



CITY OF AMESBURY, MASSACHUSETTS

Annual Financial Statements
For the Year Ended June 30, 2023

(With Independent Auditors' Report Thereon)

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Funds:	
Statement of Net Position	18
Statement of Revenues, Expenses, and Changes in Net Position	20
Statement of Cash Flows	21
Fiduciary Funds:	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	24

REQUIRED SUPPLEMENTARY INFORMATION:

Page

Budget and Actual:

Schedule of Revenues, Expenditures, and Other Financing
Sources (Uses) - Budget and Actual – General Fund 63

Notes to Required Supplementary Information for General Fund
Budget 64

Pension:

Schedule of Proportionate Share of the Net Pension Liability 65

Schedule of Pension Contributions 66

Schedule of Changes in the Net Pension Liability 67

Schedules of Contributions and Investment Returns 68

OPEB:

Schedules of Changes in the Net OPEB Liability 69

Schedules of OPEB Contributions and Investment Returns 70



INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Amesbury, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Amesbury, Massachusetts (the City), as of and for the year ended June 30, 2023, (except for the Amesbury Municipal Contributory Retirement System which is as of and for the year ended December 31, 2022), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Amesbury, Massachusetts, as of June 30, 2023, (except for the Amesbury Contributory Retirement System which is as of and for the year ended December 31, 2022) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison for the General Fund, and certain pension and OPEB schedules appearing on pages 65 to 70, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards

Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Marcum LLP

Merrimack, NH
February 13, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Amesbury, Massachusetts (the City), we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023.

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 are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows and inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City'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. The City's 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 the City'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 City's near-term financing decisions. Reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for 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 City. 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 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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information required to be disclosed by accounting principles generally accepted

in the United States of America. 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. Required supplementary information also includes pension and OPEB schedules.

Financial Highlights

- As of the close of the current fiscal year, the City’s net position was a deficit of \$(39,308,292) as a result of the unfunded pension and OPEB liability. This deficit decreased by \$13,894,914 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$15,261,063, a decrease of \$10,215,502 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,474,184, an increase of \$840,260 in comparison to the prior year, resulting primarily from fiscal year 2023 positive results of operations of \$1,339,246.

Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal year (in thousands).

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 37,988	\$ 42,626	\$ 6,289	\$ 7,215	\$ 44,277	\$ 49,841
Capital assets	<u>116,229</u>	<u>92,447</u>	<u>32,277</u>	<u>33,055</u>	<u>148,506</u>	<u>125,502</u>
Total assets	154,217	135,073	38,566	40,270	192,783	175,343
Deferred outflows of resources	<u>18,585</u>	<u>14,417</u>	<u>1,020</u>	<u>589</u>	<u>19,605</u>	<u>15,006</u>
Total assets and deferred outflows	<u>\$ 172,802</u>	<u>\$ 149,490</u>	<u>\$ 39,586</u>	<u>\$ 40,859</u>	<u>\$ 212,388</u>	<u>\$ 190,349</u>
Other liabilities	\$ 16,316	\$ 11,772	\$ 199	\$ 391	\$ 16,515	\$ 12,163
Long-term liabilities	<u>190,971</u>	<u>179,563</u>	<u>15,190</u>	<u>16,486</u>	<u>206,161</u>	<u>196,049</u>
Total liabilities	207,287	191,335	15,389	16,877	222,676	208,212
Deferred inflows of resources	<u>28,365</u>	<u>34,523</u>	<u>654</u>	<u>817</u>	<u>29,019</u>	<u>35,340</u>
Total liabilities and deferred inflows	235,652	225,858	16,043	17,694	251,695	243,552
Net position:						
Net investment in capital assets	69,099	55,789	21,545	20,356	90,644	76,145
Restricted	9,580	8,540	-	-	9,580	8,540
Unrestricted	<u>(141,529)</u>	<u>(140,697)</u>	<u>1,998</u>	<u>2,809</u>	<u>(139,531)</u>	<u>(137,888)</u>
Total net position	<u>(62,850)</u>	<u>(76,368)</u>	<u>23,543</u>	<u>23,165</u>	<u>(39,307)</u>	<u>(53,203)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 172,802</u>	<u>\$ 149,490</u>	<u>\$ 39,586</u>	<u>\$ 40,859</u>	<u>\$ 212,388</u>	<u>\$ 190,349</u>

CHANGE IN NET POSITION

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,744	\$ 3,779	\$ 6,897	\$ 6,832	\$ 11,641	\$ 10,611
Operating grants and contributions	22,327	23,991	-	-	22,327	23,991
Capital grants and contributions	13,965	9,044	226	337	14,191	9,381
General revenues:						
Property taxes	53,600	50,327	-	-	53,600	50,327
Excises	3,622	3,361	-	-	3,622	3,361
Penalties, interest and other taxes	259	284	-	-	259	284
Grants and contributions not restricted to specific programs	3,314	2,349	-	-	3,314	2,349
Investment income	493	13	-	-	493	13
Miscellaneous	<u>391</u>	<u>546</u>	<u>-</u>	<u>-</u>	<u>391</u>	<u>546</u>
Total revenues	<u>102,715</u>	<u>93,694</u>	<u>7,123</u>	<u>7,169</u>	<u>109,838</u>	<u>100,863</u>
Expenses:						
General government	6,454	5,742	-	-	6,454	5,742
Public safety	13,676	12,989	-	-	13,676	12,989
Education	55,473	51,045	-	-	55,473	51,045
Public works	5,426	6,310	-	-	5,426	6,310
Health and human services	1,499	1,316	-	-	1,499	1,316
Culture and recreation	1,630	1,193	-	-	1,630	1,193
Intergovernmental	3,750	3,471	-	-	3,750	3,471
Interest on long-term debt	1,053	1,298	-	-	1,053	1,298
Sewer services	-	-	2,673	2,352	2,673	2,352
Water services	<u>-</u>	<u>-</u>	<u>4,308</u>	<u>3,621</u>	<u>4,308</u>	<u>3,621</u>
Total expenses	<u>88,961</u>	<u>83,364</u>	<u>6,981</u>	<u>5,973</u>	<u>95,942</u>	<u>89,337</u>
Change in net position before transfers	13,754	10,330	142	1,196	13,896	11,526
Transfers in (out)	<u>(236)</u>	<u>25</u>	<u>236</u>	<u>(25)</u>	<u>-</u>	<u>-</u>
Change in net position	13,518	10,355	378	1,171	13,896	11,526
Net position - beginning of year	<u>(76,368)</u>	<u>(86,723)</u>	<u>23,165</u>	<u>21,994</u>	<u>(53,203)</u>	<u>(64,729)</u>
Net position - end of year	<u>\$ (62,850)</u>	<u>\$ (76,368)</u>	<u>\$ 23,543</u>	<u>\$ 23,165</u>	<u>\$ (39,307)</u>	<u>\$ (53,203)</u>

The largest portion of net position, \$90,643,854, 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, \$9,579,515, represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit of \$(139,531,661) primarily resulting from the City's unfunded net pension and OPEB liabilities.

Governmental Activities

Governmental activities for the year resulted in an increase in net position of \$13,517,663. While the tax rate decreased from \$17.69 per \$1,000 of valuation value in fiscal year 2022 to \$16.34 in fiscal year 2023, value on all classes of real estate and property increased due to new growth and increased local real estate market values, resulting in the tax levy being higher by \$1,995,553. Capital grants and contributions revenue increased by \$4,921,546 in comparison to the prior year. Total expenses increased by \$5,597,059 in comparison to the prior year.

Business-Type Activities

Business-type activities for the year resulted in an increase in net position of \$377,251. This was primarily due to transfers in from other funds of \$ 235,850 in the current year.

Financial Analysis of the City'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 the City'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 \$(10,215,502), for a combined ending fund balance of \$15,261,063. For General Fund results, see the following section. The Amesbury Elementary School Fund reported a decrease of \$(10,537,109) for an ending fund balance of \$(4,250,468). This project was funded by issuance of debt in prior years as well as current reimbursements from the Massachusetts School Building Authority for a percentage of the costs. The American Rescue Plan Fund includes unspent ARPA grant funds, reported as a liability in unearned revenue. Nonmajor governmental funds reported a decrease of \$(1,017,639) for a combined ending fund balance of \$10,601,283. The change in the nonmajor governmental funds was primarily due to an increase in expenses related to the Federal Education Grants Fund.

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,474,184, while total fund balance was \$8,910,248. 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>6/30/23</u>	<u>6/30/22</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance ¹	\$ 7,474,184	\$ 6,633,924	\$ 840,260	10.0%
Total fund balance ²	\$ 8,910,248	\$ 7,571,002	\$ 1,339,246	11.9%

¹ Includes the General Stabilization Fund.

² Includes the General and Smart Growth Stabilization Funds.

The total fund balance of the General Fund increased by \$1,339,246 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (2,003,380)
Revenues in excess of budget	1,252,012
Expenditures less than budget	1,772,071
Other factors	<u>318,543</u>
Total	\$ <u><u>1,339,246</u></u>

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

	<u>6/30/23</u>	<u>6/30/22</u>	<u>Change</u>
General Stabilization (unassigned)	\$ 593,656	\$ 582,646	\$ 11,010
Smart Growth Stabilization (committed)	<u>198,056</u>	<u>204,134</u>	<u>(6,078)</u>
Total	\$ <u><u>791,712</u></u>	\$ <u><u>786,780</u></u>	\$ <u><u>4,932</u></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 \$1,997,795, a decrease of \$(810,936) 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.

General Fund Budgetary Highlights

The General Fund budgeted expenditures totaled \$72,843,850. During the year, General Fund revenues exceeded budgetary estimates and expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance of approximately \$3,024,000. Encumbrances and continuing appropriations totaled \$1,238,008 at year-end.

Capital Assets and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$148,505,746 (net of accumulated depreciation), an increase of \$23,004,285 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery, equipment, and furnishings, infrastructure, and construction in progress.

Major capital asset events during the current fiscal year included the Amesbury Elementary School construction costs of \$23,669,069.

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

Long-Term Debt

At the end of the current fiscal year, total bonds and loans payable outstanding were \$54,291,487 (including unamortized premium), all of which was backed by the full faith and credit of the City. The City is currently assigned an "AA" rating from Standard and Poor's for general obligation debt.

