

CITY OF NEWBURYPORT, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2016

CITY OF NEWBURYPORT, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Newburyport, Massachusetts

Additional Offices:

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newburyport, Massachusetts (the City), as of and for the year ended June 30, 2016, (except for the Newburyport Contributory Retirement System, which is as of and for the year ending December 31, 2015) and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 Newburyport, Massachusetts, as of June 30, 2016, (except for the Newburyport Contributory Retirement System, which is as of and for the year ending December 31, 2015) and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Melanson Heath

January 23, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City, we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

Enterprise funds may be used to report any activity for which a fee is charged to an external user, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services to be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the City, or to other governments, on a cost-reimbursement basis. The City uses three enterprise funds to account for sewer, water, and harbormaster operations.

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$93,230,247 (i.e., net position), a change of \$(1,416,020) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$20,959,352, a change of \$2,439,075 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,640,273, a change of \$(291,278) in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$104,393,021, a change of \$3,946,226 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide statement of net position financial data for the current and prior fiscal years (in thousands):

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 32,804	\$ 39,509	\$ 19,444	\$ 17,427	\$ 52,248	\$ 56,936
Capital assets	136,937	129,769	90,957	92,877	227,894	222,646
Deferred outflow of resources	<u>3,543</u>	<u>123</u>	<u>267</u>	<u>9</u>	<u>3,810</u>	<u>132</u>
Total assets and deferred outflows of resources	173,284	169,401	110,668	110,313	283,952	279,714
Long-term liabilities	117,513	103,867	58,308	59,902	175,821	163,769
Other liabilities	10,924	20,411	3,919	888	14,843	21,299
Deferred inflows of resources	<u>58</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58</u>	<u>-</u>
Total liabilities and deferred inflows of resources	128,495	124,278	62,227	60,790	190,722	185,068
Net position:						
Net investment in capital assets	86,113	72,308	41,188	41,443	127,301	113,751
Restricted	13,829	10,044	-	-	13,829	10,044
Unrestricted	<u>(55,153)</u>	<u>(37,229)</u>	<u>7,253</u>	<u>8,080</u>	<u>(47,900)</u>	<u>(29,149)</u>
Total net position	<u>\$ 44,789</u>	<u>\$ 45,123</u>	<u>\$ 48,441</u>	<u>\$ 49,523</u>	<u>\$ 93,230</u>	<u>\$ 94,646</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$93,230,247, a change of \$(1,416,020) from the prior year.

The largest portion of net position \$127,301,088 reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$13,829,325 represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted net position deficit of \$(47,900,166). The negative balance primarily results from recording the City's unfunded portion of the net OPEB obligation and net pension liability.

The following is a summary of condensed government-wide changes in net position financial data for the current and prior fiscal years (in thousands):

<u>CHANGES IN NET POSITION</u>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,382	\$ 6,156	\$ 12,231	\$ 10,158	\$ 18,613	\$ 16,314
Operating grants and contributions	11,879	10,796	267	200	12,146	10,996
Capital grants and contributions	1,866	8,566	-	75	1,866	8,641
General revenues:						
Property taxes	50,673	47,651	-	-	50,673	47,651
Excises	3,348	3,178	-	-	3,348	3,178
Penalties, interest and other taxes	439	445	-	-	439	445
Grants and contributions not restricted to specific programs	2,478	2,386	-	-	2,478	2,386
Investment income	107	861	9	1	116	862
Other	<u>1,306</u>	<u>2,068</u>	<u>-</u>	<u>-</u>	<u>1,306</u>	<u>2,068</u>
Total revenues	<u>78,478</u>	<u>82,107</u>	<u>12,507</u>	<u>10,434</u>	<u>90,985</u>	<u>92,541</u>
Expenses:						
General government	6,432	7,354	-	-	6,432	7,354
Public safety	10,036	9,557	-	-	10,036	9,557
Education	47,546	41,193	-	-	47,546	41,193
Public works	4,522	5,117	-	-	4,522	5,117
Human services	3,185	2,799	-	-	3,185	2,799
Culture and recreation	2,922	3,088	-	-	2,922	3,088
Interest on long-term debt	1,787	1,633	-	-	1,787	1,633
Intergovernmental	2,463	2,573	-	-	2,463	2,573
Sewer operations	-	-	7,387	6,815	7,387	6,815
Water operations	-	-	5,807	5,615	5,807	5,615
Harbor operations	<u>-</u>	<u>-</u>	<u>314</u>	<u>262</u>	<u>314</u>	<u>262</u>
Total expenses	<u>78,893</u>	<u>73,314</u>	<u>13,508</u>	<u>12,692</u>	<u>92,401</u>	<u>86,006</u>
Change in net position before transfers	(415)	8,793	(1,001)	(2,258)	(1,416)	6,535
Transfers in (out)	<u>81</u>	<u>-</u>	<u>(81)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(334)	8,793	(1,082)	(2,258)	(1,416)	6,535
Net position - beginning of year	<u>45,123</u>	<u>36,330</u>	<u>49,523</u>	<u>51,781</u>	<u>94,646</u>	<u>88,111</u>
Net position - end of year	<u>\$ 44,789</u>	<u>\$ 45,123</u>	<u>\$ 48,441</u>	<u>\$ 49,523</u>	<u>\$ 93,230</u>	<u>\$ 94,646</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(334,365). Key elements of this change are as follows:

General fund revenues in excess of expenditures	\$ 991,907
MSBA state grant revenue	827,906
Capital asset additions from current year revenues	1,556,626
Recognize long-term loan receivable for firehouse remodeling	400,000
Depreciation expense in excess of principal debt service	(2,171,058)
Increase in net OPEB obligation	(3,715,130)
Decrease in net pension liability of related deferred outflows	21,389
Other special revenue fund revenues in excess of expense (see additional breakdown in Section D)	1,698,597
Other	55,398
Total	<u>\$ (334,365)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(1,081,655). Key elements of this change and the impact on cash flows are as follows:

	<u>Revenues and Transfers In</u>	<u>Expenses and Transfers Out</u>	<u>Change in Net Position</u>
Sewer Fund	\$ 7,049,858	\$ 7,386,611	\$ (336,753)
Water Fund	5,471,312	6,337,128	(865,816)
Nonmajor Funds	<u>434,820</u>	<u>313,906</u>	<u>120,914</u>
Net	<u>\$ 12,955,990</u>	<u>\$ 14,037,645</u>	<u>\$ (1,081,655)</u>

The reduction of net position in the sewer and water funds is primarily driven by depreciation expense (non-budgeted) exceeding principal debt service payments (budgeted) and recording each funds respective increase of the net OPEB obligation.

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$20,959,352, a change of \$2,439,075 in comparison to the prior year. Key elements of this change are as follows:

Results of general fund operations	\$ 991,907
Bresnahan school building project revenues, bond proceeds, and bond premiums in excess of expenditures	1,669,237
Nock/Molin school building project revenues, bond proceeds, and bond premiums in excess of expenditures	708,412
Community preservation fund revenues in excess of expenditures	339,614
Chapter 90 state grant revenue in excess of expenditures	245,415
Downtown paid parking fund revenues in excess of expenditures	217,229
Other special revenue fund revenues in excess of expenditures	650,924
Nonmajor capital project fund expenditures in excess of revenues and bond proceeds	(2,504,787)
Other	<u>121,124</u>
Total	<u><u>\$ 2,439,075</u></u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,640,273, while total fund balance was \$8,193,867. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below:

<u>General Fund</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 6,640,273	\$ 6,931,551	\$ (291,278)	10.8%
Total fund balance	\$ 8,193,867	\$ 8,131,272	\$ 62,595	13.3%

The total fund balance of the general fund changed by \$62,585 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (2,300,947)
Use of free cash for stabilization funding	515,398
Revenues in excess of budget	1,060,689
Expenditures less than budget	871,194
Current year encumbrances less than expenditures of prior year encumbrances	(107,869)
Other	<u>24,130</u>
Total	<u><u>\$ 62,595</u></u>

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

	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>
General stabilization	\$ 2,708,573	\$ 2,542,763	\$ 165,810
Other stabilization	<u>718,442</u>	<u>237,143</u>	<u>481,299</u>
Total	<u>\$ 3,427,015</u>	<u>\$ 2,779,906</u>	<u>\$ 647,109</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$7,253,434, a change of \$(826,472) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$2,158,278. The reasons for these amendments include:

Capital project funding	\$ 1,332,615
Stabilization funding	515,398
General government appropriations	11,020
Public safety appropriations	90,427
Snow and ice appropriations	28,068
Other public works appropriations	96,400
Health and human services appropriations	<u>84,350</u>
Total	<u>\$ 2,158,278</u>

The supplemental appropriations were primarily funded by the use of free cash and transfers from other funds.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$227,894,426 (net of accumulated depreciation), a change of \$5,248,468 from the prior year. This investment in capital assets includes land, buildings and improvements, infrastructure, and machinery and equipment.

The major capital asset events during the current fiscal year included sewer and water infrastructure improvements, new harbormaster Transient Boater Facility construction, final construction/renovations of the Bresnahan and Nock/Molin schools, final construction of the Senior and Community Center, new construction of the World War Memorial stadium and field, DPS building construction, various roadway improvements, fire trucks, DPW equipment, Colby Farm land acquisition, Cherry Hill soccer field improvements, and police cruisers.

