, as described in the following paragraphs:

An accidental disability allowance consists of two parts, an annuity and a pension. The calculation of the benefit to be paid for accidental disability is equal to 72% of the annual rate of regular compensation as of the date the injury was sustained or 72% of the average annual rate of regular compensation for the twelve-month period for which regular compensation was last received, whichever is greater.

An ordinary disability retirement allowance is calculated based on superannuation of the benefit to be received at age 55, adjusted for actual creditable service.

For non-veteran members whose membership date began on April 2, 2012 or thereafter, the benefit payable is the same as would be payable for a regular or "superannuation" retirement, utilizing a formula using age, creditable service and the average of a person's five highest years of regular compensation. For people in Group 1 under the age of 60, the age factor will be "bumped up" to 60, providing a larger benefit. For those in Groups 2 or 4 who are under the age of 55, a similar bump up will occur, this time to age 55.

A veteran retired for ordinary disability will receive an allowance consisting of an annuity based on age and accumulated deductions plus related interest and a pension equal to 50% of annual rate of regular compensation for the last year immediately preceding retirement for which regular compensation was received. The allowance of a veteran retired for ordinary disability after becoming age 55 will not be less than the allowance which would otherwise have been received had the employee retired for superannuation.

Employee Contributions - Employees whose creditable service began prior to January 1, 1975 contribute 5% of their base salaries or wages; those whose service date is subsequent to January 1, 1975 and prior to January 1, 1984 contribute 7%; those whose service date is subsequent to January 1, 1984 contribute 8%; and those whose service date is subsequent to July 1, 1996 the contribution rate is 9%. The contribution rate for most members whose membership date is April 2, 2012 or thereafter, including those who re-entered membership after that date, repaying contributions withdrawn, will be 9% of regular compensation. The contribution rate will be reduced to 6% of regular compensation when at least 30 years of creditable service has been granted for members in Group 1.

Active participants (who were hired on or after January 1, 1979) contribute an additional 2% of salary in excess of \$30,000. Deductions are continued for those employees working beyond the age of seventy, who so elect. Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of fifty-five are entitled to request a refund of the accumulated total contributions.

Interest Provisions – No interest shall be included in the accumulated total deductions paid to the member for any period after the expiration of two years from the end of the month preceding the date of his or her termination of service.

Members who entered into service on or after January 1, 1984 are subject to the following provisions with respect to the refund of interest credited to their annuity accounts.

1. If the member has less than 120 months (10 Years) of credible service and has voluntarily withdrawn from service, the member will receive 3% interest on accumulated total deductions.
2. If the member has more than 120 months (10 Years) of creditable service and has voluntarily withdrawn from service, the member will receive 100% interest of the regular interest on accumulated total deductions.
3. If the member has involuntarily terminated from service, the member will receive 100% of the regular interest on accumulated total deductions, regardless of his or her amount of creditable service.

Employer Contributions (Funding) – The funding objective of the plan is to fully fund the system while attempting to maintain a stable contribution amount for the upcoming fiscal year that is consistent with prior funding schedules or if employer finances, allow it, to increase the contribution amount. The Haverhill Retirement Board, with the approval of PERAC, has elected to retain an approved funding schedule with employer contributions that are based on the bi-annual actuarial studies done.

Cost of Living - From 1981 until November 6, 1996, cost-of-living increases granted to members of local retirement systems had been the financial responsibility of the Commonwealth. Effective for fiscal year 1998 and subsequent fiscal years, funding and approving cost-of-living adjustments for (nonteacher) systems is the responsibility of the Plan.

Plan Amendments and Terminations - The Plan may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment, or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of the Commonwealth, if such member has paid the stipulated contributions specified in sections or provisions of such laws.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$173,505,636 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Accordingly, update procedures were utilized to roll forward the liability to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the City's proportion was 94.66%. Since this is the implementation year of GASB 68 the increase/decrease of its proportion measured as of December 31, 2013 was not calculated.

Costs related to the City's pension assessment are not charged to the City's enterprise funds by way of direct or indirect charges. The City's has no intention to charge the enterprise funds for the pension related costs in the future. As a result the pension liabilities, pension expense, deferred outflows of

resources and deferred inflows of resources related to pensions were not allocated to the enterprise funds.

For the year ended June 30, 2020, the City recognized pension expense of \$27,317,879. Since the system performs an actuarial valuation bi-annually, there are not reported differences between expected and actual experience or a change of assumptions as of December 31, 2019. Additionally, the changes in proportion and differences between employer contributions and proportionate share of contributions are not presented in the initial year of reporting in accordance with GASB Statements 67, 68 and 71. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,362,342	\$ (3,583,601)
Change in assumptions	13,645,074	-
Net differences between projected and actual earnings on pension plan investments	-	(5,878,564)
Changes in proportion and differences between contributions and proportionate share of contributions	1,509,912	(2,208,619)
Contributions subsequent to the measurement date	-	-
	<u>\$ 16,517,328</u>	<u>\$ (11,670,784)</u>

Contributions made subsequent to the measurement date (deferred outflows of resources) are recognized as a reduction of the net pension liability in the next fiscal year. The City did not have any deferred outflows of resources for contributions made subsequent to the measurement date. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2020	\$ 4,584,659
2021	448,981
2022	2,093,729
2023	(2,280,825)

