



CITY OF AMESBURY, MASSACHUSETTS

Annual Financial Statements
For the Year Ended June 30, 2024

(With Independent Auditors' Report Thereon)

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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, 2024, (except for the Amesbury Municipal Contributory Retirement System, which is as of and for the year ended December 31, 2023), 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, 2024, (except for the Amesbury Contributory Retirement System which is as of and for the year ended December 31, 2023) 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 January 31, 2025 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
January 31, 2025

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, 2024.

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 \$(32,337,774) as a result of the unfunded pension and OPEB liability. This deficit decreased by \$6,970,518 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$22,198,036, an increase of \$6,936,973 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,847,899, an increase of \$1,373,715 in comparison to the prior year, resulting primarily from fiscal year 2024 positive results of operations of \$1,668,790.

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	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 38,227	\$ 37,988	\$ 6,798	\$ 6,289	\$ 45,025	\$ 44,277
Capital assets	<u>117,562</u>	<u>116,229</u>	<u>30,915</u>	<u>32,277</u>	<u>148,477</u>	<u>148,506</u>
Total assets	155,789	154,217	37,713	38,566	193,502	192,783
Deferred outflows of resources	<u>14,672</u>	<u>18,585</u>	<u>873</u>	<u>1,020</u>	<u>15,545</u>	<u>19,605</u>
Total assets and deferred outflows	<u>\$ 170,461</u>	<u>\$ 172,802</u>	<u>\$ 38,586</u>	<u>\$ 39,586</u>	<u>\$ 209,047</u>	<u>\$ 212,388</u>
Other liabilities	\$ 9,433	\$ 16,316	\$ 463	\$ 199	\$ 9,896	\$ 16,515
Long-term liabilities	<u>194,458</u>	<u>190,971</u>	<u>14,303</u>	<u>15,190</u>	<u>208,761</u>	<u>206,161</u>
Total liabilities	203,891	207,287	14,766	15,389	218,657	222,676
Deferred inflows of resources	<u>22,122</u>	<u>28,365</u>	<u>606</u>	<u>654</u>	<u>22,728</u>	<u>29,019</u>
Total liabilities and deferred inflows	226,013	235,652	15,372	16,043	241,385	251,695
Net position:						
Net investment in capital assets	71,289	69,099	21,548	21,545	92,837	90,644
Restricted	9,152	9,580	-	-	9,152	9,580
Unrestricted	<u>(135,993)</u>	<u>(141,529)</u>	<u>1,666</u>	<u>1,998</u>	<u>(134,327)</u>	<u>(139,531)</u>
Total net position	<u>(55,552)</u>	<u>(62,850)</u>	<u>23,214</u>	<u>23,543</u>	<u>(32,338)</u>	<u>(39,307)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 170,461</u>	<u>\$ 172,802</u>	<u>\$ 38,586</u>	<u>\$ 39,586</u>	<u>\$ 209,047</u>	<u>\$ 212,388</u>

CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,558	\$ 4,744	\$ 7,378	\$ 6,897	\$ 11,936	\$ 11,641
Operating grants and contributions	24,005	22,327	-	-	24,005	22,327
Capital grants and contributions	1,220	13,965	46	226	1,266	14,191
General revenues:						
Property taxes	56,413	53,600	-	-	56,413	53,600
Excises	3,572	3,622	-	-	3,572	3,622
Penalties, interest and other taxes	223	259	-	-	223	259
Grants and contributions not restricted to specific programs	2,955	3,314	-	-	2,955	3,314
Investment income	745	493	8	-	753	493
Miscellaneous	<u>541</u>	<u>391</u>	<u>-</u>	<u>-</u>	<u>541</u>	<u>391</u>
Total revenues	<u>94,232</u>	<u>102,715</u>	<u>7,432</u>	<u>7,123</u>	<u>101,664</u>	<u>109,838</u>
Expenses:						
General government	5,900	6,454	-	-	5,900	6,454
Public safety	13,545	13,676	-	-	13,545	13,676
Education	53,418	55,473	-	-	53,418	55,473
Public works	5,198	5,426	-	-	5,198	5,426
Health and human services	1,195	1,499	-	-	1,195	1,499
Culture and recreation	1,820	1,630	-	-	1,820	1,630
Intergovernmental	4,217	3,750	-	-	4,217	3,750
Interest on long-term debt	1,341	1,053	-	-	1,341	1,053
Sewer services	-	-	3,322	2,673	3,322	2,673
Water services	<u>-</u>	<u>-</u>	<u>4,739</u>	<u>4,308</u>	<u>4,739</u>	<u>4,308</u>
Total expenses	<u>86,634</u>	<u>88,961</u>	<u>8,061</u>	<u>6,981</u>	<u>94,695</u>	<u>95,942</u>
Change in net position before transfers	7,598	13,754	(629)	142	6,969	13,896
Transfers in (out)	<u>(300)</u>	<u>(236)</u>	<u>300</u>	<u>236</u>	<u>-</u>	<u>-</u>
Change in net position	7,298	13,518	(329)	378	6,969	13,896
Net position - beginning 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>
Net position - end of year	<u>\$ (55,552)</u>	<u>\$ (62,850)</u>	<u>\$ 23,214</u>	<u>\$ 23,543</u>	<u>\$ (32,338)</u>	<u>\$ (39,307)</u>

The largest portion of net position, \$92,837,393, 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, \$9,151,886, represents resources that are subject to external restrictions on how they may be used. The remaining balance is a deficit of \$(134,327,053) 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 \$7,298,408. While the tax rate decreased from \$16.34 per \$1,000 of valuation value in fiscal year 2023 to \$15.64 in fiscal year 2024, 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 \$4,077,338. Capital grants and contributions revenue decreased by \$12,744,726 in comparison to the prior year. Total expenses decreased by \$2,325,790 in comparison to the prior year.

Business-Type Activities

Business-type activities for the year resulted in a decrease in net position of \$327,890. This was primarily due to an increase in operating expenses 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 an increase of \$6,936,973, for a combined ending fund balance of \$22,198,036. For General Fund results, see the following section. The Amesbury Elementary School Fund reported an increase of \$3,378,975 for an ending fund balance of \$(871,493). 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 an increase of \$1,889,208 for a combined ending fund balance of \$12,490,491. The change in the nonmajor governmental funds was primarily due to the issuance of bonds.

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$8,847,899, while total fund balance was \$10,579,038. 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>6/30/24</u>	<u>6/30/23</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance ¹	\$ 8,847,899	\$ 7,474,184	\$ 1,373,715	11.3%
Total fund balance ²	\$ 10,579,038	\$ 8,910,248	\$ 1,668,790	13.5%

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 \$1,668,790 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (1,769,206)
Revenues in excess of budget	1,418,835
Expenditures less than budget	1,865,493
Other factors	<u>153,668</u>
Total	\$ <u><u>1,668,790</u></u>

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

	<u>6/30/24</u>	<u>6/30/23</u>	<u>Change</u>
General Stabilization (unassigned)	\$ 622,300	\$ 593,656	\$ 28,644
Smart Growth Stabilization (committed)	<u>207,612</u>	<u>198,056</u>	<u>9,556</u>
Total	\$ <u><u>829,912</u></u>	\$ <u><u>791,712</u></u>	\$ <u><u>38,200</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 \$1,666,068, a decrease of \$(331,727) 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 \$76,516,579. 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 \$1,521,000. Encumbrances and continuing appropriations totaled \$1,523,527 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 \$148,476,805 (net of accumulated depreciation), a decrease of \$28,941 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 \$4,534,437.

