



CITY OF NEWBURYPORT, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Net Position	20
Statement of Cash Flows	21
Fiduciary Funds:	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	24

REQUIRED SUPPLEMENTARY INFORMATION:**Budget and Actual:**

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual – General Fund	71
--	----

Notes to Required Supplementary Information for General Fund Budget	72
---	----

Pension:

Schedule of Proportionate Share of the Net Pension Liability	73
--	----

Schedule of Pension Contributions	74
-----------------------------------	----

OPEB:

Schedule of Changes in the Net OPEB Liability	75
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Schedules of the Net OPEB Liability, Contributions, and Investment Returns	76
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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2022 (except for the Newburyport Contributory Retirement System, which is as of and for the year ending December 31, 2021), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements 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, 2022 (except for the Newburyport Contributory Retirement System, which is as of and for the year ending December 31, 2021), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Notes 8 and 22 to the financial statements, in the year ending June 30, 2022, the City adopted new accounting guidance Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.



Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.



- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison for the General Fund, and certain Pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 June 1, 2023 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.

Andover, Massachusetts
June 1, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Newburyport, Massachusetts (the City), we offer readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of 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 and 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 City's 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 interest on long-term debt. The business-type activities include sewer, water, and harbormaster 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 the City'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 City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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 funds.

Enterprise funds are 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, or (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. Specifically, the City uses three enterprise funds to account for sewer, water, and harbormaster services, of which sewer and water services 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 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.

Required Supplementary 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.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$(1,812,146), a change of \$788,220, and net position in business-type activities was \$43,537,561, a change of \$(2,891,952).
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$36,768,940, a change of \$7,314,851 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,347,450, a change of \$1,363,954 in comparison to the prior year.

Government-Wide Financial Analysis

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

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 49,290,424	\$ 37,558,961	\$ 17,710,798	\$ 16,851,853	\$ 67,001,222	\$ 54,410,814
Capital assets	<u>138,321,930</u>	<u>138,547,953</u>	<u>79,972,126</u>	<u>85,150,063</u>	<u>218,294,056</u>	<u>223,698,016</u>
Total Assets	187,612,354	176,106,914	97,682,924	102,001,916	285,295,278	278,108,830
Deferred Outflows of Resources	12,742,503	16,290,652	1,113,758	1,181,312	13,856,261	17,471,964
Long-term liabilities	168,626,122	178,755,185	52,006,607	55,056,106	220,632,729	233,811,291
Other liabilities	<u>8,913,538</u>	<u>6,872,791</u>	<u>928,354</u>	<u>772,763</u>	<u>9,841,892</u>	<u>7,645,554</u>
Total Liabilities	177,539,660	185,627,976	52,934,961	55,828,869	230,474,621	241,456,845
Deferred Inflows of Resources	24,627,343	9,369,956	2,324,160	924,846	26,951,503	10,294,802
Net investment in capital assets	91,992,585	90,593,459	37,346,424	38,889,159	129,339,009	129,482,618
Restricted	19,469,893	18,618,724	1,642,281	1,789,268	21,112,174	20,407,992
Unrestricted	<u>(113,274,624)</u>	<u>(111,812,549)</u>	<u>4,548,856</u>	<u>5,751,086</u>	<u>(108,725,768)</u>	<u>(106,061,463)</u>
Total Net Position	\$ <u>(1,812,146)</u>	\$ <u>(2,600,366)</u>	\$ <u>43,537,561</u>	\$ <u>46,429,513</u>	\$ <u>41,725,415</u>	\$ <u>43,829,147</u>

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. At the close of the most recent fiscal year, total net position was \$41,725,415, a change of \$(2,103,732), or (4.80)%, in comparison to the prior year.

The largest portion of net position, \$129,339,009, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in

capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$21,112,174, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(108,725,768) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 7,694,480	\$ 6,242,515	\$ 13,030,631	\$ 14,201,370	\$ 20,725,111	\$ 20,443,885
Operating grants and contributions	18,996,668	21,513,436	203,690	211,651	19,200,358	21,725,087
Capital grants and contributions	779,547	924,776	22,370	257,979	801,917	1,182,755
General revenues:						
Property taxes	64,178,266	62,130,467	-	-	64,178,266	62,130,467
Excises	4,181,374	3,749,239	-	-	4,181,374	3,749,239
Penalties, interest, and other taxes	364,661	368,847	-	-	364,661	368,847
Grants and contributions not restricted to specific programs	2,962,769	2,849,818	-	-	2,962,769	2,849,818
Investment income (loss)	(522,391)	667,634	(48,758)	29,353	(571,149)	696,987
Other	724,291	623,362	313,729	29,085	1,038,020	652,447
Total Revenues	99,359,665	99,070,094	13,521,662	14,729,438	112,881,327	113,799,532
Expenses						
General government	6,627,665	7,907,474	-	-	6,627,665	7,907,474
Public safety	14,718,139	13,424,934	-	-	14,718,139	13,424,934
Education	61,459,643	66,866,125	-	-	61,459,643	66,866,125
Public works	6,846,104	6,126,499	-	-	6,846,104	6,126,499
Health and human services	4,327,333	3,906,138	-	-	4,327,333	3,906,138
Culture and recreation	3,346,555	3,177,637	-	-	3,346,555	3,177,637
Interest on long-term debt	1,442,269	1,445,151	-	-	1,442,269	1,445,151
Sewer services	-	-	9,482,650	8,126,886	9,482,650	8,126,886
Water services	-	-	6,215,085	6,109,518	6,215,085	6,109,518
Nonmajor services	-	-	519,616	441,632	519,616	441,632
Total Expenses	98,767,708	102,853,958	16,217,351	14,678,036	114,985,059	117,531,994
Change in net position before transfers	591,957	(3,783,864)	(2,695,689)	51,402	(2,103,732)	(3,732,462)
Transfers in (out)	196,263	523,272	(196,263)	(523,272)	-	-
Change in net position	788,220	(3,260,592)	(2,891,952)	(471,870)	(2,103,732)	(3,732,462)
Net position - beginning of year	(2,600,366)	660,226	46,429,513	46,901,383	43,829,147	47,561,609
Net position - end of year	\$ (1,812,146)	\$ (2,600,366)	\$ 43,537,561	\$ 46,429,513	\$ 41,725,415	\$ 43,829,147

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$788,220. Key elements of this change are as follows:

Depreciation expense in excess of principal debt service	\$ (4,243,557)
Increase in net OPEB liability and related deferrals	(3,512,742)
Acquisition of capital outlay using current resources	6,674,634
Decrease in net pension liability and related deferrals	918,737
Other	<u>951,148</u>
Total	<u>\$ 788,220</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$(2,891,952). Key elements of this change are as follows:

	<u>Revenues and Transfers In</u>	<u>Expenses and Transfers Out</u>	<u>Change in Net Position</u>
Sewer Fund	\$ 7,529,371	\$ 9,976,540	\$ (2,447,169)
Water Fund	5,656,248	6,257,508	(601,260)
Nonmajor Funds	<u>684,915</u>	<u>528,438</u>	<u>156,477</u>
Net	<u>\$ 13,870,534</u>	<u>\$ 16,762,486</u>	<u>\$ (2,891,952)</u>

The reduction in net position for the both the sewer and water fund is primarily driven by depreciation expense (non-budgeted) exceeding principal debt service payments (budgeted).

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 the City's net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$9,347,450, while total fund balance was \$11,003,359. As a measure of the General Fund's liquidity, it may be useful to compare both

unassigned fund balance and total fund balance to General Fund expenditures. Refer to the table below:

<u>General Fund</u>	<u>6/30/22</u>	<u>6/30/21</u>	<u>Change</u>	% of Total General Fund Expenditures*
Unassigned fund balance	\$ 9,347,450	\$ 7,983,496	\$ 1,363,954	12.30%
Total fund balance	11,003,359	9,162,840	1,840,519	14.48%

*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$4,808,026.

The total fund balance of the General Fund changed by \$1,840,519 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (1,579,878)
Revenues in excess of budget	1,443,983
Expenditures less than budget	1,148,532
Current year encumbrances in excess of expenditures of prior year encumbrances	149,741
Change in stabilization activity	<u>678,141</u>
Total	<u>\$ 1,840,519</u>

Included in the total General Fund balance are the City's stabilization accounts with the following balances:

	<u>6/30/22</u>	<u>6/30/21</u>	<u>Change</u>	Fund Balance Classification
General stabilization	\$ 3,819,957	\$ 3,493,544	\$ 326,413	Unassigned
Other stabilization	<u>1,135,472</u>	<u>783,744</u>	<u>351,728</u>	Committed
Total	<u>\$ 4,955,429</u>	<u>\$ 4,277,288</u>	<u>\$ 678,141</u>	

Capital Projects Fund

At the end of the current fiscal year, total fund balance of the Capital Projects Fund was \$8,642,257, a change of \$5,700,382, primarily resulting from the issuance of bond proceeds and transfers to fund various capital projects.

Nonmajor Governmental Funds

At the end of the current fiscal year, total fund balance of the Nonmajor Governmental Funds was \$17,123,324, a change of \$(226,050), primarily resulting from timing differences between the receipt and disbursement of grants and favorable returns on permanent fund investments.

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.

Sewer Fund

Unrestricted net position of the Sewer Fund at the end of the year amounted to \$2,609,260, a change of \$(994,530) in comparison to the prior year. This change is primarily attributable to unbudgeted depreciation expense.

Water Fund

Unrestricted net position of the Water Fund at the end of the year amounted to \$1,101,764, a change of \$(335,260) in comparison to the prior year.

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

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall increase in appropriations of \$2,315,529. The reasons for these amendments include:

Stabilization funding	\$ 698,351
Capital outlay	558,167
Other departmental appropriations	410,848
Prior year carryforwards (encumbrances)	370,696
Snow and ice	222,167
OPEB Trust funding	<u>55,300</u>
Total	<u>\$ 2,315,529</u>

Supplemental appropriations to the original budget were funded by the use prior year carryforwards (encumbrances), use of free cash, increases to the property tax levy, and transfers from other funds.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$218,294,056 (net of accumulated depreciation). This investment in capital assets includes land, construction in process, buildings and improvements, infrastructure, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- \$1,800,000 – Various roadway/sidewalk improvements
- \$522,301 – Market landing park upgrades
- \$498,778 – Residential shoreline upgrades
- \$476,546 – Fuller field renovations
- \$471,493 – Gabriel property upgrades

Additional information on capital assets can be found in Note 10 of the Notes to Financial Statements.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$96,940,686, all of which was backed by the full faith and credit of the City.

During the fiscal year, the City maintained its AAA credit rating from S&P Global Ratings.

Additional information on long-term debt can be found in Note 14 of the Notes to Financial Statements.