Additional information on long-term debt can be found in the Notes to 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 City'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, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets and Deferred Outflows of Resources			
Assets			
Current:			
Cash and short-term investments	\$ 28,652,887	\$ 4,173,529	\$ 32,826,416
Investments	1,708,366	-	1,708,366
Receivables:			
Property taxes	3,194,628	-	3,194,628
Excises	514,713	-	514,713
User fees	-	2,115,078	2,115,078
Police and fire details	58,084	-	58,084
Ambulance	262,611	-	262,611
Intergovernmental	1,215,986	-	1,215,986
Lease	<u>26,468</u>	<u>-</u>	<u>26,468</u>
Total current assets	35,633,743	6,288,607	41,922,350
Noncurrent:			
Lease receivable, net of current portion	2,354,192	-	2,354,192
Land and construction in progress	58,363,514	1,881,149	60,244,663
Other capital assets, net of accumulated depreciation	<u>57,865,053</u>	<u>30,396,029</u>	<u>88,261,082</u>
Total noncurrent assets	<u>118,582,759</u>	<u>32,277,178</u>	<u>150,859,937</u>
Total Assets	154,216,502	38,565,785	192,782,287
Deferred Outflows of Resources			
Related to pension	15,938,789	981,369	16,920,158
Related to OPEB	<u>2,646,081</u>	<u>39,421</u>	<u>2,685,502</u>
Total Deferred Outflows of Resources	<u>18,584,870</u>	<u>1,020,790</u>	<u>19,605,660</u>
Total Assets and Deferred Outflows of Resources	\$ <u>172,801,372</u>	\$ <u>39,586,575</u>	\$ <u>212,387,947</u>

(continued)

CITY OF AMESBURY, MASSACHUSETTS

Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(continued)			
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Current:			
Accounts payable	\$ 2,853,635	\$ 157,588	\$ 3,011,223
Accrued liabilities	2,729,977	41,819	2,771,796
Unearned revenue	4,685,247	-	4,685,247
Notes payable	6,047,316	-	6,047,316
Current portion of long-term liabilities:			
Bonds and loans payable	2,796,828	1,366,493	4,163,321
Notes payable	115,558	-	115,558
Compensated absences liability	<u>189,129</u>	<u>11,880</u>	<u>201,009</u>
Total current liabilities	19,417,690	1,577,780	20,995,470
Noncurrent:			
Bonds and loans payable, net of current portion	40,761,989	9,366,177	50,128,166
Notes payable, net of current portion	119,972	-	119,972
Compensated absences liability, net of current portion	3,593,455	225,721	3,819,176
Net pension liability	44,650,674	2,749,192	47,399,866
Net OPEB liability	<u>98,743,296</u>	<u>1,471,046</u>	<u>100,214,342</u>
Total noncurrent liabilities	<u>187,869,386</u>	<u>13,812,136</u>	<u>201,681,522</u>
Total Liabilities	207,287,076	15,389,916	222,676,992
Deferred Inflows of Resources			
Related to pension	5,725,952	352,554	6,078,506
Related to OPEB	20,258,279	301,802	20,560,081
Related to lease	<u>2,380,660</u>	<u>-</u>	<u>2,380,660</u>
Total Deferred Inflows of Resources	28,364,891	654,356	29,019,247
Net Position			
Net investment in capital assets	69,099,346	21,544,508	90,643,854
Restricted for:			
Circuit Breaker	1,271,234	-	1,271,234
Planning Escrows	1,310,270	-	1,310,270
Other purposes	5,884,633	-	5,884,633
Permanent funds:			
Nonexpendable	600,432	-	600,432
Expendable	512,946	-	512,946
Unrestricted (deficit)	<u>(141,529,456)</u>	<u>1,997,795</u>	<u>(139,531,661)</u>
Net Position	<u>(62,850,595)</u>	<u>23,542,303</u>	<u>(39,308,292)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ <u>172,801,372</u>	\$ <u>39,586,575</u>	\$ <u>212,387,947</u>

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

CITY OF AMESBURY, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2023

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 6,453,571	\$ 2,187,608	\$ 778,944	\$ -	\$ (3,487,019)	\$ -	\$ (3,487,019)
Public safety	13,676,046	1,569,963	945,939	-	(11,160,144)	-	(11,160,144)
Education	55,472,882	304,327	19,952,323	13,958,749	(21,257,483)	-	(21,257,483)
Public works	5,426,218	33,437	14,420	6,395	(5,371,966)	-	(5,371,966)
Health and human services	1,498,724	37,383	217,878	-	(1,243,463)	-	(1,243,463)
Culture and recreation	1,630,289	611,224	417,178	-	(601,887)	-	(601,887)
Intergovernmental	3,750,074	-	-	-	(3,750,074)	-	(3,750,074)
Interest	<u>1,052,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,052,941)</u>	<u>-</u>	<u>(1,052,941)</u>
Total Governmental Activities	88,960,745	4,743,942	22,326,682	13,965,144	(47,924,977)	-	(47,924,977)
Business-Type Activities							
Sewer services	2,673,451	2,812,771	-	226,146	-	365,466	365,466
Water services	<u>4,307,943</u>	<u>4,083,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(224,065)</u>	<u>(224,065)</u>
Total Business-Type Activities	<u>6,981,394</u>	<u>6,896,649</u>	<u>-</u>	<u>226,146</u>	<u>-</u>	<u>141,401</u>	<u>141,401</u>
Total	<u>\$ 95,942,139</u>	<u>\$ 11,640,591</u>	<u>\$ 22,326,682</u>	<u>\$ 14,191,290</u>	(47,924,977)	141,401	(47,783,576)
General Revenues and Transfers							
Property taxes					53,600,421	-	53,600,421
Excises					3,622,005	-	3,622,005
Penalties, interest and other taxes					258,996	-	258,996
Grants and contributions not restricted to specific programs					3,313,665	-	3,313,665
Investment income					492,815	-	492,815
Miscellaneous					390,588	-	390,588
Transfers, net					<u>(235,850)</u>	<u>235,850</u>	<u>-</u>
Total general revenues and transfers					<u>61,442,640</u>	<u>235,850</u>	<u>61,678,490</u>
Change in Net Position					13,517,663	377,251	13,894,914
Net Position							
Beginning of year					<u>(76,368,258)</u>	<u>23,165,052</u>	<u>(53,203,206)</u>
End of year					<u>\$ (62,850,595)</u>	<u>\$ 23,542,303</u>	<u>\$ (39,308,292)</u>

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

CITY OF AMESBURY, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2023

	General Fund	Amesbury Elementary School Fund	American Rescue Plan Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and short-term investments	\$ 11,309,520	\$ 2,155,562	\$ 3,417,138	\$ 11,770,668	\$ 28,652,888
Investments	791,712	-	-	916,654	1,708,366
Receivables:					
Property taxes	3,194,628	-	-	-	3,194,628
Excises	514,713	-	-	-	514,713
Police and fire details	-	-	-	58,084	58,084
Ambulance	-	-	-	262,611	262,611
Intergovernmental	-	1,215,986	-	-	1,215,986
Lease	<u>2,380,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,380,660</u>
Total Assets	<u>\$ 18,191,233</u>	<u>\$ 3,371,548</u>	<u>\$ 3,417,138</u>	<u>\$ 13,008,017</u>	<u>\$ 37,987,936</u>
Liabilities					
Accounts payable	\$ 733,766	\$ 1,574,700	\$ 13,657	\$ 531,514	\$ 2,853,637
Accrued liabilities	2,457,218	-	-	272,759	2,729,977
Unearned revenue	-	-	3,403,481	1,281,766	4,685,247
Notes payable	<u>-</u>	<u>6,047,316</u>	<u>-</u>	<u>-</u>	<u>6,047,316</u>
Total Liabilities	3,190,984	7,622,016	3,417,138	2,086,039	16,316,177
Deferred Inflows of Resources					
Unavailable revenues	3,709,341	-	-	320,695	4,030,036
Related to lease	<u>2,380,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,380,660</u>
Total Deferred Inflows of Resources	6,090,001	-	-	320,695	6,410,696
Fund Balances					
Nonspendable	-	-	-	600,432	600,432
Restricted	-	-	-	11,692,115	11,692,115
Committed	198,056	-	-	64,853	262,909
Assigned	1,238,008	-	-	-	1,238,008
Unassigned	<u>7,474,184</u>	<u>(4,250,468)</u>	<u>-</u>	<u>(1,756,117)</u>	<u>1,467,599</u>
Total Fund Balances	<u>8,910,248</u>	<u>(4,250,468)</u>	<u>-</u>	<u>10,601,283</u>	<u>15,261,063</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 18,191,233</u>	<u>\$ 3,371,548</u>	<u>\$ 3,417,138</u>	<u>\$ 13,008,017</u>	<u>\$ 37,987,936</u>

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, 2023

Total Governmental Fund Balances	\$	15,261,063
<ul style="list-style-type: none"> • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 116,228,567 • Revenues are reported on the accrual basis of accounting and are not deferred until collection. 4,030,036 • Deferred outflows and inflows of pension resources are not financial resources nor are they available to pay current-period expenditures. Pension related outflows and inflows consist of: <ul style="list-style-type: none"> Deferred outflows 15,938,789 Deferred inflows (5,725,952) • Deferred outflows and inflows of OPEB resources are not financial resources nor are they available to pay current-period expenditures. OPEB related outflows and inflows consist of: <ul style="list-style-type: none"> Deferred outflows 2,646,081 Deferred inflows (20,258,279) • Long-term liabilities are not due and payable in the current period and therefore, are not reported in governmental funds: <ul style="list-style-type: none"> Bonds payable (43,558,816) Net pension liability (44,650,674) Total OPEB liability (98,743,296) Notes payable (direct borrowing) (235,530) Compensated absences liability (3,782,584) 		
Net Position of Governmental Activities	\$	<u><u>(62,850,595)</u></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, 2023

	General <u>Fund</u>	Amesbury Elementary <u>School Fund</u>	American Rescue Plan <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues					
Property taxes	\$ 52,922,634	\$ -	\$ -	\$ -	\$ 52,922,634
Excise taxes	3,466,004	-	-	-	3,466,004
Penalties, interest and other taxes	258,996	-	-	-	258,996
Charges for services	221,423	-	-	3,479,876	3,701,299
Intergovernmental	17,172,795	13,958,749	768,597	7,495,526	39,395,667
Licenses and permits	644,580	-	-	336,961	981,541
Fines and forfeitures	51,459	-	-	-	51,459
Investment income (loss)	476,422	-	-	16,393	492,815
Contributions	-	-	-	154,510	154,510
Miscellaneous	<u>259,760</u>	<u>-</u>	<u>-</u>	<u>130,828</u>	<u>390,588</u>
Total Revenues	75,474,073	13,958,749	768,597	11,614,094	101,815,513
Expenditures					
Current:					
General government	2,831,520	-	253,983	1,530,501	4,616,004
Public safety	9,570,583	-	70,706	2,358,564	11,999,853
Education	42,118,151	24,495,858	-	5,996,432	72,610,441
Public works	3,855,434	-	60,000	1,431,191	5,346,625
Health and human services	936,459	-	-	343,260	1,279,719
Culture and recreation	875,679	-	17,000	356,676	1,249,355
Employee benefits	7,149,136	-	-	-	7,149,136
Debt service:					
Principal	2,401,850	-	-	150,000	2,551,850
Interest	1,378,992	-	-	97,325	1,476,317
Fiscal charges	2,500	-	-	-	2,500
Intergovernmental	<u>3,750,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,750,074</u>
Total Expenditures	<u>74,870,378</u>	<u>24,495,858</u>	<u>401,689</u>	<u>12,263,949</u>	<u>112,031,874</u>
Excess (deficiency) of revenues over (under) expenditures	603,695	(10,537,109)	366,908	(649,855)	(10,216,361)
Other Financing Sources (Uses)					
Issuance of equipment note	236,709	-	-	-	236,709
Transfers in	1,289,408	-	-	-	1,289,408
Transfers out	<u>(790,566)</u>	<u>-</u>	<u>(366,908)</u>	<u>(367,784)</u>	<u>(1,525,258)</u>
Total Other Financing Sources (Uses)	<u>735,551</u>	<u>-</u>	<u>(366,908)</u>	<u>(367,784)</u>	<u>859</u>
Change in fund balance	1,339,246	(10,537,109)	-	(1,017,639)	(10,215,502)
Fund Balance at Beginning of Year, as reclassified	<u>7,571,002</u>	<u>6,286,641</u>	<u>-</u>	<u>11,618,922</u>	<u>25,476,565</u>
Fund Balance, at End of Year	\$ <u>8,910,248</u>	\$ <u>(4,250,468)</u>	\$ <u>-</u>	\$ <u>10,601,283</u>	\$ <u>15,261,063</u>

