

CITY OF HAVERHILL, MASSACHUSETTS

Financial Statements

June 30, 2015

(With Accountants' Report Thereon)

Giusti, Hingston and Company
Certified Public Accountants

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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, 2015, (December 31, 2014 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, 2015 (and the Contributory Retirement System as of December 31, 2014) 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Indebtedness listed as supplemental information in the table of contents is presented for purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The Schedule of Indebtedness is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Indebtedness has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Indebtedness and Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated March 28, 2016, 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
March 28, 2016

City of Haverhill, Massachusetts
Management's Discussion and Analysis
June 30, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with the attached financial statements and notes to the financial statements.

Financial Statements

The City of Haverhill implemented GASB 34 (Governmental Accounting Standards Board Statement number 34). This statement requires all governments to account for and report capital assets in its Financial Statements. In addition, GASB 34 establishes criteria on the form and content of governmental financial statements. The requirements of GASB 34 are explained below and are also further explained in the "Notes to the Financial Statements".

One of the biggest changes created by the GASB 34 Reporting Model relates to the addition of two financial statements. These financial statements are called **Government-wide Financial Statements**. The first statement is called the **Statement of Net Position** and the second one is called the **Statement of Activities**. A description of these **Government-wide Financial Statements** is provided below and additional information about them can be found in the "**Notes to the Financial Statements**".

Financial Highlights

- The liabilities of the City of Haverhill, Massachusetts exceeded its assets and deferred outflows at the close of the most recent fiscal year by (\$50,024,187) (*net position-deficit*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,343,478.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Haverhill's June 30, 2015 **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 and liabilities, 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.

During the fiscal year ended June 30, 2013, the City formally adopted enterprise fund legislation (MGL Chapter 44 Section 53F), for the water and sewer activities operated by the City. In the fiscal year ended June 30, 2015 financial statements, the water and sewer funds have been separated from the general fund and are shown as separate Proprietary – Business-Type, Enterprise Funds. During prior years, the City had reported the water and sewer funds as a component of the general fund because it had not formally adopted enterprise fund legislation (MGL Chapter 44 Section 53F ½).

- **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 fund types. The first proprietary fund type is the Internal Service Fund and it is used to account for the health insurance trust fund. The second type of proprietary fund is the Enterprise Fund. 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* reflect the private purpose trust funds which account for resources legally held in trust for the City’s use and are devoted to education and other activities, and the Haverhill Contributory Retirement System (Pension Trust Fund).

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:

	Net Position					
	Governmental Activities		Business Activities		Total	
	(As Revised)		(As Revised)		(As Revised)	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Current and Other Assets	\$ 50,197,785	\$ 40,157,789	\$ 7,926,324	\$ 12,968,463	\$ 58,124,109	\$ 53,126,252
Capital Assets	143,598,885	145,715,915	58,382,376	60,919,825	201,981,260	206,635,740
Total Assets	<u>193,796,670</u>	<u>185,873,704</u>	<u>66,308,700</u>	<u>73,888,288</u>	<u>260,105,369</u>	<u>259,761,992</u>
Deferred Outflows of Resources	353,008	-	-	-	353,008	-
Current Liabilities	17,675,355	19,574,847	2,264,748	7,633,761	19,940,103	27,208,608
Long Term Liabilities	266,339,464	255,161,258	24,202,999	23,483,402	290,542,463	278,644,660
Total Liabilities	<u>284,014,819</u>	<u>274,736,105</u>	<u>26,467,747</u>	<u>31,117,163</u>	<u>310,482,566</u>	<u>305,853,268</u>

Net Position

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>(As Revised)</u>		<u>(As Revised)</u>		<u>(As Revised)</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Net Position:						
Net Investment in						
Capital Assets	118,693,541	126,619,716	31,278,727	23,084,756	149,972,268	149,704,472
Restricted	(219,368)	1,402,313	1,926,410	1,819,636	1,707,042	3,221,949
Unrestricted (Deficit) - (See Note 17 on Page 53)	(208,339,314)	(216,884,430)	6,635,817	17,866,733	(201,703,497)	(199,017,697)
Total Net Position	<u>\$ (89,865,141)</u>	<u>\$ (88,862,401)</u>	<u>\$ 39,840,954</u>	<u>\$ 42,771,125</u>	<u>\$ (50,024,187)</u>	<u>\$ (46,091,276)</u>

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.

Revenues

Charges for Services	\$ 5,855,426	\$ 5,540,088	\$ 16,341,805	\$ 15,088,364	\$ 22,197,231	\$ 20,628,452
Operating Grants and Contributions	76,616,360	85,447,121	-	-	76,616,360	85,447,121
Capital Grants and Contributions	6,334,114	3,209,758	-	-	6,334,114	3,209,758
General Revenues:						
Real Estate and Personal Property Taxes	90,592,098	89,429,023	-	-	90,592,098	89,429,023
Excises	7,619,187	7,529,286	-	-	7,619,187	7,529,286
Other Taxes, Assessments and in Lieu						
Payments	2,761,041	1,579,990	-	-	2,761,041	1,579,990
Intergovernmental Not Restricted to a Specific Program	6,687,677	8,860,104	-	-	6,687,677	8,860,104
Earnings on Investment	91,241	197,986	-	-	91,241	197,986
Other Revenue	1,260,249	630,563	-	-	1,260,249	630,563
Total Revenues	<u>197,817,392</u>	<u>202,423,918</u>	<u>16,341,805</u>	<u>15,088,364</u>	<u>214,159,197</u>	<u>217,512,282</u>

Expenses

General Government	3,933,215	3,474,905	-	-	3,933,215	3,474,905
Public Safety	21,367,816	20,466,956	-	-	21,367,816	20,466,956
Education	92,834,113	90,906,798	-	-	92,834,113	90,906,798
Public Works	14,745,330	13,618,515	-	-	14,745,330	13,618,515
Human Services	4,797,294	4,633,420	-	-	4,797,294	4,633,420
Community Development	8,532,163	1,816,577	-	-	8,532,163	1,816,577
Debt Service	1,235,145	1,993,097	-	-	1,235,145	1,993,097
Intergovernmental	4,971,988	5,417,811	-	-	4,971,988	5,417,811
Health Insurance and Other						
Employee Benefits	27,663,722	26,043,990	-	-	27,663,722	26,043,990
Pension Benefits	11,475,694	12,843,054	-	-	11,475,694	12,843,054
Landfill	(2,409,390)	1,152,850	-	-	(2,409,390)	1,152,850
Other Expenditures	3,666,696	2,693,417	-	-	3,666,696	2,693,417
Water and Sewer	-	-	17,323,166	14,266,400	17,323,166	14,266,400
Teacher's Retirement on Behalf Payments	7,755,155	17,942,145	-	-	7,755,155	17,942,145
Total Expenses	<u>200,568,941</u>	<u>203,003,535</u>	<u>17,323,166</u>	<u>14,266,400</u>	<u>217,892,107</u>	<u>217,269,935</u>

Net Position

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>(As Revised)</u>		<u>(As Revised)</u>		<u>(As Revised)</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Increase (Decrease) in Net Position						
Before Special items	(2,751,550)	(579,617)	(981,361)	821,964	(3,732,911)	242,347
Special Items - Transfers	1,748,810	616,246	(1,948,811)	(747,566)	(200,001)	-
Increase (Decrease) in Net Position	\$ (1,002,740)	\$ 36,629	\$ (2,930,172)	\$ 74,398	\$ (3,932,912)	\$ 242,347

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. In accordance with GASB 54, as of June 30, 2015 the general fund includes the stabilization fund balance of \$582,253.

****As we noted on page four, during the fiscal year ended June 30, 2013, the City formally adopted enterprise fund legislation (MGL Chapter 44 Section 53F), for the water and sewer activities operated by the City. In the fiscal year ended June 30, 2015 financial statements, the water and sewer funds are separated from the general fund and are shown as separate Proprietary – Business-Type, Enterprise Funds. During fiscal year 2013 and prior years, the City had reported the water and sewer funds as a component of the general fund because it had not formally adopted enterprise fund legislation (MGL Chapter 44 Section 53F ½).

We have listed below a summary of the fund balance and free cash amounts:

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>Total</u> <u>General Fund</u> <u>Fund Balance</u>	<u>Unassigned/</u> <u>Unreserved</u> <u>Fund Balance</u>	<u>Free Cash</u>
2015	\$ 17,655,477	\$ 11,343,478	\$ 8,281,084
2014	15,521,887 ****	12,646,964 ****	6,306,694
2013	8,440,747 ****	5,296,917 ****	2,602,712
2012	14,860,600	11,888,581 ***	6,012,631
2011	12,974,881	10,875,619 ***	7,367,732
2010	13,949,061	6,678,969 ***	10,395,039 **
2009	15,598,101	7,714,039	4,171,615 *
2008	17,039,684	10,229,045	2,621,400

***The Governmental Accounting Standards Board (G.A.S.B.) has issued Statement #54 which became effective for the City for the fiscal year ending June 30, 2012. As a result, the components of fund balance reported in the City's audited balance sheet have new account classifications. The reporting requirements of G.A.S.B. Statement #54 eliminated the "reserved" component of fund balance in governmental funds. Because of the change to fund balance classifications, the "unreserved" component of "fund balance", presented above for the fiscal years ended June 30, 2010 and prior, was calculated in a different manner than the fiscal year's ended June 30, 2011 and June 30, 2012 calculation of "unassigned fund balance". Please see financial statement footnote number seven for a further explanation of G.A.S.B. Statement Number 54.

** The fiscal year 2010 free cash amount is much higher than the fiscal year 2009 free cash amount because the 2009 amount was reduced for reservations made to the water and wastewater general ledger fund balance accounts, however, the 2010 free cash calculation was not reduced for water and wastewater fund balance reservations.

* The methodology used by the DOR to calculate the general fund free cash for the fiscal year ended June 30, 2009, was changed to include water and wastewater, which had not been included in the prior year certifications.

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, 2015, amounts to \$201,981,260 (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, 2015 and June 30, 2014
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Buildings	\$ 64,670,494	\$ 66,949,917	\$ 35,974	\$ 40,855	\$ 64,706,468	\$ 66,990,771
Equipment	358,231	434,217	13,875,843	11,806,743	14,234,073	12,240,960
Improvements	1,481,162	1,712,256	-	-	1,481,162	1,712,256
Land	9,848,536	9,848,536	1,580,632	1,580,632	11,429,168	11,429,168
Construction Work in Process	9,724,244	6,620,867	9,800,335	12,103,780	19,524,579	18,724,647
Infrastructure	57,020,274	59,621,267	33,089,591	35,392,731	90,109,866	95,013,999
Vehicles	495,943	528,854	0	(4,916)	495,944	523,939
Total	<u>\$ 143,598,885</u>	<u>\$ 145,715,915</u>	<u>\$ 58,382,375</u>	<u>\$ 60,919,825</u>	<u>\$ 201,981,260</u>	<u>\$ 206,635,740</u>

Debt

The City had \$70,403,786 in Governmental Activities debt and \$25,503,966 in Business Type activity debt outstanding on June 30, 2015. During the fiscal year ended June 30, 2015, the City's bond rating was raised by two levels from A+ to AA. Standard and Poor's, a municipal credit rating agency, made the upgrade based on the City's very strong management conditions and strong financial practices that are likely to be sustained. In addition, Standard and Poor's said that the City has a very strong ability to pay principal and interest when their debt is due.

Outstanding Debt at June 30, 2015 and June 30, 2014		
Governmental Activities	<u>2015</u>	<u>2014</u>
Notes Payable	\$ 6,138,165	\$ 6,632,198
General Obligation Bonds Payable	64,265,621	49,450,077
Total Governmental Activities	<u>\$ 70,403,786</u>	<u>\$ 56,082,275</u>
Business-type Activities		
Notes Payable	\$ 1,081,000	\$ 4,573,736
Water Bonds Payable	6,653,585	8,143,701
Sewer Bonds Payable	17,769,382	25,117,631
Total Business-type Activities	<u>\$ 25,503,966</u>	<u>\$ 37,835,069</u>

The debt has been adjusted to move certain debt from Governmental Activities to Business Type Activities. Please refer to prior period adjustment footnote.

