



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

CITY OF AGAWAM, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2023

CITY OF AGAWAM, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Agawam, 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 Agawam, Massachusetts as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

Opinions

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 Agawam, Massachusetts, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2024, on our consideration of the City of Agawam, Massachusetts' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Agawam, Massachusetts' internal control over financial reporting and compliance.



May 24, 2024

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the City of Agawam, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2023. The City complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Agawam's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to 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 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 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, culture and recreation, community preservation, and interest. The business-type activities include the activities of golf, water and sewer services.

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 statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the 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*.

The City of Agawam adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its golf, water and sewer activities.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to workers' compensation.

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 the basic 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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Governmental activity liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$176.7 million at the close of 2023.

	2023	2022
Assets:		
Current assets.....	\$ 75,967,258	\$ 71,228,904
Capital assets, non depreciable.....	9,457,219	5,853,613
Capital assets, net of accumulated depreciation....	74,243,881	73,456,059
Total assets.....	159,668,358	150,538,576
Deferred outflows of resources.....	45,405,269	41,074,301
Liabilities:		
Current liabilities (excluding debt).....	19,141,676	13,087,015
Noncurrent liabilities (excluding debt).....	258,846,959	248,479,380
Current debt.....	2,925,673	2,925,548
Noncurrent debt.....	7,803,602	9,629,276
Total liabilities.....	288,717,910	274,121,219
Deferred inflows of resources.....	93,034,918	94,961,531
Net position:		
Net investment in capital assets.....	72,971,825	67,280,418
Restricted.....	16,136,152	20,376,252
Unrestricted.....	(265,787,178)	(265,126,543)
Total net position.....	\$ (176,679,201)	\$ (177,469,873)

	2023	2022
Program Revenues:		
Charges for services.....	\$ 8,179,613	\$ 8,253,495
Operating grants and contributions.....	44,209,653	44,989,323
Capital grants and contributions.....	1,026,065	1,267,973
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	69,810,836	67,152,828
Tax and other liens.....	901,178	1,293,537
Motor vehicle and other excise taxes.....	4,074,474	4,338,064
Meals tax.....	530,671	543,600
Community preservation tax.....	545,626	527,123
Penalties and interest on taxes.....	388,667	296,485
Payments in lieu of taxes.....	50,007	50,607
Grants and contributions not restricted to specific programs.....	4,411,023	4,165,041
Unrestricted investment income.....	1,268,000	20,316
Miscellaneous.....	78,632	2,624
Total revenues.....	135,474,445	132,901,016
Expenses:		
General government.....	14,637,376	15,611,606
Public safety.....	21,901,848	20,894,020
Education.....	84,519,867	80,623,561
Public works.....	6,913,687	7,252,852
Health and human services.....	2,725,627	2,582,576
Culture and recreation.....	3,452,329	3,603,441
Community preservation.....	193,533	248,878
Interest.....	339,506	430,913
Total expenses.....	134,683,773	131,247,847
Change in net position.....	790,672	1,653,169
Net position, beginning of year.....	(177,469,873)	(179,123,042)
Net position, end of year.....	\$ (176,679,201)	\$ (177,469,873)

Net position of \$73.0 million reflects the investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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.

The restricted portion of the governmental net position of \$16.1 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* resulted in a \$265.8 million deficit mainly relating to the cumulative effect of recording \$166.3 million of net other postemployment benefit liabilities and a net pension liability of \$90.7 million through June 30, 2023.

The governmental activities net position increased by \$791,000 during the current year. The increase in net position is due to capital grant receipts of \$1.0 million, offset with increases in the net other postemployment benefits liability and the related deferred inflows/outflows related to OPEB and the net pension liability and the related deferred inflows/outflows related to pension.

The governmental expenses totaled \$134.7 million of which \$53.4 million was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$82.1 million, primarily coming from property taxes, motor vehicle excise, and non-restricted state aid.

Business-Type Activities Financial Analysis

For the City’s business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17.9 million at the close of 2023.

	2023	2022
Assets:		
Current assets.....	\$ 14,733,188	\$ 11,299,533
Capital assets, non depreciable.....	1,687,592	1,687,592
Capital assets, net of accumulated depreciation....	20,132,700	21,061,966
Total assets.....	36,553,480	34,049,091
Deferred outflows of resources.....	2,002,054	1,796,668
Liabilities:		
Current liabilities (excluding debt).....	407,207	247,910
Noncurrent liabilities (excluding debt).....	11,549,571	10,927,161
Current debt.....	651,594	705,874
Noncurrent debt.....	4,600,708	5,252,303
Total liabilities.....	17,209,080	17,133,248
Deferred inflows of resources.....	3,451,852	3,895,427
Net position:		
Net investment in capital assets.....	17,855,960	18,079,351
Unrestricted.....	38,642	(3,262,267)
Total net position.....	\$ 17,894,602	\$ 14,817,084
	2023	2022
Program Revenues:		
Charges for services.....	\$ 13,460,361	\$ 8,897,673
General Revenues:		
Unrestricted investment income.....	16,822	3,475
Total revenues.....	13,477,183	8,901,148
Expenses:		
Water.....	5,499,681	5,527,165
Sewer.....	3,889,003	4,403,456
Golf course.....	1,010,981	1,064,978
Total expenses.....	10,399,665	10,995,599
Excess (Deficiency) before transfers.....	3,077,518	(2,094,451)
Change in net position.....	3,077,518	(2,094,451)
Net position, beginning of year.....	14,817,084	16,911,535
Net position, end of year.....	\$ 17,894,602	\$ 14,817,084

Business-type water, sewer and golf course activities had total net position of \$17.9 million. Net position of \$17.9 million represents the net investment in capital assets, while the unrestricted fund balance was \$39,000.

The water enterprise fund ended 2023 with \$9.3 million in net position, of which \$9.5 million was invested in capital assets. Net position increased by \$1.8 million, which is due to an increase in charges for services.

The sewer enterprise fund ended 2023 with \$8.8 million in net position, of which \$7.1 million was invested in capital assets. Net position increased by \$1.2 million, which is due to an increase in charges for services.

The golf course enterprise fund ended 2023 with a deficit of \$179,000 in net position, consisting of \$1.2 million in the net investment in capital assets and a deficit of \$1.4 million in the unrestricted fund balance. Net position increased by \$129,000 which is due to a decrease in the net OPEB liability net of deferred inflows and outflows of resources related to OPEB.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Agawam's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Agawam's 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 year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$52.2 million, of which \$36.6 million is for the general fund, \$3.6 million is for the ARPA grant and \$12.0 million is for nonmajor governmental funds. There was an increase of \$193,000 in fund balances from the prior year.

The general fund is the chief operating fund. It had an increase in fund balance of \$2.4 million when compared to the prior year. The increase is the result of a surplus of actual revenues compared to the expenditures lower than the budget. At the end of the current year, unassigned fund balance of the general fund was \$28.7 million, while total fund balance was \$36.6 million. 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 fund expenditures. Unassigned fund balance represents 25.5% of total general fund budgeted expenditures, while total fund balance represents 32.5% of that same amount.

The ARPA grant major governmental fund reported an ending fund balance of \$3.6 million. The fund had unearned revenue of \$4.3 million due to the receipt of the American Rescue Plan Act (ARPA) grant funds that were not fully expended as of year-end. The City reported operating grant revenue of \$135,000 and expenditures.

Nonmajor governmental funds, which are comprised of other special revenue funds, capital project funds and permanent funds, ended the year with a fund balance of \$12.0 million, which is a decrease of \$1.6 million from the prior year. The decrease is primarily due to the timing between when grant revenues are received and when expenditures are incurred, along with an increase in spending on the capital projects.

General Fund Budgetary Highlights

The City's 2023 annual operating budget totaled \$113.4 million. The City budgeted to use approximately \$3.8 million in available reserves to balance the 2023 budget. Actual revenues exceed budgeted revenues by \$3.3 million, while actual expenditures, including carryovers, were less than budgeted amounts by \$3.4 million.

Capital Asset and Debt Administration

In conjunction with the annual operating budget, the City annually prepares a capital budget for the upcoming year and a Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$105.5 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, building improvements, land improvements, equipment, vehicles and infrastructure.

During the current year, the City acquired \$9.8 million in governmental activities capital assets.

The water enterprise fund reported additions totaling \$213,000. The golf enterprise fund reported additions totaling \$49,000.

Outstanding long-term debt of the governmental activities, as of June 30, 2023, totaled \$9.2 million.

The sewer and water enterprise fund outstanding long-term debt at year-end totaled \$5.3 million. Enterprise fund debt is fully supported by rates and does not rely on a general fund subsidy.