Actuarial Assumptions

The total pension liability as of December 31, 2019 was determined by updating an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2020
Actuarial Cost Method	Entry age normal
Amortization Method	Increasing dollar amount of 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2032. The annual increase in appropriation is further limited to 5.2% in FY 2022 and 6.06% thereafter increasing dollar amount of 4% to reduce the 2002 and 2003 ERI Actuarial to zero.
Remaining Amortization Period	20 years for the fresh start base
Asset Valuation Method	<p>The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of:</p> <ul style="list-style-type: none">a) 75% of gains and losses of the prior year,b) 50% of gains and losses of the second prior year, andc) 25% of gains and losses of the third prior year. <p>Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 90% or more than 110% of market value.</p>
Inflation	2.5% per year
Salary Increases	Group 1: 6% - 4.25%, based on service Group 4: 7% - 4.75%, based on service
Payroll Growth	3.5% per year
Investment Rate of Return/Discount Rate	7% net of pension plan investment expenses, including inflation
Mortality Rates	Based on the RP-2014 Blue Collar Mortality Table with full general mortality improvement using Scale MP-2018.
Disable Mortality Rates	Based on the RP-214 Blue Collar Mortality. Tale set forward one year with full generational mortality improvement using Scale MP-2018.

In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. The RP-2000 Employee Mortality Table (sex distinct) projected with Scale BB and the RP-2000 Healthy Annuitant Mortality Table for healthy annuitants (sex distinct) projected with Scale BB were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience of the 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	25.70%	4.40%
International Equities	15.00%	4.50%
Emerging Market Equities	6.00%	6.70%
Core Fixed Income	13.50%	0.90%
Value-Added Fixed Income	7.80%	4.30%
Private Equity	8.00%	8.40%
Real Estate	10.00%	3.60%
Timberland	7.00%	4.20%
Hedge Funds	7.00%	3.30%
	<u>100%</u>	

Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2019 (net of investment expenses) was 15.66%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the 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.

Since the City is not responsible for its proportionate share of the collective net pension liability, a sensitivity analysis of the discount rate is not required.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City of Haverhill Retirement System, calculated using the discount rate of 7.0%, as well as what the City of Haverhill Retirement System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease <u>(7.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
City's proportionate share of the Net Pension Liability	<u>\$213,921,215</u>	<u>\$173,505,636</u>	<u>\$139,204,680</u>
System Total Net Pension Liability	<u>\$225,989,029</u>	<u>\$183,293,510</u>	<u>\$147,057,553</u>

10. Massachusetts Teachers' Retirement System

Special Funding Situation

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. The MTRS covers certified teachers and certain school administrators. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. Therefore, the City is considered to be in a "special funding situation" according to GASB Statement # 68 *Accounting and Financial Reporting for Pensions*. Since the City does not contribute to the MTRS it does not have a pension liability to report.

MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members-two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

For the fiscal year ended June 30, 2020, the City's proportionate share of the collective pension expense was \$21,974,426. The City's proportionate share was based on its percentage share of covered payroll in the MTRS. Since this is the implementation year for GASB 68, the City's percentage has not changed. Accordingly, the accompanying financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2020, or fund balance/net position at June 30, 2020.

The Commonwealth's proportionate share of net pension liability associated with the City is \$181,206,442.

The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The Commonwealth's report is available on the internet at: <http://www.macomptroller.info/comptroller/docs/reports-audits/cafr/cafr-fy2019.pdf>

Benefits provided

MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Member contributions for MTRS vary depending on the most recent date of membership.

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984-6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation
1979 to present	An additional 2% of regular compensation over \$30,000

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

1. (a) 7.25% investment rate of return (7.35% in the previous valuation), (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
4. An Experience Study was performed as follows:
 - Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. 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 rates of return 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 rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	39.0%	4.9%
Core fixed income	15.0%	1.3%
Private Equity	13.0%	8.2%
Portfolio Completion Strategies	11.0%	3.9%
Real Estate	10.0%	3.6%
Value Added Fixed Income	8.0%	4.7%
Timber/Natural Resources	4.0%	4.1%
Total	<u>100.00%</u>	

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Commonwealth of Massachusetts financial report. The financial report is available on the internet at: <http://www.macomptroller.info/comptroller/docs/reports-audits/cafr/cafr-fy2019.pdf>

11. Other Postemployment Benefits (OPEB) Disclosures

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 for 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 for 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 \$472,763,219 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2020.

Employees Covered by Benefit Terms

The information below represents the Plan's membership at June 30, 2020:

Active Members	1,250
Retirees and Beneficiaries	<u>1,960</u>
Total	<u>3,210</u>

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the City, as well as what the City's total OPEB 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 <u>1.25%</u>	Current Discount Rate <u>2.25%</u>	1% Increase <u>3.25%</u>
Total OPEB Liability (asset)	<u>\$598,315,650</u>	<u>\$472,763,219</u>	<u>\$383,083,010</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	Current Healthcare Cost Trend	<u>1% Increase</u>
Total OPEB Liability (asset)	<u>\$385,233,569</u>	<u>\$472,763,219</u>	<u>\$592,367,591</u>

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$26,406,918 (\$36,976,494, total expense – \$10,569,576 employer contribution). At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (27,962,811)
Change in assumptions	<u>90,656,394</u>	<u>-</u>
	<u>\$ 90,656,394</u>	<u>\$ (27,962,811)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2020	\$ 21,426,382
2021	24,052,641
2022	<u>17,214,560</u>
Total	<u>\$ 62,693,583</u>

12. 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 exceed coverage for each of the past three years. The incurred but not reported liability related to unemployment claims is immaterial and therefore not recorded.