Change in credit rating. During the fiscal year, Standard and Poor's Rating Services reaffirmed the City's credit rating of Aaa.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$104,393,021, all of which was backed by the full faith and credit of the government.

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

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

Fiscal year 2016 marked continued growth in the City's economy, as key indicators, including room occupancy tax, meals tax, motor vehicle excise, licenses and permits, parking receipts, and growth from new construction hit all-time highs. The fiscal 2017 tax rate was set at \$13.45 per \$1,000 based on a tax levy \$53,021,972 and a City-wide valuation of \$3,942,154,029. This tax rate represents a \$0.06 per \$1,000 increase over fiscal 2016 and brings the City to the maximum tax rate allowable under the state's Proposition 2½.

The City continues to expand its tax base through real estate and commercial developments. In addition to new development, the demand for residential property has encouraged owners to make intensive investments within existing homes, including the renovation of many historic properties. Re-zoning efforts have allowed the City to support new growth residentially, commercially and industrially, while ensuring preservation of the City's historic character.

The City continues to maintain strong reserve balances, including free cash and the stabilization account. It is the City's financial policy to maintain a minimum balance of five percent of General Fund expenditures in the stabilization account and a minimum balance of one percent of the tax levy in free cash. In addition to those two reserve accounts, the City has an overlay reserve balance of \$1,037,746, with a maximum of \$238,000 in potential outstanding abatements. The City continues to tackle its long-term liabilities with an annual appropriation for other post-employment benefits carved out each year in the City's financial plan. Additionally, the Newburyport Retirement Board has adopted a more aggressive funding schedule to address the unfunded pension liability by increasing the annual appropriation from four percent to five percent per year.

Strong departmental oversight and budget management continues to be an area of focus for the City. As has been the practice in recent years, the City continues to be conservative in its revenue estimates. During fiscal year 2016, the City completed a year-long comprehensive review of all municipal charges to ensure the full recovery of costs through rates and fees. For the fifth consecutive year, the City was awarded the Distinguished Budget Presentation Award by the Government Finance Officers Association for its fiscal 2017 budget, reflective of the City's strong budgeting and financial management practices.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Newburyport'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:

City Auditor
City of Newburyport, Massachusetts
60 Pleasant Street
Newburyport, Massachusetts 01950

CITY OF NEWBURYPORT, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Current:			
Cash and short-term investments	\$ 28,421,737	\$ 11,015,999	\$ 39,437,736
Investments	2,374,644	-	2,374,644
Receivables, net of allowance for uncollectibles:			
Property taxes	630,540	-	630,540
Excises	214,815	-	214,815
User fees	-	3,038,929	3,038,929
Betterments	-	439,173	439,173
Intergovernmental	109,632	-	109,632
Departmental	21,714	-	21,714
Loans	24,000	-	24,000
Other	-	1,827	1,827
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	630,581	-	630,581
Loans	376,000	-	376,000
Betterments	-	4,948,459	4,948,459
Capital assets, being depreciated, net	121,272,609	89,443,705	210,716,314
Capital assets, not being depreciated	15,664,341	1,513,771	17,178,112
Deferred Outflows of Resources			
Related to pensions	3,543,300	266,700	3,810,000
Total Assets and Deferred Outflows of Resources	173,283,913	110,668,563	283,952,476
Liabilities			
Current:			
Warrants payable	2,744,965	499,030	3,243,995
Accrued liabilities	2,187,654	584,509	2,772,163
Tax refunds payable	160,286	-	160,286
Notes payable	5,299,435	2,833,602	8,133,037
Other liabilities	531,158	2,203	533,361
Current portion of long-term liabilities:			
Bonds payable	2,880,891	3,467,880	6,348,771
Compensated absences	792,401	32,628	825,029
Noncurrent:			
Bonds payable, net of current portion	48,592,695	49,451,555	98,044,250
Compensated absences, net of current portion	3,169,606	130,510	3,300,116
Net OPEB obligation	27,737,307	2,640,718	30,378,025
Net pension liability	34,340,250	2,584,750	36,925,000
Deferred Inflows of Resources			
Other	58,196	-	58,196
Total Assets and Deferred Inflows of Resources	128,494,844	62,227,385	190,722,229
Net Position			
Net investment in capital assets	86,113,344	41,187,744	127,301,088
Restricted for:			
Grants and other statutory restrictions	11,579,369	-	11,579,369
Permanent funds			
Nonexpendable	1,281,245	-	1,281,245
Expendable	968,711	-	968,711
Unrestricted	(55,153,600)	7,253,434	(47,900,166)
Total Net Position	\$ 44,789,069	\$ 48,441,178	\$ 93,230,247

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

CITY OF NEWBURYPORT, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
General government	\$ 6,431,602	\$ 2,301,822	\$ 774,133	\$ -	\$ (3,355,647)	\$ -	\$ (3,355,647)
Public safety	10,036,033	1,014,007	61,772	-	(8,960,254)	-	(8,960,254)
Education	47,546,528	2,194,297	10,575,339	1,024,466	(33,752,426)	-	(33,752,426)
Public works	4,522,215	168,982	2,125	452,483	(3,898,625)	-	(3,898,625)
Health and human services	3,185,455	204,154	447,332	-	(2,533,969)	-	(2,533,969)
Culture and recreation	2,921,910	499,184	18,802	388,677	(2,015,247)	-	(2,015,247)
Interest on debt service	1,786,758	-	-	-	(1,786,758)	-	(1,786,758)
Intergovernmental	2,463,250	-	-	-	(2,463,250)	-	(2,463,250)
Total Governmental Activities	78,893,751	6,382,446	11,879,503	1,865,626	(58,766,176)	-	(58,766,176)
Business-Type Activities:							
Sewer services	7,386,611	6,448,588	141,916	-	-	(796,107)	(796,107)
Water services	5,806,547	5,346,680	124,632	-	-	(335,235)	(335,235)
Other services	313,906	435,137	-	-	-	121,231	121,231
Total Business-Type Activities	13,507,064	12,230,405	266,548	-	-	(1,010,111)	(1,010,111)
Total	\$ 92,400,815	\$ 18,612,851	\$ 12,146,051	\$ 1,865,626	(58,766,176)	(1,010,111)	(59,776,287)
General Revenues:							
Property taxes					50,672,888	-	50,672,888
Excises					3,348,053	-	3,348,053
Penalties, interest and other taxes					439,067	-	439,067
Grants and contributions not restricted to specific programs					2,478,300	-	2,478,300
Investment income					106,717	9,088	115,805
Other					1,306,154	-	1,306,154
Transfers, net					80,632	(80,632)	-
Total general revenues					58,431,811	(71,544)	58,360,267
Change in Net Position					(334,365)	(1,081,655)	(1,416,020)
Net Position:							
Beginning of year					45,123,434	49,522,833	94,646,267
End of year					\$ 44,789,069	\$ 48,441,178	\$ 93,230,247

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

CITY OF NEWBURYPORT, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	<u>General</u>	<u>Bresnahan School Building Project</u>	<u>Nock/Molin School Building Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and short-term investments	\$ 12,337,452	\$ 2,219,823	\$ 1,100,046	\$ 12,764,416	\$ 28,421,737
Investments	146,056	-	-	2,228,588	2,374,644
Receivables:					
Property taxes	1,712,968	-	-	9,228	1,722,196
Excises	679,230	-	-	-	679,230
Intergovernmental	-	-	-	109,632	109,632
Departmental	8,751	-	-	12,963	21,714
Loans	24,000	-	-	-	24,000
Total Assets	<u>\$ 14,908,457</u>	<u>\$ 2,219,823</u>	<u>\$ 1,100,046</u>	<u>\$ 15,124,827</u>	<u>\$ 33,353,153</u>
Liabilities					
Warrants payable	\$ 2,447,735	\$ -	\$ -	\$ 297,230	\$ 2,744,965
Accrued liabilities	1,466,304	-	-	60,355	1,526,659
Tax refunds payable	160,286	-	-	-	160,286
Notes payable	-	1,827,720	2,441,415	1,030,300	5,299,435
Other liabilities	531,158	-	-	-	531,158
Total Liabilities	4,605,483	1,827,720	2,441,415	1,387,885	10,262,503
Deferred Inflows of Resources					
Unavailable revenues	2,109,107	-	-	22,191	2,131,298
Fund Balances					
Nonspendable	-	-	-	1,281,245	1,281,245
Restricted	-	392,103	-	11,518,800	11,910,903
Committed	718,442	-	-	1,029,280	1,747,722
Assigned	835,152	-	-	-	835,152
Unassigned	6,640,273	-	(1,341,369)	(114,574)	5,184,330
Total Fund Balances	<u>8,193,867</u>	<u>392,103</u>	<u>(1,341,369)</u>	<u>13,714,751</u>	<u>20,959,352</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 14,908,457</u>	<u>\$ 2,219,823</u>	<u>\$ 1,100,046</u>	<u>\$ 15,124,827</u>	<u>\$ 33,353,153</u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2016