Please refer to the notes for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the City of Agawam'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 the City Auditor, 36 Main Street, Agawam, Massachusetts 01001.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2023

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 56,329,540	\$ 11,286,970	\$ 67,616,510
Investments.....	12,293,055	-	12,293,055
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	615,173	-	615,173
Tax liens.....	1,605,595	-	1,605,595
Community preservation fund surtax.....	934	-	934
Motor vehicle excise taxes.....	410,688	-	410,688
User charges.....	-	3,673,059	3,673,059
Departmental and other.....	2,323,936	-	2,323,936
Intergovernmental.....	2,028,956	-	2,028,956
Community preservation state share.....	125,466	-	125,466
Tax foreclosures.....	7,074	-	7,074
Internal balances.....	226,841	(226,841)	-
Total current assets.....	<u>75,967,258</u>	<u>14,733,188</u>	<u>90,700,446</u>
NONCURRENT:			
Capital assets, nondepreciable.....	9,457,219	1,687,592	11,144,811
Capital assets, net of accumulated depreciation.....	<u>74,243,881</u>	<u>20,132,700</u>	<u>94,376,581</u>
Total noncurrent assets.....	<u>83,701,100</u>	<u>21,820,292</u>	<u>105,521,392</u>
TOTAL ASSETS.....	<u>159,668,358</u>	<u>36,553,480</u>	<u>196,221,838</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	14,715,140	890,187	15,605,327
Deferred outflows related to other postemployment benefits.....	<u>30,690,129</u>	<u>1,111,867</u>	<u>31,801,996</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>45,405,269</u>	<u>2,002,054</u>	<u>47,407,323</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	1,630,617	206,842	1,837,459
Accrued payroll.....	7,966,214	63,135	8,029,349
Health claims payable.....	1,462,977	-	1,462,977
Accrued interest.....	33,254	17,819	51,073
Other liabilities.....	1,586,952	6,661	1,593,613
Unearned revenue.....	4,276,312	-	4,276,312
Compensated absences.....	2,185,350	112,750	2,298,100
Notes payable.....	1,500,000	-	1,500,000
Long-term debt.....	<u>1,425,673</u>	<u>651,594</u>	<u>2,077,267</u>
Total current liabilities.....	<u>22,067,349</u>	<u>1,058,801</u>	<u>23,126,150</u>
NONCURRENT:			
Compensated absences.....	1,825,350	38,250	1,863,600
Net pension liability.....	90,651,510	5,483,931	96,135,441
Net other postemployment benefits liability.....	166,370,099	6,027,390	172,397,489
Long-term debt.....	<u>7,803,602</u>	<u>4,600,708</u>	<u>12,404,310</u>
Total noncurrent liabilities.....	<u>266,650,561</u>	<u>16,150,279</u>	<u>282,800,840</u>
TOTAL LIABILITIES.....	<u>288,717,910</u>	<u>17,209,080</u>	<u>305,926,990</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	3,350,729	202,701	3,553,430
Deferred inflows related to other postemployment benefits.....	<u>89,684,189</u>	<u>3,249,151</u>	<u>92,933,340</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>93,034,918</u>	<u>3,451,852</u>	<u>96,486,770</u>
NET POSITION			
Net investment in capital assets.....	72,971,825	17,855,960	90,827,785
Restricted for:			
Capital purposes.....	238,140	-	238,140
Permanent funds:			
Expendable.....	811,323	-	811,323
Nonexpendable.....	376,139	-	376,139
Gifts and grants.....	8,896,324	-	8,896,324
Community preservation.....	5,814,226	-	5,814,226
Unrestricted.....	<u>(265,787,178)</u>	<u>38,642</u>	<u>(265,748,536)</u>
TOTAL NET POSITION.....	<u>\$ (176,679,201)</u>	<u>\$ 17,894,602</u>	<u>\$ (158,784,599)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 14,637,376	\$ 631,539	\$ 1,087,567	\$ -	\$ (12,918,270)
Public safety.....	21,901,848	5,044,586	515,086	-	(16,342,176)
Education.....	84,519,867	1,465,086	41,208,357	-	(41,846,424)
Public works.....	6,913,687	507,590	502,973	805,193	(5,097,931)
Health and human services.....	2,725,627	184,217	536,018	-	(2,005,392)
Culture and recreation.....	3,452,329	346,595	359,652	-	(2,746,082)
Community preservation.....	193,533	-	-	220,872	27,339
Interest.....	339,506	-	-	-	(339,506)
Total Governmental Activities.....	134,683,773	8,179,613	44,209,653	1,026,065	(81,268,442)
<i>Business-Type Activities:</i>					
Water.....	5,499,681	7,289,538	-	-	1,789,857
Sewer.....	3,889,003	5,047,899	-	-	1,158,896
Golf course.....	1,010,981	1,122,924	-	-	111,943
Total Business-Type Activities.....	10,399,665	13,460,361	-	-	3,060,696
Total Primary Government.....	\$ 145,083,438	\$ 21,639,974	\$ 44,209,653	\$ 1,026,065	\$ (78,207,746)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (continued)

YEAR ENDED JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(81,268,442)	\$ 3,060,696	\$ (78,207,746)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	69,810,836	-	69,810,836
Tax and other liens.....	901,178	-	901,178
Motor vehicle excise taxes.....	4,074,474	-	4,074,474
Meals tax.....	530,671	-	530,671
Community preservation tax.....	545,626	-	545,626
Penalties and interest on taxes.....	388,667	-	388,667
Payments in lieu of taxes.....	50,007	-	50,007
Grants and contributions not restricted to specific programs.....	4,411,023	-	4,411,023
Unrestricted investment income.....	1,268,000	16,822	1,284,822
Miscellaneous.....	78,632	-	78,632
Total general revenues.....	82,059,114	16,822	82,075,936
 Change in net position.....	 790,672	 3,077,518	 3,868,190
<i>Net position:</i>			
Beginning of year.....	<u>(177,469,873)</u>	<u>14,817,084</u>	<u>(162,652,789)</u>
End of year..... \$	<u>(176,679,201)</u>	<u>17,894,602</u>	<u>(158,784,599)</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2023

	General	ARPA Grant	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 36,390,364	\$ 7,909,659	\$ 11,945,028	\$ 56,245,051
Investments.....	8,498,670	-	2,883,504	11,382,174
Receivables, net of uncollectibles:				
Real estate and personal property taxes.....	615,173	-	-	615,173
Tax liens.....	1,605,595	-	-	1,605,595
Community preservation fund surtax.....	-	-	934	934
Motor vehicle excise taxes.....	410,688	-	-	410,688
Departmental and other.....	45,383	-	1,826,833	1,872,216
Intergovernmental.....	-	-	2,028,956	2,028,956
Community preservation state share.....	-	-	125,466	125,466
Tax foreclosures.....	7,074	-	-	7,074
Due from other funds.....	439,837	-	-	439,837
TOTAL ASSETS.....	\$ 48,012,784	\$ 7,909,659	\$ 18,810,721	\$ 74,733,164
LIABILITIES				
Warrants payable.....	\$ 965,896	\$ 4,162	\$ 638,013	\$ 1,608,071
Accrued payroll.....	7,262,755	-	703,109	7,965,864
Due to other funds.....	-	-	212,996	212,996
Other liabilities.....	724,752	-	862,200	1,586,952
Unearned revenue.....	-	4,276,312	-	4,276,312
Notes payable.....	-	-	1,500,000	1,500,000
TOTAL LIABILITIES.....	8,953,403	4,280,474	3,916,318	17,150,195
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	2,469,711	-	2,941,542	5,411,253
FUND BALANCES				
Nonspendable.....	-	-	376,139	376,139
Restricted.....	-	3,629,185	15,760,013	19,389,198
Assigned.....	7,901,473	-	-	7,901,473
Unassigned.....	28,688,197	-	(4,183,291)	24,504,906
TOTAL FUND BALANCES.....	36,589,670	3,629,185	11,952,861	52,171,716
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 48,012,784	\$ 7,909,659	\$ 18,810,721	\$ 74,733,164

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2023

Total governmental fund balances.....		\$ 52,171,716
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		83,701,100
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		5,411,253
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		(47,629,649)
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		(38,783)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(33,254)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(9,229,275)	
Net pension liability.....	(90,651,510)	
Net other postemployment benefits liability.....	(166,370,099)	
Compensated absences.....	<u>(4,010,700)</u>	
Net effect of reporting long-term liabilities.....		<u>(270,261,584)</u>
Net position of governmental activities.....		\$ <u><u>(176,679,201)</u></u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2023

	General	ARPA Grant	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ 70,344,814	\$ -	\$ -	\$ 70,344,814
Tax liens.....	446,169	-	-	446,169
Motor vehicle excise taxes.....	4,187,333	-	-	4,187,333
Meals tax.....	530,671	-	-	530,671
Charges for services.....	-	-	219,453	219,453
Penalties and interest on taxes.....	388,667	-	-	388,667
Payments in lieu of taxes.....	50,007	-	-	50,007
Licenses and permits.....	436,883	-	-	436,883
Fines and forfeitures.....	54,725	-	-	54,725
Intergovernmental - Teachers Retirement.....	8,523,900	-	-	8,523,900
Intergovernmental.....	27,095,204	135,034	12,704,456	39,934,694
Departmental and other.....	1,471,252	-	6,312,810	7,784,062
Community preservation taxes.....	-	-	594,770	594,770
Community preservation state match.....	-	-	220,872	220,872
Contributions and donations.....	-	-	452,575	452,575
Investment income.....	1,110,378	-	103,187	1,213,565
Miscellaneous.....	-	-	78,632	78,632
TOTAL REVENUES.....	114,640,003	135,034	20,686,755	135,461,792
EXPENDITURES:				
Current:				
General government.....	11,626,632	618,823	449,601	12,695,056
Public safety.....	10,683,157	-	6,981,434	17,664,591
Education.....	47,886,265	62,679	11,125,471	59,074,415
Public works.....	3,364,514	-	1,521,191	4,885,705
Health and human services.....	1,347,937	-	300,035	1,647,972
Culture and recreation.....	1,434,518	-	1,223,293	2,657,811
Community preservation.....	-	-	338,242	338,242
Pension benefits.....	8,238,656	-	-	8,238,656
Pension benefits - Teachers Retirement.....	8,523,900	-	-	8,523,900
Property and liability insurance.....	649,795	-	-	649,795
Employee benefits.....	12,909,988	-	-	12,909,988
State and county charges.....	2,092,523	-	-	2,092,523
Capital outlay.....	1,712,023	-	-	1,712,023
Debt service:				
Principal.....	1,825,141	-	-	1,825,141
Interest.....	374,874	-	-	374,874
TOTAL EXPENDITURES.....	112,669,923	681,502	21,939,267	135,290,692
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	1,970,080	(546,468)	(1,252,512)	171,100
OTHER FINANCING SOURCES (USES):				
Premium from issuance of bonds.....	-	-	21,795	21,795
Transfers in.....	392,961	-	-	392,961
Transfers out.....	-	-	(392,961)	(392,961)
TOTAL OTHER FINANCING SOURCES (USES).....	392,961	-	(371,166)	21,795
NET CHANGE IN FUND BALANCES.....	2,363,041	(546,468)	(1,623,678)	192,895
FUND BALANCES AT BEGINNING OF YEAR.....	34,226,629	4,175,653	13,576,539	51,978,821
FUND BALANCES AT END OF YEAR.....	\$ 36,589,670	\$ 3,629,185	\$ 11,952,861	\$ 52,171,716