13. Tax Abatements

In accordance with GASB Statement No. 77, *Tax Abatement Disclosures*, the City is required to disclose certain information related to tax agreement programs.

The City entered into property tax abatement agreements subject to Massachusetts General Laws Chapter 23A, Sections 3A-3F. The Economic Development Incentive program is designed to promote increased business development and expansion throughout the Commonwealth. It allows municipalities to negotiate agreements that provide enhancements to properties and/or assist in job creation and retention.

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, 2020, the amount of the liability for workers' compensation claims totaled \$458,000. Changes in the reported liability since July 1 2017, are as follows:

	Balance at Beginning of <u>Year</u>	Current Year Claims and Changes in <u>Estimate</u>	<u>Claims</u> <u>Payments</u>	Balance at <u>Year-End</u>	Current <u>Portion</u>
2018	\$ 478,000	\$ 764,000	\$ (454,000)	\$ 788,000	\$ 118,000
2019	788,000	62,000	(392,000)	458,000	69,000
2020	458,000	67,494	(458,000)	67,494	67,494

14. Commitments and Contingent Liabilities

The City has been contacted by the Massachusetts Department of Environmental Protection (the "DEP") to discuss the responsibility for closure of the Old Haverhill Landfill (the "Landfill") on Groveland Road.

The Landfill was listed on the National Priorities List under the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA") (the Federal Superfund statute). The contact with the DEP focused on the City's obligation to conduct final closure of the Landfill in accordance with state solid waste requirements, notwithstanding its status as a listed Federal Superfund Site. Portions of the Landfill are owned by Aggregate Industries. The DEP also contacted Aggregate Industries to discuss the intentions of both the City and Aggregate Industries with respect to a settlement and closure under the solid waste program.

The City's financial exposure with respect to responsibility for Landfill closure will be affected by several factors, including the relative allocation of costs shared by Aggregate Industries and the City, the ability of the owners to recover assessment and remediation costs from other parties associated with Landfill operations, and the specific methods of Landfill closure determined to be acceptable by regulatory authorities. The City has recorded a liability of \$15,010,000 in the Financial Statements which represents legal counsel's best estimate of the City's liability for the Landfill closure and post closure costs.

In addition, the City received notice on behalf of the US Environmental Protection Agency (EPA) that they may file suit against the City with regards to the enforcement of the Clean Water Act as it applies to the City's combined sewer overflow (CSO) system and the high number of discharges into the Merrimack River by the City during periods of high volume rain storms. The City was somewhat dismayed to receive such notice as it had been the Cities understanding that they are in compliance with all outstanding orders, and, in fact, have moved forward to implement certain remedies that are not yet required. The City continues to actively be working with EPA to resolve the outstanding issues. The City recognizes that it will continue to be required by federal law and permit conditions to expend funds to address wastewater and storm water management responsibilities. The City believes this matter will be concluded shortly on terms which are favorable to the City.

In addition, the City is involved in litigation concerning *Michael Maroney, as Trustee of Premiere Realty Trust, and Maroney Construction Company, Inc. v. City of Haverhill*. The Plaintiff filed suit in both Essex Superior Court and Federal District Court. The City was granted judgement on all counts in the Essex Superior Court case which has been upheld on appeal. In the Federal District Court case a Motion to Dismiss was successful in part and a Motion for Summary Judgement on the remaining counts is anticipated shortly. The Plaintiff's demands in this case have varied from time to time, but have been as high as \$13 million. The City remains reasonably confident that the remaining Federal District Court claims will also be dismissed.

Various legal actions and other claims are pending against the City. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2020 cannot be ascertained, management believes that any resulting liability should be covered by insurance and will not materially affect the financial statements of the City.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agent for expenditures disallowed under terms of the grants. City officials are not aware of any potential disallowances.

15. Interfund Transfers in Fund Financial Statements

Interfund transfers are listed below:

	Transfers <u>In</u>	Transfers <u>(Out)</u>	<u>Total</u>
General	\$ 5,713	\$ (1,728,492)	\$ (1,722,779)
Non-major Governmental	2,309,492	(586,713)	1,722,779
Total	<u>\$ 2,315,205</u>	<u>\$ (2,315,205)</u>	<u>\$ -</u>

16. Subsequent Year Authorization

The City has voted fiscal year 2021 budget amounts totaling \$231,381,026. Fiscal year 2021 budgetary amounts which are not reflected in the accompanying financial statements will be financed by the following sources:

<u>Subsequent Year Authorizations</u>	
Property Taxes, State Aid and Non-Property Tax Revenue	\$ 202,665,335
Enterprise Fund Revenues and Available Funds	22,815,691
Other Available Funds	5,900,000
Total	<u>\$ 231,381,026</u>