Total governmental fund balances	\$ 20,959,352
<ul style="list-style-type: none"> Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 	136,936,950
<ul style="list-style-type: none"> Revenues are reported on the accrual basis of accounting and are not deferred until collection. 	1,147,612
<ul style="list-style-type: none"> Other long-term assets (i.e. loans) are not available to pay for current period expenditures and therefore, are not reported in the governmental funds 	376,000
<ul style="list-style-type: none"> Deferred outflows of resources related to pensions resulting from projected vs. actual earnings will be recognized as an increase to the net pension liability in the years ending June 30, 2016 through June 30, 2020. 	3,543,300
<ul style="list-style-type: none"> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	(660,995)
<ul style="list-style-type: none"> Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: 	
Bonds payable	(51,473,586)
Compensated absences	(3,962,007)
Net OPEB obligation	(27,737,307)
Net pension liability	<u>(34,340,250)</u>
Net position of governmental activities	\$ <u>44,789,069</u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Bresnahan School Building Project</u>	<u>Nock/Molin School Building Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 49,892,638	\$ -	\$ -	\$ 791,042	\$ 50,683,680
Excise taxes	3,337,873	-	-	-	3,337,873
Interest, penalties, & other taxes	436,326	-	-	2,741	439,067
Charges for services	532,667	-	-	4,693,524	5,226,191
Licenses and permits	1,057,470	-	-	-	1,057,470
Intergovernmental	6,635,946	136,018	691,888	3,875,262	11,339,114
Investment income	65,659	-	-	41,058	106,717
Fines and forfeitures	14,586	-	-	-	14,586
Contributions	-	-	-	583,253	583,253
Other	401,771	-	-	374,239	776,010
Total Revenues	62,374,936	136,018	691,888	10,361,119	73,563,961
Expenditures:					
Current:					
General government	2,976,428	-	-	3,004,457	5,980,885
Public safety	7,344,670	-	-	1,137,388	8,482,058
Education	26,860,306	503,744	1,011,148	7,990,904	36,366,102
Public works	2,554,645	-	-	676,048	3,230,693
Health & human services	2,247,310	-	-	2,279,153	4,526,463
Culture and recreation	1,396,810	-	-	1,767,468	3,164,278
Employee benefits	11,809,048	-	-	4,317	11,813,365
Debt service	3,730,562	-	-	277,003	4,007,565
Intergovernmental	2,463,250	-	-	-	2,463,250
Total Expenditures	61,383,029	503,744	1,011,148	17,136,738	80,034,659
Excess (deficiency) of revenues over expenditures	991,907	(367,726)	(319,260)	(6,775,619)	(6,470,698)
Other Financing Sources (Uses):					
Issuance of refunding bonds	723,500	-	-	-	723,500
Premiums on refunding bonds	46,509	-	-	-	46,509
Issuance of bonds	-	1,986,000	995,000	5,749,000	8,730,000
Premiums on issuance of bonds	-	50,963	32,672	-	83,635
Payment to refunding escrow agent	(754,503)	-	-	-	(754,503)
Transfers in	702,797	-	-	1,907,703	2,610,500
Transfers out	(1,647,615)	(250,000)	(250,000)	(382,253)	(2,529,868)
Total Other Financing Sources (Uses)	(929,312)	1,786,963	777,672	7,274,450	8,909,773
Change in fund balances	62,595	1,419,237	458,412	498,831	2,439,075
Fund Balance at Beginning of Year	8,131,272	(1,027,134)	(1,799,781)	13,215,920	18,520,277
Fund Balance at End of Year	\$ 8,193,867	\$ 392,103	\$ (1,341,369)	\$ 13,714,751	\$ 20,959,352

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

CITY OF NEWBURYPORT, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2016

Net Changes in Fund Balances - Total Governmental Funds	\$ 2,439,075																				
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlays</td><td>11,538,767</td></tr> <tr> <td>Depreciation</td><td>(4,370,558)</td></tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. <div>418,949</div> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Issuances of general obligation bonds</td><td>(8,730,000)</td></tr> <tr> <td>Issuances of refunding bonds</td><td>(723,500)</td></tr> <tr> <td>Repayments of debt</td><td>2,199,500</td></tr> <tr> <td>Payment to refunding escrow agent</td><td>735,000</td></tr> <tr> <td>Current year amortization of bond premiums</td><td>176,291</td></tr> </table> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <div>(135,481)</div> Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the <table> <tr> <td>Change in compensated absences</td><td>(188,667)</td></tr> <tr> <td>Change in net OPEB obligation</td><td>(3,715,130)</td></tr> <tr> <td>Change in net pension liability, net of related deferred outflows</td><td><u>21,389</u></td></tr> </table> 	Capital outlays	11,538,767	Depreciation	(4,370,558)	Issuances of general obligation bonds	(8,730,000)	Issuances of refunding bonds	(723,500)	Repayments of debt	2,199,500	Payment to refunding escrow agent	735,000	Current year amortization of bond premiums	176,291	Change in compensated absences	(188,667)	Change in net OPEB obligation	(3,715,130)	Change in net pension liability, net of related deferred outflows	<u>21,389</u>	
Capital outlays	11,538,767																				
Depreciation	(4,370,558)																				
Issuances of general obligation bonds	(8,730,000)																				
Issuances of refunding bonds	(723,500)																				
Repayments of debt	2,199,500																				
Payment to refunding escrow agent	735,000																				
Current year amortization of bond premiums	176,291																				
Change in compensated absences	(188,667)																				
Change in net OPEB obligation	(3,715,130)																				
Change in net pension liability, net of related deferred outflows	<u>21,389</u>																				
Change in Net Position of Governmental Activities	\$ <u>(334,365)</u>																				

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

CITY OF NEWBURYPORT, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Transfers:				
Property taxes	\$ 50,345,686	\$ 50,000,220	\$ 50,000,220	\$ -
Excise taxes	3,011,000	3,011,000	3,337,873	326,873
Charges for services	440,000	440,000	574,627	134,627
Interest, penalties, and other taxes	395,000	395,000	436,326	41,326
Licenses and permits	650,000	650,000	1,015,510	365,510
Intergovernmental	6,726,024	6,726,024	6,635,946	(90,078)
Investment income	45,000	45,000	49,074	4,074
Fines and forfeitures	10,000	10,000	14,586	4,586
Other	128,000	128,000	401,771	273,771
Transfers in	-	202,797	202,797	-
Total Revenues and Transfers In	61,750,710	61,608,041	62,668,730	1,060,689
Expenditures and Transfers:				
General government	3,016,080	3,021,974	2,967,500	54,474
Public safety	7,220,772	7,449,061	7,378,571	70,490
Education	26,793,384	26,738,728	26,738,728	-
Public works	2,611,632	2,768,197	2,579,087	189,110
Health and human service	2,245,075	2,355,140	2,249,058	106,082
Culture and recreation	1,456,049	1,439,922	1,407,310	32,612
Employee benefits	11,899,176	11,519,756	11,431,566	88,190
Debt service	3,857,078	3,857,078	3,715,056	142,022
Intergovernmental	2,651,464	2,651,464	2,463,250	188,214
Transfers out	-	2,107,668	2,107,668	-
Total Expenditures and Transfer Out	61,750,710	63,908,988	63,037,794	871,194
Excess (deficiency) revenues and transfers in over expenditures and transfers out	-	(2,300,947)	(369,064)	1,931,883
Other Financing Sources:				
Use of free cash:				
For operating budget support	-	345,466	-	(345,466)
For capital projects	-	1,332,615	-	(1,332,615)
For stabilization funding	-	515,398	515,398	-
For snow and ice expenses	-	28,068	-	(28,068)
Other	-	79,400	-	(79,400)
Excess revenues, transfers in, and other sources over expenditures and transfers out	\$ -	\$ -	\$ 146,334	\$ 146,334