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 City'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, MA 01950

CITY OF NEWBURYPORT, MASSACHUSETTS

Statement of Net Position
June 30, 2022

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 36,966,491	\$ 9,374,818	\$ 46,341,309
Investments	6,850,650	1,712,491	8,563,141
Receivables, net of allowance for uncollectibles:			
Property taxes	650,269	-	650,269
Excises	355,629	-	355,629
User fees	-	3,223,664	3,223,664
Betterments	-	354,508	354,508
Intergovernmental	804,249	-	804,249
Departmental	163,022	-	163,022
Loans	20,000	-	20,000
Leases	46,924	-	46,924
Other	<u>-</u>	<u>39,364</u>	<u>39,364</u>
Total Current Assets	45,857,234	14,704,845	60,562,079
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	811,120	-	811,120
Loans	260,000	-	260,000
Leases	2,362,070	-	2,362,070
Betterments	-	3,005,953	3,005,953
Capital assets, depreciable, net	124,912,412	78,555,759	203,468,171
Capital assets, non-depreciable	<u>13,409,518</u>	<u>1,416,367</u>	<u>14,825,885</u>
Total Noncurrent Assets	141,755,120	82,978,079	224,733,199
Total Assets	187,612,354	97,682,924	285,295,278
Deferred Outflows of Resources			
Related to pension	5,222,847	808,063	6,030,910
Related to OPEB	<u>7,519,656</u>	<u>305,695</u>	<u>7,825,351</u>
Total Deferred Outflows of Resources	12,742,503	1,113,758	13,856,261
Liabilities			
Current:			
Warrants and accounts payable	2,230,881	285,555	2,516,436
Accrued liabilities	4,042,795	640,617	4,683,412
Unearned revenue	2,292,080	-	2,292,080
Other	347,782	2,182	349,964
Current portion of long-term liabilities:			
Bonds and loans payable	3,166,003	3,831,940	6,997,943
Compensated absences	<u>1,061,894</u>	<u>43,725</u>	<u>1,105,619</u>
Total Current Liabilities	13,141,435	4,804,019	17,945,454
Noncurrent:			
Bonds and loans payable, net of current portion	49,334,981	40,607,762	89,942,743
Compensated absences, net of current portion	4,247,575	174,897	4,422,472
Net pension liability	24,927,324	3,856,676	28,784,000
Net OPEB liability	<u>85,888,345</u>	<u>3,491,607</u>	<u>89,379,952</u>
Total Noncurrent Liabilities	164,398,225	48,130,942	212,529,167
Total Liabilities	177,539,660	52,934,961	230,474,621
Deferred Inflows of Resources			
Related to pension	12,484,366	1,931,544	14,415,910
Related to OPEB	9,657,791	392,616	10,050,407
Property taxes collected in advance	76,192	-	76,192
Related to leases	<u>2,408,994</u>	<u>-</u>	<u>2,408,994</u>
Total Deferred Inflows of Resources	24,627,343	2,324,160	26,951,503
Net Position			
Net investment in capital assets	91,992,585	37,346,424	129,339,009
Restricted for:			
Capital projects	-	1,642,281	1,642,281
Grants and other statutory restrictions	16,663,150	-	16,663,150
Permanent funds:			
Nonexpendable	1,686,756	-	1,686,756
Expendable	1,119,987	-	1,119,987
Unrestricted	<u>(113,274,624)</u>	<u>4,548,856</u>	<u>(108,725,768)</u>
Total Net Position	\$ <u>(1,812,146)</u>	\$ <u>43,537,561</u>	\$ <u>41,725,415</u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2022

			<u>Program Revenues</u>		<u>Net (Expenses)</u>
			Operating	Capital	Revenues
	<u>Expenses</u>	<u>Charges for</u>	<u>Grants and</u>	<u>Grants and</u>	
		<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	
Governmental Activities					
General government	\$ 6,627,665	\$ 1,393,889	\$ 745,379	\$ 35,710	\$ (4,488,397)
Public safety	14,718,139	3,345,619	223,794	-	(11,148,726)
Education	61,459,643	1,759,054	14,463,134	-	(45,237,455)
Public works	6,846,104	359,693	1,799,345	694,835	(4,687,066)
Health and human services	4,327,333	757,319	607,787	15,700	(2,962,227)
Culture and recreation	3,346,555	78,906	1,157,229	33,302	(2,110,420)
Interest on long-term debt	<u>1,442,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,442,269)</u>
Total Governmental Activities	98,767,708	7,694,480	18,996,668	779,547	(72,076,560)
Business-Type Activities					
Sewer services	9,482,650	7,136,030	107,823	20,484	(2,238,797)
Water services	6,215,085	5,209,623	95,867	1,886	(909,595)
Nonmajor services	<u>519,616</u>	<u>684,978</u>	<u>-</u>	<u>-</u>	<u>165,362</u>
Total Business-Type Activities	<u>16,217,351</u>	<u>13,030,631</u>	<u>203,690</u>	<u>22,370</u>	<u>(2,983,030)</u>
Total	\$ <u>114,985,059</u>	\$ <u>20,725,111</u>	\$ <u>19,200,358</u>	\$ <u>801,917</u>	(75,059,590)

(continued)

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2022

(continued)

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
Change in net (expenses) revenues from previous page	\$ (72,076,560)	\$ (2,983,030)	\$ (75,059,590)
General Revenues and Transfers			
Property taxes	64,178,266	-	64,178,266
Excises	4,181,374	-	4,181,374
Interest, penalties, and other taxes	364,661	-	364,661
Grants and contributions not restricted to specific programs	2,962,769	-	2,962,769
Investment (loss)	(522,391)	(48,758)	(571,149)
Other	724,291	313,729	1,038,020
Transfers, net	<u>196,263</u>	<u>(196,263)</u>	<u>-</u>
Total General Revenues and Transfers	<u>72,085,233</u>	<u>68,708</u>	<u>72,153,941</u>
Change in Net Position	788,220	(2,891,952)	(2,103,732)
Net Position			
Beginning of year	<u>(2,600,366)</u>	<u>46,429,513</u>	<u>43,829,147</u>
End of year	\$ <u><u>(1,812,146)</u></u>	\$ <u><u>43,537,561</u></u>	\$ <u><u>41,725,415</u></u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2022

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and short-term investments	\$ 9,996,638	\$ 11,126,845	\$ 15,843,008	\$ 36,966,491
Investments	4,231,258	-	2,619,392	6,850,650
Receivables:				
Property taxes	1,800,270	-	5,685	1,805,955
Excises	868,381	-	-	868,381
Intergovernmental	303,483	-	500,766	804,249
Departmental	-	-	163,022	163,022
Loans	20,000	-	-	20,000
Leases	<u>2,408,994</u>	<u>-</u>	<u>-</u>	<u>2,408,994</u>
Total Assets	\$ <u>19,629,024</u>	\$ <u>11,126,845</u>	\$ <u>19,131,873</u>	\$ <u>49,887,742</u>
Liabilities				
Warrants and accounts payable	\$ 1,593,950	\$ 232,287	\$ 404,644	\$ 2,230,881
Accrued liabilities	2,157,926	1,350,716	-	3,508,642
Unearned revenue	-	901,585	1,390,495	2,292,080
Other liabilities	<u>347,782</u>	<u>-</u>	<u>-</u>	<u>347,782</u>
Total Liabilities	4,099,658	2,484,588	1,795,139	8,379,385
Deferred Inflows of Resources				
Unavailable revenues	2,040,821	-	213,410	2,254,231
Property taxes collected in advance	76,192	-	-	76,192
Related to leases	<u>2,408,994</u>	<u>-</u>	<u>-</u>	<u>2,408,994</u>
Total Deferred Inflows of Resources	4,526,007	-	213,410	4,739,417
Fund Balances				
Nonspendable	-	-	1,686,756	1,686,756
Restricted	-	7,524,528	16,430,248	23,954,776
Committed	1,135,472	1,117,729	-	2,253,201
Assigned	520,437	-	-	520,437
Unassigned	<u>9,347,450</u>	<u>-</u>	<u>(993,680)</u>	<u>8,353,770</u>
Total Fund Balances	<u>11,003,359</u>	<u>8,642,257</u>	<u>17,123,324</u>	<u>36,768,940</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>19,629,024</u>	\$ <u>11,126,845</u>	\$ <u>19,131,873</u>	\$ <u>49,887,742</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, 2022

Total governmental fund balances	\$ 36,768,940
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	138,321,930
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.	260,000
Deferred outflows of resources to be recognized as an increase to pension and OPEB expense in future periods:	
Related to pensions	5,222,847
Related to OPEB	7,519,656
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,396,913
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(52,500,984)
Compensated absences	(5,309,469)
Net pension liability	(24,927,324)
Net OPEB liability	(85,888,345)
Deferred inflows of resources to be recognized as a decrease to pension and OPEB expense in future periods:	
Related to pensions	(12,484,366)
Related to OPEB	(9,657,791)
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	<u>(534,153)</u>
Net position of governmental activities	<u><u>\$ (1,812,146)</u></u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2022

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 63,301,848	\$ -	\$ 1,077,850	\$ 64,379,698
Excises	4,170,095	-	-	4,170,095
Interest, penalties, and other taxes	358,066	-	6,595	364,661
Charges for services	250,482	-	5,738,507	5,988,989
Licenses and permits	1,330,675	-	-	1,330,675
Intergovernmental	12,656,712	2,876,879	6,595,454	22,129,045
Investment income (loss)	(76,828)	-	(445,563)	(522,391)
Fines and forfeitures	6,708	-	-	6,708
Contributions	-	-	407,416	407,416
Other	<u>717,874</u>	<u>-</u>	<u>133,821</u>	<u>851,695</u>
Total Revenues	82,715,632	2,876,879	13,514,080	99,106,591
Expenditures				
Current:				
General government	3,580,912	1,470,616	2,174,017	7,225,545
Public safety	8,915,776	414,829	1,764,329	11,094,934
Education	38,846,560	476,546	5,664,372	44,987,478
Public works	3,929,671	2,968,805	706,558	7,605,034
Health & human services	2,834,463	15,700	835,731	3,685,894
Culture and recreation	1,844,542	174,845	219,969	2,239,356
Employee benefits	14,837,283	-	10	14,837,293
Debt service:				
Principal	2,299,600	-	342,500	2,642,100
Interest and issuance costs	1,345,520	64,599	260,504	1,670,623
Intergovernmental	<u>2,389,522</u>	<u>-</u>	<u>-</u>	<u>2,389,522</u>
Total Expenditures	<u>80,823,849</u>	<u>5,585,940</u>	<u>11,967,990</u>	<u>98,377,779</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,891,783	(2,709,061)	1,546,090	728,812
Other Financing Sources (Uses):				
Issuance of bonds	-	5,827,500	-	5,827,500
Premiums on issuance of bonds	-	423,099	-	423,099
Issuance of loans	-	139,177	-	139,177
Transfers in	506,902	2,146,317	81,145	2,734,364
Transfers out	<u>(558,166)</u>	<u>(126,650)</u>	<u>(1,853,285)</u>	<u>(2,538,101)</u>
Total Other Financing Sources (Uses)	<u>(51,264)</u>	<u>8,409,443</u>	<u>(1,772,140)</u>	<u>6,586,039</u>
Change in Fund Balance	1,840,519	5,700,382	(226,050)	7,314,851
Fund Balances, at Beginning of Year	<u>9,162,840</u>	<u>2,941,875</u>	<u>17,349,374</u>	<u>29,454,089</u>
Fund Balances, at End of Year	\$ <u><u>11,003,359</u></u>	\$ <u><u>8,642,257</u></u>	\$ <u><u>17,123,324</u></u>	\$ <u><u>36,768,940</u></u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022

Net Changes in Fund Balances - Total Governmental Funds	\$ 7,314,851
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:	
Capital outlay	6,674,634
Depreciation	(6,900,657)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:	
Issuance of general obligation bonds and loans	(5,966,677)
Premiums received on issuance of general obligation bonds	(423,099)
Repayments of general obligation bonds and loans	2,657,100
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, net of the change in allowance for doubtful accounts.	
	8,438
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. This amount reflects the change in accrued interest.	
	33,378
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:	
Change in compensated absences	(252,832)
Change in net pension liability and related deferrals	918,737
Change in net OPEB liability and related deferrals	(3,512,742)
Bond premium amortization	194,976
Change in tax refunds payable	42,113
Change in Net Position of Governmental Activities	\$ 788,220

