

CITY OF AMESBURY, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2013

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MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Mayor and Municipal Council
City of Amesbury, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Amesbury, Massachusetts, as of and for the year ended June 30, 2013, (except for the Amesbury Contributory Retirement System which is as of and for the year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Amesbury, Massachusetts, as of June 30, 2013, (except for the Amesbury Contributory Retirement System which is as of and for the year ended December 31, 2012) and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information appearing on pages 55 through 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Melanson, Heath + Company P.C.

Andover, Massachusetts

January 21, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Amesbury, we offer readers this narrative overview and analysis of the financial activities of the City of Amesbury for the fiscal year ended June 30, 2013. Unless otherwise noted, all amounts are expressed in thousands.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include sewer and water activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

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

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$62,113 (i.e., net position), a change of \$(3,617) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$4,201, a change of \$(2,904) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,353, a change of \$(114) in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$37,829, a change of \$(3,388) in comparison to the prior year. Bond anticipation notes at year-end totaled \$7,678, a change of \$1,938.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 18,001	\$ 18,654	\$ 3,139	\$ 2,995	\$ 21,140	\$ 21,649
Capital assets	62,308	62,456	44,095	45,003	106,403	107,459
Total assets	<u>80,309</u>	<u>81,110</u>	<u>47,234</u>	<u>47,998</u>	<u>127,543</u>	<u>129,108</u>
Other liabilities	7,399	4,650	3,514	3,473	10,913	8,123
Long-term liabilities outstanding	<u>27,731</u>	<u>27,011</u>	<u>26,786</u>	<u>28,244</u>	<u>54,517</u>	<u>55,255</u>
Total liabilities	35,130	31,661	30,300	31,717	65,430	63,378
Net position:						
Net investment in capital assets	46,277	47,094	15,068	14,100	61,345	61,194
Restricted	4,645	4,823	-	-	4,645	4,823
Unrestricted	<u>(5,743)</u>	<u>(2,468)</u>	<u>1,866</u>	<u>2,181</u>	<u>(3,877)</u>	<u>(287)</u>
Total net position	<u>\$ 45,179</u>	<u>\$ 49,449</u>	<u>\$ 16,934</u>	<u>\$ 16,281</u>	<u>\$ 62,113</u>	<u>\$ 65,730</u>

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,415	\$ 2,457	\$ 6,207	\$ 6,121	\$ 8,622	\$ 8,578
Operating grants and contributions	18,578	17,940	-	-	18,578	17,940
Capital grants and contributions	1,077	909	369	-	1,446	909
General revenues:						
Property taxes	35,915	35,087	-	-	35,915	35,087
Excises	1,690	1,783	-	-	1,690	1,783
Penalties, interest and other taxes	192	229	-	-	192	229
Grants and contributions not restricted to specific programs	2,185	2,130	-	-	2,185	2,130
Investment income	33	75	-	-	33	75
Miscellaneous	33	167	-	-	33	167
Total revenues	<u>62,118</u>	<u>60,777</u>	<u>6,576</u>	<u>6,121</u>	<u>68,694</u>	<u>66,898</u>
Expenses:						
General government	4,002	5,073	-	-	4,002	5,073
Public safety	8,487	7,220	-	-	8,487	7,220
Education	36,732	35,206	-	-	36,732	35,206
Public works	4,045	2,886	-	-	4,045	2,886
Health and human services	1,158	1,069	-	-	1,158	1,069
Culture and recreation	1,003	975	-	-	1,003	975
Employee benefits	6,960	8,822	-	-	6,960	8,822
Intergovernmental	3,356	3,281	-	-	3,356	3,281
Interest on long-term debt	645	654	-	-	645	654
Sewer services	-	-	2,623	2,508	2,623	2,508
Water services	-	-	3,300	2,937	3,300	2,937
Total expenses	<u>66,388</u>	<u>65,186</u>	<u>5,923</u>	<u>5,445</u>	<u>72,311</u>	<u>70,631</u>
Change in net assets before transfers	(4,270)	(4,409)	653	676	(3,617)	(3,733)
Transfers in (out)	-	(56)	-	56	-	-
Change in net position	<u>(4,270)</u>	<u>(4,465)</u>	<u>653</u>	<u>732</u>	<u>(3,617)</u>	<u>(3,733)</u>
Net position - beginning of year	<u>49,449</u>	<u>53,914</u>	<u>16,281</u>	<u>15,549</u>	<u>65,730</u>	<u>69,463</u>
Net position - end of year	<u>\$ 45,179</u>	<u>\$ 49,449</u>	<u>\$ 16,934</u>	<u>\$ 16,281</u>	<u>\$ 62,113</u>	<u>\$ 65,730</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$62,113, a change of \$(3,617) from the prior year. The largest portion of net position \$61,345 reflects our investment in capital assets (e.g.,

land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$4,645 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$(3,877) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(4,270). Key elements of this change are as follows:

Increase in OPEB liability	\$ (2,159)
Depreciation in excess of principal debt service	(676)
Other	<u>(1,435)</u>
Total	<u>\$ (4,270)</u>

Business-type activities. Business-type activities for the year resulted in an increase in net position of \$653. Key elements of this change are:

Sewer	\$ 309
Water	<u>344</u>
Total	<u>\$ 653</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported a decrease of \$(2,904) for a combined ending fund balance of \$4,201. Key elements of this change are as follows:

General fund expenditures and transfers out in excess of revenues and transfers in	\$ (473)
Special revenue fund expenditures and transfers out in excess of revenues and transfers in	(311)
Capital project fund expenditures in excess of revenues, transfers in, and bond proceeds	(2,115)
Trust fund expenditures and transfers out in excess of revenues	<u>(5)</u>
Total	<u>\$ (2,904)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,353, while total fund balance was \$3,997. 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>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance ¹	\$ 3,353	\$ 3,467	\$ (114)	6.0%
Total fund balance ²	\$ 3,997	\$ 4,470	\$ (473)	7.1%

¹ Includes General stabilization fund of \$792.

² Includes General and Smart Growth stabilization funds.

