

CITY OF NEWBURYPORT, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2017

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, 2017, (except for the Newburyport Contributory Retirement System, which is as of and for the year ending December 31, 2016) 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, 2017, (except for the Newburyport Contributory Retirement System, which is as of and for the year ending December 31, 2016) and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Pension and OPEB schedules appearing on pages 62 to 68 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 March 9, 2018 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

March 9, 2018

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, 2017.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all assets, 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. The proprietary fund category includes enterprise and internal service funds.

Enterprise funds may be used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services 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. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. 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 \$94,761,414 (i.e., net position), a change of \$1,531,167 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$21,884,084, a change of \$924,732 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,136,326, a change of \$(503,947) in comparison to the prior year. The decrease in unassigned fund balance was primarily driven by the planned use of funding one-time capital projects with fund balance.

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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 29,699	\$ 32,804	\$ 28,749	\$ 19,444	\$ 58,448	\$ 52,248
Capital assets	<u>137,936</u>	<u>136,937</u>	<u>91,953</u>	<u>90,957</u>	<u>229,889</u>	<u>227,894</u>
Total assets	167,635	169,741	120,702	110,401	288,337	280,142
Deferred outflow of resources	7,462	3,543	1,128	267	8,590	3,810
Long-term liabilities	123,891	117,513	68,975	58,308	192,866	175,821
Other liabilities	<u>6,281</u>	<u>10,924</u>	<u>2,961</u>	<u>3,919</u>	<u>9,242</u>	<u>14,843</u>
Total liabilities	130,172	128,437	71,936	62,227	202,108	190,664
Deferred inflows of resources	54	58	4	-	58	58
Net position:						
Net investment in capital assets	88,434	86,113	41,982	41,188	130,416	127,301
Restricted	12,489	13,829	4,435	-	16,924	13,829
Unrestricted	<u>(56,052)</u>	<u>(55,153)</u>	<u>3,473</u>	<u>7,253</u>	<u>(52,579)</u>	<u>(47,900)</u>
Total net position	<u>\$ 44,871</u>	<u>\$ 44,789</u>	<u>\$ 49,890</u>	<u>\$ 48,441</u>	<u>\$ 94,761</u>	<u>\$ 93,230</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 \$94,761,414, a change of \$1,531,167 from the prior year.

The largest portion of net position \$130,416,725 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 \$16,923,388 represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted net position deficit of \$(52,578,699). 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,575	\$ 6,382	\$ 11,906	\$ 12,231	\$ 18,481	\$ 18,613
Operating grants and contributions	12,830	11,879	259	267	13,089	12,146
Capital grants and contributions	4,036	1,866	4,998	-	9,034	1,866
General revenues:						
Property taxes	53,306	50,673	-	-	53,306	50,673
Excises	3,535	3,348	-	-	3,535	3,348
Penalties, interest and other taxes	363	439	-	-	363	439
Grants and contributions not restricted to specific programs	2,578	2,478	-	-	2,578	2,478
Investment income	290	107	268	9	558	116
Other	1,484	1,306	7	-	1,491	1,306
Total revenues	84,997	78,478	17,438	12,507	102,435	90,985

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Expenses:						
General government	5,771	6,432	-	-	5,771	6,432
Public safety	11,445	10,036	-	-	11,445	10,036
Education	50,520	47,546	-	-	50,520	47,546
Public works	4,768	4,522	-	-	4,768	4,522
Human services	3,110	3,185	-	-	3,110	3,185
Culture and recreation	4,697	2,922	-	-	4,697	2,922
Interest on long-term debt	1,612	1,787	-	-	1,612	1,787
Intergovernmental	2,598	2,463	-	-	2,598	2,463
Sewer operations	-	-	8,807	7,387	8,807	7,387
Water operations	-	-	7,014	5,807	7,014	5,807
Harbor operations	-	-	562	314	562	314
Total expenses	<u>84,521</u>	<u>78,893</u>	<u>16,383</u>	<u>13,508</u>	<u>100,904</u>	<u>92,401</u>
Change in net position before transfers	476	(415)	1,055	(1,001)	1,531	(1,416)
Transfers in (out)	<u>(394)</u>	<u>81</u>	<u>394</u>	<u>(81)</u>	<u>-</u>	<u>-</u>
Change in net position	82	(334)	1,449	(1,082)	1,531	(1,416)
Net position - beginning 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>
Net position - end of year	<u>\$ 44,871</u>	<u>\$ 44,789</u>	<u>\$ 49,890</u>	<u>\$ 48,441</u>	<u>\$ 94,761</u>	<u>\$ 93,230</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$81,778. Key elements of this change are as follows:

Capital asset additions from current year revenues	\$ 6,467,562
Depreciation expense in excess of principal debt service	(2,763,478)
Increase in net OPEB obligation	(3,885,821)
Other	<u>263,515</u>
Total	<u>\$ 81,778</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$1,449,389. Key elements of this change and the impact on cash flows are as follows:

	Revenues and Transfers In	Expenses and Transfers Out	Change in Net Position
Sewer Fund	\$ 9,484,124	\$ 8,837,981	\$ 646,143
Water Fund	7,599,045	7,186,707	412,338
Nonmajor Funds	<u>952,646</u>	<u>561,738</u>	<u>390,908</u>
Net	<u>\$ 18,035,815</u>	<u>\$ 16,586,426</u>	<u>\$ 1,449,389</u>

The increase in net position is primarily driven by capital grants received for ongoing infrastructure projects, softened by recording each fund's respective increase of the net OPEB obligation and net pension liability.

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 \$21,884,084, a change of \$924,732 in comparison to the prior year. Key elements of this change are as follows:

Results of general fund operations	\$ (878,981)
Bresnahan school building project revenues in excess of expenditures	560,492
Nock/Molin school building project revenues and bond proceeds	1,372,632
Other	<u>(129,411)</u>
Total	<u>\$ 924,732</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 \$6,136,326, while total fund balance was \$7,314,886. 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>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 6,136,326	\$ 6,640,273	\$ (503,947)	8.7%
Total fund balance	\$ 7,314,886	\$ 8,193,867	\$ (878,981)	10.3%

The total fund balance of the general fund changed by \$(878,981) during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (1,697,683)
Revenues in excess of budget	1,233,385
Expenditures less than budget	518,777
Current year encumbrances less than expenditures of prior year encumbrances	(519,554)
Other	<u>(413,906)</u>
Total	<u>\$ (878,981)</u>

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

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
General stabilization	\$ 2,870,257	\$ 2,708,573	\$ 161,684
Other stabilization	<u>900,382</u>	<u>718,442</u>	<u>181,940</u>
Total	<u>\$ 3,770,639</u>	<u>\$ 3,427,015</u>	<u>\$ 343,624</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 \$3,472,844, a change of \$(3,780,590) in comparison to the prior year. This change is primarily driven by recording each respective fund's change in the net OPEB obligation and net pension liability.

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 \$1,803,576. The reasons for these amendments include:

Capital project funding	\$ 1,208,272
Snow and ice appropriations	233,604
Other departmental appropriations	<u>361,700</u>
Total	<u>\$ 1,803,576</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 \$229,889,076 (net of accumulated depreciation). 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, ongoing construction of the World War Memorial stadium and field, DPS building construction, various roadway improvements, DPW equipment, 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 \$109,596,081, 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 2017 marked continued growth in the City's economy, as key indicators, including room occupancy tax, meals tax, motor vehicle excise, parking receipts, and growth from new construction hit all-time highs. The fiscal 2018 tax rate was set at \$13.26 per \$1,000 based on a tax levy \$54,794,917 and a City-wide valuation of \$4,132,346,602. This tax rate represents a \$0.19 per \$1,000 decrease over the prior tax rate of \$13.45.

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 Trust Fund account. It is the city's financial policy to maintain a minimum balance of 5 percent of general fund expenditures in the Stabilization Trust Fund and a minimum balance of 1 percent of the tax levy in Free Cash. In addition to those 2 reserve accounts, the City has an overlay reserve balance of \$1,119,282, with a maximum of \$61,615 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.