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds.....	\$	192,895
<p>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.</p>		
Capital outlay.....		9,752,785
Depreciation expense.....		<u>(5,361,357)</u>
Net effect of reporting capital assets.....		4,391,428
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(41,782)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Debt service principal payments.....		<u>1,825,549</u>
Net effect of reporting long-term debt.....		1,825,549
<p>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.</p>		
Net change in compensated absences accrual.....		(78,700)
Net change in accrued interest on long-term debt.....		13,165
Net change in deferred outflow/(inflow) of resources related to pensions.....		15,627,536
Net change in net pension liability.....		(17,960,918)
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...		(9,369,955)
Net change in net other postemployment benefits liability.....		<u>7,629,689</u>
Net effect of recording long-term liabilities.....		(4,139,183)
The net activity of internal service funds is reported with Governmental Activities.....		<u>(1,438,235)</u>
Change in net position of governmental activities.....	\$	<u><u>790,672</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2023

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Golf Course	Total	
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 5,812,055	\$ 4,673,265	\$ 801,650	\$ 11,286,970	\$ 84,489
Investments.....	-	-	-	-	910,881
Receivables, net of allowance for uncollectibles:					
User charges.....	1,929,973	1,743,086	-	3,673,059	-
Departmental and other.....	-	-	-	-	451,720
Total current assets.....	<u>7,742,028</u>	<u>6,416,351</u>	<u>801,650</u>	<u>14,960,029</u>	<u>1,447,090</u>
NONCURRENT:					
Capital assets, non depreciable.....	331,485	566,550	789,557	1,687,592	-
Capital assets, net of accumulated depreciation.....	<u>11,665,774</u>	<u>8,014,529</u>	<u>452,397</u>	<u>20,132,700</u>	<u>-</u>
Total noncurrent assets.....	<u>11,997,259</u>	<u>8,581,079</u>	<u>1,241,954</u>	<u>21,820,292</u>	<u>-</u>
TOTAL ASSETS.....	<u>19,739,287</u>	<u>14,997,430</u>	<u>2,043,604</u>	<u>36,780,321</u>	<u>1,447,090</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions.....	548,558	341,629	-	890,187	-
Deferred outflows related to other postemployment benefits.....	<u>525,815</u>	<u>327,466</u>	<u>258,586</u>	<u>1,111,867</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>1,074,373</u>	<u>669,095</u>	<u>258,586</u>	<u>2,002,054</u>	<u>-</u>
LIABILITIES					
CURRENT:					
Warrants payable.....	24,427	168,962	13,453	206,842	22,546
Accrued payroll.....	27,629	12,481	23,025	63,135	350
Health claims payable.....	-	-	-	-	1,462,977
Due to other funds.....	-	-	226,841	226,841	-
Accrued interest.....	13,113	4,706	-	17,819	-
Other liabilities.....	-	-	6,661	6,661	-
Compensated absences.....	46,450	19,850	46,450	112,750	-
Bonds payable.....	<u>382,600</u>	<u>268,994</u>	<u>-</u>	<u>651,594</u>	<u>-</u>
Total current liabilities.....	<u>494,219</u>	<u>474,993</u>	<u>316,430</u>	<u>1,285,642</u>	<u>1,485,873</u>
NONCURRENT:					
Compensated absences.....	22,950	7,650	7,650	38,250	-
Net pension liability.....	3,379,350	2,104,581	-	5,483,931	-
Net other postemployment benefits liability.....	2,850,424	1,775,178	1,401,788	6,027,390	-
Bonds payable.....	<u>3,146,200</u>	<u>1,454,508</u>	<u>-</u>	<u>4,600,708</u>	<u>-</u>
Total noncurrent liabilities.....	<u>9,398,924</u>	<u>5,341,917</u>	<u>1,409,438</u>	<u>16,150,279</u>	<u>-</u>
TOTAL LIABILITIES.....	<u>9,893,143</u>	<u>5,816,910</u>	<u>1,725,868</u>	<u>17,435,921</u>	<u>1,485,873</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions.....	124,910	77,791	-	202,701	-
Deferred inflows related to other postemployment benefits.....	<u>1,536,562</u>	<u>956,935</u>	<u>755,654</u>	<u>3,249,151</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>1,661,472</u>	<u>1,034,726</u>	<u>755,654</u>	<u>3,451,852</u>	<u>-</u>
NET POSITION					
Net investment in capital assets.....	9,514,584	7,099,422	1,241,954	17,855,960	-
Unrestricted.....	<u>(255,539)</u>	<u>1,715,467</u>	<u>(1,421,286)</u>	<u>38,642</u>	<u>(38,783)</u>
TOTAL NET POSITION.....	<u>\$ 9,259,045</u>	<u>\$ 8,814,889</u>	<u>\$ (179,332)</u>	<u>\$ 17,894,602</u>	<u>\$ (38,783)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2023

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Golf Course	Total	
OPERATING REVENUES:					
Employee contributions.....	\$ -	\$ -	\$ -	\$ -	\$ 5,426,615
Employer contributions.....	-	-	-	-	10,757,797
Charges for services.....	7,289,538	5,047,899	1,122,924	13,460,361	-
TOTAL OPERATING REVENUES	7,289,538	5,047,899	1,122,924	13,460,361	16,184,412
OPERATING EXPENSES:					
Cost of services and administration.....	3,798,591	2,670,282	447,869	6,916,742	-
Salaries and wages.....	1,000,628	623,168	492,091	2,115,887	-
Depreciation.....	584,818	535,673	71,021	1,191,512	-
Employee benefits.....	-	-	-	-	17,677,082
TOTAL OPERATING EXPENSES.....	5,384,037	3,829,123	1,010,981	10,224,141	17,677,082
OPERATING INCOME (LOSS).....	1,905,501	1,218,776	111,943	3,236,220	(1,492,670)
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	-	-	16,822	16,822	54,435
Interest expense.....	(115,644)	(59,880)	-	(175,524)	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(115,644)	(59,880)	16,822	(158,702)	54,435
CHANGE IN NET POSITION.....	1,789,857	1,158,896	128,765	3,077,518	(1,438,235)
NET POSITION AT BEGINNING OF YEAR.....	7,469,188	7,655,993	(308,097)	14,817,084	1,399,452
NET POSITION AT END OF YEAR.....	\$ 9,259,045	\$ 8,814,889	\$ (179,332)	\$ 17,894,602	\$ (38,783)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2023

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Golf Course	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 7,275,002	\$ 5,102,275	\$ 1,122,924	\$ 13,500,201	\$ 5,426,615
Receipts from interfund services provided.....	-	-	-	-	10,306,077
Payments to vendors.....	(3,746,908)	(2,544,697)	(514,996)	(6,806,601)	-
Payments to employees.....	(994,494)	(610,187)	(486,592)	(2,091,273)	-
Payments for interfund services used.....	-	-	-	-	(16,830,020)
NET CASH FROM OPERATING ACTIVITIES.....	2,533,600	1,947,391	121,336	4,602,327	(1,097,328)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets.....	(212,946)	-	(49,300)	(262,246)	-
Principal payments on bonds and notes.....	(387,600)	(318,275)	-	(705,875)	-
Interest expense.....	(116,716)	(60,817)	-	(177,533)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(717,262)	(379,092)	(49,300)	(1,145,654)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income.....	-	-	16,822	16,822	54,435
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,816,338	1,568,299	88,858	3,473,495	(1,953,774)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	3,995,717	3,104,966	712,792	7,813,475	2,038,263
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 5,812,055	\$ 4,673,265	\$ 801,650	\$ 11,286,970	\$ 84,489
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH					
FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ 1,905,501	\$ 1,218,776	\$ 111,943	\$ 3,236,220	\$ (1,492,670)
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation.....	584,818	535,673	71,021	1,191,512	-
Deferred (outflows)/inflows related to pensions.....	(583,302)	(364,816)	-	(948,118)	-
Deferred (outflows)/inflows related to other postemployment benefits....	150,783	85,556	62,818	299,157	-
Changes in assets and liabilities:					
User charges.....	(14,536)	54,376	-	39,840	-
Warrants payable.....	(7,975)	154,015	(9,478)	136,562	22,546
Accrued payroll.....	4,734	12,481	4,399	21,614	(5,260)
Health claims payable.....	-	-	-	-	829,776
Other liabilities.....	-	-	380	380	-
Compensated absences.....	1,400	500	1,100	3,000	-
Net pension liability.....	657,096	382,803	-	1,039,899	-
Other postemployment benefits.....	(164,919)	(131,973)	(120,847)	(417,739)	-
Total adjustments.....	628,099	728,615	9,393	1,366,107	395,342
NET CASH FROM OPERATING ACTIVITIES.....	\$ 2,533,600	\$ 1,947,391	\$ 121,336	\$ 4,602,327	\$ (1,097,328)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

	<u>Other Postemployment Benefit Trust Fund</u>	<u>Private Purpose Trust Funds</u>
ASSETS		
Cash and cash equivalents.....	\$ 5,823	\$ 1,571
Investments:		
Equity securities.....	313,947	-
Fixed income mutual funds.....	166,084	-
Equity mutual funds.....	1,007,679	-
Other investments.....	<u>-</u>	<u>181,870</u>
 TOTAL ASSETS.....	 <u>1,493,533</u>	 <u>183,441</u>
NET POSITION		
Restricted for other postemployment benefits.....	1,493,533	-
Held in trust for other purposes.....	<u>-</u>	<u>183,441</u>
 TOTAL NET POSITION.....	 <u>\$ 1,493,533</u>	 <u>\$ 183,441</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2023

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 100,000	\$ -
Employer contributions for other postemployment benefit payments....	4,396,787	-
Private donations.....	-	2,000
Total contributions.....	4,496,787	2,000
Net investment income:		
Investment income (loss).....	108,344	6,783
TOTAL ADDITIONS.....	4,605,131	8,783
DEDUCTIONS:		
Other postemployment benefit payments.....	4,396,787	-
Private purposes.....	-	1,535
Educational scholarships.....	-	15,000
TOTAL DEDUCTIONS.....	4,396,787	16,535
NET INCREASE (DECREASE) IN NET POSITION.....	208,344	(7,752)
NET POSITION AT BEGINNING OF YEAR.....	1,285,189	191,193
NET POSITION AT END OF YEAR.....	\$ 1,493,533	\$ 183,441

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the City of Agawam, Massachusetts (City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant City accounting policies are described herein.

