

CITY OF NEWBURYPORT, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2018

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, 2018, (except for the Newburyport Contributory Retirement System, which is as of and for the year ending December 31, 2017) 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, 2018, (except for the Newburyport Contributory Retirement System, which is as of and for the year ending December 31, 2017) 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 64 to 69 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 February 27, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Melanson Heath

February 27, 2019

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, 2018.

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 services.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund 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 \$55,669,884 (i.e., net position), a change of \$(2,605,003) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$26,647,205, a change of \$4,763,121 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,668,794, a change of \$532,468 in comparison to the prior year. See Note D for further information on the change in general fund operations.

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>					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 32,867,237	\$ 29,698,765	\$ 20,113,631	\$ 28,749,133	\$ 52,980,868	\$ 58,447,898
Capital assets	138,577,464	137,936,434	96,928,825	91,952,642	235,506,289	229,889,076
Total assets	171,444,701	167,635,199	117,042,456	120,701,775	288,487,157	288,336,974
Deferred outflows of resources	4,024,665	7,461,909	623,335	1,128,091	4,648,000	8,590,000
Long-term liabilities	159,762,820	123,891,123	65,318,489	68,975,021	225,081,309	192,866,144
Other liabilities	5,444,690	6,280,582	2,938,533	2,960,601	8,383,223	9,241,183
Total liabilities	165,207,510	130,171,705	68,257,022	71,935,622	233,464,532	202,107,327
Deferred inflows of resources	3,464,569	54,556	536,172	3,677	4,000,741	58,233
Net position:						
Net investment in capital assets	88,135,465	88,434,341	42,593,168	41,982,384	130,728,633	130,416,725
Restricted	13,932,383	12,488,049	1,843,923	4,435,339	15,776,306	16,923,388
Unrestricted	(95,270,561)	(56,051,543)	4,435,506	3,472,844	(90,835,055)	(52,578,699)
Total net position	\$ 6,797,287	\$ 44,870,847	\$ 48,872,597	\$ 49,890,567	\$ 55,669,884	\$ 94,761,414

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 \$55,669,884, a change of \$(2,605,003) from the prior year.

The largest portion of net position \$130,728,633 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 \$15,776,306 represents resources that are subject to external restrictions on how they may be used. The remaining balance is an unrestricted net position deficit of \$(90,835,055). The negative balance primarily results from recording the City's unfunded portion of the net pension liability and net OPEB liability.

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

<u>CHANGES IN NET POSITION</u>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 6,850,984	\$ 6,575,427	\$ 11,940,901	\$ 11,906,135	\$ 18,791,885	\$ 18,481,562
Operating grants and contributions	14,752,190	12,829,868	679,904	258,857	15,432,094	13,088,725
Capital grants and contributions	1,456,056	4,036,401	750,634	4,998,059	2,206,690	9,034,460
General revenues:						
Property taxes	55,396,526	53,306,389	-	-	55,396,526	53,306,389
Excises	3,208,099	3,534,941	-	-	3,208,099	3,534,941
Penalties, interest and other taxes	442,024	363,080	-	-	442,024	363,080
Grants and contributions not restricted to specific programs	2,673,403	2,577,886	-	-	2,673,403	2,577,886
Investment income	259,365	289,705	95,584	268,021	354,949	557,726
Other	410,584	1,483,631	-	6,799	410,584	1,490,430
Total revenues	85,449,231	84,997,328	13,467,023	17,437,871	98,916,254	102,435,199

(continued)

(continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Expenses:						
General government	6,453,090	5,770,751	-	-	6,453,090	5,770,751
Public safety	12,312,504	11,445,596	-	-	12,312,504	11,445,596
Education	52,269,383	50,519,978	-	-	52,269,383	50,519,978
Public works	5,710,006	4,767,823	-	-	5,710,006	4,767,823
Human services	3,270,201	3,110,645	-	-	3,270,201	3,110,645
Culture and recreation	3,371,106	4,697,010	-	-	3,371,106	4,697,010
Interest on long-term debt	1,483,533	1,611,635	-	-	1,483,533	1,611,635
Intergovernmental	2,792,292	2,597,940	-	-	2,792,292	2,597,940
Sewer services	-	-	7,578,025	8,806,816	7,578,025	8,806,816
Water services	-	-	5,820,037	7,014,100	5,820,037	7,014,100
Harbor services	-	-	461,080	561,738	461,080	561,738
Total expenses	<u>87,662,115</u>	<u>84,521,378</u>	<u>13,859,142</u>	<u>16,382,654</u>	<u>101,521,257</u>	<u>100,904,032</u>
Change in net position before transfers	(2,212,884)	475,950	(392,119)	1,055,217	(2,605,003)	1,531,167
Transfers in (out)	<u>(1,459)</u>	<u>(394,172)</u>	<u>1,459</u>	<u>394,172</u>	<u>-</u>	<u>-</u>
Change in net position	(2,214,343)	81,778	(390,660)	1,449,389	(2,605,003)	1,531,167
Net position - beginning of year, as restated	<u>9,011,630</u>	<u>44,789,069</u>	<u>49,263,257</u>	<u>48,441,178</u>	<u>58,274,887</u>	<u>93,230,247</u>
Net position - end of year	<u>\$ 6,797,287</u>	<u>\$ 44,870,847</u>	<u>\$ 48,872,597</u>	<u>\$ 49,890,567</u>	<u>\$ 55,669,884</u>	<u>\$ 94,761,414</u>

Fiscal year 2017 amounts were not restated as the City applied GASB 75 prospectively.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(2,214,343). Key elements of this change are as follows:

Results of general fund operations	\$ 1,741,159
Capital asset additions from current year revenues	2,672,994
Depreciation expense in excess of principal debt service	(2,883,521)
Increase in net pension liability and related deferrals	(718,774)
Increase in net OPEB liability and related deferrals	(2,817,946)
Other	<u>(208,255)</u>
Total	<u>\$ (2,214,343)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(390,660). Key elements of this change and the impact on cash flows are as follows:

	<u>Revenues and Transfers In</u>	<u>Expenses and Transfers Out</u>	<u>Change in Net Position</u>
Sewer Fund	\$ 7,310,075	\$ 8,387,497	\$ (1,077,422)
Water Fund	6,474,750	5,820,037	654,713
Nonmajor Funds	<u>493,129</u>	<u>461,080</u>	<u>32,049</u>
Net	<u>\$ 14,277,954</u>	<u>\$ 14,668,614</u>	<u>\$ (390,660)</u>

The decrease in net position for the sewer fund is primarily driven from transferring out \$809,312 of proceeds from the Plum Island litigation settlement to the water fund for hydrant replacements. The City initially split the proceeds between water and sewer, however, the funds can be utilized for either purpose with no specific allocation. There was a corresponding increase in the water fund due to the transfer. In addition, both funds net position was softened by recording each fund's respective increase of the net pension and net OPEB liabilities.

D. FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of 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 \$26,647,205, a change of \$4,763,121 in comparison to the prior year. Key elements of this change are as follows:

Results of general fund operations	\$ 1,741,159
Capital project fund revenues, bond proceeds, and premiums in excess of expenditures	1,027,389
Community preservation fund revenues in excess of expenditures	445,225
Smarth growth grant funding from Commonwealth	350,000
Downtown paid parking fund revenues in excess of expenditures	267,882
Other nonmajor fund revenues in excess of expenditures	932,925
Funding enterprise fund capital projects	<u>(1,459)</u>
Total	<u>\$ 4,763,121</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 \$6,668,794, while total fund balance was \$8,030,856. 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>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 6,668,794	\$ 6,136,326	\$ 532,468	9.5%
Total fund balance	\$ 8,030,856	\$ 7,314,886	\$ 715,970	11.5%

The total fund balance of the general fund changed by \$715,970 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (1,877,471)
Revenues in excess of budget	1,882,305
Expenditures less than budget	485,323
Current year encumbrances greater than expenditures of prior year encumbrances	318,811
Change in stabilization activity	<u>(92,998)</u>
Total	<u>\$ 715,970</u>

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
General stabilization	\$ 2,938,430	\$ 2,870,257	\$ 68,173
Other stabilization	<u>739,211</u>	<u>900,382</u>	<u>(161,171)</u>
Total	<u>\$ 3,677,641</u>	<u>\$ 3,770,639</u>	<u>\$ (92,998)</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 \$4,435,506, a change of \$962,662 in comparison to the prior year. This change is primarily driven by recognizing resources previously held as restricted for capital projects.