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. Additionally, the City continues to work with its departments to enhance existing revenue sources and identify new revenue sources, as well as, identify areas of cost savings and more effective procurement/service-delivery methods. For the sixth consecutive year, the City was awarded the Distinguished Budget Presentation Award by the Government Finance Officers Association for its fiscal 2018 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, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Current:			
Cash and short-term investments	\$ 23,048,755	\$ 17,584,439	\$ 40,633,194
Investments	3,073,399	3,508,526	6,581,925
Receivables, net of allowance for uncollectibles:			
Property taxes	846,905	-	846,905
Excises	221,644	-	221,644
User fees	-	2,510,250	2,510,250
Betterments	-	420,481	420,481
Intergovernmental	1,440,584	-	1,440,584
Departmental	15,757	-	15,757
Loans	20,000	-	20,000
Other	-	1,827	1,827
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	671,721	-	671,721
Loans	360,000	-	360,000
Betterments	-	4,723,610	4,723,610
Capital assets, being depreciated, net	120,299,835	85,083,690	205,383,525
Capital assets, not being depreciated	17,636,599	6,868,952	24,505,551
Deferred Outflows of Resources			
Related to pensions	7,461,909	1,128,091	8,590,000
Total Assets and Deferred Outflows of Resources	175,097,108	121,829,866	296,926,974
Liabilities			
Current:			
Warrants payable	2,811,712	560,021	3,371,733
Accrued liabilities	2,352,739	898,377	3,251,116
Tax refunds payable	152,128	-	152,128
Notes payable	630,300	1,500,000	2,130,300
Other liabilities	333,703	2,203	335,906
Current portion of long-term liabilities:			
Bonds payable	2,902,989	3,697,722	6,600,711
Compensated absences	832,021	34,259	866,280
Noncurrent:			
Bonds payable, net of current portion	46,865,104	56,130,266	102,995,370
Net pension liability	38,339,795	5,796,205	44,136,000
Net OPEB obligation	31,623,128	3,179,533	34,802,661
Compensated absences, net of current portion	3,328,086	137,036	3,465,122
Deferred Inflows of Resources			
Related to pensions	24,323	3,677	28,000
Other	30,233	-	30,233
Total Liabilities and Deferred Inflows of Resources	130,226,261	71,939,299	202,165,560
Net Position			
Net investment in capital assets	88,434,341	41,982,384	130,416,725
Restricted for:			
Capital projects	-	4,435,339	4,435,339
Grants and other statutory restrictions	10,065,084	-	10,065,084
Permanent funds			
Nonexpendable	1,588,088	-	1,588,088
Expendable	834,877	-	834,877
Unrestricted	(56,051,543)	3,472,844	(52,578,699)
Total Net Position	\$ 44,870,847	\$ 49,890,567	\$ 94,761,414

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

CITY OF NEWBURYPORT, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 5,770,751	\$ 2,395,114	\$ 315,804	\$ -	\$ (3,059,833)	\$ -	\$ (3,059,833)
Public safety	11,445,596	973,404	68,093	-	(10,404,099)	-	(10,404,099)
Education	50,519,978	2,227,746	12,050,998	1,532,676	(34,708,558)	-	(34,708,558)
Public works	4,767,823	235,872	119,697	2,477,791	(1,934,463)	-	(1,934,463)
Health and human services	3,110,645	287,367	269,276	-	(2,554,002)	-	(2,554,002)
Culture and recreation	4,697,010	455,924	6,000	25,934	(4,209,152)	-	(4,209,152)
Interest on debt service	1,611,635	-	-	-	(1,611,635)	-	(1,611,635)
Intergovernmental	2,597,940	-	-	-	(2,597,940)	-	(2,597,940)
Total Governmental Activities	84,521,378	6,575,427	12,829,868	4,036,401	(61,079,682)	-	(61,079,682)
Business-Type Activities							
Sewer services	8,806,816	6,329,057	138,374	2,275,000	-	(64,385)	(64,385)
Water services	7,014,100	5,079,290	120,483	2,275,000	-	460,673	460,673
Other services	561,738	497,788	-	448,059	-	384,109	384,109
Total Business-Type Activities	16,382,654	11,906,135	258,857	4,998,059	-	780,397	780,397
Total	\$ 100,904,032	\$ 18,481,562	\$ 13,088,725	\$ 9,034,460	(61,079,682)	780,397	(60,299,285)
General Revenues and Transfers							
Property taxes					53,306,389	-	53,306,389
Excises					3,534,941	-	3,534,941
Penalties, interest and other taxes					363,080	-	363,080
Grants and contributions not restricted to specific programs					2,577,886	-	2,577,886
Investment income					289,705	268,021	557,726
Other					1,483,631	6,799	1,490,430
Transfers, net					(394,172)	394,172	-
Total general revenues and transfers					61,161,460	668,992	61,830,452
Change in Net Position					81,778	1,449,389	1,531,167
Net Position:							
Beginning of year					44,789,069	48,441,178	93,230,247
End of year					\$ 44,870,847	\$ 49,890,567	\$ 94,761,414

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

CITY OF NEWBURYPORT, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	<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	\$ 10,300,561	\$ 952,595	\$ 31,263	\$ 11,764,336	\$ 23,048,755
Investments	697,223	-	-	2,376,176	3,073,399
Receivables:					
Property taxes	2,008,067	-	-	14,231	2,022,298
Excises	690,730	-	-	-	690,730
Intergovernmental	-	-	-	1,440,584	1,440,584
Departmental	2,794	-	-	12,963	15,757
Loans	20,000	-	-	-	20,000
Total Assets	<u>\$ 13,719,375</u>	<u>\$ 952,595</u>	<u>\$ 31,263</u>	<u>\$ 15,608,290</u>	<u>\$ 30,311,523</u>
Liabilities					
Warrants payable	\$ 1,543,474	\$ -	\$ -	\$ 1,268,238	\$ 2,811,712
Accrued liabilities	1,619,000	-	-	97,217	1,716,217
Tax refunds payable	152,128	-	-	-	152,128
Notes payable	-	-	-	630,300	630,300
Other liabilities	333,703	-	-	-	333,703
Total Liabilities	3,648,305	-	-	1,995,755	5,644,060
Deferred Inflows of Resources					
Unavailable revenues	2,756,184	-	-	27,195	2,783,379
Fund Balances					
Nonspendable	-	-	-	1,588,088	1,588,088
Restricted	-	952,595	31,263	11,607,797	12,591,655
Committed	900,382	-	-	852,737	1,753,119
Assigned	278,178	-	-	-	278,178
Unassigned	6,136,326	-	-	(463,282)	5,673,044
Total Fund Balances	<u>7,314,886</u>	<u>952,595</u>	<u>31,263</u>	<u>13,585,340</u>	<u>21,884,084</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 13,719,375</u>	<u>\$ 952,595</u>	<u>\$ 31,263</u>	<u>\$ 15,608,290</u>	<u>\$ 30,311,523</u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

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

JUNE 30, 2017

Total governmental fund balances	\$ 21,884,084
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	137,936,434
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,780,388
• 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	360,000
• Deferred outflows of resources related to pensions will be recognized as an increase to pension expense in future years.	7,461,909
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(636,522)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(49,768,093)
Compensated absences	(4,160,107)
Net OPEB obligation	(31,623,128)
Net pension liability	(38,339,795)
• Deferred inflows of resources related to pensions will be recognized as a reduction to pension expense in future years.	<u>(24,323)</u>
Net position of governmental activities	<u><u>\$ 44,870,847</u></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, 2017