A. Reporting Entity

The City is a municipal corporation that is governed by an elected Mayor and City Council (the Council).

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and institutions. The City has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the basic financial statements to be misleading or incomplete. It has been determined that there are no component units that meet the requirements for inclusion in the City's basic financial statements.

B. Government-Wide and Fund Financial Statements***Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds 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. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal 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.

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *ARPA grant* is a special revenue fund used to account for the American Rescue Plan Act grant funds and expenditures incurred.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

The *golf course enterprise fund* is used to account for the golf course activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to workers' compensation.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund* accumulates resources to provide funding for future OPEB (other postemployment benefit) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings. The City's private-purpose trust fund is primarily comprised of scholarships.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Fair Value Measurements

The City reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially

affect amounts reported in these financial statements. For more information on the fair value of the City's financial instruments, see Note 2– Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

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 Assessors for 100% of the estimated fair market value. Taxes are due on November 1st and May 1st 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 year of the levy.

Real estate tax liens are processed after the close of the valuation year on delinquent properties and are recorded as receivables in the year they are processed.

Real estate and personal property taxes receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Motor Vehicle Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered in the City and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

User Charges

Water and Sewer user charges are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and Sewer liens are processed every year and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables are recorded as receivables in the year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets; donated works of art, historical treasures and similar assets; and capital assets received in concession service arrangements are recorded at acquisition value.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20-30
Buildings.....	20-40
Buildings and improvements.....	7-40
Equipment.....	5-10
Vehicles.....	5-15
Infrastructure.....	40-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has reported deferred outflows of resources related to pensions and deferred outflows of resources related to other postemployment benefits in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has reported deferred inflows of resources related to pensions and deferred inflows of resources related to other postemployment benefits in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The City has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

J. Unearned and Unavailable Revenue

Unearned revenue at the government-wide and fund financial statement level represents resources that have been received, but not yet earned.

Fund Financial Statements

Unavailable revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting, i.e. receivables that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

L. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as “Transfers, net”.

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

M. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program is not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Capital purposes” represents amounts held for capital projects.

“Permanent funds - expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings.

“Permanent funds - nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Gifts and grants” represents assets that have restrictions placed on them from outside parties.

“Community preservation” represents amounts held for uses restricted by law for community preservation purposes.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

"Nonspendable" fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

"Restricted" fund balance includes amounts subject to constraints placed on the use of resources that is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

"Assigned" fund balance includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

"Unassigned" fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The City's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Hampden County Contributory Retirement System (System) and the Massachusetts Teachers' Retirement System and additions to/deductions from the Systems fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

P. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Q. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

R. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 year. Actual results could vary from estimates that were used.

S. Individual Fund Deficits

Individual fund deficits exist within the City capital project funds. This deficit will be funded through available funds and bond proceeds in future years.

T. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that, in the event of a bank failure, the City of Agawam's deposits may not be returned to it. The City has adopted a formal policy to limit custodial credit risk of deposits. The policy limits the City's uninsured, uncollateralized deposits to 5% of any one financial institution's assets. Insured and collateralized CD's are limited to maturities of one year or less and uninsured CD's are limited to maturities of three months or less.

At year-end, the carrying amount of the City's deposits totaled \$67,106,771 and the bank balance totaled \$69,016,467. Of these bank balances, \$3,452,786 was covered by Federal Depository Insurance, \$53,055,119 was covered by the Depositors Insurance Fund, \$2,689,880 was collateralized and \$9,818,682 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2023, the City of Agawam had the following investments:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>		
		<u>Under 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 3,305,378	\$ 2,776,575	\$ 528,803	\$ -
Government sponsored enterprises.....	176,267	-	176,267	-
Corporate bonds.....	4,789,652	1,623,803	3,165,849	-
Total debt securities.....	8,271,297	<u>4,400,378</u>	<u>3,870,919</u>	<u>-</u>
<u>Other investments:</u>				
Equity securities.....	3,127,986			
Equity mutual funds.....	1,480,837			
Fixed income mutual funds.....	1,082,515			
Money market mutual funds.....	85,722			
MMDT - Cash portfolio.....	431,411			
Total investments.....	<u>\$ 14,479,768</u>			

The Town participates in MMDT, which maintains a cash portfolio with combined average maturities of approximately 33 days.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City investments in debt securities of \$8,721,297 and in equity securities of \$3,127,986 which are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty. The City does not have a formal investment policy for custodial credit risk.

Interest Rate Risk

Interest rate risk is the City's exposure to fair value losses arising from increasing interest rates. As a means of managing this risk, the City's investment policy limits original maturities of insured CD's to one year or less and uninsured CD's to three months or less. The City's investment policy does not limit maturities of other forms of investments.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer or backer. The City has adopted a formal policy to limit credit risk of investments. For investments related to the City's General Fund, Special Revenue Funds, Capital Project Funds, and Enterprise Funds, the policy allows for unlimited investments in MMDT and U.S. Treasuries and Agencies that will be held to maturity with original maturities of one year or less. The City's Trust Funds and Stabilization Funds are also allowed to be invested in securities legal for savings banks which are detailed on the "Legal List" which is published by the Banking Commissioner each July. The City utilizes the services of bank credit worthiness reporting systems when considering instruments for investment. The City's investment policy does not specifically limit the credit ratings of individual investments, but does require each

investment broker/dealer to provide proof of credit worthiness including a minimum of five years in operation and a minimum of \$10 million in capital.

The City’s investments at June 30, 2023 are rated as follows:

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AAA.....	\$ -	\$ 87,421
AA+.....	176,267	-
AA-.....	-	847,688
A+.....	-	88,149
A.....	-	1,688,759
BBB+.....	-	1,076,284
BBB.....	-	1,001,351
 Total.....	 \$ 176,267	 \$ 4,789,652

The Town’s investments in MMDT, money market mutual funds and fixed income mutual funds are unrated.

Concentration of Credit Risk

With the exception of US Treasury obligations or investments fully collateralized by U.S. Treasuries or Agencies, and MMDT, the City’s investment policy limits the amount that may be invested in any one financial institution to no more than 10% of the City’s total investments. The policy does not limit the amount that may be invested in an individual security.

More than 5 percent of the City’s investments of are in the following securities:

<u>Issuer</u>	<u>Percentage of Total Investments</u>
United States Treasury Notes.....	24%
Bank of America.....	6%
Georgia Power Co.....	5%

Fair Value of Investments

The City holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the City’s mission, the City determines that the disclosures related to these investments only need to be disaggregated by major type. The City chooses a tabular format for disclosing the levels within the fair value hierarchy.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

Investment Type	June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 3,305,378	\$ 3,305,378	\$ -	\$ -
Government sponsored enterprises.....	176,267	176,267	-	-
Corporate bonds.....	4,789,652	-	4,789,652	-
Total debt securities.....	8,271,297	3,481,645	4,789,652	-
<u>Other investments:</u>				
Equity securities.....	3,127,986	3,127,986	-	-
Equity mutual funds.....	1,480,837	1,480,837	-	-
Fixed income.....	1,082,515	1,082,515	-	-
Money market mutual funds.....	85,722	85,722	-	-
Total other investments.....	5,777,060	5,777,060	-	-
Total investments measured at fair value.....	14,048,357	\$ 9,258,705	\$ 4,789,652	\$ -
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	431,411			
Total investments.....	\$ 14,479,768			

Government Sponsored Enterprises, equity securities, money market mutual funds and bond mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on securities' relationship to benchmark quoted prices. Investments classified in Level 3 are valued using significant unobservable inputs. The City does not have any investments in this category.

MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

NOTE 3 – RECEIVABLES

At June 30, 2023, receivables for the individual major and nonmajor governmental funds, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 615,173	\$ -	\$ 615,173
Tax liens.....	1,605,595	-	1,605,595
Community preservation fund surtax.....	934	-	934
Motor vehicle and other excise taxes.....	580,236	(169,548)	410,688
Departmental and other.....	2,323,936	-	2,323,936
Intergovernmental.....	2,028,956	-	2,028,956
Community preservation state share.....	125,466	-	125,466
Total.....	<u>\$ 7,280,296</u>	<u>\$ (169,548)</u>	<u>\$ 7,110,748</u>

At June 30, 2023, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges.....	\$ 1,929,973	\$ -	\$ 1,929,973
Sewer user charges.....	1,743,086	-	1,743,086
Total.....	<u>\$ 3,673,059</u>	<u>\$ -</u>	<u>\$ 3,673,059</u>

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. At the end of the current year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 400,971	\$ -	\$ 400,971
Tax liens.....	1,605,595	-	1,605,595
Community preservation fund surtax.....	-	934	934
Motor vehicle and other excise taxes.....	410,688	-	410,688
Departmental and other.....	45,383	1,826,833	1,872,216
Intergovernmental.....	-	988,309	988,309
Community preservation state share.....	-	125,466	125,466
Tax foreclosures.....	7,074	-	7,074
Total.....	<u>\$ 2,469,711</u>	<u>\$ 2,941,542</u>	<u>\$ 5,411,253</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,727,720	\$ -	\$ -	\$ 3,727,720
Construction in progress.....	2,115,893	3,613,606	-	5,729,499
Total capital assets not being depreciated....	<u>5,843,613</u>	<u>3,613,606</u>	<u>-</u>	<u>9,457,219</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	18,628,800	-	-	18,628,800
Buildings.....	46,351,587	-	-	46,351,587
Buildings and improvements.....	8,371,900	946,324	-	9,318,224
Equipment.....	13,441,659	941,925	-	14,383,584
Vehicles.....	11,268,275	315,063	(22,420)	11,560,918
Infrastructure.....	75,833,875	3,935,867	-	79,769,742
Total capital assets being depreciated.....	<u>173,896,096</u>	<u>6,139,179</u>	<u>(22,420)</u>	<u>180,012,855</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(7,238,502)	(904,348)	-	(8,142,850)
Buildings.....	(32,265,900)	(800,845)	-	(33,066,745)
Buildings and improvements.....	(3,788,510)	(427,740)	-	(4,216,250)
Equipment.....	(8,076,548)	(920,184)	-	(8,996,732)
Vehicles.....	(10,018,282)	(553,217)	22,420	(10,549,079)
Infrastructure.....	(39,042,295)	(1,755,023)	-	(40,797,318)
Total accumulated depreciation.....	<u>(100,430,037)</u>	<u>(5,361,357)</u>	<u>22,420</u>	<u>(105,768,974)</u>
Total capital assets being depreciated, net.....	<u>73,466,059</u>	<u>777,822</u>	<u>-</u>	<u>74,243,881</u>
Total governmental activities capital assets, net.....	<u>\$ 79,309,672</u>	<u>\$ 4,391,428</u>	<u>\$ -</u>	<u>\$ 83,701,100</u>