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 \$1,721,932. The reasons for these amendments include:

Capital project funding	\$ 1,035,361
Snow and ice appropriations	191,819
Compensated absences funding	150,000
Stabilization funding	50,000
OPEB Trust funding	50,000
Other departmental appropriations	<u>244,752</u>
Total	<u>\$ 1,721,932</u>

The supplemental appropriations were 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 \$235,506,289 (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 parking facility land acquisition and construction, Plum Island hydrant replacements, sewer and water infrastructure improvements, various roadway improvements, drainage projects, DPW equipment, and rail trail improvements.

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 \$109,013,370, 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

The City of Newburyport's taxable value grew by 5.7% during fiscal year 2018; on trend with annual average growth of 5.8% over the past five years. This extensive growth continues to be driven by both real estate and commercial developments. In addition to new development, the demand for residential property continues to encourage homeowners to make intensive investments within existing homes, including the renovation of many historic properties. The City expects this trend to continue into fiscal year 2019, as evidenced by building permit data, as well as, planning and zoning board applications.

The City set its fiscal year 2019 tax rate at \$13.08 per thousand based on a tax levy of \$57,152,900; marking an \$0.18 per thousand decrease from fiscal year 2018 as a result of higher property assessments. In addition to property taxes, the City adjusts its user rates and fees on an annual basis in order to cover the costs of services. Specifically, the City increased user rates for its two main utilities, water and wastewater, by 3.5% and 10.8% respectively for fiscal year 2019.

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 five percent of General Fund expenditures in the Stabilization Trust Fund and a minimum balance of one percent of the tax levy in Free Cash. 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 seventh consecutive year, the City was awarded the Distinguished Budget Presentation Award by the Government Finance Officers Association for its fiscal 2019 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, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Current:			
Cash and short-term investments	\$ 27,860,160	\$ 9,290,093	\$ 37,150,253
Investments	3,077,519	3,447,917	6,525,436
Receivables, net of allowance for uncollectibles:			
Property taxes	597,233	-	597,233
Excise taxes	256,587	-	256,587
User fees	-	2,664,044	2,664,044
Betterments	-	384,112	384,112
Intergovernmental	197,548	-	197,548
Departmental	16,709	-	16,709
Loans	20,000	-	20,000
Other	-	36,048	36,048
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	501,481	-	501,481
Loans	340,000	-	340,000
Betterments	-	4,291,417	4,291,417
Capital assets, being depreciated, net	116,669,385	90,059,873	206,729,258
Capital assets, not being depreciated	21,908,079	6,868,952	28,777,031
Deferred Outflows of Resources			
Related to pensions	3,974,665	623,335	4,598,000
Related to OPEB	50,000	-	50,000
Total Assets and Deferred Outflows of Resources	175,469,366	117,665,791	293,135,157
Liabilities			
Current:			
Warrants payable	1,593,298	880,514	2,473,812
Accrued liabilities	2,567,133	555,312	3,122,445
Notes payable	935,372	1,500,000	2,435,372
Other liabilities	348,887	2,707	351,594
Current portion of long-term liabilities:			
Bonds payable	2,894,911	3,720,254	6,615,165
Compensated absences	873,623	35,972	909,595
Noncurrent:			
Bonds payable, net of current portion	49,988,193	52,410,012	102,398,205
Net pension liability	32,185,458	5,047,542	37,233,000
Net OPEB liability	70,326,145	3,960,821	74,286,966
Compensated absences, net of current portion	3,494,490	143,888	3,638,378
Deferred Inflows of Resources			
Related to pensions	3,410,190	534,810	3,945,000
Related to OPEB	24,146	1,362	25,508
Other	30,233	-	30,233
Total Liabilities and Deferred Inflows of Resources	168,672,079	68,793,194	237,465,273
Net Position			
Net investment in capital assets	88,135,465	42,593,168	130,728,633
Restricted for:			
Capital projects	-	1,843,923	1,843,923
Grants and other statutory restrictions	11,446,155	-	11,446,155
Permanent funds			
Nonexpendable	1,532,627	-	1,532,627
Expendable	953,601	-	953,601
Unrestricted	(95,270,561)	4,435,506	(90,835,055)
Total Net Position	\$ 6,797,287	\$ 48,872,597	\$ 55,669,884

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

CITY OF NEWBURYPORT, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	<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	\$ 6,453,090	\$ 2,678,096	\$ 1,048,634	\$ 413,540	\$ (2,312,820)	\$ -	\$ (2,312,820)
Public safety	12,312,504	808,706	84,955	-	(11,418,843)	-	(11,418,843)
Education	52,269,383	2,433,703	12,850,423	-	(36,985,257)	-	(36,985,257)
Public works	5,710,006	262,493	112,141	992,044	(4,343,328)	-	(4,343,328)
Health and human services	3,270,201	226,984	511,245	-	(2,531,972)	-	(2,531,972)
Culture and recreation	3,371,106	441,002	144,792	50,472	(2,734,840)	-	(2,734,840)
Interest on long term debt	1,483,533	-	-	-	(1,483,533)	-	(1,483,533)
Intergovernmental	2,792,292	-	-	-	(2,792,292)	-	(2,792,292)
Total Governmental Activities	87,662,115	6,850,984	14,752,190	1,456,056	(64,602,885)	-	(64,602,885)
Business-Type Activities							
Sewer services	7,578,025	6,293,783	564,078	375,317	-	(344,847)	(344,847)
Water services	5,820,037	5,153,887	115,826	375,317	-	(175,007)	(175,007)
Other services	461,080	493,231	-	-	-	32,151	32,151
Total Business-Type Activities	13,859,142	11,940,901	679,904	750,634	-	(487,703)	(487,703)
Total	\$ 101,521,257	\$ 18,791,885	\$ 15,432,094	\$ 2,206,690	(64,602,885)	(487,703)	(65,090,588)
General Revenues and Transfers							
Property taxes					55,396,526	-	55,396,526
Excise taxes					3,208,099	-	3,208,099
Penalties, interest and other taxes					442,024	-	442,024
Grants and contributions not restricted to specific programs					2,673,403	-	2,673,403
Investment income					259,365	95,584	354,949
Other					410,584	-	410,584
Transfers, net					(1,459)	1,459	-
Total general revenues and transfers					62,388,542	97,043	62,485,585
Change in Net Position					(2,214,343)	(390,660)	(2,605,003)
Net Position:							
Beginning of year, as restated					9,011,630	49,263,257	58,274,887
End of year					\$ 6,797,287	\$ 48,872,597	\$ 55,669,884

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

CITY OF NEWBURYPORT, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and short-term investments	\$ 10,401,191	\$ 6,179,924	\$ 11,279,045	\$ 27,860,160
Investments	697,924	-	2,379,595	3,077,519
Receivables:				
Property taxes	1,423,256	-	5,189	1,428,445
Excise taxes	735,428	-	-	735,428
Intergovernmental	-	-	197,548	197,548
Departmental	3,746	-	12,963	16,709
Loans	20,000	-	-	20,000
Total Assets	<u>\$ 13,281,545</u>	<u>\$ 6,179,924</u>	<u>\$ 13,874,340</u>	<u>\$ 33,335,809</u>
Liabilities				
Warrants payable	\$ 1,108,907	\$ 142,318	\$ 342,073	\$ 1,593,298
Accrued liabilities	1,913,106	-	-	1,913,106
Notes payable	-	935,372	-	935,372
Other liabilities	348,887	-	-	348,887
Total Liabilities	3,370,900	1,077,690	342,073	4,790,663
Deferred Inflows of Resources				
Unavailable revenues	1,879,789	-	18,152	1,897,941
Fund Balances				
Nonspendable	-	-	1,532,627	1,532,627
Restricted	-	2,661,280	12,399,756	15,061,036
Committed	739,211	2,440,954	-	3,180,165
Assigned	622,851	-	-	622,851
Unassigned	6,668,794	-	(418,268)	6,250,526
Total Fund Balances	<u>8,030,856</u>	<u>5,102,234</u>	<u>13,514,115</u>	<u>26,647,205</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 13,281,545</u>	<u>\$ 6,179,924</u>	<u>\$ 13,874,340</u>	<u>\$ 33,335,809</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, 2018