	<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	\$ 51,860,623	\$ -	\$ -	\$ 835,088	\$ 52,695,711
Excise taxes	3,519,952	-	-	-	3,519,952
Interest, penalties, & other taxes	358,046	-	-	5,034	363,080
Charges for services	399,654	-	-	5,139,462	5,539,116
Licenses and permits	1,011,208	-	-	-	1,011,208
Intergovernmental	13,190,833	564,407	968,269	4,720,646	19,444,155
Investment income	75,597	-	-	214,108	289,705
Fines and forfeitures	13,994	-	-	-	13,994
Other	332,401	-	28,965	1,142,265	1,503,631
Total Revenues	<u>70,762,308</u>	<u>564,407</u>	<u>997,234</u>	<u>12,056,603</u>	<u>84,380,552</u>
Expenditures:					
Current:					
General government	2,803,143	-	-	2,463,865	5,267,008
Public safety	7,420,236	-	-	822,554	8,242,790
Education	34,229,431	3,915	-	4,399,584	38,632,930
Public works	3,168,332	-	-	2,974,322	6,142,654
Health & human services	2,337,751	-	-	294,457	2,632,208
Culture and recreation	1,514,598	-	-	1,909,974	3,424,572
Employee benefits	12,754,684	-	-	25,261	12,779,945
Debt service	4,111,685	-	-	405,314	4,516,999
Intergovernmental	2,597,940	-	-	-	2,597,940
Total Expenditures	<u>70,937,800</u>	<u>3,915</u>	<u>-</u>	<u>13,295,331</u>	<u>84,237,046</u>
Excess (deficiency) of revenues over expenditures	(175,492)	560,492	997,234	(1,238,728)	143,506
Other Financing Sources (Uses):					
Issuance of bonds	-	-	375,398	800,000	1,175,398
Transfers in	343,946	-	-	1,048,657	1,392,603
Transfers out	(1,047,435)	-	-	(739,340)	(1,786,775)
Total Other Financing Sources (Uses)	<u>(703,489)</u>	<u>-</u>	<u>375,398</u>	<u>1,109,317</u>	<u>781,226</u>
Change in fund balances	(878,981)	560,492	1,372,632	(129,411)	924,732
Fund Balance at Beginning of Year	<u>8,193,867</u>	<u>392,103</u>	<u>(1,341,369)</u>	<u>13,714,751</u>	<u>20,959,352</u>
Fund Balance at End of Year	<u>\$ 7,314,886</u>	<u>\$ 952,595</u>	<u>\$ 31,263</u>	<u>\$ 13,585,340</u>	<u>\$ 21,884,084</u>

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, 2017

Net Changes in Fund Balances - Total Governmental Funds	\$ 924,732																				
<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>6,467,562</td></tr> <tr> <td>Depreciation</td><td>(5,468,078)</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. <table> <tr> <td></td><td>616,776</td></tr> </table> The issuance of long-term debt (e.g., bonds) 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>(1,175,398)</td></tr> <tr> <td>Repayments of debt</td><td>2,704,600</td></tr> </table> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table> <tr> <td></td><td>24,473</td></tr> </table> Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table> <tr> <td>Change in compensated absences</td><td>(198,100)</td></tr> <tr> <td>Current year amortization of bond premiums</td><td>176,291</td></tr> <tr> <td>Change in net OPEB obligation</td><td>(3,885,821)</td></tr> <tr> <td>Change in net pension liability, net of related deferred outflows</td><td><u>(105,259)</u></td></tr> </table> 	Capital outlays	6,467,562	Depreciation	(5,468,078)		616,776	Issuances of general obligation bonds	(1,175,398)	Repayments of debt	2,704,600		24,473	Change in compensated absences	(198,100)	Current year amortization of bond premiums	176,291	Change in net OPEB obligation	(3,885,821)	Change in net pension liability, net of related deferred outflows	<u>(105,259)</u>	
Capital outlays	6,467,562																				
Depreciation	(5,468,078)																				
	616,776																				
Issuances of general obligation bonds	(1,175,398)																				
Repayments of debt	2,704,600																				
	24,473																				
Change in compensated absences	(198,100)																				
Current year amortization of bond premiums	176,291																				
Change in net OPEB obligation	(3,885,821)																				
Change in net pension liability, net of related deferred outflows	<u>(105,259)</u>																				
Change in Net Position of Governmental Activities	\$ <u>81,778</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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues and Transfers:				
Property taxes	\$ 52,618,153	\$ 52,618,153	\$ 52,618,153	\$ -
Excise taxes	2,935,000	2,935,000	3,519,952	584,952
Charges for services	455,000	455,000	399,654	(55,346)
Interest, penalties, and other taxes	380,000	380,000	358,046	(21,954)
Licenses and permits	675,000	675,000	1,011,208	336,208
Intergovernmental	6,987,779	6,987,779	7,159,874	172,095
Investment income	45,000	45,000	60,026	15,026
Fines and forfeitures	10,000	10,000	13,994	3,994
Other	138,000	138,000	332,401	194,401
Transfers in	-	105,893	109,902	4,009
Total Revenues and Transfers In	64,243,932	64,349,825	65,583,210	1,233,385
Expenditures and Transfers:				
General government	2,888,076	2,893,039	2,829,693	63,346
Public safety	7,395,890	7,481,379	7,392,240	89,139
Education	27,884,600	27,842,600	27,824,100	18,500
Public works	2,883,560	3,162,847	3,120,556	42,291
Health and human service	2,315,718	2,382,255	2,252,968	129,287
Culture and recreation	1,511,880	1,511,880	1,498,322	13,558
Employee benefits	12,705,992	12,795,949	12,581,884	214,065
Debt service	4,108,840	4,108,840	4,111,685	(2,845)
Intergovernmental	2,549,376	2,549,376	2,597,940	(48,564)
Transfers out	-	1,319,343	1,319,343	-
Total Expenditures and Transfer Out	64,243,932	66,047,508	65,528,731	518,777
Excess (deficiency) revenues and transfers in over expenditures and transfers out	-	(1,697,683)	54,479	1,752,162
Other Financing Sources:				
Use of free cash and overlay surplus:				
For capital projects	-	1,208,272	-	(1,208,272)
For snow and ice expenses	-	233,604	-	(233,604)
For departmental expenditures	-	255,807	-	(255,807)
Excess revenues, transfers in, and other sources over expenditures and transfers out	\$ -	\$ -	\$ 54,479	\$ 54,479

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

CITY OF NEWBURYPORT, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2017

	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	\$ 13,454,938	\$ 3,562,022	\$ 567,479	\$ 17,584,439
Investments	1,754,263	1,754,263	-	3,508,526
User fee receivables	1,381,343	1,096,837	32,070	2,510,250
Betterment receivables	299,249	121,232	-	420,481
Other assets	1,827	-	-	1,827
Noncurrent:				
Betterment receivables	3,409,537	1,314,073	-	4,723,610
Capital assets, being depreciated, net	44,133,058	40,516,587	434,045	85,083,690
Capital assets, not being depreciated	4,011,245	1,341,330	1,516,377	6,868,952
Deferred Outflows of Resources				
Related to pensions	<u>559,754</u>	<u>535,048</u>	<u>33,289</u>	<u>1,128,091</u>
Total Assets and Deferred Outflows of Resources	69,005,214	50,241,392	2,583,260	121,829,866
Liabilities				
Current:				
Warrants payable	402,855	135,380	21,786	560,021
Accrued liabilities	671,253	227,124	-	898,377
Notes payable	1,500,000	-	-	1,500,000
Other liabilities	2	2,178	23	2,203
Current portion of long-term liabilities:				
Bonds payable	2,139,108	1,512,012	46,602	3,697,722
Compensated absences	8,980	25,279	-	34,259
Noncurrent:				
Bonds payable, net of current portion	36,862,735	18,217,531	1,050,000	56,130,266
Net pension liability	2,876,058	2,749,115	171,032	5,796,205
Net OPEB Obligation	1,392,578	1,786,955	-	3,179,533
Compensated absences, net of current portion	35,918	101,118	-	137,036
Deferred Inflows of Resources				
Related to pensions	<u>1,825</u>	<u>1,744</u>	<u>108</u>	<u>3,677</u>
Total Liabilities and Deferred Inflows of Resources	45,891,312	24,758,436	1,289,551	71,939,299
Net Position				
Net investment in capital assets	18,158,567	22,969,997	853,820	41,982,384
Restricted for capital projects	2,217,670	2,217,669	-	4,435,339
Unrestricted	<u>2,737,665</u>	<u>295,290</u>	<u>439,889</u>	<u>3,472,844</u>
Total Net Position	<u>\$ 23,113,902</u>	<u>\$ 25,482,956</u>	<u>\$ 1,293,709</u>	<u>\$ 49,890,567</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, 2017