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

CITY OF NEWBURYPORT, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			
	Sewer <u>Fund</u>	Water <u>Fund</u>	Nonmajor <u>Funds</u>	<u>Total</u>
Assets				
Current:				
Cash and short-term investments	\$ 6,204,318	\$ 3,409,189	\$ 1,402,492	\$ 11,015,999
User fee receivables	1,682,909	1,323,124	32,896	3,038,929
Betterment receivables	304,120	135,053	-	439,173
Other assets	1,827	-	-	1,827
Noncurrent:				
Betterment receivables	3,467,932	1,480,527	-	4,948,459
Capital assets, being depreciated, net	46,391,678	42,578,182	473,845	89,443,705
Capital assets, not being depreciated	456,450	822,559	234,762	1,513,771
Deferred Outflows of Resources				
Related to pensions	<u>114,300</u>	<u>152,400</u>	<u>-</u>	<u>266,700</u>
Total Assets and Deferred Outflows or Resources	<u>58,623,534</u>	<u>49,901,034</u>	<u>2,143,995</u>	<u>110,668,563</u>
Liabilities				
Current:				
Warrants payable	206,212	134,249	158,569	499,030
Accrued liabilities	335,455	249,054	-	584,509
Notes payable	2,751,000	-	82,602	2,833,602
Other liabilities	2	2,178	23	2,203
Current portion of long-term liabilities:				
Bonds payable	1,809,150	1,618,730	40,000	3,467,880
Compensated absences	8,552	24,076	-	32,628
Noncurrent:				
Bonds payable, net of current portion	28,758,689	19,732,866	960,000	49,451,555
Compensated absences, net of current portion	34,208	96,302	-	130,510
Net OPEB Obligation	1,144,757	1,495,961	-	2,640,718
Net pension liability	<u>1,107,750</u>	<u>1,477,000</u>	<u>-</u>	<u>2,584,750</u>
Total Liabilities	<u>36,155,775</u>	<u>24,830,416</u>	<u>1,241,194</u>	<u>62,227,385</u>
Net Position				
Net investment in capital assets	17,812,727	22,965,930	409,087	41,187,744
Unrestricted	<u>4,655,032</u>	<u>2,104,688</u>	<u>493,714</u>	<u>7,253,434</u>
Total Net Position	<u>\$ 22,467,759</u>	<u>\$ 25,070,618</u>	<u>\$ 902,801</u>	<u>\$ 48,441,178</u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Funds	Total
Operating Revenues:				
Charges for services	\$ 6,448,588	\$ 5,346,680	\$ 435,137	\$ 12,230,405
Total Operating Revenues	6,448,588	5,346,680	435,137	12,230,405
Operating Expenses:				
Salaries and wages	2,212,148	1,895,490	225,586	4,333,224
Other operating expenses	1,863,460	1,223,463	45,238	3,132,161
Depreciation	2,428,684	2,052,710	31,314	4,512,708
Total Operating Expenses	6,504,292	5,171,663	302,138	11,978,093
Operating Income (Loss)	(55,704)	175,017	132,999	252,312
Nonoperating Revenues (Expenses):				
Intergovernmental	141,916	124,632	-	266,548
Interest income	9,405	-	(317)	9,088
Interest expense	(882,319)	(634,884)	(11,768)	(1,528,971)
Total Nonoperating Revenues (Expenses), Net	(730,998)	(510,252)	(12,085)	(1,253,335)
Income (Loss) before transfers	(786,702)	(335,235)	120,914	(1,001,023)
Transfers:				
Transfers in	449,949	-	-	449,949
Transfers out	-	(530,581)	-	(530,581)
Change in Net Position	(336,753)	(865,816)	120,914	(1,081,655)
Net Position at Beginning of Year	22,804,512	25,936,434	781,887	49,522,833
Net Position at End of Year	\$ 22,467,759	\$ 25,070,618	\$ 902,801	\$ 48,441,178

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

CITY OF NEWBURYPORT, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Funds	Total
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 5,994,261	\$ 4,984,530	\$ 434,036	\$ 11,412,827
Payments to employees	(1,736,333)	(1,587,345)	(225,586)	(3,549,264)
Payments to vendors	(2,103,166)	(1,269,963)	(55,256)	(3,428,385)
Net Cash Provided By Operating Activities	2,154,762	2,127,222	153,194	4,435,178
<u>Cash Flows From Noncapital Financing Activities:</u>				
Transfers in	449,949	-	-	449,949
Transfers out	-	(530,581)	-	(530,581)
Intergovernmental	341,262	124,632	-	465,894
Net Cash Provided By (Used For) Noncapital Financing Activities	791,211	(405,949)	-	385,262
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition and construction of capital assets	(1,332,609)	(909,654)	(223,388)	(2,465,651)
Betterments	443,273	336,014	-	779,287
Proceeds from issuance of notes	2,793,061	-	82,602	2,875,663
Proceeds from issuance of bonds	1,337,000	719,500	1,000,000	3,056,500
Principal payments on notes	(42,061)	-	-	(42,061)
Principal payments on bonds	(3,151,003)	(2,286,199)	-	(5,437,202)
Interest expense	(818,407)	(586,755)	(11,768)	(1,416,930)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(770,746)	(2,727,094)	847,446	(2,650,394)
<u>Cash Flows From Investing Activities:</u>				
Investment income	9,405	-	(317)	9,088
Net Cash Provided By Investing Activities	9,405	-	(317)	9,088
Net Change in Cash and Short-Term Investments	2,184,632	(1,005,821)	1,000,323	2,179,134
Cash and Short-Term Investments, Beginning of Year	4,019,686	4,415,010	402,169	8,836,865
Cash and Short-Term Investments, End of Year	\$ 6,204,318	\$ 3,409,189	\$ 1,402,492	\$ 11,015,999
<u>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</u>				
Operating income (loss)	\$ (55,704)	\$ 175,017	\$ 132,999	\$ 252,312
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	2,428,684	2,052,710	31,314	4,512,708
Changes in assets and liabilities:				
User fees	(454,327)	(362,150)	(1,101)	(817,578)
Deferred outflows of resources	(110,348)	(147,130)	-	(257,478)
Warrants payable	(1,146)	(46,500)	(10,018)	(57,664)
Compensated absences	2,036	5,732	-	7,768
Net OPEB obligation	235,910	303,333	-	539,243
Net pension liability	109,657	146,210	-	255,867
Net Cash Provided By Operating Activities	\$ 2,154,762	\$ 2,127,222	\$ 153,194	\$ 4,435,178
<u>Noncash Investing, Capital, and Financing Activities:</u>				
Capital asset acquisitions not yet paid for (payable)	\$ -	\$ -	\$ (127,316)	\$ (127,316)

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

CITY OF NEWBURYPORT, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Pension Trust Fund (For the Year Ended December 31, 2015)	OPEB Trust Fund	Agency Funds
Assets			
Cash	\$ 2,434,620	\$ 479,543	\$ 478,362
Investments	64,555,943	-	-
Accounts receivable	228,510	-	-
Other assets	<u>-</u>	<u>-</u>	<u>70,113</u>
Total Assets	67,219,073	479,543	548,475
Liabilities			
Warrants payable	-	-	46,078
Other liabilities	<u>6,830</u>	<u>-</u>	<u>502,397</u>
Total Liabilities	<u>6,830</u>	<u>-</u>	<u>548,475</u>
Net Position			
Total net position restricted for pensions and other purposes	\$ <u>67,212,243</u>	\$ <u>479,543</u>	\$ <u>-</u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	Pension Trust Fund (For the Year Ended December 31, 2015)	OPEB Trust Fund
Additions:		
Contributions:		
Employers	\$ 4,261,883	\$ -
Plan members	1,706,019	-
Other systems and Commonwealth of Massachusetts	<u>683,942</u>	<u>-</u>
Total contributions	6,651,844	-
Investment Income:		
Increase (decrease) in fair value of investments	749,718	4,543
Less: management fees	<u>(337,529)</u>	<u>-</u>
Net investment income	<u>412,189</u>	<u>4,543</u>
Total additions	7,064,033	4,543
Deductions:		
Benefit payments to plan members and beneficiaries	5,937,619	-
Refunds to plan members	28,489	-
Transfers to other systems	410,577	-
Administrative expenses	<u>200,549</u>	<u>-</u>
Total deductions	<u>6,577,234</u>	<u>-</u>
Net increase	486,799	4,543
Net position restricted for pensions and other purposes:		
Beginning of year	<u>66,725,444</u>	<u>475,000</u>
End of year	<u>\$ 67,212,243</u>	<u>\$ 479,543</u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Blended Component Unit

The Newburyport Contributory Retirement System (the System) was established to provide retirement benefits primarily to City employees, Newburyport Housing Authority employees, and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at 16 Unicorn Street, Newburyport, Massachusetts 01950.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

Fund Financial Statements

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Bresnahan School Building Project Fund* accounts for the financing and construction costs related to the new Bresnahan elementary school.
- The *Nock/Molin School Building Project Fund* accounts for the financing and construction costs related to major renovations at the Nock/Molin schools.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses recorded when 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary funds:

- The *Sewer Fund* is used to report the City's wastewater collection, pumping, and treatment services.
- The *Water Fund* is used to report the City's water service to homes and businesses in Newburyport, the Old Town portion of Newbury, Plum Island, and the Town of West Newbury.

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

The City reports the following fiduciary funds:

- The *Pension Trust Fund* accounts for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.
- The *OPEB Trust Fund* is used to account for reserves set aside by the City to fund future OPEB costs.

- The *Agency Fund* is custodial in nature and is used to account for funds held for others. The fund reports only assets and liabilities, and therefore, has no measurement focus.

D. Cash, Short-Term Investments, and Investments

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

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

The City considers investments with original maturities of three months or less to be short-term investments. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase. During the fiscal year the City did not enter into any repurchase agreements.

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. The City's investments consist of U.S. Government and agency securities, equities, mutual funds, and long-term certificates of deposit. Investments are carried at market value except for nonnegotiable certificates of deposit which are reported at cost.

Investments for the System are entirely in the Pension Reserves Investment Trust (PRIT), an external investment pool created under Massachusetts General Law, Chapter 32, Section 22. Fair value is the same as the value of the pool share.

E. Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2½ percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2016 tax levy reflected an excess capacity of approximately \$351,411.

F. Capital Assets

Capital assets, which include buildings and improvements, infrastructure, machinery and equipment, and land, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25 - 50
Land improvements	10 - 50
Infrastructure	25 - 50
Machinery and equipment	3 - 20
Vehicles	3 - 10

G. Compensated Absences

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

H. Long-Term Obligations

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

I. Fund Equity

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

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

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

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent subject to various trust agreements (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended. In the case of capital project funds, these funds represent remaining balances that are restricted by state law and borrowing terms. Other permanent funds represent assets that are restricted by donors for specific governmental programs and users.
- 3) Committed funds are reported and expended as a result of orders passed by the highest decision making authority in the government (i.e., the City Council). Those committed amounts cannot be used for any other purpose unless City Council orders remove or change the specified use by taking the same type of action it employed to previously commit those amounts.
- 4) Assigned funds are used for specific purposes as established by the City Auditor. The City has by ordinance authorized the Finance Director to assign fund balance. These funds, which include encumbrances (purchase orders), have been assigned for specific goods and services ordered but not yet paid for.
- 5) Unassigned funds represent amounts that have not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance. Temporary fund balance deficits are reported as negative amounts in the unassigned classification in other governmental funds. Unassigned amounts in the general fund are available to be spent for any purpose.

