

**CITY OF AMESBURY, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

To the Mayor and Municipal Council  
City of Amesbury, Massachusetts

**Additional Offices:**

Nashua, NH  
Manchester, NH  
Greenfield, MA  
Ellsworth, ME

### **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 Amesbury, Massachusetts, as of and for the year ended June 30, 2014, (except for the Amesbury Contributory Retirement System which is as of and for the year ended December 31, 2013), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **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 Amesbury, Massachusetts, as of June 30, 2014, (except for the Amesbury Contributory Retirement System which is as of and for the year ended December 31, 2013) and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance 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 Management's Discussion and Analysis and Schedule of Funding Progress 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 evidence sufficient to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information appearing on pages 54 through 55 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.

*Melanson Heath*

March 17, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Amesbury, we offer readers this narrative overview and analysis of the financial activities of the City of Amesbury for the fiscal year ended June 30, 2014. Unless otherwise noted, all amounts are expressed in thousands.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) Notes to Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all assets and liabilities, with the difference 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 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 to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include sewer and water 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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for sewer and water operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, both of which are considered to be major funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

## B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$59,621 (i.e., net position), a change of \$(2,492) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$2, a change of \$(4,199) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,972, a change of \$619 in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$36,262, a change of \$(1,567) in comparison to the prior year. Bond anticipation notes at year-end totaled \$12,437, a change of \$4,759.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 21,138	\$ 18,001	\$ 2,261	\$ 3,139	\$ 23,399	\$ 21,140
Capital assets	65,350	62,308	43,083	44,095	108,433	106,403
Total assets	86,488	80,309	45,344	47,234	131,832	127,543
Other liabilities	15,182	7,399	1,601	3,514	16,783	10,913
Long-term liabilities outstanding	29,112	27,731	26,316	26,786	55,428	54,517
Total liabilities	44,294	35,130	27,917	30,300	72,211	65,430
Net position:						
Net investment in capital assets	45,734	46,277	16,070	15,068	61,804	61,345
Restricted	4,201	4,645	-	-	4,201	4,645
Unrestricted	(7,741)	(5,743)	1,357	1,866	(6,384)	(3,877)
Total net position	\$ 42,194	\$ 45,179	\$ 17,427	\$ 16,934	\$ 59,621	\$ 62,113

## CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,448	\$ 2,415	\$ 6,147	\$ 6,207	\$ 8,595	\$ 8,622
Operating grants and contributions	19,522	18,578	-	-	19,522	18,578
Capital grants and contributions	419	1,077	-	369	419	1,446
General revenues:						
Property taxes	36,876	35,915	-	-	36,876	35,915
Excises	2,136	1,690	-	-	2,136	1,690
Penalties, interest and other taxes	207	192	-	-	207	192
Grants and contributions not restricted to specific programs	2,355	2,185	-	-	2,355	2,185
Investment income	27	33	-	-	27	33
Miscellaneous	126	33	-	-	126	33
Total revenues	<u>64,116</u>	<u>62,118</u>	<u>6,147</u>	<u>6,576</u>	<u>70,263</u>	<u>68,694</u>
Expenses:						
General government	4,277	4,002	-	-	4,277	4,002
Public safety	7,520	8,487	-	-	7,520	8,487
Education	38,013	36,732	-	-	38,013	36,732
Public works	3,599	4,045	-	-	3,599	4,045
Health and human services	1,133	1,158	-	-	1,133	1,158
Culture and recreation	1,090	1,003	-	-	1,090	1,003
Employee benefits	7,342	6,960	-	-	7,342	6,960
Intergovernmental	3,580	3,356	-	-	3,580	3,356
Interest on long-term debt	547	645	-	-	547	645
Sewer services	-	-	2,664	2,623	2,664	2,623
Water services	-	-	2,990	3,300	2,990	3,300
Total expenses	<u>67,101</u>	<u>66,388</u>	<u>5,654</u>	<u>5,923</u>	<u>72,755</u>	<u>72,311</u>
Change in net position	(2,985)	(4,270)	493	653	(2,492)	(3,617)
Net position - beginning of year	<u>45,179</u>	<u>49,449</u>	<u>16,934</u>	<u>16,281</u>	<u>62,113</u>	<u>65,730</u>
Net position - end of year	<u>\$ 42,194</u>	<u>\$ 45,179</u>	<u>\$ 17,427</u>	<u>\$ 16,934</u>	<u>\$ 59,621</u>	<u>\$ 62,113</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$59,621, a change of \$(2,492) from the prior year. The largest portion of net position \$61,804 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available

for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$4,201 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$(6,384) may be used to meet the City's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(2,985). Key elements of this change are as follows:

Increase in OPEB liability	\$ (2,478)
Depreciation in excess of principal debt service	(470)
Other	<u>(37)</u>
Total	<u>\$ (2,985)</u>

**Business-type activities.** Business-type activities for the year resulted in an increase in net position of \$493. Key elements of this change are:

Sewer	\$ 285
Water	<u>208</u>
Total	<u>\$ 493</u>

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported a decrease of \$(4,199) for a combined ending fund balance of \$2. Key elements of this change are as follows:

General fund expenditures in excess of revenues	\$ (124)
Public safety facility major fund expenditures in excess of revenues and bond proceeds	(1,399)
Public works facility major fund expenditures in excess of revenues	(2,772)
Other	<u>96</u>
Total	\$ <u>(4,199)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,972, while total fund balance was \$4,875. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance <sup>1</sup>	\$ 3,972	\$ 3,353	\$ 619	7.0%
Total fund balance <sup>2</sup>	\$ 4,875	\$ 3,997	\$ 878	8.6%

<sup>1</sup> Includes General stabilization fund.

<sup>2</sup> Includes General and Smart Growth stabilization funds.

The total fund balance of the general fund changed by \$878 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (267)
Revenues in excess of budget	357
Expenditures less than budget	792
Other	<u>(4)</u>
Total	\$ <u>878</u>

Included in the total general fund balance are the City's stabilization accounts with the following balances:

	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>
General stabilization (unassigned)	\$ 800	\$ 792	\$ 8
Smart growth stabilization (committed)	<u>446</u>	<u>441</u>	<u>5</u>
Total	\$ <u>1,246</u>	\$ <u>1,233</u>	\$ <u>13</u>

**Proprietary funds.** Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,357, a change of \$(509) in comparison to the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

**E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$267. This is due to an appropriation to cover FY14 snow and ice expenditures, funded by free cash.

**F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$108,433 (net of accumulated depreciation), a net increase of \$2,030 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure, and construction in progress.