	Business-Type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Funds	Total
Operating Revenues				
Charges for services	\$ 6,329,057	\$ 5,079,290	\$ 497,788	\$ 11,906,135
Other	-	-	6,799	6,799
Total Operating Revenues	6,329,057	5,079,290	504,587	11,912,934
Operating Expenses				
Salaries and wages	3,656,131	2,816,946	379,671	6,852,748
Other operating expenses	1,839,415	1,593,852	117,892	3,551,159
Depreciation	2,485,905	2,061,595	39,800	4,587,300
Total Operating Expenses	7,981,451	6,472,393	537,363	14,991,207
Operating Income (Loss)	(1,652,394)	(1,393,103)	(32,776)	(3,078,273)
Nonoperating Revenues (Expenses)				
Intergovernmental	138,374	120,483	-	258,857
Interest income	259,969	8,052	-	268,021
Interest expense	(825,365)	(541,707)	(24,375)	(1,391,447)
Total Nonoperating Revenues (Expenses), Net	(427,022)	(413,172)	(24,375)	(864,569)
Income (Loss) before transfers	(2,079,416)	(1,806,275)	(57,151)	(3,942,842)
Capital Contributions and Transfers				
Capital contributions	2,275,000	2,275,000	448,059	4,998,059
Transfers in	481,724	116,220	-	597,944
Transfers out	(31,165)	(172,607)	-	(203,772)
Change in Net Position	646,143	412,338	390,908	1,449,389
Net Position at Beginning of Year	22,467,759	25,070,618	902,801	48,441,178
Net Position at End of Year	\$ 23,113,902	\$ 25,482,956	\$ 1,293,709	\$ 49,890,567

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, 2017

	Business-Type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Funds	Total
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 6,630,623	\$ 5,485,852	\$ 505,413	\$ 12,621,888
Payments to employees	(1,842,933)	(1,628,722)	(412,960)	(3,884,615)
Payments to vendors	<u>(1,576,382)</u>	<u>(1,592,721)</u>	<u>(83,535)</u>	<u>(3,252,638)</u>
Net Cash Provided By Operating Activities	3,211,308	2,264,409	8,918	5,484,635
<u>Cash Flows From Noncapital Financing Activities:</u>				
Transfers in	481,724	116,220	-	597,944
Transfers out	(31,165)	(172,607)	-	(203,772)
Intergovernmental	<u>138,374</u>	<u>120,483</u>	<u>-</u>	<u>258,857</u>
Net Cash Provided By Noncapital Financing Activities	588,933	64,096	-	653,029
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition and construction of capital assets	(3,782,080)	(518,771)	(1,281,615)	(5,582,466)
Capital contributions	2,275,000	2,275,000	448,059	4,998,059
Betterments	63,266	-	-	63,266
Proceeds from issuance of notes	1,500,000	-	-	1,500,000
Proceeds from issuance of bonds	10,047,000	-	136,602	10,183,602
Bond premiums from issuance of bonds	204,000	-	-	204,000
Principal payments on notes	(2,751,000)	-	(82,602)	(2,833,602)
Principal payments on bonds	(1,809,150)	(1,606,272)	(40,000)	(3,455,422)
Interest expense	<u>(802,363)</u>	<u>(579,418)</u>	<u>(24,375)</u>	<u>(1,406,156)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	4,944,673	(429,461)	(843,931)	3,671,281
<u>Cash Flows From Investing Activities:</u>				
Purchase of investments	(1,754,263)	(1,754,263)	-	(3,508,526)
Investment income	<u>259,969</u>	<u>8,052</u>	<u>-</u>	<u>268,021</u>
Net Cash (Used For) Investing Activities	<u>(1,494,294)</u>	<u>(1,746,211)</u>	<u>-</u>	<u>(3,240,505)</u>
Net Change in Cash and Short-Term Investments	7,250,620	152,833	(835,013)	6,568,440
Cash and Short-Term Investments, Beginning of Year	<u>6,204,318</u>	<u>3,409,189</u>	<u>1,402,492</u>	<u>11,015,999</u>
Cash and Short-Term Investments, End of Year	<u>\$ 13,454,938</u>	<u>\$ 3,562,022</u>	<u>\$ 567,479</u>	<u>\$ 17,584,439</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>				
Operating income (loss)	\$ (1,652,394)	\$ (1,393,103)	\$ (32,776)	\$ (3,078,273)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	2,485,905	2,061,595	39,800	4,587,300
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees	301,566	226,287	826	528,679
Other assets	(445,454)	180,275	-	(265,179)
Deferred outflows - related to pensions	-	(382,648)	(33,289)	(415,937)
Warrants payable	196,643	1,131	(136,783)	60,991
Accrued liabilities	304,950	-	-	304,950
Compensated absences	2,138	6,019	-	8,157
Net OPEB obligation	247,821	290,994	-	538,815
Net pension liability	1,768,308	1,272,115	171,032	3,211,455
Deferred inflows - related to pensions	<u>1,825</u>	<u>1,744</u>	<u>108</u>	<u>3,677</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 3,211,308</u>	<u>\$ 2,264,409</u>	<u>\$ 8,918</u>	<u>\$ 5,484,635</u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Pension Trust Fund (For the Year Ended December 31, 2016)	Other Post Employment Benefits Trust Fund	Agency Funds
Assets			
Cash	\$ 3,410,035	\$ -	\$ 279,597
Investments	67,569,341	571,053	-
Accounts receivable	71,432	-	-
Other assets	<u>-</u>	<u>-</u>	<u>70,113</u>
Total Assets	71,050,808	571,053	349,710
Liabilities			
Warrants payable	9,107	-	15,795
Other liabilities	<u>-</u>	<u>-</u>	<u>333,915</u>
Total Liabilities	<u>9,107</u>	<u>-</u>	<u>349,710</u>
Net Position			
Total net position restricted for pensions and other purposes	\$ <u>71,041,701</u>	\$ <u>571,053</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, 2017

	Pension Trust Fund (For the Year Ended December 31, 2016)	Other Post Employment Benefits Trust Fund
Additions:		
Contributions:		
Employers	\$ 4,432,358	\$ 2,482,447
Plan members	1,695,472	-
Other systems and Commonwealth of Massachusetts	<u>493,223</u>	<u>-</u>
Total contributions	6,621,053	2,482,447
Investment Income:		
Increase (decrease) in fair value of investments	5,062,602	66,510
Less: management fees	<u>(351,655)</u>	<u>-</u>
Net investment income	<u>4,710,947</u>	<u>66,510</u>
Total additions	11,332,000	2,548,957
Deductions:		
Benefit payments to plan members and beneficiaries	6,443,481	2,457,447
Refunds to plan members	296,883	-
Transfers to other systems	530,951	-
Administrative expenses	<u>231,227</u>	<u>-</u>
Total deductions	<u>7,502,542</u>	<u>2,457,447</u>
Net increase	3,829,458	91,510
Net position restricted for pensions and other purposes:		
Beginning of year	<u>67,212,243</u>	<u>479,543</u>
End of year	<u>\$ 71,041,701</u>	<u>\$ 571,053</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 included in the System's audited financial statements 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*. 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 fair 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 2017 tax levy reflected an excess capacity of approximately \$3,051.

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 acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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 City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, 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. The City has established and

continuously funded a reserve account in anticipation of these future claims.

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/deferred outflows and current liabilities/deferred inflows. 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.

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 is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

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.