Business-Type Activities

Capital asset activity for the water enterprise fund are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 331,485	\$ -	\$ -	\$ 331,485
<u>Capital assets being depreciated:</u>				
Buildings.....	1,813,057	-	-	1,813,057
Equipment.....	1,418,683	-	-	1,418,683
Vehicles.....	734,962	212,946	-	947,908
Infrastructure.....	21,161,268	-	-	21,161,268
Total capital assets being depreciated.....	<u>25,127,970</u>	<u>212,946</u>	<u>-</u>	<u>25,340,916</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(764,864)	(45,326)	-	(810,190)
Equipment.....	(620,251)	(103,589)	-	(723,840)
Vehicles.....	(661,633)	(54,177)	-	(715,810)
Infrastructure.....	(11,043,576)	(381,726)	-	(11,425,302)
Total accumulated depreciation.....	<u>(13,090,324)</u>	<u>(584,818)</u>	<u>-</u>	<u>(13,675,142)</u>
Total capital assets being depreciated, net.....	<u>12,037,646</u>	<u>(371,872)</u>	<u>-</u>	<u>11,665,774</u>
Total water activities capital assets, net.....	<u>\$ 12,369,131</u>	<u>\$ (371,872)</u>	<u>\$ -</u>	<u>\$ 11,997,259</u>

Capital asset activity for the sewer enterprise fund are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 566,550	\$ -	\$ -	\$ 566,550
Construction in progress.....	-	-	-	-
Total capital assets not being depreciated....	<u>566,550</u>	<u>-</u>	<u>-</u>	<u>566,550</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	984,484	-	-	984,484
Buildings and improvements.....	17,478	-	-	17,478
Equipment.....	461,196	-	-	461,196
Vehicles.....	673,613	-	-	673,613
Infrastructure.....	<u>26,945,856</u>	<u>-</u>	<u>-</u>	<u>26,945,856</u>
Total capital assets being depreciated.....	<u>29,082,627</u>	<u>-</u>	<u>-</u>	<u>29,082,627</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(381,649)	(24,612)	-	(406,261)
Buildings and improvements.....	(13,545)	(874)	-	(14,419)
Equipment.....	(272,325)	(37,475)	-	(309,800)
Vehicles.....	(663,735)	(6,587)	-	(670,322)
Infrastructure.....	<u>(19,201,171)</u>	<u>(466,125)</u>	<u>-</u>	<u>(19,667,296)</u>
Total accumulated depreciation.....	<u>(20,532,425)</u>	<u>(535,673)</u>	<u>-</u>	<u>(21,068,098)</u>
Total capital assets being depreciated, net.....	<u>8,550,202</u>	<u>(535,673)</u>	<u>-</u>	<u>8,014,529</u>
Total sewer activities capital assets, net.....	<u>\$ 9,116,752</u>	<u>\$ (535,673)</u>	<u>\$ -</u>	<u>\$ 8,581,079</u>

Capital asset activity for the golf course enterprise fund are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Golf Course Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 789,557	\$ -	\$ -	\$ 789,557
<u>Capital assets being depreciated:</u>				
Land improvements.....	856,539	-	-	856,539
Buildings.....	114,755	-	-	114,755
Buildings and improvements.....	69,950	49,300	-	119,250
Equipment.....	461,194	-	-	461,194
Vehicles.....	460,867	-	-	460,867
Total capital assets being depreciated.....	1,963,305	49,300	-	2,012,605
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(759,885)	(15,557)	-	(775,442)
Buildings.....	(87,211)	(2,395)	-	(89,606)
Buildings and improvements.....	(15,739)	(4,730)	-	(20,469)
Equipment.....	(318,670)	(23,558)	-	(342,228)
Vehicles.....	(307,682)	(24,781)	-	(332,463)
Total accumulated depreciation.....	(1,489,187)	(71,021)	-	(1,560,208)
Total capital assets being depreciated, net.....	474,118	(21,721)	-	452,397
Total golf course activities capital assets, net.....	\$ 1,263,675	\$ (21,721)	\$ -	\$ 1,241,954

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government.....	\$ 506,236
Public safety.....	643,555
Education.....	1,393,870
Public works.....	2,133,785
Health and human services.....	210,271
Culture and recreation.....	473,640
Total depreciation expense - governmental activities.....	\$ 5,361,357
Business-Type Activities:	
Water.....	\$ 584,818
Sewer.....	535,673
Golf course.....	71,021
Total depreciation expense - business-type activities.....	\$ 1,191,512

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables for the year ended June 30, 2023, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activities:		
General fund.....	Highway improvement fund.....	\$ 212,996
General fund.....	Golf course enterprise fund.....	<u>226,841</u>
Total		<u>\$ 439,837</u>

These amounts represent advances between funds to meet temporary cash flow needs.

Interfund transfers for the year ended June 30, 2023, are summarized as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>
<u>General fund</u>	
Nonmajor governmental funds.....	\$ <u>392,961</u>

Budgeted transfer to the general fund from the fire ambulance fee and police detail special revenue funds.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund, special revenue and enterprise funds, respectively.

The City had the following short-term debt activity during 2023:

<u>Type</u>	<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2022</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2023</u>
Governmental Funds:							
BAN	Municipal Purpose.....	1.40%	05/11/23	\$ 1,500,000	\$ -	\$ (1,500,000)	\$ -
BAN	Municipal Purpose.....	6.00%	02/01/24	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u> (1)
Total Governmental Funds.....				<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ (1,500,000)</u>	<u>\$ 1,500,000</u>

(1) On February 1, 2024, the Town rolled the balance into a new \$16,534,500 bond anticipation note maturing on October 29, 2024 with a 3.75% interest rate.

NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2023, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
General Obligation Bonds Payable:				
Municipal Purpose Bonds of 2007	2026	\$ 3,346,800	2.00-4.00	\$ 500,400
Municipal Purpose Bonds of 2009	2028	7,330,000	3.00-5.00	1,690,000
Municipal Purpose Bonds of 2012.....	2031	2,516,000	2.00-3.00	40,000
Municipal Purpose Bonds of 2014.....	2024	810,410	2.00-4.00	80,000
Municipal Purpose Bonds of 2016.....	2036	8,185,000	2.00-2.50	4,625,000
Municipal Purpose Bonds of 2018.....	2028	2,479,000	4.00-5.00	257,000
Municipal Purpose Bonds of 2021.....	2031	1,475,000	2.00-5.00	1,995,000
Total General Obligation Bonds Payable.....				<u>9,187,400</u>
Direct Borrowings Payable:				
MCWT Bonds 2005.....	2025	196,417	2.00	29,058
MCWT Bonds 2011.....	2025	79,836	2.00	12,817
Total Direct Borrowings.....				<u>41,875</u>
Total Bonds Payable.....				<u>\$ 9,229,275</u>

Debt service requirements for principal and interest for Governmental general obligation bonds and direct borrowings payable in future years are as follows:

Year	General Obligation Bonds Payable		
	Principal	Interest	Total
2024.....	\$ 1,404,800	\$ 278,841	\$ 1,683,641
2025.....	1,322,800	231,144	1,553,944
2026.....	1,322,800	184,787	1,507,587
2027.....	1,151,000	138,456	1,289,456
2028.....	1,146,000	99,175	1,245,175
2029.....	750,000	67,570	817,570
2030.....	745,000	45,170	790,170
2031.....	745,000	30,220	775,220
2032.....	120,000	14,520	134,520
2033.....	120,000	11,760	131,760
2034.....	120,000	9,000	129,000
2035.....	120,000	6,000	126,000
2036.....	120,000	3,000	123,000
Total.....	\$ <u>9,187,400</u>	\$ <u>1,119,643</u>	\$ <u>10,307,043</u>

Year	Direct Borrowings Payable		
	Principal	Interest	Total
2024.....	\$ 20,873	\$ 938	\$ 21,811
2025.....	21,002	193	21,195
Total.....	\$ <u>41,875</u>	\$ <u>1,131</u>	\$ <u>43,006</u>

Bonds Payable Schedule – Sewer and Water Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
Sewer Enterprise Fund				
General Obligation Bonds Payable:				
Municipal Purpose Bonds of 2007.....	2026	\$ 882,600	4.00	\$ 132,300
Municipal Purpose Bonds of 2012	2031	3,398,000	2.00-3.00	1,160,000
Municipal Purpose Bonds of 2018	2028	677,000	4.00-5.00	<u>201,500</u>
Total General Obligation Bonds Payable.....				<u>1,493,800</u>
Direct Bonds Payable:				
MCWT Bond 2009.....	2029	682,682	2.00	<u>229,702</u>
Total Sewer Bonds Payable.....				<u>1,723,502</u>
Water Enterprise Fund				
General Obligation Bonds Payable:				
Municipal Purpose Bonds of 2007	2026	882,600	4.00	132,300
Municipal Purpose Bonds of 2014.....	2034	6,000,660	2.00-4.00	3,300,000
Municipal Purpose Bonds of 2018.....	2028	129,000	4.00-5.00	61,500
Municipal Purpose Bonds of 2021.....	2031	100,000	2.00-5.00	<u>35,000</u>
Total Water Bonds Payable.....				<u>3,528,800</u>
Total Bonds Payable, net.....				<u>\$ 5,252,302</u>