17. Net Position – Unrestricted (Deficit)

Governmental Activities – The net position, entitled “Net Investment in Capital Assets” (e.g. land, buildings, equipment, infrastructure, etc.), that was needed to acquire or construct the assets represents \$171,830,091 in net position; and the assets restricted for specific purposes represent \$9,121,053 in net position. As these two components of net position exceed total net position, unrestricted net position showed a (\$544,390,021) deficit at the end of the year. This deficit does not mean that the City does not have resources available to pay its bills. Rather, it is the result of having long-term commitments that are greater than currently available resources. Part of the reason this unrestricted deficit is so large is because the debt borrowed by the City that is related to the Hale Hospital, has no related capital asset reflected on the Statement of Net Position. In addition, significant liabilities relating to the closure of the landfill, relating to the GASB 75 Other Post Employment Benefits liability and relating to the GASB 68 net pension liability are recorded on the Statement of Net Position in accordance with GASB standards. These liabilities increased the Unrestricted Net Position deficit.

18. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Adjustments</u>	<u>Ending Balance</u>
Government Activities:				
Land	\$ 10,284,232	\$ -	\$ -	\$ 10,284,232
Totals Capital Assets not Being Depreciated	<u>10,284,232</u>	<u>-</u>	<u>-</u>	<u>10,284,232</u>
Assets Being Depreciated:				
<u>Cost:</u>				
Buildings	188,992,955	378,923	(74,631)	189,297,247
Improvements	12,222,489	449,964	(17,650)	12,654,803
Infrastructure	178,434,978	3,279,859	(107,761)	181,607,076
Equipment	4,213,788	184,420	(121,467)	4,276,741
Vehicles	6,798,861	1,224,817	(110,000)	7,913,678
Total Capital Assets Being Depreciated	<u>390,663,071</u>	<u>5,517,983</u>	<u>(431,509)</u>	<u>395,749,545</u>

18. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Adjustments</u>	<u>Ending Balance</u>
Less Accumulated Depreciation:				
Buildings	(66,250,703)	(4,023,076)	-	(70,273,779)
Improvements	(5,198,197)	(625,646)	-	(5,823,843)
Infrastructure	(94,017,251)	(4,664,425)	-	(98,681,676)
Equipment	(1,843,357)	(297,232)	121,467	(2,019,122)
Vehicles	(5,068,870)	(385,705)	110,000	(5,344,575)
Total Accumulated Depreciation	<u>(172,378,378)</u>	<u>(9,996,084)</u>	<u>231,467</u>	<u>(182,142,995)</u>
Capital Assets Being Depreciation, Net	<u>218,284,693</u>	<u>(4,478,101)</u>	<u>(200,042)</u>	<u>213,606,550</u>
Government Activities - Capital Assets, Net	<u>\$ 228,568,925</u>	<u>\$ (4,478,101)</u>	<u>\$ (200,042)</u>	<u>\$ 223,890,782</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

General Government	\$ 392,362
Public Safety	770,863
Education	4,049,895
Highways and Public works	4,557,649
Human Services	225,315

Total Governmental Activities Depreciation Expense

\$ 9,996,084

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Adjustments</u>	<u>Ending Balance</u>
Business Type Activities:				
Land	\$ 1,771,855	\$ -	\$ -	\$ 1,771,855
Construction Work in Process	11,357,486	2,451,857	(11,357,486)	2,451,857
Totals Capital Assets Not Being Depreciated	<u>13,129,341</u>	<u>2,451,857</u>	<u>(11,357,486)</u>	<u>4,223,712</u>
Assets Being Depreciated:				
<u>Cost:</u>				
Buildings	2,835,291	15,051,273	-	17,886,564
Improvements	23,291,357	2,607	-	23,293,964
Infrastructure	103,758,450	8,588,457	-	112,346,907
Equipment	33,823,290	256,903	-	34,080,193
Vehicles	969,744	29,950	(24,194)	975,500
Total Capital Assets Being Depreciated	<u>164,678,132</u>	<u>23,929,190</u>	<u>(24,194)</u>	<u>188,583,128</u>

18. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Adjustments</u>	<u>Ending Balance</u>
Less Accumulated Depreciation:				
Buildings	(147,767)	(444,752)	-	(592,519)
Improvements	(1,519,803)	(622,152)	-	(2,141,955)
Infrastructure	(56,287,633)	(2,202,222)	-	(58,489,855)
Equipment	(22,588,043)	(1,215,619)	-	(23,803,662)
Vehicles	(902,832)	(11,170)	24,194	(889,808)
Total Accumulated Depreciation	<u>(81,446,078)</u>	<u>(4,495,915)</u>	<u>24,194</u>	<u>(85,917,799)</u>
Capital Assets Being Depreciation, Net	<u>83,232,054</u>	<u>19,433,275</u>	<u>-</u>	<u>102,665,329</u>
Business Type Activities - Capital Assets, Net	<u>\$ 96,361,395</u>	<u>\$ 21,885,132</u>	<u>\$ (11,357,486)</u>	<u>\$ 106,889,041</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Sewer	\$ 2,466,375
Water	2,029,540
Total Business-Type Activities Depreciation Expense	<u>\$ 4,495,915</u>