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)	\$ 70,762,308	\$ 70,937,800
Other financing sources/uses (GAAP Basis)	<u>343,946</u>	<u>1,047,435</u>
Subtotal (GAAP Basis)	71,106,254	71,985,235
To adjust property tax revenue to the Budgetary Basis	757,530	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(749,732)
Add end-of-year appropriation carryforwards from expenditures	-	230,178
To reverse the effect of non- budgeted State contributions for teachers retirement	(6,030,959)	(6,030,959)
Unbudgeted stabilization activity	<u>(249,615)</u>	<u>94,009</u>
Budgetary Basis	<u>\$ 65,583,210</u>	<u>\$ 65,528,731</u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2017. It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

E. Excess of Expenditures Over Appropriations

The City's expenditures exceeded appropriations during the current fiscal year for debt service and intergovernmental charges.

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, 2017, \$14,328,809 of the City’s bank balances of \$30,782,234 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>Amount</u>	Exempt From <u>Disclosure</u>	<u>Aaa</u>	<u>A3</u>
Federal agency securities	\$ 2,187,943	\$ -	\$ 2,187,943	\$ -
Corporate bonds	396,274	-	-	396,274
Corporate equities	137,676	137,676	-	-
Mutual funds	2,238,500	2,238,500	-	-
State investment pool	571,053	571,053	-	-
Certificates of deposit	<u>1,621,532</u>	<u>1,621,532</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 7,152,978</u>	<u>\$ 4,568,761</u>	<u>\$ 2,187,943</u>	<u>\$ 396,274</u>

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 does 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.

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.

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>Amount</u>	<u>1-5</u>
Federal agency securities	\$ 2,187,943	\$ 2,187,943
Corporate bonds	<u>396,274</u>	<u>396,274</u>
Total	<u>\$ 2,584,217</u>	<u>\$ 2,584,217</u>

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, 2017

		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	\$ 2,187,943	\$ -	\$ 2,187,943	\$ -
Corporate bonds	396,274	-	396,274	-
Corporate equities	137,676	137,676	-	-
Mutual funds	2,238,500	-	2,238,500	-
Investments measured at the net asset value (NAV):				
External investment pool (PRIT)	<u>571,053</u>			
Total	<u>\$ 5,531,446</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>\$ 571,053</u>	\$ -	Monthly	30 days

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

Federal agency securities, corporate bonds, 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 Excises 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.

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

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 at June 30, 2017 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 1,025,091	\$ (209,588)	\$ 815,503
Personal property taxes	236,619	(219,448)	17,171
Tax liens	746,357	(74,636)	671,721
Community preservation taxes	14,231	-	14,231
Total property taxes	2,022,298	(503,672)	1,518,626
Motor vehicle excise	598,127	(376,483)	221,644
Boat excise	92,603	(92,603)	-
Total excise taxes	690,730	(469,086)	221,644
Grand total	<u>\$ 2,713,028</u>	<u>\$ (972,758)</u>	<u>\$ 1,740,270</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, 2017 consist of the following:

<u>Receivables</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Sewer			
Usage	\$ 1,496,398	\$ (149,640)	\$ 1,346,758
Liens	47,018	(14,106)	32,912
Other fees	<u>3,347</u>	<u>(1,674)</u>	<u>1,673</u>
Subtotal sewer user fees	1,546,763	(165,420)	1,381,343
Sewer betterments	3,708,786	-	3,708,786
Water			
Usage	1,191,925	(119,193)	1,072,732
Liens	9,361	(2,808)	6,553
Other fees	<u>35,105</u>	<u>(17,553)</u>	<u>17,552</u>
Subtotal water user fees	1,236,391	(139,554)	1,096,837
Water betterments	<u>1,435,305</u>	<u>-</u>	<u>1,435,305</u>
Total	<u>\$ 7,927,245</u>	<u>\$ (304,974)</u>	<u>\$ 7,622,271</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2017.

8. Interfund Transfers In and (Out)

The City reports interfund transfers among 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 2017.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 343,946	\$ 1,047,435
Bresnahan School Building Project		-
Nock/Molin School Building Project		-
Nonmajor Governmental Funds:		
Special revenue funds	42,000	638,021
Capital project funds	1,006,657	101,319
Enterprise Funds:		
Sewer fund	481,724	31,165
Water fund	116,220	172,607
Total	\$ <u>1,990,547</u>	\$ <u>1,990,547</u>

The transfer from the general fund to the capital project funds represents the City's practice of funding certain capital activity from general fund revenues. Other transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

9. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 143,432,981	\$ 508,000	\$ -	\$ 143,940,981
Infrastructure	31,952,293	2,977,022	-	34,929,315
Machinery and equipment	6,592,605	1,010,282	-	7,602,887
Total capital assets, being depreciated	181,977,879	4,495,304	-	186,473,183
Less accumulated depreciation for:				
Buildings and improvements	(33,736,691)	(4,251,839)	-	(37,988,530)
Infrastructure	(22,934,249)	(706,147)	-	(23,640,396)
Machinery and equipment	(4,034,330)	(510,092)	-	(4,544,422)
Total accumulated depreciation	(60,705,270)	(5,468,078)	-	(66,173,348)
Total capital assets, being depreciated, net	121,272,609	(972,774)	-	120,299,835
Capital assets, not being depreciated:				
Land	9,752,991	-	-	9,752,991
CIP	5,911,350	1,972,258	-	7,883,608
Total capital assets, not being depreciated	15,664,341	1,972,258	-	17,636,599
Governmental activities capital assets, net	\$ <u>136,936,950</u>	\$ <u>999,484</u>	\$ <u>-</u>	\$ <u>137,936,434</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,201,725	\$ -	\$ -	\$ 3,201,725
Infrastructure	134,762,346	203,648	-	134,965,994
Machinery and equipment	<u>3,066,910</u>	<u>23,637</u>	<u>-</u>	<u>3,090,547</u>
Total capital assets, being depreciated	141,030,981	227,285	-	141,258,266
Less accumulated depreciation for:				
Buildings and improvements	(564,518)	(143,354)	-	(707,872)
Infrastructure	(49,336,840)	(4,189,959)	-	(53,526,799)
Machinery and equipment	<u>(1,685,918)</u>	<u>(253,987)</u>	<u>-</u>	<u>(1,939,905)</u>
Total accumulated depreciation	<u>(51,587,276)</u>	<u>(4,587,300)</u>	<u>-</u>	<u>(56,174,576)</u>
Total capital assets, being depreciated, net	89,443,705	(4,360,015)	-	85,083,690
Capital assets, not being depreciated:				
Land	1,261,367	-	-	1,261,367
Construction in progress	<u>252,404</u>	<u>5,355,181</u>	<u>-</u>	<u>5,607,585</u>
Total capital assets, not being depreciated	<u>1,513,771</u>	<u>5,355,181</u>	<u>-</u>	<u>6,868,952</u>
Business-type activities capital assets, net	<u>\$ 90,957,476</u>	<u>\$ 995,166</u>	<u>\$ -</u>	<u>\$ 91,952,642</u>

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

Governmental Activities:	
General government	\$ 394,855
Public safety	241,123
Education	2,862,498
Public works	913,977
Health and human services	228,203
Culture and recreation	<u>827,422</u>
Total depreciation expense - governmental activities	<u>\$ 5,468,078</u>
Business-Type Activities:	
Sewer	\$ 2,485,905
Water	2,061,595
Harbormaster	<u>39,800</u>
Total depreciation expense - business-type activities	<u>\$ 4,587,300</u>

10. 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. Deferred

outflows of resources related to pensions, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, are more fully discussed in Note 17.

11. Warrants and Accounts Payable

Warrants payable represent 2017 expenditures paid by July 15, 2017. Accounts payable represent additional 2017 expenditures paid after July 15, 2017.

12. Other Liabilities

Other liabilities reported in the general fund consist payroll deductions.