Fiscal Year 2015 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. A balanced budget was adopted for fiscal year 2015 without the necessity for 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, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Government</u> <u>Wide</u> <u>Total</u>
Assets			
Current:			
Cash/Investments	\$ 40,905,316	\$ -	\$ 40,905,316
Receivables:			
Real Estate and Personal Property	1,555,305	-	1,555,305
Motor Vehicle and Other Excise	1,721,295	-	1,721,295
Tax Liens and Foreclosures	2,895,104	-	2,895,104
Other	46,586	-	46,586
Due From (To) Other Funds	(5,419,450)	6,310,526	891,076
User Charges	-	1,615,798	1,615,798
Due from Commonwealth of Massachusetts - SBAB	2,255,640	-	2,255,640
Due from Commonwealth of Massachusetts - MWPAT	1,104,542	-	1,104,542
Due from Commonwealth of Massachusetts - Other	2,526,864	-	2,526,864
Noncurrent:			
Due from Commonwealth of Massachusetts - SBAB	2,606,583	-	2,606,583
Capital Assets:			
Not Being Depreciated	19,572,780	11,380,967	30,953,747
Assets Being Depreciated, Net	124,026,104	47,001,409	171,027,513
Total Assets	<u>193,796,670</u>	<u>66,308,700</u>	<u>260,105,369</u>
Deferred Outflows of Resources			
Pensions	353,008	-	353,008
Total Deferred Outflows of Resources	<u>353,008</u>	<u>-</u>	<u>353,008</u>
Liabilities			
Current:			
Other Liabilities	2,044,075	-	2,044,075
Temporary Loans	7,220,127	-	7,220,127
Accrued Liabilities	80,595	-	80,595
Accrued Interest	529,177	324,136	853,313
Bonds Payable	7,801,381	1,940,611	9,741,992
Noncurrent:			
Bonds Payable	56,464,237	22,482,356	78,946,593
Accrued Longevity Payable	892,308	-	892,308
Accrued OPEB Liability	49,444,047	1,634,513	51,078,560
Accrued Compensated Absences	1,968,994	86,130	2,055,124
Net Pension Liability	141,269,878	-	141,269,878
Accrued Landfill Liabilities	16,300,000	-	16,300,000
Total Liabilities	<u>284,014,819</u>	<u>26,467,746</u>	<u>310,482,565</u>
Net Position			
Net Investment in Capital Assets	118,693,541	31,278,727	149,972,268
Restricted for:			
Capital Projects and Other Items	-	1,926,410	1,926,410
Special Revenue	(219,368)	-	(219,368)
Unrestricted (Deficit) - (See Note 17 on Page 53)	(208,339,314)	6,635,817	(201,703,497)
Total Net Position	<u>\$ (89,865,141)</u>	<u>\$ 39,840,954</u>	<u>\$ (50,024,187)</u>

City of Haverhill, Massachusetts
Statement of Activities
Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for	Operating	Capital	Total	Total	Total
		Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business Type Activities	
General Government	\$ 3,933,215	\$ 1,587,113	\$ 226,137	\$ -	\$ (2,119,965)	\$ -	\$ (2,119,965)
Public Safety	21,367,816	763,251	1,221,594	-	(19,382,971)	-	(19,382,971)
Education	92,834,113	1,400,923	58,870,807	4,145,536	(28,416,847)	-	(28,416,847)
Public Works	14,745,330	7,522	10,023	2,095,468	(12,632,317)	-	(12,632,317)
Human Services	4,797,294	878,937	1,485,622	-	(2,432,735)	-	(2,432,735)
Community Development	8,532,163	1,217,681	7,047,021	-	(267,461)	-	(267,461)
Debt Service	1,235,145	-	-	-	(1,235,145)	-	(1,235,145)
Intergovernmental	4,971,988	-	-	-	(4,971,988)	-	(4,971,988)
Health Insurance and Other Employee Benefits	27,663,722	-	-	-	(27,663,722)	-	(27,663,722)
Pension Benefits	11,475,694	-	-	-	(11,475,694)	-	(11,475,694)
Landfill	(2,409,390)	-	-	93,110	2,502,500	-	2,502,500
Other Expenditures	3,666,696	-	-	-	(3,666,696)	-	(3,666,696)
Teacher's Retirement on Behalf Payments	7,755,155	-	7,755,155	-	-	-	-
	<u>200,568,941</u>	<u>5,855,426</u>	<u>76,616,360</u>	<u>6,334,114</u>	<u>(111,763,041)</u>	<u>-</u>	<u>(111,763,041)</u>
<i>Business-Type Activities:</i>							
Water	6,361,474	7,517,823	-	-	-	1,156,349	1,156,349
Sewer	10,961,693	8,823,982	-	-	-	(2,137,711)	(2,137,711)
	<u>17,323,166</u>	<u>16,341,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(981,361)</u>	<u>(981,361)</u>
	<u>\$ 217,892,107</u>	<u>\$ 22,197,231</u>	<u>\$ 76,616,360</u>	<u>\$ 6,334,114</u>	<u>(111,763,041)</u>	<u>(981,361)</u>	<u>(112,744,403)</u>
<i>General Revenues:</i>							
					90,592,098	-	90,592,098
					7,619,187	-	7,619,187
					2,761,041	-	2,761,041
					6,687,677	-	6,687,677
					91,241	-	91,241
					1,260,249	-	1,260,249
					1,748,810	(1,948,811)	(200,001)
					<u>110,760,302</u>	<u>(1,948,811)</u>	<u>108,811,491</u>
					<u>(1,002,740)</u>	<u>(2,930,172)</u>	<u>(3,932,912)</u>
<i>Net Position:</i>							
					59,394,617	34,087,442	93,482,059
					(148,257,018)	8,683,684	(139,573,334)
					(88,862,401)	42,771,126	(46,091,275)
					<u>\$ (89,865,141)</u>	<u>\$ 39,840,954</u>	<u>\$ (50,024,187)</u>

City of Haverhill, Massachusetts
Governmental Funds
Balance Sheet
June 30, 2015

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>Assets</u>			
Cash/Investments	\$ 40,905,316	\$ -	\$ 40,905,316
Receivables:			
Real Estate and Property Taxes	1,555,305	-	1,555,305
Motor Vehicle and Other Excise	1,721,295	-	1,721,295
Tax Liens and Foreclosures	2,895,104	-	2,895,104
Other	46,586	-	46,586
Due From Other Funds	-	17,297,779	17,297,779
Due from Commonwealth of Massachusetts - MSBA	4,862,223	-	4,862,223
Due from Commonwealth of Massachusetts - MWPAT	-	1,104,542	1,104,542
Due from Commonwealth of Massachusetts - Other	-	2,526,864	2,526,864
Total Assets	<u>\$ 51,985,829</u>	<u>\$ 20,929,185</u>	<u>\$ 72,915,014</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Other Accrued Liabilities	\$ (4,377)	\$ -	\$ (4,377)
Due to Other Funds	23,631,271	-	23,631,271
Other Liabilities	-	2,044,075	2,044,075
Temporary Loans	-	7,220,127	7,220,127
Total Liabilities	<u>23,626,894</u>	<u>9,264,202</u>	<u>32,891,096</u>
Deferred Inflows of Resources:			
Unavailable Revenue	10,703,458	-	10,703,458
Total Deferred Inflows of Resources	<u>10,703,458</u>	<u>-</u>	<u>10,703,458</u>
Fund Equity:			
Fund Balances:			
Restricted	-	515,133	515,133
Committed	-	11,884,351	11,884,351
Assigned	6,311,999	-	6,311,999
Unassigned	11,343,478	(734,501)	10,608,977
Total Fund Balances	<u>17,655,477</u>	<u>11,664,983</u>	<u>29,320,460</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 51,985,829</u>	<u>\$ 20,929,185</u>	<u>\$ 72,915,014</u>

City of Haverhill, Massachusetts
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2015

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Real Estate and Personal Property Taxes - Net	\$ 90,900,248	\$ -	\$ 90,900,248
Excises	7,450,723	-	7,450,723
Fees, Departmental and Charges for Services	4,463,856	1,946,183	6,410,039
Intergovernmental	59,137,419	25,001,218	84,138,637
Earnings on Investments	15,701	-	15,701
Other Taxes, Assessments and In Lieu Payments	2,042,218	-	2,042,218
Teacher's Retirement on Behalf Payments	7,755,155	-	7,755,155
Other Revenue	883,382	452,381	1,335,763
Total Revenues	172,648,702	27,399,782	200,048,484
Expenditures:			
Current			
General Government	3,054,792	670,493	3,725,285
Public Safety	19,351,509	1,994,579	21,346,088
Education	79,930,083	14,129,733	94,059,816
Public Works	9,391,145	2,624,406	12,015,551
Human Services	3,072,255	1,490,168	4,562,423
Community and Economic Development	796,895	7,730,309	8,527,204
Debt Service	8,998,524	-	8,998,524
Intergovernmental	4,971,988	-	4,971,988
Health Insurance and Other Employee Benefits	19,095,894	-	19,095,894
Pension Benefits	13,374,732	-	13,374,732
Landfill	-	90,610	90,610
Other Expenditures	3,666,696	-	3,666,696
Teacher's Retirement on Behalf Payments	7,755,155	-	7,755,155
Total Expenditures	173,459,668	28,730,298	202,189,966
Excess of Revenues Over (Under) Expenditures	(810,966)	(1,330,516)	(2,141,482)
Other Financing Sources (Uses):			
Operating Transfers In	3,744,550	2,515,189	6,259,739
Operating Transfers (Out)	(799,994)	(3,710,935)	(4,510,929)
Proceeds from Borrowing	-	16,373,671	16,373,671
Total Other Financing Sources (Uses)	2,944,556	15,177,925	18,122,481
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,133,590	13,847,409	15,980,999
Fund Balance, Beginning	15,521,887	(496,773)	15,025,114
Prior Period Adjustments	-	(1,685,653)	(1,685,653)
Fund Balance, Beginning as Restated	15,521,887	(2,182,426)	13,339,461
Fund Balance, Ending	\$ 17,655,477	\$ 11,664,983	\$ 29,320,460

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, 2015

Total Governmental Fund Balances	\$ 29,320,460
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	143,598,885
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	10,703,458
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	353,008
Internal service funds are used to account for the health insurance trust fund. The assets and liabilities of the internal service fund is included in the governmental activities in the Statement of Net Position.	829,070
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds Payable	(64,265,618)
Accrued Interest on Bonds	(529,177)
Landfill Accrued Liability	(16,299,997)
Compensated Absences	(1,968,997)
Longevity Liability	(892,308)
Net Pension Liability	(141,269,878)
OPEB Liability	(49,444,047)
Net Position of Governmental Activities	<u><u>\$ (89,865,141)</u></u>

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, 2015

Net change in fund balances - total governmental funds	\$ 15,980,999
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.	(2,198,833)
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.	(2,231,092)
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.	(8,524,059)
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.	4,624,307
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.	(86,234)
OPEB cost relating to the current year GASB 45 accrual amount	(6,814,463)
Internal Service funds are used to account for the Health Insurance Trust Fund. The net activity of the internal service fund is reported with governmental activities.	<u>(1,753,365)</u>
Change in Net Position of Governmental Activities	<u>\$ (1,002,740)</u>

City of Haverhill, Massachusetts
 Proprietary Funds
 Statement of Net Position
 June 30, 2015

	<u>Governmental Activities</u>	<u>Internal Service Fund</u>
ASSETS		
Due from Other Funds	\$ 914,042	
	<hr/>	
TOTAL ASSETS	914,042	
	<hr/>	
LIABILITIES		
Accrued Liabilities	84,972	
	<hr/>	
TOTAL LIABILITIES	84,972	
	<hr/>	
NET POSITION		
Unrestricted	829,070	
	<hr/>	
TOTAL NET POSITION	\$ 829,070	
	<hr/> <hr/>	

City of Haverhill, Massachusetts
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2015

	Governmental <u>Activities</u>
	Internal <u>Service Fund</u>
Operating Revenues:	
Contributions	\$ 290,166
Total Operating Revenues	<u>290,166</u>
Operating Expenditures:	
Employee Benefits	<u>2,043,531</u>
Total Operating Expenditures	<u>2,043,531</u>
Operating Income (Loss)	<u>(1,753,365)</u>
Net Position at Beginning of Year	<u>128,215</u>
Prior Period Adjustment	<u>2,454,220</u>
Net Position at Beginning of Year	<u>2,582,435</u>
Net Position at End of Year	<u><u>\$ 829,070</u></u>

City of Haverhill, Massachusetts
Statement of Cash Flows
Proprietary Fund
Fiscal Year Ended June 30, 2015

	Governmental <u>Activities</u>	Internal <u>Service Fund</u>
Cash Flows from Operating Activities:		
Net Income (Loss)	<u>\$ (1,753,365)</u>	
Net Cash Flows Provided (Used) by Operating Activities	<u>(1,753,365)</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	<u><u>\$ (1,753,365)</u></u>	

City of Haverhill, Massachusetts
Proprietary Funds
Statement of Net Position
June 30, 2015