19. Capital Leases

The City entered into lease agreements to finance various acquisitions. These lease agreements qualify as capital leases for accounting purposes and, therefore, have 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>Governmental Activities</u>			
	<u>Total</u>	School Energy Conservation Improvements	Vans	2020 Track MT7
		<u>Improvements</u>		<u>MT7</u>
Cost	\$ 2,936,305	\$ 2,500,000	\$ 257,040	\$ 179,265
Less: Accumulated Depreciation	(532,723)	(500,000)	(19,278)	(13,445)
Total	<u>\$ 2,403,582</u>	<u>\$ 2,000,000</u>	<u>\$ 237,762</u>	<u>\$ 165,820</u>

19. Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments at June 30, 2020 are as follows:

Fiscal Year Ending June 30:

2021	\$ 328,547	\$ 206,323	\$ 39,355	\$ 82,869
2022	328,546	206,323	39,355	82,868
2023	245,679	206,324	39,355	-
2024	245,679	206,323	39,356	-
2025	206,324	206,324	-	-
2026	206,324	206,324	-	-
2027	206,323	206,323	-	-
2028	206,324	206,324	-	-
2029	206,323	206,323	-	-
2030	206,323	206,323	-	-
2031	206,323	206,323	-	-
Total	<u>2,592,715</u>	<u>2,269,557</u>	<u>157,421</u>	<u>165,737</u>
Less: Amounts Representing Interest	<u>(364,871)</u>	<u>(338,664)</u>	<u>(17,511)</u>	<u>(8,696)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,227,844</u>	<u>\$ 1,930,893</u>	<u>\$ 139,910</u>	<u>\$ 157,041</u>

20. Implementation of New GASB Pronouncements

During fiscal year 2020, the City was not required to implement any new GASB pronouncements. The City early implemented GASB Statement No. 84 in fiscal year 2019.

The following GASB pronouncements will be implemented in future fiscal years:

- Statement No. 87, Leases which is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period which is effective for reporting periods beginning after December 15, 2020.
- Statement No. 90 Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61 which is effective for reporting periods beginning after December 15, 2019.
- Statement No. 91, Conduit Debt Obligations which is effective for reporting periods beginning after December 15, 2021.
- Statement No. 92 Omnibus 2020, paragraphs 6 and 7 - fiscal years beginning after June 15, 2021; paragraphs 8, 9, and 12 - reporting periods beginning after June 15, 2021 and paragraph 10 - government acquisitions occurring in reporting periods beginning after June 15, 2021.
- Statement No. 93 Replacement of Interbank Offered Rates the requirements, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter.

- Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* which is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- Statement No. 96 *Subscription-Based Information Technology Arrangements* which is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

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

***REQUIRED SUPPLEMENTARY
INFORMATION***

City of Haverhill, Massachusetts
Statement of Revenues and Expenditures - Budget and Actual
General Fund (Budgetary Basis)
June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Real Estate and Personal Property Taxes - Net	\$ 106,918,301	\$ 106,921,201	\$ 105,269,240	\$ (1,651,961)
Tax Liens	-	-	849,039	849,039
Motor Vehicle and Other Excise	8,952,801	8,967,760	8,739,101	(228,659)
Penalties and Interest	518,000	490,000	372,944	(117,056)
Payments in Lieu of Taxes	2,200,000	2,228,000	2,415,706	187,706
Fees and Rentals	1,308,500	1,283,500	1,240,826	(42,674)
Licenses and Permits	2,377,500	2,377,500	2,357,441	(20,059)
Fines and Forfeitures	719,000	687,000	720,541	33,541
Intergovernmental	70,270,589	71,334,776	70,987,633	(347,143)
Departmental and Other	487,000	487,000	507,961	20,961
Earnings on Investments	589,000	689,000	636,951	(52,049)
Miscellaneous Revenue	521,536	521,536	1,070,694	549,158
Total Revenues	<u>194,862,227</u>	<u>195,987,273</u>	<u>195,168,077</u>	<u>(819,196)</u>
<u>Expenditures</u>				
General Government	4,006,007	4,003,508	3,655,749	347,759
Public Safety	24,514,661	24,514,661	23,449,435	1,065,226
Education	98,289,410	99,268,925	99,150,648	118,277
Public Works	9,744,713	10,642,713	10,283,264	359,449
Human Services	3,334,908	3,334,908	2,945,430	389,478
Community and Economic Development	1,172,919	1,172,919	1,042,468	130,451
Debt Service	7,556,024	7,556,024	7,486,092	69,932
Intergovernmental	6,243,622	6,269,618	6,397,262	(127,644)
Health Insurance and Other Employee Benefits	23,975,714	23,975,714	22,366,859	1,608,855
Pension Benefits	18,534,590	18,534,590	18,034,591	499,999
Other Expenses	2,791,735	2,111,136	646,645	1,464,491
Total Expenditures	<u>200,164,303</u>	<u>201,384,716</u>	<u>195,458,443</u>	<u>5,926,273</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,302,076)</u>	<u>(5,397,443)</u>	<u>(290,366)</u>	<u>5,107,077</u>
Other Financing Sources (Uses):				
Other Available Funds	5,069,633	6,350,000	6,350,000	-
Operating Transfers In	809,443	809,443	815,156	5,713
Operating Transfers Out	(577,000)	(1,762,000)	(1,728,492)	33,508
Total Other Financing Sources (Uses)	<u>5,302,076</u>	<u>5,397,443</u>	<u>5,436,664</u>	<u>39,221</u>
Excess Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,146,298</u>	<u>\$ 5,146,298</u>

See Notes to the Required Supplementary Information

Pension Plan Schedules – Retirement System

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

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

The Pension Plans' Schedule of Investment Return 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.