Major capital asset events during the current fiscal year included the following (in thousands):

Remodeling public safety	\$ 1,930
Parking garage renovations	\$ 35
Lower millyard development	\$ 315
DPW facility relocation	\$ 2,700
Oak Street sewer replacement	\$ 50
Various vehicles and equipment	\$ 420
Water treatment and infrastructure upgrades	\$ 19

**Change in credit rating.** During the fiscal year, the City's Standard & Poor credit rating increased from A+ to AA.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$36,262, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the Notes to the Financial Statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Amesbury's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Chief Financial Officer  
City of Amesbury  
62 Friend Street  
Amesbury, MA 01913

## CITY OF AMESBURY, MASSACHUSETTS

## STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 12,517,809	\$ 613,356	\$ 13,131,165
Investments	1,817,609	-	1,817,609
Receivables, net of allowance for uncollectibles:			
Property taxes	1,480,281	-	1,480,281
Excises	249,076	-	249,076
User fees	-	1,647,866	1,647,866
Departmental and other	923,546	-	923,546
Intergovernmental	1,426,397	-	1,426,397
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	423,083	-	423,083
Intergovernmental	2,300,299	-	2,300,299
Capital Assets:			
Land and construction in progress	8,652,148	20,958,455	29,610,603
Other capital assets, net of accumulated depreciation	56,697,650	22,124,448	78,822,098
<b>TOTAL ASSETS</b>	<b>86,487,898</b>	<b>45,344,125</b>	<b>131,832,023</b>
<b>LIABILITIES</b>			
Current:			
Accounts payable	1,396,657	67,897	1,464,554
Accrued liabilities	2,551,527	330,407	2,881,934
Notes payable	11,234,000	1,203,000	12,437,000
Current portion of long-term liabilities:			
Bonds payable	1,624,940	2,083,956	3,708,896
Capital leases	204,311	-	204,311
Compensated absences	35,818	6,602	42,420
Noncurrent:			
Bonds payable, net of current portion	8,827,390	23,725,485	32,552,875
Net OPEB obligation	17,592,536	374,355	17,966,891
Capital leases, net of current portion	146,420	-	146,420
Compensated absences, net of current portion	680,545	125,426	805,971
<b>TOTAL LIABILITIES</b>	<b>44,294,144</b>	<b>27,917,128</b>	<b>72,211,272</b>
<b>NET POSITION</b>			
Net investment in capital assets	45,734,459	16,070,462	61,804,921
Restricted for:			
Grants and other statutory restrictions	3,442,329	-	3,442,329
Permanent funds:			
Nonexpendable	600,054	-	600,054
Expendable	158,237	-	158,237
Unrestricted	(7,741,325)	1,356,535	(6,384,790)
<b>TOTAL NET POSITION</b>	<b>\$ 42,193,754</b>	<b>\$ 17,426,997</b>	<b>\$ 59,620,751</b>

The accompanying notes are an integral part of these financial statements.

CITY OF AMESBURY, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 4,276,891	\$ 697,149	\$ 304,009	\$ -	\$ (3,275,733)	\$ -	\$ (3,275,733)
Public safety	7,519,449	762,418	666,093	-	(6,090,938)	-	(6,090,938)
Education	38,012,834	529,692	17,417,439	-	(20,065,703)	-	(20,065,703)
Public works	3,599,063	63,018	1,005,797	418,943	(2,111,305)	-	(2,111,305)
Health and human services	1,132,602	3,668	101,580	-	(1,027,354)	-	(1,027,354)
Culture and recreation	1,090,388	391,631	27,009	-	(671,748)	-	(671,748)
Employee benefits	7,342,346	-	-	-	(7,342,346)	-	(7,342,346)
Intergovernmental	3,580,363	-	-	-	(3,580,363)	-	(3,580,363)
Interest	547,152	-	-	-	(547,152)	-	(547,152)
Total Governmental Activities	67,101,088	2,447,576	19,521,927	418,943	(44,712,642)	-	(44,712,642)
<b>Business-Type Activities:</b>							
Sewer services	2,663,623	2,948,474	-	-	-	284,851	284,851
Water services	2,990,341	3,198,424	-	-	-	208,083	208,083
Total Business-Type Activities	5,653,964	6,146,898	-	-	-	492,934	492,934
Total	\$ <u>72,755,052</u>	\$ <u>8,594,474</u>	\$ <u>19,521,927</u>	\$ <u>418,943</u>	(44,712,642)	492,934	(44,219,708)
<b>General Revenues:</b>							
Property taxes					36,876,456	-	36,876,456
Excises					2,136,130	-	2,136,130
Penalties, interest and other taxes					206,507	-	206,507
Grants and contributions not restricted to specific programs					2,355,249	-	2,355,249
Investment income					27,083	-	27,083
Miscellaneous					126,108	-	126,108
Total general revenues					41,727,533	-	41,727,533
Change in Net Position					(2,985,109)	492,934	(2,492,175)
<b>Net Position:</b>							
Beginning of year					45,178,863	16,934,063	62,112,926
End of year					\$ <u>42,193,754</u>	\$ <u>17,426,997</u>	\$ <u>59,620,751</u>

The accompanying notes are an integral part of these financial statements.

CITY OF AMESBURY, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	<u>General</u>	<u>Public Safety Facility Fund</u>	<u>Public Works Facility Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and short-term investments	\$ 6,524,025	\$ 271,349	\$ 2,084,870	\$ 3,637,565	\$ 12,517,809
Investments	1,245,936	-	-	571,673	1,817,609
Receivables:		-	-		
Property taxes	2,216,694	-	-	-	2,216,694
Excises	448,821	-	-	-	448,821
Departmental and other	-	-	-	886,575	886,575
Intergovernmental	-	-	-	659,632	659,632
<b>TOTAL ASSETS</b>	<b><u>\$ 10,435,476</u></b>	<b><u>\$ 271,349</u></b>	<b><u>\$ 2,084,870</u></b>	<b><u>\$ 5,755,445</u></b>	<b><u>\$ 18,547,140</u></b>
<b>LIABILITIES</b>					
Warrants payable	\$ 490,618	\$ 15,653	\$ 628,872	\$ 262,305	\$ 1,397,448
Accrued liabilities	2,342,812	-	-	-	2,342,812
Notes payable	-	2,400,000	6,141,000	2,693,000	11,234,000
Other liabilities	61,118	-	-	-	61,118
<b>TOTAL LIABILITIES</b>	<b>2,894,548</b>	<b>2,415,653</b>	<b>6,769,872</b>	<b>2,955,305</b>	<b>15,035,378</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>2,665,515</b>	<b>-</b>	<b>-</b>	<b>843,912</b>	<b>3,509,427</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	600,054	600,054
Restricted	-	-	-	3,680,588	3,680,588
Committed	445,726	-	-	89,685	535,411
Assigned	458,069	-	-	-	458,069
Unassigned	3,971,618	(2,144,304)	(4,685,002)	(2,414,099)	(5,271,787)
<b>TOTAL FUND BALANCES</b>	<b><u>4,875,413</u></b>	<b><u>(2,144,304)</u></b>	<b><u>(4,685,002)</u></b>	<b><u>1,956,228</u></b>	<b><u>2,335</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 10,435,476</u></b>	<b><u>\$ 271,349</u></b>	<b><u>\$ 2,084,870</u></b>	<b><u>\$ 5,755,445</u></b>	<b><u>\$ 18,547,140</u></b>

The accompanying notes are an integral part of these financial statements.

CITY OF AMESBURY, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET POSITION OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2014

<b>Total governmental fund balances</b>	\$ 2,335
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	65,349,798
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	3,033,323
<ul style="list-style-type: none"><li>• MSBA reimbursements for contract assistance and progress payment projects, are not receivable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	3,067,064
<ul style="list-style-type: none"><li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(146,806)
<ul style="list-style-type: none"><li>• Long-term liabilities, including bonds payable, compensated absences, and net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	<u>(29,111,960)</u>
<b>Net position of governmental activities</b>	<u>\$ 42,193,754</u>

The accompanying notes are an integral part of these financial statements.