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, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ (10,215,502)																										
<ul style="list-style-type: none"> • 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 border="0" style="margin-left: 40px;"> <tr> <td>Capital asset additions</td> <td align="right">28,463,822</td> </tr> <tr> <td>Net effect from capital asset disposals</td> <td align="right">(1,525,558)</td> </tr> <tr> <td>Depreciation</td> <td align="right">(3,156,427)</td> </tr> </table> • 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 unavailable revenues. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td align="right">843,432</td> </tr> </table> • The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of notes</td> <td align="right">(236,709)</td> </tr> <tr> <td>Repayments or redemptions of bonds</td> <td align="right">2,551,850</td> </tr> <tr> <td>Repayments of notes</td> <td align="right">139,132</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. This amount also includes bond premium amortization. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td align="right">423,377</td> </tr> </table> • Pension and OPEB liabilities, including related outflows and inflows are reported in the Statement of Net Position and the Statement of Activities, but are not reported in governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td>Change in net pension liability</td> <td align="right">(10,542,687)</td> </tr> <tr> <td>Change in pension related deferred outflows and inflows of resources</td> <td align="right">9,455,644</td> </tr> <tr> <td>Change in total OPEB liability</td> <td align="right">(1,404,370)</td> </tr> <tr> <td>Change in OPEB related deferred outflows and inflows of resources</td> <td align="right">852,917</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of financial resources and therefore, are not reported as expenditures in governmental funds: <table border="0" style="margin-left: 40px;"> <tr> <td>Change in compensated absences liability</td> <td align="right"><u>(2,131,258)</u></td> </tr> </table> 		Capital asset additions	28,463,822	Net effect from capital asset disposals	(1,525,558)	Depreciation	(3,156,427)		843,432	Issuance of notes	(236,709)	Repayments or redemptions of bonds	2,551,850	Repayments of notes	139,132		423,377	Change in net pension liability	(10,542,687)	Change in pension related deferred outflows and inflows of resources	9,455,644	Change in total OPEB liability	(1,404,370)	Change in OPEB related deferred outflows and inflows of resources	852,917	Change in compensated absences liability	<u>(2,131,258)</u>
Capital asset additions	28,463,822																										
Net effect from capital asset disposals	(1,525,558)																										
Depreciation	(3,156,427)																										
	843,432																										
Issuance of notes	(236,709)																										
Repayments or redemptions of bonds	2,551,850																										
Repayments of notes	139,132																										
	423,377																										
Change in net pension liability	(10,542,687)																										
Change in pension related deferred outflows and inflows of resources	9,455,644																										
Change in total OPEB liability	(1,404,370)																										
Change in OPEB related deferred outflows and inflows of resources	852,917																										
Change in compensated absences liability	<u>(2,131,258)</u>																										
Change in Net Position of Governmental Activities	\$ <u>13,517,663</u>																										

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

CITY OF AMESBURY, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2023

	Business-Type Activities Enterprise Funds		
	Sewer <u>Fund</u>	Water <u>Fund</u>	<u>Total</u>
Assets and Deferred Outflows of Resources			
Assets			
Current:			
Cash and short-term investments	\$ 2,109,306	\$ 2,064,223	\$ 4,173,529
User fees receivable	<u>852,661</u>	<u>1,262,417</u>	<u>2,115,078</u>
Total current assets	2,961,967	3,326,640	6,288,607
Noncurrent:			
Land	574,089	1,307,060	1,881,149
Other capital assets, net of accumulated depreciation	<u>10,122,548</u>	<u>20,273,481</u>	<u>30,396,029</u>
Total noncurrent assets	<u>10,696,637</u>	<u>21,580,541</u>	<u>32,277,178</u>
Total Assets	13,658,604	24,907,181	38,565,785
Deferred Outflows of Resources			
Related to pension	321,483	659,886	981,369
Related to OPEB	<u>13,150</u>	<u>26,271</u>	<u>39,421</u>
Total Deferred Outflows of Resources	<u>334,633</u>	<u>686,157</u>	<u>1,020,790</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 13,993,237</u>	<u>\$ 25,593,338</u>	<u>\$ 39,586,575</u>

(continued)

CITY OF AMESBURY, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2023

	Business-Type Activities Enterprise Funds		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
(continued)			
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Current:			
Accounts payable	\$ 81,356	\$ 76,232	\$ 157,588
Accrued liabilities	15,540	26,279	41,819
Current portion of long-term liabilities:			
Bonds and loans payable	395,012	971,481	1,366,493
Compensated absences liability	<u>3,520</u>	<u>8,360</u>	<u>11,880</u>
Total current liabilities	495,428	1,082,352	1,577,780
Noncurrent:			
Bonds and loans payable, net of current portion	1,138,586	8,227,591	9,366,177
Compensated absences liability, net of current portion	66,876	158,845	225,721
Net pension liability	900,597	1,848,595	2,749,192
Total OPEB liability	<u>490,706</u>	<u>980,340</u>	<u>1,471,046</u>
Total noncurrent liabilities	<u>2,596,765</u>	<u>11,215,371</u>	<u>13,812,136</u>
Total Liabilities	3,092,193	12,297,723	15,389,916
Deferred Inflows of Resources			
Related to pension	115,492	237,062	352,554
Related to OPEB	<u>100,674</u>	<u>201,128</u>	<u>301,802</u>
Total Deferred Inflows of Resources	216,166	438,190	654,356
Net Position			
Net investment in capital assets	9,163,039	12,381,469	21,544,508
Unrestricted	<u>1,521,839</u>	<u>475,956</u>	<u>1,997,795</u>
Total Net Position	<u>10,684,878</u>	<u>12,857,425</u>	<u>23,542,303</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 13,993,237</u>	<u>\$ 25,593,338</u>	<u>\$ 39,586,575</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 Net Position
For the Year Ended June 30, 2023

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
Operating Revenues			
Charges for services	\$ 2,812,771	\$ 4,083,878	\$ 6,896,649
Total Operating Revenues	2,812,771	4,083,878	6,896,649
Operating Expenses			
Salaries and benefits	1,126,791	1,778,995	2,905,786
Other operating expenses	890,754	1,289,051	2,179,805
Depreciation	590,485	1,015,969	1,606,454
Total Operating Expenses	2,608,030	4,084,015	6,692,045
Operating Income (Loss)	204,741	(137)	204,604
Nonoperating Revenues (Expenses)			
Intergovernmental revenue	226,146	-	226,146
Interest expense	(65,421)	(223,928)	(289,349)
Total Nonoperating Revenues (Expenses)	160,725	(223,928)	(63,203)
Income (Loss) Before Transfers	365,466	(224,065)	141,401
Transfers in	35,850	200,000	235,850
Change in Net Position	401,316	(24,065)	377,251
Net Position at Beginning of Year	10,283,562	12,881,490	23,165,052
Net Position at End of Year	\$ 10,684,878	\$ 12,857,425	\$ 23,542,303

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, 2023

	Business-Type Activities		
	Enterprise Funds		
	Sewer Fund	Water Fund	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 2,695,330	\$ 3,917,622	\$ 6,612,952
Payments to vendor for goods and services	(977,826)	(1,368,928)	(2,346,754)
Payments of employees' wages and related benefits	<u>(1,119,017)</u>	<u>(1,736,048)</u>	<u>(2,855,065)</u>
Net Cash Provided by Operating Activities	598,487	812,646	1,411,133
Cash Flows From Noncapital Financing Activities			
Transfers in	<u>35,850</u>	<u>200,000</u>	<u>235,850</u>
Net Cash Provided By Noncapital Financing Activities	35,850	200,000	235,850
Cash Flows from Capital Financing Activities			
Acquisition and construction of capital assets	(267,369)	(561,532)	(828,901)
Principal payments on bonds and notes	(767,016)	(972,578)	(1,739,594)
Interest expense	<u>(65,421)</u>	<u>(223,928)</u>	<u>(289,349)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(1,099,806)</u>	<u>(1,758,038)</u>	<u>(2,857,844)</u>
Net Change in Cash and Short-Term Investments	(465,469)	(745,392)	(1,210,861)
Cash and Short-Term Investments, Beginning of Year	<u>2,574,775</u>	<u>2,809,615</u>	<u>5,384,390</u>
Cash and Short-Term Investments, End of Year	<u>\$ 2,109,306</u>	<u>\$ 2,064,223</u>	<u>\$ 4,173,529</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 204,741	\$ (137)	\$ 204,604
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	590,485	1,015,969	1,606,454
Changes in assets, deferred outflows, liabilities, and deferred inflows:			
User fees receivable	(117,441)	(166,256)	(283,697)
Deferred outflows	(141,359)	(291,189)	(432,548)
Accounts payable	(87,072)	(40,682)	(127,754)
Accrued liabilities	(25,013)	(39,195)	(64,208)
Compensated absences liability	8,181	(7,529)	652
Net pension liability	212,644	436,481	649,125
Total OPEB liability	6,929	13,939	20,868
Deferred inflows	<u>(53,608)</u>	<u>(108,755)</u>	<u>(162,363)</u>
Net Cash Provided By Operating Activities	<u>\$ 598,487</u>	<u>\$ 812,646</u>	<u>\$ 1,411,133</u>
Schedule of non-cash capital and related financing activities:			
Intergovernmental debt subsidies (MWPAT)	<u>\$ 226,146</u>	<u>\$ -</u>	<u>\$ 226,146</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, 2023

	<u>Pension and OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Custodial Funds</u>
Assets			
Cash and short-term investments	\$ 4,106,552	\$ 136,880	\$ 114,151
Investments:			
PRIT	64,682,827	-	-
Corporate equities	102,651	262,769	-
Corporate bonds	-	961,282	-
Certificates of deposit	-	59,607	-
U.S. Treasury and agency securities	-	571,590	-
	<u>64,785,478</u>	<u>1,855,248</u>	<u>-</u>
Total investments	<u>64,785,478</u>	<u>1,855,248</u>	<u>-</u>
Total Assets	<u>\$ 68,892,030</u>	<u>\$ 1,992,128</u>	<u>\$ 114,151</u>
Liabilities			
Accounts payable	\$ 577	\$ 209	\$ -
Net Position			
Restricted for pension	68,788,461	-	-
Restricted for OPEB	102,992	-	-
Restricted for other purposes	-	1,991,919	114,151
	<u>68,891,453</u>	<u>1,991,919</u>	<u>114,151</u>
Total Net Position	<u>68,891,453</u>	<u>1,991,919</u>	<u>114,151</u>
Total Liabilities and Net Position	<u>\$ 68,892,030</u>	<u>\$ 1,992,128</u>	<u>\$ 114,151</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, 2023

	Pension and OPEB <u>Trust Fund</u>	Private Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
Additions			
Contributions:			
Employers	\$ 9,892,650	\$ -	\$ -
Plan members	2,068,093	-	-
Other systems and Commonwealth of Massachusetts	295,952	-	-
Other	<u>-</u>	<u>49,133</u>	<u>-</u>
Total contributions	12,256,695	49,133	-
Investment income:			
Investment earnings (loss)	(8,084,102)	36,666	-
Less: management fees	<u>(341,599)</u>	<u>-</u>	<u>-</u>
Net investment income (loss)	(8,425,701)	36,666	-
Fees for activities	<u>-</u>	<u>-</u>	<u>244,118</u>
Total additions	3,830,994	85,799	244,118
Deductions			
Benefit payments to plan members and beneficiaries	12,152,673	-	-
Refunds to plan members	141,707	-	-
Transfers to other systems	421,012	-	-
Administrative expenses	183,929	-	-
Payments on behalf of students	-	-	240,681
Other deductions	<u>443,054</u>	<u>22,111</u>	<u>-</u>
Total deductions	<u>13,342,375</u>	<u>22,111</u>	<u>240,681</u>
Change in Net Position	(9,511,381)	63,688	3,437
Restricted Net Position			
Beginning of year	<u>78,402,834</u>	<u>1,928,231</u>	<u>110,714</u>
End of year	\$ <u><u>68,891,453</u></u>	\$ <u><u>1,991,919</u></u>	\$ <u><u>114,151</u></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, Massachusetts (the City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of the significant policies of the City:

Reporting Entity

The City is a municipal corporation governed by an elected Mayor and City Council. As required by GAAP, these financial statements present the City and applicable component units for which the City is considered to be financially accountable. The component unit discussed below is included in the City's reporting entity because of its operational significance and financial relationship with the City.

Fiduciary Component Unit

The Amesbury Municipal Contributory Retirement System (AMCRS) was established to provide retirement benefits primarily to employees and their beneficiaries. AMCRS pension trust fund is presented using the accrual basis of accounting and is reported in the fiduciary fund financial statements. Additional financial information about the trust can be obtained by contacting the Amesbury Municipal Contributory Retirement System located at 62 Friend Street, Amesbury, Massachusetts 01913.

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 and enterprise funds are reported as separate columns in the fund financial statements.

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*. 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.

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. The City considers property tax revenues to be available if they are collected within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, pension, and OPEB are recorded only when payment is due.