Debt service requirements for the enterprise fund general obligation bonds and direct borrowings payable in future years are as follows:

SEWER ENTERPRISE FUND

Year	General Obligation Bonds Payable		
	Principal	Interest	Total
2024.....	\$ 232,600	\$ 46,528	\$ 279,128
2025.....	231,100	38,963	270,063
2026.....	231,100	31,474	262,574
2027.....	182,000	23,985	205,985
2028.....	182,000	18,880	200,880
2029.....	145,000	13,050	158,050
2030.....	145,000	8,700	153,700
2031.....	145,000	4,350	149,350
Totals.....	<u>\$ 1,493,800</u>	<u>\$ 185,930</u>	<u>\$ 1,679,730</u>

SEWER ENTERPRISE FUND

Year	Direct Borrowings Payable		
	Principal	Interest	Total
2024.....	\$ 36,394	\$ 4,230	\$ 40,624
2025.....	37,131	3,495	40,626
2026.....	37,881	2,745	40,626
2027.....	38,646	1,980	40,626
2028.....	39,426	1,199	40,625
2029.....	40,224	402	40,626
Totals.....	\$ <u>229,702</u>	\$ <u>14,051</u>	\$ <u>243,753</u>

WATER ENTERPRISE FUND

Year	General Obligation Bonds Payable		
	Principal	Interest	Total
2024.....	\$ 382,600	\$ 106,778	\$ 489,378
2025.....	366,100	96,788	462,888
2026.....	356,100	87,024	443,124
2027.....	312,000	75,660	387,660
2028.....	312,000	66,180	378,180
2029.....	300,000	56,700	356,700
2030.....	300,000	47,700	347,700
2031.....	300,000	38,700	338,700
2032.....	300,000	29,250	329,250
2033.....	300,000	19,800	319,800
2034.....	300,000	9,900	309,900
Total.....	\$ <u>3,528,800</u>	\$ <u>634,480</u>	\$ <u>4,163,280</u>

Changes in Long-term Liabilities

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

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 10,992,200	\$ -	\$ (1,804,800)	\$ -	\$ -	\$ 9,187,400	\$ 1,404,800
Direct borrowings payable.....	62,624	-	(20,749)	-	-	41,875	20,873
Total bonds payable.....	11,054,824	-	(1,825,549)	-	-	9,229,275	1,425,673
Compensated absences.....	3,932,000	-	-	2,221,700	(2,143,000)	4,010,700	2,185,350
Net pension liability.....	72,690,592	-	-	26,020,903	(8,059,985)	90,651,510	-
Net other postemployment benefits.....	173,999,788	-	-	7,021,902	(14,651,591)	166,370,099	-
Total governmental activity long-term liabilities.....	\$ 261,677,204	\$ -	\$ (1,825,549)	\$ 35,264,505	\$ (24,854,576)	\$ 270,261,584	\$ 3,611,023
Business-Type Activities:							
Long-term bonds payable.....	\$ 5,692,800	\$ -	\$ (670,200)	\$ -	\$ -	\$ 5,022,600	\$ 615,200
Direct borrowings payable.....	265,377	-	(35,675)	-	-	229,702	36,394
Total bonds payable.....	5,958,177	-	(705,875)	-	-	5,252,302	651,594
Compensated absences.....	148,000	-	-	113,000	(110,000)	151,000	112,750
Net pension liability.....	4,444,032	-	-	1,527,485	(487,586)	5,483,931	-
Net other postemployment benefits.....	6,445,129	-	-	2,826,922	(3,244,661)	6,027,390	-
Total business-type activity long-term liabilities.....	\$ 16,995,338	\$ -	\$ (705,875)	\$ 4,467,407	\$ (3,842,247)	\$ 16,914,623	\$ 764,344

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The City has adopted GASB 54 which provides a more structured classification of fund balance and improves the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. At June 30, 2023, the balance of the Stabilization Fund is \$8,000,550, the Energy Management Stabilization Fund is \$106,977, and the Capital Stabilization Fund is \$,031,522. These balances are reported as unassigned fund balance within the general fund.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The City has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority.

- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose

The City has classified its fund balances with the following hierarchy.

	General	ARPA Grant	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 376,139	\$ 376,139
Restricted for:				
ARPA grant.....	-	3,629,185	-	3,629,185
City revolving funds.....	-	-	4,293,421	4,293,421
City gifts and grants funds.....	-	-	1,134,278	1,134,278
School revolving funds.....	-	-	2,567,482	2,567,482
School gifts and grants funds.....	-	-	328,303	328,303
Community preservation fund.....	-	-	5,687,826	5,687,826
Other special revenue.....	-	-	699,240	699,240
City capital project funds.....	-	-	147,611	147,611
School capital funds.....	-	-	90,529	90,529
Cemeteries and libraries trust funds.....	-	-	710,608	710,608
Education trust funds.....	-	-	100,715	100,715
Assigned to:				
Encumbrances:				
General government.....	1,109,800	-	-	1,109,800
Public safety.....	216,280	-	-	216,280
Education.....	53,158	-	-	53,158
Public works.....	175,003	-	-	175,003
Health and human services.....	174	-	-	174
Culture and recreation.....	24	-	-	24
Property and liability insurance.....	9,583	-	-	9,583
Employee benefits.....	472,940	-	-	472,940
Capital Outlay.....	1,764,511	-	-	1,764,511
Free cash used for subsequent year budget.....	4,100,000	-	-	4,100,000
Unassigned.....	28,688,197	-	(4,183,291)	24,504,906
Total Fund Balances.....	\$ 36,589,670	\$ 3,629,185	\$ 11,952,861	\$ 52,171,716

NOTE 9 – RISK FINANCING

The City 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 City carries commercial insurance. The City participates in a premium-based health care plan for its active employees.

The City is self-insured for its workers’ compensation and unemployment compensation activities. Workers’ compensation activities are accounted for in the internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Unemployment Compensation

Unemployment compensation activities are accounted for in the general fund and are funded on a pay-as-you go basis from annual appropriations. The City’s liability for unemployment compensation is not material at June 30, 2023, and therefore is not reported.

Workers' Compensation

Workers' compensation claims are funded on a pay-as-you-go basis from annual appropriations. The City's contributions to the fund are based upon a percentage of the City's current payroll expenditures and claims paid out of the fund. The estimated future workers' compensation liability is based on history and injury type. The City's liability for workers' compensation is not material at June 30, 2023, and therefore is not reported.

NOTE 10 – PENSION PLAN

Plan Descriptions

The City is a member of the Hampden County Regional Retirement System (HCRRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 32 member units. The system is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

The City is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of the actuarially determined employer contributions on behalf of the City to the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2022. The City's portion of the collective pension expense, contributed by the Commonwealth, of \$8,523,900 is reported in the general fund as intergovernmental revenue and pension expense in the current year. The portion of the Commonwealth's collective net pension liability associated with the City is \$103,621,755 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the HCRRS a legislatively mandated actuarial determined contribution that is apportioned among the employees based on active current payroll. The City's proportionate share of the actual contribution which exceeded its actual contribution of \$8,545,219 by \$2,352 for the year ended December 31, 2022, was \$8,547,571, or 29.59% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2023, the City reported a liability of \$96,135,441 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2022, the City's proportion was 21.85%, which decreased from its 22.18% proportion measured at December 31, 2021.

Pension Expense

For the year ended June 30, 2023, the City recognized a pension expense of \$10,972,734. At June 30, 2023, the City reported deferred outflows of resources related to pensions of \$15,605,327 and deferred inflows of resources related to pensions of \$3,553,430.

The balances of deferred outflows and inflows at June 30, 2023 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 243,273	\$ (1,018,702)	\$ (775,429)
Difference between projected and actual earnings.....	7,235,782	-	7,235,782
Changes in assumptions.....	4,574,800	-	4,574,800
Changes in proportion and proportionate share of contributions...	3,551,472	(2,534,728)	1,016,744
Total deferred outflows/(inflows) of resources.....	\$ 15,605,327	\$ (3,553,430)	\$ 12,051,897

The City’s deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2024.....	\$ 1,810,470
2025.....	2,781,369
2026.....	2,396,779
2027.....	5,269,432
2028.....	<u>(206,153)</u>
Total.....	\$ <u>12,051,897</u>

Actuarial Assumptions

The total pension liability in the January 1, 2022, actuarial valuation was determined using the following actuarial assumptions:

Valuation date.....	January 1, 2022
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Appropriations increase 8.00% per year. For fiscal 2031 and later years, each year's total appropriation increases 3.75% per year, with a smaller payment in fiscal 2036.
Investment rate of return/discount rate.....	7.00% previously 7.15%
Inflation rate.....	3.25%
Projected salary increases.....	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4.
Cost of living adjustments.....	3.00% of the first \$18,000 of retirement income.
Mortality rates:	
Pre-retirement.....	RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021.
Healthy retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021.
Disabled retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2021.

Investment Policy

The pension plan’s policy in regards to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected nominal rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2022, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	20.50%	6.59%
International developed markets equity..	12.00%	6.87%
International emerging markets equity...	4.50%	8.30%
Core fixed income.....	15.00%	1.53%
High yield fixed income.....	8.00%	3.54%
Real estate.....	10.00%	3.44%
Timber.....	4.00%	4.01%
Hedge fund, GTAA, risk parity.....	10.00%	3.06%
Private equity.....	16.00%	9.49%
Total.....	100.00%	

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -11.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.00% at December 31, 2022, and 7.15% at December 31, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
The City's proportionate share of the net pension liability.....	\$ 118,873,950	\$ 96,135,441	\$ 77,003,667

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Hampden County Regional Retirement System financial report.

Changes in Assumptions

- The investment rate of return was lowered from 7.15% to 7.00%.
- The mortality assumption was revised to update the mortality improvement scale from MP-2017 to MP-2021 and to remove the age set forward for females.
- The administrative expense assumption was increased from \$950,000 to \$1 million for calendar 2022.