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 \$58,166,609 (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, 2024

	<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	\$ 29,816,709	\$ 4,446,157	\$ 34,262,866
Investments	1,814,605	-	1,814,605
Receivables:			
Property taxes	3,376,926	-	3,376,926
Excises	575,742	-	575,742
User fees	-	2,351,475	2,351,475
Police and fire details	58,084	-	58,084
Ambulance	230,514	-	230,514
Lease	<u>36,177</u>	<u>-</u>	<u>36,177</u>
Total current assets	35,908,757	6,797,632	42,706,389
Noncurrent:			
Lease receivable, net of current portion	2,318,016	-	2,318,016
Land and construction in progress	3,547,260	1,940,620	5,487,880
Other capital assets, net of accumulated depreciation	<u>114,015,025</u>	<u>28,973,900</u>	<u>142,988,925</u>
Total noncurrent assets	<u>119,880,301</u>	<u>30,914,520</u>	<u>150,794,821</u>
Total Assets	155,789,058	37,712,152	193,501,210
Deferred Outflows of Resources			
Related to pension	13,225,677	844,192	14,069,869
Related to OPEB	<u>1,446,469</u>	<u>29,421</u>	<u>1,475,890</u>
Total Deferred Outflows of Resources	<u>14,672,146</u>	<u>873,613</u>	<u>15,545,759</u>
Total Assets and Deferred Outflows of Resources	\$ <u>170,461,204</u>	\$ <u>38,585,765</u>	\$ <u>209,046,969</u>

(continued)

CITY OF AMESBURY, MASSACHUSETTS

Statement of Net Position
June 30, 2024

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
(continued)			
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Current:			
Accounts payable	\$ 1,689,850	\$ 414,447	\$ 2,104,297
Accrued liabilities	2,893,956	48,992	2,942,948
Unearned revenue	3,326,161	-	3,326,161
Notes payable	1,523,313	-	1,523,313
Current portion of long-term liabilities:			
Bonds and loans payable	3,250,200	1,031,991	4,282,191
Notes payable	119,971	-	119,971
Compensated absences liability	<u>194,676</u>	<u>9,663</u>	<u>204,339</u>
Total current liabilities	12,998,127	1,505,093	14,503,220
Noncurrent:			
Bonds and loans payable, net of current portion	45,550,233	8,334,185	53,884,418
Compensated absences liability, net of current portion	3,698,839	183,593	3,882,432
Net pension liability	42,813,642	2,732,786	45,546,428
Net OPEB liability	<u>98,830,109</u>	<u>2,010,167</u>	<u>100,840,276</u>
Total noncurrent liabilities	<u>190,892,823</u>	<u>13,260,731</u>	<u>204,153,554</u>
Total Liabilities	203,890,950	14,765,824	218,656,774
Deferred Inflows of Resources			
Related to pension	4,678,052	298,599	4,976,651
Related to OPEB	15,090,196	306,929	15,397,125
Related to lease	<u>2,354,193</u>	-	<u>2,354,193</u>
Total Deferred Inflows of Resources	22,122,441	605,528	22,727,969
Net Position			
Net investment in capital assets	71,289,048	21,548,345	92,837,393
Restricted for:			
Ambulance Receipts	1,406,302	-	1,406,302
Planning Escrows	1,168,670	-	1,168,670
Other purposes	5,400,396	-	5,400,396
Permanent funds:			
Nonexpendable	600,053	-	600,053
Expendable	576,465	-	576,465
Unrestricted (deficit)	<u>(135,993,121)</u>	<u>1,666,068</u>	<u>(134,327,053)</u>
Net Position	<u>(55,552,187)</u>	<u>23,214,413</u>	<u>(32,337,774)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ <u>170,461,204</u>	\$ <u>38,585,765</u>	\$ <u>209,046,969</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, 2024

	<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	\$ 5,900,290	\$ 2,037,331	\$ 320,181	\$ -	\$ (3,542,778)	\$ -	\$ (3,542,778)
Public safety	13,545,350	1,515,132	1,791,520	-	(10,238,698)	-	(10,238,698)
Education	53,417,665	363,243	21,201,855	1,039,306	(30,813,261)	-	(30,813,261)
Public works	5,197,846	27,525	141,530	181,112	(4,847,679)	-	(4,847,679)
Health and human services	1,195,192	32,181	428,354	-	(734,657)	-	(734,657)
Culture and recreation	1,819,900	582,984	121,794	-	(1,115,122)	-	(1,115,122)
Intergovernmental	4,217,327	-	-	-	(4,217,327)	-	(4,217,327)
Interest	<u>1,341,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,341,385)</u>	<u>-</u>	<u>(1,341,385)</u>
Total Governmental Activities	86,634,955	4,558,396	24,005,234	1,220,418	(56,850,907)	-	(56,850,907)
Business-Type Activities							
Sewer services	3,322,195	3,273,264	-	45,751	-	(3,180)	(3,180)
Water services	<u>4,739,051</u>	<u>4,105,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(633,580)</u>	<u>(633,580)</u>
Total Business-Type Activities	<u>8,061,246</u>	<u>7,378,735</u>	<u>-</u>	<u>45,751</u>	<u>-</u>	<u>(636,760)</u>	<u>(636,760)</u>
Total	<u>\$ 94,696,201</u>	<u>\$ 11,937,131</u>	<u>\$ 24,005,234</u>	<u>\$ 1,266,169</u>	(56,850,907)	(636,760)	(57,487,667)
General Revenues and Transfers							
Property taxes					56,413,164	-	56,413,164
Excises					3,571,804	-	3,571,804
Penalties, interest and other taxes					223,605	-	223,605
Grants and contributions not restricted to specific programs					2,954,931	-	2,954,931
Investment income					744,771	8,620	753,391
Miscellaneous					541,290	-	541,290
Transfers, net					<u>(300,250)</u>	<u>300,250</u>	<u>-</u>
Total general revenues and transfers					<u>64,149,315</u>	<u>308,870</u>	<u>64,458,185</u>
Change in Net Position					7,298,408	(327,890)	6,970,518
Net Position							
Beginning of year					<u>(62,850,595)</u>	<u>23,542,303</u>	<u>(39,308,292)</u>
End of year					<u>\$ (55,552,187)</u>	<u>\$ 23,214,413</u>	<u>\$ (32,337,774)</u>

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

CITY OF AMESBURY, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2024

	General Fund	Amesbury Elementary School Fund	American Rescue Plan Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and short-term investments	\$ 13,633,592	\$ 651,820	\$ 3,044,910	\$ 12,486,388	\$ 29,816,710
Investments	829,912	-	-	984,693	1,814,605
Receivables:					
Property taxes	3,376,926	-	-	-	3,376,926
Excises	575,742	-	-	-	575,742
Police and fire details	-	-	-	58,084	58,084
Ambulance	-	-	-	230,514	230,514
Lease	2,354,193	-	-	-	2,354,193
Total Assets	\$ 20,770,365	\$ 651,820	\$ 3,044,910	\$ 13,759,679	\$ 38,226,774
Liabilities					
Accounts payable	\$ 1,260,916	\$ -	\$ 23,601	\$ 405,333	\$ 1,689,850
Accrued liabilities	2,623,551	-	-	270,405	2,893,956
Unearned revenue	-	-	3,021,309	304,852	3,326,161
Notes payable	-	1,523,313	-	-	1,523,313
Total Liabilities	3,884,467	1,523,313	3,044,910	980,590	9,433,280
Deferred Inflows of Resources					
Unavailable revenues	3,952,667	-	-	288,598	4,241,265
Related to lease	2,354,193	-	-	-	2,354,193
Total Deferred Inflows of Resources	6,306,860	-	-	288,598	6,595,458
Fund Balances					
Nonspendable	-	-	-	600,053	600,053
Restricted	-	-	-	12,855,564	12,855,564
Committed	207,612	-	-	170,536	378,148
Assigned	1,523,527	-	-	-	1,523,527
Unassigned	8,847,899	(871,493)	-	(1,135,662)	6,840,744
Total Fund Balances	10,579,038	(871,493)	-	12,490,491	22,198,036
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 20,770,365	\$ 651,820	\$ 3,044,910	\$ 13,759,679	\$ 38,226,774

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, 2024

Total Governmental Fund Balances	\$	22,198,036
<ul style="list-style-type: none"> • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 117,562,285 • Revenues are reported on the accrual basis of accounting and are not deferred until collection. 4,241,265 • 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 13,225,677 Deferred inflows (4,678,052) • 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 1,446,469 Deferred inflows (15,090,196) • 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 (48,800,433) Net pension liability (42,813,642) Total OPEB liability (98,830,109) Notes payable (direct borrowing) (119,971) Compensated absences liability <u>(3,893,516)</u> 		
Net Position of Governmental Activities	\$	<u><u>(55,552,187)</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, 2024