	<u>Business-Type Activities</u>			<u>Total</u>
	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Other Enterprise</u>	
Assets				
Current:				
Due from Other Funds	\$ 5,084,016	\$ 1,226,510	\$ -	6,310,526
Receivables, Net of Allowance for Uncollectibles:				
User Charges	761,803	853,995	-	1,615,798
Noncurrent:				
Capital Assets:				
Assets Not Being Depreciated	4,025,804	7,355,163	-	11,380,967
Assets Being Depreciated, Net	16,806,952	30,194,456	-	47,001,409
Total Assets	<u>26,678,575</u>	<u>39,630,125</u>	<u>-</u>	<u>66,308,700</u>
Liabilities				
Current:				
Accrued Interest Payable	47,398	276,738	-	324,136
Bonds Payable	859,865	1,080,746	-	1,940,611
Noncurrent:				
Bonds Payable	5,793,720	16,688,636	-	22,482,356
Accrued OPEB Liability	847,904	786,609	-	1,634,513
Compensated Absences	46,100	40,030	-	86,130
Total Liabilities	<u>7,594,987</u>	<u>18,872,759</u>	<u>-</u>	<u>26,467,746</u>
Net Position				
Net Investment in Capital Assets	13,463,126	17,815,601	-	31,278,727
Restricted for:				
Capital Projects and Other Items	995,552	930,858	-	1,926,410
Unrestricted	4,624,910	2,010,907	-	6,635,817
Total Net Position	<u>\$ 19,083,588</u>	<u>\$ 20,757,366</u>	<u>\$ -</u>	<u>\$ 39,840,954</u>

City of Haverhill, Massachusetts
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
June 30, 2015

	<u>Business-Type Activities</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Other</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Enterprise</u>	<u>Enterprise</u>	<u>Total</u>
Operating Revenues:				
Charges for Services	7,517,823	8,823,982	-	16,341,805
Total Operating Revenues	<u>7,517,823</u>	<u>8,823,982</u>	<u>-</u>	<u>16,341,805</u>
Operating Expenditures:				
Personal Services	2,170,412	2,002,382	-	4,172,794
Nonpersonal Service	3,229,358	7,197,221	-	10,426,579
Depreciation	773,015	1,718,505	-	2,491,519
Total Operating Expenditures	<u>6,172,785</u>	<u>10,918,108</u>	<u>-</u>	<u>17,090,892</u>
Operating Income (Loss)	<u>1,345,038</u>	<u>(2,094,126)</u>	<u>-</u>	<u>(749,087)</u>
Nonoperating Revenues (Expenses):				
Interest on Debt	<u>(188,689)</u>	<u>(43,585)</u>	<u>-</u>	<u>(232,274)</u>
Total Nonoperating Revenues (Expenses)	<u>(188,689)</u>	<u>(43,585)</u>	<u>-</u>	<u>(232,274)</u>
Income Before Transfers	<u>1,156,349</u>	<u>(2,137,711)</u>	<u>-</u>	<u>(981,361)</u>
Operating Transfers Out	<u>(1,369,283)</u>	<u>(538,710)</u>	<u>(40,818)</u>	<u>(1,948,811)</u>
Total Transfers	<u>(1,369,283)</u>	<u>(538,710)</u>	<u>(40,818)</u>	<u>(1,948,811)</u>
Change in Net Position	<u>(212,934)</u>	<u>(2,676,421)</u>	<u>(40,818)</u>	<u>(2,930,172)</u>
Total Net Assets July 1, 2014	21,158,615	12,888,010	40,816	34,087,441
Prior Period Adjustments	<u>(1,862,093)</u>	<u>10,545,777</u>	<u>2</u>	<u>8,683,686</u>
Total Net Position July 1, 2014, as Restated	<u>19,296,522</u>	<u>23,433,787</u>	<u>40,818</u>	<u>42,771,127</u>
Total Net Position June 30, 2015	<u>\$ 19,083,588</u>	<u>\$ 20,757,366</u>	<u>\$ -</u>	<u>\$ 39,840,955</u>

City of Haverhill, Massachusetts
Statement of Cash Flows
Proprietary Fund
Fiscal Year Ended June 30, 2015

	<u>Business-Type Activities</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Other</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 7,666,617	\$ 8,823,982	\$ -	\$ 16,490,599
Payments to Employees	(2,232,243)	(2,066,588)	-	(4,298,831)
Payments to Vendors	(3,161,315)	(7,060,196)	-	(10,221,511)
	<u>2,273,059</u>	<u>(302,802)</u>	<u>-</u>	<u>1,970,257</u>
Net Cash Flows Provided (Used) by Operating Activities				
Cash Flows from Non Capital Related Financing Activities:				
Transfer From (To) Other Funds	(1,369,283)	(538,710)	(40,816)	(1,948,809)
	<u>(1,369,283)</u>	<u>(538,710)</u>	<u>(40,816)</u>	<u>(1,948,809)</u>
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities				
Cash Flows from Capital and Related Financing Activities:				
Principal Payments on Notes and Bonds	(1,206,894)	(1,409,330)	-	(2,616,224)
	<u>(1,206,894)</u>	<u>(1,409,330)</u>	<u>-</u>	<u>(2,616,224)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities				
Net Increase (Decrease) in Cash and Cash Equivalents				
	<u>(303,118)</u>	<u>(2,250,842)</u>	<u>(40,816)</u>	<u>(2,594,776)</u>
Cash and Cash Equivalents, July 1, 2014	<u>7,801,969</u>	<u>3,263,545</u>	<u>40,816</u>	<u>11,106,330</u>
Prior Period Adjustments	<u>(2,414,835)</u>	<u>213,807</u>	<u>-</u>	<u>(2,201,028)</u>
Cash and Cash Equivalents, July 1, 2014, as Restated	<u>5,387,134</u>	<u>3,477,352</u>	<u>40,816</u>	<u>8,905,302</u>
Cash and Cash Equivalents, June 30, 2015	<u>\$ 5,084,016</u>	<u>\$ 1,226,510</u>	<u>\$ -</u>	<u>\$ 6,310,526</u>
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 1,345,038	\$ (2,094,126)	\$ -	\$ (749,087)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	773,015	1,718,505	-	2,491,519
(Increase) Decrease in Assets:				
Accounts Receivable - Customer	148,794	97,541	-	246,335
Increase (Decrease) in Liabilities:				
Warrants and Accounts Payable	6,212	72,819	-	79,031
Customer Deposits	-	(15,498)	-	(15,498)
Other Accrued Expenses	-	(82,043)	-	(82,043)
Net Cash Provided by Operating Activities	<u>\$ 2,273,059</u>	<u>\$ (302,802)</u>	<u>\$ -</u>	<u>\$ 1,970,257</u>

City of Haverhill, Massachusetts
Statement of Net Position
Fiduciary Funds
June 30, 2015

	Pension Trust		Private
	Fund		Purpose
	As of	OPEB	Trust Funds
	<u>December 31, 2014</u>	<u>Trust</u>	<u>Trust Funds</u>
Assets			
Cash and Equivalent	\$ (192,670)	\$ -	\$ 5,743,267
Due from(to) Other Funds	-	200,000	(1,091,076)
Receivables:			
Employee Contributions	37,985	-	-
Due from Other Systems	312,034	-	-
Due from Other Governments	7,084,924	-	-
Investments Sold - Funds Not Received	127,028	-	-
Miscellaneous	4,115	-	-
	<hr/>	<hr/>	<hr/>
Total Receivables	7,566,086	-	-
	<hr/>	<hr/>	<hr/>
Investments at Fair Value:			
PRIT Funds	75,680,132	-	-
Stocks	38,890,382	-	-
Pooled Estate Funds	27,629,602	-	-
Pooled Domestic Equity Funds	17,975,543	-	-
Pooled International Equity Funds	9,095,067	-	-
Pooled Alternative Investments	4,732,777	-	-
	<hr/>	<hr/>	<hr/>
Total Investments	174,003,503	-	-
	<hr/>	<hr/>	<hr/>
Total Assets	181,376,919	200,000	4,652,191
	<hr/>	<hr/>	<hr/>
Liabilities			
Accounts Payable	209,048	-	-
Amounts Due to Other Systems	817,259	-	-
Investments Purchased - Not Yet Paid For	197,572	-	-
	<hr/>	<hr/>	<hr/>
Total Liabilities	1,223,879	-	-
	<hr/>	<hr/>	<hr/>
Net Position			
Net Position Held in Trust	\$ 180,153,040	\$ 200,000	\$ 4,652,191
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

City of Haverhill, Massachusetts
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2015

	Pension Trust Fund Fiscal Year Ended <u>December 31, 2014</u>	OPEB Trust	Private Purpose Trust Funds
Additions:			
Contributions:			
Members	\$ 3,566,337	\$ -	\$ -
Members - Transfers from Other Systems	536,737	-	-
Retirement Benefits - 3(8)C from Other Systems	312,034	-	-
Employer	14,661,848	-	-
Other Contributions	-	-	10,442
Total Contributions	<u>19,076,956</u>	<u>-</u>	<u>10,442</u>
Transfers from Other Funds	-	200,000	-
Net Investment Income (Loss) :			
Net Appreciation in the Fair Value of Plan Assets and Gains and (Losses)	10,323,576	-	(515,134)
Interest and Dividends	3,942,683	-	-
Total Investment Income (Loss)	<u>14,266,259</u>	<u>-</u>	<u>(515,134)</u>
Less Investment Expense	<u>1,501,200</u>	<u>-</u>	<u>-</u>
Net Investment Income (Loss)	<u>12,765,059</u>	<u>-</u>	<u>(515,134)</u>
Retirement Benefits - State COLA Reimbursements	<u>217,961</u>	<u>-</u>	<u>-</u>
Total Additions (Reductions)	<u>32,059,976</u>	<u>200,000</u>	<u>(504,692)</u>
Deductions:			
Benefit Payments, Including Refunds of Member Contributions	23,658,934	-	-
Members - Transfers To Other Systems	461,119	-	-
Retirement Benefits - 3(8)C to Other Systems	805,650	-	-
Administrative Expenses	434,701	-	-
Scholarships and Other Expenses	-	-	279,030
Total Deductions	<u>25,360,404</u>	<u>-</u>	<u>279,030</u>
Net Increase (Decrease)	<u>6,699,572</u>	<u>200,000</u>	<u>(783,722)</u>
Net Position Held In Trust:			
Beginning of Year	166,413,492	-	5,435,913
Prior Period Adjustment	7,039,976	-	-
Adjusted Balance Beginning of Year	<u>173,453,468</u>	<u>-</u>	<u>5,435,913</u>
End of Year	<u>\$ 180,153,040</u>	<u>\$ 200,000</u>	<u>\$ 4,652,191</u>

City of Haverhill, Massachusetts
Notes to the Financial Statements
June 30, 2015

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, 2015. 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, 2015.

(B) Blended 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 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.

(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.

(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, 2015 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 \$10,000 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
Improvements	20-40
Infrastructure	50
Vehicles	5-10

(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 are not considered "available" and to reflect property taxes paid in advance of when they may be used. The Statement of Net Position (governmental activities) reflects deferred outflows of resources related to pensions.

(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) Risk Financing

The City does insure for casualty, theft, tort claims and other losses, however, the City does not insure workers' compensation. In addition, the City is self-insured for all group health insurance.

(Q) 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, 2015, \$36,368,924 of the City's bank balance of \$45,138,625 was uninsured and uncollateralized.

Uninsured and Uncollateralized \$ 36,368,924

ii. Investments

a) As of June 30, 2015, 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.S. Treasury / Agency Securities	\$ 1,594,508	\$ 1,594,508	\$ -	\$ -
Mutual Funds	626,833	626,833	-	-
Corporate Bonds and Other	<u>2,959,230</u>	<u>1,083,929</u>	<u>785,434</u>	<u>1,089,867</u>
Total	<u>\$ 5,180,571</u>	<u>\$ 3,305,270</u>	<u>\$ 785,434</u>	<u>\$ 1,089,867</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).

Contributory Retirement System

Deposits

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan does not have a formal deposit policy for custodial credit risk. As of December 31, 2014, the Plans deposit amount was (\$192,670).

Investment Policy

The provisions of Massachusetts General Laws (M.G.L.) c. 32, sec 23(2) govern the System's investment practice.

Diversification is attained through varied investment management styles that comply with Massachusetts state law. This is accomplished through the retention of investment managers that adhere to M.G.L. c. 32, sec 3(3), the Prudent Person rule.

The System has retained an investment consultant to work with the Board in a fiduciary capacity to assure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies.