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

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

J. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds. Effective budg-

etary control is achieved for all other funds through provisions of the Massachusetts General Laws.

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 62,374,936	\$ 61,383,029
Other financing sources/uses (GAAP Basis)	<u>1,472,806</u>	<u>2,402,118</u>
Subtotal (GAAP Basis)	63,847,742	63,785,147
To adjust property tax revenue to the Budgetary Basis	107,581	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(895,020)
Add end-of-year appropriation carryforwards from expenditures	-	787,151
Reverse unbudgeted refunding activity	(770,009)	(770,009)
Stabilization activity	<u>(516,585)</u>	<u>130,524</u>
Budgetary Basis	<u>\$ 62,668,729</u>	<u>\$ 63,037,793</u>

D. Deficit Fund Equity

The City's special revenue funds and capital project funds reflect various individual deficit fund balance accounts, which will be funded by future intergovernmental receipts and bond issuances.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned.

Massachusetts General Law Chapter 44, Section 55, limits the City's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The City does not have a deposit policy for custodial credit risk.

As of June 30, 2016, \$18,316,357 of the City's bank balances of \$40,979,326 was exposed to custodial credit risk as uninsured or uncollateralized.

The Newburyport Contributory Retirement System (the System) does not have a deposit policy for custodial credit risk.

As of December 31, 2015, none of the System's bank balance of \$2,434,620 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

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

Presented below is the actual rating as of year-end for each investment of the City (All federal agency securities have an implied credit rating of AAA):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Aaa</u>
Federal agency securities	\$ 30,158	\$ -	\$ 30,158
Corporate equities	123,720	123,720	-
Mutual funds	2,104,867	2,104,867	-
Certificates of deposit	115,899	115,899	-
Total investments	<u>\$ 2,374,644</u>	<u>\$ 2,344,486</u>	<u>\$ 30,158</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

As of December 31, 2015, the System's investments of \$64,555,943 were exposed to credit risk as uninsured and uncollateralized. However, the investments were held in the State investment pool (PRIT).

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>
State Investment Pool	\$ 64,555,943	\$ 64,555,943

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

B. Custodial Credit Risk

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

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

C. Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. There were no investments in any one issuer (other than mutual funds) that represent 5% or more of total investments.

The Retirement System places no limit on the amount invested in any one issuer. The System does not have an investment in one issuer greater than 5% of total investments.

D. Interest Rate Risk

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

Information about the sensitivity of the fair values of the City investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>	
	<u>Fair Value</u>	<u>1-5</u>
Federal agency securities	\$ 30,158	\$ 30,158
Certificates of deposit	<u>115,899</u>	<u>115,899</u>
Total	<u>\$ 146,057</u>	<u>\$ 146,057</u>

The Retirement System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

E. Foreign Currency Risk

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

F. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following fair value measurements as of June 30, 2016

		Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Description</u>				
Investments by fair value level:				
Federal agency securities	\$ 30,158	\$ -	\$ 30,158	\$ -
Corporate equities	123,720	123,720	-	-
Mutual funds	2,104,867	-	2,104,867	-
Investments measured at the net asset value (NAV):				
External investment pool (PRIT)	<u>64,555,943</u>			
Total	<u>\$ 66,814,688</u>			
<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool (PRIT)	<u>\$ 64,555,943</u>	\$ -	Monthly	30 days

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

Federal agency securities and mutual funds classified in Level 2 are valued using standard inputs consisting of benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, where available, and reference data including market research publications.

5. Taxes and Motor Vehicle Receivables

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

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

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles

annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

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

Tax and excise receivables (net of allowance for doubtful accounts) at June 30, 2016 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 782,931	\$ (175,883)	\$ 607,048
Personal property taxes	229,391	(215,127)	14,264
Tax liens	700,646	(70,065)	630,581
Community preservation taxes	<u>9,228</u>	<u>-</u>	<u>9,228</u>
Total property taxes	1,722,196	(461,075)	1,261,121
Motor vehicle excise	586,627	(371,812)	214,815
Boat excise	<u>92,603</u>	<u>(92,603)</u>	<u>-</u>
Total excise taxes	<u>679,230</u>	<u>(464,415)</u>	<u>214,815</u>
Grand total	<u>\$ 2,401,426</u>	<u>\$ (925,490)</u>	<u>\$ 1,475,936</u>

6. User Fee Receivable

Sewer and water user charges are based on meter readings that are done by the City's Department of Public Services. All customers are billed on a quarterly basis and the bill is based on actual water consumption. An interest charge of 14% per annum shall be made on sewer and water bills remaining unpaid 31 days after the issue date. A demand charge of \$5 shall be added to any account that remains unpaid and delinquent after the final bill is issued in that fiscal year.

All outstanding balances of accumulated charges plus demands and interest with no payments for more than 30 days are subject to a lien on the property, and may be turned over to the tax collector for collection.

Betterments are assessed to properties for the cost of “bettering” by expanding the sewer or water capacity. The property owner may pay the betterment in full within 30 days after the assessments are committed to the collector without interest. Alternatively, the property owner can pay some or none of the assessment and request an apportionment of the unpaid amount into a maximum of 20 equal portions.

Receivables for water and sewer user fees and betterments at June 30, 2016 consist of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
<u>Receivables:</u>			
Sewer			
Usage	\$ 1,835,364	\$ (197,659)	\$ 1,637,705
Liens	42,390	-	42,390
Other fees	2,814	-	2,814
Subtotal sewer user fees	1,880,568	(197,659)	1,682,909
Sewer betterments	3,772,052	-	3,772,052
Water			
Usage	1,445,117	(163,442)	1,281,675
Liens	11,110	-	11,110
Other fees	30,339	-	30,339
Subtotal water user fees	1,486,566	(163,442)	1,323,124
Water betterments	1,615,580	-	1,615,580
Total	\$ 8,754,766	\$ (361,101)	\$ 8,393,665

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2016.

8. Interfund Transfers In and (Out)

The City reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2016.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	
General Fund	\$ 702,797	\$ 1,647,615	(1) (2)
Bresnahan School Building Project		250,000	(1)
Nock/Molin School Building Project		250,000	(1)
Nonmajor Governmental Funds:			
Community preservation fund	-	70,000	(2)
DPS fuel - operating	-	90,000	(1)
DPS fuel - capital	-	75,000	(2)
Insurance claims	-	27,427	(1)
Solid waste	-	84,350	(1)
Assessor service fee	-	1,020	(1)
Other special revenue funds	-	34,456	(2)
Capital project funds	1,907,703	-	(2)
Enterprise Funds:			
Sewer fund	449,949	-	(3)
Water fund	-	80,632	(2)
Water fund	-	449,949	(3)
Total	<u>\$ 3,060,449</u>	<u>\$ 3,060,449</u>	

- (1) The transfers out of the Bresnahan and Nock/Molin building project funds to the general fund are to establish technology stabilization accounts for the respective schools. Other transfers to the general fund are made to move unrestricted revenues or balances that by statute or budgetary authority must collect them to funds that required to expend them.
- (2) The transfers out of the general fund to the capital project funds represents the City's practice of funding certain capital activity from general fund revenues or existing resources.
- (3) Transfer out of the water fund to the sewer fund is to allocate assets and resources related to the DPS building project accounted for in the water fund to be split 50/50 in both funds.

9. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 71,500	\$ 71,934	\$ -	\$ 143,434
Infrastructure	31,353	599	-	31,952
Machinery and equipment	<u>4,999</u>	<u>1,593</u>	<u>-</u>	<u>6,592</u>
Total capital assets, being depreciated	107,852	74,126	-	181,978
Less accumulated depreciation for:				
Buildings and improvements	(30,404)	(3,332)	-	(33,736)
Infrastructure	(22,299)	(636)	-	(22,935)
Machinery and equipment	<u>(3,632)</u>	<u>(402)</u>	<u>-</u>	<u>(4,034)</u>
Total accumulated depreciation	<u>(56,335)</u>	<u>(4,370)</u>	<u>-</u>	<u>(60,705)</u>
Total capital assets, being depreciated, net	51,517	69,756	-	121,273
Capital assets, not being depreciated:				
Land	9,478	275	-	9,753
CIP	<u>68,774</u>	<u>8,722</u>	<u>(71,585)</u>	<u>5,911</u>
Total capital assets, not being depreciated	<u>78,252</u>	<u>8,997</u>	<u>(71,585)</u>	<u>15,664</u>
Governmental activities capital assets, net	<u>\$ 129,769</u>	<u>\$ 78,753</u>	<u>\$ (71,585)</u>	<u>\$ 136,937</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,409	\$ 1,792	\$ -	\$ 3,201
Infrastructure	134,344	417	-	134,761
Machinery and equipment	<u>2,685</u>	<u>383</u>	<u>-</u>	<u>3,068</u>
Total capital assets, being depreciated	138,438	2,592	-	141,030
Less accumulated depreciation for:				
Buildings and improvements	(457)	(107)	-	(564)
Infrastructure	(45,144)	(4,192)	-	(49,336)
Machinery and equipment	<u>(1,474)</u>	<u>(213)</u>	<u>-</u>	<u>(1,687)</u>
Total accumulated depreciation	<u>(47,075)</u>	<u>(4,512)</u>	<u>-</u>	<u>(51,587)</u>
Total capital assets, being depreciated, net	91,363	(1,920)	-	89,443
Capital assets, not being depreciated:				
Land	1,261	-	-	1,261
Construction in progress	<u>253</u>	<u>-</u>	<u>-</u>	<u>253</u>
Total capital assets, not being depreciated	<u>1,514</u>	<u>-</u>	<u>-</u>	<u>1,514</u>
Business-type activities capital assets, net	<u>\$ 92,877</u>	<u>\$ (1,920)</u>	<u>\$ -</u>	<u>\$ 90,957</u>