	General Fund	Amesbury Elementary School Fund	American Rescue Plan Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 56,223,496	\$ -	\$ -	\$ -	\$ 56,223,496
Excise taxes	3,518,146	-	-	-	3,518,146
Penalties, interest and other taxes	223,605	-	-	-	223,605
Charges for services	234,990	-	-	2,818,882	3,053,872
Intergovernmental	17,522,226	1,039,306	382,172	8,446,512	27,390,216
Licenses and permits	1,164,374	-	-	327,585	1,491,959
Fines and forfeitures	44,663	-	-	-	44,663
Investment income	699,511	-	-	45,260	744,771
Contributions	-	-	-	94,631	94,631
Miscellaneous	<u>208,552</u>	<u>-</u>	<u>-</u>	<u>332,738</u>	<u>541,290</u>
Total Revenues	79,839,563	1,039,306	382,172	12,065,608	93,326,649
Expenditures					
Current:					
General government	3,033,657	-	352,701	1,241,049	4,627,407
Public safety	9,743,675	-	6,725	1,551,505	11,301,905
Education	44,279,020	3,707,647	-	7,019,227	55,005,894
Public works	4,169,355	-	-	628,067	4,797,422
Health and human services	924,362	-	-	366,240	1,290,602
Culture and recreation	948,256	-	22,746	347,086	1,318,088
Employee benefits	7,428,012	-	-	-	7,428,012
Debt service:					
Principal	2,430,000	-	-	150,000	2,580,000
Interest	1,468,388	-	-	89,825	1,558,213
Fiscal charges	3,000	-	-	-	3,000
Intergovernmental	<u>4,217,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,217,327</u>
Total Expenditures	<u>78,645,052</u>	<u>3,707,647</u>	<u>382,172</u>	<u>11,392,999</u>	<u>94,127,870</u>
Excess (deficiency) of revenues over (under) expenditures	1,194,511	(2,668,341)	-	672,609	(801,221)
Other Financing Sources (Uses)					
Issuance of bonds	-	5,754,500	-	1,890,500	7,645,000
Bond premium	-	292,816	-	100,628	393,444
Transfers in	1,255,157	-	-	480,628	1,735,785
Transfers out	<u>(780,878)</u>	<u>-</u>	<u>-</u>	<u>(1,255,157)</u>	<u>(2,036,035)</u>
Total Other Financing Sources (Uses)	<u>474,279</u>	<u>6,047,316</u>	<u>-</u>	<u>1,216,599</u>	<u>7,738,194</u>
Change in fund balance	1,668,790	3,378,975	-	1,889,208	6,936,973
Fund Balance at Beginning of Year	<u>8,910,248</u>	<u>(4,250,468)</u>	<u>-</u>	<u>10,601,283</u>	<u>15,261,063</u>
Fund Balance, at End of Year	\$ <u>10,579,038</u>	\$ <u>(871,493)</u>	\$ <u>-</u>	\$ <u>12,490,491</u>	\$ <u>22,198,036</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, 2024

Net Change in Fund Balances - Total Governmental Funds	\$ 6,936,973																										
<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">6,117,790</td> </tr> <tr> <td>Net effect from capital asset disposals</td> <td align="right">(643,015)</td> </tr> <tr> <td>Depreciation</td> <td align="right">(4,141,057)</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">211,228</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 bonds and premiums</td> <td align="right">(8,038,444)</td> </tr> <tr> <td>Repayments or redemptions of bonds</td> <td align="right">2,580,000</td> </tr> <tr> <td>Repayments of notes</td> <td align="right">115,559</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">216,828</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">1,837,032</td> </tr> <tr> <td>Change in pension related deferred outflows and inflows of resources</td> <td align="right">(1,665,212)</td> </tr> <tr> <td>Change in total OPEB liability</td> <td align="right">(86,813)</td> </tr> <tr> <td>Change in OPEB related deferred outflows and inflows of resources</td> <td align="right">3,968,471</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>(110,932)</u></td> </tr> </table> 		Capital asset additions	6,117,790	Net effect from capital asset disposals	(643,015)	Depreciation	(4,141,057)		211,228	Issuance of bonds and premiums	(8,038,444)	Repayments or redemptions of bonds	2,580,000	Repayments of notes	115,559		216,828	Change in net pension liability	1,837,032	Change in pension related deferred outflows and inflows of resources	(1,665,212)	Change in total OPEB liability	(86,813)	Change in OPEB related deferred outflows and inflows of resources	3,968,471	Change in compensated absences liability	<u>(110,932)</u>
Capital asset additions	6,117,790																										
Net effect from capital asset disposals	(643,015)																										
Depreciation	(4,141,057)																										
	211,228																										
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Change in OPEB related deferred outflows and inflows of resources	3,968,471																										
Change in compensated absences liability	<u>(110,932)</u>																										
Change in Net Position of Governmental Activities	\$ <u>7,298,408</u>																										

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

CITY OF AMESBURY, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2024

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
Assets and Deferred Outflows of Resources			
Assets			
Current:			
Cash and short-term investments	\$ 2,683,660	\$ 1,762,497	\$ 4,446,157
User fees receivable	<u>978,745</u>	<u>1,372,730</u>	<u>2,351,475</u>
Total current assets	3,662,405	3,135,227	6,797,632
Noncurrent:			
Land	556,774	1,383,846	1,940,620
Other capital assets, net of accumulated depreciation	<u>9,689,055</u>	<u>19,284,845</u>	<u>28,973,900</u>
Total noncurrent assets	<u>10,245,829</u>	<u>20,668,691</u>	<u>30,914,520</u>
Total Assets	13,908,234	23,803,918	37,712,152
Deferred Outflows of Resources			
Related to pension	295,467	548,725	844,192
Related to OPEB	<u>10,311</u>	<u>19,110</u>	<u>29,421</u>
Total Deferred Outflows of Resources	<u>305,778</u>	<u>567,835</u>	<u>873,613</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 14,214,012</u>	<u>\$ 24,371,753</u>	<u>\$ 38,585,765</u>

(continued)

CITY OF AMESBURY, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2024

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
(continued)			
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Current:			
Accounts payable	\$ 240,146	\$ 174,301	\$ 414,447
Accrued liabilities	17,276	31,716	48,992
Current portion of long-term liabilities:			
Bonds and loans payable	138,562	893,429	1,031,991
Compensated absences liability	2,721	6,942	9,663
Total current liabilities	398,705	1,106,388	1,505,093
Noncurrent:			
Bonds and loans payable, net of current portion	1,000,024	7,334,161	8,334,185
Compensated absences liability, net of current portion	51,693	131,900	183,593
Net pension liability	956,475	1,776,311	2,732,786
Total OPEB liability	704,472	1,305,695	2,010,167
Total noncurrent liabilities	2,712,664	10,548,067	13,260,731
Total Liabilities	3,111,369	11,654,455	14,765,824
Deferred Inflows of Resources			
Related to pension	104,510	194,089	298,599
Related to OPEB	107,565	199,364	306,929
Total Deferred Inflows of Resources	212,075	393,453	605,528
Net Position			
Net investment in capital assets	9,107,244	12,441,101	21,548,345
Unrestricted	1,783,324	(117,256)	1,666,068
Total Net Position	10,890,568	12,323,845	23,214,413
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 14,214,012	\$ 24,371,753	\$ 38,585,765

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, 2024

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
Operating Revenues			
Charges for services	\$ 3,273,264	\$ 4,105,471	\$ 7,378,735
Total Operating Revenues	3,273,264	4,105,471	7,378,735
Operating Expenses			
Salaries and benefits	1,358,918	2,108,764	3,467,682
Other operating expenses	1,337,426	1,427,705	2,765,131
Depreciation	588,554	1,001,621	1,590,175
Total Operating Expenses	3,284,898	4,538,090	7,822,988
Operating Loss	(11,634)	(432,619)	(444,253)
Nonoperating Revenues (Expenses)			
Intergovernmental revenue	45,751	-	45,751
Investment income	8,620	-	8,620
Interest expense	(37,297)	(200,961)	(238,258)
Total Nonoperating Revenues (Expenses)	17,074	(200,961)	(183,887)
Income (Loss) Before Transfers	5,440	(633,580)	(628,140)
Transfers in	200,250	100,000	300,250
Change in Net Position	205,690	(533,580)	(327,890)
Net Position at Beginning of Year	10,684,878	12,857,425	23,542,303
Net Position at End of Year	\$ 10,890,568	\$ 12,323,845	\$ 23,214,413