The System is currently invested in stocks (domestic and foreign), fixed income securities (domestic and foreign), real estate, and private equity funds, as follows:

Investments:	
PRIT Funds	\$75,680,132
Stocks	38,890,382
Pooled Estate Funds	27,629,602
Pooled Domestic Equity Funds	17,975,543
Pooled International Equity Funds	9,095,067
Pooled Alternative Investments	<u>4,732,777</u>
Total Investments	<u>\$174,003,504</u>

Approximately 43% 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.

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. 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

2015	\$ 1,403,420	
2014 & Prior	<u>(1,263)</u>	
Total Real Estate Taxes		<u>\$ 1,402,157</u>

Personal Property Taxes

2015	29,406	
2014	20,022	
2013	11,897	
2012	13,784	
2011	14,878	
2010 & Prior	<u>63,162</u>	
Total Personal Property Taxes		<u>153,149</u>

Total Property Taxes Receivable \$ 1,555,305

Tax Liens and Foreclosures \$ 2,895,104

Excise Taxes Receivable:

Motor Vehicle Excise Taxes

2015	\$ 661,646	
2014	187,355	
2013	91,509	
2012	75,137	
2011	60,784	
2010 & Prior	<u>622,927</u>	
Total Motor Vehicle Excise Taxes		<u>\$ 1,699,358</u>

Boat Excise Taxes

2015	3,173	
2014	1,724	
2013	1,545	
2012	2,006	
2011	1,703	
2010 & Prior	<u>11,786</u>	
Total Boat Excise Taxes		<u>21,937</u>

Total Motor Vehicle and Other Excise Taxes \$ 1,721,295

Other Accounts Receivable \$ 46,586

User Charges - Water and Sewer \$ 1,615,798

Due from Commonwealth of Massachusetts

Because of a pronouncement issued by the Governmental Accounting Standards Board (GASB), the account titled "Due from Commonwealth of Massachusetts" is shown on the Fund Financial Statements balance sheet under the General Fund column. This pronouncement, known as GASB 33, relates to certain revenue recognition issues and setting up certain receivable accounts.

The \$4,862,223 General Fund, Due from Commonwealth of Massachusetts-MSBA (Massachusetts School Building Authority) shown on the fund financial statements, relates to the total amount due to the City of Haverhill relating to school building projects. The amount due to the City was determined under Chapter 645 of the Acts of 1948. The City either constructed a new school building or made major improvements to an existing school building and the state entered into a grant agreement with the City to reimburse the City for a predetermined percentage of allowable costs and interest expense. The reimbursement to the City for its portion of the debt service and allowable costs is made in equal installments over the life of the bond issue and is subject to only the appropriation of the state legislature. In July of 2004, the governor signed Chapter 208 and Chapter 210 of the Acts of 2004 into law, which makes substantial changes to the School Building Assistance (SBA) Program. This legislation (Ch. 208) transfers responsibility for the School Building Assistance Program from the Department of Education to the Massachusetts School Building Authority (MSBA), under the Office of the State Treasurer. The authority is a new and independent governing body comprised of seven members. The legislation under Chapter 210 dedicates 1 percent of the sales tax receipts to help fund School Building projects. The authority shall examine applications for assistance and designate a school project as approved if it meets the following requirements. The school project will be viewed with respect to its site, type of construction, sufficiency of accommodations, open space preservation, urban development, urban sprawl, energy efficiency and otherwise. The project must be necessary to meet educational standards of the curriculum frameworks established by the Board of Education. The project must have a value over its useful life and be within the capacity of the authority to finance within revenues projected to be available to the trust. A major feature of the new law is the upfront cash grant program.

When a project is approved for funding, the program will make a single payment of 75% of the full amount of the state's reimbursement. The balance of the state share will be paid when the project audit is completed.

The Non Major Governmental Funds column amount of \$2,526,864, Due from Commonwealth of Massachusetts-Other, includes an amount due to the City as of June 30, 2015 relating to Chapter 90 highway repair and improvement projects. Under the Chapter 90 program, the Massachusetts Highway Department enters into an agreement with the City to reimburse the City for certain highway repair projects. When the city has incurred expenses to repair and improve the roads which have been predetermined in the grant agreement with the state, the paperwork is submitted to the state to be reimbursed for these expenses. There is also \$1,104,542 due from MWPAT relating to a floodwall project.

5. Temporary Loans

At June 30, 2015, 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, 2015:

<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's	\$ 4,632,198	\$ 4,138,165	\$ (4,632,198)	\$ 4,138,165
SAAN's	<u>2,000,000</u>	<u>2,000,000</u>	<u>(2,000,000)</u>	<u>2,000,000</u>
Total - Governmental	<u>6,632,198</u>	<u>6,138,165</u>	<u>(6,632,198)</u>	<u>6,138,165</u>
<u>Business Activities:</u>				
BAN' - MWPAT	3,792,736	-	(3,792,736)	-
BAN's	<u>781,000</u>	<u>1,081,000</u>	<u>(781,000)</u>	<u>1,081,000</u>
Total - Business Type	<u>4,573,736</u>	<u>1,081,000</u>	<u>(4,573,736)</u>	<u>1,081,000</u>
Grand Total	<u>\$ 11,205,934</u>	<u>\$ 7,219,165</u>	<u>\$ (11,205,934)</u>	<u>\$ 7,219,165</u>

6. Long Term Debt

General obligation bonds outstanding at June 30, 2015 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, 2015:

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Balance 7/01/2014	\$ 49,450,077	\$ 33,261,332	\$ 82,711,409
Prior Period Adjustments	<u>6,291,485</u>	<u>(6,291,485)</u>	<u>-</u>
Balance 7/01/2014 as Adjusted	<u>55,741,562</u>	<u>26,969,847</u>	<u>82,711,409</u>
Add: New Issues	16,373,671	-	16,373,671
Less: Maturities	<u>(7,849,612)</u>	<u>(2,546,881)</u>	<u>(10,396,493)</u>
Balance 6/30/2015	<u>\$ 64,265,621</u>	<u>\$ 24,422,966</u>	<u>\$ 88,688,587</u>

(B) Summary of Debt Service Requirements to Maturity:

	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2016	\$ 7,801,381	\$ 2,316,245	\$ 1,940,611	\$ 849,794
2017	6,395,088	2,005,880	1,974,266	778,658
2018	6,212,376	1,747,332	1,983,513	707,280
2019	6,226,148	1,498,957	2,011,154	640,398
2020	4,808,109	1,249,905	1,669,456	567,082
2021-2025	17,234,078	3,754,482	6,800,132	2,102,674
2026-2030	6,399,429	1,974,519	4,711,780	1,167,066
2031-2035	4,474,009	1,199,778	3,332,054	382,035
2036 and thereafter	4,715,000	1,015,413	-	-
	<u>\$ 64,265,618</u>	<u>\$ 16,762,511</u>	<u>\$ 24,422,966</u>	<u>\$ 7,194,987</u>

On January 27, 2011 the City issued \$9,680,000 of State Qualified Refunding Bonds with an average interest rate of 4.3 % to advance refund \$9,875,000 of outstanding hospital debt with an average rate of 6.75 %. The net proceeds (after payment of underwriting fees, insurance and other issuance costs) were deposited into an irrevocable escrow bank account to provide for future payment of the refunded debt. The principal and interest costs on the refunded debt and the refunding debt are detailed below:

	Refunded Bonds Principal and Interest	Refunding Bonds Principal and Interest
2012	\$666,562	\$455,552
2013	1,357,431	1,189,255
2014	1,357,481	1,189,533
2015	1,358,987	1,193,198
2016	1,356,781	1,190,250
2017	1,355,694	1,190,690
2018	1,355,388	1,189,410
2019	1,360,357	1,191,303
2020	1,354,932	1,186,368
2021	1,360,275	1,194,390
2022	1,359,881	1,195,153
Total	<u>\$14,243,769</u>	<u>\$12,365,102</u>

During fiscal 2012 the City issued \$2,745,000 of State Qualifying Refunding Bonds to advance refund \$ 2,705,000 of outstanding debt. The Principal and Interest Costs on the refunded debt and the refunding debt are detailed below:

	Refunded Bonds Principal and Interest	Refunding Bonds Principal and Interest
2013	\$365,465	\$343,229
2014	356,030	343,725
2015	346,085	331,900
2016	335,885	316,600
2017	315,640	301,500
2018	305,228	291,550
2019	289,680	281,100
2020	279,000	272,100
2021	268,083	260,100
2022	256,920	245,575
2023	240,640	238,525
Total	\$3,358,656	\$3,225,904

(C) Long -Term Debt Authorizations

General Obligation Bonds authorized and unissued at June 30, 2015 are summarized as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
7/29/1998	Wastewater CWSRF-143/CW-98-90	\$ 50,000
2/3/1999	1999 School Remodeling	2,680,000
12/2/1999	Sewer	1,520,000
11/2/2001	MWPAT CW-00-54 Landfill	22,432
1/17/2002	Planning CSO	200,000
3/13/2003	2003 School Remodeling High School	1,094,012
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	2005 Departmental Equipment	142,000
5/24/2005	Sewer CW-05-17	321,426
12/6/2005	2005 Parking Deck	280
10/13/2005	2006 Greenleaf School Boiler	995
10/13/2005	2006 High Street Fire Station	10,000
10/13/2005	2006 Whittier School Roof	15,000
12/20/2006	2007 Park Dept Building Repairs	53,000
1/16/2007	2007 School Books	125,325

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
12/10/2011	Green School Project	1,661,934
4/22/2014	CSO Phase II CWP 14-15	1,081,000
11/27/2012	Flood Wall	664,368
6/13/2004	Hunking School	51,500,000
9/4/2012	Feasibility Study Hunking School	307,781
7/8/2014	Fire Pumper	70
	Total	<u>\$ 62,423,681</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, 2015 are as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion</u>
<u>Governmental Activities</u>					
Long-term Bonds and Notes	\$ 55,741,562	\$ 16,373,671	\$ (7,849,612)	\$ 64,265,621	\$ 7,801,381
Add: Unamortized Premium	-	-	-	-	-
Total Bonds Payable	<u>55,741,562</u>	<u>16,373,671</u>	<u>(7,849,612)</u>	<u>64,265,621</u>	<u>7,801,381</u>
Compensated Absences	2,011,608	-	(42,614)	1,968,994	-
School Longevity	1,074,963	-	(182,655)	892,308	-
OPEB Liabilities	42,629,584	6,814,463	-	49,444,047	-
Net Pension Liability	143,168,916	-	(1,899,038)	141,269,878	-
Landfill	<u>18,800,000</u>	<u>-</u>	<u>(2,500,000)</u>	<u>16,300,000</u>	<u>-</u>
Total Governmental Activities	<u>\$ 263,426,633</u>	<u>\$ 23,188,134</u>	<u>\$ (12,473,919)</u>	<u>\$ 274,140,848</u>	<u>\$ 7,801,381</u>
<u>Business Type Activities</u>					
Long-term Bonds and Notes	\$ 26,969,847	\$ -	\$ (2,546,881)	\$ 24,422,966	\$ 1,940,611
Add: Unamortized Premium	-	-	-	-	-
Total Bonds Payable	<u>26,969,847</u>	<u>-</u>	<u>(2,546,881)</u>	<u>24,422,966</u>	<u>1,940,611</u>
Compensated Absences	212,167	-	(126,037)	86,130	-
OPEB Liabilities	<u>1,309,813</u>	<u>324,700</u>	<u>-</u>	<u>1,634,513</u>	<u>-</u>
Total Business Type Activities	<u>\$ 28,491,827</u>	<u>\$ 324,700</u>	<u>\$ (2,672,918)</u>	<u>\$ 26,143,609</u>	<u>\$ 1,940,611</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>Non Major Funds</u>	<u>Total</u>
Restricted for:			
General Government	\$ -	\$ 411,729	411,729
Public Safety	-	61,825	61,825
Public Works	-	41,579	41,579
Total Restricted	<u>-</u>	<u>515,133</u>	<u>515,133</u>
Committed to:			
General Government	\$ -	\$ 1,463,673	\$ 1,463,673
Public Safety	-	985,687	985,687
Education	-	4,695,673	4,695,673
Public Works	-	4,737,329	4,737,329
Landfill and Other	-	1,989	1,989
Total Committed	<u>-</u>	<u>11,884,351</u>	<u>11,884,351</u>
Assigned to:			
Reserved for Expenditures	4,632,847	-	4,632,847
General Government	215,715	-	215,715
Public Safety	573,161	-	573,161
Education	484,719	-	484,719
Public Works	299,722	-	299,722
Human Services	1,784	-	1,784
Community Development	563	-	563
Landfill and Other	103,488	-	103,488
Total Assigned	<u>6,311,999</u>	<u>-</u>	<u>6,311,999</u>
Unassigned	<u>11,343,478</u>	<u>(734,501)</u>	<u>10,608,977</u>
Total Fund Balances	<u>\$ 17,655,477</u>	<u>\$ 11,664,983</u>	<u>\$29,320,460</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, 2015. The budget amounts include special City Council meeting votes applicable to June 30, 2015.