The City reports the following major governmental funds:

- The *General Fund* is the City'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 *Amesbury Elementary School Fund* accounts for the construction of a new elementary school to address overcrowding and lack of programmatic space, as well as to foster a 21st century learning environment.
- The *American Rescue Plan Fund* accounts for federal grant funding and expenditures to combat conditions caused by the COVID-19 pandemic.

The proprietary fund financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of an 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 City reports the following major proprietary funds:

- The *Water Fund* is used to report the City's water enterprise fund operations. The water enterprise fund is responsible for the supply, treatment and distribution of drinking water to the residents of the city of Amesbury. Amesbury's public water system operates under strict state and federal regulations. To help meet the stringent standards, quality control and quality assurance procedures are employed at every level of water system operation. A multi-barrier approach to drinking water protection is in place to eliminate contamination from the supply water all the way to the tap. The management and employee teams charged with the responsibility for providing safe drinking water are skilled and well-trained. With this combination of measures, we are able to provide a safe and reliable product that is essential to this community.
- The *Sewer Fund* is used to report the City's sewer enterprise fund operations. The wastewater treatment facility is located at 19 Merrimac Street and is staffed by certified operators who conduct testing and maintenance throughout the year. The staff also maintains the collection system which includes twenty-eight pumping stations, and over fifty low pressure grinder pumps located throughout the City. The gravity collection system consists of over fifty miles of mains ranging in size from six inches to thirty-six inches and is constructed mainly of both vitrified clay and PVC piping. The Amesbury Wastewater Treatment Plant (WWTP) has been expanded and upgraded to treat an average daily flow of 2.4 million gallons per day and a peak hourly flow of 8.4 million gallons per day. The WWTP is a secondary treatment facility that employs the following unit processes to treat the City's wastewater and septage; influent pumping, screening, grit removal, secondary biological treatment by means

of the conventional activated sludge process, and effluent disinfection with sodium hypochlorite solution.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The City reports the following fiduciary funds:

- The *Pension Trust Fund* accounts for accumulated resources for pension benefit payments to qualified employees and their beneficiaries of the Amesbury Municipal Contributory Retirement System (AMCRS).
- The *Private Purpose Trust Funds* are 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.
- The *Custodial Funds* account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. The City's custodial funds consist of student activity funds.

Cash and Investments

A cash and investment pool is maintained that is available for use by all funds, except those required to be segregated by law. Each fund's portion of this pool is reflected on the financial statements under the caption "cash and short-term investments." Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. 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.

Investments are carried at fair value.

The City conforms to the municipal finance laws of the Commonwealth of Massachusetts, including Massachusetts General Laws, Chapter 44, Sections 54 and 55, with respect to investment of trust funds and public funds on deposit, limitations, and investments.

AMCRS holds investments in the Pension Reserve Investment Trust (PRIT) Fund, which is maintained by the Massachusetts Pension Reserves Investment Management Board (PRIM).

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.

Leases

City as a Lessor

The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term on an effective interest method. The following key assumptions are made:

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease, including renewal terms reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are comprised of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease receivable and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life of at least five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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.

Capital assets are 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
Machinery, furnishings, and office equipment	5 - 10
Computer equipment	5

Compensated Absences

It is the City’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 and proprietary 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.

Long-Term Obligations

All long-term liabilities are reported in the government-wide and proprietary funds Statement of Net Position. Bond premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. The unamortized portion is presented in the Statement of Net Position as a component of bonds and loans payable. Bond issuance costs are reported as expenses when incurred.

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 current assets/deferred outflows and current liabilities/deferred inflows. The City has 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, as follows:

- *Nonspendable* represents amounts that cannot be spent because they are legally or contractually required to be maintained intact (i.e., perpetual care and corpus in library trusts).
- *Restricted* represents amounts that 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. In the case of capital project funds, these funds are restricted for projects financed by bonds. The restricted fund balance of permanent funds represents the income portion of those funds.

- *Committed* represents amounts that are reported and expended as a result of motions passed by the highest decision-making authority of the City. This fund balance classification includes special article appropriations approved by City Council, Smart Growth stabilization funds set aside by City Council vote for future capital acquisitions and improvements, and capital projects financed through interfund transactions.
- *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, and special warrant articles.
- *Unassigned* represents the residual classification for the General Fund and includes all amounts not contained in the other classifications. Temporary fund balance deficits are reported as negative amounts in the unassigned classification in other governmental funds. Positive unassigned amounts are reported only in the General Fund.

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/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists 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 use either through 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.

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

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 City 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 City Council meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the City 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 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 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.

Excess of Expenditures Over Appropriations

In the General Fund, street lighting expenditures were overspent by \$(257).

Deficit Fund Equity

The following funds had deficits as of June 30, 2023:

Major governmental funds:	
Amesbury Elementary School Fund	\$ <u>(4,250,468)</u>
Nonmajor governmental funds:	
Special Revenue Funds:	
Assistance to firefighters grant fund	\$ (710,714)
Carriagetown connector grant fund	(134,400)
Fire SAFER grant fund	(322,399)
CDBG grant fund	(89,312)
Other deficit funds	(446,893)
Capital Projects Funds:	
Chapter 90 highway fund	<u>(52,399)</u>
Total nonmajor governmental funds:	\$ <u>(1,756,117)</u>

Deficits will be eliminated through future intergovernmental revenues, issuance of bonds, or transfers from other funds.

3. Deposits and Investments

Deposits

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of the failure of the bank, the City will not be able to recover the value of its deposits or collateral securities that are in the possession of another party. Massachusetts General Laws, Chapter 44, Section 55, limit 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 Laws, Chapter 32, Section 23, limits AMCRS pension trust fund 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 AMCRS do not have a deposit policy for custodial credit risk.

As of June 30, 2023, \$2,651,150 of the City's bank balance of \$35,120,476 was exposed to custodial credit risk as uninsured or uncollateralized.

As of December 31, 2022, \$3,709,821 of the AMCRS pension trust fund bank balance of \$4,209,821 was exposed to custodial credit risk as uninsured or uncollateralized.

Investments

The following is a summary of the City's investments as of June 30, 2023:

<u>Investment Type</u>	
U.S. Treasury notes	\$ 848,051
Federal agency securities	249,875
Corporate bonds	1,846,459
Corporate equities	607,385
Market-linked certificates of deposit	<u>114,495</u>
Total	\$ <u>3,666,265</u>

Custodial Credit Risk

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments that are in the possession of another party. The City's investments are held

in the City's name by the City's brokerage firm. At December 31, 2022, AMCRS pension trust fund investment of \$64,682,827 in PRIT, a state investment pool, was not subject to custodial credit risk disclosure. The City and AMCRS do not have an investment policy for custodial credit risk.

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 Laws, Chapter 44, Section 55 limit the City's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSRO).

All U.S. Treasury notes have an implied credit rating of Aaa. The Moody's ratings for other debt related investments of the primary government were as follows at June 30, 2023:

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of</u>			
		<u>Year End</u>			
		<u>Aaa</u>	<u>A1 - A3</u>	<u>Baa1 - Baa2</u>	<u>Unrated</u>
Federal agency securities	\$ 249,875	\$ 249,875	\$ -	\$ -	\$ -
Corporate bonds	1,846,459	166,100	828,624	742,049	109,686
Market-linked CDs	114,496	-	-	-	114,496
Total	\$ 2,210,830	\$ 415,975	\$ 828,624	\$ 742,049	\$ 224,182

Massachusetts General Laws, Chapter 32, Section 23, limit the AMCRS pension trust fund investments, 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 of Massachusetts, provided that no more than the established percentage of assets is established in any one security.

AMCRS pension trust fund invests in PRIT, a state investment pool. Fair value of the investments in PRIT is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Laws, 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 selects an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Laws, Chapter 30B.

Concentration of Credit Risk

The City places no limit on the amount that may be invested in any one issuer. Below is the list of investments, all corporate bonds, in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments at June 30, 2023.

AT&T Inc	\$	186,608
Merck & Co Inc	\$	158,132
Southern Co	\$	169,153
Xcel Energy Inc	\$	172,403
Bristol-Myers Squibb Co	\$	161,080
Union Pacific Corp	\$	184,116
Johnson & Johnson	\$	166,100
Duke Energy Corp	\$	213,885
Pfizer Inc.	\$	230,317

Massachusetts General Laws, Chapter 32, Section 23, limit the amount AMCRS pension trust fund may invest in any one issuer or security type, with the exception of the Pension Reserves Investment Trust Fund.

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 AMCRS do not have a formal investment policy that limits investment maturities as a means of managing their 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 was as follows at June 30, 2023:

<u>Investment Type</u>	<u>Amount</u>	<u>Effective Duration</u>
Debt-related securities:		
U.S. Treasury notes	\$ 848,051	1.87
Federal agency securities	249,875	2.88
Corporate bonds	1,846,459	1.93
Market-linked CDs	<u>114,496</u>	1.35
Total	<u>\$ 3,058,881</u>	

AMCRS pension trust fund does not maintain investments that are sensitive to market interest rate fluctuations.

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 AMCRS do not have policies for foreign currency risk. As of June 30, 2023, the City did not have any investments exposed to foreign currency risk. At December 31, 2022, AMCRS did not have any investments exposed to foreign currency risk.

Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments measured at the net asset value per share (NAV) are not subject to the fair value level classification.

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

The City had the following fair value measurements as of June 30, 2023:

Description	Amount	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Debt securities				
U.S. Treasury notes	\$ 848,051	\$ 848,051	\$ -	\$ -
Federal agency securities	249,875	-	249,875	-
Corporate bonds	1,846,459	-	1,846,459	-
Market-linked CDs	114,495	-	114,495	-
Equity securities (various sectors)	<u>607,385</u>	<u>607,385</u>	<u>-</u>	<u>-</u>
Total	\$ <u>3,666,265</u>	\$ <u>1,455,436</u>	\$ <u>2,210,829</u>	\$ <u>-</u>

AMCRS pension trust fund investments in PRIT are measured using NAV with no unfunded commitments as of December 31, 2022. The redemption frequency is monthly and the redemption notice period is 30 days.

4. Property and Excise 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.

The day after the final tax bill is due, 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.

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the City. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year's levy plus the taxes on property newly added to the tax rolls. The actual fiscal year 2023 tax levy reflected an excess capacity of \$2,488,115.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth of Massachusetts. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Boat excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2023 consisted of the following:

Real estate taxes	\$	768,904
Personal property taxes		109,274
Tax liens		2,221,202
Other		<u>95,248</u>
Total property taxes	\$	<u>3,194,628</u>
Motor vehicle excise	\$	463,592
Boat excise		<u>51,121</u>
Total excises	\$	<u>514,713</u>

5. Water and Sewer User Fees Receivable

The City provides water and sewer services to residents. Water and sewer bills are based on usage and the City outsources the meter reading and billing to Pennichuck Corporation. The amounts reported on the Statement of Net Position consist of both billed and unbilled receivables.

6. Lease Receivable

In accordance with GASB Statement No. 87, *Leases*, the Town recognizes a lease receivable and an offsetting deferred inflow of resources for a solar field lease. On October 4, 2018, the City entered into a 20-year lease as lessor for the use of the solar field on the Titcomb Landfill on 23-33 Martin Road. The lessee is required to make payments with a 2% escalator on a quarterly basis. The lease has an interest rate of 3.5%, estimated at the City’s incremental borrowing rate. The value of the deferred inflow of resources as of June 30, 2023 agreed to the lease receivable as the City uses the effective interest method to amortize the deferred inflows of resources. The City recognized lease revenue of \$101,658 during the fiscal year.