Total governmental fund balances	\$ 26,647,205
<ul style="list-style-type: none"> Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 	138,577,464
<ul style="list-style-type: none"> Revenues are reported on the accrual basis of accounting and are not deferred until collection. 	1,059,136
<ul style="list-style-type: none"> Other long-term assets (i.e. loans) are not available to pay for current period expenditures and therefore, are not reported in the governmental funds. 	340,000
<ul style="list-style-type: none"> Deferred outflows of resources related to pensions and OPEB will be recognized as an increase to pension and OPEB expense in future years. 	4,024,665
<ul style="list-style-type: none"> In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	(654,027)
<ul style="list-style-type: none"> Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: <ul style="list-style-type: none"> Bonds payable Net pension liability Net OPEB liability Compensated absences 	(52,883,104) (32,185,458) (70,326,145) (4,368,113)
<ul style="list-style-type: none"> Deferred inflows of resources related to pensions and OPEB will be recognized as an reduction to pension and OPEB expense in future years. 	(3,434,336)
Net position of governmental activities	\$ 6,797,287

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, 2018

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 55,099,038	\$ -	\$ 889,276	\$ 55,988,314
Excise taxes	3,561,773	-	-	3,561,773
Interest, penalties, & other taxes	432,771	-	9,253	442,024
Charges for services	465,607	-	5,182,641	5,648,248
Licenses and permits	964,670	-	-	964,670
Intergovernmental	10,795,832	413,540	4,229,201	15,438,573
Investment income	155,391	-	103,974	259,365
Fines and forfeitures	13,856	-	-	13,856
Contributions	-	106,293	143,592	249,885
Other	241,256	-	189,328	430,584
Total Revenues	71,730,194	519,833	10,747,265	82,997,292
Expenditures				
Current:				
General government	2,850,555	4,145,391	2,073,098	9,069,044
Public safety	7,688,858	5,318	292,125	7,986,301
Education	32,558,693	183,817	3,895,562	36,638,072
Public works	3,101,714	784,230	1,136,246	5,022,190
Health & human services	2,230,104	1,524	359,427	2,591,055
Culture and recreation	1,564,681	390,164	597,600	2,552,445
Employee benefits	13,230,191	-	105	13,230,296
Debt service	3,971,947	-	397,070	4,369,017
Intergovernmental	2,792,292	-	-	2,792,292
Total Expenditures	69,989,035	5,510,444	8,751,233	84,250,712
Excess (deficiency) of revenues over expenditures	1,741,159	(4,990,611)	1,996,032	(1,253,420)
Other Financing Sources (Uses):				
Issuance of bonds	-	5,845,000	-	5,845,000
Premiums on issuance of bonds	-	173,000	-	173,000
Transfers in	218,222	1,726,026	231,804	2,176,052
Transfers out	(1,243,411)	(75,612)	(858,488)	(2,177,511)
Total Other Financing Sources (Uses)	(1,025,189)	7,668,414	(626,684)	6,016,541
Change in fund balances	715,970	2,677,803	1,369,348	4,763,121
Fund Balance at Beginning of Year	7,314,886	2,424,431	12,144,767	21,884,084
Fund Balance at End of Year	\$ 8,030,856	\$ 5,102,234	\$ 13,514,115	\$ 26,647,205

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, 2018

Net Changes in Fund Balances - Total Governmental Funds	\$ 4,763,121																		
<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>6,251,249</td></tr> <tr> <td>Depreciation</td><td>(5,610,219)</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. (741,252) 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>(5,845,000)</td></tr> <tr> <td>Premiums on general obligation bonds</td><td>(173,000)</td></tr> <tr> <td>Repayments of debt</td><td>2,726,698</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. (17,505) 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>(208,006)</td></tr> <tr> <td>Current year amortization of bond premiums</td><td>176,291</td></tr> <tr> <td>Net pension liability and related deferred outflows and inflows of resources</td><td>(718,774)</td></tr> <tr> <td>Net OPEB liability and related deferred outflows and inflows of resources</td><td><u>(2,817,946)</u></td></tr> </table> 	Capital outlays	6,251,249	Depreciation	(5,610,219)	Issuances of general obligation bonds	(5,845,000)	Premiums on general obligation bonds	(173,000)	Repayments of debt	2,726,698	Change in compensated absences	(208,006)	Current year amortization of bond premiums	176,291	Net pension liability and related deferred outflows and inflows of resources	(718,774)	Net OPEB liability and related deferred outflows and inflows of resources	<u>(2,817,946)</u>	
Capital outlays	6,251,249																		
Depreciation	(5,610,219)																		
Issuances of general obligation bonds	(5,845,000)																		
Premiums on general obligation bonds	(173,000)																		
Repayments of debt	2,726,698																		
Change in compensated absences	(208,006)																		
Current year amortization of bond premiums	176,291																		
Net pension liability and related deferred outflows and inflows of resources	(718,774)																		
Net OPEB liability and related deferred outflows and inflows of resources	<u>(2,817,946)</u>																		
Change in Net Position of Governmental Activities	\$ <u>(2,214,343)</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, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Transfers:				
Property taxes	\$ 54,348,166	\$ 54,348,166	\$ 55,099,038	\$ 750,872
Excise taxes	3,195,000	3,195,000	3,561,773	366,773
Interest, penalties, and other taxes	350,000	350,000	432,771	82,771
Charges for services	395,000	395,000	465,607	70,607
Licenses and permits	700,000	700,000	964,670	264,670
Intergovernmental	7,221,698	7,221,698	7,374,415	152,717
Investment income	45,000	45,000	131,784	86,784
Fines and forfeitures	10,000	10,000	13,856	3,856
Other	138,000	138,000	241,255	103,255
Transfers in	-	218,223	218,223	-
Total Revenues and Transfers In	66,402,864	66,621,087	68,503,392	1,882,305
Expenditures and Transfers:				
General government	2,923,917	2,896,666	2,840,256	56,410
Public safety	7,554,440	7,715,652	7,692,953	22,699
Education	29,292,850	29,257,350	29,255,668	1,682
Public works	3,041,055	3,391,046	3,221,500	169,546
Health and human services	2,328,412	2,403,412	2,321,840	81,572
Culture and recreation	1,561,053	1,561,053	1,559,782	1,271
Employee benefits	13,332,086	13,207,126	13,060,086	147,040
Debt service	3,986,891	3,986,891	3,971,947	14,944
Intergovernmental	2,755,922	2,755,922	2,792,292	(36,370)
Transfers out	-	1,323,440	1,296,911	26,529
Total Expenditures and Transfer Out	66,776,626	68,498,558	68,013,235	485,323
Excess (deficiency) revenues and transfers in over expenditures and transfers out	(373,762)	(1,877,471)	490,157	2,367,628
Other Financing Sources:				
Use of free cash and overlay surplus:				
For capital projects	-	1,035,361	-	(1,035,361)
For snow and ice expenses	-	191,819	-	(191,819)
For compensated absences	-	150,000	-	(150,000)
For stabilization funding	-	50,000	-	(50,000)
For OPEB funding	-	50,000	-	(50,000)
For grant deficits	-	26,529	-	(26,529)
For departmental expenditures	373,762	373,762	-	(373,762)
Excess revenues, transfers in, and other sources over expenditures and transfers out	\$ -	\$ -	\$ 490,157	\$ 490,157

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

CITY OF NEWBURYPORT, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-Type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Funds	Total
Assets				
Current:				
Cash and short-term investments	\$ 6,520,205	\$ 2,158,304	\$ 611,584	\$ 9,290,093
Investments	1,723,958	1,723,959	-	3,447,917
User fee receivables	1,488,653	1,175,391	-	2,664,044
Betterment receivables	277,326	106,786	-	384,112
Other assets	1,827	-	34,221	36,048
Noncurrent:				
Betterment receivables	3,138,424	1,152,993	-	4,291,417
Capital assets, being depreciated, net	48,335,167	41,330,461	394,245	90,059,873
Capital assets, not being depreciated	4,011,245	1,341,330	1,516,377	6,868,952
Deferred Outflows of Resources				
Related to pensions	313,269	290,908	19,158	623,335
Total Assets and Deferred Outflows of Resources	65,810,074	49,280,132	2,575,585	117,665,791
Liabilities				
Current:				
Warrants payable	744,835	107,936	27,743	880,514
Accrued liabilities	347,869	207,443	-	555,312
Notes payable	1,500,000	-	-	1,500,000
Other liabilities	2	2,178	527	2,707
Current portion of long-term liabilities:				
Bonds payable	2,119,594	1,550,660	50,000	3,720,254
Compensated absences	9,429	26,543	-	35,972
Noncurrent:				
Bonds payable, net of current portion	34,743,141	16,666,871	1,000,000	52,410,012
Net pension liability	2,536,746	2,355,675	155,121	5,047,542
Net OPEB liability	1,868,751	2,092,070	-	3,960,821
Compensated absences, net of current portion	37,714	106,174	-	143,888
Deferred Inflows of Resources				
Related to pensions	268,780	249,594	16,436	534,810
Related to OPEB	643	719	-	1,362
Total Liabilities and Deferred Inflows of Resources	44,177,504	23,365,863	1,249,827	68,793,194
Net Position				
Net investment in capital assets	17,278,286	24,454,260	860,622	42,593,168
Restricted for capital projects	1,843,923	-	-	1,843,923
Unrestricted	2,510,361	1,460,009	465,136	4,435,506
Total Net Position	<u>\$ 21,632,570</u>	<u>\$ 25,914,269</u>	<u>\$ 1,325,758</u>	<u>\$ 48,872,597</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, 2018