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	\$ 165,115,033
Adjustments:	
Sixty Day Property Tax Accrual - Net	(224,506)
Other adjustment	3,020
Teacher Retirement on Behalf Payments	7,755,155
As Reported GAAP Statement	<u>\$ 172,648,702</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 165,881,626
Adjustments:	
July 1, 2014 Encumbrances	1,474,824
June 30, 2015 Encumbrances	(1,679,152)
Other Adjustments	27,215
Teacher Retirement on Behalf Payments	7,755,155
As Reported GAAP Statement	<u>\$ 173,459,668</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, 2014, 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. Haverhill currently has a \$12,000 cap and a maximum allowable COLA of 3%.

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, 2015, the City reported a liability of \$141,269,878 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, 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, 2014, the City's proportion was 95%. 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, 2015, the City recognized pension expense of \$12,648,385. 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, 2014. 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, 2015, 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	\$ -	\$ -
Change in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	353,008	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	-	-
	<u>\$ 353,008</u>	<u>\$ -</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
2016	\$ 88,253
2017	88,253
2018	88,253
2019	88,249
2020	-
Thereafter	-

Actuarial Assumptions

The total pension liability as of December 31, 2014 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, 2014														
Actuarial Cost Method	Entry age normal cost method														
Amortization Method	Closed - approximate level percent payroll (in prior valuation - Level dollar for ERI liability for most units, 4.5% annual increases for ERI Liability for other units, increasing amortization for the remaining unfunded liability. Increase in total appropriation not to exceed 8%).														
Remaining Amortization Period	20 years for the fresh start base														
Asset Valuation Method	Market value adjusted by accounts payable and receivables adjusted to phase in over 5 years investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value. (in prior valuation Sum of actuarial value at beginning of year and increase in cost value during year excluding realized appreciation or losses plus 20 percent of market value at the end of year -as reported in the Annual Statement - in excess of that preliminary value, adjusted to be within 20 percent of their market value).														
Salary Increases	<table><thead><tr><th>In Year</th><th></th></tr></thead><tbody><tr><td>1</td><td>7.50%</td></tr><tr><td>2</td><td>6.50%</td></tr><tr><td>3</td><td>6.00%</td></tr><tr><td>4</td><td>5.50%</td></tr><tr><td>5</td><td>5.00%</td></tr><tr><td>Thereafter</td><td>3.75%</td></tr></tbody></table>	In Year		1	7.50%	2	6.50%	3	6.00%	4	5.50%	5	5.00%	Thereafter	3.75%
In Year															
1	7.50%														
2	6.50%														
3	6.00%														
4	5.50%														
5	5.00%														
Thereafter	3.75%														
Investment Rate of Return/Discount Rate	8.0% per year (8.25% in prior valuation)														
Cost of Living Adjustments	3.00% of first \$13,000 (granted annually)														
Mortality Rates Were Based on the Tables Noted Below:															
Pre-Retirement	The RP-2000 mortality table (sex-distinct) projected with scale BB and Generational Mortality. During employment the healthy employee mortality table is used. Post-employment the health annuitant table is used.														
Disabled Retiree	The RP-2000 mortality table for healthy annuitants (sex-distinct) projected with scale BB and Generational Mortality set-forward by 2 years. Death is assumed to be due to the same cause as the disability 40% of the time. (Prior valuation used RP2000 projected 18 years with scale AA)														

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>
Core Bonds	13.00%	0.97%
Value-Added Bonds	10.00%	3.80%
Large Cap Equities	14.50%	4.61%
Mid/Small Cap Equities	3.50%	4.85%
International Equities	16.00%	5.10%
Emerging Market Equities	6.00%	6.31%
Private Equity	10.00%	6.55%
Real Estate	10.00%	3.40%
Timber/Natural Resources	4.00%	3.64%
Hedge Funds	9.00%	3.64%
Cash/Portfolio Completion	4.00%	0.00%
	<u>100%</u>	

Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2014 (net of investment expenses) was 7.62%. 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 8.0%. 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 8.0%, 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 (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	1% Decrease <u>(7.00%)</u>	Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
City's proportionate share of the Net Pension Liability	\$172,926,031	\$141,269,878	\$121,174,927

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, 2014, the City's proportionate share of the collective pension expense was \$7,755,155. 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, 2015, or fund balance/net position at June 30, 2015.

The Commonwealth's proportionate share of net pension liability associated with the City is \$111,625,445.

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.mass.gov/osc/docs/reports-audits/cafr/cafr-2014.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, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of January 1, 2014, rolled back to June 30, 2013. This valuation used the following assumptions:

1. (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase 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-2000 Employees table adjusted for "white-collar" employment projected 22 years with Scale AA (gender distinct)
 - Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)
 - Disability – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males

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, 2014 and 2013 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>	
		<u>2014</u>	<u>2013</u>
Global Equity	43.00%	7.20%	7.70%
Core fixed income	13.00%	2.50%	2.00%
Hedge Funds	10.00%	5.50%	4.75%
Private Equity	10.00%	8.80%	9.00%
Real estate	10.00%	6.30%	6.00%
Value Added Fixed Income	10.00%	6.30%	6.30%
Timber/Natural Resources	4.00%	5.00%	5.00%
	<u>100%</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.mass.gov/osc/docs/reports-audits/cafr/cafr-2014.pdf>.

Based upon updated actuarial information, the Commonwealth has adjusted certain information as previously reported in the Schedule of Changes in the Massachusetts Teachers’ Retirement System Net Pension Liability and Related Ratios (changes in total pension liability) as contained in the required supplemental section of the Commonwealth’s 2014 CAFR. The change resulted in a reduction of previously reported differences between expected and actual experience by \$85,597,000 which affected the following elements in the schedule of pension amounts as of and for the year ending June 30, 2014 (amounts in thousands):

Beginning total pension liability	\$ (21,000)
Service cost	(26,337)
Interest on pension liability and benefit payments	<u>132,934</u>
Total adjustments	<u>\$85,597</u>

11. Other Postemployment Benefits (OPEB) Disclosures – GASB 43 and 45

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. These statements require the City to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis. Certain information that is required to be disclosed by GASB 43 and 45, is noted below. In addition, certain other Required Supplementary Information (RSI), required by GASB 43 and 45, is presented following the notes to the financial statements.

Plan Description. In addition to providing pension benefits described above, the City provides the majority of retired employees with payments for a portion of their health care and life insurance benefits. All of the City retirees receiving a pension from the City of Haverhill Retirement System or the Massachusetts Teachers Retirement System are eligible for post retirement medical benefits. Currently there are approximately 1,169 active employees and 2,012 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan. The benefits are provided primarily through Blue Cross of Massachusetts, Inc.

Funding Policy. Most City retirees contribute towards their health insurance coverage in the amount of 15%, 20%, 25% or 30% of stated premiums, depending on their date of retirement, plan selected and date of hire. The City contributes \$5.40 per month for each retiree receiving \$5,000 in basic life insurance. Benefits paid by the City are on a pay-as-you-go basis. The contribution requirements of plan members and the City are established and may be amended from time to time.

Annual OPEB Cost and OPEB Obligation. The annual Other Postemployment Benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the City, an amount that has been actuarially determined in accordance with the parameters of GASB 43 and 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year ended June 30, 2015, the amount actually contributed to the plan, and the City's Net OPEB Obligation (NOO):

Annual Required Contribution (ARC)	\$16,815,241
Interest on Net OPEB Obligation	1,757,576
Adjustment to Annual Required Contribution	(1,679,032)
Annual OPEB Cost (Expense)	<u>16,893,785</u>
Contributions Made	<u>(9,754,622)</u>
Increase in Net OPEB Obligation	7,139,163
Net OPEB Obligation (NOO)- Beginning of Year	<u>43,939,397</u>
Net OPEB Obligation (NOO)- End of Year	<u><u>\$51,078,560</u></u>
Percentage of Annual OPEB Cost Contributed	59 %

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the recent years are as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Actual</u> <u>Contributions</u>	<u>Percentage</u> <u>Contributed</u>
2008	\$15,362,934	\$8,846,909	58%
2009	16,700,010	11,226,557	67%
2010	17,405,977	12,297,533	71%
2011	18,105,857	13,283,061	73%
2012	19,753,183	11,131,024	56%
2013	20,542,475	11,394,942	55%
2014	16,358,282	12,109,295	74%
2015	16,893,785	9,754,622	59%

Funding Status and Funding Progress. As of June 30, 2015, the most recent actuarial valuation date, no funding to the plan has been made. The Actuarial Accrued Liability (AAL) for benefits was \$270,890,482, and the actuarial value of assets was zero, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$270,890,482.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of

benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used to include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), and an annual healthcare cost trend rate of 7.5 percent, reduced by decrements to an ultimate rate of 4.5 percent after six years. The actuarial value of assets was determined using market value. The UAAL is being amortized over a thirty year amortization period.

12. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code ("IRC") Section 457. The plan, available to all City employees except teachers, permits employees to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights which may be purchased by the City with such amounts, and all income attributable to such amounts, property or rights shall remain solely the property and rights of the City (without being restricted to the provision of benefits under this plan) subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the City that it has no liability for losses under the plan, but it does have the duty of due care which would be required of an ordinary prudent investor. The plan assets are subject to the claims of the City's general creditors; however, plan assets have not been used in the past to satisfy such claims. The value of the plan assets as of June 30, 2015 was approximately \$23,498,067.

In August 1996, the provisions of IRC Section 457 were amended to require that eligible deferred compensation plans must hold its assets and income in a trust.

13. Risk Management

The City is self-insured for all group health insurance and is exposed to various risks of losses related to health insurance. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. To limit the City's exposure to loss, the City has a stop loss policy that becomes effective on any individual case that exceeds \$175,000 (per person, per incident). This stop loss provision relates only to health related claims.

The City is also exposed to various risks of losses related to workers' compensation. The reserve for the workers' compensation is generally determined by management based on historical experience. The City funds its obligations for workers' compensation claims on a claims-made basis.

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 Bardon-Trimount Corporation ("Bardon") and the Massachusetts Electric

Company. The DEP also contacted Bardon to discuss the intentions of both the City and Bardon 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 Bardon 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 \$16,300,000 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.

Michael Maroney Pending Legal Matter

Another matter pending against the City at this time relates to *Michael Maroney, as Trustee of Premiere Realty Trust, and Maroney Construction Company, Inc. versus City of Haverhill Planning Board*, which has been filed in Essex Superior Court. Plaintiffs have claimed that the City wrongly denied the issuance of various building permits for ten homes located within this fifty lot development. Plaintiffs have asserted that the City was legally required to issue permits to them. The City has countered that there is a serious public safety issue relative to the low water pressure which effects not only homes within the development, but those outside as well. Plaintiffs are responsible for construction of a water booster station which will alleviate these issues, but at the time of the suit they had not undertaken any steps to do so. Plaintiffs applied for a preliminary injunction asking the Court to order the City to issue the permits. The Court denied Plaintiffs' request stating that the City demonstrated that the interests of the City and public safety have and will continue to be threatened by the failure of the project to meet water pressure safety standards. Despite Plaintiffs illegal building without permits, the City has endeavored to resolve these matters amicably, by releasing some lots and suggesting mediation. A January 7, 2016 mediation session with a retired land Court Judge broke down when Plaintiffs, for the first time, demanded the sum of \$4.3 million dollars in addition to other terms for settlement. **The City's current counsel, along with a second opinion from other outside counsel, have advised the City that there is not a substantial risk that the City would be subject to money damages in this case and that Plaintiffs claims are grossly overinflated.** In the face of this outrageous demand the City intends to continue to vigorously defend this action.