Future minimum lease payments under this lease consisted of the following at June 30, 2023:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 26,468	\$ 83,323	\$ 109,791
2025	36,177	82,397	118,574
2026	46,930	81,131	128,061
2027	58,817	79,488	138,305
2028	71,939	77,429	149,368
2029 - 2033	607,937	338,456	946,393
2034 - 2038	1,195,894	194,668	1,390,562
2039	<u>336,498</u>	<u>11,777</u>	<u>348,275</u>
Total	\$ <u>2,380,660</u>	\$ <u>948,669</u>	\$ <u>3,329,329</u>

7. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 97,891	\$ 213	\$ -	\$ 98,104
Machinery, equipment, and furnishings	5,523	2,219	(1,113)	6,629
Infrastructure	<u>19,272</u>	<u>8,227</u>	<u>(3,656)</u>	<u>23,843</u>
Total capital assets, being depreciated	122,686	10,659	(4,769)	128,576
Less accumulated depreciation for:				
Buildings and improvements	(50,289)	(2,370)	-	(52,659)
Machinery, equipment, and furnishings	(3,381)	(627)	857	(3,151)
Infrastructure	<u>(17,439)</u>	<u>(159)</u>	<u>2,698</u>	<u>(14,900)</u>
Total accumulated depreciation	<u>(71,109)</u>	<u>(3,156)</u>	<u>3,555</u>	<u>(70,710)</u>
Total capital assets, being depreciated, net	51,577	7,503	(1,214)	57,866
Capital assets, not being depreciated:				
Land	2,827	-	(298)	2,529
Construction in progress	<u>38,043</u>	<u>24,859</u>	<u>(7,068)</u>	<u>55,834</u>
Total capital assets, not being depreciated	<u>40,870</u>	<u>24,859</u>	<u>(7,366)</u>	<u>58,363</u>
Governmental activities capital assets, net	<u>\$ 92,447</u>	<u>\$ 32,362</u>	<u>\$ (8,580)</u>	<u>\$ 116,229</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 58,950	\$ -	\$ -	\$ 58,950
Machinery, equipment, and furnishings	1,159	-	(41)	1,118
Infrastructure	<u>274</u>	<u>-</u>	<u>-</u>	<u>274</u>
Total capital assets, being depreciated	60,383	-	(41)	60,342
Less accumulated depreciation for:				
Buildings and improvements	(27,347)	(1,549)	-	(28,896)
Machinery, equipment, and furnishings	(1,011)	(51)	38	(1,024)
Infrastructure	<u>(20)</u>	<u>(6)</u>	<u>-</u>	<u>(26)</u>
Total accumulated depreciation	<u>(28,378)</u>	<u>(1,606)</u>	<u>38</u>	<u>(29,946)</u>
Total capital assets, being depreciated, net	32,005	(1,606)	(3)	30,396
Capital assets, not being depreciated:				
Land	1,027	-	-	1,027
Construction in progress	<u>23</u>	<u>831</u>	<u>-</u>	<u>854</u>
Total capital assets, not being depreciated	<u>1,050</u>	<u>831</u>	<u>-</u>	<u>1,881</u>
Business-type activities capital assets, net	<u>\$ 33,055</u>	<u>\$ (775)</u>	<u>\$ (3)</u>	<u>\$ 32,277</u>

Depreciation expense was charged to functions of the City as follows:

Governmental Activities:	
General government	\$ 867,127
Public safety	377,748
Education	1,149,384
Public works	450,829
Culture and recreation	<u>311,339</u>
Total depreciation expense - governmental activities	\$ <u>3,156,427</u>
Business-Type Activities:	
Sewer	\$ 590,485
Water	<u>1,015,969</u>
Total depreciation expense - business-type activities	\$ <u>1,606,454</u>

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the City that apply to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75 are more fully discussed in the corresponding pension and OPEB notes.

9. Notes Payable

The following reflects the changes in bond anticipation notes payable for the year ended June 30, 2023:

	Interest Rate	Beginning Balance	New Issues	Maturities	Ending Balance
Elementary School Construction	3.25%	\$ <u>-</u>	\$ <u>6,047,316</u>	\$ <u>-</u>	\$ <u>6,047,316</u>

10. Unearned Revenue

Unearned revenue represents grant funds received by the City from the American Rescue Plan Act (ARPA) and the Elementary and Secondary School Emergency Relief Fund (ESSER).

These funds will be used for COVID-19 related expenditures or negative economic impacts of COVID-19 over the next several years.

11. Long-Term Debt

General Obligation Bonds and Loans

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. The City also has water pollution abatement and drinking water loans from the Massachusetts Clean Water Trust. General obligation bonds and loans payable outstanding were as follows at June 30, 2023:

<u>Governmental Activities:</u>	<u>Issuance Date</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/23</u>
General obligation bonds (public offering):					
School building addition	7/25/2018	\$ 7,500,000	08/01/25	3.00 - 4.00%	\$ 1,275,000
Public safety building repair and remodel	11/19/2013	534,000	12/15/28	3.00 - 3.50%	210,000
Municipal purpose 2014	11/20/2014	1,693,000	08/15/34	2.00 - 4.00%	1,150,000
Municipal purpose 2016	8/27/2015	9,195,000	09/01/35	2.00 - 4.00%	5,865,000
Municipal purpose 2020	5/20/2020	31,180,000	06/01/40	2.00 - 5.00%	27,750,000
Municipal purpose 2022	10/28/2021	4,000,550	09/15/41	2.00 - 5.00%	3,648,700
Total Governmental Activities					<u>\$ 39,898,700</u>
<u>Business-Type Activities:</u>	<u>Issuance Date</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/23</u>
General obligation bonds (public offering):					
Sewer treatment facility	8/1/2008	\$ 789,000	08/01/28	3.00 - 4.00%	\$ 215,000
Water treatment facility	7/20/2018	442,000	08/01/28	3.00 - 4.00%	115,000
Water treatment facility	11/19/2013	1,338,000	12/15/28	3.00 - 3.50%	525,000
Water storage tank	11/19/2013	316,000	12/15/28	3.00 - 3.50%	70,000
Sewer refunding 2014	12/18/2014	802,800	08/15/23	2.00%	100,000
Water refunding 2014	12/18/2014	1,022,300	08/15/23	2.00%	90,000
Water treatment upgrade	11/20/2014	745,000	08/15/34	2.00 - 4.00%	510,000
Sewer pumping station	10/28/2021	916,700	09/15/41	2.00 - 5.00%	863,550
Water Newton Road well	10/28/2021	1,007,750	09/15/41	2.00 - 5.00%	952,751
Subtotal general obligation bonds (public offering)					3,441,301
Loans payable (direct borrowing)					
Sewer CW-02-17A	11/1/2003	1,931,600	08/01/23	2.00 - 5.50%	125,000
Sewer CW-02-17B	11/1/2003	463,245	08/01/23	2.00 - 5.50%	30,000
Sewer CW-02-17C	12/14/2006	1,000,255	07/15/26	0.00%	200,048
Drinking water SRF	6/13/2012	10,142,147	07/15/32	2.00%	5,467,430
Water treatment - MWPAT	7/8/2010	3,579,052	07/15/30	0.00%	1,468,891
Subtotal loans payable (direct borrowing)					<u>7,291,369</u>
Total Business-Type Activities					<u>\$ 10,732,670</u>

Future Debt Service

The annual payments to retire all general obligation bonds and loans outstanding as of June 30, 2023 were as follows:

Governmental	General Obligation Bonds (Public Offering)		Total
	Principal	Interest	
2024	\$ 2,580,000	\$ 1,369,522	\$ 3,949,522
2025	2,618,700	1,253,010	3,871,710
2026	2,665,000	1,135,372	3,800,372
2027	2,290,000	1,027,679	3,317,679
2028	2,320,000	928,090	3,248,090
2029 - 2033	12,160,000	3,035,328	15,195,328
2034 - 2038	11,110,000	1,150,727	12,260,727
2039 - 2043	4,155,000	143,780	4,298,780
Total	\$ <u>39,898,700</u>	\$ <u>10,043,508</u>	\$ <u>49,942,208</u>

Business-Type	General Obligation Bonds (Public Offering)		Loans Payable (Direct Borrowing)		Total Principal	Total Interest
	Principal	Interest	Principal	Interest		
2024	\$ 495,000	\$ 106,198	\$ 871,493	\$ 135,937	\$ 1,366,493	\$ 242,135
2025	301,300	92,840	730,691	118,590	1,031,991	211,430
2026	295,000	81,333	745,193	104,831	1,040,193	186,164
2027	290,000	70,057	760,004	90,780	1,050,004	160,837
2028	280,000	58,939	725,119	76,429	1,005,119	135,368
2029 - 2033	830,000	170,720	3,458,869	164,006	4,288,869	334,726
2034 - 2038	575,000	67,350	-	-	575,000	67,350
2039 - 2043	375,001	16,240	-	-	375,001	16,240
Total	\$ <u>3,441,301</u>	\$ <u>663,677</u>	\$ <u>7,291,369</u>	\$ <u>690,573</u>	\$ <u>10,732,670</u>	\$ <u>1,354,250</u>

Notes Payable

At June 30, 2023, the City had bank notes payable in governmental activities for financing four Ford vehicles, a Chevrolet cargo van and one Mack equipment at interest rates ranging from 3.4% to 3.5%, maturity dates from February 15, 2025 to August 16, 2025, and payments as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 115,558	\$ 9,015	\$ 124,573
2025	<u>119,972</u>	<u>4,579</u>	<u>124,551</u>
Total	\$ <u>235,530</u>	\$ <u>13,594</u>	\$ <u>249,124</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2023, the following changes occurred in long-term liabilities (in thousands):

	Beginning Balance 7/1/22	Additions	Reductions	Ending Balance 6/30/23	Less Current Portion	Equals Long-Term Portion 6/30/23
Governmental Activities						
General obligation bonds (public offering) \$	42,451	\$ -	\$ (2,552)	\$ 39,899	\$ (2,580)	\$ 37,319
Unamortized premium	3,877	-	(217)	3,660	(217)	3,443
Subtotal	46,328	-	(2,769)	43,559	(2,797)	40,762
Notes payable (direct borrowing)	138	237	(139)	236	(116)	120
Compensated absences liability	1,651	2,131	-	3,782	(189)	3,593
Net pension liability	34,108	10,543	-	44,651	-	44,651
Total OPEB liability	97,339	1,404	-	98,743	-	98,743
Total	\$ 179,564	\$ 14,315	\$ (2,908)	\$ 190,971	\$ (3,102)	\$ 187,869
Business-Type Activities						
General obligation bonds (public offering) \$	3,979	\$ -	\$ (538)	\$ 3,441	\$ (495)	\$ 2,946
Loans payable (direct borrowing)	8,718	-	(1,427)	7,291	(871)	6,420
Subtotal	12,697	-	(1,965)	10,732	(1,366)	9,366
Compensated absences liability	237	1	-	238	(12)	226
Net pension liability	2,100	-	649	2,749	-	2,749
Total OPEB liability	1,450	21	-	1,471	-	1,471
Total	\$ 16,484	\$ 22	\$ (1,316)	\$ 15,190	\$ (1,378)	\$ 13,812

Long-Term Debt Supporting Activities

General obligation bonds, loans, and notes payable, issued by the City for various municipal projects, are approved by City Council and repaid with property taxes recorded in the General Fund and water and sewer charges recorded in the enterprise funds. Compensated absences are repaid from the funds the costs relate to, mostly the General Fund, but also the Water and Sewer Funds. The net pension and OPEB liabilities are repaid by the General Fund, Water Fund, and Sewer Fund for their related proportional share of the obligation.

12. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the City that apply to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. Deferred inflows related to leases, in accordance with GASB Statement No. 87, are offset with the lease receivable.

Unavailable revenues are reported in the governmental funds Balance Sheet in connection with receivables for which revenues are not considered available to liquidate liabilities for the current year.