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, 2024

	Business-Type Activities		
	Enterprise Funds		
	Sewer Fund	Water Fund	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 3,147,180	\$ 3,995,158	\$ 7,142,338
Payments to vendor for goods and services	(1,178,636)	(1,324,199)	(2,502,835)
Payments of employees' wages and related benefits	<u>(1,078,756)</u>	<u>(1,810,471)</u>	<u>(2,889,227)</u>
Net Cash Provided by Operating Activities	889,788	860,488	1,750,276
Cash Flows From Noncapital Financing Activities			
Transfers in	<u>200,250</u>	<u>100,000</u>	<u>300,250</u>
Net Cash Provided By Noncapital Financing Activities	200,250	100,000	300,250
Cash Flows from Capital Financing Activities			
Acquisition and construction of capital assets	(137,746)	(89,771)	(227,517)
Principal payments on bonds and notes	(349,261)	(971,482)	(1,320,743)
Interest expense	<u>(37,297)</u>	<u>(200,961)</u>	<u>(238,258)</u>
Net Cash (Used for) Capital and Related Financing Activities	<u>(524,304)</u>	<u>(1,262,214)</u>	<u>(1,786,518)</u>
Cash Flows from Investing Activities			
Investment income	<u>8,620</u>	<u>-</u>	<u>8,620</u>
Net Change in Cash and Short-Term Investments	574,354	(301,726)	272,628
Cash and Short-Term Investments, Beginning of Year	<u>2,109,306</u>	<u>2,064,223</u>	<u>4,173,529</u>
Cash and Short-Term Investments, End of Year	<u>\$ 2,683,660</u>	<u>\$ 1,762,497</u>	<u>\$ 4,446,157</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities			
Operating loss	\$ (11,634)	\$ (432,619)	\$ (444,253)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	588,554	1,001,621	1,590,175
Changes in assets, deferred outflows, liabilities, and deferred inflows:			
User fees receivable	(126,084)	(110,313)	(236,397)
Deferred outflows	28,855	118,322	147,177
Accounts payable	158,790	98,069	256,859
Accrued liabilities	1,736	5,437	7,173
Compensated absences liability	(15,982)	(28,363)	(44,345)
Net pension liability	55,878	(72,284)	(16,406)
Total OPEB liability	213,766	325,355	539,121
Deferred inflows	<u>(4,091)</u>	<u>(44,737)</u>	<u>(48,828)</u>
Net Cash Provided By Operating Activities	<u>\$ 889,788</u>	<u>\$ 860,488</u>	<u>\$ 1,750,276</u>
Schedule of non-cash capital and related financing activities:			
Intergovernmental debt subsidies (MWPAT)	<u>\$ 45,751</u>	<u>\$ -</u>	<u>\$ 45,751</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, 2024

	Pension and OPEB <u>Trust Fund</u>	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
Assets			
Cash and short-term investments	\$ 4,553,098	\$ 52,094	\$ 100,700
Investments:			
PRIT	70,789,799	-	-
Corporate equities	230,813	254,995	-
Corporate bonds	-	875,026	-
Certificates of deposit	-	61,980	-
U.S. Treasury and agency securities	<u>-</u>	<u>803,882</u>	<u>-</u>
Total investments	<u>71,020,612</u>	<u>1,995,883</u>	<u>-</u>
Total Assets	<u>\$ 75,573,710</u>	<u>\$ 2,047,977</u>	<u>\$ 100,700</u>
Liabilities			
Accounts payable	\$ 1,726	\$ -	\$ -
Net Position			
Restricted for pension	75,340,212	-	-
Restricted for OPEB	231,772	-	-
Restricted for other purposes	<u>-</u>	<u>2,047,977</u>	<u>100,700</u>
Total Net Position	<u>75,571,984</u>	<u>2,047,977</u>	<u>100,700</u>
Total Liabilities and Net Position	<u>\$ 75,573,710</u>	<u>\$ 2,047,977</u>	<u>\$ 100,700</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, 2024

	Pension and OPEB <u>Trust Fund</u>	Private Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
Additions			
Contributions:			
Employers	\$ 10,021,748	\$ -	\$ -
Plan members	2,748,062	-	-
Other systems and Commonwealth of Massachusetts	309,397	-	-
Other	<u>-</u>	<u>3,000</u>	<u>-</u>
Total contributions	13,079,207	3,000	-
Investment income:			
Investment earnings	7,578,679	95,051	-
Less: management fees	<u>(344,206)</u>	<u>-</u>	<u>-</u>
Net investment income	7,234,473	95,051	-
Fees for activities	<u>-</u>	<u>-</u>	<u>251,776</u>
Total additions	20,313,680	98,051	251,776
Deductions			
Benefit payments to plan members and beneficiaries	12,398,979	-	-
Refunds to plan members	184,383	-	-
Transfers to other systems	297,305	-	-
Administrative expenses	210,409	-	-
Payments on behalf of students	-	-	265,227
Other deductions	<u>542,073</u>	<u>41,993</u>	<u>-</u>
Total deductions	<u>13,633,149</u>	<u>41,993</u>	<u>265,227</u>
Change in Net Position	6,680,531	56,058	(13,451)
Restricted Net Position			
Beginning of year	<u>68,891,453</u>	<u>1,991,919</u>	<u>114,151</u>
End of year	\$ <u>75,571,984</u>	\$ <u>2,047,977</u>	\$ <u>100,700</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, state assessment expenditures were overspent by \$(96,044).

Deficit Fund Equity

The following funds had accumulated fund balance deficits as of June 30, 2024:

Major governmental funds:	
Amesbury Elementary School Fund	\$ <u>(871,493)</u>
Nonmajor governmental funds:	
Special Revenue Funds:	
Fire SAFER grant fund	\$ (136,739)
Drug free communities grant fund	(119,101)
Shared streets DOT grant fund	(111,145)
Municipal small bridge DOT grant fund	(90,420)
Other deficit funds	(524,097)
Capital Projects Funds:	
Chapter 90 highway fund	<u>(154,160)</u>
Total nonmajor governmental funds:	\$ <u>(1,135,662)</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, 2024, none of the City's bank balance of \$35,431,309 was exposed to custodial credit risk as uninsured or uncollateralized.

As of December 31, 1899, none of the AMCRS pension trust fund bank balance of \$4,689,811 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, 2024:

<u>Investment Type</u>	
U.S. Treasury notes	\$ 1,274,824
Federal agency securities	259,927
Corporate bonds	1,670,577
Corporate equities	717,642
Market-linked certificates of deposit	<u>118,331</u>
Total	<u>\$ 4,041,301</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, 2023, AMCRS pension trust fund investment of \$70,789,799 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, 2024:

<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	\$ 259,927	\$ 259,927	\$ -	\$ -	\$ -
Corporate bonds	1,670,577	169,290	1,080,853	420,434	-
Market-linked CDs	<u>118,331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,331</u>
Total	<u>\$ 2,048,835</u>	<u>\$ 429,217</u>	<u>\$ 1,080,853</u>	<u>\$ 420,434</u>	<u>\$ 118,331</u>

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, 2024.

Duke Energy Corp	\$	222,563
Emerson Elec Co	\$	200,653
Merck & Co Inc	\$	200,765
Pfizer Inc.	\$	198,652
Bristol-Myers Squibb Co	\$	198,518
HP Inc	\$	197,871
Union Pacific Corp	\$	183,906
Johnson & Johnson	\$	169,290

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, 2024:

<u>Investment Type</u>	<u>Amount</u>	<u>Duration</u>
Debt-related securities:		
U.S. Treasury notes	\$ 1,274,824	1.72
Federal agency securities	259,927	1.91
Corporate bonds	1,670,577	2.62
Market-linked CDs	<u>118,331</u>	0.40
Total	<u>\$ 3,323,659</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, 2024, the City did not have any investments exposed to foreign currency risk. At December 31, 2023, 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, 2024:

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	\$ 1,274,824	\$ 1,274,824	\$ -	\$ -
Federal agency securities	259,927	-	259,927	-
Corporate bonds	1,670,577	-	1,670,577	-
Market-linked CDs	118,331	-	118,331	-
Equity securities (various sectors)	<u>717,642</u>	<u>717,642</u>	<u>-</u>	<u>-</u>
Total	\$ <u>4,041,301</u>	\$ <u>1,992,466</u>	\$ <u>2,048,835</u>	\$ <u>-</u>

AMCRS pension trust fund investments in PRIT are measured using NAV with no unfunded commitments as of December 31, 2023. 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 2024 tax levy reflected an excess capacity of \$276,523.

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, 2024 consisted of the following:

Real estate taxes	\$	737,049
Tax liens		2,434,749
Personal property taxes		110,363
Other		<u>94,765</u>
Total property taxes	\$	<u>3,376,926</u>
Motor vehicle excise	\$	517,251
Boat excise		<u>58,491</u>
Total excises	\$	<u>575,742</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, 2024 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 \$109,791 during the fiscal year.