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, 2015 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	\$ 3,744,550	\$ (799,994)	\$ 2,944,556
Non-major Governmental	2,515,189	(3,710,935)	(1,195,746)
Trust and Agency Fund	200,000	-	200,000
Enterprise - Business Type	-	(1,948,810)	(1,948,810)
Total	<u>\$ 6,459,739</u>	<u>\$ (6,459,739)</u>	<u>\$ -</u>

Interfund receivables and payables (Due From/To Other Funds) are established in the accounting records of the City because the actual cash received and disbursed is accounted for in the general fund (these accounts are presented on the balance sheet in the financial statements). For example, when money is received from the federal government, relating to a federal grant (which is accounted for in the special revenue fund), the money received is accounted for by debiting cash in the general fund, but at the same time an entry is made which credits “due to the special revenue fund”, which keeps the general fund in balance. A corresponding “due from the general fund” account is debited in the special revenue fund. In addition, the correct special revenue fund revenue account is credited in the special revenue fund, to keep this fund in balance. This type of accounting system is in accordance with generally accepted accounting principles. During the fiscal year ended June 30, 2015 the accounting system refers to the due to/from accounts in the general ledger as “pooled cash”.

16. Subsequent Year Authorization

The City has voted fiscal year 2016 budget amounts totaling \$193,025,469. Fiscal year 2016 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	\$ 170,516,487
Enterprise Fund Revenues and Available Funds	17,555,788
Other Available Funds	4,953,194
Total	<u>\$ 193,025,469</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 \$118,693,541 in net position; and the assets restricted for specific purposes represent (\$219,368) in net position. As these two components of net position exceed total net position, unrestricted net position showed a (\$208,339,314) 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 43 and 45 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, 2015 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u> <u>and Adjustments</u>	<u>Ending</u> <u>Balance</u>
Government Activities:				
Land	\$ 9,848,536	\$ -	\$ -	\$ 9,848,536
Construction Work in Process	6,620,867	3,103,377	-	9,724,244
Totals Capital Assets not Being Depreciated	<u>16,469,403</u>	<u>3,103,377</u>	<u>-</u>	<u>19,572,780</u>
Assets Being Depreciated:				
<u>Cost:</u>				
Buildings	117,251,723	-	-	117,251,723
Equipment	1,610,704	-	-	1,610,704
Improvements	5,067,686	-	-	5,067,686
Infrastructure	136,237,976	-	-	136,237,976
Vehicles	6,154,754	65,000	(13,000)	6,206,754
Total Capital Assets Being Depreciated	<u>266,322,843</u>	<u>65,000</u>	<u>(13,000)</u>	<u>266,374,843</u>
Less Accumulated Depreciation:				
Buildings	(50,301,807)	(2,279,423)	-	(52,581,230)
Equipment	(1,176,487)	(75,986)	-	(1,252,474)
Improvements	(3,355,452)	(231,072)	-	(3,586,524)
Infrastructure	(76,616,709)	(2,600,993)	-	(79,217,702)
Vehicles	(5,648,074)	(75,736)	13,000	(5,710,810)
Total Accumulated Depreciation	<u>(137,098,529)</u>	<u>(5,263,210)</u>	<u>13,000</u>	<u>(142,348,739)</u>
Capital Assets Being Depreciation, Net	129,224,314	(5,198,210)	-	124,026,104
Government Activities - Capital Assets, Net	<u>\$ 145,693,717</u>	<u>\$ (2,094,833)</u>	<u>\$ -</u>	<u>\$ 143,598,885</u>
Business Type Activities:				
Land	\$ 1,580,632	\$ -	\$ -	\$ 1,580,632
Construction Work in Process	12,103,780	-	(2,303,445)	9,800,335
Totals Capital Assets Not Being Depreciated	<u>13,684,412</u>	<u>-</u>	<u>(2,303,445)</u>	<u>11,380,967</u>
Assets Being Depreciated:				
<u>Cost:</u>				
Buildings	171,720	-	-	171,720
Equipment	33,099,965	88,600	(60,000)	33,128,565
Improvements	319,757	-	-	319,757
Infrastructure	80,008,795	2,214,845	-	82,223,640
Vehicles	935,825	-	-	935,825
Total Capital Assets Being Depreciated	<u>114,536,063</u>	<u>2,303,445</u>	<u>(60,000)</u>	<u>116,779,508</u>

	Beginning		Retirements	Ending
	Balance	Additions	and Adjustments	Balance
Less Accumulated Depreciation:				
Buildings	(130,866)	(4,881)	-	(135,746)
Equipment	(18,257,636)	(1,055,086)	60,000	(19,252,722)
Improvements	(319,757)	-	-	(319,757)
Infrastructure	(47,703,626)	(1,430,423)	-	(49,134,049)
Vehicles	(934,696)	(1,129)	-	(935,825)
Total Accumulated Depreciation	<u>(67,346,580)</u>	<u>(2,491,519)</u>	<u>60,000</u>	<u>(69,778,099)</u>
Capital Assets Being Depreciation, Net	<u>47,189,483</u>	<u>(188,074)</u>	<u>-</u>	<u>47,001,408</u>
Business Type Activities - Capital Assets, Net	<u>\$ 60,873,894</u>	<u>\$ (188,074)</u>	<u>\$ (2,303,445)</u>	<u>\$ 58,382,375</u>

19. Revision of Net Position - Prior Period Adjustments

The beginning net pension of the Governmental activities has been revised for the implementation of GASB Statement #67, #68 and #71. To reflect this change, a net pension liability adjustment was made to the June 30, 2014 net position in the amount of \$142,815,908. In addition, a prior period adjustment of (\$8,683,686), was made in the enterprise funds to reclassify debt from the enterprise funds to the general fund and to make other corrections relating to properly recording capital projects in the enterprise funds (which were recorded in the capital projects funds in the general ledger). In addition to the reclassification items noted above, other corrections were made to the governmental activities balances so that the net prior period adjustment (relating to governmental activities) was \$5,441,110 (other than the net pension liability revision of \$142,815,908).

20. Implementation of New GASB Pronouncements

During fiscal year 2015, the following GASB pronouncements were implemented:

- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. The implementation of this pronouncement required a restatement of prior net position to reflect the net pension liability as of July 1, 2014, the recognition of the pension expense and the reporting of deferred outflows/inflows related to pensions. The notes to the financial statements and the Required Supplementary Information were enhanced to comply with Statement #68.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement #71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date*. The implementation of this pronouncement did not impact the financial statements.

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

- The GASB issued Statement No. 72 *Fair Value Measurement and Application*, which is required to be implemented in fiscal year 2016.
- The GASB issued Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which is required to be implemented in fiscal year 2017.
- The GASB issued Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in fiscal year 2017.

- The GASB issued Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in fiscal year 2018.
- The GASB issued Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in fiscal year 2016.
- The GASB issued Statement No. 77 *Tax Abatement Disclosures*, which is required to be implemented in fiscal year 2017.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements. Management's current assessment is that GASB Statements #73, 74 & 75 will have a significant impact on the City's basic financial statements by recognizing the entire actuarially accrued liability and expense, related to the City's Other Post-Employment Benefits.

***REQUIRED SUPPLEMENTARY
INFORMATION***

City of Haverhill, Massachusetts
Statement of Revenues and Expenditures - Budget and Actual
General Fund (Budgetary Basis)
Fiscal Year Ended June 30, 2015

	<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	\$ 91,219,128	\$ 90,527,673	\$ 90,835,850	\$ 308,177
Excises	6,931,494	6,785,568	7,739,627	954,059
Fees, Departmental and Charges for Services	3,894,506	3,758,357	4,463,856	705,499
Intergovernmental	60,738,552	58,735,449	59,137,419	401,970
Earnings on Investments	18,972	18,800	12,681	(6,119)
Other Taxes, Assessments and In Lieu Payments	2,123,838	2,065,412	2,042,218	(23,194)
Other Revenue	220,000	-	883,382	883,382
Total Revenues	<u>165,146,490</u>	<u>161,891,259</u>	<u>165,115,033</u>	<u>3,223,774</u>
<u>Expenditures</u>				
General Government	3,054,762	3,083,550	4,498,465	(1,414,915)
Public Safety	20,092,350	20,228,200	19,181,737	1,046,463
Education	80,329,266	79,562,037	79,077,317	484,720
Public Works	6,775,341	7,996,081	9,158,791	(1,162,710)
Human Services	2,887,904	3,077,329	3,069,946	7,383
Community and Economic Development	794,420	800,470	795,119	5,351
Debt Service	9,465,308	9,260,232	8,998,524	261,708
Intergovernmental	4,946,320	4,971,995	4,971,988	7
Health Insurance and Other Employee Benefits	20,988,141	21,738,596	19,088,326	2,650,270
Pension Benefits	13,340,793	13,405,793	13,374,732	31,061
Other Expenditures	3,541,878	4,776,359	3,666,681	1,109,678
Total Expenditures	<u>166,216,483</u>	<u>168,900,642</u>	<u>165,881,626</u>	<u>3,019,016</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,069,993)</u>	<u>(7,009,383)</u>	<u>(766,593)</u>	<u>6,242,790</u>
Other Financing Sources (Uses):				
Other Available Funds - Free Cash	1,400,000	1,882,591	1,882,590	(1)
Operating Transfers In	769,993	6,592,886	6,544,550	(48,336)
Operating Transfers Out	(1,100,000)	(1,466,094)	(1,399,994)	66,100
Total Other Financing Sources (Uses)	<u>1,069,993</u>	<u>7,009,383</u>	<u>7,027,146</u>	<u>17,763</u>
Excess Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 6,260,553</u>	<u>\$ 6,260,553</u>

Required Supplementary Information
Schedule of the City of Haverhill Massachusetts's Proportionate Share of the Net Pension Liability
City of Haverhill Contributory Retirement System
Last Ten Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
City's proportionate share of net pension liability (asset) (%)	1.910000%	1.910000%	<i>(Historical information prior to implementation of GASB 67/68 is not required)</i>							
City's proportionate share of net pension liability (asset) (\$)	141,269,878	143,168,916								
City's covered-employee payroll	37,792,808	37,792,808								
City's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	373.80%	378.83%								
Plan fiduciary net position as a percentage of the pension liability	54.99%	55.77%								

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

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 13,990,894	\$ 14,638,101	\$ 14,079,950	\$ 13,402,512	\$ 12,341,752	\$ 11,322,708	\$ 10,621,368	\$ 10,540,861	\$ 9,696,127	\$ 8,808,425
Contributions in relation to the contractually required contribution	<u>(13,990,894)</u>	<u>(14,638,101)</u>	<u>(14,079,950)</u>	<u>(13,402,512)</u>	<u>(12,341,752)</u>	<u>(11,322,708)</u>	<u>(10,621,368)</u>	<u>(10,540,861)</u>	<u>(9,696,127)</u>	<u>(8,808,425)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	37,792,808	37,792,808	<i>(Historical information prior to implementation of GASB 67/68 is not required)</i>							
Contributions as a percentage of covered-employee payroll	37.02%	38.73%								

Required Supplementary Information
Schedule of the City of Haverhill, Massachusetts' Proportionate Share of the Net Pension Liability
Massachusetts Teachers' Retirement System
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
City's proportionate share of net pension liability (asset) (%)	0.00% <i>(Historical information prior to implementation of GASB 67/68 is not required)</i>									
City's proportionate share of net pension liability (asset) (\$)	\$	-								
State's proportionate share of net pension liability (asset) associated with City (\$)	\$	<u>111,625,445</u>								
Total	\$	<u>111,625,445</u>								
City's covered-employee payroll	43,055,841									
City's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	0.00%									
Plan fiduciary net position as a percentage of the pension liability	61.64%									
City's expense and revenue recognized for Commonwealth support	\$	<u>7,755,155</u>								

See Notes to the Required Supplementary Information

City of Haverhill, Massachusetts
Required Supplementary Information - GASB 43 and 45
Schedule of Funding Progress
Fiscal Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
12/31/2006	\$0	\$247,859,068	\$247,859,068	0%	\$ 69,827,255	355%
12/31/2008	0	299,042,345	299,042,345	0%	77,262,106	387%
06/30/2012	0	323,004,713	323,004,713	0%	80,000,000	404%
06/30/2014	0	270,890,482	270,890,482	0%	86,898,971	311%

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Haverhill, Massachusetts
 Required Supplementary Information - GASB 43 and 45
 Valuation Details
 Fiscal Year Ended June 30, 2015

Valuation Date	June 30, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Payments increasing at 3%
Remaining Amortization Period	30 years open
Asset Valuation Method	Market Value

Actuarial Assumptions:

Investment Rate of Return	4.0%, pay-as-you-go scenario
Inflation Rate	3.0 %
Medical/Drug Cost Trend Rate	7.5 decreasing by .5% per year for six years to an ultimate level of 4.5 % per year

Plan Membership:

Current retirees, beneficiaries, and dependents	2,012
Current active members	<u>1,169</u>
Total	<u>3,181</u>

City of Haverhill, Massachusetts
Notes to the Required Supplementary Information
June 30, 2015