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2022

	Business-Type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Fund	Total
Assets				
Current:				
Cash and short-term investments	\$ 2,814,324	\$ 5,516,379	\$ 1,044,115	\$ 9,374,818
Investments	1,712,491	-	-	1,712,491
Receivables, net of allowance for uncollectibles:				
User fee receivables	1,832,546	1,391,118	-	3,223,664
Betterment receivables	204,782	149,726	-	354,508
Other	<u>1,831</u>	<u>-</u>	<u>37,533</u>	<u>39,364</u>
Total Current Assets	6,565,974	7,057,223	1,081,648	14,704,845
Noncurrent:				
Receivables, net of allowance for uncollectibles:				
Betterment receivables	2,422,503	583,450	-	3,005,953
Capital assets, depreciable, net	42,320,107	34,647,327	1,588,325	78,555,759
Capital assets, non-depreciable	<u>268,808</u>	<u>977,559</u>	<u>170,000</u>	<u>1,416,367</u>
Total Noncurrent Assets	<u>45,011,418</u>	<u>36,208,336</u>	<u>1,758,325</u>	<u>82,978,079</u>
Total Assets	51,577,392	43,265,559	2,839,973	97,682,924
Deferred Outflows of Resources				
Related to pension	410,665	373,277	24,121	808,063
Related to OPEB	<u>143,366</u>	<u>162,329</u>	<u>-</u>	<u>305,695</u>
Total Deferred Outflows of Resources	554,031	535,606	24,121	1,113,758
Liabilities				
Current:				
Warrants and accounts payable	92,940	97,459	95,156	285,555
Accrued liabilities	377,459	263,158	-	640,617
Other	-	2,182	-	2,182
Current portion of long-term liabilities:				
Bonds payable	2,199,809	1,577,131	55,000	3,831,940
Compensated absences	<u>11,461</u>	<u>32,264</u>	<u>-</u>	<u>43,725</u>
Total Current Liabilities	2,681,669	1,972,194	150,156	4,804,019
Noncurrent:				
Bonds payable, net of current portion	27,538,095	12,289,667	780,000	40,607,762
Compensated absences, net of current portion	45,842	129,055	-	174,897
Net pension liability	1,959,998	1,781,555	115,123	3,856,676
Net OPEB liability	<u>1,637,508</u>	<u>1,854,099</u>	<u>-</u>	<u>3,491,607</u>
Total Noncurrent Liabilities	<u>31,181,443</u>	<u>16,054,376</u>	<u>895,123</u>	<u>48,130,942</u>
Total Liabilities	33,863,112	18,026,570	1,045,279	52,934,961
Deferred Inflows of Resources				
Related to pension	981,628	892,258	57,658	1,931,544
Related to OPEB	<u>184,131</u>	<u>208,485</u>	<u>-</u>	<u>392,616</u>
Total Deferred Inflows of Resources	1,165,759	1,100,743	57,658	2,324,160
Net Position				
Net investment in capital assets	12,851,011	23,572,088	923,325	37,346,424
Restricted for capital projects	1,642,281	-	-	1,642,281
Unrestricted	<u>2,609,260</u>	<u>1,101,764</u>	<u>837,832</u>	<u>4,548,856</u>
Total Net Position	\$ <u>17,102,552</u>	\$ <u>24,673,852</u>	\$ <u>1,761,157</u>	\$ <u>43,537,561</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 Net Position
For the Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds			
	Sewer <u>Fund</u>	Water <u>Fund</u>	Nonmajor <u>Funds</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 7,136,030	\$ 5,209,623	\$ 684,978	\$ 13,030,631
Other	<u>313,729</u>	<u>-</u>	<u>-</u>	<u>313,729</u>
Total Operating Revenues	7,449,759	5,209,623	684,978	13,344,360
Operating Expenses				
Salaries and wages	2,830,971	2,089,620	292,027	5,212,618
Other operating expenses	1,948,370	1,617,537	89,718	3,655,625
Depreciation	<u>3,851,206</u>	<u>2,219,308</u>	<u>114,773</u>	<u>6,185,287</u>
Total Operating Expenses	<u>8,630,547</u>	<u>5,926,465</u>	<u>496,518</u>	<u>15,053,530</u>
Operating Income (Loss)	(1,180,788)	(716,842)	188,460	(1,709,170)
Nonoperating Revenues (Expenses)				
Intergovernmental	107,823	95,867	-	203,690
Investment (loss)	(48,695)	-	(63)	(48,758)
Interest expense	<u>(852,103)</u>	<u>(288,620)</u>	<u>(23,098)</u>	<u>(1,163,821)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(792,975)</u>	<u>(192,753)</u>	<u>(23,161)</u>	<u>(1,008,889)</u>
Income (Loss) before capital contributions and transfers	(1,973,763)	(909,595)	165,299	(2,718,059)
Capital Contributions and Transfers				
Betterments	16,370	1,886	-	18,256
Capital contributions	4,114	-	-	4,114
Transfers in	-	348,872	-	348,872
Transfers out	<u>(493,890)</u>	<u>(42,423)</u>	<u>(8,822)</u>	<u>(545,135)</u>
Change in Net Position	(2,447,169)	(601,260)	156,477	(2,891,952)
Net Position at Beginning of Year	<u>19,549,721</u>	<u>25,275,112</u>	<u>1,604,680</u>	<u>46,429,513</u>
Net Position at End of Year	\$ <u><u>17,102,552</u></u>	\$ <u><u>24,673,852</u></u>	\$ <u><u>1,761,157</u></u>	\$ <u><u>43,537,561</u></u>

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, 2022

	Business-Type Activities - Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Funds	Total
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 7,622,149	\$ 5,401,924	\$ 684,426	\$ 13,708,499
Payments to employees	(2,355,600)	(2,119,970)	(300,617)	(4,776,187)
Payments to vendors	<u>(2,016,672)</u>	<u>(1,627,232)</u>	<u>(9,450)</u>	<u>(3,653,354)</u>
Net Cash Provided By Operating Activities	3,249,877	1,654,722	374,359	5,278,958
Cash Flows From Noncapital Financing Activities				
Transfers out	<u>-</u>	<u>(42,423)</u>	<u>(8,822)</u>	<u>(51,245)</u>
Net Cash (Used for) Noncapital Financing Activities	-	(42,423)	(8,822)	(51,245)
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(424,815)	(493,845)	(88,690)	(1,007,350)
Capital contributions	4,114	-	-	4,114
Betterments	303,276	157,454	-	460,730
Proceeds from issuance of bonds and loans	45,157	1,712,500	-	1,757,657
Premiums from issuance of bonds and loans	-	120,417	-	120,417
Principal payments on bonds and loans	(2,158,050)	(1,462,599)	(55,000)	(3,675,649)
Interest expense	(884,090)	(324,800)	(23,098)	(1,231,988)
Intergovernmental (debt subsidy)	107,823	95,867	-	203,690
Transfers in	-	348,872	-	348,872
Transfers out	<u>(493,890)</u>	<u>-</u>	<u>-</u>	<u>(493,890)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	(3,500,475)	153,866	(166,788)	(3,513,397)
Cash Flows From Investing Activities				
Sale of investments	76,777	-	-	76,777
Investment (loss)	<u>(48,695)</u>	<u>-</u>	<u>(63)</u>	<u>(48,758)</u>
Net Cash Provided By Investing Activities	28,082	-	(63)	28,019
Net Change in Cash and Short-Term Investments	(222,516)	1,766,165	198,686	1,742,335
Cash and Short-Term Investments, Beginning of Year	<u>3,036,840</u>	<u>3,750,214</u>	<u>845,429</u>	<u>7,632,483</u>
Cash and Short-Term Investments, End of Year	<u>\$ 2,814,324</u>	<u>\$ 5,516,379</u>	<u>\$ 1,044,115</u>	<u>\$ 9,374,818</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities				
Operating income (loss)	\$ (1,180,788)	\$ (716,842)	\$ 188,460	\$ (1,709,170)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	3,851,206	2,219,308	114,773	6,185,287
Changes in assets, liabilities, and deferred outflows/inflows:				
User fees	172,394	192,301	(552)	364,143
Other assets	(4)	-	-	(4)
Deferred outflows - related to pension	(85,000)	(2,830)	(1,134)	(88,964)
Deferred outflows - related to OPEB	72,758	83,760	-	156,518
Warrants and accounts payable	(68,302)	(9,699)	80,268	2,267
Accrued liabilities	86,295	111,565	-	197,860
Other liabilities	-	4	-	4
Compensated absences	2,729	7,682	-	10,411
Net pension liability	(248,689)	(730,852)	(40,779)	(1,020,320)
Net OPEB liability	(97,232)	(121,156)	-	(218,388)
Deferred inflows - related to pension	636,882	500,106	33,323	1,170,311
Deferred inflows - related to OPEB	<u>107,628</u>	<u>121,375</u>	<u>-</u>	<u>229,003</u>
Net Cash Provided By Operating Activities	<u>\$ 3,249,877</u>	<u>\$ 1,654,722</u>	<u>\$ 374,359</u>	<u>\$ 5,278,958</u>

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

CITY OF NEWBURYPORT, MASSACHUSETTS

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2022

(Except for Pension Trust Fund, which is as of December 31, 2021)

	Pension and OPEB <u>Trust Funds</u>	Private Purpose <u>Trust Funds</u>
Assets		
Cash and short-term investments	\$ 1,178,424	\$ 140,000
Investments:		
External investment pools	124,457,257	-
Accounts receivable	<u>170,303</u>	<u>-</u>
Total Assets	125,805,984	140,000
Liabilities		
Warrants payable	<u>83,806</u>	<u>-</u>
Total Liabilities	83,806	-
Net Position		
Restricted for:		
Pension	124,543,398	-
OPEB	1,178,780	-
Other purposes	<u>-</u>	<u>140,000</u>
Total Net Position	\$ <u>125,722,178</u>	\$ <u>140,000</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, 2022
(Except for Pension Trust Fund, which is as of December 31, 2021)

	Pension and OPEB <u>Trust Funds</u>	Private Purpose <u>Trust Funds</u>
Additions		
Contributions:		
Employers	\$ 9,112,846	\$ -
Plan members	2,435,837	-
Other systems and Commonwealth of Massachusetts	366,832	-
Other	<u>2,894</u>	<u>140,000</u>
Total contributions	11,918,409	140,000
Investment Income:		
Increase in fair value of investments	21,040,627	-
Less: management fees	<u>(561,256)</u>	<u>-</u>
Net investment income	<u>20,479,371</u>	<u>-</u>
Total Additions	32,397,780	140,000
Deductions		
Benefit payments to plan members and beneficiaries	11,447,651	-
Payments to individuals	-	200,000
Refunds to plan members	100,314	-
Transfers to other systems	94,219	-
Administrative expenses	<u>288,701</u>	<u>-</u>
Total Deductions	<u>11,930,885</u>	<u>200,000</u>
Net increase (decrease)	20,466,895	(60,000)
Net Position Restricted for Pension, OPEB, and Other Purposes		
Beginning of year	<u>105,255,283</u>	<u>200,000</u>
End of year	<u>\$ 125,722,178</u>	<u>\$ 140,000</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 Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of the more significant policies:

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 City and applicable component units for which the City is considered to be financially accountable. The criteria provided in Governmental Accounting Standards Board Codification section 2100 have been considered and as a result, the component unit discussed below is included in the City's reporting entity because of its operational significance and financial relationship with the City.

Fiduciary 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 part of the pension and OPEB trust funds 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.

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.

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.

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 City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue from grants, entitlements, and donations is recognized when all eligibility requirements have been satisfied and they are measurable and available. All other revenue items are considered to be measurable and available only when cash is received. 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 City, 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, federal/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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The 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.

In addition, the City has a *Harbormaster Fund* which is reported as a nonmajor proprietary fund.

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 pension and other post-employment benefits.
- The *Private Purpose Trust Fund* is used to account for scholarship trust arrangements, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

Cash 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 and savings accounts. Generally, 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 financial statements under the caption "cash and short-term investments".

For purpose of the Statement of Cash Flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using net asset value (NAV). The NAV per share is the amount of net assets attributable to each share outstanding at the close of the period investments measured at the NAV for fair value are not subject to level classification. Investments measured using NAV for fair value are not subject to level classification.

Investments are carried at fair value, except non-negotiable certificates of deposit which are reported at cost.

Investments for the System and the OPEB plan are invested 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.

Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override or debt exemption is voted.

Leases***City as a Lessor***

The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before

the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term on a straight-line basis over its useful life. The following key assumptions are made:

- The City uses its estimated incremental borrowing rate as the discount rate of leases.
- The lease term includes the noncancellable period of the lease, including renewal terms reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease receivable and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method. The cost of governmental fund-type inventory is recorded as an expenditure when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

Capital Assets

Capital assets, which include buildings and improvements, infrastructure, machinery and equipment, land, and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City 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.