CITY OF AMESBURY, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Public Safety Facility Fund</u>	<u>Public Works Facility Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Property taxes	\$ 36,561,107	\$ -	\$ -	\$ -	\$ 36,561,107
Excise taxes	2,143,184	-	-	-	2,143,184
Penalties, interest and other taxes	206,507	-	-	-	206,507
Charges for services	195,295	-	-	1,678,209	1,873,504
Intergovernmental	16,911,565	-	-	6,150,873	23,062,438
Licenses and permits	485,283	-	-	-	485,283
Fines and forfeitures	88,791	-	-	-	88,791
Investment income	20,749	-	-	6,334	27,083
Contributions	-	-	-	445	445
Miscellaneous	126,108	-	-	-	126,108
<b>Total Revenues</b>	<b>56,738,589</b>	<b>-</b>	<b>-</b>	<b>7,835,861</b>	<b>64,574,450</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	2,277,380	-	-	1,581,451	3,858,831
Public safety	6,766,429	1,932,942	-	917,340	9,616,711
Education	32,639,471	-	-	4,422,098	37,061,569
Public works	2,875,288	-	2,772,480	526,429	6,174,197
Health and human services	1,040,351	-	-	92,251	1,132,602
Culture and recreation	674,890	-	-	199,700	874,590
Employee benefits	4,864,292	-	-	-	4,864,292
Debt service	2,144,039	-	-	-	2,144,039
Intergovernmental	3,580,363	-	-	-	3,580,363
<b>Total Expenditures</b>	<b>56,862,503</b>	<b>1,932,942</b>	<b>2,772,480</b>	<b>7,739,269</b>	<b>69,307,194</b>
Excess (deficiency) of revenues over expenditures	(123,914)	(1,932,942)	(2,772,480)	96,592	(4,732,744)
<b>Other Financing Sources (Uses):</b>					
Bond proceeds	-	534,000	-	-	534,000
Transfers in	1,033,184	22,000	9,000	-	1,064,184
Transfers out	(31,000)	-	-	(1,033,184)	(1,064,184)
<b>Total Other Financing Sources (Uses)</b>	<b>1,002,184</b>	<b>556,000</b>	<b>9,000</b>	<b>(1,033,184)</b>	<b>534,000</b>
Change in fund balance	878,270	(1,376,942)	(2,763,480)	(936,592)	(4,198,744)
Fund Balance at Beginning of Year, as reclassified	3,997,143	(767,362)	(1,921,522)	2,892,820	4,201,079
<b>Fund Balance, at End of Year</b>	<b>\$ 4,875,413</b>	<b>\$ (2,144,304)</b>	<b>\$ (4,685,002)</b>	<b>\$ 1,956,228</b>	<b>\$ 2,335</b>

The accompanying notes are an integral part of these financial statements.

CITY OF AMESBURY, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2014

<b>Net change in fund balances - total governmental funds</b>	<b>\$ (4,198,744)</b>																						
<ul style="list-style-type: none"> <li>• 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: <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Capital outlay purchases, net</td> <td style="text-align: right;">5,098,446</td> </tr> <tr> <td>Depreciation, net</td> <td style="text-align: right;">(2,056,460)</td> </tr> </table> </li>   <li>• 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 deferred revenue. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">308,296</td> </tr> </table> </li>   <li>• Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance and progress payments, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(766,765)</td> </tr> </table> </li>   <li>• 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: <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Issuance of Debt</td> <td style="text-align: right;">(534,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">1,585,940</td> </tr> </table> </li>   <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">20,191</td> </tr> </table> </li>   <li>• Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Increase in net OPEB obligation</td> <td style="text-align: right;">(2,478,054)</td> </tr> <tr> <td>Decrease in compensated absences liability</td> <td style="text-align: right;">45,828</td> </tr> <tr> <td>Increase in capital leases</td> <td style="text-align: right;">(544)</td> </tr> <tr> <td>Decrease in deferred asset</td> <td style="text-align: right;"><u>(9,243)</u></td> </tr> </table> </li> </ul>		Capital outlay purchases, net	5,098,446	Depreciation, net	(2,056,460)		308,296		(766,765)	Issuance of Debt	(534,000)	Repayments of debt	1,585,940		20,191	Increase in net OPEB obligation	(2,478,054)	Decrease in compensated absences liability	45,828	Increase in capital leases	(544)	Decrease in deferred asset	<u>(9,243)</u>
Capital outlay purchases, net	5,098,446																						
Depreciation, net	(2,056,460)																						
	308,296																						
	(766,765)																						
Issuance of Debt	(534,000)																						
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Decrease in compensated absences liability	45,828																						
Increase in capital leases	(544)																						
Decrease in deferred asset	<u>(9,243)</u>																						
<b>Change in net position of governmental activities</b>	<b>\$ <u>(2,985,109)</u></b>																						

The accompanying notes are an integral part of these financial statements.

CITY OF AMESBURY, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES -  
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenue:</b>				
Taxes	\$ 36,603,767	\$ 36,603,767	\$ 36,603,767	\$ -
Motor vehicle excise	1,846,917	1,846,917	2,143,184	296,267
Penalties, interest and other taxes	191,694	191,694	206,507	14,813
Intergovernmental	11,738,430	11,738,430	11,617,190	(121,240)
Charges for services	166,375	166,375	195,295	28,920
Licenses and permits	464,971	464,971	485,283	20,312
Fines and forfeits	95,111	95,111	88,791	(6,320)
Investment income	13,051	13,051	11,452	(1,599)
Miscellaneous	-	-	126,108	126,108
<b>Total Revenues</b>	<b>51,120,316</b>	<b>51,120,316</b>	<b>51,477,577</b>	<b>357,261</b>
<b>Expenditures:</b>				
General government	2,303,410	2,337,410	2,244,608	92,802
Public safety	6,946,468	6,946,468	6,842,007	104,461
Education	27,348,496	27,348,496	27,348,496	-
Public works	2,636,197	2,925,197	2,880,392	44,805
Health and human services	1,045,203	1,111,203	1,039,019	72,184
Culture and recreation	768,713	768,713	685,651	83,062
Debt service	2,251,222	2,151,222	2,144,925	6,297
Intergovernmental	3,769,524	3,769,524	3,580,363	189,161
Employee benefits	5,084,267	5,062,267	4,862,792	199,475
<b>Total Expenditures</b>	<b>52,153,500</b>	<b>52,420,500</b>	<b>51,628,253</b>	<b>792,247</b>
Excess (deficiency) of revenues over expenditures	(1,033,184)	(1,300,184)	(150,676)	1,149,508
<b>Other Financing Sources and Uses</b>				
Use of fund balance (free cash)	-	267,000	-	(267,000)
Transfers in	1,033,184	1,033,184	1,033,184	-
Excess of expenditures and other uses over revenues and other sources	\$ -	\$ -	\$ 882,508	\$ 882,508

The accompanying notes are an integral part of these financial statements.