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

Governmental Activities:	
General government	\$ 363
Public safety	299
Education	1,946
Public works	828
Health and human services	123
Culture and recreation	<u>811</u>
Total depreciation expense - governmental activities	\$ <u>4,370</u>
Business-Type Activities:	
Sewer	\$ 2,428
Water	2,053
Harbormaster	<u>31</u>
Total depreciation expense - business-type activities	\$ <u>4,512</u>

10. Deferred Outflows of Resources

In addition to assets, the basic financial statements may include a separate element for deferred outflows of resources. Deferred outflows of resources represent the consumption of net position by the City that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. The City reports one item as a deferred outflow of resources which is attributable to changes in the net pension liability. This will be recognized in pension expense in future years and is more fully described in Note 21.

11. Warrants and Accounts Payable

Warrants payable represent 2016 expenditures paid by July 15, 2016. Accounts payable represent additional 2016 expenditures paid after July 15, 2016.

12. Other Liabilities

Other liabilities reported in the general fund consist primarily of tax refunds due and various payroll deductions.

13. Notes Payable

The following summarizes activity in notes payable as well as notes outstanding at June 30, 2016:

	Interest Rate	Date of Issue	Date of Maturity	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
<u>Governmental Activities:</u>							
Bresnahan School	1.00%	10/24/14	10/23/15	\$ 4,070,026	\$ -	\$ (4,070,026)	\$ -
Nock/Molin School	1.00%	10/24/14	10/23/15	4,450,083	-	(4,450,083)	-
Nock/Molin baseball field	0.85%	06/04/15	10/23/15	1,700,000	-	(1,700,000)	-
World War Memorial stadium field	0.85%	06/04/15	10/23/15	3,027,435	-	(3,027,435)	-
Cherry Hill soccer field	0.85%	06/04/15	10/23/15	134,000	-	(134,000)	-
Fire trucks	0.85%	06/04/15	10/23/15	908,000	-	(908,000)	-
Bresnahan School	2.00%	10/01/15	09/30/16	-	1,827,720	-	1,827,720
Nock/Molin School	2.00%	10/01/15	09/30/16	-	2,441,415	-	2,441,415
Central Fire Station remodeling	1.50%	05/27/16	09/30/16	-	400,000	-	400,000
Parking Facility planning and design	1.45%	05/27/16	09/30/16	-	630,300	-	630,300
Total Governmental Activities				<u>\$ 14,289,544</u>	<u>\$ 5,299,435</u>	<u>\$ (14,289,544)</u>	<u>\$ 5,299,435</u>
<u>Business-Type Activities:</u>							
Graf/Hale Force sewer main construction	1.45%	05/27/16	09/30/16	\$ -	\$ 2,751,000	\$ -	\$ 2,751,000
Sewer MWPAT Interim Loan	0.00%	07/10/14	Upon completion	-	42,061	(42,061)	-
Harbormaster transient boater facility	1.45%	05/27/16	09/30/16	-	82,602	-	82,602
Total Business-Type Activities				<u>\$ -</u>	<u>\$ 2,875,663</u>	<u>\$ (42,061)</u>	<u>\$ 2,833,602</u>

14. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Activities:</u>	<u>Interest Rate(s) %</u>	<u>Serial Maturities Through</u>	<u>Amount Outstanding as of 6/30/16</u>
Equipment	4.25 - 5.00%	2017	\$ 110,000
Drainage	4.25 - 5.00%	2017	80,000
Recreational facility	4.25 - 5.00%	2017	10,000
School renovations	4.25 - 5.00%	2017	110,000
Fire Truck	3.50 - 6.00%	2018	150,000
Inn street electrical	3.50 - 6.00%	2018	30,000
Stormwater management	3.50 - 6.00%	2018	150,000
Street paving	3.50 - 6.00%	2018	150,000
Relocation of N. Res Terr.	3.50 - 6.00%	2018	15,000
School building improvements	3.50 - 6.00%	2018	225,000
School refunding	2.00 - 2.50%	2017	5,000
Library refunding	2.00 - 2.50%	2017	43,000
Library renovations refunding	2.00 - 3.00%	2021	656,000
Land acquisition refunding	2.00 - 3.00%	2018	61,000
City hall refunding	2.00 - 3.00%	2020	40,000
Bresnahan School	2.50 - 5.00%	2038	14,771,000
Nock/Molin School	2.50 - 5.00%	2038	10,334,000
High School	2.50 - 5.00%	2033	973,100
Boardwalk I	2.50 - 4.00%	2023	28,600
Boardwalk II	2.50 - 4.00%	2017	28,800
Boardwalk III	2.50 - 4.00%	2017	9,600
High School	2.50 - 5.00%	2025	2,415,000
School demountables	2.50 - 4.00%	2018	99,300
Bresnahan School	2.125 - 5.00%	2035	1,855,000
Nock/Molin School	2.125 - 5.00%	2035	1,085,000
Senior and Community Center	2.125 - 5.00%	2035	6,025,000
Bresnahan School	2.00 - 2.50%	2036	1,986,000
Nock/Molin School	2.00 - 2.50%	2036	995,000
Nock/Molin School baseball field	2.00 - 2.50%	2030	1,680,000
Cherry Hill Parcel B Soccer Field	2.00 - 2.50%	2030	134,000
World War Memorial Stadium			
Multipurpose Field	2.00 - 2.50%	2030	1,500,000
World War Memorial Stadium			
Multipurpose Field	2.00 - 2.50%	2030	1,527,000
Fire Trucks	2.000%	2025	908,000
City Hall Renovations	3.00 - 4.00%	2019	442,800
Land Acquisition	3.00 - 4.00%	2019	280,700
Total Governmental Activities Debt:			<u>\$ 48,912,900</u>

<u>Business-Type Activities:</u>	<u>Interest Rate(s) %</u>	<u>Serial Maturities Through</u>	<u>Amount Outstanding as of 6/30/16</u>
MCWT (CW-97-34)	0.75%	2019	\$ 180,000
MCWT (CW-01-11)	3.50 - 5.00%	2035	3,460,000
Plum Island (CW-02-51) - 60%	2.00%	2037	887,661
Sewer	4.25 - 5.00%	2017	30,000
Sewer mains	4.25 - 5.00%	2017	60,000
Wastewater plant refunding	2.00 - 3.25%	2021	435,000
Sewer	2.00 - 4.00%	2028	3,060,000
MCWT (CWS-09-10)	2.00%	2031	3,243,216
MCWT (CWS-09-10-A)	2.00%	2033	5,350,621
Sewer	2.50 - 5.00%	2033	450,000
MCWT (CW-09-10)	2.00%	2033	11,733,241
Sewer	2.50 - 5.00%	2025	341,100
Sewer I	2.00 - 4.00%	2025	176,500
Sewer II	2.00 - 4.00%	2025	808,250
Sewer III	2.00 - 4.00%	2025	352,250
MCWT (DW-01-06)	3.40 - 5.25%	2025	1,427,157
MCWT (DW-02-16)	3.00 - 5.25	2025	1,935,000
Plum Island (CW-02-51) - 40%	2.00%	2037	591,933
MCWT (DW-01-06-A)	0.00%	2025	159,598
Water refunding	2.00 - 2.50%	2017	145,000
Water improvements refunding	2.00 - 3.25%	2021	440,000
MCWT (DW-10-09)	2.00%	2033	7,225,651
Water	2.50 - 5.00%	2033	915,000
MCWT (DW-10-09-A)	2.00%	2033	5,568,365
Water	2.50 - 5.00%	2025	267,000
Plum Island Water	2.50 - 5.00%	2025	242,500
Water System Improvements	3.00 - 5.00%	2025	1,285,000
MCWT (DW-10-09-B)	2.00%	2035	287,865
Water I	2.00 - 4.00%	2024	306,500
Water III	2.00 - 4.00%	2025	413,000
Transient Boater Facility	2.00 - 3.00%	2036	1,000,000
Total Business-Type Activities Debt:			<u>\$ 52,777,408</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2016 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,704,600	\$ 1,702,732	\$ 4,407,332
2018	2,676,300	1,605,750	4,282,050
2019	2,521,700	1,511,624	4,033,324
2020	2,111,100	1,418,704	3,529,804
2021	2,181,500	1,343,285	3,524,785
2022 - 2026	12,182,700	5,405,153	17,587,853
2027 - 2031	13,885,000	2,958,451	16,843,451
Thereafter	10,650,000	892,281	11,542,281
Total	<u>\$ 48,912,900</u>	<u>\$ 16,837,980</u>	<u>\$ 65,750,880</u>