13. Notes Payable

The following summarizes activity in notes payable as well as notes outstanding at June 30, 2017:

	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	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)	-
Parking Facility planning and design	1.60%	04/21/17	04/20/18	-	630,300	-	630,300
Total Governmental Activities				<u>\$ 5,299,435</u>	<u>\$ 630,300</u>	<u>\$ (5,299,435)</u>	<u>\$ 630,300</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)	\$ -
Harbormaster transient boater facility	1.45%	05/27/16	09/30/16	82,602	-	(82,602)	-
Wastewater treatment	1.60%	04/21/17	04/20/18	-	1,000,000	-	1,000,000
Graf Road pump station	1.60%	04/21/17	04/20/18	-	500,000	-	500,000
Total Business-Type Activities				<u>\$ 2,833,602</u>	<u>\$ 1,500,000</u>	<u>\$ (2,833,602)</u>	<u>\$ 1,500,000</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 6/30/17</u>
Equipment	4.25 - 5.00%	2018	\$ 55,000
Drainage	4.25 - 5.00%	2018	40,000
Recreational facility	4.25 - 5.00%	2018	5,000
School renovations	4.25 - 5.00%	2018	55,000
Fire truck	3.50 - 6.00%	2019	100,000
Inn street electrical	3.50 - 6.00%	2019	20,000
Stormwater management	3.50 - 6.00%	2019	100,000
Street paving	3.50 - 6.00%	2019	100,000
Relocation of N. Res Terr.	3.50 - 6.00%	2019	10,000
School building improvements	3.50 - 6.00%	2019	150,000
Land acquisition refunding	2.00 - 3.00%	2019	30,000
School demountables	2.50 - 4.00%	2019	49,600
City Hall renovations	3.00 - 4.00%	2019	298,000
Land acquisition	3.00 - 4.00%	2019	187,000
Library renovations refunding	2.00 - 3.00%	2021	450,000
City hall refunding	2.00 - 3.00%	2021	30,000
High School	2.50 - 5.00%	2024	831,400
Fire trucks	2.000%	2025	810,000
High School	2.50 - 5.00%	2026	2,162,300
Nock/Molin School baseball field	2.00 - 2.50%	2030	1,575,000
Cherry Hill Parcel B soccer field	2.00 - 2.50%	2030	125,000
World War Memorial Stadium multipurpose field	2.00 - 2.50%	2030	1,405,000
World War Memorial Stadium multipurpose field	2.00 - 2.50%	2030	1,430,000
Bresnahan School	2.50 - 5.00%	2034	14,401,000
Nock/Molin School	2.50 - 5.00%	2034	10,289,000
Bresnahan School	2.125 - 5.00%	2035	1,785,000
Nock/Molin School	2.125 - 5.00%	2035	1,045,000
Senior and Community Center	2.125 - 5.00%	2035	5,805,000
Bresnahan School	2.00 - 2.50%	2036	1,910,000
Nock/Molin School	2.00 - 2.50%	2036	955,000
Nock/Molin Elementary School	2.00 - 3.50%	2037	375,398
Remodeling Central Fire Station	2.00 - 3.50%	2037	400,000
Drainage	2.00 - 3.50%	2037	400,000
Total Governmental Activities Debt:			<u>\$ 47,383,698</u>

<u>Business-Type Activities:</u>	<u>Interest Rate(s) %</u>	<u>Serial Maturities Through</u>	<u>Amount Outstanding as of 6/30/17</u>
Sewer	4.25 - 5.00%	2018	\$ 15,000
Sewer mains	4.25 - 5.00%	2018	30,000
MCWT (CW-97-34)	0.75%	2020	135,000
Wastewater plant refunding	2.00 - 3.25%	2021	345,000
Sewer	2.50 - 5.00%	2025	303,500
Sewer I	2.00 - 4.00%	2025	160,000
Sewer II	2.00 - 4.00%	2025	715,000
Sewer III	2.00 - 4.00%	2025	310,000
Sewer	2.00 - 4.00%	2028	2,840,000
MCWT (CWS-09-10)	2.00%	2031	3,055,949
MCWT (CWS-09-10-A)	2.00%	2033	5,087,081
Sewer	2.50 - 5.00%	2033	430,000
MCWT (CW-09-10)	2.00%	2033	11,155,330
MCWT (CW-01-11)	3.50 - 5.00%	2035	3,330,000
Plum Island (CW-02-51) - 60%	2.00%	2037	846,829
Graf/Hale force sewer main	2.00 - 3.50%	2037	2,751,000
Wastewater treatment	3.00 - 5.00%	2042	3,891,000
Graf Road pump station	3.00 - 5.00%	2042	3,405,000
Water improvements refunding	2.00 - 3.25%	2021	345,000
Water I	2.00 - 4.00%	2024	265,000
MCWT (DW-01-06)	3.40 - 5.25%	2025	1,292,520
MCWT (DW-02-16)	3.00 - 5.25	2025	1,750,000
MCWT (DW-01-06-A)	0.00%	2025	141,865
Water	2.50 - 5.00%	2025	233,900
Plum Island Water	2.50 - 5.00%	2025	219,300
Water System Improvements	3.00 - 5.00%	2025	1,165,000
Water III	2.00 - 4.00%	2025	365,000
MCWT (DW-10-09)	2.00%	2033	6,869,757
Water	2.50 - 5.00%	2033	825,000
MCWT (DW-10-09-A)	2.00%	2033	5,294,100
MCWT (DW-10-09-B)	2.00%	2035	272,143
Plum Island (CW-02-51) - 40%	2.00%	2037	564,712
Transient Boater Facility	2.00 - 3.50%	2024	82,602
Transient Boater Facility	3.00 - 5.00%	2028	54,000
Transient Boater Facility	2.00 - 3.00%	2036	960,000
Total Business-Type Activities Debt:			<u>\$ 59,505,588</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2017 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,726,698	\$ 1,632,262	\$ 4,358,960
2019	2,571,700	1,536,378	4,108,078
2020	2,161,100	1,441,834	3,602,934
2021	2,231,500	1,364,916	3,596,416
2022	2,312,100	1,287,230	3,599,330
2023 - 2027	12,895,600	5,006,220	17,901,820
2028 - 2032	14,170,000	2,553,633	16,723,633
Thereafter	8,315,000	594,302	8,909,302
Total	\$ <u>47,383,698</u>	\$ <u>15,416,775</u>	\$ <u>62,800,473</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, 2017.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,674,095	\$ 1,601,734	\$ 5,275,829
2019	3,696,627	1,493,002	5,189,629
2020	3,744,556	1,377,349	5,121,905
2021	3,777,298	1,262,936	5,040,234
2022	3,615,157	1,003,705	4,618,862
2023 - 2027	17,127,589	4,165,618	21,293,207
2028 - 2032	15,604,374	2,165,142	17,769,516
Thereafter	8,265,892	919,063	9,184,955
Total	\$ <u>59,505,588</u>	\$ <u>13,988,549</u>	\$ <u>73,494,137</u>

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2017 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	743,048
06/05/12	Nock/Molin School	1,365,201
03/16/16	Transit parking facility	630,300
09/01/16	Drainage projects	435,000
01/17/16	Wastewater treatment facility	800,000
03/06/17	Graf Road pump station replacement	500,000
03/06/17	Wastewater treatment odor control and facility upgrades	200,000
Total		\$ <u>13,480,044</u>