CITY OF AMESBURY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-Type Activities Enterprise Funds		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 127,253	\$ 486,103	\$ 613,356
User fees, net of allowance for uncollectibles	<u>764,167</u>	<u>883,699</u>	<u>1,647,866</u>
Total current assets	891,420	1,369,802	2,261,222
Noncurrent:			
Capital assets not being depreciated	331,418	20,627,037	20,958,455
Capital assets being depreciated, net of accumulated depreciation	<u>15,537,511</u>	<u>6,586,937</u>	<u>22,124,448</u>
Total noncurrent assets	<u>15,868,929</u>	<u>27,213,974</u>	<u>43,082,903</u>
<b>TOTAL ASSETS</b>	16,760,349	28,583,776	45,344,125
<b>LIABILITIES</b>			
Current:			
Accounts payable	23,915	43,982	67,897
Accrued liabilities	165,514	164,893	330,407
Notes payable	-	1,203,000	1,203,000
Current portion of long-term liabilities:			
Bonds payable	1,014,070	1,069,886	2,083,956
Other liabilities	<u>1,841</u>	<u>4,761</u>	<u>6,602</u>
Total current liabilities	1,205,340	2,486,522	3,691,862
Noncurrent:			
Bonds payable, net of current portion	8,377,352	15,348,133	23,725,485
Net OPEB obligation	107,871	266,484	374,355
Other liabilities, net of current portion	<u>34,977</u>	<u>90,449</u>	<u>125,426</u>
Total noncurrent liabilities	<u>8,520,200</u>	<u>15,705,066</u>	<u>24,225,266</u>
<b>TOTAL LIABILITIES</b>	9,725,540	18,191,588	27,917,128
<b>NET POSITION</b>			
Net investment in capital assets	6,477,507	9,592,955	16,070,462
Unrestricted	<u>557,302</u>	<u>799,233</u>	<u>1,356,535</u>
<b>TOTAL NET POSITION</b>	<u>\$ 7,034,809</u>	<u>\$ 10,392,188</u>	<u>\$ 17,426,997</u>

The accompanying notes are an integral part of these financial statements.

CITY OF AMESBURY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for services	\$ <u>2,948,474</u>	\$ <u>3,198,424</u>	\$ <u>6,146,898</u>
Total Operating Revenues	2,948,474	3,198,424	6,146,898
<b>Operating Expenses:</b>			
Personnel	848,684	1,231,986	2,080,670
Non-personnel	843,070	972,176	1,815,246
Depreciation	<u>725,771</u>	<u>376,982</u>	<u>1,102,753</u>
Total Operating Expenses	<u>2,417,525</u>	<u>2,581,144</u>	<u>4,998,669</u>
Operating Income	530,949	617,280	1,148,229
<b>Nonoperating Revenues (Expenses):</b>			
Interest expense	<u>(246,098)</u>	<u>(409,197)</u>	<u>(655,295)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(246,098)</u>	<u>(409,197)</u>	<u>(655,295)</u>
Change in Net Position	284,851	208,083	492,934
Net Position at Beginning of Year	<u>6,749,958</u>	<u>10,184,105</u>	<u>16,934,063</u>
Net Position at End of Year	\$ <u><u>7,034,809</u></u>	\$ <u><u>10,392,188</u></u>	\$ <u><u>17,426,997</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF AMESBURY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 2,948,245	\$ 3,242,019	\$ 6,190,264
Payments to vendors	(849,717)	(1,028,519)	(1,878,236)
Payments of employees' wages and related benefits	<u>(848,417)</u>	<u>(1,207,540)</u>	<u>(2,055,957)</u>
Net Cash Provided by Operating Activities	1,250,111	1,005,960	2,256,071
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Proceeds from issuance of bonds	-	1,654,000	1,654,000
Proceeds from issuance of notes	-	1,203,000	1,203,000
Acquisition and construction of capital assets	(71,411)	(18,954)	(90,365)
Principal payments on bonds	(990,079)	(906,549)	(1,896,628)
Principal payments on notes	-	(2,992,000)	(2,992,000)
Interest expense	<u>(263,185)</u>	<u>(432,691)</u>	<u>(695,876)</u>
Net Cash Provided by (Used For) Capital and Related Financing Activities	<u>(1,324,675)</u>	<u>(1,493,194)</u>	<u>(2,817,869)</u>
Net Change in Cash and Short-Term Investments	(74,564)	(487,234)	(561,798)
Cash and Short-Term Investments, Beginning of Year	<u>201,817</u>	<u>973,337</u>	<u>1,175,154</u>
Cash and Short-Term Investments, End of Year	<u>\$ 127,253</u>	<u>\$ 486,103</u>	<u>\$ 613,356</u>
<b><u>Reconciliation of Operating Loss to Net Cash Provided by (Used For) Operating Activities:</u></b>			
Operating income (Loss)	\$ 530,949	\$ 617,280	\$ 1,148,229
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	725,771	376,982	1,102,753
Changes in assets and liabilities:			
User fees	(230)	43,594	43,364
Accrued liabilities	17,234	24,446	41,680
Warrants payable	(23,613)	(196)	(23,809)
Accounts payable	<u>-</u>	<u>(56,146)</u>	<u>(56,146)</u>
Net Cash Provided By Operating Activities	<u>\$ 1,250,111</u>	<u>\$ 1,005,960</u>	<u>\$ 2,256,071</u>

The accompanying notes are an integral part of these financial statements.

CITY OF AMESBURY, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Pension Trust Fund (As of <u>December 31, 2013</u> )	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<b><u>ASSETS</u></b>			
Cash and short-term investments	\$ 1,667,236	\$ 32,854	\$ 167,366
Investments	<u>43,871,488</u>	<u>1,854,273</u>	<u>-</u>
Total Assets	45,538,724	1,887,127	167,366
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Other liabilities	<u>-</u>	<u>8,331</u>	<u>167,366</u>
Total Liabilities	<u>-</u>	<u>8,331</u>	<u>167,366</u>
<b><u>NET POSITION</u></b>			
Total net position held in trust for pension benefits and other purposes	<u>\$ 45,538,724</u>	<u>\$ 1,878,796</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CITY OF AMESBURY, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2014

	Pension Trust Fund (For the Year Ended <u>December 31, 2013</u> )	Private Purpose Trust Funds
<b>Additions:</b>		
Contributions:		
Employers	\$ 3,303,592	\$ -
Plan members	1,425,394	-
Other systems and Commonwealth of Massachusetts	156,037	-
Other	<u>47,058</u>	<u>186,541</u>
Total contributions	4,932,081	186,541
Investment Income (Loss):		
Appreciation in fair value of investments	5,921,444	18,677
Less: management fees	<u>(231,219)</u>	<u>-</u>
Net investment income (loss)	<u>5,690,225</u>	<u>18,677</u>
Total additions	10,622,306	205,218
<b>Deductions:</b>		
Benefit payments to plan members and beneficiaries	4,714,454	-
Refunds to plan members	90,381	-
Transfers to other systems	382,049	-
Administrative expenses	118,539	-
Other	<u>-</u>	<u>235,931</u>
Total deductions	<u>5,305,423</u>	<u>235,931</u>
Net increase (decrease)	5,316,883	(30,713)
<b>Net position:</b>		
Beginning of year	<u>40,221,841</u>	<u>1,909,509</u>
End of year	<u>\$ 45,538,724</u>	<u>\$ 1,878,796</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF AMESBURY, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the City of Amesbury (the City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The government is a municipal corporation governed by an elected Mayor and Municipal Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2014, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

In the Fiduciary Funds: The Amesbury Contributory Retirement System which was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the Amesbury Contributory Retirement System located at 62 Friend Street, Amesbury, MA 01913.

#### B. Government-wide and Fund Financial Statements

##### Government-wide 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental 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*.

#### Fund Financial Statements

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

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

#### Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund and 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 and excises.

#### Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expendi-

tures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- 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 *Public Safety Facility Fund* is used to account for activity associated with the remodeling, reconstructing, and repairs to public safety buildings.
- The *Public Works Facility Fund* is used to account for activity associated with the purchase of land and the design, construction, reconstruction and equipping of the building for use as the Department of Public Works Facility.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary funds:

- The *sewer fund* is used to report the City's sewer enterprise fund operations.
- The *water fund* is used to report the City's water enterprise fund operations.