The total fund balance of the general fund changed by \$(473) during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (1,010)
Revenues in excess of budget	115
Expenditures less than budget	119
Increase in stabilization	27
Other	<u>276</u>
Total	<u>\$ (473)</u>

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

	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>
General stabilization (unassigned)	\$ 792	\$ 782	\$ 10
Smart growth stabilization (committed)	<u>441</u>	<u>424</u>	<u>17</u>
Total	<u>\$ 1,233</u>	<u>\$ 1,206</u>	<u>\$ 27</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 \$1,866, a change of \$(315) in comparison to the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$730. Major reasons for these amendments include:

- \$ 120 appropriated to fund various FY2013 employment agreements, funded by taxes.
- \$ 150 appropriated to fund various improvements of City Parks and restoration of monuments and war memorials, funded by free cash
- \$ 200 appropriated to fund repair and maintenance of streets and sidewalks, funded by free cash
- \$ 190 appropriated to cover FY13 Snow and Ice expenditures, funded by free cash
- \$ 20 appropriated to fund Solar Park development consultant, funded by free cash.
- \$ 50 appropriated to fund replacement of Middle School boiler, funded by free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$106,403 (net of accumulated depreciation), a net decrease of \$(1,056) from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure, and construction in progress.

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

Middle School Boiler Tank Replacement	\$	50
Parking Garage Renovations	\$	19
Building South Hunt Road	\$	1,100
Lower Millyard Development	\$	96
DPW Facility Relocation	\$	690
Sewer Lift Station Alarm System	\$	87
Various Vehicles and Equipment	\$	172
Water treatment and infrastructure upgrades	\$	93

Change in credit rating. During the fiscal year, the City's Standard & Poor credit rating increased from A to A+. Subsequent to June 30, 2013, the rating increased again to AA.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$37,829, all of which was backed by the full faith and credit of the government.

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

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In fiscal year 2013, the water and sewer rates remained the same at \$6.40 and \$6.39, respectively.

REQUESTS FOR INFORMATION

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

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

CITY OF AMESBURY, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 9,200,038	\$ 1,175,154	\$ 10,375,192
Investments	1,515,633	-	1,515,633
Receivables, net of allowance for uncollectibles:			
Property taxes	1,338,113	-	1,338,113
Excises	293,657	-	293,657
User fees	-	1,691,230	1,691,230
Departmental and other	756,451	-	756,451
Intergovernmental	1,450,342	272,884	1,723,226
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	380,193	-	380,193
Intergovernmental	3,067,064	-	3,067,064
Capital Assets:			
Land and construction in progress	3,707,212	20,939,501	24,646,713
Other capital assets, net of accumulated depreciation	<u>58,600,600</u>	<u>23,155,790</u>	<u>81,756,390</u>
TOTAL ASSETS	80,309,303	47,234,559	127,543,862
LIABILITIES			
Current:			
Accounts payable	657,271	147,852	805,123
Accrued liabilities	2,056,039	374,261	2,430,300
Notes payable	4,686,000	2,992,000	7,678,000
Current portion of long-term liabilities:			
Bonds payable	1,585,940	1,915,189	3,501,129
Capital leases	139,456	-	139,456
Compensated absences	38,110	6,526	44,636
Noncurrent:			
Bonds payable, net of current portion	9,918,330	24,409,764	34,328,094
Net OPEB obligation	15,114,482	330,915	15,445,397
Capital leases, net of current portion	210,731	-	210,731
Compensated absences, net of current portion	<u>724,081</u>	<u>123,989</u>	<u>848,070</u>
TOTAL LIABILITIES	35,130,440	30,300,496	65,430,936
NET POSITION			
Net investment in capital assets	46,277,240	15,067,711	61,344,951
Restricted for:			
Grants and other statutory restrictions	3,881,414	-	3,881,414
Permanent funds:			
Nonexpendable	600,054	-	600,054
Expendable	162,888	-	162,888
Unrestricted	<u>(5,742,733)</u>	<u>1,866,352</u>	<u>(3,876,381)</u>
TOTAL NET POSITION	\$ <u>45,178,863</u>	\$ <u>16,934,063</u>	\$ <u>62,112,926</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, 2013

	<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	\$ 4,001,998	\$ 663,904	\$ 872,171	\$ -	\$ (2,465,923)	\$ -	\$ (2,465,923)
Public safety	8,487,662	791,709	551,759	-	(7,144,194)	-	(7,144,194)
Education	36,731,845	506,385	17,007,180	-	(19,218,280)	-	(19,218,280)
Public works	4,044,912	51,920	35,673	1,077,342	(2,879,977)	-	(2,879,977)
Health and human services	1,158,010	350	85,924	-	(1,071,736)	-	(1,071,736)
Culture and recreation	1,003,010	400,734	25,367	-	(576,909)	-	(576,909)
Employee benefits	6,959,538	-	-	-	(6,959,538)	-	(6,959,538)
Intergovernmental	3,356,164	-	-	-	(3,356,164)	-	(3,356,164)
Interest	644,939	-	-	-	(644,939)	-	(644,939)
Total Governmental Activities	66,388,078	2,415,002	18,578,074	1,077,342	(44,317,660)	-	(44,317,660)
Business-Type Activities:							
Sewer services	2,623,164	2,932,267	-	-	-	309,103	309,103
Water services	3,300,328	3,275,969	-	368,614	-	344,255	344,255
Total Business-Type Activities	5,923,492	6,208,236	-	368,614	-	653,358	653,358
Total	\$ 72,311,570	\$ 8,623,238	\$ 18,578,074	\$ 1,445,956	(44,317,660)	653,358	(43,664,302)
General Revenues:							
Property taxes					35,915,192	-	35,915,192
Excises					1,689,412	-	1,689,412
Penalties, interest and other taxes					191,694	-	191,694
Grants and contributions not restricted to specific programs					2,184,714	-	2,184,714
Investment income					32,755	-	32,755
Miscellaneous					33,391	-	33,391
Total general revenues					40,047,158	-	40,047,158
Change in Net Position					(4,270,502)	653,358	(3,617,144)
Net Position:							
Beginning of year					49,449,365	16,280,705	65,730,070
End of year					\$ 45,178,863	\$ 16,934,063	\$ 62,112,926