	Business-Type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Funds	Total
Operating Revenues				
Charges for services	\$ 6,238,077	\$ 5,153,887	\$ 493,231	\$ 11,885,195
Total Operating Revenues	6,238,077	5,153,887	493,231	11,885,195
Operating Expenses				
Salaries and wages	2,384,631	1,848,625	265,346	4,498,602
Other operating expenses	1,459,606	1,349,194	128,001	2,936,801
Depreciation	2,661,280	2,113,136	39,800	4,814,216
Total Operating Expenses	6,505,517	5,310,955	433,147	12,249,619
Operating Income (Loss)	(267,440)	(157,068)	60,084	(364,424)
Nonoperating Revenues (Expenses)				
Intergovernmental	564,078	115,826	-	679,904
Betterments	55,706	-	-	55,706
Investment income (loss)	75,278	20,408	(102)	95,584
Interest expense	(1,072,508)	(509,082)	(27,933)	(1,609,523)
Total Nonoperating Revenues (Expenses), Net	(377,446)	(372,848)	(28,035)	(778,329)
Income (Loss) before transfers	(644,886)	(529,916)	32,049	(1,142,753)
Capital Contributions and Transfers				
Capital contributions	375,317	375,317	-	750,634
Transfers in	1,619	809,312	-	810,931
Transfers out	(809,472)	-	-	(809,472)
Change in Net Position	(1,077,422)	654,713	32,049	(390,660)
Net Position at Beginning of Year, as restated	22,709,992	25,259,556	1,293,709	49,263,257
Net Position at End of Year	\$ 21,632,570	\$ 25,914,269	\$ 1,325,758	\$ 48,872,597

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, 2018

	Business-Type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Funds	Total
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 6,130,767	\$ 5,075,333	\$ 491,080	\$ 11,697,180
Payments to employees	(1,896,792)	(1,661,321)	(250,798)	(3,808,911)
Payments to vendors	(1,661,136)	(1,376,638)	(121,540)	(3,159,314)
Net Cash Provided By Operating Activities	2,572,839	2,037,374	118,742	4,728,955
Cash Flows From Noncapital Financing Activities				
Transfers in	1,619	809,312	-	810,931
Transfers out	(809,472)	-	-	(809,472)
Intergovernmental	564,078	115,826	-	679,904
Net Cash Provided By (Used For) Noncapital Financing Activities	(243,775)	925,138	-	681,363
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(6,863,389)	(2,927,010)	(46,602)	(9,837,001)
Capital contributions	375,317	375,317	-	750,634
Betterments	348,742	175,526	-	524,268
Proceeds from issuance of notes	1,500,000	-	-	1,500,000
Principal payments on notes	(1,500,000)	-	-	(1,500,000)
Principal payments on bonds	(2,131,262)	(1,496,231)	-	(3,627,493)
Interest expense	(1,098,788)	(544,544)	(27,933)	(1,671,265)
Net Cash Provided By Capital and Related Financing Activities	(9,369,380)	(4,416,942)	(74,535)	(13,860,857)
Cash Flows From Investing Activities				
Sale of investments	30,305	30,304	-	60,609
Investment income (loss)	75,278	20,408	(102)	95,584
Net Cash Provided By (Used For) Investing Activities	105,583	50,712	(102)	156,193
Net Change in Cash and Short-Term Investments	(6,934,733)	(1,403,718)	44,105	(8,294,346)
Cash and Short-Term Investments, Beginning of Year	13,454,938	3,562,022	567,479	17,584,439
Cash and Short-Term Investments, End of Year	\$ 6,520,205	\$ 2,158,304	\$ 611,584	\$ 9,290,093
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities				
Operating income (loss)	\$ (267,440)	\$ (157,068)	\$ 60,084	\$ (364,424)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	2,661,280	2,113,136	39,800	4,814,216
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees	(107,310)	(78,554)	-	(185,864)
Other assets	-	-	(2,151)	(2,151)
Deferred outflows - related to pensions	246,485	244,140	14,131	504,756
Warrants payable	341,980	(27,444)	5,957	320,493
Accrued liabilities	(304,950)	-	-	(304,950)
Other liabilities	-	-	504	504
Compensated absences	2,245	6,320	-	8,565
Net pension liability	(339,312)	(393,440)	(15,911)	(748,663)
Net OPEB liability	72,263	81,715	-	153,978
Deferred inflows - related to pensions	266,955	247,850	16,328	531,133
Deferred inflows - related to OPEB	643	719	-	1,362
Net Cash Provided By Operating Activities	\$ 2,572,839	\$ 2,037,374	\$ 118,742	\$ 4,728,955

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

CITY OF NEWBURYPORT, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Pension and OPEB <u>Trust Funds</u>	Agency <u>Funds</u>
Assets		
Cash and short-term investments	\$ 2,006,341	\$ 270,062
Investments	80,952,791	-
Accounts receivable	182,155	-
Other assets	<u>-</u>	<u>51,494</u>
Total Assets	83,141,287	321,556
Liabilities		
Warrants payable	-	65,385
Student activities	-	214,827
Other liabilities	<u>5,502</u>	<u>41,344</u>
Total Liabilities	5,502	321,556
Net Position		
Restricted for pension purposes	82,460,332	-
Restricted for OPEB purposes	<u>675,453</u>	<u>-</u>
Total Net Position	<u>\$ 83,135,785</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, 2018

	<u>Pension and OPEB Trust Funds</u>
Additions:	
Contributions:	
Employers	\$ 7,360,756
Plan members	1,911,857
Other systems and Commonwealth of Massachusetts	<u>27,118</u>
Total contributions	9,299,731
Investment Income:	
Increase in fair value of investments	12,125,401
Less: management fees	<u>(387,413)</u>
Net investment income	<u>11,737,988</u>
Total additions	21,037,719
Deductions:	
Benefit payments to plan members and beneficiaries	9,261,223
Administrative expenses	<u>253,465</u>
Total deductions	<u>9,514,688</u>
Net increase	11,523,031
Net position restricted for pensions and OPEB:	
Beginning of year	<u>71,612,754</u>
End of year	<u><u>\$ 83,135,785</u></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, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension 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 *Capital Projects Fund* is used to account for resources to be used on major construction projects and acquisition of land and equipment. The principal revenue sources are long-term bond proceeds, state grants, and the use of unassigned fund balance in the general fund.

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* and *OPEB trust funds* are used to accumulate resources for retiree post-employment benefits.
- 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 2018 tax levy reflected an excess capacity of approximately \$386,098.

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)	\$ 71,730,194	\$ 69,989,035
Other financing sources/uses (GAAP Basis)	<u>218,222</u>	<u>1,243,411</u>
Subtotal (GAAP Basis)	71,948,416	71,232,446
Reverse beginning of year appropriation carryforwards from expenditures	-	(209,040)
Add end-of-year appropriation carryforwards from expenditures	-	527,851
To reverse the effect of non-budgeted State contributions for teachers retirement	(3,421,417)	(3,421,417)
Unbudgeted stabilization activity	<u>(23,607)</u>	<u>(116,605)</u>
Budgetary Basis	<u>\$ 68,503,392</u>	<u>\$ 68,013,235</u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2018. 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 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, 2018, \$10,077,141 of the City's bank balances of \$39,626,940 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	\$ 1,728,344	\$ -	\$ 1,728,344	\$ -
U.S. Treasury notes	232,927	-	232,927	-
Corporate bonds	393,764	-	-	393,764
Corporate equities	104,388	104,388	-	-
Mutual funds	2,461,555	2,461,555	-	-
State investment pool	675,453	675,453	-	-
Certificates of deposit	1,604,458	1,604,458	-	-
Total investments	<u>\$ 7,200,889</u>	<u>\$ 4,845,854</u>	<u>\$ 1,961,271</u>	<u>\$ 393,764</u>

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

Presented below is the actual rating as of year-end of the System:

<u>Investment Type</u>	<u>Amount</u>	Exempt From <u>Disclosure</u>
State Investment Pool (PRIT)*	\$ 80,277,338	\$ 80,277,338

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

B. Custodial Credit Risk

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

The System's investments are not subject to custodial credit risk as investments in external investment pools are noted exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

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.