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Total Balance 7/1/16	Additions	Reductions	Total Balance 6/30/17	Less Current Portion	Equals Long-Term Portion 6/30/17
<u>Governmental Activities</u>						
Bonds payable	\$ 48,912,900	\$ 1,175,398	\$ (2,704,600)	\$ 47,383,698	\$ (2,726,698)	\$ 44,657,000
Unamortized bond premiums	<u>2,560,686</u>	<u>-</u>	<u>(176,291)</u>	<u>2,384,395</u>	<u>(176,291)</u>	<u>2,208,104</u>
Subtotal	51,473,586	1,175,398	(2,880,891)	49,768,093	(2,902,989)	46,865,104
Net pension liability	34,340,250	3,999,545	-	38,339,795	-	38,339,795
Net OPEB obligation	27,737,307	6,262,908	(2,377,087)	31,623,128	-	31,623,128
Compensated absences	<u>3,962,007</u>	<u>802,457</u>	<u>(604,357)</u>	<u>4,160,107</u>	<u>(832,021)</u>	<u>3,328,086</u>
Totals	<u>\$ 117,513,150</u>	<u>\$ 12,240,308</u>	<u>\$ (5,862,335)</u>	<u>\$ 123,891,123</u>	<u>\$ (3,735,010)</u>	<u>\$ 120,156,113</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 52,777,408	\$ 10,183,602	\$ (3,455,422)	\$ 59,505,588	\$ (3,674,095)	\$ 55,831,493
Unamortized bond premiums	<u>142,027</u>	<u>204,000</u>	<u>(23,627)</u>	<u>322,400</u>	<u>(23,627)</u>	<u>298,773</u>
Subtotal	52,919,435	10,387,602	(3,479,049)	59,827,988	(3,697,722)	56,130,266
Net pension liability	2,584,750	3,211,455	-	5,796,205	-	5,796,205
Net OPEB obligation	2,640,718	644,175	(105,360)	3,179,533	-	3,179,533
Compensated absences	<u>163,138</u>	<u>26,827</u>	<u>(18,670)</u>	<u>171,295</u>	<u>(34,259)</u>	<u>137,036</u>
Totals	<u>\$ 58,308,041</u>	<u>\$ 14,270,059</u>	<u>\$ (3,603,079)</u>	<u>\$ 68,975,021</u>	<u>\$ (3,731,981)</u>	<u>\$ 65,243,040</u>

15. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the City that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The City reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 17.

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

16. Governmental Funds - Balances

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

The City 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, 2017:

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, 2017:

	General Fund	Bresnahan School Building Project	Nock/Molin School Building Project	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Permanent funds	\$ -	\$ -	\$ -	\$ 1,588,088	\$ 1,588,088
Total Nonspendable	-	-	-	1,588,088	1,588,088
Restricted					
Capital project funds	-	952,595	31,263	707,836	1,691,694
Permanent funds	-	-	-	834,877	834,877
Community preservation	-	-	-	2,080,249	2,080,249
Affordable housing	-	-	-	351,014	351,014
Downtown paid parking	-	-	-	951,855	951,855
School choice	-	-	-	1,078,863	1,078,863
Circuit breaker	-	-	-	663,598	663,598
Full-day kindergarten	-	-	-	300,142	300,142
Curriculum/staff development	-	-	-	376,922	376,922
Sale of buildings	-	-	-	748,000	748,000
Sewer I/I	-	-	-	336,103	336,103
Solid waste	-	-	-	308,464	308,464
Recreation	-	-	-	251,343	251,343
Other special revenue funds	-	-	-	2,618,531	2,618,531
Total Restricted	-	952,595	31,263	11,607,797	12,591,655
Committed					
For technology stabilization accounts	503,068	-	-	-	503,068
For compensated absences	180,228	-	-	-	180,228
For capital stabilization accounts	217,086	-	-	-	217,086
For capital projects	-	-	-	852,737	852,737
Total Committed	900,382	-	-	852,737	1,753,119
Assigned					
Encumbrances:					
General government	278,178	-	-	-	278,178
Total Assigned	278,178	-	-	-	278,178
Unassigned					
General fund	3,266,069	-	-	-	3,266,069
General stabilization account*	2,870,257	-	-	-	2,870,257
Deficit funds	-	-	-	(463,282)	(463,282)
Total Unassigned	6,136,326	-	-	(463,282)	5,673,044
Total Fund Balance	\$ 7,314,886	\$ 952,595	\$ 31,263	\$ 13,585,340	\$ 21,884,084

17. 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

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 Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 16 Unicorn Street, Newburyport, Massachusetts 01950.

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 10%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

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

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

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

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with 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, 2017 was \$4,432,358, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

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

At June 30, 2017, the City reported a liability of \$44,136,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. 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. As of the measurement date, the City's proportion was 97.48%.

For the year ended June 30, 2017, the City recognized pension expense of \$6,750,000. In addition, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,656,000	\$ -
Changes of assumptions	3,842,000	-
Net difference between projected and actual earnings on pension plan investments	3,084,000	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>8,000</u>	<u>28,000</u>
Total	<u>\$ 8,590,000</u>	<u>\$ 28,000</u>

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

Year ended June 30:

2018	\$ 2,637,000
2019	2,637,000
2020	2,605,000
2021	<u>683,000</u>
Total	<u>\$ 8,562,000</u>

D. Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	January 1, 2016
Actuarial cost method	Individual entry age normal
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.25% for Group 1 and 4.75% for Group 4
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3.00% of first \$12,000
Mortality:	
Pre-retirement and beneficiary	RP-2000 Employees table projected generationally with scale BB and a base year of 2009 (gender distinct)
Retired members	RP-2000 Healthy Annuitant table projected generationally with scale BB and a base year of 2009 (gender distinct)
Disabled members	RP-2000 Healthy Annuitant table projected generationally with scale BB and a base year of 2012 (gender distinct)

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2015 through December 31, 2015.

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>
International equity	22.00%	8.75%
Domestic equity	18.00%	7.63%
Core fixed income	13.00%	3.76%
Value-added fixed income	10.00%	6.45%
Private equity	10.00%	9.50%
Real estate	10.00%	6.50%
Hedge funds	9.00%	6.50%
Timber/Natural resources	4.00%	7.07%
Portfolio completion strategies	4.00%	6.18%
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 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.

F. 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 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate:

<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$ 57,157,000	\$ 44,136,000	\$ 33,126,000

G. Pension Plan Fiduciary Net Position

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

18. **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* (GASB 67). 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>Membership 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, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. 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 on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- 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, 2016 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%	1.6%
Private equity	10.0%	8.7%
Real estate	10.0%	4.6%
Value added fixed income	10.0%	4.8%
Hedge funds	9.0%	4.0%
Portfolio completion strategies	4.0%	3.6%
Timber/natural resources	4.0%	5.4%
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>1% Decrease to 6.50%</u>	<u>Current Discount Rate of 7.50%</u>	<u>1% Increase to 8.50%</u>
\$ 27,464,000	\$ 22,357,928	\$ 18,022,000

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 2016 (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 \$59,123,247 and \$6,030,959 respectively, based on a proportionate share of 0.264440%. As required by GASB 68, the City has recognized its portion of the collective pension expense as both revenue and expenditure in the general fund.

19. Other Post-Employment Benefits – OPEB (GASB 45)

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* (GASB 45), 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, 2016, the actuarial valuation

date, approximately 489 retirees and 550 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 2017 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 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, 2017, 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, 2016.

Annual Required Contribution (ARC)	\$ 6,736,643
Interest on net OPEB obligation	1,215,121
Adjustment to ARC	(1,689,197)
Amortization of Actuarial (Gains)/Losses	<u>644,516</u>
Annual OPEB cost	6,907,083
Contributions made to pay benefits	(2,457,447)
Contributions made to OPEB Trust	<u>(25,000)</u>
Increase in net OPEB obligation	4,424,636
Net OPEB obligation - beginning of year	<u>30,378,025</u>
Net OPEB obligation - end of year	<u>\$ 34,802,661</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>
2017	\$ 6,907,083	35.6%	\$ 34,802,661
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

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2016, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 74,322,530
Actuarial value of plan assets	<u>(479,543)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 73,842,987</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.65%</u>
Covered payroll (active plan members)	<u>\$ 39,972,872</u>
UAAL as a percentage of covered payroll	<u>184.73%</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, 2016 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 2.75% 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.

20. **Other Post-Employment Benefits – OPEB (GASB 74)**

In fiscal year 2014 the City established an OPEB Trust fund to provide funding for future employee health care costs.

Investments

The OPEB Trust fund does not have a formal investment policy. At June 30, 2017, available funds of \$571,053 were invested with the Commonwealth in the Pension Reserves Investment Trust (PRIT) State pool. Concentration and rate of return information was not available.