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

CITY OF AMESBURY, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 4,884,368	\$ 4,315,670	\$ 9,200,038
Investments	1,233,237	282,396	1,515,633
Receivables:			
Property taxes	1,985,516	-	1,985,516
Excises	486,349	-	486,349
Departmental and other	-	710,237	710,237
Intergovernmental	-	683,577	683,577
Due from other funds	<u>38,775</u>	<u>-</u>	<u>38,775</u>
TOTAL ASSETS	\$ <u>8,628,245</u>	\$ <u>5,991,880</u>	\$ <u>14,620,125</u>
LIABILITIES			
Warrants payable	\$ 270,759	\$ 387,076	\$ 657,835
Accrued liabilities	1,857,474	-	1,857,474
Notes payable	-	4,686,000	4,686,000
Due to other funds	-	38,775	38,775
Other liabilities	<u>31,004</u>	<u>-</u>	<u>31,004</u>
TOTAL LIABILITIES	2,159,237	5,111,851	7,271,088
DEFERRED INFLOWS OF RESOURCES	2,471,865	676,093	3,147,958
FUND BALANCES			
Nonspendable	-	600,054	600,054
Restricted	-	4,170,446	4,170,446
Committed	441,183	473,179	914,362
Assigned	202,802	-	202,802
Unassigned	<u>3,353,158</u>	<u>(5,039,743)</u>	<u>(1,686,585)</u>
TOTAL FUND BALANCES	<u>3,997,143</u>	<u>203,936</u>	<u>4,201,079</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>8,628,245</u>	\$ <u>5,991,880</u>	\$ <u>14,620,125</u>

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

CITY OF AMESBURY, MASSACHUSETTS

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

JUNE 30, 2013

Total governmental fund balances	\$ 4,201,079
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	62,307,812
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,734,269
<ul style="list-style-type: none">• MSBA reimbursements for contract assistance and progress payment projects, are not receivable in the current period and, therefore, are not reported in the governmental funds.	3,833,829
<ul style="list-style-type: none">• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(166,996)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, compensated absences, and net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(27,731,130)</u>
Net position of governmental activities	<u>\$ 45,178,863</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, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 35,563,205	\$ -	\$ 35,563,205
Excise taxes	1,721,918	-	1,721,918
Penalties, interest and other taxes	191,694	-	191,694
Charges for services	166,376	1,688,544	1,854,920
Intergovernmental	16,680,152	5,911,583	22,591,735
Licenses and permits	464,970	-	464,970
Fines and forfeitures	95,111	-	95,111
Investment income	31,100	1,655	32,755
Contributions	-	15,160	15,160
Miscellaneous	28,522	4,869	33,391
Total Revenues	<u>54,943,048</u>	<u>7,621,811</u>	<u>62,564,859</u>
Expenditures:			
Current:			
General government	1,894,182	1,451,870	3,346,052
Public safety	7,634,882	739,651	8,374,533
Education	31,506,906	4,176,674	35,683,580
Public works	2,764,606	3,005,271	5,769,877
Health and human services	1,080,847	77,802	1,158,649
Culture and recreation	713,179	71,244	784,423
Employee benefits	4,800,848	-	4,800,848
Debt service	2,194,492	-	2,194,492
Intergovernmental	3,356,164	-	3,356,164
Total Expenditures	<u>55,946,106</u>	<u>9,522,512</u>	<u>65,468,618</u>
Excess (deficiency) of revenues over expenditures	(1,003,058)	(1,900,701)	(2,903,759)
Other Financing Sources (Uses):			
Transfers in	971,963	442,000	1,413,963
Transfers out	(442,000)	(971,963)	(1,413,963)
Total Other Financing Sources (Uses)	<u>529,963</u>	<u>(529,963)</u>	<u>-</u>
Change in fund balance	(473,095)	(2,430,664)	(2,903,759)
Fund Balance, at Beginning of Year	<u>4,470,238</u>	<u>2,634,600</u>	<u>7,104,838</u>
Fund Balance, at End of Year	<u>\$ 3,997,143</u>	<u>\$ 203,936</u>	<u>\$ 4,201,079</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, 2013

Net change in fund balances - total governmental funds	\$ (2,903,759)																				
<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 outlay purchases, net</td> <td style="text-align: right;">2,127,488</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(2,275,819)</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 deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">319,484</td> </tr> </table> • Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance and progress payments, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(766,765)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt</td> <td style="text-align: right;">1,600,150</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. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(41,354)</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td>Increase in net OPEB obligation</td> <td style="text-align: right;">(2,158,690)</td> </tr> <tr> <td>Decrease in compensated absences liability</td> <td style="text-align: right;">(134,547)</td> </tr> <tr> <td>Increase in capital leases</td> <td style="text-align: right;">(27,447)</td> </tr> <tr> <td>Increase in deferred asset</td> <td style="text-align: right;"><u>(9,243)</u></td> </tr> </table> 		Capital outlay purchases, net	2,127,488	Depreciation	(2,275,819)		319,484		(766,765)	Repayments of debt	1,600,150		(41,354)	Increase in net OPEB obligation	(2,158,690)	Decrease in compensated absences liability	(134,547)	Increase in capital leases	(27,447)	Increase in deferred asset	<u>(9,243)</u>
Capital outlay purchases, net	2,127,488																				
Depreciation	(2,275,819)																				
	319,484																				
	(766,765)																				
Repayments of debt	1,600,150																				
	(41,354)																				
Increase in net OPEB obligation	(2,158,690)																				
Decrease in compensated absences liability	(134,547)																				
Increase in capital leases	(27,447)																				
Increase in deferred asset	<u>(9,243)</u>																				
Change in net position of governmental activities	\$ <u>(4,270,502)</u>																				