13. Governmental Funds - Fund Balances

The City's fund balances at June 30, 2023 were as follows:

	General Fund	Amesbury Elementary School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 600,432	\$ 600,432
Total Nonspendable	-	-	600,432	600,432
Restricted				
Capital project funds:				
Citywide CIP	-	-	2,763,939	2,763,939
Other capital project funds	-	-	205,788	205,788
Special revenue funds:				
Cable public access	-	-	306,418	306,418
Circuit Breaker	-	-	271,234	271,234
School Choice	-	-	873,811	873,811
Planning Board escrows	-	-	1,310,270	1,310,270
Ambulance receipts	-	-	1,091,254	1,091,254
Youth revolving fund	-	-	749,848	749,848
School lunch	-	-	319,837	319,837
Receipts reserved for real estate	-	-	263,236	263,236
Other special revenue funds	-	-	3,023,534	3,023,534
Expendable permanent funds	-	-	512,946	512,946
Total Restricted	-	-	11,692,115	11,692,115
Committed				
Smart Growth Stabilization ⁽¹⁾	198,056	-	-	198,056
Various capital project funds	-	-	64,853	64,853
Total Committed	198,056	-	64,853	262,909
Assigned				
Education	47,983	-	-	47,983
Other purposes	265,628	-	-	265,628
Special warrant articles	924,397	-	-	924,397
Total Assigned	1,238,008	-	-	1,238,008
Unassigned ⁽²⁾				
	7,474,184	(4,250,468)	(1,756,117)	1,467,599
Total Unassigned	7,474,184	(4,250,468)	(1,756,117)	1,467,599
Total Fund Balances	\$ 8,910,248	\$ (4,250,468)	\$ 10,601,283	\$ 15,261,063

⁽¹⁾ Massachusetts General Laws, Ch. 40 §5B allow for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of a legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund, along with any additions to or appropriations from the fund, requires a two-thirds vote of the legislative body.

⁽²⁾ Includes General Stabilization fund balance of \$593,656.

14. Transfers

The City reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is a schedule of interfund transfers for the fiscal year 2023:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,289,408	\$ 790,566
American Rescue Plan Fund	-	366,908
Nonmajor Funds:		
Special Revenue Funds:		
AES escrow	15,000	-
Ambulance receipts	-	650,000
Fire detail	19,568	-
Sale of cemetery lots	-	19,000
Youth revolving fund	-	250,000
Other	5,152	-
Capital Project Funds:		
Streets and Sidewalks	262,896	-
South Hunt Infrastructure	76,311	-
Other	1,668	-
Permanent Funds:		
Cemetery	-	3,500
Development Improvement Fund	174,121	-
Subtotal Nonmajor Funds ⁽¹⁾	<u>554,716</u>	<u>922,500</u>
Subtotal Governmental Funds	<u>1,844,124</u>	<u>2,079,974</u>
<u>Proprietary Funds:</u>		
Sewer Fund	35,850	-
Water Fund	200,000	-
Subtotal Proprietary Funds	<u>235,850</u>	<u>-</u>
Grand Total	<u>\$ 2,079,974</u>	<u>\$ 2,079,974</u>

⁽¹⁾ Transfers in and out were netted on page 15 to eliminate activity within the nonmajor governmental funds.

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

Ambulance receipts of \$650,000 were transferred to the General Fund to supplement the fire department budget, \$366,908 of American Rescue Plan Act (ARPA) funds were transferred to the General Fund, and the transfer of youth revolving funds of \$250,000 to the General Fund was to supplement the youth department budget.

15. Amesbury Municipal Contributory Retirement System

The City follows the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, with respect to employees’ retirement funds.

Plan Description

The Amesbury Municipal Contributory Retirement System (AMCRS) is governed by Chapter 32 of Massachusetts General Laws. Because of the significance of its operational and financial relationship with the City, AMCRS pension trust fund is included in the City’s financial statements.

Substantially all employees of the City (except teachers and administrators under contract employed by the School Department) and the Amesbury Housing Authority are members of AMCRS, a cost sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the system, which provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of Massachusetts General Laws establishes the authority of AMCRS, contribution percentages, and benefits paid.

AMCRS is governed by a five-member board. The five members include two appointed by the City, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of the Public Employee Retirement Administration Commission. The Retirement Board does not have the authority to amend benefit provisions.

Membership of the plan consisted of the following at January 1, 2022 (the latest actuarial valuation):

Retirees and beneficiaries receiving benefits	251
Terminated plan members entitled to but not yet receiving benefits	88
Active plan members	<u>290</u>
Total	<u>629</u>
Number of participating employers	2

Participant Retirement Benefits

AMCRS provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the system on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

If a participant was a member prior to February 1, 2012, a retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the group position for at least 12 months immediately prior to retirement.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with five to 10 years of service are entitled to 50% of the credited interest on their contributions. No credited interest is provided for members with less than 5 years of service.

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of Massachusetts General Laws. The employee’s individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation 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%

For those members entering the system on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC). The City’s contribution to AMCRS for the year ended June 30, 2023 was \$5,166,966, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

The accounting policies of AMCRS as reflected in the accompanying financial statements for the year ended December 31, 2022 conform to GAAP for public employee retirement systems (PERS). The more significant accounting policies of AMCRS are summarized below:

Basis of Accounting

AMCRS financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized as revenue in the period in which the members provide services to the employer. 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.

Net Pension Liability

For purposes of measuring the net pension liability, related deferred outflows and (inflows) of resources, and pension expense, information about the fiduciary net position of AMCRS pension trust fund and additions to/deductions from the trust’s fiduciary net position have been determined on the same basis as they are reported by AMCRS. For this

purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Net Pension Liability of Participating Employers

The net pension liability is based on an actuarial valuation dated January 1, 2022 and reported as of December 31, 2022.

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

Total pension liability	\$ 117,767,053
Plan fiduciary net position	<u>68,788,460</u>
Employers' net pension liability	<u>\$ 48,978,593</u>
 Plan fiduciary net position as a percentage of total pension liability	 58.4%

Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation are shown below:

Actuarial cost method	Entry Age Normal
Investment rate of return	7.50%
Projected salary increases	4%
Inflation rate	3.00%
Post-retirement cost-of-living adjustment	3% of first \$12,000

The actuarial assumptions used in the January 1, 2022 valuation were based on the 2015 experienced study completed by Sherman Actuarial Services, LLC.

Mortality rates were based on the various SOA Pub-2010 Public Retirement Plans Mortality Tables specific to the Group, Pre-retirement versus Post, Disabled and Beneficiaries, with Scale MP-2018 improvements until 2025.

Target Allocations

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation

percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>
US equity	21.2%
International equities	12.2%
Emerging international equity	<u>4.7%</u>
Subtotal global equity	38.1%
Core bonds	<u>13.8%</u>
Subtotal core fixed income	13.8%
Value-added fixed income	7.0%
Private equity	17.7%
Real estate	11.2%
Timberland	3.2%
Portfolio completion (PCS)	8.6%
Overlay	<u>0.4%</u>
Subtotal other	<u>48.1%</u>
Total	<u><u>100.0%</u></u>

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at actuarially determined rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 59,374,011	\$ 47,399,866	\$ 37,172,009

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions

At June 30, 2023, the City reported a liability of \$47,399,866 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2022, the City's proportion was 96.777%.

For the year ended June 30, 2023, the City recognized pension expense of \$6,607,353. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,926,241	\$ -
Changes of assumptions	2,929,025	-
Net difference between projected and actual earnings on pension plan investments	11,061,899	6,003,071
Changes in proportion and differences between contributions and proportionate share of contributions	<u>2,993</u>	<u>75,435</u>
Total	<u>\$ 16,920,158</u>	<u>\$ 6,078,506</u>

Amounts reported as deferred outflows (inflows) of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30:

2024	\$ 2,506,868
2025	2,548,678
2026	2,563,746
2027	3,223,632
2028	<u>(1,272)</u>
Total	<u>\$ 10,841,652</u>

16. **Massachusetts Teachers' Retirement System (MTRS)**

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts is a nonemployer contributing entity and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS is part of the Commonwealth of Massachusetts' reporting entity and does not issue a stand-alone audited financial report.

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

Benefits Provided

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

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

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

Contributions

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

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

In addition, members who join the MTRS on or after April 2, 2012 will have their withholding rates reduced to 8% for those participating in retirement, otherwise the withholdings are reduced to 6% plus 2% on earnings over \$30,000 a year after achieving 30 years of creditable service.

Actuarial Assumptions

The net pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022. This valuation used the following assumptions:

- (a) 2.50% inflation rate, (b) 7.00% investment rate of return, (c) 3.50% interest rate credited to the annuity savings fund and (d) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality from 2012 - 2020.
- Mortality rates were based on the following:
 - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

- Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

Target Allocations

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	38.00%	4.20%
Core fixed income	15.00%	0.50%
Private equity	15.00%	7.30%
Portfolio completion strategies	10.00%	2.70%
Real estate	10.00%	3.30%
Value added fixed income	8.00%	3.70%
Timberland/natural resources	4.00%	3.90%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth of Massachusetts’ contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate as of June 30, 2023. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate (amounts in thousands):

<u>1% Decrease to 6.00%</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase to 8.00%</u>
\$ 32,734,080	\$ 25,888,138	\$ 20,094,302

Special Funding Situation

The Commonwealth of Massachusetts is a nonemployer contributing entity and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and the Commonwealth of Massachusetts is a nonemployer contributing entity in the MTRS. Since the employers do not contribute directly to the MTRS, there is no net pension liability to recognize for each employer.

City Proportions

In fiscal year 2022 (the most recent measurement period), the City’s proportionate share of the MTRS’ collective net pension liability was \$57,395,973 based on a proportionate share of 0.222%. As required by GASB 68, the City has recognized its portion of the Commonwealth of Massachusetts’ contribution of \$4,666,067 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and its portion of the collective pension expense of \$4,721,379 as both a revenue and expense on the Statement of Activities.

17. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In 2020, the City established an OPEB trust fund to provide funding for future employee health care costs.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2023.

General Information about the OPEB Plan

Plan Description

The City provides post-employment healthcare benefits for retired employees through the City’s plan. The City provides health insurance coverage through the Massachusetts Interlocal Insurance Association. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of Massachusetts General Laws. The OPEB plan is a single employer defined benefit plan.

Benefits Provided

The City provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

Contributions

Employee contributions are governed by the respective collective bargaining agreements. The City contributes the remaining premium costs and advanced contribution to the OPEB Trust. The City’s contributions are based on actuarially determined amounts, which include service cost and amortization of unfunded liability.

Plan Membership

At July 1, 2022, the following employees were covered by the benefit terms:

Active employees	525
Inactive employees or beneficiaries currently receiving benefits	<u>547</u>
Total	<u><u>1,072</u></u>

Investments

Investments are valued at fair value.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.00%
Discount rate	5.32%
Healthcare cost trend rates	6.50%
Participation rate	80%

The discount rate was based on employer current and future benefit payments, municipal bond rate, and current asset level at June 30, 2023.

Mortality rates were based on the following:

- Pre-retirement general: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
- Pre-retirement teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
- Post-retirement general: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
- Post-retirement teachers: RP-2014 Mortality Table for White Collar Health Annuitants projected generationally with scale MP-2016 for males and females.
- Disabled general: RP-2014 Mortality Table for Blue Collar Health Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.
- Disabled teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

The actuarial assumptions used in the valuation were based on the latest experience studies of the Massachusetts PERAC issued in 2014 and their most recent analysis of retiree mortality during 2015 and 2016.

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, netting with investment expense and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity - Large Cap	22.75%	4.10%
Domestic Equity - Small/Mid Cap	11.25%	4.55%
International Equity - Developed Market	14.75%	4.64%
International Equity - Emerging Market	7.25%	5.45%
Domestic Fixed Income	20.00%	1.05%
International Fixed Income	4.00%	0.96%
Alternatives	20.00%	5.95%
Real Estate	<u>0.00%</u>	6.25%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 5.32%. The discount rate was determined by an index rate for 20-year, tax exempt general obligation municipal bonds.