Future minimum lease payments under this lease consisted of the following at June 30, 2024:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	86,407	74,912	161,319
2030 - 2034	704,926	317,179	1,022,105
2035 - 2039	<u>1,348,997</u>	<u>152,812</u>	<u>1,501,809</u>
Total	\$ <u>2,354,193</u>	\$ <u>865,348</u>	\$ <u>3,219,541</u>

7. Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 98,104	\$ 58,653	-	\$ 156,757
Machinery, equipment, and furnishings	6,631	1,424	(24)	8,031
Infrastructure	<u>23,845</u>	<u>215</u>	<u>(7,271)</u>	<u>16,789</u>
Total capital assets, being depreciated	128,580	60,292	(7,295)	181,577
Less accumulated depreciation for:				
Buildings and improvements	(52,659)	(3,109)	-	(55,768)
Machinery, equipment, and furnishings	(3,155)	(777)	24	(3,908)
Infrastructure	<u>(14,902)</u>	<u>(255)</u>	<u>7,271</u>	<u>(7,886)</u>
Total accumulated depreciation	<u>(70,716)</u>	<u>(4,141)</u>	<u>7,295</u>	<u>(67,562)</u>
Total capital assets, being depreciated, net	57,864	56,151	-	114,015
Capital assets, not being depreciated:				
Land	2,529	-	-	2,529
Construction in progress	<u>55,834</u>	<u>624</u>	<u>(55,440)</u>	<u>1,018</u>
Total capital assets, not being depreciated	<u>58,363</u>	<u>624</u>	<u>(55,440)</u>	<u>3,547</u>
Governmental activities capital assets, net	<u>\$ 116,227</u>	<u>\$ 56,775</u>	<u>\$ (55,440)</u>	<u>\$ 117,562</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 58,950	\$ -	\$ -	\$ 58,950
Machinery, equipment, and furnishings	1,118	13	-	1,131
Infrastructure	<u>274</u>	<u>155</u>	<u>-</u>	<u>429</u>
Total capital assets, being depreciated	60,342	168	-	60,510
Less accumulated depreciation for:				
Buildings and improvements	(28,897)	(1,549)	-	(30,446)
Machinery, equipment, and furnishings	(1,023)	(33)	-	(1,056)
Infrastructure	<u>(26)</u>	<u>(8)</u>	<u>-</u>	<u>(34)</u>
Total accumulated depreciation	<u>(29,946)</u>	<u>(1,590)</u>	<u>-</u>	<u>(31,536)</u>
Total capital assets, being depreciated, net	30,396	(1,422)	-	28,974
Capital assets, not being depreciated:				
Land	1,027	-	-	1,027
Construction in progress	<u>854</u>	<u>215</u>	<u>(155)</u>	<u>914</u>
Total capital assets, not being depreciated	<u>1,881</u>	<u>215</u>	<u>(155)</u>	<u>1,941</u>
Business-type activities capital assets, net	<u>\$ 32,277</u>	<u>\$ (1,207)</u>	<u>\$ (155)</u>	<u>\$ 30,915</u>

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

Governmental Activities:	
General government	\$ 868,237
Public safety	467,603
Education	1,946,806
Public works	538,664
Culture and recreation	317,844
Other	<u>1,903</u>
Total depreciation expense - governmental activities	<u>\$ 4,141,057</u>
Business-Type Activities:	
Sewer	\$ 588,554
Water	<u>1,001,621</u>
Total depreciation expense - business-type activities	<u>\$ 1,590,175</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, 2024:

	Interest Rate	Beginning Balance	New Issues	Maturities	Ending Balance
Elementary School Construction	3.25%	\$ 6,047,316	\$ -	\$ (6,047,316)	\$ -
Elementary School Construction	4.25%	<u>-</u>	<u>1,523,313</u>	<u>-</u>	<u>1,523,313</u>
Total		<u>\$ 6,047,316</u>	<u>\$ 1,523,313</u>	<u>\$ (6,047,316)</u>	<u>\$ 1,523,313</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 the Amesbury Middle School roof replacement project, playground improvement project and various other projects.

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, 2024:

<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 6/30/24</u>
General obligation bonds (public offering):					
School building addition	7/25/2018	\$ 7,500,000	08/01/25	3.00 - 4.00%	\$ 845,000
Public safety building repair and remodel	11/19/2013	534,000	12/15/28	3.00 - 3.50%	175,000
Municipal purpose 2014	11/20/2014	1,693,000	08/15/34	2.00 - 4.00%	1,070,000
Municipal purpose 2016	8/27/2015	9,195,000	09/01/35	2.00 - 4.00%	5,390,000
Municipal purpose 2020	5/20/2020	31,180,000	06/01/40	2.00 - 5.00%	26,520,000
Municipal purpose 2022	10/28/2021	4,000,550	09/15/41	2.00 - 5.00%	3,318,700
Municipal purpose 2024	9/28/2023	7,645,000	09/15/43	4.00 - 5.00%	7,645,000
Total Governmental Activities					\$ 44,963,700
<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 6/30/24</u>
General obligation bonds (public offering):					
Sewer treatment facility	8/1/2008	\$ 789,000	08/01/28	3.00 - 4.00%	\$ 175,000
Water treatment facility	7/20/2018	442,000	08/01/28	3.00 - 4.00%	95,000
Water treatment facility	11/19/2013	1,338,000	12/15/28	3.00 - 3.50%	435,000
Water storage tank	11/19/2013	316,000	12/15/28	3.00 - 3.50%	55,000
Water treatment upgrade	11/20/2014	745,000	08/15/34	2.00 - 4.00%	475,000
Sewer pumping station	10/28/2021	916,700	09/15/41	2.00 - 5.00%	813,550
Water Newton Road well	10/28/2021	1,007,750	09/15/41	2.00 - 5.00%	897,750
					<u>2,946,300</u>
Subtotal general obligation bonds (public offering)					
Loans payable (direct borrowing)					
Sewer CW-02-17C	12/14/2006	1,000,255	07/15/26	0.00%	150,036
Drinking water SRF	6/13/2012	10,142,147	07/15/32	2.00%	4,972,053
Water treatment - MWPAT	7/8/2010	3,579,052	07/15/30	0.00%	1,297,787
					<u>6,419,876</u>
Subtotal loans payable (direct borrowing)					
Total Business-Type Activities					\$ 9,366,176

Future Debt Service

The annual payments to retire all general obligation bonds and loans outstanding as of June 30, 2024 were as follows:

Governmental	General Obligation Bonds (Public Offering)		Total
	Principal	Interest	
2025	\$ 3,013,700	\$ 1,748,103	\$ 4,761,803
2026	3,060,000	1,450,697	4,510,697
2027	2,685,000	1,323,254	4,008,254
2028	2,715,000	1,203,915	3,918,915
2029	2,765,000	1,080,333	3,845,333
2030 - 2034	14,230,000	3,532,691	17,762,691
2035 - 2039	12,495,000	1,465,164	13,960,164
2040 - 2044	4,000,000	233,073	4,233,073
Total	\$ 44,963,700	\$ 12,037,230	\$ 57,000,930

Business-Type	General Obligation Bonds (Public Offering)		Loans Payable (Direct Borrowing)		Total Principal	Total Interest
	Principal	Interest	Principal	Interest		
2025	\$ 301,300	\$ 119,669	\$ 730,691	\$ 122,465	\$ 1,031,991	\$ 242,134
2026	295,000	106,599	745,193	104,831	1,040,193	211,430
2027	290,000	95,384	760,004	90,780	1,050,004	186,164
2028	280,000	84,409	725,119	76,429	1,005,119	160,838
2029	270,000	73,596	740,569	61,772	1,010,569	135,368
2030 - 2034	705,000	232,492	2,718,300	102,235	3,423,300	334,727
2035 - 2039	525,000	67,350	-	-	525,000	67,350
2040 - 2042	280,000	16,240	-	-	280,000	16,240
Total	\$ 2,946,300	\$ 795,739	\$ 6,419,876	\$ 558,512	\$ 9,366,176	\$ 1,354,251

Notes Payable

At June 30, 2024, 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
2025	\$ 119,971	\$ 4,579	\$ 124,550

Changes in Long-Term Liabilities

During the year ended June 30, 2024, the following changes occurred in long-term liabilities (in thousands):