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

CITY OF AMESBURY, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenue:				
Taxes	\$ 35,450,991	\$ 35,571,391	\$ 35,571,391	\$ -
Motor vehicle excise	1,751,900	1,751,900	1,721,917	(29,983)
Penalties, interest and other taxes	228,600	228,600	191,694	(36,906)
Intergovernmental	11,334,477	11,334,477	11,387,286	52,809
Charges for services	181,340	181,340	166,376	(14,964)
Licenses and permits	373,100	373,100	464,970	91,870
Fines and forfeits	118,300	118,300	95,111	(23,189)
Investment income	16,400	16,400	13,051	(3,349)
Miscellaneous	160,000	160,000	238,412	78,412
Total Revenues	49,615,108	49,735,508	49,850,208	114,700
Expenditures:				
General government	2,636,455	2,307,337	2,137,652	169,685
Public safety	7,046,021	7,642,266	7,642,066	200
Education	26,433,496	26,433,496	26,433,496	-
Public works	2,698,669	2,817,169	2,797,459	19,710
Health and human services	984,555	1,089,528	1,082,854	6,674
Culture and recreation	707,994	713,694	713,418	276
Debt service	2,321,861	2,221,861	2,211,864	9,997
Intergovernmental	3,200,898	3,200,898	3,356,164	(155,266)
Employee benefits	4,957,122	4,871,222	4,803,348	67,874
Total Expenditures	50,987,071	51,297,471	51,178,321	119,150
Excess (deficiency) of revenues over expenditures	(1,371,963)	(1,561,963)	(1,328,113)	233,850
Other Financing Sources and Uses				
Use of fund balance (free cash)	400,000	1,010,000	-	(1,010,000)
Transfers in	971,963	971,963	971,963	-
Transfers out	-	(420,000)	(420,000)	-
Excess of expenditures and other uses over revenues and other sources	\$ -	\$ -	\$ (776,150)	\$ (776,150)

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

CITY OF AMESBURY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 201,817	\$ 973,337	\$ 1,175,154
User fees, net of allowance for uncollectibles	763,937	927,293	1,691,230
Intergovernmental receivable	-	272,884	272,884
	<hr/>	<hr/>	<hr/>
Total current assets	965,754	2,173,514	3,139,268
Noncurrent:			
Capital assets not being depreciated	331,418	20,608,083	20,939,501
Capital assets being depreciated, net of accumulated depreciation	16,191,871	6,963,919	23,155,790
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	16,523,289	27,572,002	44,095,291
TOTAL ASSETS	17,489,043	29,745,516	47,234,559
LIABILITIES			
Current:			
Accounts payable	47,528	100,324	147,852
Accrued liabilities	183,928	190,333	374,261
Notes payable	-	2,992,000	2,992,000
Current portion of long-term liabilities:			
Bonds payable	990,079	925,110	1,915,189
Other liabilities	1,761	4,765	6,526
	<hr/>	<hr/>	<hr/>
Total current liabilities	1,223,296	4,212,532	5,435,828
Noncurrent:			
Bonds payable, net of current portion	9,391,422	15,018,342	24,409,764
Net OPEB obligation	90,905	240,010	330,915
Other liabilities, net of current portion	33,462	90,527	123,989
	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	9,515,789	15,348,879	24,864,668
TOTAL LIABILITIES	10,739,085	19,561,411	30,300,496
NET POSITION			
Net investment in capital assets	6,141,788	8,925,923	15,067,711
Unrestricted	608,170	1,258,182	1,866,352
	<hr/>	<hr/>	<hr/>
TOTAL NET POSITION	\$ 6,749,958	\$ 10,184,105	\$ 16,934,063

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

CITY OF AMESBURY, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 2,932,267	\$ 3,275,969	\$ 6,208,236
Total Operating Revenues	2,932,267	3,275,969	6,208,236
Operating Expenses:			
Personnel	900,254	1,445,908	2,346,162
Non-personnel	781,189	1,005,561	1,786,750
Depreciation	710,421	376,982	1,087,403
Total Operating Expenses	2,391,864	2,828,451	5,220,315
Operating Income	540,403	447,518	987,921
Nonoperating Revenues (Expenses):			
Intergovernmental Income	-	79,438	79,438
Interest expense	(231,300)	(471,877)	(703,177)
Total Nonoperating Revenues (Expenses), Net	(231,300)	(392,439)	(623,739)
Gain Before Contributions	309,103	55,079	364,182
Capital Contributions	-	289,176	289,176
Change in Net Position	309,103	344,255	653,358
Net Position at Beginning of Year	6,440,855	9,839,850	16,280,705
Net Position at End of Year	\$ 6,749,958	\$ 10,184,105	\$ 16,934,063

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, 2013

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 3,006,406	\$ 3,311,253	\$ 6,317,659
Payments to vendors	(754,329)	(937,391)	(1,691,720)
Payments of employees' wages and related benefits	(804,364)	(1,203,378)	(2,007,742)
Net Cash Provided by Operating Activities	1,447,713	1,170,484	2,618,197
<u>Cash Flows From Noncapital Financing Activities:</u>			
Intergovernmental income	-	79,438	79,438
Capital contributions	-	289,176	289,176
Net Cash Provided by Noncapital Financing Activities	-	368,614	368,614
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Proceeds from issuance of bonds and notes	-	2,992,000	2,992,000
Acquisition and construction of capital assets	(87,110)	(92,538)	(179,648)
Principal payments on bonds and notes	(981,959)	(3,851,394)	(4,833,353)
Interest expense	(241,357)	(423,967)	(665,324)
Net Cash Provided by (Used For) Capital and Related Financing Activities	(1,310,426)	(1,375,899)	(2,686,325)
Net Change in Cash and Short-Term Investments	137,287	163,199	300,486
Cash and Short-Term Investments, Beginning of Year	64,530	810,138	874,668
Cash and Short-Term Investments, End of Year	\$ 201,817	\$ 973,337	\$ 1,175,154
<u>Reconciliation of Operating Loss to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income (Loss)	\$ 540,403	\$ 447,518	\$ 987,921
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	710,421	376,982	1,087,403
Changes in assets and liabilities:			
User fees	74,139	35,283	109,422
Accrued liabilities	4,985	2,521	7,506
Warrants payable	47,528	196	47,724
Accounts payable	(20,668)	67,974	47,306
OPEB liability	90,905	240,010	330,915
Net Cash Provided By Operating Activities	\$ 1,447,713	\$ 1,170,484	\$ 2,618,197