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund. The System did not have any investments subject to concentration of credit risk as investments in external investment pools are excluded from concentration of credit risk disclosure.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City and System do not have formal investment policies that limit 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>Amount</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Federal agency securities	\$ 1,728,344	\$ -	\$ 1,728,344
U.S. Treasury notes	232,927	232,927	-
Corporate bonds	393,764	-	393,764
Total	<u>\$ 2,355,035</u>	<u>\$ 232,927</u>	<u>\$ 2,122,108</u>

The System's total investments consisted of external investment pools with maturities of less than one year.

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, 2018:

		Fair Value Measurements Using:		
<u>Description</u>		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Federal agency securities	\$ 1,728,344	\$ -	\$ 1,728,344	\$ -
U.S. Treasury notes	232,927	-	232,927	-
Corporate bonds	393,764	-	393,764	-
Corporate equities	104,388	104,388	-	-
Mutual funds	2,461,555	-	2,461,555	-
Investments measured at the net asset value (NAV):				
External investment pool (PRIT)	<u>675,453</u>			
Total	<u>\$ 5,596,431</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>\$ 675,453</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.

The System has the following fair value measurements as of December 31, 2017:

		Fair Value Measurements Using:		
<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	<u>\$ 80,277,338</u>	\$ -	Monthly	30 days

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

5. Property 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.

Property taxes and excise receivables at June 30, 2018 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Net Amount (accrual basis)
<u>Receivables:</u>			
Real estate taxes	\$ 676,388	\$ (92,975)	\$ 583,413
Personal property taxes	189,667	(181,036)	8,631
Tax liens	557,201	(55,720)	501,481
Community preservation taxes	5,189	-	5,189
Total property taxes	<u>\$ 1,428,445</u>	<u>\$ (329,731)</u>	1,098,714
Less: current portion			<u>597,233</u>
Noncurrent taxes receivable			<u>\$ 501,481</u>
Motor vehicle excise	\$ 642,878	\$ (386,291)	\$ 256,587
Boat excise	<u>92,550</u>	<u>(92,550)</u>	<u>-</u>
Total excises	<u>\$ 735,428</u>	<u>\$ (478,841)</u>	<u>\$ 256,587</u>

6. User Fee Receivables

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, 2018 consist of the following:

<u>Receivables</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Sewer			
Usage	\$ 1,627,608	\$ (162,761)	\$ 1,464,847
Liens	32,735	(9,820)	22,915
Other fees	<u>1,782</u>	<u>(891)</u>	<u>891</u>
Subtotal sewer user fees	1,662,125	(173,472)	1,488,653
Sewer betterments	3,415,750	-	3,415,750
Water			
Usage	1,274,923	(127,492)	1,147,431
Liens	19,382	(5,815)	13,567
Other fees	<u>28,787</u>	<u>(14,394)</u>	<u>14,393</u>
Subtotal water user fees	1,323,092	(147,701)	1,175,391
Water betterments	<u>1,259,779</u>	<u>-</u>	<u>1,259,779</u>
Total	<u>\$ 7,660,746</u>	<u>\$ (321,173)</u>	<u>\$ 7,339,573</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2018.

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 2018.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 218,222	\$ 1,243,411
Capital projects fund	1,726,026	75,612
Nonmajor Governmental Funds:		
Special revenue funds	231,804	858,488
Enterprise Funds:		
Sewer fund	1,619	809,472
Water fund	809,312	-
Total	<u>\$ 2,986,983</u>	<u>\$ 2,986,983</u>

The transfer from the general fund to the capital projects fund represents the City's practice of funding certain capital activity from general fund revenues. The majority of the transfer out of the sewer fund (\$809,312) represents moving proceeds from the Plum Island litigation settlement to the water fund for hydrant replacements. The City initially split the proceeds between water and sewer, however, the funds can be utilized for either purpose with no specific allocation. 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, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 143,940,981	\$ 697,380	\$ -	\$ 144,638,361
Infrastructure	34,929,315	871,717	-	35,801,032
Machinery and equipment	7,602,887	410,672	-	8,013,559
Total capital assets, being depreciated	186,473,183	1,979,769	-	188,452,952
Less accumulated depreciation for:				
Buildings and improvements	(37,988,530)	(4,247,512)	-	(42,236,042)
Infrastructure	(23,640,396)	(782,681)	-	(24,423,077)
Machinery and equipment	(4,544,422)	(580,026)	-	(5,124,448)
Total accumulated depreciation	(66,173,348)	(5,610,219)	-	(71,783,567)
Total capital assets, being depreciated, net	120,299,835	(3,630,450)	-	116,669,385
Capital assets, not being depreciated:				
Land	9,752,991	2,184,000	-	11,936,991
CIP	7,883,608	2,087,480	-	9,971,088
Total capital assets, not being depreciated	17,636,599	4,271,480	-	21,908,079
Governmental activities capital assets, net	<u>\$ 137,936,434</u>	<u>\$ 641,030</u>	<u>\$ -</u>	<u>\$ 138,577,464</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,201,725	\$ 6,113,578	\$ -	\$ 9,315,303
Infrastructure	134,965,994	3,535,855	-	138,501,849
Machinery and equipment	<u>3,090,547</u>	<u>140,966</u>	<u>-</u>	<u>3,231,513</u>
Total capital assets, being depreciated	141,258,266	9,790,399	-	151,048,665
Less accumulated depreciation for:				
Buildings and improvements	(707,872)	(296,192)	-	(1,004,064)
Infrastructure	(53,526,799)	(4,252,228)	-	(57,779,027)
Machinery and equipment	<u>(1,939,905)</u>	<u>(265,796)</u>	<u>-</u>	<u>(2,205,701)</u>
Total accumulated depreciation	<u>(56,174,576)</u>	<u>(4,814,216)</u>	<u>-</u>	<u>(60,988,792)</u>
Total capital assets, being depreciated, net	85,083,690	4,976,183	-	90,059,873
Capital assets, not being depreciated:				
Land	1,261,367	-	-	1,261,367
Construction in progress	<u>5,607,585</u>	<u>-</u>	<u>-</u>	<u>5,607,585</u>
Total capital assets, not being depreciated	<u>6,868,952</u>	<u>-</u>	<u>-</u>	<u>6,868,952</u>
Business-type activities capital assets, net	<u>\$ 91,952,642</u>	<u>\$ 4,976,183</u>	<u>\$ -</u>	<u>\$ 96,928,825</u>

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

Governmental Activities:	
General government	\$ 396,674
Public safety	247,656
Education	2,880,453
Public works	1,003,905
Health and human services	231,099
Culture and recreation	<u>850,432</u>
Total depreciation expense - governmental activities	<u>\$ 5,610,219</u>
Business-Type Activities:	
Sewer	\$ 2,661,280
Water	2,113,136
Harbormaster	<u>39,800</u>
Total depreciation expense - business-type activities	<u>\$ 4,814,216</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 and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

11. Warrants Payable

Warrants payable represent 2018 expenditures paid by July 15, 2018.