	Beginning Balance <u>7/1/23</u>	Additions	Reductions	Ending Balance <u>6/30/24</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/24</u>
<u>Governmental Activities</u>						
General obligation bonds (public offering) \$	39,899	\$ 7,645	\$ (2,580)	\$ 44,964	\$ (3,014)	\$ 41,950
Unamortized premium	<u>3,660</u>	<u>393</u>	<u>(217)</u>	<u>3,836</u>	<u>(236)</u>	<u>3,600</u>
Subtotal	43,559	8,038	(2,797)	48,800	(3,250)	45,550
Notes payable (direct borrowing)	236	-	(116)	120	(120)	-
Compensated absences liability	3,782	135	(23)	3,894	(195)	3,699
Net pension liability	44,651	-	(1,837)	42,814	-	42,814
Total OPEB liability	<u>98,743</u>	<u>87</u>	<u>-</u>	<u>98,830</u>	<u>-</u>	<u>98,830</u>
Total	<u>\$ 190,971</u>	<u>\$ 8,260</u>	<u>\$ (4,773)</u>	<u>\$ 194,458</u>	<u>\$ (3,565)</u>	<u>\$ 190,893</u>
<u>Business-Type Activities</u>						
General obligation bonds (public offering) \$	3,441	\$ -	\$ (495)	\$ 2,946	\$ (301)	\$ 2,645
Loans payable (direct borrowing)	<u>7,291</u>	<u>-</u>	<u>(871)</u>	<u>6,420</u>	<u>(731)</u>	<u>5,689</u>
Subtotal	10,732	-	(1,366)	9,366	(1,032)	8,334
Compensated absences liability	238	-	(44)	194	(10)	184
Net pension liability	2,749	-	(16)	2,733	-	2,733
Total OPEB liability	<u>1,471</u>	<u>539</u>	<u>-</u>	<u>2,010</u>	<u>-</u>	<u>2,010</u>
Total	<u>\$ 15,190</u>	<u>\$ 539</u>	<u>\$ (1,426)</u>	<u>\$ 14,303</u>	<u>\$ (1,042)</u>	<u>\$ 13,261</u>

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, 2024 were as follows:

	General Fund	Amesbury Elementary School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 600,053	\$ 600,053
Total Nonspendable	-	-	600,053	600,053
Restricted				
Capital project funds:				
Citywide CIP	-	-	2,185,016	2,185,016
FY2024 Capital	-	-	1,912,927	1,912,927
Other capital project funds	-	-	205,787	205,787
Special revenue funds:				
Cable public access	-	-	311,390	311,390
Circuit Breaker	-	-	924,280	924,280
School Choice	-	-	621,773	621,773
Planning Board escrows	-	-	1,168,670	1,168,670
Ambulance receipts	-	-	1,406,302	1,406,302
Youth revolving fund	-	-	798,918	798,918
School lunch	-	-	451,128	451,128
Receipts reserved for real estate	-	-	263,236	263,236
Other special revenue funds	-	-	2,029,672	2,029,672
Expendable permanent funds	-	-	576,465	576,465
Total Restricted	-	-	12,855,564	12,855,564
Committed				
Smart Growth Stabilization ⁽¹⁾	207,612	-	-	207,612
Various capital project funds	-	-	170,536	170,536
Total Committed	207,612	-	170,536	378,148
Assigned				
Education	18,100	-	-	18,100
Other purposes	91,568	-	-	91,568
Free cash	1,000,000	-	-	1,000,000
Special warrant articles	413,859	-	-	413,859
Total Assigned	1,523,527	-	-	1,523,527
Unassigned⁽²⁾				
	8,847,899	(871,493)	(1,135,662)	6,840,744
Total Unassigned	8,847,899	(871,493)	(1,135,662)	6,840,744
Total Fund Balances	\$ 10,579,038	\$ (871,493)	\$ 12,490,491	\$ 22,198,036

⁽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 \$622,300.

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 2024:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,255,157	\$ 780,878
Nonmajor Funds:		
Special Revenue Funds:		
AES escrow	20,000	-
Opioid settlement	114,124	-
Ambulance receipts	-	800,000
Conservation commission	-	5,800
Sale of cemetery lots	-	22,000
Youth revolving fund	-	423,857
Capital Project Funds:		
Cashman playground	106,678	-
Permanent Funds:		
Cemetery	-	3,500
Development Improvement Fund	<u>239,826</u>	<u>-</u>
Subtotal Nonmajor Funds	<u>480,628</u>	<u>1,255,157</u>
Subtotal Governmental Funds	<u>1,735,785</u>	<u>2,036,035</u>
<u>Proprietary Funds:</u>		
Sewer Fund	200,250	-
Water Fund	<u>100,000</u>	<u>-</u>
Subtotal Proprietary Funds	<u>300,250</u>	<u>-</u>
Grand Total	<u>\$ 2,036,035</u>	<u>\$ 2,036,035</u>

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 \$800,000 were transferred to the General Fund to supplement the fire department budget and the transfer of youth revolving funds of \$423,857 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, 2024 (the latest actuarial valuation):

Retirees and beneficiaries receiving benefits	256
Terminated plan members entitled to but not yet receiving benefits	132
Active plan members	<u>295</u>
Total	<u>683</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, 2024 was \$5,6002,006, 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, 2023 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, 2024 and reported as of December 31, 2023.

The components of the net pension liability of the participating employers at December 31, 2023 were as follows:

Total pension liability	\$ 122,275,454
Plan fiduciary net position	<u>75,340,212</u>
Employers' net pension liability	<u>\$ 46,935,242</u>
Plan fiduciary net position as a percentage of total pension liability	61.6%

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	24.3%
International equities	10.8%
Emerging international equity	4.4%
Subtotal global equity	<u>39.5%</u>
Core bonds	13.6%
Subtotal core fixed income	<u>13.6%</u>
Value-added fixed income	7.3%
Private equity	17.1%
Real estate	10.3%
Timberland	3.2%
Portfolio completion (PCS)	8.5%
Overlay	0.5%
Subtotal other	<u>46.9%</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>
\$ 57,915,465	\$ 45,546,428	\$ 34,995,286

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

At June 30, 2024, the City reported a liability of \$45,546,428 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 1899, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024. 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, 1899, the City's proportion was 97.041%.

For the year ended June 30, 2024, the City recognized pension expense of \$5,797,243. 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	\$ 4,167,194	\$ -
Changes of assumptions	1,501,403	-
Net difference between projected and actual earnings on pension plan investments	8,319,082	4,932,292
Changes in proportion and differences between contributions and proportionate share of contributions	<u>82,190</u>	<u>44,359</u>
Total	<u>\$ 14,069,869</u>	<u>\$ 4,976,651</u>

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

<u>Year Ended June 30:</u>	
2025	\$ 2,711,637
2026	2,726,734
2027	3,388,404
2028	154,675
2029	<u>111,768</u>
Total	<u>\$ 9,093,218</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, 2024 measurement date was determined by an actuarial valuation as of January 1, 2023. 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, 2024 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	37.00%	4.90%
Core fixed income	15.00%	1.90%
Private equity	16.00%	7.40%
Portfolio completion strategies	10.00%	3.80%
Real estate	10.00%	3.00%
Value added fixed income	8.00%	5.10%
Timberland/natural resources	4.00%	4.30%
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, 2024. 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>
\$ 33,378,000	\$ 26,290,271	\$ 20,292,000

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 1899 (the most recent measurement period), the City’s proportionate share of the MTRS’ collective net pension liability was \$59,764,780 based on a proportionate share of 0.227%. As required by GASB 68, the City has recognized its portion of the Commonwealth of Massachusetts’ contribution of \$4,884,512 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 \$5,580,246 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, 2024.

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	5.56%
Healthcare cost trend rates	5.00%
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, 2024.