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

CITY OF AMESBURY, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Pension Trust Fund (As of <u>December 31, 2012</u>)	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ 1,455,516	\$ 32,372	\$ 164,645
Investments	38,687,416	1,877,137	-
Accounts receivable	<u>81,694</u>	<u>-</u>	<u>-</u>
Total Assets	40,224,626	1,909,509	164,645
<u>LIABILITIES AND NET ASSETS</u>			
Other liabilities	<u>2,785</u>	<u>-</u>	<u>164,645</u>
Total Liabilities	<u>2,785</u>	<u>-</u>	<u>164,645</u>
<u>NET POSITION</u>			
Total net position held in trust for pension benefits and other purposes	<u>\$ 40,221,841</u>	<u>\$ 1,909,509</u>	<u>\$ -</u>

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

CITY OF AMESBURY, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Pension Trust Fund (For the Year Ended December 31, 2012)	Private Purpose Trust Funds
Additions:		
Contributions:		
Employers	\$ 3,088,759	\$ -
Other systems and Commonwealth of Massachusetts	145,871	-
Plan members	1,257,322	-
Other	18,880	196,495
Total contributions	<u>4,510,832</u>	<u>196,495</u>
Investment Income (Loss):		
Increase (decrease) in fair value of investments	4,799,031	(9,088)
Less: management fees	(195,642)	-
Net investment income (loss)	<u>4,603,389</u>	<u>(9,088)</u>
Total additions	9,114,221	187,407
Deductions:		
Benefit payments to plan members and beneficiaries	4,450,665	-
Refunds to plan members	102,750	-
Administrative expenses	134,976	-
Transfers to other systems	157,697	-
Other	-	252,510
Total deductions	<u>4,846,088</u>	<u>252,510</u>
Net increase (decrease)	4,268,133	(65,103)
Net position:		
Beginning of year	<u>35,953,708</u>	<u>1,974,612</u>
End of year	<u>\$ 40,221,841</u>	<u>\$ 1,909,509</u>

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

CITY OF AMESBURY, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The government is a municipal corporation governed by an elected Mayor and Municipal Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and

contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The government reports the following major proprietary funds:

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

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

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

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

D. Cash and Short-Term Investments

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

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

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

E. Investments

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

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

F. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2013 tax levy reflected an excess capacity of \$1,839,441.

G. Inventories

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

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical

cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

I. Compensated Absences

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

J. Long-Term Obligations

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

K. Fund Equity

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

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

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

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

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

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

L. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting princi-

ples (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 54,943,048	\$ 55,946,106
Other financing sources/uses (GAAP Basis)	<u>971,963</u>	<u>442,000</u>
Subtotal (GAAP Basis)	55,915,011	56,388,106
Adjust tax revenue to accrual basis	8,186	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(179,919)
Add end-of-year appropriation carryforwards from expenditures	-	203,002
To reverse the effect of non- budgeted State contributions for teachers retirement	(5,073,410)	(5,073,410)
Other timing issues	<u>(27,616)</u>	<u>260,542</u>
Budgetary Basis	<u>\$ 50,822,171</u>	<u>\$ 51,598,321</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2013:

Nonmajor governmental funds:	
Chapter 90 Highway	\$ (68,398)
Route 110 Force Account	(6,327)
Elm St. Force Account	(12,660)
Elm St. PWED - Street & Sidewalk	(113,075)
Powwow Riverwalk Force Account	(125,620)
School Lunch Revolving	(17,320)
Utility Force Account	(132)
Council on Aging Formula	(3,782)
Donation Fire Safe Program	(1,358)
Lake Attitash Watershed	(3,777)
Remodeling Public Safety	(767,362)
DPW Facility/Relocation	(1,921,522)
Snow Dump Relocation	(152,219)
Transportation Center Phase II	(1,393,952)
Water St. Parking Garage Repairs	(356,239)
Lower Millyard Development	<u>(96,000)</u>
	\$ <u><u>(5,039,743)</u></u>

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

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

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

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

As of June 30, 2013 and December 31, 2012, \$7,146,743 of the City's bank balance of \$11,439,764, and \$1,229,167 of the System's bank balance of \$1,479,167, respectively, was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year-end</u>
U.S. Treasury notes	\$ 72	Aaa
Corporate bonds	102	Baa1
Mutual funds	230	N/A
Federal agency securities	2,887	Aaa
Federal agency securities	<u>102</u>	Aa2
Total investments	<u>\$ 3,393</u>	

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

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

<u>Investment Type</u>	<u>Fair Value</u>
State Investment Pool*	<u>\$ 38,687</u>
Total investments	<u>\$ 38,687</u>

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management*

Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.

B. Custodial Credit Risk

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

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

The System's investments of \$38,687,416 were exposed to custodial credit risk as uninsured and uncollateralized. However, the investments were held in the State Investment Pool.

C. Concentration of Credit Risk

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

Federal National Mortgage Association	\$ 1,176,176
Federal Home Loan Mortgage Corp.	\$ 907,441
Federal Home Loan Bank	\$ 802,961

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City and System do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>N/A</u>
Debt-related Securities:					
U.S. Treasury notes	\$ 72	\$ -	\$ 72	\$ -	\$ -
Corporate bonds	102	102	-	-	-
Bond mutual funds	230	-	-	-	230
Federal agency securities	<u>2,989</u>	<u>842</u>	<u>1,982</u>	<u>165</u>	<u>-</u>
Total	<u>\$ 3,393</u>	<u>\$ 944</u>	<u>\$ 2,054</u>	<u>\$ 165</u>	<u>\$ 230</u>

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

E. Foreign Currency Risk

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

5. Taxes Receivable

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

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

Taxes receivable at June 30, 2013 consist of the following (in thousands):