City of Haverhill Contributory Retirement System
Schedule of Change in Net Pension Liability and Related Ratios
December 31, 2019
Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Pension Liability:						
Service Cost	\$4,276,136	\$ 4,457,871	\$ 5,091,379	\$ 5,577,886	\$ 5,599,351	\$ 6,047,544
Interest	25,172,959	25,608,700	24,463,813	25,327,896	26,993,422	27,455,653
Changes of Benefit Items	-	-	-	-	-	2,150,157
Differences Between Expected and Actual Experience	-	-	2,750,089	3,933,465	-	(4,834,450)
Changes of Assumptions	-	-	15,636,834	13,629,952	-	11,330,399
Benefit Payments, Including Refunds of Member Contributions	(24,393,730)	(23,974,413)	(25,274,903)	(25,251,773)	(25,997,926)	(27,117,198)
Net Change in Total Pension Liability	5,055,365	6,092,158	22,667,212	23,217,426	6,594,847	15,032,105
Total Pension Liability - Beginning	322,582,714	327,638,079	333,730,237	356,397,449	379,614,875	386,209,722
Total Pension Liability - Ending	<u>\$327,638,079</u>	<u>333,730,237</u>	<u>356,397,449</u>	<u>379,614,875</u>	<u>386,209,722</u>	<u>401,241,827</u>
Plan Fiduciary Net Position:						
Contributions - Employer	\$14,661,848	15,869,862	16,511,360	17,851,950	17,878,483	20,452,808
Contributions - Member	4,103,074	3,455,693	3,764,777	4,035,100	4,152,768	4,373,927
Net Investment Income (Loss)	12,874,474	(3,625,996)	12,685,293	27,090,598	(6,206,275)	29,570,770
Benefit Payments, Including Refunds of Member Contributions	(24,393,730)	(23,974,413)	(25,274,903)	(25,251,773)	(25,997,926)	(27,117,198)
Administrative Expense	(546,094)	(481,093)	(472,465)	(616,282)	(438,100)	(441,688)
Net Change in Plan Fiduciary Net Position	6,699,572	(8,755,947)	7,214,062	23,109,593	(10,611,050)	26,838,619
Plan Fiduciary Net Position - Beginning	173,453,468	180,153,040	171,397,093	178,611,155	201,720,748	191,109,698
Plan Fiduciary Net Position - Ending	<u>180,153,040</u>	<u>171,397,093</u>	<u>178,611,155</u>	<u>201,720,748</u>	<u>191,109,698</u>	<u>217,948,317</u>
Net Pension Liability - Ending	<u>\$147,485,039</u>	<u>162,333,144</u>	<u>177,786,294</u>	<u>177,894,127</u>	<u>195,100,024</u>	<u>183,293,510</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.99%	51.36%	50.12%	53.14%	49.48%	54.32%
Covered-Employee Payroll	<u>\$37,792,808</u>	<u>\$38,734,500</u>	<u>\$40,037,584</u>	<u>\$42,190,684</u>	<u>\$42,369,388</u>	<u>\$42,890,540</u>
Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	390.25%	419.09%	444.05%	421.64%	460.47%	427.35%

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

See Notes to the Required Supplementary Information

City of Haverhill Contributory Retirement System
Schedule of Contributions
December 31, 2019
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially required contribution	20,419,494	17,850,259	17,507,028	16,469,879	15,840,897	14,638,101
Contributions in relation to the actuarially required contribution	(20,452,808)	(17,878,483)	(17,851,950)	(16,511,360)	(15,869,862)	(14,638,101)
Contribution deficiency (excess)	(33,314)	(28,224)	(344,922)	(41,481)	(28,965)	-
City's covered payroll	42,890,540	42,369,388	42,190,684	40,037,584	38,734,500	37,792,808
Contributions as a percentage of covered payroll	47.69%	42.20%	42.31%	41.24%	40.97%	38.73%

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 the Required Supplementary Information

City of Haverhill Contributory Retirement System
Schedule of Annual Money Weighted Rate of Return
December 31, 2019
Last Ten Fiscal Years

	Pension
	Annual Money-Weighted Rate of Return
	Net of Investment <u>Expense</u>
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 the 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 Scheduled 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 of Haverhill Massachusetts' Proportionate Share of the Net Pension Liability
Haverhill Contributory Retirement System
December 31, 2019
Last Ten Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City's proportionate share of net pension liability (asset) (%)	95.79%	95.39%	95.35%	95.06%	95.06%	95.70%
City's proportionate share of net pension liability (asset) (\$)	141,269,878	154,851,511	169,524,586	169,102,486	185,458,181	173,505,636
City's covered payroll	34,552,896	38,734,500	36,801,857	38,828,347	39,241,159	39,656,687
City's proportionate share of net pension liability (asset) as a percentage of its covered payroll	408.85%	399.78%	460.64%	435.51%	472.61%	437.52%
Plan fiduciary net position as a percentage of the pension liability	54.99%	51.36%	50.12%	53.14%	49.48%	54.32%

** The amounts presented for each fiscal year were determined as of December 31.

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 the Required Supplementary Information