Changes in Plan Provisions – None.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS*Plan Description*

The City of Agawam administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare, dental, and life insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the City and the unions representing City employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City. The required contribution is based on a pay-as-you-go financing requirement. The City contributes between 50 to 70 percent of the cost of current-year premiums for health and life insurance for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining percent of their premium costs for health and life insurance and all of the premiums related to dental insurance.

The Commonwealth of Massachusetts passed special legislation that has allowed the City to establish a postemployment benefit trust fund for the purpose of accumulating assets to pre-fund its OPEB liabilities. The City Treasurer is the custodian and Trustee of the OPEB Fund. The Trustee has the authority to employ an Executive Director, outside investment managers, custodians, consultants, and others as it deems necessary to formulate policies and procedures and to take such other actions as necessary and appropriate to manage the assets.

During 2023, the City pre-funded future OPEB liabilities by contributing \$100,000 to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2023, the balance of this fund totaled \$1,493,533. The City has contributed \$100,000 annually to the OPEB Trust Fund but has not adopted a formal long-term policy of pre-funding future OPEB liabilities.

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they

are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Employees Covered by Benefit Terms

The following table represents the Plan's membership at June 30, 2023:

Active members.....	1,029
Inactive members currently receiving benefits.....	<u>540</u>
Total.....	<u>1,569</u>

Components of OPEB Liability

The following table represents the components of the Plan's OPEB liability as of June 30, 2023:

Total OPEB liability.....	\$ 173,891,022
Less: OPEB plan's fiduciary net position.....	<u>(1,493,533)</u>
Net OPEB liability.....	<u>\$ 172,397,489</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	0.86%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2023:

Valuation date.....	July 1, 2022
Actuarial cost method.....	Entry Age Normal Cost Method.
Discount rate.....	The discount rate of 4.35% was based on a blend of the expected long term rate of return on assets and the Bond Buyer's 20 Bond Index as of June 30, 2023.
Long-term rate of return.....	6.57% per annum as of June 30, 2023.
Asset valuation method.....	Market Value.
Healthcare cost trend rate.....	5.50% in 2023 decreasing 0.50% each year until a 4.50% rate is reached in 2025 and the future.
Participation.....	It was assumed that 90% of current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

Marital status.....	It was assumed that 65% of all employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree.
Mortality.....	RPH-2014 Total Dataset Headcount-Weighted mortality table, adjusted back to 2006 base rates, then projected generationally with improvement Scale MP-2021.
Salary increases.....	3.50% annually.
Payroll growth rate.....	2.50% annually.
Inflation rate.....	2.00% annually.
Plan Provisions:	
Plan Types - Medical.....	Pre-65 retirees can choose Master Health Plus, Blue Care Elect, HMO Blue, or Access Blue New England. Post-65 retirees can choose Medicare HMO Blue, Managed Blue for Seniors, or Medex III.
Plan Types - Dental.....	Dental Blue.
Plan Types - Life insurance.....	Fully insured.
Benefits/Cost Sharing.....	The City covers 50% of the premium for Master Health Plus, Medicare Plans, dental insurance and life insurance. The City covers 55% of the premium for Blue Care Elect PPO Plan and 70% of the premium for HMO Blue and Access Blue New England.

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 8.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	40.83%	3.90%
International equity.....	20.33%	5.75%
Domestic bond.....	18.14%	1.39%
International bond.....	3.93%	1.21%
Alternatives.....	16.36%	3.14%
Cash and equivalents.....	0.41%	0.00%
Total.....	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability was 4.35 as of June 30, 2023, and 3.54% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB plan assets was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following table presents the Plan's net OPEB liability, calculated using the discount rate of 4.35%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.35%) or 1-percentage-point higher (5.35%) than the current rate.

	1% Decrease (3.35%)	Current Discount Rate (4.35%)	1% Increase (5.35%)
Net OPEB liability.....	\$ 204,302,984	\$ 172,397,489	\$ 147,137,995

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

The following table presents the Plan's net OPEB liability and service cost, calculated using the healthcare trend rates, as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 142,821,046	\$ 172,397,489	\$ 211,354,869

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022.....	\$ 181,730,428	\$ 1,285,189	\$ 180,445,239
Changes for the year:			
Service cost.....	8,876,228	-	8,876,228
Interest.....	6,880,205	-	6,880,205
Differences between expected and actual experience.....	8,239,281	-	8,239,281
Changes in assumptions.....	(27,438,333)	-	(27,438,333)
Benefit payments.....	(4,396,787)	(4,396,787)	-
Employer contributions.....	-	4,496,787	(4,496,787)
Investment Income.....	-	108,344	(108,344)
Net change.....	(7,839,406)	208,344	(8,047,750)
Balances at June 30, 2023.....	\$ 173,891,022	\$ 1,493,533	\$ 172,397,489

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

For the year ended June 30, 2023 the City recognized OPEB expense of \$6,118,149 and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 7,198,530	\$ (15,103,106)	\$ (7,904,576)
Difference between projected and actual earnings, net.....	-	(66,445)	(66,445)
Changes in assumptions.....	24,603,466	(77,763,789)	(53,160,323)
Total deferred outflows/(inflows) of resources.....	\$ 31,801,996	\$ (92,933,340)	\$ (61,131,344)

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

<u>Year ended June 30:</u>	
2024.....	\$ (9,593,554)
2025.....	(9,593,554)
2026.....	(9,674,382)
2027.....	(10,113,986)
2028.....	(8,347,338)
Thereafter.....	(13,808,530)
Total.....	\$ (61,131,344)

Changes in Assumptions

The discount rate was changed from 3.54% as of June 30, 2022, to 4.35% as of June 30, 2023.

Changes in Plan Provisions

None.

NOTE 12 – COMMITMENTS

The City has no significant commitments as of June 30, 2023.

NOTE 13 – CONTINGENCIES

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2023, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2023, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2023.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 24, 2024, which is the date the financial statements were available to be issued.

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2023, the following GASB pronouncements were implemented:

- GASB Statement #91, *Conduit Debt Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #96, *Subscription-Based Information Technology Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #99, *Omnibus 2022*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.
- The GASB issued Statement #102, *Certain Risk Disclosures*, which is required to be implemented in 2025.

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

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Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the City. It is used to account for all the financial resources, except those required to be accounted for in another fund.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 69,690,243	\$ 69,690,243	\$ 70,350,614	\$ -	\$ 660,371
Tax liens.....	-	-	446,169	-	446,169
Motor vehicle excise taxes.....	3,556,994	3,556,994	4,187,333	-	630,339
Meals tax.....	520,000	520,000	530,671	-	10,671
Penalties and interest on taxes.....	250,000	250,000	388,667	-	138,667
Payments in lieu of taxes.....	50,606	50,606	50,007	-	(599)
Licenses and permits.....	265,000	265,000	436,883	-	171,883
Fines and forfeitures.....	11,800	11,800	54,725	-	42,925
Intergovernmental.....	27,113,009	27,113,009	27,095,204	-	(17,805)
Departmental and other.....	914,462	914,462	1,467,836	-	553,374
Investment income.....	105,000	105,000	817,712	-	712,712
TOTAL REVENUES.....	102,477,114	102,477,114	105,825,821	-	3,348,707
EXPENDITURES:					
Current:					
General government.....	13,821,366	13,563,200	11,626,632	1,109,800	826,768
Public safety.....	11,464,935	11,550,994	10,683,157	216,280	651,557
Education.....	49,719,685	48,770,463	47,886,265	53,158	831,040
Public works.....	3,910,238	3,958,614	3,364,514	175,003	419,097
Health and human services.....	1,337,910	1,398,246	1,347,937	174	50,135
Culture and recreation.....	1,441,194	1,481,906	1,434,518	24	47,364
Pension benefits.....	8,243,070	8,243,070	8,238,656	-	4,414
Property and liability insurance.....	701,000	708,049	649,795	9,583	48,671
Employee benefits.....	13,286,506	13,497,790	12,909,988	472,940	114,862
State and county charges.....	2,178,463	2,178,463	2,092,523	-	85,940
Capital outlay.....	3,319,380	3,618,167	1,712,023	1,764,511	141,633
Debt service:					
Principal.....	2,125,548	1,954,365	1,825,141	-	129,224
Interest.....	470,511	470,511	374,874	-	95,637
TOTAL EXPENDITURES.....	112,019,806	111,393,838	104,146,023	3,801,473	3,446,342
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(9,542,692)	(8,916,724)	1,679,798	(3,801,473)	6,795,049
OTHER FINANCING SOURCES (USES):					
Use of prior year reserves.....	5,498,927	5,498,927	-	-	(5,498,927)
Use of free cash.....	3,500,000	3,765,000	-	-	(3,765,000)
Other amounts.....	217,018	1,226,050	-	-	(1,226,050)
Transfers in.....	426,747	426,747	426,747	-	-
Transfers out.....	(100,000)	(2,000,000)	(2,000,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	9,542,692	8,916,724	(1,573,253)	-	(10,489,977)
NET CHANGE IN FUND BALANCE.....	-	-	106,545	(3,801,473)	(3,694,928)
BUDGETARY FUND BALANCE, Beginning of year.....	26,129,876	26,129,876	26,129,876	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 26,129,876	\$ 26,129,876	\$ 26,236,421	\$ (3,801,473)	\$ (3,694,928)

See notes to required supplementary information.

Pension Plan Schedules

The Schedule of the City's Proportionate Share of the Net Pension Liability presents multi-year trend information on the City's net pension liability and related ratios.