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, 2018:

	Interest Rate	Date of Issue	Date of Maturity	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
<u>Governmental Activities:</u>							
Parking Facility planning and design	1.60%	04/21/17	04/20/18	\$ 630,300	\$ -	\$ (630,300)	\$ -
Parking Facility land acquisition	1.75%	04/20/18	04/18/19	-	435,000	-	435,000
Parking Facility construction	1.75%	04/20/18	04/18/19	-	500,372	-	500,372
Total Governmental Activities				<u>\$ 630,300</u>	<u>\$ 935,372</u>	<u>\$ (630,300)</u>	<u>\$ 935,372</u>
<u>Business-Type Activities:</u>							
Wastewater treatment facility	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)	-
Wastewater treatment facility	1.75%	04/20/18	04/18/19	-	1,000,000	-	1,000,000
Graf Road pump station	1.75%	04/20/18	04/18/19	-	500,000	-	500,000
Total Business-Type Activities				<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ (1,500,000)</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 6/30/18</u>
Fire truck	3.50 - 6.00%	2019	\$ 50,000
Inn street electrical	3.50 - 6.00%	2019	10,000
Stormwater management	3.50 - 6.00%	2019	50,000
Street paving	3.50 - 6.00%	2019	50,000
Relocation of North Reservation Terrace	3.50 - 6.00%	2019	5,000
School building improvements	3.50 - 6.00%	2019	75,000
City Hall renovations	3.00 - 4.00%	2019	148,000
Land acquisition	3.00 - 4.00%	2019	92,000
Library renovations refunding	2.00 - 3.00%	2020	245,000
City Hall refunding	2.00 - 3.00%	2020	20,000
High School	2.50 - 5.00%	2023	691,600
Fire trucks	2.00%	2025	715,000
High School	2.50 - 5.00%	2025	1,910,400
Nock/Molin School baseball field	2.00 - 2.50%	2030	1,470,000
Cherry Hill Parcel B soccer field	2.00 - 2.50%	2030	120,000
World War Memorial Stadium multipurpose field	2.00 - 2.50%	2030	1,310,000
World War Memorial Stadium multipurpose field	2.00 - 2.50%	2030	1,335,000
Bresnahan School	2.50 - 5.00%	2033	14,071,000
Nock/Molin School	2.50 - 5.00%	2033	10,129,000
Bresnahan School	2.125 - 5.00%	2035	1,715,000
Nock/Molin School	2.125 - 5.00%	2035	1,005,000
Senior and Community Center	2.125 - 5.00%	2035	5,570,000
Bresnahan School	2.00 - 2.50%	2036	1,830,000
Nock/Molin School	2.00 - 2.50%	2036	915,000
Nock/Molin School	2.00 - 3.50%	2037	360,000
Remodeling Central Fire Station	2.00 - 3.50%	2037	384,335
Drainage	2.00 - 3.50%	2037	380,665
Parking Facility - Planning & Design	3.00 - 5.00%	2043	615,000
Parking Facility - Construction	3.00 - 5.00%	2043	2,120,000
Parking Facility - Land Acquisition	3.00 - 5.00%	2043	3,110,000
Total Governmental Activities Debt			<u>\$ 50,502,000</u>

<u>Business-Type Activities:</u>	<u>Interest Rate(s) %</u>	<u>Serial Maturities Through</u>	<u>Amount Outstanding as of 6/30/18</u>
MCWT (CW-97-34)	0.75%	2020	\$ 90,000
Wastewater plant refunding	2.00 - 3.25%	2021	255,000
Sewer	2.50 - 5.00%	2025	266,000
Sewer I	2.00 - 4.00%	2025	140,000
Sewer II	2.00 - 4.00%	2025	620,000
Sewer III	2.00 - 4.00%	2025	265,000
Sewer	2.00 - 4.00%	2028	2,620,000
MCWT (CWS-09-10)	2.00%	2031	2,864,899
MCWT (CWS-09-10-A)	2.00%	2033	4,817,813
Sewer	2.50 - 5.00%	2033	410,000
MCWT (CW-09-10)	2.00%	2033	10,564,859
MCWT (CW-01-11)	3.50 - 5.00%	2035	3,195,000
Plum Island (CW-02-51) - 60%	2.00%	2037	805,856
Graf/Hale force sewer main	2.00 - 3.50%	2037	2,640,000
Wastewater treatment	3.00 - 5.00%	2042	3,796,000
Graf Road pump station	3.00 - 5.00%	2042	3,324,000
Water improvements refunding	2.00 - 3.25%	2021	250,000
Water I	2.00 - 4.00%	2024	220,000
MCWT (DW-01-06)	3.40 - 5.25%	2025	1,148,907
MCWT (DW-02-16)	3.00 - 5.25	2025	1,560,000
MCWT (DW-01-06-A)	0.00%	2025	124,132
Water	2.50 - 5.00%	2025	200,800
Plum Island Water	2.50 - 5.00%	2025	196,200
Water System Improvements	3.00 - 5.00%	2025	1,040,000
Water III	2.00 - 4.00%	2025	315,000
MCWT (DW-10-09)	2.00%	2033	6,506,129
Water	2.50 - 5.00%	2033	735,000
MCWT (DW-10-09-A)	2.00%	2033	5,013,874
MCWT (DW-10-09-B)	2.00%	2035	259,627
Plum Island (CW-02-51) - 40%	2.00%	2037	537,397
Transient Boater Facility	2.00 - 3.50%	2024	80,000
Transient Boater Facility	3.00 - 5.00%	2028	50,000
Transient Boater Facility	2.00 - 3.00%	2036	920,000
Total Business-Type Activities Debt			<u>\$ 55,831,493</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2018 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,711,700	\$ 1,756,289	\$ 4,467,989
2020	2,301,100	1,657,216	3,958,316
2021	2,381,500	1,573,298	3,954,798
2022	2,467,100	1,488,112	3,955,212
2023	2,561,900	1,389,257	3,951,157
2024 - 2028	14,278,700	5,350,153	19,628,853
2029 - 2033	15,320,000	2,597,081	17,917,081
Thereafter	8,480,000	1,064,531	9,544,531
Total	\$ <u>50,502,000</u>	\$ <u>16,875,937</u>	\$ <u>67,377,937</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, 2018.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,696,627	\$ 1,479,776	\$ 5,176,403
2020	3,744,556	1,366,123	5,110,679
2021	3,777,298	1,253,146	5,030,444
2022	3,615,157	1,144,575	4,759,732
2023	3,685,175	1,039,680	4,724,855
2024 - 2028	16,756,232	3,711,855	20,468,087
2029 - 2033	15,520,599	1,658,119	17,178,718
Thereafter	5,035,849	675,628	5,711,477
Total	\$ <u>55,831,493</u>	\$ <u>12,328,902</u>	\$ <u>68,160,395</u>

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2018 are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
12/01/03	Sewer	\$ 700,000
09/03/04	Water	46,175
12/16/05	Land acquisition	500,000
04/08/09	Wastewater treatment facility	11,520
09/10/10	Water treatment plant and pump station improvements	1,278,800
01/12/12	Sewer	6,270,000
06/05/12	Bresnahan School	165,433
06/05/12	Nock/Molin School	399,398
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
08/31/17	Intermodal Parking Facility - Construction	500,372
Total		\$ <u>11,806,698</u>

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Total Balance 7/1/17	Additions	Reductions	Total Balance 6/30/18	Less Current Portion	Equals Long-Term Portion 6/30/18
<u>Governmental Activities</u>						
Bonds payable	\$ 47,383,698	\$ 5,845,000	\$ (2,726,698)	\$ 50,502,000	\$ (2,711,700)	\$ 47,790,300
Unamortized bond premiums	2,384,395	173,000	(176,291)	2,381,104	(183,211)	2,197,893
Subtotal	49,768,093	6,018,000	(2,902,989)	52,883,104	(2,894,911)	49,988,193
Net pension liability	38,339,795	-	(6,154,337)	32,185,458	-	32,185,458
Net OPEB liability	67,482,345	2,843,800	-	70,326,145	-	70,326,145
Compensated absences	4,160,107	1,040,027	(832,021)	4,368,113	(873,623)	3,494,490
Totals	\$ 159,750,340	\$ 9,901,827	\$ (9,889,347)	\$ 159,762,820	\$ (3,768,534)	\$ 155,994,286
<u>Business-Type Activities</u>						
Bonds payable	\$ 59,505,588	\$ -	\$ (3,674,095)	\$ 55,831,493	\$ (3,696,627)	\$ 52,134,866
Unamortized bond premiums	322,400	-	(23,627)	298,773	(23,627)	275,146
Subtotal	59,827,988	-	(3,697,722)	56,130,266	(3,720,254)	52,410,012
Net pension liability	5,796,205	-	(748,663)	5,047,542	-	5,047,542
Net OPEB liability	3,806,843	153,978	-	3,960,821	-	3,960,821
Compensated absences	171,295	42,824	(34,259)	179,860	(35,972)	143,888
Totals	\$ 69,602,331	\$ 196,802	\$ (4,480,644)	\$ 65,318,489	\$ (3,756,226)	\$ 61,562,263

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 and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes.