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	\$ 165,115,033
Adjustments:	
Sixty Day Property Tax Accrual - Net	(224,506)
Other adjustment	3,020
Teacher Retirement on Behalf Payments	7,755,155
As Reported GAAP Statement	<u><u>\$ 172,648,702</u></u>
	 <u>Expenditures</u>
As Reported Budget Basis	\$ 165,881,626
Adjustments:	
July 1, 2014 Encumbrances	1,474,824
June 30, 2015 Encumbrances	(1,679,152)
Other Adjustments	27,215
Teacher Retirement on Behalf Payments	7,755,155
As Reported GAAP Statement	<u><u>\$ 173,459,668</u></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, 2014 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, 2014														
Actuarial Cost Method	Entry age normal cost method														
Amortization Method	Closed - approximate level percent payroll (in prior valuation - Level dollar for ERI liability for most units, 4.5% annual increases for ERI Liability for other units, increasing amortization for the remaining unfunded liability. Increase in total appropriation not to exceed 8%).														
Remaining Amortization Period	20 years for the fresh start base														
Asset Valuation Method	Market value adjusted by accounts payable and receivables adjusted to phase in over 5 years investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value. (in prior valuation Sum of actuarial value at beginning of year and increase in cost value during year excluding realized appreciation or losses plus 20 percent of market value at the end of year -as reported in the Annual Statement - in excess of that preliminary value, adjusted to be within 20 percent of their market value).														
Salary Increases	<table><thead><tr><th>In Year</th><th></th></tr></thead><tbody><tr><td>1</td><td>7.50%</td></tr><tr><td>2</td><td>6.50%</td></tr><tr><td>3</td><td>6.00%</td></tr><tr><td>4</td><td>5.50%</td></tr><tr><td>5</td><td>5.00%</td></tr><tr><td>Thereafter</td><td>3.75%</td></tr></tbody></table>	In Year		1	7.50%	2	6.50%	3	6.00%	4	5.50%	5	5.00%	Thereafter	3.75%
In Year															
1	7.50%														
2	6.50%														
3	6.00%														
4	5.50%														
5	5.00%														
Thereafter	3.75%														
Investment Rate of Return/Discount Rate	8.0% per year (8.25% in prior valuation)														
Cost of Living Adjustments	3.00% of first \$13,000 (granted annually)														
Mortality Rates Were Based on the Tables Noted Below:															
Pre-Retirement	The RP-2000 mortality table (sex-distinct) projected with scale BB and Generational Mortality. During employment the healthy employee mortality table is used. Post-employment the health annuitant table is used.														
Disabled Retiree	The RP-2000 mortality table for healthy annuitants (sex-distinct) projected with scale BB and Generational Mortality set-forward by 2 years. Death is assumed to be due to the same cause as the disability 40% of the time. (Prior valuation used RP2000 projected 18 years with scale AA)														

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-employee payroll, the City's proportionate share of the collective net pension liability as a percentage of the City's covered-employee 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.

Schedule of the City's Contributions

The schedule details the City's contractually required contributions, the contributions made by the City, the deficiency/(excess) of contributions made by the City, the City's covered-employee payroll and the City's contributions as a percentage of covered-employee payroll. The schedule is a ten year schedule.

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

Since the Commonwealth of Massachusetts is statutorily responsible for 100% of the actuarially determined employer contribution, the City has a special funding situation. Therefore, the City does not recognize a net pension liability. This schedule provides information about the state's proportionate share of the collective net pension liability associated with the City and the plans fiduciary net position as a percentage of the total pension liability. It, also, details the City's revenue and expense recognized from the Commonwealth's support. As more information becomes available, this will be a ten year schedule.

C. Other Post Employment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. These statements require the City to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis. Certain information that is required to be disclosed by GASB 43 and 45, is noted below. In addition, certain other Required Supplementary Information (RSI), required by GASB 43 and 45, is presented following the notes to the financial statements.

Plan Description. In addition to providing pension benefits described above, the City provides the majority of retired employees with payments for a portion of their health care and life insurance benefits. All of the City retirees receiving a pension from the City of Haverhill Retirement System or the Massachusetts Teachers Retirement System are eligible for post retirement medical benefits. Currently there are approximately 1,169 active employees and 2,012 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan. The benefits are provided primarily through Blue Cross of Massachusetts, Inc.

Funding Policy. The City pays 75% of the total premiums for indemnity and Medicare supplement plans, 85% for HMO plans (80% for employees who retired after May 1, 2008) and 50% of the premiums for life insurance, with the employees paying the remaining percentage. Benefits paid by the City are on a pay-as-you-go basis. The contribution requirements of plan members and the City are established and may be amended from time to time.

***SUPPLEMENTARY
INFORMATION***

City of Haverhill, Massachusetts
Schedule of Indebtedness
June 30, 2015
(Continued on Page 70)

<u>Description</u>	<u>Original</u> <u>Balance</u>	<u>Interest</u> <u>Rate %</u>	<u>Fiscal</u> <u>Year of</u> <u>Issue</u>	<u>Fiscal</u> <u>Year of</u> <u>Maturity</u>	<u>Outstanding</u> <u>Balance</u> <u>6/30/2015</u>
Hospital Deficit Funding Bonds	\$ 15,000,000	4.00	2001	2021	\$ 5,780,000
Hospital Deficit Funding Bonds	500	4.00	2001	2021	1,750,000
Sludge Dewatering	121,428	4.00	2002	2017	18,428
Title V Septic Loan	143,100	0.00	2002	2020	37,285
Hospital Deficit Funding Bonds	5,000,000	4.00	2002	2022	2,205,000
Hospital Deficit Funding Bonds	4,403,000	4.00	2003	2022	2,175,000
Hospital Deficit Funding Bonds	597,000	4.00	2003	2023	295,000
Hospital Deficit Deferral	-	-	-	-	2,967,500
MWPAT	428,719	variable	2003	2023	220,000
MWPAT	78,696	variable	2004	2023	36,261
MWPAT	1,186,121	variable	2004	2023	622,526
Combined Sewer Overflow	333,281	5.60	2005	2019	112,100
Combined Sewer Overflow	416,108	5.20	2005	2021	180,000
School Land Acquisition	179,980	5.30	2006	2016	19,400
School Construction	15,830,330	5.30	2006	2017	2,603,400
Fire Station Remodeling	190,900	5.21	2006	2017	29,200
Construction-Police Station	1,004,050	5.23	2006	2017	192,800
Construction-Library	603,000	5.23	2006	2017	117,300
Sewer	80,495	5.15	2006	2017	9,600
Drainage	276,550	5.20	2006	2017	48,800
Sludge Composting	50,233	5.23	2006	2017	9,800
Water Pumping Station	75,700	5.12	2006	2017	9,700
School Roof Remodeling	824,640	4.96	2007	2018	260,000
School Bonds	10,535,860	4.96	2007	2019	4,630,000
Water Bonds	3,012,500	4.96	2007	2019	1,320,000
MWPAT	81,806	4.43	2007	2024	45,000
MWPAT	360,078	4.43	2007	2023	219,034
MWPAT	623,608	Variable	2007	2025	390,000
MWPAT	11,463,447	Variable	2007	2034	8,890,000
Parking Deck 1	161,115	4.00	2007	2017	30,000
Parking Deck 2	240,885	4.00	2007	2017	40,000
MWPAT	1,500,000	Variable	2007	2027	900,000
Whittier School Roof	710,000	4.00	2007	2017	140,000

City of Haverhill, Massachusetts

Schedule of Indebtedness

June 30, 2015

(Continued on Page 71)

<u>Description</u>	<u>Original Balance</u>	<u>Interest Rate %</u>	<u>Fiscal Year of Issue</u>	<u>Fiscal Year of Maturity</u>	<u>Outstanding Balance 6/30/2015</u>
Greenleaf School Boiler	53,000	4.00	2007	2017	10,000
MWPAT	4,730,937	2.00	2007	2027	3,067,137
MWPAT	2,150,381	2.00	2008	2028	1,495,568
MWPAT	269,626	Variable	2010	2027	179,750
MWPAT	191,047	2.00	2010	2024	121,425
MWPAT	1,049,821	2.00	2010	2028	795,025
High St Fire Station	28,000	3.50%	2010	2024	18,000
Fire Truck	830,000	2.80%	2010	2019	368,000
Ladder Truck	138,000	3.40%	2010	2025	85,000
Rink boards	91,000	2.80%	2010	2020	40,000
School Remodeling I	640,000	3.60%	2010	2026	440,000
School Remodeling II	2,580,000	3.60%	2010	2026	1,771,000
School Remodeling III	3,650,000	3.60%	2010	2026	2,508,000
School Remodeling IV	500,000	3.80%	2010	2028	360,000
School Remodeling V	1,473,000	3.80%	2010	2029	1,083,000
Sewer	187,800	3.90	2010	2029	140,000
Willow Ave Drainage	97,261	3.50	2010	2029	57,000
MWPAT CW-06-38 Landfill	575,500	2.00	2011	2031	478,043
MWPAT CW-08-28 Landfill	743,851	2.00	2011	2031	617,886
MWPAT CW-05-17	978,574	2.00	2011	2031	812,860
Hospital Restructuring	9,680,000	4.30	2011	2022	7,200,000
School Remodeling	153,000	4.03	2012	2023	121,000
School Equipment	203,100	4.04	2012	2023	161,000
Fire Dept Equipment	102,000	4.03	2012	2023	80,000
Sewer Tank	299,300	4.03	2012	2023	233,300
Sewer Boiler	101,600	4.04	2012	2023	80,000
Sewer Pipes	117,200	3.93	2012	2023	84,500
Sewer Planning	726,200	4.02	2012	2023	567,000
Water Pump Treatment	483,000	4.02	2012	2023	377,000
Hospital Equipment	304,600	4.33	2012	2023	241,200
MWPAT CW-09-05	1,127,862	2.00	2012	2031	976,043

City of Haverhill, Massachusetts

Schedule of Indebtedness

June 30, 2015

(Continued from Page 70)

<u>Description</u>	<u>Original Balance</u>	<u>Interest Rate %</u>	<u>Fiscal Year of Issue</u>	<u>Fiscal Year of Maturity</u>	<u>Outstanding Balance 6/30/2015</u>
School 1 (ISQ)	387,705	3.00	2012	2032	350,000
School 2 (ISQ)	112,295	3.00	2012	2032	100,000
School 3 (ISQ)	1,500,000	3.00	2012	2032	1,335,000
Water 1 (O)	735,000	2.00	2012	2021	510,000
Water 2 (O)	756,000	2.00	2012	2020	495,000
MWPAT CWP-10-23	3,300,957	2.00	2013	2033	2,595,948
MWPAT CW-08-28-A	71,925	2.00	2013	2031	65,237
Bridge Repairs	205,000	3.47	2014	2034	190,000
Fire Truck	260,000	3.68	2014	2028	240,000
Citizen Center Improvement	638,000	3.37	2014	2034	600,000
Flood Walls	280,000	0.07	2014	2018	210,000
East Broadway Bridge	400,000	3.43	2014	2034	375,000
Dock Improvements	100,000	2.89	2014	2030	90,000
Fire SCBA	79,000	1.36	2014	2021	60,000
Hunking Repairs	400,000	3.47	2014	2034	380,000
School Technology High School	803,000	1.64	2014	2022	700,000
Water Meters	1,600,000	1.78	2014	2023	1,410,000
Fire Pumper Truck	508,900	4.00	2015	2030	508,900
Route 97 Construction	363,100	4.00	2015	2020	363,100
Rink Roof	325,000	4.00	2015	2027	325,000
Hunking MS	10,000,000	3.60	2015	2045	10,000,000
MWPA CPW 12-14	5,176,671	2.00	2015	2035	5,176,671
MWPAT Pool 17 Swap DW 05-10A	1,736,860	2.00	2015	2033	1,736,860
GRAND TOTAL	<u>\$ 124,507,703</u>				<u>\$ 88,688,587</u>

City of Haverhill, Massachusetts
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2015
 (Continued on Page 73)

	Federal CFDA <u>Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 442,469
National School Lunch Program	10.555	1,739,264
Total Child Nutrition Cluster and U.S. Department of Agriculture		<u>2,181,733</u>
U.S. Department of Housing and Urban Development:		
CDBG - Entitlement Grant:		
Community Development Block Grant	14.218	1,345,994
Home Investment Partnership Program	14.239	4,335
Total Department of Housing and Urban Development		<u>1,350,329</u>
U.S. Department of Justice Cluster:		
Bureau of Justice - Police	16.803	16,397
JAG	16.804	34,054
Total JAG Program Cluster and U.S. Department of Justice		<u>50,451</u>
U.S. Department of Environmental Protection Agency:		
ARRA-Brownfields Grant	66.818	11,902
Total U.S. Department of Environmental Protection		<u>11,902</u>
U.S. Department of Energy:		
ARRA-Energy Efficiency Recovery Block Grant	81.128	4,306
Total U.S. Department of Energy		<u>4,306</u>
U.S. Department of Education:		
Title I, Part A:		
Title I	84.010	1,725,827
Total Title I, Part A		<u>1,725,827</u>
Special Education Cluster (IDEA):		
SPED 94-142 Allocation	84.027	2,229,918
SPED - Preschool/Early Childhood	84.173	69,815
Total Special Education Cluster		<u>2,299,733</u>

City of Haverhill, Massachusetts
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2015
 (Continued from Page 72)

	<u>Federal CFDA</u>	<u>Expenditures</u>
Other Department of Education Grants:		
21st Century Community Learning	84.287	530,764
Dropout Prevention and Intervention	84.360	523,677
LEP Support	84.365	95,710
Teacher Quality	84.367	341,827
ARRA-Race to the Top	84.395	81,246
Total Other Department of Education Grants		<u>1,573,224</u>
Total U.S. Department of Education		<u>5,598,784</u>
U.S. Department of Homeland Security:		
Hazard Mitigation Grant - Merrimack Riverbank Stabilization	97.039	467,128
Total U.S. Department of Homeland Security		<u>467,128</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 9,664,633</u>

City of Haverhill, Massachusetts
Notes to Schedule of Expenditures of Federal Awards
June 30, 2015

(1) Scope of Audit

The City of Haverhill, Massachusetts (the City) is a governmental agency established by the laws of the Commonwealth of Massachusetts.