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 Morality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
- Post-retirement general: RP-2014 Morality 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 Morality Table for White Collar Health Annuitants projected generationally with scale MP-2016 for males and females.
- Disabled general: RP-2014 Morality 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, 2024 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	34.00%	4.52%
Domestic Equity - Small/Mid Cap	10.25%	5.06%
International Equity - Developed Market	13.00%	5.08%
International Equity - Emerging Market	6.75%	5.80%
Domestic Fixed Income	27.00%	2.44%
International Fixed Income	4.75%	2.13%
Alternatives	3.75%	6.09%
Real Estate	0.00%	3.73%
Cash	<u>0.50%</u>	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 5.56% (previously 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, 2024, were as follows:

Total OPEB liability	\$ 101,072,048
Plan fiduciary net position	<u>231,772</u>
Net OPEB liability	<u>\$ 100,840,276</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, 2024:

	Increase (Decrease)		
	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 100,317,334	\$ 102,992	\$ 100,214,342
Changes for the year:			
Service cost	2,253,598	-	2,253,598
Interest	5,347,973	-	5,347,973
Change in experience	-	-	-
Change in assumptions	(2,702,933)	-	(2,702,933)
Contributions - employer	-	4,248,924	(4,248,924)
Net investment income	-	23,780	(23,780)
Benefit payments	<u>(4,143,924)</u>	<u>(4,143,924)</u>	<u>-</u>
Net Changes	<u>754,714</u>	<u>128,780</u>	<u>625,934</u>
Balances, end of year	<u>\$ 101,072,048</u>	<u>\$ 231,772</u>	<u>\$ 100,840,276</u>

Total OPEB Liability

The City's total OPEB liability of \$101,072,048 was measured as of June 30, 2024 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
\$ 114,872,136	\$ 100,840,276	\$ 89,423,492

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>
\$ 88,384,272	\$ 100,840,276	\$ 116,222,720

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

For the year ended June 30, 2024, the City recognized an OPEB expense of \$3,327,410. At June 30, 2024, 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	\$ -	\$ 3,731,109
Change in assumptions	<u>1,475,890</u>	<u>11,666,016</u>
Total	<u>\$ 1,475,890</u>	<u>\$ 15,397,125</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	\$ (7,354,530)
2025	(4,986,931)
2026	(684,972)
2027	(605,199)
2028	<u>(289,603)</u>
Total	<u>\$ (13,921,235)</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, 2023)	OPEB Trust Fund	Combined
Assets			
Cash and short-term investments	\$ 4,552,139	\$ 959	\$ 4,553,098
Investments:			
PRIT	70,789,799	-	70,789,799
Corporate equities	<u>-</u>	<u>230,813</u>	<u>230,813</u>
Total Assets	\$ <u>75,341,938</u>	\$ <u>231,772</u>	\$ <u>75,573,710</u>
Liabilities			
Accounts payable	\$ 1,726	\$ -	\$ 1,726
Net Position			
Restricted for pension	75,340,212	-	75,340,212
Restricted for OPEB	<u>-</u>	<u>231,772</u>	<u>231,772</u>
Total Net Position	<u>75,340,212</u>	<u>231,772</u>	<u>75,571,984</u>
Total Liabilities and Net Position	\$ <u>75,341,938</u>	\$ <u>231,772</u>	\$ <u>75,573,710</u>
Additions			
Contributions:			
Employers	\$ 5,772,824	\$ 4,248,924	\$ 10,021,748
Plan members	2,748,062	-	2,748,062
Other systems and Commonwealth of Massachusetts	<u>309,397</u>	<u>-</u>	<u>309,397</u>
Total contributions	8,830,283	4,248,924	13,079,207
Investment income:			
Investment earnings	7,554,899	23,780	7,578,679
Less: management fees	<u>(344,206)</u>	<u>-</u>	<u>(344,206)</u>
Net investment income	<u>7,210,693</u>	<u>23,780</u>	<u>7,234,473</u>
Total additions	16,040,976	4,272,704	20,313,680
Deductions			
Benefit payments to plan members and beneficiaries	8,255,055	4,143,924	12,398,979
Refunds to plan members	184,383	-	184,383
Transfers to other systems	297,305	-	297,305
Administrative expenses	210,409	-	210,409
Other deductions	<u>542,073</u>	<u>-</u>	<u>542,073</u>
Total deductions	<u>9,489,225</u>	<u>4,143,924</u>	<u>13,633,149</u>
Change in Net Position	6,551,751	128,780	6,680,531
Restricted Net Position			
Beginning of year	<u>68,788,461</u>	<u>102,992</u>	<u>68,891,453</u>
End of year	\$ <u>75,340,212</u>	\$ <u>231,772</u>	\$ <u>75,571,984</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 \$109,668 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 \$423,498 during the fiscal year ended June 30, 2024 under TIF agreements entered into by the City.

21. Subsequent Events

Management has evaluated subsequent events through January 31, 2025, which is the date the financial statements were available to be issued.

Debt

Subsequent to June 30, 2024, 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	\$ 3,990,000	5.00%	09/26/24	09/15/43

22. New Pronouncements

The following Governmental Accounting Standards Board (GASB) pronouncements will be implemented in the future, as applicable:

- The GASB issued Statement No. 101, *Compensated Absences*, which is required to be implemented in fiscal year 2025.
- The GASB issued Statement No. 102, *Certain Risk Disclosures*, which is required to be implemented in fiscal year 2025.
- The GASB issued Statement No. 103, *Financial Reporting Model Improvements*, which is required to be implemented in fiscal year 2026.

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

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, 2024
(unaudited)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Amended Budget	Actual Amounts	
Revenues				
Property taxes	\$ 56,499,129	\$ 56,499,129	\$ 56,223,496	\$ (275,633)
Excise taxes	3,237,000	3,237,000	3,518,146	281,146
Penalties, interest and other taxes	197,500	197,500	223,605	26,105
Intergovernmental	12,546,387	12,546,387	12,637,714	91,327
Charges for services	208,000	208,000	234,990	26,990
Licenses and permits	603,000	603,000	1,164,374	561,374
Fines and forfeitures	46,000	46,000	44,663	(1,337)
Investment income	126,000	126,000	661,311	535,311
Miscellaneous	35,000	35,000	208,552	173,552
Total Revenues	73,498,016	73,498,016	74,916,851	1,418,835
Expenditures				
Council	138,970	138,970	112,789	26,181
Mayor	329,369	329,369	317,379	11,990
Administration and finance	374,183	374,183	363,293	10,890
Assessors	235,777	235,777	226,574	9,203
Treasurer/collector	254,239	254,239	249,255	4,984
Legal	140,000	140,000	137,832	2,168
Municipal information systems	838,438	838,438	796,277	42,161
Central supplies	63,407	63,407	60,190	3,217
Clerk	206,755	206,755	192,590	14,165
Elections	114,533	114,533	81,783	32,750
Conservation commission	59,316	59,316	34,615	24,701
Planning board	5,400	5,400	3,146	2,254
Zoning appeals board	525	525	160	365
Community/economic development	283,297	283,297	281,698	1,599
Other assessments	7,626	7,626	7,625	1
Municipal buildings	184,090	184,090	170,071	14,019
Police	4,987,148	4,987,148	4,958,304	28,844
Fire	4,459,456	4,459,456	4,348,133	111,323
Building inspection	352,259	352,259	350,194	2,065
Weights and measures	14,060	14,060	14,060	-
Harbormaster	41,000	41,000	19,588	21,412
Amesbury public schools	36,783,093	37,093,489	37,093,409	80
Regional school assessment	2,357,723	2,357,723	2,270,126	87,597
Department of public works	1,920,623	1,920,623	1,698,209	222,414
Snow and ice	493,000	493,000	479,725	13,275
Street lighting	150,000	150,000	128,603	21,397
Refuse collection and disposal	2,009,600	2,009,600	1,833,373	176,227
Health inspection services	68,733	68,733	56,316	12,417
Council on aging	169,361	169,361	156,210	13,151
Youth services	423,869	423,869	384,425	39,444
Veterans	349,176	349,176	328,510	20,666
Library	894,348	894,348	893,467	881
Debt service	4,217,389	4,217,389	3,926,638	290,751
State assessment	4,121,283	4,121,283	4,217,327	(96,044)
Employee benefits	7,194,260	7,194,260	6,999,916	194,344
Liability insurance	365,241	365,241	305,237	60,004
Capital	639,826	860,628	860,628	-
Special articles	258,500	738,008	293,411	444,597
Total Expenditures	75,505,873	76,516,579	74,651,086	1,865,493
Excess (deficiency) of revenues over expenditures	(2,007,857)	(3,018,563)	265,765	3,284,328
Other Financing Sources				
Use of assigned fund balance	-	479,508	-	(479,508)
Use of unassigned fund balance	758,500	1,289,698	-	(1,289,698)
Transfers in	1,249,357	1,249,357	1,255,157	5,800
Budgetary excess	\$ -	\$ -	\$ 1,520,922	\$ 1,520,922

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.