The *pension trust fund* accounts for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency funds* account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

#### E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Contributory Retirement System consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

#### F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2014 tax levy reflected an excess capacity of \$2,074,182.

#### G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

#### H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type 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 \$5,000 and an estimated useful life in excess of two years. 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 costs 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Infrastructure	40
Vehicles	5
Office equipment	5 - 10
Computer equipment	5

#### I. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

## K. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The City’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the City Council).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the City uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Position - Net position represents the difference between assets and liabilities/deferred inflows. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions

imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

*L. Use of Estimates*

The preparation of basic 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 disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**2. Stewardship, Compliance, and Accountability**

*A. Budgetary Information*

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the Municipal Council, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special Municipal Council meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Municipal Council is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

*B. Budgetary Basis*

The General Fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

*C. Budget/GAAP Reconciliation*

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 56,738,589	\$ 56,862,503
Other financing sources/uses (GAAP Basis)	<u>1,033,184</u>	<u>31,000</u>
Subtotal (GAAP Basis)	57,771,773	56,893,503
Adjust tax revenue to accrual basis	42,661	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(202,229)
Add end-of-year appropriation carryforwards from expenditures	-	258,068
To reverse stabilization and capital reserve activity	(12,699)	-
To reverse the effect of non- budgeted State contributions for teachers retirement	(5,290,974)	(5,290,974)
Other timing issues	<u>-</u>	<u>(30,115)</u>
Budgetary Basis	<u>\$ 52,510,761</u>	<u>\$ 51,628,253</u>

*D. Deficit Fund Equity*

The following funds had deficits as of June 30, 2014:

Public safety facility fund	\$	(2,144,304)
Public works facility fund	\$	(4,685,002)
Nonmajor governmental funds:		
Community Policing Grant	\$	(210)
Council on Aging Formula		(3,104)
COA Hospital Taxi Transportation		(1,388)
Chapter 90 Highway		(5,623)
Route 110 Force Account		(7,293)
Powwow Riverwalk Force Account		(186,490)
Elm St. PWED - Street & Sidewalk		(7,588)
Donation Fire Safe Program		(132)
Project Support - SPED 240		(4,175)
Police Off Duty		(35,965)
Fire Off Duty		(5,572)
Dam Repair		(5)
Relocation of Snow Dump		(120,000)
Transportation Center Phase II		(1,418,957)
Water St. Parking Garage Repairs		(391,580)
Lower Millyard Development		<u>(226,017)</u>
Total nonmajor governmental funds:	\$	<u><u>(2,414,099)</u></u>

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

**3. Cash and Short-Term Investments**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's and Contributory Retirement System's (the System) deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the City's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess."

Massachusetts General Law Chapter 32, Section 23, limits the Contributory Retirement System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The City and System do not have a deposit policy for custodial credit risk.

As of June 30, 2014 and December 31, 2013, \$7,384,503 of the City's bank balance of \$14,425,823, and \$1,666,393 of the System's bank balance of \$1,916,393, respectively, was exposed to custodial credit risk as uninsured or uncollateralized.

#### 4. Investments

##### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the City's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year-end for each investment of the City:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year-end</u>
U.S. Treasury notes	\$ 73	Aaa
Certificates of deposits	200	N/A
Corporate bonds	103	Baa1
Mutual funds	238	N/A
Federal agency securities	<u>3,058</u>	Aaa
Total investments	<u>\$ 3,672</u>	

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security. In accordance with Chapter 32 Section 22 of the Massachusetts General Laws, the System has transferred its investments to the Commonwealth's PRIT fund because its funding ratio and rate of return in prior years has not met the standards established by PERAC.

Presented below is the actual rating as of year-end of the System (in thousands):

<u>Investment Type</u>	<u>Value</u>
State Investment Pool*	\$ <u>43,871</u>
Total investments	\$ <u>43,871</u>

*\*Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

**B. Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City and the System do not have policies for custodial credit risk.

The City's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the City's brokerage firm, which is also the Counterparty to these securities. The City manages this custodial credit risk with SIPC and excess SIPC.

The System's investments of \$43,871,488 were exposed to custodial credit risk as uninsured and uncollateralized. However, the investments were held in the State Investment Pool.

**C. Concentration of Credit Risk**

The City places no limit on the amount the City may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are:

Barclays Bank Delaware CD	\$ 199,548
Federal National Mortgage Association	\$ 623,174
Federal Home Loan Mortgage Corp.	\$ 1,209,252
Federal Home Loan Bank	\$ 1,123,825

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

The System does not have an investment in one issuer greater than 5% of total investments.

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City and System do not have

a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>
Debt-related Securities:			
U.S. Treasury notes	\$ 73	\$ -	\$ 73
Corporate bonds	103	-	103
Federal agency securities	<u>3,058</u>	<u>612</u>	<u>2,446</u>
Total	<u>\$ 3,234</u>	<u>\$ 612</u>	<u>\$ 2,622</u>

The System does not maintain investments that are sensitive to market interest rate fluctuations.

*E. Foreign Currency Risk*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City and System do not have policies for foreign currency risk.

**5. Taxes Receivable**

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The City has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2014 consist of the following (in thousands):

Real Estate		
2014	\$ 927	
2013	17	
2012	22	
2011	28	
Prior	<u>70</u>	1,064
Personal Property		
2014	15	
2013	8	
2012	11	
2011	6	
Prior	<u>9</u>	49
Tax Liens		820
Deferred Taxes		<u>284</u>
Total		<u>\$ 2,217</u>

## 6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 313	\$ -
Excises	\$ 200	\$ -
Utilities	\$ -	\$ 42

## 7. Intergovernmental Receivables

This balance represents Massachusetts School Building Authority grants as well as other various fiscal year 2014 State and Federal grant funds. Future receipts of these payments are as follows:

	<u>MSBA</u>	<u>Other</u>	<u>Total</u>
2015	\$ 766,765	\$ 659,632	\$ 1,426,397
2016	766,765	-	766,765
2017	766,765	-	766,765
2018	<u>766,769</u>	<u>-</u>	<u>766,769</u>
Total	<u>\$ 3,067,064</u>	<u>\$ 659,632</u>	<u>\$ 3,726,696</u>

## 8. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 87,522	\$ 35	\$ -	\$ 87,557
Machinery, equipment, and furnishings	3,997	399	(280)	4,116
Infrastructure	18,193	-	-	18,193
	<u>109,712</u>	<u>434</u>	<u>(280)</u>	<u>109,866</u>
Total capital assets, being depreciated	109,712	434	(280)	109,866
Less accumulated depreciation for:				
Buildings and improvements	(31,460)	(1,995)	-	(33,455)
Machinery, equipment, and furnishings	(2,843)	(229)	230	(2,842)
Infrastructure	(16,808)	(63)	-	(16,871)
	<u>(51,111)</u>	<u>(2,287)</u>	<u>230</u>	<u>(53,168)</u>
Total accumulated depreciation	(51,111)	(2,287)	230	(53,168)
Total capital assets, being depreciated, net	58,601	(1,853)	(50)	56,698
Capital assets, not being depreciated:				
Land	2,827	-	-	2,827
Construction in progress	880	4,945	-	5,825
	<u>3,707</u>	<u>4,945</u>	<u>-</u>	<u>8,652</u>
Total capital assets, not being depreciated	3,707	4,945	-	8,652
Governmental activities capital assets, net	<u>\$ 62,308</u>	<u>\$ 3,092</u>	<u>\$ (50)</u>	<u>\$ 65,350</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 42,309	\$ -	\$ -	\$ 42,309
Machinery, equipment, and furnishings	594	22	-	616
Infrastructure	-	50	-	50
	<u>42,903</u>	<u>72</u>	<u>-</u>	<u>42,975</u>
Total capital assets, being depreciated	42,903	72	-	42,975
Less accumulated depreciation for:				
Buildings and improvements	(19,318)	(1,056)	-	(20,374)
Machinery, equipment, and furnishings	(429)	(47)	-	(476)
	<u>(19,747)</u>	<u>(1,103)</u>	<u>-</u>	<u>(20,850)</u>
Total accumulated depreciation	(19,747)	(1,103)	-	(20,850)
Total capital assets, being depreciated, net	23,156	(1,031)	-	22,125
Capital assets, not being depreciated:				
Land	1,054	-	-	1,054
Construction in progress	19,885	19	-	19,904
	<u>20,939</u>	<u>19</u>	<u>-</u>	<u>20,958</u>
Total capital assets, not being depreciated	20,939	19	-	20,958
Business-type activities capital assets, net	<u>\$ 44,095</u>	<u>\$ (1,012)</u>	<u>\$ -</u>	<u>\$ 43,083</u>