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2023, were as follows:

Total OPEB liability	\$ 100,317,334
Plan fiduciary net position	<u>102,992</u>
Net OPEB liability	<u>\$ 100,214,342</u>

Plan fiduciary net position has been determined on the same basis used by the OPEB plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the year ending June 30, 2023:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan	
		Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 98,789,104	\$ -	\$ 98,789,104
Changes for the year:			
Service cost	1,870,700	-	1,870,700
Interest	5,228,322	-	5,228,322
Change in experience	(3,413,032)	-	(3,413,032)
Change in assumptions	2,295,828	-	2,295,828
Contributions - employer	-	4,553,588	(4,553,588)
Net investment income	-	2,992	(2,992)
Benefit payments	<u>(4,453,588)</u>	<u>(4,453,588)</u>	<u>-</u>
Net Changes	<u>1,528,230</u>	<u>102,992</u>	<u>1,425,238</u>
Balances, end of year	<u>\$ 100,317,334</u>	<u>\$ 102,992</u>	<u>\$ 100,214,342</u>

Total OPEB Liability

The City’s total OPEB liability of \$100,317,334 was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2022.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease	Current Discount Rate	1% Increase
\$ 114,425,615	\$ 100,214,342	\$ 88,679,094

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 87,640,522	\$ 100,214,342	\$ 115,793,572

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

For the year ended June 30, 2023, the City recognized an OPEB expense of \$5,113,192. At June 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 113	\$ 5,970,538
Change in assumptions	<u>2,685,389</u>	<u>14,589,543</u>
Total	<u>\$ 2,685,502</u>	<u>\$ 20,560,081</u>

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

<u>Year Ended June 30:</u>	
2024	\$ (6,184,947)
2025	(6,869,030)
2026	(4,501,431)
2027	(199,472)
2028	<u>(119,699)</u>
Total	<u>\$ (17,874,579)</u>

18. Consolidation of Pension and OPEB Trusts

Amesbury Municipal Contributory Retirement System Trust and the City's OPEB Trust have been consolidated on pages 22 and 23 into a single column as follows:

	Pension Trust Fund (As of December 31, 2022)	OPEB Trust Fund	Combined
Assets			
Cash and short-term investments	\$ 4,106,211	\$ 341	\$ 4,106,552
Investments:			
PRIT	64,682,827	-	64,682,827
Corporate equities	<u>-</u>	<u>102,651</u>	<u>102,651</u>
Total Assets	\$ <u>68,789,038</u>	\$ <u>102,992</u>	\$ <u>68,892,030</u>
Liabilities			
Accounts payable	\$ 577	\$ -	\$ 577
Net Position			
Restricted for pension	68,788,461	-	68,788,461
Restricted for OPEB	<u>-</u>	<u>102,992</u>	<u>102,992</u>
Total Net Position	<u>68,788,461</u>	<u>102,992</u>	<u>68,891,453</u>
Total Liabilities and Net Position	\$ <u>68,789,038</u>	\$ <u>102,992</u>	\$ <u>68,892,030</u>
Additions			
Contributions:			
Employers	\$ 5,339,062	\$ 4,553,588	\$ 9,892,650
Plan members	2,068,093	-	2,068,093
Other systems and Commonwealth of Massachusetts	<u>295,952</u>	<u>-</u>	<u>295,952</u>
Total contributions	7,703,107	4,553,588	12,256,695
Investment income:			
Investment earnings (loss)	(8,087,094)	2,992	(8,084,102)
Less: management fees	<u>(341,599)</u>	<u>-</u>	<u>(341,599)</u>
Net investment income (loss)	<u>(8,428,693)</u>	<u>2,992</u>	<u>(8,425,701)</u>
Total additions	(725,586)	4,556,580	3,830,994
Deductions			
Benefit payments to plan members and beneficiaries	7,699,085	4,453,588	12,152,673
Refunds to plan members	141,707	-	141,707
Transfers to other systems	421,012	-	421,012
Administrative expenses	183,929	-	183,929
Other deductions	<u>443,054</u>	<u>-</u>	<u>443,054</u>
Total deductions	<u>8,888,787</u>	<u>4,453,588</u>	<u>13,342,375</u>
Change in Net Position	(9,614,373)	102,992	(9,511,381)
Restricted Net Position			
Beginning of year	<u>78,402,834</u>	<u>-</u>	<u>78,402,834</u>
End of year	\$ <u>68,788,461</u>	\$ <u>102,992</u>	\$ <u>68,891,453</u>

19. Commitments and Contingencies

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the City is involved. The City's management is of the opinion that the potential future settlement of these issues 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.

Encumbrances

At year-end, the City's General Fund had \$313,611 in encumbrances that will be honored in the next fiscal year.

20. Tax Increment Financing Agreements

The City provides property tax abatements authorized under Massachusetts General Laws (MGL) Chapter 23A, Section 3E, *Economic Opportunity Areas*, and MGL Chapter 59, Section 5, Clause 51, *Property; exemptions*. The purpose of the program is to provide property tax assessment relief to stimulate job creation in distressed areas, attract new businesses, encourage business expansion, and increase overall economic development in Massachusetts. Tax Increment Financing (TIF) agreements are utilized as tools; by which the difference between the beginning assessed value of the property and the value added by new construction or rehabilitation is exempted from taxation. A TIF Zone must be in an area approved by the Economic Assistance Coordinating Council (EACC) as an Economic Opportunity Area (EOA) or found to be an area "presenting exceptional opportunities for economic development" by the Director of Economic Development. Certification of the TIF Plan is issued by the EACC after the plan is accepted by municipal vote.

Property tax revenues were reduced by \$423,632 during the fiscal year ended June 30, 2023 under TIF agreements entered into by the City.

21. Beginning Fund Balance Reclassification

The City’s major governmental funds for fiscal year 2023, as defined by Governmental Accounting Boards Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

Fund Basis Financial Statements:

	Federal Education Grants Fund	American Rescue Plan Fund	Nonmajor Governmental Funds
Fund balance, as previously reported	\$ 187,158	\$ -	11,431,764
Major funds reclassification	<u>(187,158)</u>	<u>-</u>	<u>187,158</u>
Fund balance, as reclassified	<u>\$ -</u>	<u>\$ -</u>	<u>11,618,922</u>

22. Subsequent Events

Management has evaluated subsequent events through February 13, 2024, which is the date the financial statements were available to be issued.

Debt

Subsequent to June 30, 2023, the City incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General Obligation Bonds	\$ 7,645,000	3.00%	09/12/23	09/15/41

23. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 101, *Compensated Absences*, effective for the City for the fiscal year ending June 30, 2025. Management is currently evaluating the impact of implementing this GASB pronouncement.

CITY OF AMESBURY, MASSACHUSETTS

Required Supplementary Information
General Fund

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) -
Budget and Actual

For the Year Ended June 30, 2023
(unaudited)

	<u>Budgeted Amounts</u>			Variance with
	Original Budget	Final Amended Budget	Actual Amounts	Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 52,431,196	\$ 52,431,196	\$ 52,922,634	\$ 491,438
Excise taxes	3,449,000	3,449,000	3,466,004	17,004
Penalties, interest and other taxes	192,000	192,000	258,996	66,996
Intergovernmental	12,618,866	12,618,866	12,506,728	(112,138)
Charges for services	97,500	97,500	221,423	123,923
Licenses and permits	600,000	600,000	644,580	44,580
Fines and forfeitures	45,000	45,000	51,459	6,459
Investment income	45,000	45,000	461,490	416,490
Miscellaneous	62,500	62,500	259,760	197,260
Total Revenues	69,541,062	69,541,062	70,793,074	1,252,012
Expenditures				
Council	137,838	137,838	129,253	8,585
Mayor	307,727	317,727	315,951	1,776
Administration and finance	374,033	374,033	338,693	35,340
Assessors	250,497	250,497	201,398	49,099
Treasurer/collector	248,700	248,700	244,095	4,605
Legal	150,000	150,000	104,703	45,297
Municipal information systems	851,446	851,446	700,550	150,896
Central supplies	64,335	64,335	60,396	3,939
Clerk	198,353	198,353	187,121	11,232
Elections	55,617	55,617	43,300	12,317
Conservation commission	59,603	59,603	41,347	18,256
Planning board	5,525	5,525	3,906	1,619
Zoning appeals board	525	525	445	80
Community/economic development	317,979	317,979	271,311	46,668
Other assessments	7,718	7,718	6,718	1,000
Municipal buildings	190,800	190,800	174,026	16,774
Police	4,844,328	4,844,328	4,799,723	44,605
Fire	3,959,083	4,243,616	4,206,078	37,538
Building inspection	349,961	349,961	345,238	4,723
Weights and measures	4,500	4,500	4,500	-
Harbormaster	32,500	32,500	20,272	12,228
Amesbury public schools	35,032,129	35,032,129	35,032,129	-
Regional school assessment	2,311,691	2,311,691	2,149,376	162,315
Department of public works	1,849,609	1,849,609	1,563,614	285,995
Snow and ice	250,002	698,002	698,002	-
Street lighting	173,000	173,000	173,257	(257)
Refuse collection and disposal	1,470,000	1,470,000	1,434,567	35,433
Health inspection services	108,424	108,424	68,848	39,576
Council on aging	177,143	177,143	141,820	35,323
Youth services	416,889	416,889	385,366	31,523
Veterans	377,871	377,871	341,299	36,572
Library	896,471	896,471	847,022	49,449
Debt service	3,851,693	3,851,693	3,819,192	32,501
State assessment	3,795,822	3,795,822	3,750,074	45,748
Employee benefits	7,075,210	7,075,210	6,788,545	286,665
Liability insurance	400,167	400,169	365,368	34,801
Capital	578,405	854,716	854,716	-
Special articles	10,000	649,410	459,560	189,850
Total Expenditures	71,185,594	72,843,850	71,071,779	1,772,071
Excess (deficiency) of revenues over expenditures	(1,644,532)	(3,302,788)	(278,705)	3,024,083
Other Financing Sources				
Use of assigned fund balance	-	639,410	-	(639,410)
Use of unassigned fund balance	355,124	1,363,970	-	(1,363,970)
Transfers in	1,289,408	1,299,408	1,299,408	-
Budgetary excess	\$ -	\$ -	\$ 1,020,703	\$ 1,020,703

See Independent Auditor's Report and Notes to Required Supplementary Information for General Fund Budget.

**Notes to Required Supplementary Information
for General Fund Budget**

Budgetary Basis

The General Fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

The budgetary data for the General Fund is based upon accounting principles that differ from 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, expenditures, and other financing sources (uses) to conform to the budgetary basis of accounting.

	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 75,474,073	\$ 74,870,378
Other financing sources/uses (GAAP Basis)	<u>1,526,117</u>	<u>790,566</u>
Subtotal (GAAP Basis)	77,000,190	75,660,944
To reverse unbudgeted amounts GASB 24 Massachusetts Teachers Retirement System	(4,666,067)	(4,666,067)
To record encumbrances	-	313,611
To reverse stabilization activity	(4,932)	-
To reverse gross up for lease	<u>(236,709)</u>	<u>(236,709)</u>
Budgetary Basis	<u>\$ 72,092,482</u>	<u>\$ 71,071,779</u>

CITY OF AMESBURY, MASSACHUSETTS

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
(Unaudited)

Amesbury Municipal Contributory Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2023	December 31, 2022	96.777%	\$47,399,866	\$ 16,222,116	292.19%	58.40%
June 30, 2022	December 31, 2021	96.831%	\$36,208,054	\$ 14,841,257	243.97%	67.70%
June 30, 2021	December 31, 2020	96.991%	\$38,856,614	\$ 14,661,511	265.02%	62.50%
June 30, 2020	December 31, 2019	96.974%	\$41,934,989	\$ 14,364,837	291.93%	58.80%
June 30, 2019	December 31, 2018	97.198%	\$40,662,828	\$ 13,575,817	299.52%	56.83%
June 30, 2018	December 31, 2017	97.210%	\$36,219,448	\$ 13,560,595	267.09%	60.74%
June 30, 2017	December 31, 2016	97.101%	\$38,539,328	\$ 13,009,625	296.24%	55.97%
June 30, 2016	December 31, 2015	96.882%	\$38,807,120	\$ 11,951,824	324.70%	54.51%
June 30, 2015	December 31, 2014	96.905%	\$34,074,527	\$ 12,591,751	270.61%	58.01%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the City	Total Net Pension Liability Associated with the City	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2023	June 30, 2023	0.221708%	\$ -	\$ 57,395,973	\$ 57,395,973	\$ 18,304,769	0.00%	57.75%
June 30, 2022	June 30, 2021	0.224294%	\$ -	\$ 50,930,177	\$ 50,930,177	\$ 17,449,002	0.00%	62.03%
June 30, 2021	June 30, 2020	0.225630%	\$ -	\$ 64,405,804	\$ 64,405,804	\$ 17,126,929	0.00%	50.67%
June 30, 2020	June 30, 2019	0.230806%	\$ -	\$ 58,195,590	\$ 58,195,590	\$ 16,295,086	0.00%	53.95%
June 30, 2019	June 30, 2018	0.232029%	\$ -	\$ 55,017,084	\$ 55,017,084	\$ 15,756,670	0.00%	54.84%
June 30, 2018	June 30, 2017	0.232041%	\$ -	\$ 53,103,421	\$ 53,103,421	\$ 15,747,027	0.00%	54.25%
June 30, 2017	June 30, 2016	0.231899%	\$ -	\$ 51,847,743	\$ 51,847,743	\$ 14,810,115	0.00%	52.73%
June 30, 2016	June 30, 2015	0.233639%	\$ -	\$ 47,871,783	\$ 47,871,783	\$ 14,373,387	0.00%	55.38%
June 30, 2015	June 30, 2014	0.234419%	\$ -	\$ 37,264,050	\$ 37,264,050	\$ 15,250,538	0.00%	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the City's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