Capital assets 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	5 - 20
Vehicles	5 - 10

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 funds a reserve account in anticipation of these future claims.

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.

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 of resources and current liabilities/deferred inflows of resources. The City has implemented GASB Statement No. 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, as follows:

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 special purpose stabilization accounts* set aside by City

Council order for future capital acquisitions and improvements, various capital project fund articles approved by City Council, as well as reserve accounts for compensated absences. A similar action is needed to modify or rescind a commitment.

Assigned

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

Unassigned

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

*Massachusetts General Laws Ch. 40B Section 5 allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of the legislative body and must clearly define the purposes of the fund. Generally, any change to the purpose of the fund, along with any additions to or appropriations from the fund, requires a two-thirds vote of the legislative body.

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 of resources and liabilities/deferred inflows of resources. 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 use either through 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.

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

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.

Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2022. It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, intergovernmental revenues, bond proceeds, and transfers from other funds.

3. Deposits and Investments

City (Excluding the Pension and OPEB Trust Funds)

Massachusetts General Laws (MGL) Chapter 44, Section 55 places certain limitation on the nature of deposits and investments available to the City. Deposits, include demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase and investments with national banks.

Deposits

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The City does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2022, of the City's bank balances of \$46,219,733, \$9,262,374 was exposed to custodial credit risk as uninsured and uncollateralized and \$13,306,812 was uninsured and collateralized with securities held by the financial institutions trust department or agent.

Investments

The following is a summary of the City's investments as of June 30, 2022:

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 2,610,582
Corporate equities	474,195
Equity mutual funds	1,309,209
Federal agency securities	367,671
Fixed income mutual funds	1,782,768
Market-linked certificates of deposit	238,566
U.S. Treasury notes	<u>1,780,150</u>
Total Investments	<u>\$ 8,563,141</u>

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, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. While the City has a formal investment policy, it does not specifically address custodial credit risk.

As of June 30, 2022, the City did not have any investments exposed to custodial credit risk as all investments were held in the City's name.

Credit Risk – Investments in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City's investment policy related to credit risk is such that corporate debt and preferred issues must be rated A or higher, as defined by S&P Global Ratings or Moody's Investors Service, Inc.

Presented below is the actual rating as of year-end for each investment type of the City, as rated by S&P Global Ratings (U.S. Treasury notes have an implied credit rating of AAA):

Rating as of Year End

<u>Investment Type</u>	<u>Amount</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Unrated</u>
Corporate bonds	\$ 2,610,582	\$ 163,385	\$ -	\$ 939,555	\$ 1,507,642	\$ -
Federal agency securities	367,671	-	367,671	-	-	-
Fixed income mutual funds	1,782,768	-	-	-	-	1,782,768
Market-linked certificates of deposit	238,566	-	-	-	-	238,566
Total	<u>\$ 4,999,587</u>	<u>\$ 163,385</u>	<u>\$ 367,671</u>	<u>\$ 939,555</u>	<u>\$ 1,507,642</u>	<u>\$ 2,021,334</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the City's investment in a single issuer. The City's investment policy related to concentration of credit risk is to limit investments in any one issuer to below 5.00% of the portfolio's total market value with the exception of investments in U.S. Treasury notes and U.S. government agencies.

Investments issued or explicitly guaranteed by the U.S. government, in open-end mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of June 30, 2022, the City did not have an investment in one issuer greater than 5.00% of total investments.

Interest Rate Risk – Investments in Debt Securities

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's investment policy related to interest rate risk is to limit maturities to a maximum of 30 years while maintaining an average portfolio maturity between 2 and 20 years.

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>	Investment Maturities (in Years)		
		Less <u>Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 2,610,582	\$ 129,994	\$ 2,154,244	\$ 326,344
Federal agency securities	367,671	105,030	262,641	-
Fixed income mutual funds	1,782,768	1,782,768	-	-
Market-linked certificates of deposit	238,566	180,045	58,521	-
U.S. Treasury notes	<u>1,780,150</u>	<u>830,994</u>	<u>949,156</u>	<u>-</u>
Total	\$ <u>6,779,737</u>	\$ <u>3,028,831</u>	\$ <u>3,424,562</u>	\$ <u>326,344</u>

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. While the City has a formal investment policy, it does not specifically address foreign currency risk. However, the City did not have any investments exposed to foreign currency risk as of June 30, 2022.

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 an asset or liability and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The City has the following fair value measurements as of June 30, 2022:

		Fair Value Measurements Using:	
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
<u>Investment Type</u>	<u>Amount</u>		
Investments by fair value level:			
Corporate bonds	\$ 2,610,582	\$ -	\$ 2,610,582
Corporate equities	474,195	474,195	-
Equity mutual funds	1,309,209	1,309,209	-
Federal agency securities	367,671	367,671	-
Fixed income mutual funds	1,782,768	-	1,782,768
Market-linked certificates of deposit	238,566	-	238,566
U.S. Treasury notes	<u>1,780,150</u>	<u>1,780,150</u>	<u>-</u>
Total	<u>\$ 8,563,141</u>	<u>\$ 3,931,225</u>	<u>\$ 4,631,916</u>

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

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

4. Investments - OPEB Trust Fund

Generally, the OPEB Trust Fund's investment policies mirror that of the City as discussed in the previous note.

As of June 30, 2022, all OPEB Trust Fund investments were in the State Retirees Benefits Trust Fund (HCST OPEB Master Trust), an external investment pool managed by the Massachusetts Pension Reserves Investment Management (PRIM).

Custodial Credit Risk

As of June 30, 2022, the OPEB Trust Fund did not have any investments exposed to custodial credit risk disclosure as investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk – Investments in Debt Securities

As of June 30, 2022, all of the OPEB Trust Fund’s investments were invested in external investment pools and unrated.

Concentration of Credit Risk

As of June 30, 2022, the OPEB Trust Fund 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.

Interest Rate Risk

As of June 30, 2022, all OPEB Trust Fund investments had maturities of less than one year.

Foreign Currency Risk

As of June 30, 2022, none of the OPEB Trust Fund’s investments were exposed to foreign currency risk exposure.

Fair Value

As of June 30, 2022, the OPEB Trust Fund’s investments were measured at the NAV, there were no unfunded commitments, and the redemption frequency was monthly with a 30 day redemption notice period.

5. Investments - Pension Trust Fund (The System)

All System investments were invested in the State Investment Pool (PRIT)* fund as of December 31, 2021.

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

Custodial Credit Risk

The System does not have formal investment policies related to custodial credit risk.

As of December 31, 2021, the System did not have any investments exposed to custodial credit risk disclosure as investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk – Investments in Debt Securities

Massachusetts General Laws, Chapter 32, Section 23, limits the investment of pension funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth of Massachusetts, provided that no

more than the established percentage of assets, is invested in any one security. The System does not have formal investment policies related to credit risk.

As of December 31, 2021, all System investments were invested in external investment pools and unrated.

Concentration of Credit Risk

Massachusetts General Laws Chapter 32, Section 23 limit the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund. The System does not have formal investment policies related to concentration of credit risk.

As of December 31, 2021, 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.

Interest Rate Risk

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

As of December 31, 2021, all System investments were invested in external investment pools with maturities less than one year.

Foreign Currency Risk

The System does not have formal investment policies related to foreign currency risk. However, as of December 31, 2021, the System did not have any investments exposed to foreign currency risk.

Fair Value

As of December 31, 2021, the System's investments were measured at the NAV, there were no unfunded commitments, and the redemption frequency was monthly with a 30-day redemption notice period.

6. Property Taxes and Excises Receivables

Real estate and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting on the government-wide and fund basis statement, respectively.

The City bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1,

February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the City's experience, most property taxes are collected during the year in which they are assessed. Lining of properties on which taxes remain unpaid generally occurs annually. The City ultimately has the rights to foreclose on all properties where the taxes remain unpaid. Personal property taxes cannot be secured through the lien process.

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2.5% of the total assessed value of all taxable property within the City. Secondly, the tax levy cannot increase by more than 2.5% of the prior year's levy plus the taxes on property newly added to the tax rolls. The actual fiscal year 2022 tax levy reflected an excess capacity of approximately \$639,637.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth of Massachusetts. 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, 2022 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 735,324	\$ (148,984)	\$ 586,340	\$ -
Personal property taxes	132,262	(104,889)	27,373	-
Community preservation act	5,685	(569)	5,116	-
Tax liens	901,244	(90,124)	-	811,120
Deferred taxes	31,440	-	31,440	-
Total property taxes	<u>\$ 1,805,955</u>	<u>\$ (344,566)</u>	<u>\$ 650,269</u>	<u>\$ 811,120</u>
Motor vehicle excise	\$ 776,082	\$ (420,453)	\$ 355,629	\$ -
Boat excise	92,299	(92,299)	-	-
Total excises	<u>\$ 868,381</u>	<u>\$ (512,752)</u>	<u>\$ 355,629</u>	<u>\$ -</u>

7. User Fees 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, 2022 consist of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Sewer			
Usage	\$ 2,001,761	\$ (200,176)	\$ 1,801,585
Liens	39,901	(11,970)	27,931
Other fees	<u>6,060</u>	<u>(3,030)</u>	<u>3,030</u>
Subtotal sewer user fees	2,047,722	(215,176)	1,832,546
Water			
Usage	1,510,358	(151,036)	1,359,322
Liens	30,463	(9,139)	21,324
Other fees	<u>20,944</u>	<u>(10,472)</u>	<u>10,472</u>
Subtotal water user fees	<u>1,561,765</u>	<u>(170,647)</u>	<u>1,391,118</u>
Total User Fees	<u>\$ 3,609,487</u>	<u>\$ (385,823)</u>	<u>\$ 3,223,664</u>
Sewer betterments	\$ 2,627,285	\$ -	\$ 2,627,285
Water betterments	<u>733,176</u>	<u>-</u>	<u>733,176</u>
Total Betterments	<u>\$ 3,360,461</u>	<u>\$ -</u>	<u>\$ 3,360,461</u>

8. Lease Receivables

In fiscal year 2022, the City implemented GASB Statement No. 87 *Leases*, which changed the definition of a lease and requires a lease receivable, offset with deferred inflows, to be shown on the financial statements. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction.

Lease receivables consisted of the following at June 30, 2022:

<u>Purpose</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/22</u>
Senior community center	\$ 54,319	2026	3.38%	\$ 42,549
Firehouse center	400,000	2036	2.50%	298,213
115 Water street	2,097,730	2079	1.00%	<u>2,068,232</u>
Total				<u>\$ 2,408,994</u>

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 46,924	\$ 29,236
2024	48,605	28,193
2025	50,375	27,076
2026	41,284	26,050
2027	38,782	25,343
2028 - 2032	210,722	115,737
2033 - 2037	208,312	95,979
Thereafter	<u>1,763,990</u>	<u>426,543</u>
Total	<u>\$ 2,408,994</u>	<u>\$ 774,157</u>

9. Interfund Transfers

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 2022:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 506,902	\$ (558,166)
Capital projects fund	2,146,317	(126,650)
Nonmajor governmental funds:		
Waterfront parking meter fund	-	(436,950)
Paid parking fund	-	(206,800)
40R zoning district fund	-	(468,400)
CPA fund	-	(290,000)
DPW fuel fund	-	(108,031)
Other special revenue funds	81,145	(343,049)
Expendable trust funds	-	(55)
Enterprise funds:		
Water fund	348,872	(42,423)
Sewer fund	-	(493,890)
Nonmajor fund	-	(8,822)
Total	<u>\$ 3,083,236</u>	<u>\$ (3,083,236)</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. Additional transfers to the Capital Projects Fund are from the waterfront parking meter fund, paid parking fund, 40R zoning district fund, CPA fund, sewer fund, and other special revenue funds represent additional funding for various capital projects. 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 and (2) use unrestricted revenues collected in the General Fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

10. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, depreciable:				
Buildings and improvements	\$ 165,620,968	\$ 3,523,439	\$ -	\$ 169,144,407
Infrastructure	41,281,223	906,671	-	42,187,894
Machinery and equipment	<u>11,263,188</u>	<u>1,081,207</u>	<u>-</u>	<u>12,344,395</u>
Total capital assets, depreciable	218,165,379	5,511,317	-	223,676,696
Less accumulated depreciation for:				
Buildings and improvements	(56,861,504)	(4,803,829)	-	(61,665,333)
Infrastructure	(27,031,021)	(980,366)	-	(28,011,387)
Machinery and equipment	<u>(7,971,102)</u>	<u>(1,116,462)</u>	<u>-</u>	<u>(9,087,564)</u>
Total accumulated depreciation	<u>(91,863,627)</u>	<u>(6,900,657)</u>	<u>-</u>	<u>(98,764,284)</u>
Total capital assets, depreciable, net	126,301,752	(1,389,340)	-	124,912,412
Capital assets, non-depreciable:				
Land	12,136,991	220,000	-	12,356,991
Construction in progress	<u>109,210</u>	<u>993,794</u>	<u>(50,477)</u>	<u>1,052,527</u>
Total capital assets, non-depreciable	<u>12,246,201</u>	<u>1,213,794</u>	<u>(50,477)</u>	<u>13,409,518</u>
Governmental activities capital assets, net	<u>\$ 138,547,953</u>	<u>\$ (175,546)</u>	<u>\$ (50,477)</u>	<u>\$ 138,321,930</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Sewer Enterprise Fund				
Capital assets, depreciable:				
Buildings and improvements	\$ 7,820,722	\$ 139,719	\$ -	\$ 7,960,441
Infrastructure	75,437,822	56,939	-	75,494,761
Machinery and equipment	<u>6,770,615</u>	<u>228,157</u>	<u>-</u>	<u>6,998,772</u>
Total capital assets, depreciable	90,029,159	424,815	-	90,453,974
Less accumulated depreciation for:				
Buildings and improvements	(1,334,688)	(383,382)	-	(1,718,070)
Infrastructure	(39,874,762)	(2,413,049)	-	(42,287,811)
Machinery and equipment	<u>(3,073,211)</u>	<u>(1,054,775)</u>	<u>-</u>	<u>(4,127,986)</u>
Total accumulated depreciation	<u>(44,282,661)</u>	<u>(3,851,206)</u>	<u>-</u>	<u>(48,133,867)</u>
Total capital assets, depreciable, net	45,746,498	(3,426,391)	-	42,320,107
Capital assets, non-depreciable:				
Land	268,808	-	-	268,808
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, non-depreciable	<u>268,808</u>	<u>-</u>	<u>-</u>	<u>268,808</u>
Sewer enterprise capital assets, net	<u>\$ 46,015,306</u>	<u>\$ (3,426,391)</u>	<u>\$ -</u>	<u>\$ 42,588,915</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Water Enterprise Fund				
Capital assets, depreciable:				
Buildings and improvements	\$ 3,112,210	\$ 84,742	\$ -	\$ 3,196,952
Infrastructure	65,200,980	231,942	-	65,432,922
Machinery and equipment	<u>1,352,580</u>	<u>22,161</u>	<u>-</u>	<u>1,374,741</u>
Total capital assets, depreciable	69,665,770	338,845	-	70,004,615
Less accumulated depreciation for:				
Buildings and improvements	(1,007,969)	(156,194)	-	(1,164,163)
Infrastructure	(30,971,374)	(1,993,628)	-	(32,965,002)
Machinery and equipment	<u>(1,158,637)</u>	<u>(69,486)</u>	<u>-</u>	<u>(1,228,123)</u>
Total accumulated depreciation	<u>(33,137,980)</u>	<u>(2,219,308)</u>	<u>-</u>	<u>(35,357,288)</u>
Total capital assets, depreciable, net	36,527,790	(1,880,463)	-	34,647,327
Capital assets, non-depreciable:				
Land	822,559	155,000	-	977,559
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, non-depreciable	<u>822,559</u>	<u>155,000</u>	<u>-</u>	<u>977,559</u>
Water enterprise capital assets, net	<u>\$ 37,350,349</u>	<u>\$ (1,725,463)</u>	<u>\$ -</u>	<u>\$ 35,624,886</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Nonmajor Enterprise Fund				
Capital assets, depreciable:				
Buildings and improvements	\$ 1,781,509	\$ -	\$ -	\$ 1,781,509
Infrastructure	-	19,155	-	19,155
Machinery and equipment	<u>339,025</u>	<u>69,535</u>	<u>-</u>	<u>408,560</u>
Total capital assets, depreciable	2,120,534	88,690	-	2,209,224
Less accumulated depreciation for:				
Buildings and improvements	(279,356)	(71,628)	-	(350,984)
Infrastructure	-	(383)	-	(383)
Machinery and equipment	<u>(226,770)</u>	<u>(42,762)</u>	<u>-</u>	<u>(269,532)</u>
Total accumulated depreciation	<u>(506,126)</u>	<u>(114,773)</u>	<u>-</u>	<u>(620,899)</u>
Total capital assets, depreciable, net	1,614,408	(26,083)	-	1,588,325
Capital assets, non-depreciable:				
Land	<u>170,000</u>	<u>-</u>	<u>-</u>	<u>170,000</u>
Total capital assets, non-depreciable	<u>170,000</u>	<u>-</u>	<u>-</u>	<u>170,000</u>
Nonmajor enterprise capital assets, net	<u>\$ 1,784,408</u>	<u>\$ (26,083)</u>	<u>\$ -</u>	<u>\$ 1,758,325</u>

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

Governmental Activities	
General government	\$ 516,416
Public safety	545,195
Education	3,123,620
Public works	1,710,537
Health and human services	277,514
Culture and recreation	<u>727,375</u>
Total	<u>\$ 6,900,657</u>

Business-Type Activities	
Sewer	\$ 3,851,206
Water	2,219,308
Nonmajor	<u>114,773</u>
Total	\$ <u>6,185,287</u>

11. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the City that apply to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

12. Accrued Liabilities

Accrued liabilities represent accrued interest and wages incurred in fiscal year 2022 that were paid in fiscal year 2023.

13. Unearned Revenue

Unearned revenue represents grant funds received by the City from the American Rescue Plan Act (ARPA). These funds will be used for COVID-19 related expenditures or negative economic impacts of COVID-19 over the next several years.

14. Long-Term Debt

General Obligation Bonds, State Revolving Loans, and Direct Placements

The City issues general obligation bonds, direct placements, and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds, direct placements, and direct borrowings outstanding are as follows:

<u>Governmental Activities</u>	<u>Interest Rate(s) %</u>	<u>Serial Maturities Through</u>	<u>Amount Outstanding as of 6/30/22</u>
Public Offerings:			
General Obligation Bonds - 2013	2.50 - 5.00	2033	\$ 22,235,600
General Obligation Bonds - 2014	2.125 - 5.00	2035	6,740,000
General Obligation Bonds - 2015	2.00 - 2.50	2036	5,485,000
General Obligation Bonds - 2016	2.00 - 3.50	2037	920,000
General Obligation Bonds - 2018	3.00 - 5.00	2043	5,260,000
General Obligation Bonds - 2019	2.50 - 5.00	2044	860,000
General Obligation Bonds - 2021	2.00 - 5.00	2046	2,695,000
General Obligation Bonds - 2022	4.00 - 5.00	2042	<u>5,827,500</u>
Total Public Offerings			50,023,100
Loans - Direct Borrowings:			
Newburyport Bank	1.44	2024	30,000
KS State Bank	2.59 - 2.99	2025	<u>94,177</u>
Total Loans - Direct Borrowings			<u>124,177</u>
Total Governmental Activities			<u>\$ 50,147,277</u>

<u>Sewer Enterprise Fund</u>	<u>Interest Rate(s) %</u>	<u>Serial Maturities Through</u>	<u>Amount Outstanding as of 6/30/22</u>
Public Offerings:			
General Obligation Bonds - 2010	2.00 - 4.00	2028	\$ 1,740,000
General Obligation Bonds - 2013	2.50 - 5.00	2033	441,700
General Obligation Bonds - 2016	2.00 - 3.50	2037	2,175,000
General Obligation Refunding Bonds - 2016	2.00 - 4.00	2025	415,000
General Obligation Bonds - 2017	3.00 - 5.00	2042	6,345,000
General Obligation Bonds - 2019	2.50 - 5.00	2044	<u>1,375,000</u>
Total Public Offerings			12,491,700
Loans - Direct Borrowings:			
Massachusetts Clean Water Trust - 2006	2.00 - 5.00	2037	3,245,544
Massachusetts Clean Water Trust - 2010	2.00	2031	2,061,315
Massachusetts Clean Water Trust - 2012	2.00	2033	3,680,933
Massachusetts Clean Water Trust - 2013	2.00	2033	8,071,823
KS State Bank	2.90	2024	<u>29,665</u>
Total Loans - Direct Borrowings			<u>17,089,280</u>
Total Sewer Enterprise			<u>\$ 29,580,980</u>
<u>Water Enterprise Fund</u>	<u>Interest Rate(s) %</u>	<u>Serial Maturities Through</u>	<u>Amount Outstanding as of 6/30/22</u>
Public Offerings:			
General Obligation Bonds - 2013	2.50 - 5.00	2033	\$ 572,700
General Obligation Bonds - 2014	3.00 - 5.00	2025	480,000
General Obligation Refunding Bonds - 2016	2.00 - 4.00	2025	205,000
General Obligation Bonds - 2022	4.00 - 5.00	2042	<u>1,712,500</u>
Total Public Offerings			2,970,200
Loans - Direct Borrowings:			
Massachusetts Clean Water Trust - 2006	2.00 - 5.25	2037	1,667,276
Massachusetts Clean Water Trust - 2007	0.00	2025	53,200
Massachusetts Clean Water Trust - 2012	2.00	2033	4,970,850
Massachusetts Clean Water Trust - 2013	2.00	2033	3,830,729
Massachusetts Clean Water Trust - 2015	2.00	2035	<u>206,785</u>
Total Loans - Direct Borrowings			<u>10,728,840</u>
Total Water Enterprise			<u>\$ 13,699,040</u>

<u>Nonmajor Enterprise Fund</u>	<u>Interest Rate(s) %</u>	<u>Serial Maturities Through</u>	<u>Amount Outstanding as of 6/30/22</u>
Public Offerings:			
General Obligation Bonds - 2015	2.00 - 3.00	2036	\$ 745,000
General Obligation Bonds - 2016	2.00 - 3.50	2024	60,000
General Obligation Bonds - 2017	3.00 - 5.00	2028	30,000
Total Public Offerings			<u>\$ 835,000</u>

Future Debt Service

Annual payments to retire the governmental activities general obligation bonds and loans outstanding as of June 30, 2022 are as follows:

<u>Governmental</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 2,904,400	\$ 1,502,863	\$ 45,472	\$ 3,266
2024	3,031,500	1,391,619	46,383	2,139
2025	3,157,200	1,286,159	32,322	966
2026	3,215,000	1,166,435	-	-
2027	3,345,000	1,046,061	-	-
2028 - 2032	17,635,000	3,540,423	-	-
2033 - 2037	12,085,000	1,230,182	-	-
Thereafter	4,650,000	346,764	-	-
Total	<u>\$ 50,023,100</u>	<u>\$ 11,510,506</u>	<u>\$ 124,177</u>	<u>\$ 6,371</u>

The City has issued direct borrowings from the Massachusetts Pollution Abatement Trust (MWPAT), a state revolving loan fund (SRF) of the Massachusetts Clean Water Trust (MCWT), a component unit of the Commonwealth of Massachusetts. MCWT issues special obligation bonds under its SRF programs to provide low-cost financing to Cities, Towns, and other eligible borrowers primarily for the construction and improvement of drinking water and wastewater infrastructure. There were no assets pledged as collateral for debt. The City certified that rates and charges in the sewer enterprise fund and water enterprise fund have been set at a sufficient level to cover estimated operating expenses and debt service related to direct borrowings. In addition, the City as an "obligated person" with respect to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, agrees with MCWT to provide an annual report, not later than 270 days after the close of each fiscal year, that incorporates the most recently available audited financial statements to meet continuing disclosure requirements.