Depreciation expense was charged to functions of the City as follows (in thousands):

Governmental Activities:		
General government		\$ 798
Public safety		163
Education		943
Public works		167
Culture and recreation		<u>216</u>
Total depreciation expense - governmental activities		\$ <u>2,287</u>
Business-Type Activities:		
Sewer		\$ 726
Water		<u>377</u>
Total depreciation expense - business-type activities		\$ <u>1,103</u>

## 9. Accounts Payable

Accounts payable represent 2014 expenditures paid after June 30, 2014.

## 10. Notes Payable

The City had the following notes outstanding at June 30, 2014:

	Interest Rate	Date of Issue	Date of Maturity	Balance at <u>6/30/14</u>
Remodeling Public Safety	0.50%	06/25/14	12/12/14	\$ 325,000
State Grant Anticipation	0.50%	06/27/14	11/14/14	338,000
Remodeling Public Works	1.25%	12/13/13	12/12/14	241,000
MVRTA Transportation Facility	1.25%	12/13/13	12/12/14	1,500,000
Snow Dump Relocation	1.25%	12/13/13	12/12/14	120,000
Parking Garage Repairs	1.25%	12/13/13	12/12/14	200,000
Remodeling Public Works	0.75%	09/13/13	09/12/14	1,100,000
Remodeling Public Works	0.55%	02/21/14	12/12/14	4,300,000
Remodeling Public Works	1.25%	12/13/13	12/12/14	500,000
Public Parking Garage	1.25%	12/13/13	12/12/14	210,000
Remodeling Public Safety	1.25%	12/13/13	12/12/14	2,400,000
Water Treatment	1.25%	12/13/13	12/12/14	746,000
Water Storage Tank	1.25%	12/13/13	12/12/14	<u>457,000</u>
Total				\$ <u>12,437,000</u>

The following summarizes activity in notes payable during fiscal year 2014.

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Remodeling Public Safety	\$ 556,000	\$ 325,000	\$ (556,000)	\$ 325,000
State Grant Anticipation	-	338,000	-	338,000
Remodeling Public Works	250,000	241,000	(250,000)	241,000
MVRTA Transportation Facility	1,500,000	1,500,000	(1,500,000)	1,500,000
Snow Dump Relocation	120,000	120,000	(120,000)	120,000
Parking Garage Repairs	200,000	200,000	(200,000)	200,000
Remodeling Public Works	1,100,000	1,100,000	(1,100,000)	1,100,000
Remodeling Public Works	-	4,300,000	-	4,300,000
Remodeling Public Works	500,000	500,000	(500,000)	500,000
Parking Garage Repairs	210,000	210,000	(210,000)	210,000
Remodeling Public Safety	250,000	2,400,000	(250,000)	2,400,000
Water Treatment	2,167,000	746,000	(2,167,000)	746,000
Water Storage Tank	825,000	457,000	(825,000)	457,000
Total	<u>\$ 7,678,000</u>	<u>\$ 12,437,000</u>	<u>\$ (7,678,000)</u>	<u>\$ 12,437,000</u>

## 11. Capital Lease Obligations

The City is the lessee of certain equipment under capital leases expiring in various years through 2016. Future minimum lease payments under capital leases consisted of the following as of June 30, 2014:

Fiscal Year	Governmental Activities
2015	\$ 215,639
2016	<u>151,999</u>
Total minimum lease payments	367,638
Less amounts representing interest	<u>(16,907)</u>
Present Value of Minimum Lease Payments	<u>\$ 350,731</u>

## 12. Long-Term Debt

### A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	Serial	Interest	Amount
	Maturities	Rate(s) %	Outstanding
<u>Governmental Activities:</u>	<u>Through</u>		as of
			<u>6/30/14</u>
Municipal purpose	08/15/23	2.75 - 4.80%	\$ 265,000
Municipal refunding 2005	09/15/18	3.00 - 5.00%	4,373,330
School building addition	08/01/28	4.00 - 4.50%	5,280,000
Public safety repair/remodel	12/15/28	3.00 - 3.50%	534,000
Total Governmental Activities:			<u>\$ 10,452,330</u>

	Serial	Interest	Amount
	Maturities	Rate(s) %	Outstanding
<u>Business-Type Activities:</u>	<u>Through</u>		as of
			<u>6/30/14</u>
Sewer 95-11	02/01/17	4.50 - 6.00%	\$ 238,231
Title 5	08/01/18	4.00 - 5.00%	12,742
Sewer 98-93	08/01/20	4.50 - 5.625%	105,000
Sewer CW 01-13	08/01/22	3.00 - 5.25%	4,630,000
Sewer CW-02-17A	08/01/23	2.00 - 5.00%	1,105,000
Sewer CW-02-17B	08/01/23	2.00 - 5.00%	270,000
Sewer purposes	08/15/23	2.75 - 4.80%	1,340,000
Water	08/15/23	2.75 - 4.80%	1,120,000
Sewer refunding 2005	09/15/18	3.50 - 5.00%	450,285
Water refunding 2005	09/15/18	3.50 - 5.00%	976,385
Sewer CW-02-17C	07/15/26	0.00%	650,164
Sewer treatment facility	08/01/28	4.00 - 4.50%	590,000
Water treatment facility	08/01/28	4.00 - 4.50%	315,000
Water treatment facility	08/01/28	4.50%	10,000
Water treatment - MWPAT	07/15/30	2.00%	2,865,070
Drinking water bond	07/15/32	2.00%	9,477,564
Water treatment facility	12/15/28	3.00 - 3.50%	1,338,000
Water storage tank	12/15/28	3.00 - 3.50%	316,000
Total Business-Type Activities:			<u>\$ 25,809,441</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,624,940	\$ 422,116	\$ 2,047,056
2016	1,621,380	344,577	1,965,957
2017	1,570,100	269,469	1,839,569
2018	1,553,670	201,065	1,754,735
2019	592,240	156,209	748,449
2020 - 2024	2,435,000	468,457	2,903,457
2025 - 2029	<u>1,055,000</u>	<u>53,269</u>	<u>1,108,269</u>
Total	<u>\$ 10,452,330</u>	<u>\$ 1,915,162</u>	<u>\$ 12,367,492</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,083,956	\$ 647,741	\$ 2,731,697
2016	2,103,626	583,634	2,687,260
2017	2,034,340	523,331	2,557,671
2018	1,961,192	467,898	2,429,090
2019	1,990,134	412,934	2,403,068
2020 - 2024	8,441,316	1,357,770	9,799,086
2025 - 2029	4,476,577	550,119	5,026,696
2030 - 2033	<u>2,718,300</u>	<u>109,315</u>	<u>2,827,615</u>
Total	<u>\$ 25,809,441</u>	<u>\$ 4,652,742</u>	<u>\$ 30,462,183</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term:

	Total Balance 7/1/13	Additions	Reductions	Total Balance 6/30/14	Less Current Portion	Equals Long-Term Portion 6/30/14
<u>Governmental Activities</u>						
Bonds payable	\$ 11,504	\$ 534	\$ (1,586)	\$ 10,452	\$ (1,625)	\$ 8,827
Net OPEB obligation	15,114	5,753	(3,275)	17,592	-	17,592
Capital lease	350	210	(209)	351	(204)	147
Accrued employee benefits	<u>763</u>	<u>8</u>	<u>(54)</u>	<u>717</u>	<u>(36)</u>	<u>681</u>
Totals	<u>\$ 27,731</u>	<u>\$ 6,505</u>	<u>\$ (5,124)</u>	<u>\$ 29,112</u>	<u>\$ (1,865)</u>	<u>\$ 27,247</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 26,325	\$ 1,654	\$ (2,170)	\$ 25,809	\$ (2,084)	\$ 23,725
Net OPEB obligation	331	101	(57)	375	-	375
Accrued employee benefits	<u>130</u>	<u>2</u>	<u>-</u>	<u>132</u>	<u>(7)</u>	<u>125</u>
Totals	<u>\$ 26,786</u>	<u>\$ 1,757</u>	<u>\$ (2,227)</u>	<u>\$ 26,316</u>	<u>\$ (2,091)</u>	<u>\$ 24,225</u>

D. Advance and Current Refundings

Prior Year

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature in 2019. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's balance sheet. As of June 30, 2014, the amount of defeased debt outstanding but removed from the governmental activities and business-type activities was \$5,900,000.

**13. Deferred Inflows of Resources**

The City implemented GASB 65, *Items Previously Reported as Assets and Liabilities*. Deferred inflows of resources are the acquisition of net position by the City that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund *unavailable revenues* account is equal to the total of all June 30, 2014 receivable balances.

**14. Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

**15. Subsequent Events**

*Debt*

Subsequent to June 30, 2014, the City has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note - Public Works Facility	\$ 1,100,000	0.60%	09/12/14	09/11/15

## 16. **Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The City implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2014:

**Nonspendable** - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

**Restricted** - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

**Committed** - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved by City Council, Smart Growth stabilization funds set aside by City Council vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

**Assigned** - Represents amounts that are constrained by the City's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the City's fund balances at June 30, 2014:

	General Fund	Public Safety Building Fund	Public Works Facility Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>					
Nonexpendable permanent funds	\$ -	-	-	\$ 600,054	\$ 600,054
Total Nonexpendable	-	-	-	600,054	600,054
<b>Restricted</b>					
Bonded projects	-	-	-	80,023	80,023
<b>Special Revenue funds:</b>					
Ambulance Receipts	-	-	-	882,156	882,156
Planning Board Escrow	-	-	-	265,257	265,257
School Choice	-	-	-	436,629	436,629
School Tuition	-	-	-	186,012	186,012
Athletic Revolving account	-	-	-	110,171	110,171
Youth Revolving fund	-	-	-	561,896	561,896
Other revolving funds	-	-	-	1,000,207	1,000,207
Expendable permanent funds	-	-	-	158,237	158,237
Total Restricted	-	-	-	3,680,588	3,680,588
<b>Committed</b>					
Smart Growth Stabilization	445,726	-	-	-	445,726
Capital project funds	-	-	-	89,685	89,685
Total Committed	445,726	-	-	89,685	535,411
<b>Assigned</b>					
Encumbrances	258,069	-	-	-	258,069
Assigned for FY15 expenditures	200,000	-	-	-	200,000
Total Assigned	458,069	-	-	-	458,069
<b>Unassigned<sup>(1)</sup></b>					
	3,971,618	(2,144,304)	(4,685,002)	(2,414,099)	(5,271,787)
Total Unassigned	3,971,618	(2,144,304)	(4,685,002)	(2,414,099)	(5,271,787)
Total Fund Balance	\$ 4,875,413	\$ (2,144,304)	\$ (4,685,002)	\$ 1,956,228	\$ 2,335

(1) Includes General Stabilization fund balance of \$800,210.

## 17. Interfund Transfers

The government reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2014:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,033,184	\$ 31,000
Public Safety Facility	22,000	-
Public Works Facility	9,000	-
Nonmajor Funds:		
Special Revenue Funds:		
Elm Street PWED	203,000	-
Reg Health Agreement	-	50,000
Waterways Improvement	-	7,500
Sale of Cemetery Lots	-	9,000
Ambulance Receipts	-	650,000
Youth Revolving Fund	-	304,684
Capital Project Funds:		
Storm Repairs	-	203,000
Trust Funds:		
Expendable	-	12,000
Subtotal Nonmajor Funds <sup>(1)</sup>	<u>203,000</u>	<u>1,236,184</u>
Grand Total	<u>\$ 1,267,184</u>	<u>\$ 1,267,184</u>

<sup>(1)</sup>Transfers in and out were netted on page 16 to eliminate within nonmajor governmental funds.

The transfers are used to either move revenues from the fund that statute or budget requires the City to collect to the fund that statute or budget requires the City to expend, or use unrestricted revenues collected in the General fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

## 18. **Commitments and Contingencies**

**Outstanding Legal Issues** - There are several pending legal issues in which the City is involved. The City's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

**Abatements** - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to City Counsel, the probable outcome of these cases at the present time is indeterminable, although the City expects such amounts, if any, to be immaterial.

**Grants** - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute

a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**19. Contributory Retirement System**

The City follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

*A. Plan Description and Contribution Information*

Substantially all employees of the City (except teachers and administrators under contract employed by the School Department) are members of the Amesbury Contributory Retirement System (ACRS), a cost sharing, multiple employer defined benefit PERS. Eligible employees must participate in the ACRS. 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 ACRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The ACRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following December 31, 2013:

Retirees and beneficiaries receiving benefits	229
Terminated plan members entitled to but not yet receiving benefits	59
Active plan members	<u>258</u>
Total	<u>546</u>
Number of participating employers	2

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC). The City's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions:

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 3,303,592	100%
2013	\$ 3,088,759	100%
2012	\$ 2,982,902	100%
2011	\$ 2,837,492	100%
2010	\$ 2,730,354	100%
2009	\$ 2,717,707	100%
2008	\$ 2,615,125	100%
2007	\$ 2,103,039	100%
2006	\$ 2,016,340	100%
2005	\$ 1,885,653	100%

**B. Summary of Significant Accounting Policies**

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due.

Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value in accordance with PERAC requirements.

**C. Funded Status and Funding Progress**

The information presented below is from the Amesbury Contributory Retirement System's most recent valuation.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent- age of Covered Payroll [(b-a)/c]</u>
01/01/12	\$ 38,865,235	\$ 78,002,515	\$ 39,137,280	50%	\$ 13,474,102	290%

The Schedule of Funding Progress following the Notes to the Financial Statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

*D. Actuarial Methods and Assumptions*

The annual required contribution for the current year was determined as part of the actuarial valuation using the individual entry age normal actuarial cost method. Under this method an unfunded actuarial accrued liability of \$39.1 million was calculated. The actuarial assumptions included (a) 8.25% investment rate of return and (b) a projected salary increase of 4.0% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3%, on the first \$12,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.25%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of December 31, 2013, the unfunded actuarially accrued liability is being amortized over 23 years using an asset smoothing method.