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. In addition, *property taxes collected in advance* are reported in the governmental funds balance sheet and government-wide statement of net position in connection with subsequent year property tax collections which are not available for use in 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, 2018:

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, 2018:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Permanent funds	\$ -	\$ -	\$ 1,532,627	\$ 1,532,627
Total Nonspendable	-	-	1,532,627	1,532,627
Restricted				
Capital project funds	-	2,661,280	-	2,661,280
Permanent funds	-	-	953,601	953,601
Community preservation	-	-	2,138,670	2,138,670
Affordable housing	-	-	559,421	559,421
Downtown paid parking	-	-	1,069,737	1,069,737
School choice	-	-	1,313,196	1,313,196
Circuit breaker (special education)	-	-	719,559	719,559
Full-day kindergarten	-	-	305,351	305,351
Curriculum/staff development	-	-	560,625	560,625
Sale of municipal buildings	-	-	748,000	748,000
Sewer I/I	-	-	428,893	428,893
Solid waste	-	-	320,631	320,631
Recreation	-	-	143,264	143,264
Smart growth zoning incentive	-	-	350,000	350,000
Waterfront bulkhead	-	-	183,314	183,314
Other special revenue funds	-	-	2,605,494	2,605,494
Total Restricted	-	2,661,280	12,399,756	15,061,036
Committed				
For technology stabilization accounts	310,446	-	-	310,446
For compensated absences	210,123	-	-	210,123
For capital stabilization accounts	218,642	-	-	218,642
For capital projects	-	2,440,954	-	2,440,954
Total Committed	739,211	2,440,954	-	3,180,165
Assigned				
Encumbrances:				
General government	108,771	-	-	108,771
Public safety	7,991	-	-	7,991
Education	253,495	-	-	253,495
Public works	155,437	-	-	155,437
Health and human services	97,157	-	-	97,157
Total Assigned	622,851	-	-	622,851
Unassigned				
General fund	3,730,364	-	-	3,730,364
General stabilization account	2,938,430	-	-	2,938,430
Deficit funds	-	-	(418,268)	(418,268)
Total Unassigned	6,668,794	-	(418,268)	6,250,526
Total Fund Balance	\$ 8,030,856	\$ 5,102,234	\$ 13,514,115	\$ 26,647,205

17. **Newburyport Contributory Retirement System**

The City follows the provisions of *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 Newburyport Contributory Retirement System (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 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

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

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

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

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with 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, 2018 was \$4,298,400, 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, 2018, the City reported a liability of \$37,233,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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 97.57%.

For the year ended June 30, 2018, the City recognized pension expense of \$5,549,000. 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	\$ 1,170,000	\$ (1,027,000)
Changes of assumptions	3,397,000	-
Net difference between projected and actual earnings on pension plan investments	-	(2,899,000)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>31,000</u>	<u>(19,000)</u>
Total	<u>\$ 4,598,000</u>	<u>\$ (3,945,000)</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:

2019	\$ 1,301,000
2020	1,268,000
2021	(631,000)
2022	<u>(1,285,000)</u>
Total	\$ <u>653,000</u>

D. Actuarial Assumptions

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

Valuation Date	January 1, 2018
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, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2016 through December 31, 2017.

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%	8.55%
Domestic equity	18.00%	7.63%
Core fixed income	12.00%	3.67%
Hedge funds & portfolio completion	13.00%	6.40%
Value-added fixed income	10.00%	6.30%
Private equity	11.00%	9.50%
Real estate	10.00%	6.70%
Timber/natural resources	4.00%	6.25%
Total	<u>100.00%</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>
\$ 50,523,697	\$ 37,233,000	\$ 25,967,280

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, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. 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, 2017 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	40.00%	5.00%
Portfolio completion strategies	13.00%	1.10%
Core fixed income	12.00%	6.60%
Private equity	11.00%	3.60%
Real estate	10.00%	3.80%
Value added fixed income	10.00%	3.60%
Timber/natural resources	4.00%	3.20%
Hedge funds	0.00%	3.60%
Total	<u>100.00%</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>
\$ 28,424,300	\$ 22,885,391	\$ 18,193,400

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 2017 (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 \$63,374,763 and \$6,614,608 respectively, based on a proportionate share of 0.276922%. As required by GASB 68, the City has recognized its portion of the Commonwealth's contribution as both a revenue and expenditure in the general fund, and its portion of the collective pension expense as both revenue and expenditure in the governmental activities.

19. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2017.

A. General Information about the OPEB Plan

Plan Description

The City provides post-employment healthcare benefits for retired employees through the City's plan. The City provides health insurance coverage through the Massachusetts Interlocal Insurance Association (MIIA). The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

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.

Plan Membership

At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	489
Active employees	<u>550</u>
Total	<u><u>1,039</u></u>

B. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2016 rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%, average, including inflation
Investment rate of return	7.04%, net of OPEB plan investment expense
Municipal bond rate	3.13%
Discount rate	4.25%
Healthcare cost trend rates	6.00% for 2017, fluctuating to an ultimate rate of 5.00% in later years
Retirees' share of benefit-related costs	25.00% for medical insurance, 10% for life insurance, and 100% for dental insurance
Pre-Retirement Mortality	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Post-Retirement Mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Disabled Mortality	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study from July 1, 2005 through June 30, 2011.

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, 2017 are summarized in the following table.

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

C. Discount Rate

The discount rate used to measure the net OPEB liability was 4.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members 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. As a result, a blended discount rate was used based on a combination of the investment rate of return of 7.04%% and municipal bond rate of 3.13% (based on S&P Municipal Bond 20-Year High Grade Index as of June 30, 2017).

D. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2017, were as follows:

Total OPEB liability	\$ 74,858,019
Plan fiduciary net position	<u>571,053</u>
Net OPEB liability	<u>\$ 74,286,966</u>

E. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 71,768,731	\$ 479,543	\$ 71,289,188
Changes for the year:			
Service cost	2,444,356	-	2,444,356
Interest	3,102,379	-	3,102,379
Contributions - employer	-	2,482,447	(2,482,447)
Net investment income	-	66,510	(66,510)
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions or other inputs	-	-	-
Benefit payments	(2,457,447)	(2,457,447)	-
Net Changes	3,089,288	91,510	2,997,778
Balances, end of year	\$ 74,858,019	\$ 571,053	\$ 74,286,966

Changes of assumptions and other inputs reflect a change in the discount rate from 4.00% in 2016 to 4.25% in 2017.

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease	Current Discount Rate	1% Increase
\$ 86,880,696	\$ 74,286,966	\$ 64,385,050

G. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$ 60,254,789	\$ 74,286,966	\$ 92,241,133

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

For the year ended June 30, 2018, the City recognized an OPEB expense of \$3,023,286. At June 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Contributions subsequent to the measurement date	\$ 50,000	\$ -
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(25,508)</u>
Total	<u>\$ 50,000</u>	<u>\$ (25,508)</u>

The \$50,000 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

<u>Year Ended June 30:</u>	
2019	\$ (6,377)
2020	(6,377)
2021	(6,377)
2022	<u>(6,377)</u>
Total	<u>\$ (25,508)</u>

20. Other Post-Employment Benefits (GASB 74)

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2014 the City established an OPEB Trust Fund to provide funding for future employee health care costs.

All the following OPEB disclosures are based on a measurement date of June 30, 2018.

A. Investments

The OPEB trust fund assets were invested with the Commonwealth in the Pension Reserves Investment Trust (PRIT) State pool.

Rate of return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 9.53%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

B. Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.00%, average, including inflation
Investment rate of return	7.04%, net of OPEB plan investment expense
Municipal bond rate	3.45%
Discount rate	4.50%
Healthcare cost trend rates	6.00% for 2018, fluctuating to an ultimate rate of 5.00% in later years
Retirees' share of benefit-related costs	25.00% for medical insurance, 10% for life insurance, and 100% for dental insurance
Pre-Retirement Mortality	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Post-Retirement Mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Disabled Mortality	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study from July 1, 2005 through June 30, 2011.

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, 2018 are summarized in the following table.

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

C. Discount Rate

The discount rate used to measure the total OPEB liability was 4.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members 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. As a result, a blended discount rate was used based on a combination of the investment rate of return of 7.04% and municipal bond rate of 3.45% (based on S&P Municipal Bond 20-Year High Grade Index as of June 30, 2018).

D. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2018, were as follows:

Total OPEB liability	\$ 75,350,348
Plan fiduciary net position	<u>675,453</u>
Net OPEB liability	<u>\$ 74,674,895</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.90%

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is

one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease	Current Discount Rate	1% Increase
\$ 87,043,807	\$ 74,674,895	\$ 64,865,423

F. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$ 60,815,967	\$ 74,674,895	\$ 92,332,278

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 indeterminate, although the City expects such amounts, if any, not to be material.