Real Estate		
2013	\$ 807	
2012	31	
2011	29	
2010	28	
Prior	<u>41</u>	936
Personal Property		
2013	12	
2012	12	
2011	7	
2010	3	
Prior	<u>7</u>	41
Tax Liens		752
Deferred Taxes		<u>256</u>
Total		\$ <u>1,985</u>

6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 267	\$ -
Excises	\$ 193	\$ -
Utilities	\$ -	\$ 47

7. Intergovernmental Receivables

This balance represents Massachusetts School Building Authority grants as well as other various fiscal year 2013 State and Federal grant funds. Future receipts of these payments are as follows:

	<u>MSBA</u>	<u>Other</u>	<u>Total</u>
2014	\$ 766,765	\$ 683,577	\$ 1,450,342
2015	766,765	-	766,765
2016	766,765	-	766,765
2017	766,765	-	766,765
2018	<u>766,769</u>	<u>-</u>	<u>766,769</u>
Total	<u>\$ 3,833,829</u>	<u>\$ 683,577</u>	<u>\$ 4,517,406</u>

8. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 86,763	\$ 759	\$ -	\$ 87,522
Machinery, equipment, and furnishings	3,825	172	-	3,997
Infrastructure	<u>18,193</u>	<u>-</u>	<u>-</u>	<u>18,193</u>
Total capital assets, being depreciated	108,781	931	-	109,712
Less accumulated depreciation for:				
Buildings and improvements	(29,488)	(1,972)	-	(31,460)
Machinery, equipment, and furnishings	(2,608)	(235)	-	(2,843)
Infrastructure	<u>(16,740)</u>	<u>(68)</u>	<u>-</u>	<u>(16,808)</u>
Total accumulated depreciation	<u>(48,836)</u>	<u>(2,275)</u>	<u>-</u>	<u>(51,111)</u>
Total capital assets, being depreciated, net	59,945	(1,344)	-	58,601
Capital assets, not being depreciated:				
Land	1,727	1,100	-	2,827
Construction in progress	<u>784</u>	<u>96</u>	<u>-</u>	<u>880</u>
Total capital assets, not being depreciated	<u>2,511</u>	<u>1,196</u>	<u>-</u>	<u>3,707</u>
Governmental activities capital assets, net	<u>\$ 62,456</u>	<u>\$ (148)</u>	<u>\$ -</u>	<u>\$ 62,308</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 42,222	\$ 87	\$ -	\$ 42,309
Machinery, equipment, and furnishings	<u>594</u>	<u>-</u>	<u>-</u>	<u>594</u>
Total capital assets, being depreciated	42,816	87	-	42,903
Less accumulated depreciation for:				
Buildings and improvements	(18,280)	(1,038)	-	(19,318)
Machinery, equipment, and furnishings	<u>(380)</u>	<u>(49)</u>	<u>-</u>	<u>(429)</u>
Total accumulated depreciation	<u>(18,660)</u>	<u>(1,087)</u>	<u>-</u>	<u>(19,747)</u>
Total capital assets, being depreciated, net	24,156	(1,000)	-	23,156
Capital assets, not being depreciated:				
Land	1,054	-	-	1,054
Construction in progress	<u>19,793</u>	<u>92</u>	<u>-</u>	<u>19,885</u>
Total capital assets, not being depreciated	<u>20,847</u>	<u>92</u>	<u>-</u>	<u>20,939</u>
Business-type activities capital assets, net	<u>\$ 45,003</u>	<u>\$ (908)</u>	<u>\$ -</u>	<u>\$ 44,095</u>

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

Governmental Activities:	
General government	\$ 797
Public safety	200
Education	938
Public works	124
Culture and recreation	<u>216</u>
Total depreciation expense - governmental activities	<u>\$ 2,275</u>
Business-Type Activities:	
Sewer	\$ 710
Water	<u>377</u>
Total depreciation expense - business-type activities	<u>\$ 1,087</u>

9. Accounts Payable

Accounts payable represent 2013 expenditures paid after June 30, 2013.

10. Notes Payable

The City had the following notes outstanding at June 30, 2013:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/13</u>
Remodeling Public Safety	1.00%	12/14/12	12/13/13	\$ 556,000
Remodeling Public Works	1.00%	12/14/12	12/13/13	250,000
MVRTA Transportation Facility	1.00%	12/14/12	12/13/13	1,500,000
Snow Dump Relocation	1.00%	12/14/12	12/13/13	120,000
Parking Garage Repairs	1.00%	12/14/12	12/13/13	200,000
Remodeling Public Works	0.65%	09/14/12	09/13/13	1,100,000
Remodeling Public Works	0.60%	06/07/13	12/13/13	500,000
Public Parking Garage	0.60%	06/07/13	12/13/13	210,000
Remodeling Public Safety	0.60%	06/07/13	12/13/13	250,000
Water Treatment	1.00%	12/14/12	12/13/13	2,167,000
Water Storage Tank	1.00%	12/14/12	12/13/13	<u>825,000</u>
Total				<u>\$ 7,678,000</u>

The following summarizes activity in notes payable during fiscal year 2013

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Remodeling Public Safety	\$ 578,000	\$ 556,000	\$ (578,000)	\$ 556,000
Remodeling Public Works	250,000	250,000	(250,000)	250,000
MVRTA Transportation Facility	1,500,000	1,500,000	(1,500,000)	1,500,000
Snow Dump Relocation	120,000	120,000	(120,000)	120,000
Parking Garage Repairs	200,000	200,000	(200,000)	200,000
Remodeling Public Works	-	1,100,000	-	1,100,000
Remodeling Public Works	-	500,000	-	500,000
Parking Garage Repairs	-	210,000	-	210,000
Remodeling Public Safety	-	250,000	-	250,000
Water Improvement	1,946,000	-	(1,946,000)	-
Water Treatment	372,000	-	(372,000)	-
Water Storage Tank	191,000	-	(191,000)	-
Water Treatment	293,000	-	(293,000)	-
Water Mains	290,000	-	(290,000)	-
Water Treatment	-	2,167,000	-	2,167,000
Water Storage Tank	-	825,000	-	825,000
Total	<u>\$ 5,740,000</u>	<u>\$ 7,678,000</u>	<u>\$ (5,740,000)</u>	<u>\$ 7,678,000</u>