CITY OF AMESBURY, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

Amesbury Municipal Contributory Retirement System

Fiscal Year	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
	Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2023	\$ 5,166,966	\$ 5,166,966	\$ -	\$ 18,623,116	27.7%
June 30, 2022	\$ 4,981,142	\$ 4,981,142	\$ -	\$ 16,222,116	30.7%
June 30, 2021	\$ 4,182,638	\$ 4,182,638	\$ -	\$ 14,841,257	28.2%
June 30, 2020	\$ 4,120,382	\$ 4,120,382	\$ -	\$ 14,661,511	28.1%
June 30, 2019	\$ 3,869,917	\$ 3,869,917	\$ -	\$ 14,364,837	26.9%
June 30, 2018	\$ 3,730,823	\$ 3,730,823	\$ -	\$ 13,575,817	27.5%
June 30, 2017	\$ 3,549,718	\$ 3,549,718	\$ -	\$ 13,560,595	26.2%
June 30, 2016	\$ 3,415,222	\$ 3,415,222	\$ -	\$ 13,009,625	26.3%
June 30, 2015	\$ 3,317,591	\$ 3,317,591	\$ -	\$ 11,951,824	27.8%

Massachusetts Teachers' Retirement System

Fiscal Year	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
	Actuarially Determined Contribution Provided by Commonwealth	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2023	\$ 4,666,067	\$ 4,666,067	\$ -	\$ 19,009,870	24.5%
June 30, 2022	\$ 3,921,744	\$ 3,921,744	\$ -	\$ 18,304,769	21.4%
June 30, 2021	\$ 3,505,015	\$ 3,505,015	\$ -	\$ 17,449,002	20.1%
June 30, 2020	\$ 3,332,176	\$ 3,332,176	\$ -	\$ 17,126,929	19.5%
June 30, 2019	\$ 3,050,679	\$ 3,050,679	\$ -	\$ 16,295,086	18.7%
June 30, 2018	\$ 2,866,898	\$ 2,866,898	\$ -	\$ 15,756,670	18.2%
June 30, 2017	\$ 2,607,893	\$ 2,607,893	\$ -	\$ 15,747,027	16.6%
June 30, 2016	\$ 2,387,626	\$ 2,387,626	\$ -	\$ 14,810,115	16.1%
June 30, 2015	\$ 2,197,394	\$ 2,197,394	\$ -	\$ 14,373,387	15.3%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the City's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

AMESBURY MUNICIPAL CONTRIBUTORY RETIREMENT SYSTEM

Required Supplementary Information
Schedule of Changes in the Net Pension Liability
For the Years Ended December 31
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability									
Service cost	\$ 2,150,739	\$ 1,903,071	\$ 1,829,876	\$ 1,825,836	\$ 1,764,093	\$ 1,726,490	\$ 1,660,087	\$ 1,596,238	\$ 1,430,806
Interest on liability and service cost	8,525,453	8,122,419	7,979,986	7,360,146	7,226,085	6,869,060	6,714,485	7,040,701	6,789,264
Change in assumptions	-	2,762,217	-	5,153,194	-	-	-	(414,546)	-
Experience loss	-	4,222,995	-	1,488,490	-	2,753,393	-	2,330,523	-
Benefit payments	(8,704,858)	(8,083,794)	(8,008,040)	(7,665,887)	(6,990,929)	(6,576,342)	(6,321,333)	(5,966,793)	(5,140,286)
Interest on benefit payments	-	-	-	-	-	-	-	(241,254)	(207,834)
Net change in total pension liability	1,971,334	8,926,908	1,801,822	8,161,779	1,999,249	4,772,601	2,053,239	4,344,869	2,871,950
Total pension liability - beginning	115,795,719	106,868,811	105,066,989	96,905,210	94,905,961	90,133,360	88,080,121	83,735,252	80,863,302
Total pension liability - ending (a)	117,767,053	115,795,719	106,868,811	105,066,989	96,905,210	94,905,961	90,133,360	88,080,121	83,735,252
Plan fiduciary net position									
Contributions - employers	5,339,062	5,144,137	4,312,382	4,248,976	3,981,489	3,847,747	3,655,691	3,525,137	3,423,564
Contributions - member	2,089,957	1,787,126	1,704,876	1,619,219	1,594,378	1,493,691	1,501,924	1,480,049	1,412,991
Net investment (loss) income	(8,450,558)	12,610,383	6,889,001	8,467,480	(1,242,765)	8,338,251	3,493,201	322,438	3,102,777
Benefit payments	(8,704,858)	(8,083,794)	(8,008,041)	(7,665,887)	(6,990,929)	(6,576,342)	(6,321,333)	(5,966,793)	(5,140,286)
Administrative expense	(183,929)	(160,186)	(182,711)	(174,023)	(180,810)	(154,221)	(150,842)	(142,225)	129,258
Other	295,952	298,274	268,158	257,428	260,190	255,896	252,079	221,844	105,263
Net change in plan fiduciary net position	(9,614,374)	11,595,940	4,983,665	6,753,193	(2,578,447)	7,205,022	2,430,720	(559,550)	3,033,567
Plan fiduciary net position - beginning	78,402,834	66,806,894	61,823,229	55,070,036	57,648,483	50,443,461	48,012,741	48,572,291	45,538,724
Plan fiduciary net position - ending (b)	68,788,460	78,402,834	66,806,894	61,823,229	55,070,036	57,648,483	50,443,461	48,012,741	48,572,291
Net pension liability - ending (a-b)	\$ 48,978,593	\$ 37,392,885	\$ 40,061,917	\$ 43,243,760	\$ 41,835,174	\$ 37,257,478	\$ 39,689,899	\$ 40,067,380	\$ 35,162,961
Plan fiduciary net position as a percentage of the total pension liability	58.41%	67.71%	62.51%	58.84%	56.83%	60.74%	55.97%	54.51%	58.01%
Covered payroll	\$ 17,200,322	\$ 16,618,669	\$ 15,379,305	\$ 14,859,232	\$ 14,778,943	\$ 13,965,453	\$ 13,965,453	\$ 13,428,320	\$ 12,333,598
Participating employer net pension liability as a percentage of covered payroll	284.8%	225.0%	260.5%	291.0%	283.1%	266.8%	284.2%	298.4%	285.1%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the City's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

AMESBURY MUNICIPAL CONTRIBUTORY RETIREMENT SYSTEM

Required Supplementary Information
Schedules of Contributions and Investment Returns
For the Years Ended December 31
(Unaudited)

Schedule of Contributions

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 5,339,062	\$ 5,144,137	\$ 4,312,382	\$ 4,248,976	\$ 3,981,489	\$ 3,837,747	\$ 3,655,691	\$ 3,525,137	\$ 3,423,564
Contributions in relation to the actuarially determined contribution	<u>5,339,062</u>	<u>5,144,137</u>	<u>4,312,382</u>	<u>4,248,976</u>	<u>3,981,489</u>	<u>3,837,747</u>	<u>3,655,691</u>	<u>3,525,137</u>	<u>3,423,564</u>
Contribution deficiency (excess)	\$ <u>-</u>								
Covered payroll	\$ 17,200,322	\$ 16,618,669	\$ 15,379,305	\$ 14,859,232	\$ 14,778,943	\$ 13,965,453	\$ 13,965,453	\$ 13,428,320	\$ 12,333,598
Contributions as a percentage of covered payroll	31.0%	31.0%	28.0%	28.6%	26.9%	27.5%	26.2%	26.3%	27.8%

Schedule of Investment Returns

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money weighted rate of return, net of investment expense	-11.50%	19.90%	11.78%	16.27%	-2.29%	17.29%	7.38%	0.69%	7.71%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the City's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

CITY OF AMESBURY, MASSACHUSETTS

Required Supplementary Information
Schedules of Changes in the Net OPEB Liability

(Unaudited)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability						
Service cost	\$ 1,870,700	\$ 2,737,348	\$ 3,917,242	\$ 3,789,326	\$ 3,631,289	\$ 2,139,493
Interest on unfunded liability - time value of money	5,228,322	4,424,802	3,511,747	3,418,312	3,585,576	2,862,526
Differences between expected and actual experience	(3,413,032)	-	(7,628,831)	-	(4,238,359)	-
Changes of assumptions	2,295,828	(21,509,782)	(4,209,184)	-	29,354,120	-
Benefit payments, including refunds of member contributions	<u>(4,453,588)</u>	<u>(4,202,608)</u>	<u>(4,041,137)</u>	<u>(3,836,166)</u>	<u>(3,762,676)</u>	<u>(2,715,008)</u>
Net change in total OPEB liability	1,528,230	(18,550,240)	(8,450,163)	3,371,472	28,569,950	2,287,011
Total OPEB liability - beginning	<u>98,789,104</u>	<u>117,339,344</u>	<u>125,789,507</u>	<u>122,418,035</u>	<u>93,848,085</u> *	<u>75,539,551</u>
Total OPEB liability - ending	<u>\$ 100,317,334</u>	<u>\$ 98,789,104</u>	<u>\$ 117,339,344</u>	<u>\$ 125,789,507</u>	<u>\$ 122,418,035</u>	<u>\$ 77,826,562</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 4,553,588	\$ 4,202,608	\$ 4,041,137	\$ 3,836,166	\$ 3,762,676	\$ 2,607,235
Net investment income (loss)	2,992	-	-	-	-	-
Benefit payments, including refunds of member contributions	<u>(4,453,588)</u>	<u>(4,202,608)</u>	<u>(4,041,137)</u>	<u>(3,836,166)</u>	<u>(3,762,676)</u>	<u>(2,607,235)</u>
Net change in plan fiduciary net position	102,992	-	-	-	-	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>102,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability - ending (a-b)	<u>\$ 100,214,342</u>	<u>\$ 98,789,104</u>	<u>\$ 117,339,344</u>	<u>\$ 125,789,507</u>	<u>\$ 122,418,035</u>	<u>\$ 77,826,562</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered employee payroll	\$ 39,892,717	\$ 30,884,606	\$ 29,985,054	\$ 31,101,028	\$ 30,195,173	\$ 33,220,978
Net OPEB liability as a percentage of covered employee payroll	251.21%	319.87%	391.33%	404.45%	405.42%	234.27%

**In 2019 there was a change from prior year to current year measurement date for the actuarial valuation. Prior year was not restated.*

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the City's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

CITY OF AMESBURY, MASSACHUSETTS

Required Supplementary Information
Schedules of OPEB Contributions and Investment Returns
(Unaudited)

Schedule of Contributions

	<u>2023</u>
Actuarially determined contribution	\$ 4,553,588
Contributions in relation to the actuarially determined contribution	<u>100,000</u>
Contribution deficiency (excess)	\$ <u>4,453,588</u>
Covered employee payroll	\$ 39,892,717
Contributions as a percentage of covered employee payroll	0.25%

Schedule of Investment Returns

	<u>2023</u>
Annual money weighted rate of return, net of investment expenses	6.13%

The City adopted OPEB Trust Fund in fiscal year 2023.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the City's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.