	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 79,839,563	\$ 78,645,052
Other financing sources/uses (GAAP Basis)	<u>1,255,157</u>	<u>780,878</u>
Subtotal (GAAP Basis)	81,094,720	79,425,930
To reverse unbudgeted amounts GASB 24 Massachusetts Teachers Retirement System	(4,884,512)	(4,884,512)
To record encumbrances	-	109,668
To reverse stabilization activity	<u>(38,200)</u>	<u>-</u>
Budgetary Basis	<u>\$ 76,172,008</u>	<u>\$ 74,651,086</u>

CITY OF AMESBURY, MASSACHUSETTS

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

Amesbury Municipal Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2024	December 31, 2023	97.041%	\$45,546,428	\$ 19,260,890	236.47%	61.60%
June 30, 2023	December 31, 2022	96.777%	\$47,399,866	\$ 18,623,116	254.52%	58.40%
June 30, 2022	December 31, 2021	96.831%	\$36,208,054	\$ 16,222,116	223.20%	67.70%
June 30, 2021	December 31, 2020	96.991%	\$38,856,614	\$ 14,841,257	261.81%	62.50%
June 30, 2020	December 31, 2019	96.974%	\$41,934,989	\$ 14,661,511	286.02%	58.80%
June 30, 2019	December 31, 2018	97.198%	\$40,662,828	\$ 14,364,837	283.07%	56.83%
June 30, 2018	December 31, 2017	97.210%	\$36,219,448	\$ 13,575,817	266.79%	60.74%
June 30, 2017	December 31, 2016	97.101%	\$38,539,328	\$ 13,560,595	284.20%	55.97%
June 30, 2016	December 31, 2015	96.882%	\$38,807,120	\$ 13,009,625	298.30%	54.51%
June 30, 2015	December 31, 2014	96.905%	\$34,074,527	\$ 12,591,751	270.61%	58.01%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>Total Net Pension Liability Associated with the City</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2024	June 30, 2024	0.227327%	\$ -	\$ 59,764,780	\$ 59,764,780	\$ 19,122,831	0.00%	58.48%
June 30, 2023	June 30, 2023	0.221708%	\$ -	\$ 57,395,973	\$ 57,395,973	\$ 19,009,870	0.00%	57.75%
June 30, 2022	June 30, 2021	0.224294%	\$ -	\$ 50,930,177	\$ 50,930,177	\$ 18,304,769	0.00%	62.03%
June 30, 2021	June 30, 2020	0.225630%	\$ -	\$ 64,405,804	\$ 64,405,804	\$ 17,449,002	0.00%	50.67%
June 30, 2020	June 30, 2019	0.230806%	\$ -	\$ 58,195,590	\$ 58,195,590	\$ 17,126,929	0.00%	53.95%
June 30, 2019	June 30, 2018	0.232029%	\$ -	\$ 55,017,084	\$ 55,017,084	\$ 16,295,086	0.00%	54.84%
June 30, 2018	June 30, 2017	0.232041%	\$ -	\$ 53,103,421	\$ 53,103,421	\$ 15,756,670	0.00%	54.25%
June 30, 2017	June 30, 2016	0.231899%	\$ -	\$ 51,847,743	\$ 51,847,743	\$ 15,747,027	0.00%	52.73%
June 30, 2016	June 30, 2015	0.233639%	\$ -	\$ 47,871,783	\$ 47,871,783	\$ 14,810,115	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%

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

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2024	\$ 5,602,006	\$ 5,602,006	\$ -	\$ 19,260,890	29.1%
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

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2024	\$ 4,884,512	\$ 4,884,512	\$ -	\$ 19,122,831	25.5%
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%

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>2023</u>	<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	\$ 2,236,769	\$ 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	8,658,621	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	2,891,827	-	4,222,995	-	1,488,490	-	2,753,393	-	2,330,523	-
Benefit payments	(9,278,816)	(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	4,508,401	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	<u>117,767,053</u>	<u>115,795,719</u>	<u>106,868,811</u>	<u>105,066,989</u>	<u>96,905,210</u>	<u>94,905,961</u>	<u>90,133,360</u>	<u>88,080,121</u>	<u>83,735,252</u>	<u>80,863,302</u>
Total pension liability - ending (a)	<u>122,275,454</u>	<u>117,767,053</u>	<u>115,795,719</u>	<u>106,868,811</u>	<u>105,066,989</u>	<u>96,905,210</u>	<u>94,905,961</u>	<u>90,133,360</u>	<u>88,080,121</u>	<u>83,735,252</u>
Plan fiduciary net position										
Contributions - employers	5,772,825	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	2,748,062	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	7,210,692	(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	(9,278,816)	(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	(210,408)	(183,929)	(160,186)	(182,711)	(174,023)	(180,810)	(154,221)	(150,842)	(142,225)	129,258
Other	<u>309,397</u>	<u>295,952</u>	<u>298,274</u>	<u>268,158</u>	<u>257,428</u>	<u>260,190</u>	<u>255,896</u>	<u>252,079</u>	<u>221,844</u>	<u>105,263</u>
Net change in plan fiduciary net position	6,551,752	(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	<u>68,788,460</u>	<u>78,402,834</u>	<u>66,806,894</u>	<u>61,823,229</u>	<u>55,070,036</u>	<u>57,648,483</u>	<u>50,443,461</u>	<u>48,012,741</u>	<u>48,572,291</u>	<u>45,538,724</u>
Plan fiduciary net position - ending (b)	<u>75,340,212</u>	<u>68,788,460</u>	<u>78,402,834</u>	<u>66,806,894</u>	<u>61,823,229</u>	<u>55,070,036</u>	<u>57,648,483</u>	<u>50,443,461</u>	<u>48,012,741</u>	<u>48,572,291</u>
Net pension liability - ending (a-b)	<u>\$ 46,935,242</u>	<u>\$ 48,978,593</u>	<u>\$ 37,392,885</u>	<u>\$ 40,061,917</u>	<u>\$ 43,243,760</u>	<u>\$ 41,835,174</u>	<u>\$ 37,257,478</u>	<u>\$ 39,689,899</u>	<u>\$ 40,067,380</u>	<u>\$ 35,162,961</u>
Plan fiduciary net position as a percentage of the total pension liability	61.62%	58.41%	67.71%	62.51%	58.84%	56.83%	60.74%	55.97%	54.51%	58.01%
Covered payroll	\$ 18,048,079	\$ 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	260.1%	284.8%	225.0%	260.5%	291.0%	283.1%	266.8%	284.2%	298.4%	285.1%

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>2023</u>	<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	\$ 5,772,825	\$ 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>5,772,825</u>	<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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 18,048,079	\$ 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	32.0%	31.0%	31.0%	28.0%	28.6%	26.9%	27.5%	26.2%	26.3%	27.8%

Schedule of Investment Returns

	<u>2023</u>	<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	-11.10%	-11.50%	19.90%	11.78%	16.27%	-2.29%	17.29%	7.38%	0.69%	7.71%

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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability							
Service cost	\$ 2,253,598	\$ 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	5,347,973	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	(2,702,933)	2,295,828	(21,509,782)	(4,209,184)	-	29,354,120	-
Benefit payments, including refunds of member contributions	<u>(4,143,924)</u>	<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	754,714	1,528,230	(18,550,240)	(8,450,163)	3,371,472	28,569,950	2,287,011
Total OPEB liability - beginning	<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>93,848,085</u> *	<u>75,539,551</u>
Total OPEB liability - ending	\$ <u>101,072,048</u>	\$ <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	\$ 4,248,924	\$ 4,553,588	\$ 4,202,608	\$ 4,041,137	\$ 3,836,166	\$ 3,762,676	\$ 2,607,235
Net investment income	23,780	2,992	-	-	-	-	-
Benefit payments, including refunds of member contributions	<u>(4,143,924)</u>	<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	128,780	102,992	-	-	-	-	-
Plan fiduciary net position - beginning	<u>102,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>231,772</u>	<u>102,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability - ending (a-b)	\$ <u>100,840,276</u>	\$ <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	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered employee payroll	\$ 41,089,499	\$ 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	245.42%	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>2024</u>
Actuarially determined contribution	\$ 4,248,924
Contributions in relation to the actuarially determined contribution	<u>105,000</u>
Contribution deficiency (excess)	<u>\$ 4,143,924</u>
Covered employee payroll	\$ 41,089,499
Contributions as a percentage of covered employee payroll	0.26%

Schedule of Investment Returns

	<u>2024</u>
Annual money weighted rate of return, net of investment expenses	12.02%

The City adopted OPEB Trust Fund in fiscal year 2023.

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

See Independent Auditors' Report.

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

To the Mayor and City Council
City of Amesbury, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, 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, 2024, (except for the Amesbury Municipal Contributory Retirement System which is as of and for the year ended December 31, 2023), and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 31, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Marcum LLP

Merrimack, NH
January 31, 2025