The general fund has been designated as the source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2016:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,452,099	\$ 1,411,623	\$ 4,863,722
2018	3,380,646	1,297,617	4,678,263
2019	3,396,783	1,194,330	4,591,113
2020	3,429,716	1,087,937	4,517,653
2021	3,442,461	983,460	4,425,921
2022 - 2026	16,054,647	3,427,981	19,482,628
2027 - 2031	13,547,622	1,537,502	15,085,124
Thereafter	6,073,434	200,347	6,273,781
Total	<u>\$ 52,777,408</u>	<u>\$ 11,140,797</u>	<u>\$ 63,918,205</u>

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2016 are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
12/01/03	Sewer	\$ 700,000
09/03/04	Water	46,175
12/16/05	Land acquisition	500,000
04/08/09	Wastewater treatment facility	11,520
09/10/10	Water treatment plant and pump station improvements	1,278,800
01/12/12	Sewer	6,270,000
06/05/12	Bresnahan School	165,433
06/05/12	Nock/Molin School	399,398
Total		<u>\$ 9,371,326</u>

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/15</u>	Additions	Reductions	Total Balance <u>6/30/16</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/16</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 42,394	\$ 9,454	\$ (2,935)	\$ 48,913	\$ (2,705)	\$ 46,208
Unamortized bond premiums	<u>2,737</u>	<u>-</u>	<u>(176)</u>	<u>2,561</u>	<u>(176)</u>	<u>2,385</u>
Total bonds payable	45,131	9,454	(3,111)	51,474	(2,881)	48,593
Compensated absences	3,773	566	(377)	3,962	(792)	3,170
Net OPEB obligation	24,022	6,100	(2,385)	27,737	-	27,737
Net pension liability	<u>30,941</u>	<u>3,399</u>	<u>-</u>	<u>34,340</u>	<u>-</u>	<u>34,340</u>
Totals	<u>\$ 103,867</u>	<u>\$ 19,519</u>	<u>\$ (5,873)</u>	<u>\$ 117,513</u>	<u>\$ (3,673)</u>	<u>\$ 113,840</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 55,158	\$ 3,056	\$ (5,437)	\$ 52,777	\$ (3,452)	\$ 49,325
Unamortized bond premiums	<u>158</u>	<u>-</u>	<u>(16)</u>	<u>142</u>	<u>(16)</u>	<u>126</u>
Total bonds payable	55,316	3,056	(5,453)	52,919	(3,468)	49,451
Compensated absences	156	23	(16)	163	(33)	130
Net OPEB obligation	2,101	590	(50)	2,641	-	2,641
Net pension liability	<u>2,329</u>	<u>256</u>	<u>-</u>	<u>2,585</u>	<u>-</u>	<u>2,585</u>
Totals	<u>\$ 59,902</u>	<u>\$ 3,925</u>	<u>\$ (5,519)</u>	<u>\$ 58,308</u>	<u>\$ (3,501)</u>	<u>\$ 54,807</u>

15. Deferred Inflows of Resources

In addition to liabilities, the basic financial statements may include a separate element for deferred inflows of resources. Deferred inflows of resources represent the acquisition of net position by the City that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

	Entity-wide Basis	Fund Basis	
	Governmental	Governmental Funds	
	<u>Activities</u>	<u>General Fund</u>	<u>Nonmajor</u>
Unavailable revenues	\$ -	\$ 2,050,911	\$ 22,191
Taxes collected in advance	<u>58,196</u>	<u>58,196</u>	<u>-</u>
Total	<u>\$ 58,196</u>	<u>\$ 2,109,107</u>	<u>\$ 22,191</u>

Governmental funds report *unavailable revenues* in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental activities and governmental funds report *taxes collected in advance* related to property taxes collected in advance of being levied.

16. **Restricted Net Position**

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

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions. Assets that have restrictions placed on them from federal and state granting agencies, as well as assets that restricted by state law for specific capital purposes or borrowing terms are reported as a component of "Grants and other statutory restrictions".

17. **Governmental Funds - Balances**

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

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

The following types of fund balances are reported at June 30, 2016:

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

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. This fund balance classification includes stabilization accounts* set aside by City Council order for future compensated absences, capital acquisitions, and improvements (now reported as part of the general fund per GASB 54).

Assigned - Represents amounts that are constrained by the City's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances (purchase orders) that have been

established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods, the City's general stabilization account*, and deficit balances in other governmental funds.

*The City's stabilization accounts are authorized in accordance with Massachusetts General Law Chapter 40, Section 5B. The creation of, appropriation into, and appropriation out of the stabilization account requires two-thirds approval of the City Council.

Following is a breakdown of the City's fund balances at June 30, 2016:

	General Fund	Bresnahan School Building Project	Nock/Molin School Building Project	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Permanent funds	\$ -	\$ -	\$ -	\$ 1,281,245	\$ 1,281,245
Total Nonspendable	-	-	-	1,281,245	1,281,245
Restricted					
Capital project funds	-	392,103	-	1,973,368	2,365,471
Permanent funds	-	-	-	968,711	968,711
Community preservation	-	-	-	1,715,837	1,715,837
Affordable housing	-	-	-	394,920	394,920
Downtown paid parking	-	-	-	602,440	602,440
School choice	-	-	-	1,005,992	1,005,992
Circuit breaker	-	-	-	455,527	455,527
Full-day kindergarten	-	-	-	276,204	276,204
Curriculum/staff development	-	-	-	218,532	218,532
School transportation	-	-	-	202,552	202,552
Sewer I/I	-	-	-	535,361	535,361
Solid waste	-	-	-	284,217	284,217
Recreation	-	-	-	264,911	264,911
CDBG - small cities	-	-	-	223,184	223,184
Waterfront bulkhead	-	-	-	189,603	189,603
Green initiatives	-	-	-	239,651	239,651
Other special revenue funds	-	-	-	1,967,790	1,967,790
Total Restricted	-	392,103	-	11,518,800	11,910,903
Committed					
For technology stabilization accounts	500,000	-	-	-	500,000
For compensated absences	86,219	-	-	-	86,219
For capital stabilization accounts	132,223	-	-	-	132,223
For capital projects	-	-	-	1,029,280	1,029,280
Total Committed	718,442	-	-	1,029,280	1,747,722
Assigned					
Encumbrances:					
General government	58,970	-	-	-	58,970
Public safety	39,965	-	-	-	39,965
Education	514,136	-	-	-	514,136
Public works	114,258	-	-	-	114,258
Health and human services	91,248	-	-	-	91,248
Culture and recreation	10,500	-	-	-	10,500
Employee benefits	6,075	-	-	-	6,075
Total Assigned	835,152	-	-	-	835,152
Unassigned - General fund	3,931,700	-	-	-	3,931,700
Unassigned - General stabilization account	2,708,573	-	-	-	2,708,573
Unassigned - Deficit funds	-	-	(1,341,369)	(114,574)	(1,455,943)
Total Unassigned	6,640,273	-	(1,341,369)	(114,574)	5,184,330
Total Fund Balance	\$ 8,193,867	\$ 392,103	\$ (1,341,369)	\$ 13,714,751	\$ 20,959,352

18. Subsequent Events

Debt

Subsequent to June 30, 2016, the City has incurred the following additional debt:

<u>General obligation bonds</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Graf/Hale Force sewer mains	\$ 2,751,000	2.00 - 3.50%	09/20/16	09/15/32
Remodeling Central Fire Station	400,000	2.00 - 3.50%	09/20/16	09/15/32
Drainage	400,000	2.00 - 3.50%	09/20/16	09/15/32
Nock/Molin School	375,398	2.00 - 3.50%	09/20/16	09/15/32
Transient Boater Facility	<u>82,602</u>	2.00 - 3.50%	09/20/16	09/15/32
Total general obligation bonds	<u>\$ 4,009,000</u>			

19. Commitments and Contingencies

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

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

Abatements - There are cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to the City, the probable outcome of these cases at the present time is indeterminable, although the City expects such amounts, if any, not to be material.

20. Post-Employment Healthcare and Life Insurance Benefits

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

A. Plan Description

In addition to providing the pension benefits described, the City provides post-employment healthcare and life insurance benefits for retired employees through the City's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2014, the actuarial valuation date, approximately 493 retirees and 540 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

Retirees contribute 25% of the cost of the medical insurance, 10% for life insurance, and 100% for dental insurance, as determined by the City. The City contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The City's fiscal 2016 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2016, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of July 1, 2014.

Annual Required Contribution (ARC)	\$ 6,833,192
Interest on net OPEB obligation	1,044,946
Adjustment to ARC	(1,452,628)
Amortization of Actuarial (Gains)/Losses	<u>264,567</u>
Annual OPEB cost	6,690,077
Contributions made to pay benefits	<u>(2,435,704)</u>
Increase in net OPEB obligation	4,254,373
Net OPEB obligation - beginning of year	<u>26,123,652</u>
Net OPEB obligation - end of year	<u>\$ 30,378,025</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 6,690,077	36.4%	\$ 30,378,025
2015	\$ 6,381,060	35.3%	\$ 26,123,652
2014	\$ 4,993,142	35.3%	\$ 22,544,102
2013	\$ 4,925,585	34.4%	\$ 19,135,086
2012	\$ 5,651,432	45.1%	\$ 15,905,529
2011	\$ 5,389,223	44.5%	\$ 12,804,390

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 66,815,622
Actuarial value of plan assets	<u>(25,000)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 66,790,622</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.0%</u>
Covered payroll (active plan members)	<u>\$ 32,381,749</u>
UAAL as a percentage of covered payroll	<u>206.3%</u>

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

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members

to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation the individual entry age actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return, general inflation rate assumption of 2.50% per year, and an initial annual healthcare cost trend rate of 6.00% which decreases to a 5.00% long-term rate for all healthcare benefits after eight years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated using a flat dollar amortization.