The Schedule of the City's Contributions presents multi-year trend information on the City's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers' Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the City along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
HAMPDEN COUNTY CONTRIBUTORY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2022.....	21.85%	\$ 96,135,441	\$ 28,596,159	336.18%	52.02%
December 31, 2021.....	22.18%	77,134,624	27,865,971	276.81%	60.81%
December 31, 2020.....	20.90%	81,973,872	26,172,217	313.21%	53.80%
December 31, 2019.....	21.71%	88,280,976	26,072,464	338.60%	50.23%
December 31, 2018.....	21.73%	86,517,000	24,844,114	348.24%	47.33%
December 31, 2017.....	21.19%	75,829,828	23,253,635	326.10%	50.82%
December 31, 2016.....	21.37%	77,837,256	23,204,674	335.44%	46.82%
December 31, 2015.....	21.72%	67,837,454	22,602,052	300.14%	49.22%
December 31, 2014.....	20.97%	60,169,184	20,981,312	286.78%	51.38%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE CITY'S CONTRIBUTIONS
HAMPDEN COUNTY CONTRIBUTORY RETIREMENT SYSTEM**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2023.....	\$ 8,545,219	\$ (8,547,571)	\$ (2,352)	\$ 28,882,121	29.59%
June 30, 2022.....	8,031,737	(8,031,737)	-	28,144,631	28.54%
June 30, 2021.....	7,003,812	(7,003,812)	-	26,433,939	26.50%
June 30, 2020.....	6,735,672	(6,741,438)	(5,766)	26,333,189	25.60%
June 30, 2019.....	6,238,909	(6,238,909)	-	25,092,555	24.86%
June 30, 2018.....	5,636,089	(5,636,089)	-	23,486,171	24.00%
June 30, 2017.....	5,259,976	(5,259,976)	-	23,436,721	22.44%
June 30, 2016.....	4,949,900	(4,949,900)	-	22,828,073	21.68%
June 30, 2015.....	4,481,028	(4,481,028)	-	21,191,125	21.15%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2023.....	\$ 103,621,755	\$ 8,523,900	57.75%
2022.....	94,151,068	7,555,231	62.03%
2021.....	119,461,804	14,755,244	50.67%
2020.....	107,340,984	13,016,957	53.95%
2019.....	100,262,000	10,160,000	54.84%
2018.....	93,200,000	9,728,000	54.25%
2017.....	98,326,000	10,030,000	52.73%
2016.....	81,475,000	6,608,000	55.38%
2015.....	65,316,000	4,538,000	61.64%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Changes in the City's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll

The Schedule of the City's Contributions presents multi-year trend information on the City's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE
CITY'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability				
Service Cost.....	\$ 7,704,001	\$ 9,362,679	\$ 7,734,036	\$ 8,031,026
Interest.....	6,391,302	5,817,715	6,637,029	5,517,615
Differences between expected and actual experience.....	(9,432,877)	-	-	(28,678,930)
Changes of assumptions.....	7,900,921	(24,793,232)	12,483,955	35,327,581
Benefit payments.....	(3,194,897)	(2,930,419)	(3,306,710)	(3,040,991)
Net change in total OPEB liability.....	9,368,450	(12,543,257)	23,548,310	17,156,301
Total OPEB liability - beginning.....	168,592,279	177,960,729	165,417,472	188,965,782
Total OPEB liability - ending (a).....	<u>\$ 177,960,729</u>	<u>\$ 165,417,472</u>	<u>\$ 188,965,782</u>	<u>\$ 206,122,083</u>
Plan fiduciary net position				
Employer contributions.....	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Employer contributions for OPEB payments.....	3,194,897	2,930,419	3,306,710	3,040,991
Net investment income (loss).....	42,216	39,077	43,803	25,707
Benefit payments.....	(3,194,897)	(2,930,419)	(3,306,710)	(3,040,991)
Net change in plan fiduciary net position.....	142,216	139,077	143,803	125,707
Plan fiduciary net position - beginning of year.....	432,317	574,533	713,610	857,413
Plan fiduciary net position - end of year (b).....	<u>\$ 574,533</u>	<u>\$ 713,610</u>	<u>\$ 857,413</u>	<u>\$ 983,120</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 177,386,196</u>	<u>\$ 164,703,862</u>	<u>\$ 188,108,369</u>	<u>\$ 205,138,963</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.32%	0.43%	0.45%	0.48%
Covered-employee payroll.....	\$ 47,105,959	\$ 48,283,609	\$ 49,490,699	\$ 52,245,827
Net OPEB liability as a percentage of covered-employee payroll.....	376.57%	341.12%	380.09%	392.64%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

	June 30, 2021	June 30, 2022	June 30, 2023
\$	12,653,055	\$ 13,175,177	\$ 8,876,228
	4,795,740	5,044,932	6,880,205
	-	-	8,239,281
	2,177,453	(54,961,036)	(27,438,333)
	<u>(3,459,920)</u>	<u>(3,817,056)</u>	<u>(4,396,787)</u>
	16,166,328	(40,557,983)	(7,839,406)
	<u>206,122,083</u>	<u>222,288,411</u>	<u>181,730,428</u>
\$	<u>222,288,411</u>	\$ <u>181,730,428</u>	\$ <u>173,891,022</u>
\$	100,000	\$ 100,000	\$ 100,000
	3,459,920	3,817,056	4,396,787
	302,137	(200,068)	108,344
	<u>(3,459,920)</u>	<u>(3,817,056)</u>	<u>(4,396,787)</u>
	402,137	(100,068)	208,344
	<u>983,120</u>	<u>1,385,257</u>	<u>1,285,189</u>
\$	<u>1,385,257</u>	\$ <u>1,285,189</u>	\$ <u>1,493,533</u>
\$	<u>220,903,154</u>	\$ <u>180,445,239</u>	\$ <u>172,397,489</u>
	0.62%	0.71%	0.86%
\$	53,551,973	\$ 54,890,771	\$ 56,481,650
	412.50%	328.74%	305.23%

**SCHEDULE OF THE CITY'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2023.....	\$ 11,620,130	\$ (4,496,787)	\$ 7,123,343	\$ 56,481,650	7.96%
June 30, 2022.....	10,156,373	(3,817,056)	6,339,317	54,890,771	6.95%
June 30, 2021.....	9,037,002	(3,559,920)	5,477,082	53,551,973	6.65%
June 30, 2020.....	8,896,935	(3,140,991)	5,755,944	52,245,827	6.01%
June 30, 2019.....	10,340,313	(3,406,710)	6,933,603	49,490,699	6.88%
June 30, 2018.....	10,119,225	(3,030,419)	7,088,806	48,283,609	6.28%
June 30, 2017.....	14,095,303	(3,294,897)	10,800,406	47,105,959	6.99%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Year	Annual money-weighted rate of return, net of investment expense
June 30, 2023.....	8.12%
June 30, 2022.....	-14.40%
June 30, 2021.....	25.32%
June 30, 2020.....	2.73%
June 30, 2019.....	5.41%
June 30, 2018.....	5.87%
June 30, 2017.....	8.75%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTING

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by the Council. The Mayor presents an annual budget to the Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Expenditures are budgeted by categories that are broken down by personal services, expenses, debt service and capital outlay and are mandated by Municipal Law. The Council, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget require majority Council approval via a supplemental Council order.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the Council.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2023 approved budget, including amounts carried forward from the prior year, authorized approximately \$112.1 million in appropriations and other amounts to be raised.

The City Auditor has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2023, is presented below:

Net change in fund balance - budgetary basis.....	\$ 106,545
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	2,262,296
<u>Basis of accounting differences:</u>	
Net change in recording 60 day receipts.....	(5,800)
Recognition of revenue for on-behalf payments.....	8,523,900
Recognition of expenditures for on-behalf payments.....	<u>(8,523,900)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 2,363,041</u>

NOTE B – PENSION PLAN***Pension Plan Schedules***Schedule of the City's Proportionate Share of the Net Pension Liability

The Schedule of the City's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

Schedule of the City's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The City may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the City based on covered payroll.

Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the City does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the City; the portion of the collective pension expense as both revenue and pension expense recognized by the City; and the Plan's fiduciary net position as a percentage of the total liability.

Changes in Assumptions

- The investment rate of return was lowered from 7.15% to 7.00%.
- The mortality assumption was revised to update the mortality improvement scale from MP-2017 to MP-2021 and to remove the age set forward for females.
- The administrative expense assumption was increased from \$950,000 to \$1 million for calendar 2022.

Changes in Plan Provisions

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan ("The Retiree Health Plan"). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members, including teachers.

The Other Postemployment Benefit Plan

Schedule of Changes in the City’s Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the City’s Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan’s total OPEB liability, changes in the Plan’s net position, and ending net OPEB liability. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered employee payroll.

Schedule of the City’s Contributions

The Schedule of the City’s Contributions includes the City’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered-employee payroll. The City is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered employee payroll.

Valuation date.....	July 1, 2022
Actuarial cost method.....	Entry Age Normal Cost Method.
Discount rate.....	The discount rate of 4.35% was based on a blend of the expected long term rate of return on assets and the Bond Buyer’s 20 Bond Index as of June 30, 2023.
Long-term rate of return.....	6.57% per annum as of June 30, 2023.
Asset valuation method.....	Market Value.
Healthcare cost trend rate.....	5.50% in 2023 decreasing 0.50% each year until a 4.50% rate is reached in 2025 and the future.
Participation.....	It was assumed that 90% of current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.
Marital status.....	It was assumed that 65% of all employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree.
Mortality.....	RPH-2014 Total Dataset Headcount-Weighted mortality table, adjusted back to 2006 base rates, then projected generationally with improvement Scale MP-2021.
Salary increases.....	3.50% annually.
Payroll growth rate.....	2.50% annually.
Inflation rate.....	2.00% annually.

Plan Provisions:

Plan Types - Medical.....	Pre-65 retirees can choose Master Health Plus, Blue Care Elect, HMO Blue, or Access Blue New England. Post-65 retirees can choose Medicare HMO Blue, Managed Blue for Seniors, or Medex III.
Plan Types - Dental.....	Dental Blue.
Plan Types - Life insurance.....	Fully insured.
Benefits/Cost Sharing.....	The City covers 50% of the premium for Master Health Plus, Medicare Plans, dental insurance and life insurance. The City covers 55% of the premium for Blue Care Elect PPO Plan and 70% of the premium for HMO Blue and Access Blue New England.

Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

Changes in Assumptions:

The discount rate was changed from 3.54% as of June 30, 2022, to 4.35% as of June 30, 2023.

Changes in Plan Provision:

None.