22. Beginning Net Position Restatement/Fund Balance Reclassification

The beginning (July 1, 2017) net position of the City has been restated as follows:

Government-Wide Financial Statements:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
As previously reported	\$ 44,870,847	\$ 49,890,567
Implementation of GASB 75 (OPEB)	<u>(35,859,217)</u>	<u>(627,310)</u>
As restated	<u>\$ 9,011,630</u>	<u>\$ 49,263,257</u>

Fund Basis Financial Statements:

	<u>Sewer Fund</u>	<u>Water Fund</u>
As previously reported	\$ 23,113,902	\$ 25,482,956
Implementation of GASB 75 (OPEB)	<u>(403,910)</u>	<u>(223,400)</u>
As restated	<u>\$ 22,709,992</u>	<u>\$ 25,259,556</u>

The beginning (July 1, 2017) fund balance of the City has been reclassified as follows:

	Fund Balance 6/30/17 (as previously <u>reported</u>)	<u>Reclassification</u>	Fund Balance 6/30/17 (as restated)
General Fund	\$ 7,314,886	\$ -	\$ 7,314,886
Bresnahan School Building Project	952,595	(952,595)	-
Nock/Molin School Building Project	31,263	(31,263)	-
Capital Projects Fund	-	2,424,431	2,424,431
Nonmajor Governmental Funds	<u>13,585,340</u>	<u>(1,440,573)</u>	<u>12,144,767</u>
Total	<u>\$ 21,884,084</u>	<u>\$ -</u>	<u>\$ 21,884,084</u>

CITY OF NEWBURYPORT, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE (GASB 68)
OF THE NET PENSION LIABILITY
JUNE 30, 2018
(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, 2018	December 31, 2017	97.570%	\$ 37,233	\$ 18,351	202.89%	68.36%
June 30, 2017	December 31, 2016	97.480%	\$ 44,136	\$ 17,485	252.42%	61.08%
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, 2018	June 30, 2017	0.276922%	\$ -	\$ 63,375	\$ 63,375	\$ 18,804	0.00%	54.25%
June 30, 2017	June 30, 2016	0.264440%	\$ -	\$ 59,123	\$ 59,123	\$ 17,394	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, 2018
(Unaudited)
(In Thousands)**

Newburyport Contributory Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	December 31, 2017	\$ 4,298	\$ 4,298	\$ -	\$ 18,351	23.42%
June 30, 2017	December 31, 2016	\$ 4,077	\$ 4,077	\$ -	\$ 17,485	23.32%
June 30, 2016	December 31, 2015	\$ 3,910	\$ 3,910	\$ -	\$ 15,176	25.76%
June 30, 2015	December 31, 2014	\$ 3,998	\$ 3,998	\$ -	\$ 15,176	26.34%

Massachusetts Teachers' Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	June 30, 2017	\$ 3,421	\$ 3,421	\$ -	\$ 18,804	18.19%
June 30, 2017	June 30, 2016	\$ 2,974	\$ 2,974	\$ -	\$ 17,394	17.10%
June 30, 2016	June 30, 2015	\$ 2,685	\$ 2,685	\$ -	\$ 16,652	16.12%
June 30, 2015	June 30, 2014	\$ 2,480	\$ 2,480	\$ -	\$ 16,219	15.29%

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 2,683	\$ 2,567	\$ 2,251	\$ 2,154
Interest on unfunded liability - time value of \$	8,678	7,832	7,766	7,459
Differences between expected and actual experience	(1,346)	2,199	-	-
Changes of assumptions	894	5,100	-	-
Benefit payments, including refunds of member contributions	<u>(6,604)</u>	<u>(6,482)</u>	<u>(5,730)</u>	<u>(5,770)</u>
Net change in total pension liability	4,305	11,216	4,287	3,843
Total pension liability - beginning	<u>116,319</u>	<u>105,103</u>	<u>100,816</u>	<u>96,973</u>
Total pension liability - ending (a)	120,624	116,319	105,103	100,816
Plan fiduciary net position				
Contributions - employer	4,654	4,432	4,262	4,098
Contributions - member	1,912	1,399	1,743	1,493
Net investment income	11,683	4,712	413	4,655
Benefit payments, including refunds of member contributions	(6,604)	(6,482)	(5,730)	(5,770)
Administrative expense	(254)	(231)	(201)	(191)
Other	<u>27</u>	<u>-</u>	<u>-</u>	<u>20</u>
Net change in plan fiduciary net position	11,418	3,830	487	4,305
Plan fiduciary net position - beginning	<u>71,042</u>	<u>67,212</u>	<u>66,725</u>	<u>62,420</u>
Plan fiduciary net position - ending (b)	<u>82,460</u>	<u>71,042</u>	<u>67,212</u>	<u>66,725</u>
Net pension liability (asset) - ending (a-b)	<u>\$ 38,164</u>	<u>\$ 45,277</u>	<u>\$ 37,891</u>	<u>\$ 34,091</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 120,624	\$ 116,319	\$ 105,103	\$ 100,816
Plan fiduciary net position	<u>(82,460)</u>	<u>(71,042)</u>	<u>(67,212)</u>	<u>(66,725)</u>
Net pension liability (asset)	<u>\$ 38,164</u>	<u>\$ 45,277</u>	<u>\$ 37,891</u>	<u>\$ 34,091</u>
Plan fiduciary net position as a percentage of the total pension liability	68.36%	61.08%	63.95%	66.18%
Covered employee payroll	\$ 18,808	\$ 17,485	\$ 15,551	\$ 15,551
Participating employer net pension liability (asset) as a percentage of covered payroll	202.91%	258.95%	243.66%	219.22%

Schedule of Contributions

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 4,405	\$ 4,432	\$ 4,012	\$ 4,098
Contributions in relation to the actuarially determined contribution	<u>4,405</u>	<u>4,432</u>	<u>4,012</u>	<u>4,098</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 18,808	\$ 17,485	\$ 15,551	\$ 15,551
Contributions as a percentage of covered payroll	23.42%	25.35%	25.80%	26.35%

Schedule of Investment Returns

Year Ended December 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money weighted rate of return, net of investment expense	17.12%	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
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

Schedule of Changes in the Net OPEB Liability (GASB 74 and 75)

(Unaudited)

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 2,423,566	\$ 3,005,942
Interest on unfunded liability - time value of \$	3,430,587	2,885,278
Changes of benefit terms	-	-
Differences between expected and actual experience	(11,929,512)	-
Changes of assumptions	-	-
Benefit payments, including refunds of member contributions	<u>(2,656,780)</u>	<u>(2,457,447)</u>
Net change in total OPEB liability	(8,732,139)	3,433,773
Total OPEB liability - beginning*	<u>84,082,487</u>	<u>80,648,714</u>
Total OPEB liability - ending (a)	75,350,348	84,082,487
Plan fiduciary net position		
Contributions - employer	2,706,780	2,482,447
Contributions - member	-	-
Net investment income	54,400	66,510
Benefit payments, including refunds of member contributions	<u>(2,656,780)</u>	<u>(2,457,447)</u>
Net change in plan fiduciary net position	104,400	91,510
Plan fiduciary net position - beginning	<u>571,053</u>	<u>479,543</u>
Plan fiduciary net position - ending (b)	<u>675,453</u>	<u>571,053</u>
Net OPEB liability (asset) - ending (a-b)	<u><u>\$ 74,674,895</u></u>	<u><u>\$ 83,511,434</u></u>

*2017 OPEB liability was restated in 2018 due to a new actuarial valuation.

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 and 75)

(Unaudited)

Schedule of Net OPEB Liability

	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 75,350,348	\$ 84,082,487
Plan fiduciary net position	<u>(675,453)</u>	<u>(571,053)</u>
Net OPEB liability (asset)	<u>\$ 74,674,895</u>	<u>\$ 83,511,434</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.90%	0.68%
Covered employee payroll	\$ 41,172,059	\$ 39,972,872
Participating employer net OPEB liability (asset) as a percentage of covered employee payroll	181.37%	208.92%

Schedule of Contributions

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 7,329,686	\$ 7,217,226
Contributions in relation to the actuarially determined contribution	<u>2,706,780</u>	<u>2,482,447</u>
Contribution deficiency (excess)	<u>\$ 4,622,906</u>	<u>\$ 4,734,779</u>
Covered employee payroll	\$ 41,172,059	\$ 39,972,872
Contributions as a percentage of covered employee payroll	6.57%	6.21%

Schedule of Investment Returns

	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	9.53%	7.04%

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

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