Schedule of the City of Haverhill, Massachusetts' Contributions
Haverhill Contributory Retirement System
Last Ten Fiscal Years

	June 30, <u>2020</u>	June 30, <u>2019</u>	June 30, <u>2018</u>	June 30, <u>2017</u>	June 30, <u>2016</u>	June 30, <u>2015</u>
Actuarially required contribution	\$ 19,326,327	\$ 16,935,463	\$ 16,612,725	\$ 15,685,281	\$ 15,086,263	\$ 13,990,894
Contributions in relation to the actuarially required contribution	<u>(19,359,641)</u>	<u>(16,962,293)</u>	<u>(16,940,056)</u>	<u>(15,724,771)</u>	<u>(15,113,837)</u>	<u>(13,990,894)</u>
Contribution deficiency (excess)	<u>\$ (33,314)</u>	<u>\$ (26,830)</u>	<u>\$ (327,331)</u>	<u>\$ (39,490)</u>	<u>\$ (27,574)</u>	<u>\$ -</u>
City's covered payroll	39,656,687	39,829,776	39,410,772	37,353,885	39,315,518	35,071,189
Contributions as a percentage of covered payroll	48.82%	42.59%	42.98%	42.10%	38.44%	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 the Required Supplementary Information

Schedule of the City of Haverhill, Massachusetts' Proportionate Share of the Net Pension Liability
Special Funding Amounts
Massachusetts Teachers' Retirement System
June 30, 2020
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Commonwealth's 100 % share of net pension liability (asset) associated with City (\$)	\$181,206,442	\$168,923,687	\$160,435,307	\$153,786,397	\$142,197,190	\$111,625,445
Plan fiduciary net position as a percentage of the pension liability	53.95%	54.84%	54.25%	52.73%	55.38%	61.64%
City's expense and revenue recognized for Commonwealth support	\$21,974,426	\$17,117,970	\$16,745,100	\$15,687,221	\$11,533,458	\$7,755,155

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

See Notes to the 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.

City of Haverhill, Massachusetts
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2020
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 1,808,347	\$ 1,808,348	\$ 1,730,476
Interest	13,741,765	14,226,433	14,007,718
Difference between expected and actual experience	(27,088,121)	(24,730,591)	-
Change in Assumptions	124,995,937	-	-
Benefit payments	<u>(10,569,576)</u>	<u>(9,207,179)</u>	<u>(10,745,972)</u>
Net change in total OPEB liability	<u>102,888,352</u>	<u>(17,902,989)</u>	<u>4,992,222</u>
Total OPEB liability - beginning	<u>364,221,439</u>	<u>382,124,428</u>	<u>377,132,206</u>
Prior Period Adjustment	5,653,428	-	-
Total OPEB liability - beginning - as adjusted	<u>369,874,867</u>	<u>382,124,428</u>	<u>377,132,206</u>
Total OPEB liability - ending (a)	<u><u>\$ 472,763,219</u></u>	<u><u>\$ 364,221,439</u></u>	<u><u>\$ 382,124,428</u></u>
Covered-employee payroll	\$ 83,112,961	\$ 81,009,575	\$ 79,421,152
Town's total OPEB liability as a percentage of covered payroll	569%	450%	481%

Notes to Schedule:

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

See Notes to the Required Supplementary Information

City of Haverhill, Massachusetts
Notes to the Required Supplementary Information
June 30, 2020

A. Budgetary Information

The proposed annual appropriations for the General Fund of the City are submitted for consideration by the Mayor at the Annual City Council Meeting which is held 170 days after the official formation of government each year (typically from May 1 to June 15). Public hearings are held in the 45-day period after the Annual City Council Meeting is held. If a budget is not approved by the City Council within that time frame, the budget submitted by the Mayor becomes law. Supplemental appropriations may also be voted at special City Council meetings. The City has an administration and finance committee which submits reports on proposed appropriations at City Council meetings. The City does not vote on annual appropriations for the special revenue and capital projects funds.

	<u>Revenues</u>
As Reported Budget Basis	\$ 195,168,077
Adjustments:	
Sixty Day Property Tax Accrual - Net	825,372
Other adjustment	434,242
Teacher Retirement on Behalf Payments	21,974,426
As Reported GAAP Statement	<u>\$ 218,402,117</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 195,458,443
Adjustments:	
July 1, 2019 Encumbrances	2,692,282
June 30, 2020 Encumbrances	(3,650,803)
Other Adjustments	(1,186,076)
Teacher Retirement on Behalf Payments	21,974,426
As Reported GAAP Statement	<u>\$ 215,288,272</u>

B. Pension Plans

Description of the Plan

General – Substantially all employees of the City of Haverhill, Whittier Regional Vocational Technical High School and the Haverhill Housing Authority (except teachers and administrators under contract employed by the School Department), are members of the Haverhill Retirement System (the System), a cost sharing, multiple employer Public Employee Retirement System (PERS). The System is administered by a five member Board on behalf of all eligible current employees and retirees (not including teachers who are part of MTRS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees and permanent, part-time employees working twenty or more hours per week. The System issues a stand-alone financial report that is available at 4 Summer Street, Haverhill, Massachusetts 01830.