All federal grant operations of the City are included in the scope of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The single audit was performed in accordance with the provisions of OMB's Circular A-133, *Compliance Supplement*.

(2) Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes all of the federal grant transactions of the City.

Federal grant expenditures are recognized in the City's governmental funds on the modified accrual basis of accounting whereby expenditures are recognized when the liability is incurred.

(3) Program Clusters

In accordance with Subpart A§.105 of OMB Circular No. A-133, *Audits of States, Local Governments and Non Profit Organizations*, certain programs have been clustered in determining major programs. The following identifies the clustered programs:

<u>Name of Cluster/Program</u>	<u>CFDA #</u>
<i>Child Nutrition Cluster</i>	
School Breakfast Program	10.553
National School Lunch Program	10.555
<i>Special Education Cluster</i>	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173

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, 2015, (December 31, 2014 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 March 28, 2016.

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

March 28, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Haverhill, Massachusetts' compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Haverhill, Massachusetts' major federal programs for the year ended June 30, 2015. The City of Haverhill, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Haverhill, Massachusetts' major federal programs based on or audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Haverhill, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Haverhill, Massachusetts' compliance.

Basis for Qualified Opinion on the U.S. Department of Education (Finding #2015-1): Title 1(CFDA#84.010), SPED 94-142 Allocation (CFDA #84.027), SPED Preschool/Early Childhood (CFDA #84.173), Drop Out Prevention (CFDA #84.360), Teacher Quality (CFDA #84.367) and U.S. Department of Education (Finding #2015-2): 21st Century Community Learning (CFDA #84.287)

Finding #2015-1

As described in the accompanying schedule of findings and questioned costs, the City of Haverhill, Massachusetts did not comply with requirements regarding allowable costs/cost principals, relating to the United States Department of Education grants, Title 1 (CFDA#84.010),_SPED 94-142 Allocation (CFDA #84.027), SPED Preschool/Early Childhood (CFDA #84.173), Drop Out Prevention – (CFDA #84.360), Teacher Quality (CFDA #84.367) and as explained in Finding #2015-1. Compliance with such requirements is necessary, in our opinion, for the City of Haverhill, Massachusetts to comply with the requirements applicable to that program.

Finding #2015-2

As described in the accompanying Schedule of Findings and Questioned Costs, the City of Haverhill, Massachusetts did not comply with the reporting requirements, relating to the U.S. Department of Education grant, 21st Century Community Learning (CFDA #84.287).

Qualified Opinion on the U.S. Department of Education (Finding #2015-1): Title 1(CFDA#84.010), SPED 94-142 Allocation (CFDA #84.027), SPED Preschool/Early Childhood (CFDA #84.173), Drop Out Prevention (CFDA #84.360), Teacher Quality (CFDA #84.367) and U.S. Department of Education (Finding #2015-2): 21st Century Community Learning (CFDA #84.287)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Haverhill, Massachusetts, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the U.S. Department of Education: Title 1 (CFDA#84.010), SPED 94-142 Allocation (CFDA #84.027), SPED Preschool/Early Childhood (CFDA #84.173), Drop Out Prevention (CFDA #84.360), Teacher Quality (CFDA #84.367), and U.S. Department of Education, 21st Century Community Learning (CFDA #84.287).

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Haverhill, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Other Matters

The City of Haverhill, Massachusetts' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Haverhill, Massachusetts' response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

The management of the City of Haverhill, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Haverhill, Massachusetts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Haverhill, Massachusetts' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies that may exist that were not identified. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a

federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item #2015-1 and #2015-2 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Haverhill, Massachusetts' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Haverhill, Massachusetts' response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

The purposes of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
March 28, 2016

City of Haverhill, Massachusetts
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2015
 (Continued on Page 81)

I Summary of Auditors' Results

1. The opinion on the financial statements was unmodified.
2. No significant deficiencies in internal controls were reported during the audit of the financial statements.
3. No instances of noncompliance which were material to the financial statements were reported.
4. Material weaknesses in internal control relating to major programs were found during the audit.
5. The opinion on compliance with requirements applicable to major programs was qualified.
6. There were findings related to major federal award programs as noted in Part III below.
7. The major programs identified were:

<u>Funding Source</u>	<u>Federal Program</u>	<u>CFDA#</u>
U.S. Department of Agriculture	School Breakfast Program	10.553
U.S. Department of Agriculture	National School Lunch Program	10.555
U.S. Department of Housing and Urban Development	Community Development Block Grant	14.218
U.S. Department of Education	Title 1	84.010
U.S. Department of Education	SPED 94-142 Allocation	84.027
U.S. Department of Education	SPED – Preschool/Early Childhood	84.173
U.S. Department of Education	21 st Century Community Learning	84.287
U.S. Department of Education	Dropout Prevention and Intervention	84.360
U.S. Department of Education	Teacher Quality	84.367
U.S. Department of Homeland Security	Hazard Mitigation Grant - Merrimack Riverbank Stabilization	97.039

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee did not qualify as low risk.

City of Haverhill, Massachusetts
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015
(Continued on Page 82)

II Findings – Financial Statement Audit

No Findings

III Findings and Questioned Costs for Federal Awards

Finding Number

2015-1

Program

U.S. Department of Education – Title 1 (CFDA #84.010), SPED 94-142 Allocation (CFDA #84.027), SPED Preschool/Early Childhood (CFDA #84.173), Drop Out Prevention (CFDA #84.360) and Teacher Quality (CFDA #84.367),

Payroll Certifications and Supporting Documentation

During our review of the payroll records, relating to the federal grants for the fiscal year ended June 30, 2015, we found that there was significant turnover of personnel in the School Accounting Department. Because of the significant turnover of accounting personnel, during fiscal year 2015, we found instances where some personnel did not have the required time and effort or payroll certification documentation.

In absence of signed timesheets to support payroll charges to federal grant programs, the United States Office of Management and Budget (OMB) Circular A-87 specifies that certain certifications must be made as noted below:

Under OMB Circular A-87, time-and-effort documentation for an employee whose salary is supported by only one Federal program or cost objective may be prepared on just a semiannual basis or the requirements may be satisfied by other simplified means. Employees supported by multiple cost objectives, however, must provide a monthly Personal Activity Report (PAR) or equivalent documentation supporting their time and effort. In practice, however, many of the individuals submitting PAR's may have schedules that do not change from week to week, meaning that they carry out the same duties for the same amount of time each pay period and thus submit the same documentation every month.

OMB Circular A-87 authorizes the use of substitute systems for allocating salaries and wages to Federal awards in place of PAR's, subject to the approval of such systems by the cognizant Federal agency. Consistent with this authority, under the substitute system a State Educational Agency (SEA) would be permitted to allow a Local Educational Agency (LEA) to use alternative documentation – such as a teacher's course schedule instead of PAR's to document the time and effort of an individual who works on multiple activities or cost objectives but does so on a predetermined schedule.

An individual documenting time and effort under the substitute system would be permitted to certify time and effort on a semiannual basis, provided the LEA's substitute system meets the requirements detailed in Enclosure A issued with the September 7, 2012 letter from the U.S. Department of Education. A copy of the letter and a sample of the required documentation have been provided to the School.

City of Haverhill, Massachusetts
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015
(Continued from Page 83)

The criteria for whether an employee may document time and effort using a semiannual certification or must fill out a monthly PAR must be carefully analyzed. In some instances, the monthly certifications may still be required.

We recommend that the School obtain the appropriate time and effort certifications from all employees charged to federal grants.

Management Response/Corrective Action Plan

In response to being notified the monthly and semi-annual Time & Effort Certifications have not been collected as is required for fiscal year 2015, I have re-established the correct process and requirements with the necessary key personnel. I have also spent time reviewing the documents used in prior years and have simplified the documents to make them a bit more concise, while complying fully with the Federal requirements of monthly and semi-annual time and effort reporting requirements.

I have assigned key personnel as overseers of the Time & Effort collection responsibilities as follows; Curriculum Staff Member Kristen Pistone, will be responsible for collecting the Grant Certifications, for Title I, II, III, Kindergarten Enhanced Progress, and Reading Recovery. Special Education Administrative Assistant Patty Shaffer, will be responsible for all the Special Education Individuals with Disabilities Education Act (“IDEA”) and Preschool/ Early Childhood grant certifications. I have assigned the Haverhill High School grants (21st Century Community Learning, Drop Out Prevention and Teacher Quality) time and effort collection responsibilities to Tracy Parker, Principal Clerk at Haverhill High School. Annually I will send them a new grant staff list along with a new set of time & effort sheets and renewed instructions to contact all their grant people and make sure the certifications are returned either monthly or semiannually, whichever is appropriate.

It is my understanding that anyone who is paid hourly already submits a timecard per pay period. Therefore, it is only the salaried people as to whom we must assure compliance. Per review with our grant auditor, this renewed process and associated documents will keep us compliant with the Federal Grant Requirements for fiscal year 2016.

City of Haverhill, Massachusetts
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015
(Continued from Page 82)

Finding Number

2015-2

Program

U.S Department of Education – 21st Century Community Learning (CFDA #84.287)

Final Report Submitted Late

As we noted in the above finding, there was significant turnover of personnel in the School's Accounting Department during fiscal year 2015. Because of this, the final report was not submitted by the due date for the federal grant noted here.

Management Response/Corrective Action Plan

The Haverhill Public Schools now has in place both a Business Manager and an Accountant. (Neither position was staffed as of July 1, 2015). Both anticipate working closely with Melanson, Heath and Company, P.C., the accounting firm which prepared the fiscal year 2015 Final Report, and together with that firm, allocating to the Final Report sufficient time, effort and resources to enable its completion by the due date.

City of Haverhill, Massachusetts
 Summary of Prior Years Findings and Questioned Costs
 For the Year Ended June 30, 2015

Prior Year
 Fiscal Year Ended
 June 30, 2014

Finding
 Number

Current Status

2014-1 Part II - Financial Statement Audit

Cash Reconciliation

During the fiscal year ended June 30, 2015, the City of Haverhill has implemented cash reconciliation procedures so that cash was properly reconciled at June 30, 2015, and cash reconciliation is no longer a finding, for the fiscal year ended June 30, 2015.

Department

2014-2 U.S. Department of Education - Drop Out
 Prevention (CFDA #84.360), SPED 94-142
 Allocation (CFDA #84.027), SPED Pre-School
 Early Childhood (CFDA #84.173)

Payroll Certification and Supporting Documentation

Please see the fiscal year ended June 30, 2015, Schedule of Findings and Questioned Costs, Item #2015-1.

2014-3 U.S. Department of Education - 21st Century
 Community Learning (CFDA #84.287), Title 1
 (CFDA #84.010) and Teacher Quality
 (CFDA #84.367)

Final Report Submitted Late

During the fiscal year ended June 30, 2015, the City of Haverhill submitted the final reports on time for the Title 1 grant (CFDA #84.010) and for the Teacher Quality Grant (CFDA #84.367), however, for the 21st Century Community Learning Grant (CFDA #84.287) the final report was not submitted by the due date.