Annual payments to retire the business-type activities general obligation bonds and loans outstanding as of June 30, 2022 are as follows:

<u>Sewer</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 807,200	\$ 406,591	\$ 1,384,763	\$ 390,278
2024	817,400	378,142	1,415,409	359,320
2025	832,100	349,482	1,431,115	327,139
2026	670,000	319,930	1,467,419	290,494
2027	685,000	293,802	1,499,288	256,264
2028 - 2032	3,270,000	1,092,360	7,772,191	727,744
2033 - 2037	2,875,000	649,490	1,981,895	47,889
Thereafter	<u>2,535,000</u>	<u>267,536</u>	<u>137,200</u>	<u>-</u>
Total	\$ <u>12,491,700</u>	\$ <u>3,757,333</u>	\$ <u>17,089,280</u>	\$ <u>2,399,128</u>

<u>Water</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 378,400	\$ 45,724	\$ 1,176,929	\$ 216,684
2024	381,100	33,529	1,207,397	180,692
2025	365,700	21,060	1,233,213	147,621
2026	95,000	11,400	807,640	132,173
2027	100,000	9,650	824,681	116,391
2028 - 2032	575,000	25,800	4,392,183	333,015
2033 - 2037	505,000	1,200	1,086,797	16,046
Thereafter	<u>570,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>2,970,200</u>	\$ <u>148,363</u>	\$ <u>10,728,840</u>	\$ <u>1,142,622</u>

<u>Nonmajor</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 55,000	\$ 21,897	\$ -	\$ -
2024	55,000	20,622	-	-
2025	55,000	19,347	-	-
2026	60,000	17,922	-	-
2027	60,000	16,322	-	-
2028 - 2032	295,000	58,373	-	-
2033 - 2037	<u>255,000</u>	<u>15,146</u>	<u>-</u>	<u>-</u>
Total	\$ <u>835,000</u>	\$ <u>169,629</u>	\$ <u>-</u>	\$ <u>-</u>

Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2022 consist of \$8,469,000. \$6,000,000 authorized in November 2019 for the construction

of public streets, walkways, and sidewalks, \$1,719,000 authorized in December 2021 for the design and construction of the West end fire station, and \$750,000 authorized in May 2022 for repairs to the Central waterfront bulkhead.

Changes in Long-Term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Governmental Activities						
Bonds payable:						
Public offerings	\$ 46,792,700	\$ 5,827,500	\$ (2,597,100)	\$ 50,023,100	\$ (2,904,400)	\$ 47,118,700
Direct placements	45,000	-	(45,000)	-	-	-
Loans - direct borrowings	-	139,177	(15,000)	124,177	(45,472)	78,705
Unamortized bond premiums	<u>2,125,584</u>	<u>423,099</u>	<u>(194,976)</u>	<u>2,353,707</u>	<u>(216,131)</u>	<u>2,137,576</u>
Subtotal bonds payable	48,963,284	6,389,776	(2,852,076)	52,500,984	(3,166,003)	49,334,981
Compensated absences	5,056,637	252,832	-	5,309,469	(1,061,894)	4,247,575
Net pension liability	32,824,004	-	(7,896,680)	24,927,324	-	24,927,324
Net OPEB liability	<u>91,911,260</u>	<u>-</u>	<u>(6,022,915)</u>	<u>85,888,345</u>	<u>-</u>	<u>85,888,345</u>
Total long-term liabilities	<u>\$ 178,755,185</u>	<u>\$ 6,642,608</u>	<u>\$ (16,771,671)</u>	<u>\$ 168,626,122</u>	<u>\$ (4,227,897)</u>	<u>\$ 164,398,225</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Sewer Enterprise Fund						
Bonds payable:						
Public offerings	\$ 13,293,800	\$ -	\$ (802,100)	\$ 12,491,700	\$ (807,200)	\$ 11,684,500
Loans - direct borrowings	18,400,073	45,157	(1,355,950)	17,089,280	(1,384,763)	15,704,517
Unamortized bond premiums	<u>164,770</u>	<u>-</u>	<u>(7,846)</u>	<u>156,924</u>	<u>(7,846)</u>	<u>149,078</u>
Subtotal bonds payable	31,858,643	45,157	(2,165,896)	29,737,904	(2,199,809)	27,538,095
Compensated absences	54,574	2,729	-	57,303	(11,461)	45,842
Net pension liability	2,208,687	-	(248,689)	1,959,998	-	1,959,998
Net OPEB liability	<u>1,734,740</u>	<u>-</u>	<u>(97,232)</u>	<u>1,637,508</u>	<u>-</u>	<u>1,637,508</u>
Total long-term liabilities	<u>\$ 35,856,644</u>	<u>\$ 47,886</u>	<u>\$ (2,511,817)</u>	<u>\$ 33,392,713</u>	<u>\$ (2,211,270)</u>	<u>\$ 31,181,443</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Water Enterprise Fund						
Bonds payable:						
Public offerings	\$ 1,568,500	\$ 1,712,500	\$ (310,800)	\$ 2,970,200	\$ (378,400)	\$ 2,591,800
Loans - direct borrowings	11,880,639	-	(1,151,799)	10,728,840	(1,176,929)	9,551,911
Unamortized bond premiums	<u>63,122</u>	<u>120,417</u>	<u>(15,781)</u>	<u>167,758</u>	<u>(21,802)</u>	<u>145,956</u>
Subtotal bonds payable	13,512,261	1,832,917	(1,478,380)	13,866,798	(1,577,131)	12,289,667
Compensated absences	153,637	7,682	-	161,319	(32,264)	129,055
Net pension liability	2,512,407	-	(730,852)	1,781,555	-	1,781,555
Net OPEB liability	<u>1,975,255</u>	<u>-</u>	<u>(121,156)</u>	<u>1,854,099</u>	<u>-</u>	<u>1,854,099</u>
Total long-term liabilities	<u>\$ 18,153,560</u>	<u>\$ 1,840,599</u>	<u>\$ (2,330,388)</u>	<u>\$ 17,663,771</u>	<u>\$ (1,609,395)</u>	<u>\$ 16,054,376</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Nonmajor Enterprise Fund						
Bonds payable:						
Public offerings	\$ 890,000	\$ -	\$ (55,000)	\$ 835,000	\$ (55,000)	\$ 780,000
Subtotal bonds payable	890,000	-	(55,000)	835,000	(55,000)	780,000
Net pension liability	155,902	-	(40,779)	115,123	-	115,123
Total long-term liabilities	\$ 1,045,902	\$ -	\$ (95,779)	\$ 950,123	\$ (55,000)	\$ 895,123

Long-Term Debt Supporting Governmental and Business-Type Activities

Bonds and loans issued by the City for various municipal projects are approved by City Council and repaid with revenues recorded in the General Fund and user fees recorded in enterprise funds. The following governmental funds have been designated as the sources to repay the governmental activities long-term debt outstanding as of June 30, 2022:

General fund	\$ 42,902,277
Community Preservation Act fund	1,530,000
Paid Parking fund	<u>5,715,000</u>
Total	<u>\$ 50,147,277</u>

15. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net asset by the City that is apply to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75, will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. Deferred inflows related to leases, in accordance with GASB Statement No. 87, have been recognized in fiscal year 2022 and are offset with lease receivables. *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. *Property taxes collected in advance*, reported in the governmental funds balance sheet and government-wide statement of net position, represent subsequent year property tax collections which are not available for use in the current year.

16. Governmental Fund Balances

The City's fund balances at June 30, 2022 are comprised of the following:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Permanent funds	\$ -	\$ -	\$ 1,686,756	\$ 1,686,756
Total Nonspendable	-	-	1,686,756	1,686,756
Restricted				
Capital project funds	-	7,524,528	-	7,524,528
Community preservation	-	-	3,209,646	3,209,646
School choice	-	-	2,212,217	2,212,217
Circuit breaker (special education)	-	-	1,447,631	1,447,631
Permanent funds	-	-	1,119,987	1,119,987
Downtown paid parking	-	-	894,226	894,226
Sale of municipal buildings	-	-	593,500	593,500
Sewer I/I	-	-	571,817	571,817
Recreation	-	-	565,919	565,919
Curriculum/staff development	-	-	528,554	528,554
Affordable housing	-	-	495,557	495,557
Waterfront parking	-	-	380,868	380,868
School transportation	-	-	361,665	361,665
Solid waste	-	-	261,495	261,495
Athletic revolving	-	-	257,528	257,528
Other special revenue funds	-	-	3,529,638	3,529,638
Total Restricted	-	7,524,528	16,430,248	23,954,776
Committed				
For health insurance	379,675	-	-	379,675
For technology stabilization accounts	333,339	-	-	333,339
For brown school improvements	225,000	-	-	225,000
For compensated absences	197,458	-	-	197,458
For capital projects	-	1,117,729	-	1,117,729
Total Committed	1,135,472	1,117,729	-	2,253,201
Assigned				
Encumbrances:				
General government	17,378	-	-	17,378
Public safety	24,308	-	-	24,308
Education	457,441	-	-	457,441
Public works	17,026	-	-	17,026
Health and human services	4,284	-	-	4,284
Total Assigned	520,437	-	-	520,437
Unassigned				
General fund	5,527,493	-	-	5,527,493
General stabilization account	3,819,957	-	-	3,819,957
Deficit funds	-	-	(993,680)	(993,680)
Total Unassigned	9,347,450	-	(993,680)	8,353,770
Total Fund Balance	\$ 11,003,359	\$ 8,642,257	\$ 17,123,324	\$ 36,768,940

17. Restricted Net Position

The City's restricted net position at June 30, 2022 are comprised of the following:

<u>Purpose</u>	<u>Governmental Activities</u>
Community preservation	\$ 3,209,646
Permanent funds	2,806,743
School choice	2,212,217
Circuit breaker (special education)	1,447,631
Capital project funds	1,352,889
Downtown paid parking	894,226
Sale of municipal buildings	593,500
Sewer I/I	571,817
Recreation	565,919
Curriculum/staff development	528,554
Affordable housing	495,557
Waterfront parking	380,868
School transportation	361,665
Solid waste	261,495
Athletic revolving	257,528
Other grants & statutory restrictions	<u>3,529,638</u>
Total Restricted	\$ <u><u>19,469,893</u></u>

18. 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 employees' retirement funds.

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 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.

Participants' Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of 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 2.00% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5.00%
January 1, 1975 - December 31, 1983	7.00%
January 1, 1984 - June 30, 1996	8.00%
Beginning July 1, 1996	9.00%

For those members entering the System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6.00% when at least 30 years of creditable service has been attained.

Participant Retirement Benefits

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.

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.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

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.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

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 3.00%.

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, 2022 was \$5,505,331, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, 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.

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

At June 30, 2022, the City reported a liability of \$28,013,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the measurement date, the City's proportion was 97.32%.

For the year ended June 30, 2022, the City recognized pension expense of \$3,701,920. In addition, the City reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 1,758,000	\$ (200,000)
Changes of assumptions	4,201,000	-
Net difference between projected and actual investment earnings on pension plan investments	-	(14,144,000)
Changes in proportion and differences between contributions and proportionate share of contributions	71,910	(71,910)
Total	<u>\$ 6,030,910</u>	<u>\$ (14,415,910)</u>

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

Year ended June 30:	
2022	\$ (1,009,000)
2023	(2,621,000)
2024	(2,447,000)
2025	<u>(2,308,000)</u>
Total	\$ <u><u>(8,385,000)</u></u>

Actuarial Assumptions

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

Valuation Date	January 1, 2022
Actuarial cost method	Entry age normal
Remaining amortization period	14 years from July 1, 2022
Actuarial assumptions:	
Investment rate of return	7.00% (previously 7.25%)
Projected salary increases	4.25% for Groups 1 and 2 and 4.75% for Group 4
Inflation rate	2.50%
Post-retirement cost-of-living adjustment	3.00% of first \$15,000
Mortality:	
Pre-retirement	RP-2014 Blue Collar Employees table projected generationally with scale MP-2020 (gender distinct)
Post-retirement	RP-2014 Blue Collar Healthy Annuitant table set forward one year projected generationally with Scale MP-2020 (gender distinct)
Disabled retirees	RP-2014 Blue Collar Healthy Annuitant table set forward one year projected generationally with Scale MP-2020 (gender distinct)

A full experience study has not been performed specifically for this System as the results may not be credible due to the size of the System. An experience study for local Systems was completed in 2002 in which data for 30 local Systems was accumulated and reviewed. However, gains and losses by source are analyzed in each actuarial valuation to determine whether the demographic assumptions continue to be reasonable. An assumption for mortality improvement has been included since 2011. In early 2019, a retiree mortality experience study was completed for all local retirement systems that was used in determining these results.

Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. equities	21.20%	6.40%
Private equities	15.00%	10.20%
International equities	10.80%	6.60%
Real estate	10.00%	6.00%
Portfolio completion (PCS)	10.00%	5.20%
Value-added fixed income	8.00%	6.20%
Core bonds	7.00%	2.70%
Emerging equities	5.00%	8.40%
TIPS/ILBs	4.00%	2.10%
Timberland	4.00%	6.60%
20+ yr. Treasury STRIPS	3.00%	1.70%
Hedged equity	1.00%	5.70%
Short-term fixed income	1.00%	2.90%
Total	<u>100.00%</u>	

Discount Rate

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

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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 or one percentage-point higher than the current rate:

1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
\$ 45,900,000	\$ 28,784,000	\$ 14,300,000

Pension Plan Fiduciary Net Position

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

19. Massachusetts Teachers' Retirement System (MTRS)

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 GASB Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts 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 of Massachusetts' 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.

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.

Contributions

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

<u>Membership Date</u>	<u>% of Compensation</u>
Before January 1, 1975	5.00% of regular compensation
January 1, 1975 – December 31, 1983	7.00% of regular compensation
January 1, 1984 – June 30, 1996	8.00% of regular compensation
Beginning July 1, 1996	9.00% of regular compensation
Beginning July 1, 2001	11.00% of regular compensation (for teachers who were hired after July 1, 2001 and accept the provisions of Chapter 114 of the Acts of 2000)
1979 – present	Additional 2.00% of salary in excess of \$30,000

In addition, members who join MTRS on or after April 2, 2012 will have their withholding rates reduced to 8% for those participating in retirement, otherwise the withholdings are reduced to 6% plus 2% on earnings over \$30,000 a year after achieving 30 years of creditable service.

Actuarial Assumptions

The net pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021. This valuation used the following assumptions:

- (a) 7.00% (changed from 7.15%) 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, updated to reflect post-retirement mortality from 2012 – 2020.
- Mortality rates were as follows:
 - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally using Scale MP-2020 (gender distinct).
 - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally using Scale MP-2020 (gender distinct).
 - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

Target Allocations

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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equities	39.00%	4.80%
Core fixed income	15.00%	0.30%
Private equities	13.00%	7.80%
Portfolio completion strategies	11.00%	2.90%
Real estate	10.00%	3.70%
Value added fixed income	8.00%	3.90%
Timber/natural resources	4.00%	4.30%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 of Massachusetts' 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.

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):

1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
\$ 29,687,706	\$ 22,706,876	\$ 16,882,184

Special Funding Situation

The Commonwealth of Massachusetts 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 Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and the Commonwealth of Massachusetts 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.

City Proportions

In fiscal year 2021 (the most recent measurement period), the City's proportionate share of the MTRS' collective net pension liability was approximately \$62,439,983 based on a proportionate share of 0.274983%. As required by GASB 68, the City has recognized its portion of the Commonwealth of Massachusetts' contribution of approximately \$4,808,026 as both a revenue and expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and its portion of the collective pension expense of approximately \$5,010,549 as both a revenue and expense on the Statement of Activities.

20. Other Post-Employment Benefits

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of GASB 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 a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This 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.

The following OPEB disclosures are based on a measurement date of June 30, 2022.

General Information about the OPEB Plan

Plan Description

The City provides post-employment healthcare benefits for retired employees through the City's single employer defined benefit OPEB plan. The City provides health insurance coverage through the Massachusetts Interlocal Insurance Association. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of Massachusetts General Laws. The plan does not issue a separate stand-alone report.

Benefits Provided

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

Funding Policy

The City's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations/authorizations.

Plan Membership

At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	522
Active employees	<u>589</u>
Total	<u><u>1,111</u></u>

Investments

The OPEB trust fund assets are invested in the State Retirees Benefits Trust Fund (HCST OPEB Master Trust), an external investment pool managed by the Massachusetts Pension Reserves Investment Management (PRIM).

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was 5.67%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested throughout the year.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.00%, annually and for future periods
Investment rate of return	6.41%, net of OPEB plan investment expense
Municipal bond rate	4.09%
Discount rate	5.12% (previously 4.25%)
Healthcare cost trend rates	4.50% for 2022 reducing to 3.60% in 2061 25.00% for medical insurance, 10.00% for life insurance, and 100.00% for dental insurance
Retirees' share of benefit-related costs	
Participation rate	80% of employees eligible

Mortality rates were as follows:

Pre-retirement mortality:

General: RP-2014 Mortality table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward one year for females.

Teachers: RP-2014 Mortality table for White Collar Employees projected generationally with scale MP-2016 for males and females.

Post-retirement mortality:

General: RP-2014 Mortality table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward one year for females.

Teachers: RP-2014 Mortality table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

Disabled mortality:

General: RP-2014 Mortality table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward one year.

Teachers: RP-2014 Mortality table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

The actuarial assumptions used to calculate the actuarial accrued liability and the service cost primarily reflect the latest experience studies of the Massachusetts PERAC issued in 2014 and their most recent analysis of retiree mortality during 2015 and 2016.

Target Allocations

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 geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Alternatives	23.00%	5.98%
Domestic fixed income	20.00%	1.00%
International equity - developed market	16.00%	4.91%
Domestic equity - large cap	14.50%	4.42%
Real estate	14.00%	6.25%
International equity - emerging market	6.00%	5.58%
Domestic equity - small/mid cap	3.50%	4.81%
International fixed income	3.00%	1.04%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the net OPEB liability was 5.12%. 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 6.41% and municipal bond rate of 4.09% (based on S&P 20-year High Grade Index – SAPIHG) as of June 30, 2022.

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2022, were as follows:

Total OPEB liability	\$	90,558,732
Plan fiduciary net position		<u>(1,178,780)</u>
Net OPEB liability	\$	<u>89,379,952</u>
Plan fiduciary net position as a percentage of the total OPEB liability		1.30%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 96,642,165	\$ 1,020,910	\$ 95,621,255
Changes for the year:			
Service cost	2,821,835	-	2,821,835
Interest	4,156,649	-	4,156,649
Contributions - employer	-	3,455,909	(3,455,909)
Net investment income	-	57,870	(57,870)
Changes of assumptions	(9,706,008)	-	(9,706,008)
Benefit payments	<u>(3,355,909)</u>	<u>(3,355,909)</u>	<u>-</u>
Net Changes	<u>(6,083,433)</u>	<u>157,870</u>	<u>(6,241,303)</u>
Balances, end of year	<u>\$ 90,558,732</u>	<u>\$ 1,178,780</u>	<u>\$ 89,379,952</u>

Since the prior valuation, the following assumptions reflected changes from 2021 to 2022 as follows:

- Changes in assumptions and other inputs reflect a change in the discount rate from 4.25% to 5.12%.

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 (4.12%)	Current Discount Rate (5.12%)	1% Increase (6.12%)
\$ 103,328,531	\$ 89,379,952	\$ 78,219,171

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 as 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% <u>Decrease</u>	Current Healthcare Cost Trend <u>Rates</u>	1% <u>Increase</u>
	\$ 77,007,450	\$ 89,379,952	\$ 104,926,864

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

For the year ended June 30, 2022, the City recognized an OPEB expense of \$8,662,949. At June 30, 2022, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ (2,270,025)
Changes of assumptions	7,825,351	(7,764,807)
Net difference between projected and actual investment earnings on OPEB plan investments	-	(15,575)
Total	\$ <u>7,825,351</u>	\$ <u>(10,050,407)</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as increase or (decreases) in OPEB expense as follows:

Year Ended June 30:

2023	\$ 236,171
2024	398,614
2025	(921,565)
2026	<u>(1,938,276)</u>
Total	\$ <u>(2,225,056)</u>

21. Consolidation of Pension and OPEB Trust Funds

The Newburyport Contributory Retirement System and the Newburyport OPEB Trust Fund are presented in a single column in the accompanying fiduciary fund financial statements. Details of the financial position and changes in net position are as follows:

	Pension Trust Fund (December 31, 2021)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Assets			
Cash and short-term investments	\$ 1,078,418	\$ 100,006	\$ 1,178,424
Investments			
External investment pools	123,378,483	1,078,774	124,457,257
Accounts receivable	<u>170,303</u>	<u>-</u>	<u>170,303</u>
Total Assets	124,627,204	1,178,780	125,805,984
Liabilities			
Warrants and accounts payable	<u>83,806</u>	<u>-</u>	<u>83,806</u>
Total Liabilities	83,806	-	83,806
Net Position			
Restricted for pensions	124,543,398	-	124,543,398
Restricted for OPEB	<u>-</u>	<u>1,178,780</u>	<u>1,178,780</u>
Total Net Position	\$ <u>124,543,398</u>	\$ <u>1,178,780</u>	\$ <u>125,722,178</u>

	Pension Trust Fund (year ended <u>December 31, 2021</u>)	Other Post-Employment Benefits Trust <u>Fund</u>	Pension and OPEB Trust Funds
Additions			
Contributions:			
Employers	\$ 5,656,937	\$ 3,455,909	\$ 9,112,846
Plan members	2,435,837	-	2,435,837
Other systems and Commonwealth of Massachusetts	366,832	-	366,832
Other	<u>2,894</u>	<u>-</u>	<u>2,894</u>
Total contributions	8,462,500	3,455,909	11,918,409
Investment Income:			
Increase in fair value of investments	20,982,757	57,870	21,040,627
Less: management fees	<u>(561,256)</u>	<u>-</u>	<u>(561,256)</u>
Net investment income	<u>20,421,501</u>	<u>57,870</u>	<u>20,479,371</u>
Total Additions	28,884,001	3,513,779	32,397,780
Deductions			
Benefit payments to plan members and beneficiaries	8,091,742	3,355,909	11,447,651
Refunds to plan members	100,314	-	100,314
Transfers to other systems	94,219	-	94,219
Administrative expenses	<u>288,701</u>	<u>-</u>	<u>288,701</u>
Total Deductions	<u>8,574,976</u>	<u>3,355,909</u>	<u>11,930,885</u>
Net increase	20,309,025	157,870	20,466,895
Net position restricted for pensions and OPEB			
Beginning of year	<u>104,234,373</u>	<u>1,020,910</u>	<u>105,255,283</u>
End of year	<u>\$ 124,543,398</u>	<u>\$ 1,178,780</u>	<u>\$ 125,722,178</u>

22. Change in Accounting Principle

In fiscal year 2022, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This statement redefines a lease as the right to use another entity's asset over a definitive period of time.

The City monitors changes in circumstances that would require measurement of its lease arrangements and will remeasure lease assets and liabilities should circumstances arise in order to identify any impact to the financial statements.

23. Commitments and Contingencies

Outstanding Legal Issues

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

Grants

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

Abatements

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

Encumbrances

At year-end the City's General Fund has \$520,437 in encumbrances that will be honored in the next fiscal year.