Employee Contributions - Employees whose creditable service began prior to January 1, 1975 contribute 5% of their base salaries or wages; those whose service date is subsequent to January 1, 1975 and prior to January 1, 1984 contribute 7%; those whose service date is subsequent to January 1, 1984 contribute 8%; and those whose service date is subsequent to July 1, 1996 the contribution rate is 9%.

The contribution rate for most members whose membership date is April 2, 2012 or thereafter, including those who re-entered membership after that date, repaying contributions withdrawn, will be 9% of regular compensation. The contribution rate will be reduced to 6% of regular compensation when at least 30 years of creditable service has been granted for members in Group 1.

Active participants (who were hired on or after January 1, 1979) contribute an additional 2% of salary in excess of \$30,000. Deductions are continued for those employees working beyond the age of seventy, who so elect. Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of fifty-five are entitled to request a refund of the accumulated total contributions.

Actuarial Assumptions

The total pension liability as of December 31, 2019 was determined by updating an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2020
Actuarial Cost Method	Entry age normal
Amortization Method	Increasing dollar amount of 4% to reduce the Unfunded Actuarial Accrued Liability to zero on or before June 30, 2032. The annual increase in appropriation is further limited to 5.2% in FY 2022 and 6.06% thereafter increasing dollar amount of 4% to reduce the 2002 and 2003 ERI Actuarial to zero.
Remaining Amortization Period	20 years for the fresh start base
Asset Valuation Method	<p>The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of:</p> <ul style="list-style-type: none">a) 75% of gains and losses of the prior year,b) 50% of gains and losses of the second prior year, andc) 25% of gains and losses of the third prior year. <p>Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 90% or more than 110% of market value.</p>
Inflation	2.5% per year
Salary Increases	Group 1: 6% - 4.25%, based on service Group 4: 7% - 4.75%, based on service
Payroll Growth	3.5% per year
Investment Rate of Return/Discount Rate	7% net of pension plan investment expenses, including inflation
Mortality Rates	Based on the RP-2014 Blue Collar Mortality Table with full general mortality improvement using Scale MP-2018.
Disable Mortality Rates	Based on the RP-214 Blue Collar Mortality. Tale set forward one year with full generational mortality improvement using Scale MP-2018.

Schedule of City's Proportionate Share of the Net Pension Liability - Haverhill Retirement System

The schedule details the City's percentage of the collective net pension liability, the proportionate amount of the collective net pension liability, the City's covered payroll, the City's proportionate share of the collective net pension liability as a percentage of the City's covered payroll and the plans fiduciary net position as a percentage of the total pension liability. As more information becomes available, this will be a ten year schedule.

C. Massachusetts Teachers' Retirement System

Special Funding Situation

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. The MTRS covers certified teachers and certain school administrators. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. Therefore, the City is considered to be in a "special funding situation" according to GASB Statement # 68 *Accounting and Financial Reporting for Pensions*. Since the City does not contribute to the MTRS it does not have a pension liability to report.

MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members-two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

For the fiscal year ended June 30, 2020, the City's proportionate share of the collective pension expense was \$21,974,426. The City's proportionate share was based on its percentage share of covered payroll in the MTRS. Since this is the implementation year for GASB 68, the City's percentage has not changed. Accordingly, the accompanying financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2020, or fund balance/net position at June 30, 2020.

The Commonwealth's proportionate share of net pension liability associated with the City is \$181,206,442.

The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The Commonwealth's report is available on the internet at: <http://www.macomptroller.info/comptroller/docs/reports-audits/cafr/cafr-fy2019.pdf>

Benefits provided

MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Member contributions for MTRS vary depending on the most recent date of membership.

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984-6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation
1979 to present	An additional 2% of regular compensation over \$30,000

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

1. (a) 7.25% investment rate of return (7.35% in the previous valuation), (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
4. An Experience Study was performed as follows:
 - Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Commonwealth of Massachusetts financial report. The financial report is available on the internet at: <http://www.macomptroller.info/comptroller/docs/reports-audits/cafr/cafr-fy2019.pdf>

Schedule of Proportionate Share of the Net Pension Liability – Massachusetts Teachers Retirement System

The schedule provides information about the net pension liability for the City's teachers. The Commonwealth of Massachusetts is responsible for the entire liability.

Schedule of the Proportionate Share of the Collective Net Pension Liability

The schedule details the City's proportionate percentage of the collective net pension liability, the City's proportionate amount of the collective net pension liability, the State's proportionate share of the collective net pension liability associated with the City, the City's covered payroll, the City's proportionate share of the collective net pension liability as a percentage of the City's covered payroll, the fiduciary net position of the plan as a percentage of the collective net pension liability and the City's expense and revenue recognized for Commonwealth support. As more information becomes available, this will be a ten year schedule.

D. Other Post Employment Benefits (OPEB)

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 for 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 for 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.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

Honorable Mayor and
the Members of the City Council
City of Haverhill
4 Summer Street
Haverhill, Massachusetts 01830

We have audited, in accordance with the 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, the basic financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Haverhill, as of and for the year ended June 30, 2020, (December 31, 2019 for the Contributory Retirement System) and the related notes to the financial statements, which collectively comprise the City of Haverhill's basic financial statements, and have issued our report thereon dated December 4, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Giusti, Hingston and Company

Giusti, Hingston and Company

Certified Public Accountants

Georgetown, Massachusetts 01833

December 4, 2020