*E. Teachers*

As required by State statutes, teachers of the City are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The City is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7% *
January 1, 1984 - June 30, 1996	8% *
July 1, 1996 - June 30, 2001	9% *
Beginning July 1, 2001	11%

\*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$30,000.

The City's current year covered payroll for teachers and administrators was unavailable.

In fiscal year 2014, the Commonwealth of Massachusetts contributed \$5,290,974 to the MTRS on behalf of the City. This is included in the education expenditures and intergovernmental revenues in the general fund.

## **20. Post-Employment Healthcare and Life Insurance**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

### *A. Plan Description*

In addition to providing the pension benefits described, the City provides post-employment healthcare and life insurance benefits for retired employees through the City's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2013, the actuarial valuation date, approximately 521 retirees and 392 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

### *B. Benefits Provided*

The City provides medical, dental, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

### *C. Funding Policy*

Retirees contribute a variable portion of the cost of the health plan, as determined by the City. The City contributes the remainder of the health plan costs on a pay-as-you-go basis.

### *D. Annual OPEB Costs and Net OPEB Obligation*

The City's fiscal 2014 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially

determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2014, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of June 30, 2013.

Annual Required Contribution (ARC)	\$ 5,313,245
Interest on net OPEB obligation	540,589
Adjustment to ARC	<u>(514,847)</u>
Annual OPEB cost	5,338,987
Contributions made	<u>(2,817,492)</u>
Increase in net OPEB obligation	2,521,495
Net OPEB obligation - beginning of year	<u>15,445,396</u>
Net OPEB obligation - end of year	<u>\$ 17,966,891</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 5,338,987	53%	\$17,966,891
2013	\$ 5,195,799	52%	\$15,445,397
2012	\$ 6,195,819	38%	\$12,955,792
2011	\$ 5,906,671	46%	\$ 9,137,325

*E. Funded Status and Funding Progress*

The funded status of the plan as of June 30, 2013, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 87,212,371
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 87,212,371</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 29,000,000</u>
UAAL as a percentage of covered payroll	<u>300.7%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included 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 following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*F. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the City 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 City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce 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, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 7.5% which decreases to a 4.5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.0%.

**21. Risk Management**

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

**22. Beginning Fund Balance Reclassification**

The Town's major governmental funds for fiscal year 2014, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided.

	Fund Equity 6/30/13 (as previously reported)	Reclassification	Fund Equity 6/30/13 (as restated)
General fund	\$ 3,997,143	\$ -	\$ 3,997,143
Public Safety Facility Fund	-	(767,362)	(767,362)
Public Works Facility Fund	-	(1,921,522)	(1,921,522)
Nonmajor funds	<u>203,936</u>	<u>2,688,884</u>	<u>2,892,820</u>
Total	<u>\$ 4,201,079</u>	<u>\$ -</u>	<u>\$ 4,201,079</u>

**23. Implementation of New GASB Standard**

The GASB has issued Statement No. 68 Accounting and Financial Reporting for Pensions, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the City's basic financial statements by recognizing as a liability and expense, the City's applicable portion of the Amesbury's Contributory Retirement System's actuarially accrued liability.

**CITY OF AMESBURY, MASSACHUSETTS  
SCHEDULE OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2014**

**(Unaudited)**

**Employees' Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01/01/12	\$ 38,865,235	\$ 78,002,515	\$ 39,137,280	50%	\$ 13,474,102	290%
01/01/10	\$ 35,793,709	\$ 69,010,578	\$ 33,216,869	52%	\$ 12,048,107	276%
01/01/08	\$ 39,214,087	\$ 60,053,154	\$ 20,839,067	65%	\$ 11,374,648	183%
01/01/06	\$ 31,892,926	\$ 56,634,407	\$ 24,741,481	56%	\$ 11,652,440	212%
01/01/04	\$ 27,735,259	\$ 47,405,492	\$ 19,670,233	59%	\$ 10,572,920	186%
01/01/03	\$ 23,420,773	\$ 43,172,723 *	\$ 19,751,950	54%	\$ 10,873,793	182%
01/01/02	\$ 25,271,096	\$ 40,814,053	\$ 15,542,957	62%	\$ 10,380,709	150%
01/01/01	\$ 26,423,203	\$ 33,559,596 *	\$ 7,136,393	79%	\$ 10,111,418	71%
01/01/00	\$ 26,456,262	\$ 32,666,646 *	\$ 6,210,384	81%	\$ 9,584,283	65%
01/01/99	\$ 22,632,257	\$ 31,623,381	\$ 8,991,124	72%	\$ 9,084,628	99%
01/01/98	\$ 19,442,070	\$ 26,500,886	\$ 7,058,816	73%	\$ 7,165,112	99%

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
06/30/13	\$ -	\$ 87,212,371	\$ 87,212,371	0.0%	\$ 29,000,000	300.7%
06/30/11	\$ -	\$ 93,574,188	\$ 93,574,188	0.0%	\$ 28,915,767	323.6%
06/30/09	\$ -	\$ 81,294,859	\$ 81,294,859	0.0%	\$ 28,069,341	289.6%

See Independent Auditors' Report.

\* = Estimated amounts

CITY OF AMESBURY, MASSACHUSETTS  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 AND OTHER USES - BUDGET AND ACTUAL  
 SEWER ENTERPRISE FUND

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	Actual (Budgetary <u>Basis</u> )	Variance Favorable ( <u>Unfavorable</u> )
Revenues:			
Current service charges	\$ 2,725,492	\$ 2,696,386	\$ (29,106)
Misc. Revenues	<u>64,870</u>	<u>31,032</u>	<u>(33,838)</u>
Total Revenues	2,790,362	2,727,418	(62,944)
Expenditures:			
Personnel services	811,448	830,124	(18,676)
Supplies and materials	742,776	754,187	(11,411)
Capital outlay	179,500	156,010	23,490
Debt service	<u>1,056,638</u>	<u>1,032,438</u>	<u>24,200</u>
Total Expenditures	<u>2,790,362</u>	<u>2,772,759</u>	<u>17,603</u>
Excess of Revenues over Expenditures	<u>\$ -</u>	<u>\$ (45,341)</u>	<u>\$ (45,341)</u>

See Independent Auditors' report.

CITY OF AMESBURY, MASSACHUSETTS  
 SCHEDULE OF REVENUES AND EXPENDITURES,  
 AND OTHER USES - BUDGET AND ACTUAL  
 WATER ENTERPRISE FUND

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget</u>	Actual (Budgetary <u>Basis</u> )	Variance Favorable ( <u>Unfavorable</u> )
Revenues:			
Current service charges	\$ 3,279,718	\$ 3,220,864	\$ (58,854)
Misc. revenues	30,375	20,761	(9,614)
Use of Surplus	<u>505,000</u>	<u>505,000</u>	<u>-</u>
Total Revenues	3,815,093	3,746,625	(68,468)
Expenditures:			
Personnel services	1,195,699	1,205,593	(9,894)
Supplies and materials	997,965	925,242	72,723
Capital outlay	92,000	72,448	19,552
Debt service	<u>1,529,429</u>	<u>1,492,801</u>	<u>36,628</u>
Total Expenditures	<u>3,815,093</u>	<u>3,696,084</u>	<u>119,009</u>
Excess of Revenues over Expenditures	<u>\$ -</u>	<u>\$ 50,541</u>	<u>\$ 50,541</u>

See Independent Auditors' report.