11. Capital Lease Obligations

The City is the lessee of certain equipment under capital leases expiring in various years through 2016. Future minimum lease payments under capital leases consisted of the following as of June 30, 2013:

<u>Fiscal Year</u>	<u>Governmental Activities</u>
2014	\$ 154,153
2015	142,889
2016	<u>79,248</u>
Total minimum lease payments	376,290
Less amounts representing interest	<u>(26,103)</u>
Present Value of Minimum Lease Payments	<u>\$ 350,187</u>

12. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/13</u>
Municipal purpose	08/15/23	2.75 - 4.80%	\$ 335,000
Municipal refunding 2005	09/15/18	3.00 - 5.00%	5,449,270
School building addition	08/01/28	4.00 - 4.50%	<u>5,720,000</u>
Total Governmental Activities:			<u>\$ 11,504,270</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/13</u>
Sewer 95-11	02/01/17	6.00 - 5.625%	\$ 312,971
Title 5	08/01/18	4.00 - 5.00%	15,292
Sewer 98-93	08/01/20	4.50 - 5.25%	120,000
Sewer CW 01-13	08/01/22	3.00 - 5.00%	5,070,000
Sewer CW-02-17A	08/01/23	2.00 - 5.00%	1,196,787
Sewer CW-02-17B	08/01/23	2.00 - 5.00%	291,499
Sewer purposes	08/15/23	2.75 - 4.80%	1,480,000
Water	08/15/23	2.75 - 4.80%	1,235,000
Sewer refunding 2005	09/15/18	3.50 - 5.00%	564,775
Water refunding 2005	09/15/18	3.50 - 5.00%	1,205,955
Sewer CW-02-17C	09/15/27	0.00%	700,177
Sewer treatment facility	08/01/28	4.00 - 4.50%	630,000
Water treatment facility	08/01/28	4.00 - 4.50%	340,000
Water treatment facility	07/31/28	4.50%	15,000
Water treatment - MWPAT	07/15/30	2.00%	3,005,350
Water Drinking water bond	01/15/33	2.00%	<u>10,142,147</u>
Total Business-Type Activities:			<u>\$ 26,324,953</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,585,940	\$ 483,010	\$ 2,068,950
2015	1,585,940	406,419	1,992,359
2016	1,581,380	330,065	1,911,445
2017	1,535,100	256,082	1,791,182
2018	1,518,670	188,727	1,707,397
2019 - 2023	2,377,240	524,841	2,902,081
2024 - 2026	<u>1,320,000</u>	<u>86,900</u>	<u>1,406,900</u>
Total	<u>\$ 11,504,270</u>	<u>\$ 2,276,044</u>	<u>\$ 13,780,314</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,915,189	\$ 646,557	\$ 2,561,746
2015	1,950,911	588,728	2,539,639
2016	1,984,818	531,036	2,515,854
2017	1,920,775	474,964	2,395,739
2018	1,852,877	423,620	2,276,497
2019 - 2023	8,687,299	1,421,704	10,109,003
2024 - 2028	4,426,919	591,709	5,018,628
2029 - 2033	3,586,165	169,063	3,755,228
Total	\$ <u>26,324,953</u>	\$ <u>4,847,381</u>	\$ <u>31,172,334</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term:

	Total Balance 7/1/12	Additions	Reductions	Total Balance 6/30/13	Less Current Portion	Equals Long-Term Portion 6/30/13
<u>Governmental Activities</u>						
Bonds payable	\$ 13,104	\$ -	\$ (1,600)	\$ 11,504	\$ (1,586)	\$ 9,918
Net OPEB obligation	12,956	5,186	(3,028)	15,114	-	15,114
Capital lease	323	172	(145)	350	(139)	211
Accrued employee benefits	628	164	(29)	763	(38)	725
Totals	\$ <u>27,011</u>	\$ <u>5,522</u>	\$ <u>(4,802)</u>	\$ <u>27,731</u>	\$ <u>(1,763)</u>	\$ <u>25,968</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 28,113	\$ -	\$ (1,788)	\$ 26,325	\$ (1,915)	\$ 24,410
Net OPEB obligation	-	384	(53)	331	-	331
Accrued employee benefits	131	2	(3)	130	(7)	123
Totals	\$ <u>28,244</u>	\$ <u>386</u>	\$ <u>(1,844)</u>	\$ <u>26,786</u>	\$ <u>(1,922)</u>	\$ <u>24,864</u>

D. Advance and Current Refundings

Prior Year

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. The proceeds from the new issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature in 2019. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's balance sheet. As of June 30, 2013, the amount of defeased debt out-

standing but removed from the governmental activities and business-type activities was \$7,335,000.

13. Deferred Inflows of Resources

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

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

The balance of the General Fund *unavailable revenues* account is equal to the total of all June 30, 2013 receivable balances, except real and personal property taxes that are accrued for 60-day collections.

14. Restricted Net Position

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

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

15. Subsequent Events

Debt

Subsequent to June 30, 2013, the City has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note - DPW Facility	\$ 1,100,000	0.75%	09/13/13	09/12/14

16. Governmental Funds - Balances

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

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

The following types of fund balances are reported at June 30, 2013:

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

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

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

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

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

Following is a breakdown of the City's fund balances at June 30, 2013:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 600,054	\$ 600,054
Total Nonexpendable	-	600,054	600,054
Restricted			
Bonded projects	-	126,144	126,144
Special Revenue funds:			
Ambulance Receipts	-	835,461	835,461
Planning Board Escrow	-	299,687	299,687
School Choice	-	694,686	694,686
School Tuition	-	364,976	364,976
Athletic Revolving account	-	156,443	156,443
Youth Revolving fund	-	523,285	523,285
Other revolving funds	-	1,006,876	1,006,876
Expendable permanent funds	-	162,888	162,888
Total Restricted	-	4,170,446	4,170,446
Committed			
Smart Growth Stabilization	441,183	-	441,183
Capital project funds	-	473,179	473,179
Total Committed	441,183	473,179	914,362
Assigned			
Encumbrances	202,802	-	202,802
Total Assigned	202,802	-	202,802
Unassigned ⁽¹⁾			
	3,353,158	(5,039,743)	(1,686,585)
Total Unassigned	3,353,158	(5,039,743)	(1,686,585)
Total Fund Balance	\$ 3,997,143	\$ 203,936	\$ 4,201,079

⁽¹⁾ Includes General Stabilization fund balance of \$792,054.