CITY OF NEWBURYPORT, MASSACHUSETTS

Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual - General Fund

For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues				
Property taxes	\$ 63,208,594	\$ 63,296,197	\$ 63,301,848	\$ 5,651
Excises	3,660,000	3,660,000	4,170,095	510,095
Interest, penalties, and other taxes	352,000	352,000	358,066	6,066
Charges for services	358,000	358,000	250,482	(107,518)
Licenses and permits	861,300	861,300	1,330,675	469,375
Intergovernmental	7,822,632	7,822,632	7,848,686	26,054
Investment income	60,000	60,000	45,378	(14,622)
Fines and forfeitures	5,000	5,000	6,708	1,708
Other	<u>170,700</u>	<u>170,700</u>	<u>717,874</u>	<u>547,174</u>
Total Revenues	76,498,226	76,585,829	78,029,812	1,443,983
Expenditures				
General government	3,770,707	3,697,949	3,598,290	99,659
Public safety	9,264,874	9,818,741	9,515,816	302,925
Education	34,244,780	34,498,310	34,495,975	2,335
Public works	3,632,391	4,048,214	3,946,697	101,517
Health and human services	3,082,953	2,988,886	2,838,747	150,139
Culture and recreation	1,848,253	1,878,532	1,844,542	33,990
Employee benefits	14,261,774	14,321,774	14,277,599	44,175
Debt service	4,134,333	3,991,371	3,991,371	-
Intergovernmental	<u>2,803,314</u>	<u>2,803,314</u>	<u>2,389,522</u>	<u>413,792</u>
Total Expenditures	<u>77,043,379</u>	<u>78,047,091</u>	<u>76,898,559</u>	<u>1,148,532</u>
Excess (deficiency) of revenues over (under) expenditures	(545,153)	(1,461,262)	1,131,253	2,592,515
Other Financing Sources (Uses)				
Transfers in	949,700	1,227,052	1,227,052	-
Transfers out	(404,547)	(1,716,364)	(1,716,364)	-
Use of free cash for:				
Stabilization funding	-	698,351	-	(698,351)
Capital projects	-	558,167	-	(558,167)
Snow and ice expenditures	-	222,167	-	(222,167)
Other departmental expenditures	-	45,893	-	(45,893)
OPEB funding	-	55,300	-	(55,300)
Use of prior year carryforwards (encumbrances)	<u>-</u>	<u>370,696</u>	<u>370,696</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>545,153</u>	<u>1,461,262</u>	<u>(118,616)</u>	<u>(1,579,878)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,012,637</u>	\$ <u>1,012,637</u>

See Independent Auditor's Report.

Notes to Required Supplementary Information for General Fund Budget

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.

Budget/GAAP Reconciliation

The budgetary data for the General Fund is based upon accounting principles that differ from 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, expenditures, and other financing sources (uses) to conform to the budgetary basis of accounting:

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
GAAP Basis	\$ 82,715,632	\$ 80,823,849	\$ (51,264)
To record use of prior year encumbrances as a funding source	-	-	370,696
To record current year appropriation carryforwards	-	520,437	-
To reverse the effect of non-budgeted State contributions for teachers retirement	(4,808,026)	(4,808,026)	-
To reclassify budgeted expenditures to transfers	-	(55,300)	(55,300)
To reclassify budgeted transfers to expenditures	-	921,983	921,983
To reverse stabilization activity	<u>122,206</u>	<u>(504,384)</u>	<u>(1,304,731)</u>
Budgetary Basis	<u>\$ 78,029,812</u>	<u>\$ 76,898,559</u>	<u>\$ (118,616)</u>

See Independent Auditor's Report.

CITY OF NEWBURYPORT, MASSACHUSETTS

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
(Unaudited)

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, 2022	December 31, 2021	97.32%	\$ 28,784,000	\$ 20,509,000	140.35%	81.23%
June 30, 2021	December 31, 2020	97.29%	37,701,000	19,699,000	191.39%	72.90%
June 30, 2020	December 31, 2019	97.56%	36,531,000	18,349,085	199.09%	71.35%
June 30, 2019	December 31, 2018	97.59%	44,021,000	18,354,727	239.83%	64.14%
June 30, 2018	December 31, 2017	97.57%	37,233,000	18,350,966	202.89%	68.36%
June 30, 2017	December 31, 2016	97.48%	44,136,000	17,044,378	258.95%	61.08%
June 30, 2016	December 31, 2015	97.45%	36,925,000	15,154,450	243.66%	63.95%
June 30, 2015	December 31, 2014	97.59%	33,270,000	15,176,376	219.22%	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, 2022	June 30, 2021	0.274983%	\$ -	\$ 62,439,983	\$ 62,439,983	\$ 21,327,648	0.00%	62.03%
June 30, 2021	June 30, 2020	0.266664%	-	76,118,836	76,188,836	20,204,510	0.00%	50.67%
June 30, 2020	June 30, 2019	0.269104%	-	67,851,829	67,851,829	19,583,096	0.00%	53.95%
June 30, 2019	June 30, 2018	0.267201%	-	63,356,687	63,356,687	18,765,168	0.00%	54.84%
June 30, 2018	June 30, 2017	0.276922%	-	63,374,763	63,374,763	18,804,300	0.00%	54.25%
June 30, 2017	June 30, 2016	0.264440%	-	59,123,247	59,123,247	17,393,951	0.00%	52.73%
June 30, 2016	June 30, 2015	0.262694%	-	53,825,165	53,825,165	16,651,878	0.00%	55.38%
June 30, 2015	June 30, 2014	0.264517%	-	42,048,610	42,048,610	16,218,844	0.00%	61.64%

Schedules are 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.

See Independent Auditor's Report.

CITY OF NEWBURYPORT, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Contributions
(Unaudited)

Newburyport Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2022	December 31, 2021	\$ 5,656,937	\$ 5,656,937	\$ -	\$ 21,124,270	26.78%
June 30, 2021	December 31, 2020	5,241,556	5,241,556	-	20,289,970	25.83%
June 30, 2020	December 31, 2019	4,932,139	4,932,139	-	18,899,558	26.10%
June 30, 2019	December 31, 2018	4,526,373	4,526,373	-	18,905,369	23.94%
June 30, 2018	December 31, 2017	4,298,400	4,298,400	-	18,901,495	22.74%
June 30, 2017	December 31, 2016	4,077,496	4,077,496	-	17,555,709	23.23%
June 30, 2016	December 31, 2015	3,910,000	3,910,000	-	15,609,084	25.05%
June 30, 2015	December 31, 2014	3,998,000	3,998,000	-	15,631,667	25.58%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2022	June 30, 2021	\$ 4,808,026	\$ 4,808,026	-	\$ 21,327,648	22.54%
June 30, 2021	June 30, 2020	4,142,447	4,142,447	-	20,204,510	20.50%
June 30, 2020	June 30, 2019	3,885,075	3,885,075	-	19,583,096	19.84%
June 30, 2019	June 30, 2018	3,513,107	3,513,107	-	18,765,168	18.72%
June 30, 2018	June 30, 2017	3,421,417	3,421,417	-	18,804,300	18.19%
June 30, 2017	June 30, 2016	2,973,844	2,973,844	-	17,393,951	17.10%
June 30, 2016	June 30, 2015	2,684,554	2,684,554	-	16,651,878	16.12%
June 30, 2015	June 30, 2014	2,479,531	2,479,531	-	16,218,844	15.29%

Schedules are 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.

See Independent Auditor's Report.

CITY OF NEWBURYPORT, MASSACHUSETTS

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Changes in the Net OPEB Liability
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability						
Service cost	\$ 2,821,835	\$ 3,141,029	\$ 3,030,651	\$ 2,417,544	\$ 2,423,566	\$ 3,005,942
Interest	4,156,649	3,410,587	3,555,865	3,437,638	3,430,587	2,885,278
Differences between expected and actual experience	-	(113,761)	(75,075)	(9,654,268)	(11,929,512)	-
Changes of assumptions	(9,706,008)	3,992,816	8,329,553	8,642,414	-	-
Benefit payments, including refunds of member contributions	<u>(3,355,909)</u>	<u>(3,163,792)</u>	<u>(2,876,909)</u>	<u>(2,782,475)</u>	<u>(2,656,780)</u>	<u>(2,457,447)</u>
Net change in total OPEB liability	(6,083,433)	7,266,879	11,964,085	2,060,853	(8,732,139)	3,433,773
Total OPEB liability - beginning	<u>96,642,165</u>	<u>89,375,286</u>	<u>77,411,201</u>	<u>75,350,348</u>	<u>84,082,487</u>	<u>80,648,714</u>
Total OPEB liability - ending (a)	90,558,732	96,642,165	89,375,286	77,411,201	75,350,348	84,082,487
Plan Fiduciary Net Position						
Contributions - employer	3,455,909	3,263,792	2,876,909	2,842,475	2,706,780	2,482,447
Net investment income	57,870	132,006	15,228	38,223	54,400	66,510
Benefit payments, including refunds of member contributions	<u>(3,355,909)</u>	<u>(3,163,792)</u>	<u>(2,876,909)</u>	<u>(2,782,475)</u>	<u>(2,656,780)</u>	<u>(2,457,447)</u>
Net change in plan fiduciary net position	157,870	232,006	15,228	98,223	104,400	91,510
Plan fiduciary net position - beginning	<u>1,020,910</u>	<u>788,904</u>	<u>773,676</u>	<u>675,453</u>	<u>571,053</u>	<u>479,543</u>
Plan fiduciary net position - ending (b)	<u>1,178,780</u>	<u>1,020,910</u>	<u>788,904</u>	<u>773,676</u>	<u>675,453</u>	<u>571,053</u>
Net OPEB liability - ending (a-b)	<u>\$ 89,379,952</u>	<u>\$ 95,621,255</u>	<u>\$ 88,586,382</u>	<u>\$ 76,637,525</u>	<u>\$ 74,674,895</u>	<u>\$ 83,511,434</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.

See Independent Auditor's Report.

CITY OF NEWBURYPORT, MASSACHUSETTS

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedules of the Net OPEB Liability, Contributions, and Investment Returns
(Unaudited)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability						
Total OPEB liability	\$ 90,558,732	\$ 96,642,165	\$ 89,375,286	\$ 77,411,201	\$ 75,350,348	\$ 84,082,487
Plan fiduciary net position	<u>(1,178,780)</u>	<u>(1,020,910)</u>	<u>(788,904)</u>	<u>(773,676)</u>	<u>(675,453)</u>	<u>(571,053)</u>
Net OPEB liability	<u>\$ 89,379,952</u>	<u>\$ 95,621,255</u>	<u>\$ 88,586,382</u>	<u>\$ 76,637,525</u>	<u>\$ 74,674,895</u>	<u>\$ 83,511,434</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.30%	1.06%	0.88%	1.00%	0.90%	0.68%
Covered employee payroll	\$ 41,372,226	\$ 40,167,210	\$ 39,836,189	\$ 38,675,912	\$ 41,172,059	\$ 39,972,872
Net OPEB liability as a percentage of covered employee payroll	216.04%	238.06%	222.38%	198.15%	181.37%	208.92%
Schedule of Contributions						
Actuarially determined contribution	\$ 6,763,549	\$ 6,917,027	\$ 7,819,663	\$ 6,919,837	\$ 7,329,686	\$ 7,217,226
Contributions in relation to the actuarially determined contribution	<u>(3,455,909)</u>	<u>(3,263,792)</u>	<u>(2,876,909)</u>	<u>(2,842,475)</u>	<u>(2,706,780)</u>	<u>(2,482,447)</u>
Contribution deficiency	<u>\$ 3,307,640</u>	<u>\$ 3,653,235</u>	<u>\$ 4,942,754</u>	<u>\$ 4,077,362</u>	<u>\$ 4,622,906</u>	<u>\$ 4,734,779</u>
Covered employee payroll	\$ 41,372,226	\$ 40,167,210	\$ 39,836,189	\$ 38,675,912	\$ 41,172,059	\$ 39,972,872
Contributions as a percentage of covered employee payroll	8.35%	8.13%	7.22%	7.35%	6.57%	6.21%
Schedule of Investment Returns						
Annual money weighted rate of return, net of investment expense	5.67%	16.73%	1.97%	5.66%	9.53%	7.04%

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