21. Newburyport Contributory Retirement System

The City follows the provisions of GASB Statement No. 67 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description

The Newburyport Contributory Retirement System (the System) is a member of the Massachusetts Contributory Retirement Systems and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relationship with the City, the System is included as a pension trust fund in the City's basic financial statements.

Substantially all employees of the City (except teachers) and the Newburyport Housing Authority are members the System, a cost sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid.

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

Membership of each plan consisted of the following at December 31, 2015:

Retirees and beneficiaries receiving benefits	224
Terminated plan members entitled to but not yet receiving benefits	169
Active plan members	<u>364</u>
Total	<u><u>757</u></u>
Number of participating employers	2

Participant Retirement Benefits

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

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

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

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

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

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

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

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The City's contribution to the System for the year ended June 30, 2016 was \$3,910,113, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended June 30, 2016 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of Accounting

The System's financial statements are prepared using the *accrual basis of accounting*. Plan member contributions are recognized as revenue in the period in which the members provide services to the employer. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments

Investment Policy - Investments are reported at fair value in accordance with PERAC requirements. System 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.

Rate of Return - For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 0.62%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

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 the System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

C. Net Pension Liability of Participating Employers

The net pension liability was based on an actuarial valuation dated January 1, 2014, and rolled forward to December 31, 2015.

The components of the net pension liability of the participating employers at June 30, 2016 were as follows (in thousands):

Net Pension Liability of Employers

Total pension liability	\$ 105,103
Plan fiduciary net position	<u>(67,212)</u>
Employers' net pension liability	<u>\$ 37,891</u>
Plan fiduciary net position as a percentage of total pension liability	63.9%

Actuarial Assumptions

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

Valuation Date	January 1, 2014 rolled forward to December 31, 2015
Actuarial cost method	Individual entry age normal
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	Service based table with ultimate rates of 4.25%, 4.50%, and 4.75% for groups 1, 2, and 4 respectively.
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3% on first \$12,000

Actuarial valuation of the ongoing Systems involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study dated January 1, 2014, which was for the period January 1, 2012 through December 31, 2013.

Mortality rates were based on pre-retirement rates that reflect the RP-2000 Employees table projected 22 years with Scale AA (gender distinct). Post retirement rates reflect the RP-2000 Healthy Annuitant table projected 17 years with Scale AA (gender distinct). For disabled retirees, this table is set forward 3 years for males.

Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	18.7%	7.63%
International equity	16.9%	8.00%
Emerging markets equity	6.8%	9.50%
Core fixed income	12.9%	3.76%
Value-added fixed income	8.3%	6.45%
Private equity	11.4%	9.50%
Real estate	10.9%	6.50%
Timber/natural resources	3.1%	7.07%
Hedge funds	9.0%	6.50%
Portfolio completion strategies	1.0%	6.18%
Overlay	0.9%	N/A
Portable alpha	0.1%	N/A
Total	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension

liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate (in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
December 31, 2015	\$ 47,915	\$ 36,925	\$ 27,432

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the City reported a liability of \$36,925,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2015, the City's proportion was 97.45%.

For the year ended June 30, 2016, the City recognized pension expense of \$4,178,000. In addition, the City reported deferred outflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 3,810

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

<u>Year ended June 30:</u>	<u>Deferred Outflows of Resources</u>
2016	\$ 961
2017	961
2018	961
2019	927
Total	<u>\$ 3,810</u>

22. Massachusetts Teachers' Retirement System (MTRS)

A. Plan Description

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

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

B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by

employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

C. Contributions

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

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

D. Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. This valuation used the following assumptions:

- 7.50% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct)
 - Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct)
 - Disability - assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term

expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	40.0%	6.9%
Core fixed income	13.0%	2.4%
Private equity	10.0%	8.5%
Real estate	10.0%	6.5%
Value added fixed income	10.0%	5.8%
Hedge funds	9.0%	5.8%
Portfolio completion strategies	4.0%	5.5%
Timber/natural resources	4.0%	6.6%
Total	<u>100.0%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity Analysis

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

<u>Fiscal Year Ended</u>	<u>1% Decrease to 6.50%</u>	<u>Current Discount Rate of 7.50%</u>	<u>1% Increase to 8.50%</u>
June 30, 2015	\$ 25,449,000	\$ 20,489,643	\$ 16,221,000

G. Special Funding Situation

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

H. City Proportions

In fiscal year 2015 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the City was \$53,825,165 and \$4,365,700 respectively, based on a proportionate share of 0.262694%. As required by GASB 68, the City has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide Statement of Activities.

23. Risk Management

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

**CITY OF NEWBURYPORT, MASSACHUSETTS
SCHEDULE OF OPEB FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2016
(Unaudited)**

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/14	\$ 25,000	\$ 66,815,622	\$ 66,790,622	0.0%	\$ 32,381,749	206.3%
07/01/12	\$ -	\$ 50,365,955	\$ 50,365,955	0.0%	N/A	N/A
07/01/10	\$ -	\$ 64,860,191	\$ 64,860,191	0.0%	N/A	N/A
07/01/08	\$ -	\$ 74,485,260	\$ 74,485,260	0.0%	N/A	N/A

See Independent Auditors' Report.

CITY OF NEWBURYPORT, MASSACHUSETTS

**SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016
(Unaudited)
(In Thousands)**

Newburyport Contributory Retirement System							
<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>		
June 30, 2016	97.450%	\$ 36,925	\$ 15,176	243.31%	63.95%		
June 30, 2015	97.591%	\$ 33,270	\$ 15,176	219.23%	66.18%		

Massachusetts Teachers' Retirement System							
<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>Total Net Pension Liability Associated with the City</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	0.262694%	\$ -	\$ 53,825	\$ 53,825	\$ 16,652	0.00%	55.38%
June 30, 2015	0.264517%	\$ -	\$ 42,049	\$ 42,049	\$ 16,219	0.00%	61.64%

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

See Independent Auditors' Report.

CITY OF NEWBURYPORT, MASSACHUSETTS

**SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016
(Unaudited)
(In Thousands)**

Newburyport Contributory Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	\$ 3,910	\$ 3,910	\$ -	\$ 15,176	25.76%
June 30, 2015	\$ 3,998	\$ 3,998	\$ -	\$ 15,176	26.34%

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

See Independent Auditors' Report.

**NEWBURYPORT CONTRIBUTORY RETIREMENT SYSTEM
CITY OF NEWBURYPORT, MASSACHUSETTS**

Schedule of Changes in the Net Pension Liability

(Unaudited)
(In Thousands)

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 2,251	\$ 2,154
Interest on unfunded liability - time value of \$	7,766	7,459
Benefit payments, including refunds of member contributions	<u>(5,730)</u>	<u>(5,770)</u>
Net change in total pension liability	4,287	3,843
Total pension liability - beginning	<u>100,816</u>	<u>96,973</u>
Total pension liability - ending (a)	<u><u>\$ 105,103</u></u>	<u><u>\$ 100,816</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 4,262	\$ 4,098
Contributions - member	1,743	1,493
Net investment income	413	4,655
Benefit payments, including refunds of member contributions	(5,730)	(5,770)
Administrative expense	(201)	(191)
Other	<u>-</u>	<u>20</u>
Net change in plan fiduciary net position	487	4,305
Plan fiduciary net position - beginning	<u>66,725</u>	<u>62,420</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 67,212</u></u>	<u><u>\$ 66,725</u></u>
Net pension liability (asset) - ending (a-b)	<u><u>\$ 37,891</u></u>	<u><u>\$ 34,091</u></u>

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

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

See Independent Auditors' Report.

**NEWBURYPORT CONTRIBUTORY RETIREMENT SYSTEM
CITY OF NEWBURYPORT, MASSACHUSETTS**

Schedules of Net Pension Liability, Contributions, and Investment Returns

(Unaudited)
(In Thousands)

Schedule of Net Pension Liability

	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 105,103	\$ 100,816
Plan fiduciary net position	<u>(67,212)</u>	<u>(66,725)</u>
Net pension liability (asset)	<u>\$ 37,891</u>	<u>\$ 34,091</u>
Plan fiduciary net position as a percentage of the total pension liability	63.95%	66.18%
Covered payroll	\$ 15,551	\$ 15,551
Participating employer net pension liability (asset) as a percentage of covered payroll	243.66%	219.22%

Schedule of Contributions

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 4,012	\$ 4,098
Contributions in relation to the actuarially determined contribution	<u>4,012</u>	<u>4,098</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,551	\$ 15,551
Contributions as a percentage of covered payroll	25.80%	26.35%

Schedule of Investment Returns

Year Ended December 31

	<u>2015</u>	<u>2014</u>
Annual money weighted rate of return, net of investment expense	0.62%	7.56%

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

See Independent Auditors' Report.