17. Interfund Transfers

The government reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2013:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 971,963	\$ 442,000
Nonmajor Funds:		
Special Revenue Funds:		
Middle School Use	50,000	-
Reg Health Agreement	-	50,000
Waterways Improvement	-	7,500
Sale of Cemetery Lots	-	13,000
Ambulance Receipts	-	765,000
Youth Revolving Fund	-	293,463
Capital Project Funds:		
Purchase of Ambulance	165,000	-
Remodeling Public Safety Building	22,000	-
Streets and Sidewalk Repairs	200,000	-
Improvements of City Parks	125,000	-
Restoration of Monuments & War Memorials	25,000	-
Solar Park Development Consultant	20,000	-
Trust Funds:		
Expendable	-	8,000
Subtotal Nonmajor Funds ⁽¹⁾	<u>607,000</u>	<u>1,136,963</u>
Grand Total	<u>\$ 1,578,963</u>	<u>\$ 1,578,963</u>

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

The \$442,000 transfer from the General fund to the various Capital Project funds represent the City's practice of funding certain capital activity from the General fund.

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

18. **Commitments and Contingencies**

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

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

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

19. Contributory Retirement System

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

A. Plan Description and Contribution Information

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

Membership of each plan consisted of the following December 31, 2012:

Retirees and beneficiaries receiving benefits	223
Terminated plan members entitled to but not yet receiving benefits	60
Active plan members	<u>264</u>
Total	<u><u>547</u></u>
Number of participating employers	2

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

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

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

Schedule of Employer Contributions:

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2004	\$ 1,960,887	100%
2005	\$ 1,885,653	100%
2006	\$ 2,016,340	100%
2007	\$ 2,103,039	100%
2008	\$ 2,615,125	100%
2009	\$ 2,717,707	100%
2010	\$ 2,730,354	100%
2011	\$ 2,837,492	100%
2012	\$ 2,982,902	100%
2013	\$ 3,088,759	100%

B. Summary of Significant Accounting Policies

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

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

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

C. Funded Status and Funding Progress

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

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

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

D. Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the actuarial valuation using the individual entry age normal actuarial cost method. Under this method an unfunded actuarial accrued liability of \$39.1 million was calculated. The actuarial assumptions included (a) 8.25% investment rate of return and (b) a projected salary increase of 4.0% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3%, on the first \$12,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.25%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of December 31, 2012, the unfunded actuarially accrued liability is being amortized over 24 years using an asset smoothing method.

E. Teachers

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

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

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

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

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

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

In fiscal year 2013, the Commonwealth of Massachusetts contributed \$5,073,410 to the MTRS on behalf of the City. This is included in the education expenditures and intergovernmental revenues in the general fund.

20. Post-Employment Healthcare and Life Insurance

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

A. Plan Description

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

B. Benefits Provided

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

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

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

Annual Required Contribution (ARC)	\$ 5,116,705
Interest on net OPEB obligation	453,453
Adjustment to ARC	<u>(374,359)</u>
Annual OPEB cost	5,195,799
Contributions made	<u>(2,706,194)</u>
Increase in net OPEB obligation	2,489,605
Net OPEB obligation - beginning of year	<u>12,955,792</u>
Net OPEB obligation - end of year	<u>\$ 15,445,397</u>

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

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 5,195,799	52%	\$15,445,397
2012	\$ 6,195,819	38%	\$12,955,792
2011	\$ 5,906,671	46%	\$ 9,137,325

E. Funded Status and Funding Progress

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

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 7.5% which decreases to a 4.5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.0%.

21. Risk Management

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

22. Implementation of New GASB Standard

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

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

June 30, 2013

(Unaudited)

Employees' Retirement System

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

Other Post-Employment Benefits

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

See Independent Auditors' Report.

* = Estimated amounts

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

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues:			
Current service charges	\$ 2,680,533	\$ 2,803,573	\$ 123,040
Misc. Revenues	<u>46,725</u>	<u>64,920</u>	<u>18,195</u>
Total Revenues	2,727,258	2,868,493	141,235
Expenditures:			
Personnel services	746,343	806,846	(60,503)
Supplies and materials	713,872	679,088	34,784
Capital outlay	179,500	155,921	23,579
Debt service	<u>1,087,543</u>	<u>1,085,403</u>	<u>2,140</u>
Total Expenditures	<u>2,727,258</u>	<u>2,727,258</u>	<u>-</u>
Excess of Revenues over Expenditures	<u>\$ -</u>	<u>\$ 141,235</u>	<u>\$ 141,235</u>

See Independent Auditors' report.

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

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	Actual (Budgetary <u>Basis</u>)	Variance Favorable (<u>Unfavorable</u>)
Revenues:			
Current service charges	\$ 3,103,698	\$ 3,280,878	\$ 177,180
Misc. revenues	24,150	30,375	6,225
Use of Surplus	<u>114,000</u>	<u>114,000</u>	<u>-</u>
Total Revenues	3,241,848	3,425,253	183,405
Expenditures:			
Personnel services	1,119,143	1,208,821	(89,678)
Supplies and materials	892,376	738,550	153,826
Capital outlay	123,000	147,515	(24,515)
Debt service	<u>1,107,329</u>	<u>1,040,938</u>	<u>66,391</u>
Total Expenditures	<u>3,241,848</u>	<u>3,135,824</u>	<u>106,024</u>
Excess of Revenues over Expenditures	<u>\$ -</u>	<u>\$ 289,429</u>	<u>\$ 289,429</u>

See Independent Auditors' report.