Net OPEB Liability

The components of the net OPEB liability were as follows:

Total OPEB liability	\$ 84,082,487
Plan fiduciary net position	<u>(571,053)</u>
Net OPEB liability	<u>\$ 83,511,434</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.68%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial

assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2016
Actuarial cost method	Individual entry age normal
Asset-valuation method	Market value as of measurement date
Inflation	2.75% annually
Salary increases:	3.00% annually
Discount rate	3.50% annually
Investment rate of return	7.04%
Health care trend rates:	
Medical	6.00% in fiscal year 2013, 5.00% thereafter
Dental	5.50% in fiscal year 2013, 5.00% thereafter
Mortality tables:	
Pre-retirement:	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009
Post-retirement:	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009
Disabled:	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Alternatives	23.00%	6.50%
Domestic fixed income	20.00%	2.00%
International equity - developed market	16.00%	4.50%
Domestic equity - large cap	14.50%	4.00%
Real estate	14.00%	6.25%
International equity - emerging market	6.00%	7.00%
Domestic equity - small/mid cap	3.50%	6.00%
International fixed income	3.00%	3.00%
Total	<u>100.00%</u>	

Discount rate. The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan member will be made at the current contribution rate. Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
\$ 99,971,204	\$ 83,511,434	\$ 71,655,328

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower (5.00% decreasing to 4.00%) or one-percentage-point higher (5.00% increasing to 6.00%) than the current healthcare cost trend rates:

1% Decrease (5.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (5.00%)	1% Increase (5.00% increasing to 6.00%)
\$ 66,832,685	\$ 83,511,434	\$ 105,103,186

21. **Commitments and Contingencies**

Outstanding Legal Issues - On an ongoing basis, there are typically pending legal issues in which the City is involved. The City's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

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.

22. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, replacing requirements of Statements No. 45 and 57, effective for the City beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

CITY OF NEWBURYPORT, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE (GASB 68)
OF THE NET PENSION LIABILITY

JUNE 30, 2017
(Unaudited)
(In Thousands)

Newburyport Contributory Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2017	December 31, 2016	97.449%	\$ 44,136	\$ 17,485	252.42%	61.10%
June 30, 2016	December 31, 2015	97.450%	\$ 36,925	\$ 15,176	243.31%	63.95%
June 30, 2015	December 31, 2014	97.591%	\$ 33,270	\$ 15,176	219.23%	66.18%

Massachusetts Teachers' Retirement System								
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the City</u>	<u>Total Net Pension Liability Associated with the City</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2017	June 30, 2016	0.002644%	\$ -	\$ 59,123	\$ 59,123	\$ 17,068	0.00%	52.73%
June 30, 2016	June 30, 2015	0.262694%	\$ -	\$ 53,825	\$ 53,825	\$ 16,652	0.00%	55.38%
June 30, 2015	June 30, 2014	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 (GASB 68)

**JUNE 30, 2017
(Unaudited)
(In Thousands)**

Newburyport Contributory Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2017	\$ 4,432	\$ 4,432	\$ -	\$ 17,485	25.35%
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 (GASB 67)

(Unaudited)
(In Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 2,567	\$ 2,251	\$ 2,154
Interest on unfunded liability - time value of \$	7,832	7,766	7,459
Differences between expected and actual experience	2,199	-	-
Changes of assumptions	5,100	-	-
Benefit payments, including refunds of member contributions	<u>(6,482)</u>	<u>(5,730)</u>	<u>(5,770)</u>
Net change in total pension liability	11,216	4,287	3,843
Total pension liability - beginning	<u>105,103</u>	<u>100,816</u>	<u>96,973</u>
Total pension liability - ending (a)	<u><u>\$ 116,319</u></u>	<u><u>\$ 105,103</u></u>	<u><u>\$ 100,816</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 4,432	\$ 4,262	\$ 4,098
Contributions - member	1,399	1,743	1,493
Net investment income	4,712	413	4,655
Benefit payments, including refunds of member contributions	(6,482)	(5,730)	(5,770)
Administrative expense	(231)	(201)	(191)
Other	<u>-</u>	<u>-</u>	<u>20</u>
Net change in plan fiduciary net position	3,830	487	4,305
Plan fiduciary net position - beginning	<u>67,212</u>	<u>66,725</u>	<u>62,420</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 71,042</u></u>	<u><u>\$ 67,212</u></u>	<u><u>\$ 66,725</u></u>
Net pension liability (asset) - ending (a-b)	<u><u>\$ 45,277</u></u>	<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 (GASB 67)

(Unaudited)
(In Thousands)

Schedule of Net Pension Liability

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 116,319	\$ 105,103	\$ 100,816
Plan fiduciary net position	<u>(71,042)</u>	<u>(67,212)</u>	<u>(66,725)</u>
Net pension liability (asset)	<u>\$ 45,277</u>	<u>\$ 37,891</u>	<u>\$ 34,091</u>
Plan fiduciary net position as a percentage of the total pension liability	61.08%	63.95%	66.18%
Covered payroll	\$ 17,485	\$ 15,551	\$ 15,551
Participating employer net pension liability (asset) as a percentage of covered payroll	258.95%	243.66%	219.22%

Schedule of Contributions

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 4,432	\$ 4,012	\$ 4,098
Contributions in relation to the actuarially determined contribution	<u>4,432</u>	<u>4,012</u>	<u>4,098</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 17,485	\$ 15,551	\$ 15,551
Contributions as a percentage of covered payroll	25.35%	25.80%	26.35%

Schedule of Investment Returns

Year Ended December 31

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money weighted rate of return, net of investment expense	7.45%	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.

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

**June 30, 2017
(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]
07/01/16	\$ 479,543	\$ 74,322,530	\$ 73,842,987	0.65%	\$ 39,972,872	184.7%
07/01/14	\$ 25,000	\$ 66,815,622	\$ 66,790,622	0.04%	\$ 32,381,749	206.3%
07/01/12	\$ -	\$ 50,365,955	\$ 50,365,955	0.00%	N/A	N/A
07/01/10	\$ -	\$ 64,860,191	\$ 64,860,191	0.00%	N/A	N/A
07/01/08	\$ -	\$ 74,485,260	\$ 74,485,260	0.00%	N/A	N/A

See Independent Auditors' Report.

**CITY OF NEWBURYPORT, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedule of Changes in the Net OPEB Liability (GASB 74)

(Unaudited)

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 3,005,942
Interest on unfunded liability - time value of \$	2,885,278
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	<u>(2,457,447)</u>
Net change in total OPEB liability	3,433,773
Total OPEB liability - beginning	<u>80,648,714</u>
Total OPEB liability - ending (a)	<u><u>\$ 84,082,487</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 2,482,447
Contributions - member	-
Net investment income	66,510
Benefit payments, including refunds of member contributions	<u>(2,457,447)</u>
Administrative expense	-
Other	<u>-</u>
Net change in plan fiduciary net position	91,510
Plan fiduciary net position - beginning	<u>479,543</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 571,053</u></u>
Net OPEB liability (asset) - ending (a-b)	<u><u>\$ 83,511,434</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.

**CITY OF NEWBURYPORT, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74)

(Unaudited)

Schedule of Net OPEB Liability

	<u>2017</u>
Total OPEB liability	\$ 84,082,487
Plan fiduciary net position	<u>(571,053)</u>
Net OPEB liability (asset)	<u>\$ 83,511,434</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.68%
Covered payroll	\$ 39,972,872
Participating employer net OPEB liability (asset) as a percentage of covered payroll	208.92%

Schedule of Contributions

	<u>2017</u>
Actuarially determined contribution	\$ 7,217,226
Contributions in relation to the actuarially determined contribution	<u>2,482,447</u>
Contribution deficiency (excess)	<u>\$ 4,734,779</u>
Covered payroll	\$ 39,972,872
Contributions as a percentage of covered payroll	6.21%

Schedule of Investment Returns

	<u>2017</u>
Annual money weighted rate of return, net of investment expense	7.04%

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