



City of Newburyport, Massachusetts

Popular Annual Financial Report

Fiscal Year Ending June 30, 2017

About the City

About the "PAFR"

As part of Newburyport's commitment to keeping residents informed about how tax dollars are being spent, the City is publishing a Popular Annual Financial Report (PAFR).

This PAFR presents a summary of financial information from the following sources: the audited financial statements, City Budget, Newburyport Pension Actuarial Valuation, Newburyport OPEB Actuarial Valuation, Public Employee Retirement Administration Commission and State's Division of Local Services.

It is the hope that the information presented in this PAFR will allow the reader to gain a better understanding of the financial health of the City.

The City of Newburyport, incorporated in 1764, is a coastal, scenic, and historic city located 37 miles north of Boston with a population of approximately 18,000.

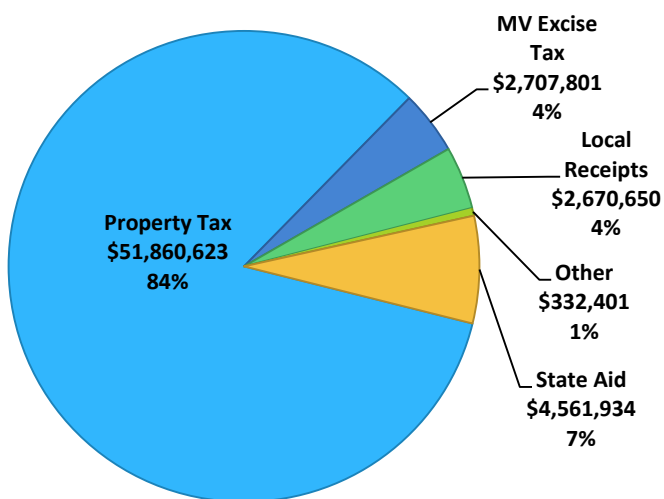
Newburyport is very proud of its history and is felt with some justification by its residents to be among the most beautiful; retaining as it does a large number of spacious, gracious Federalist homes built with the whaling and clipper ship fortunes of this 19th century seaport. An official Coast Guard City, Newburyport is also a designated Cultural District, as well as, a Green Community.

The City is governed by an elected Mayor and an eleven-member City Council. Responsibility for the general management and finances of the City are vested in the Mayor who is the chief executive officer of the City and heads all of its departments. A seven-member School Committee, of which the Mayor is Chair, and a Superintendent oversee the City's school district.

FY17 General Fund Revenues & Expenditures

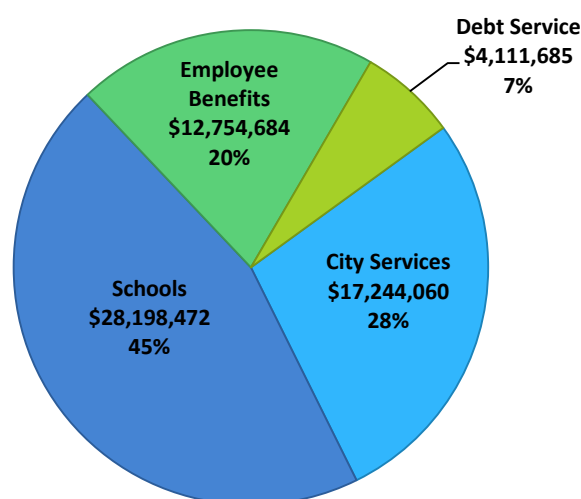
(Stated on a GAAP Basis)

FY17 Audited Revenue



Revenues: Property taxes are the single largest revenue source for Newburyport, comprising 84% of annual revenue. Motor Vehicle Excise Tax and Local Receipts comprise 9% of annual revenue, followed by State Aid (net of assessments) and Other Receipts.

FY17 Audited Expenditures



Expenditures: A large component (45%) of General Fund expenditures goes towards the Schools (Newburyport Public Schools [NPS], Whittier Regional Technical H.S. and Essex Tech). Services provided by the City make up 28% of expenditures; Employee Benefits (City and NPS) 20%; and Debt Service (City and NPS) 7%.

General Fund Financial Statements

Balance Sheet

	<u>FY16</u>	<u>FY17</u>	<u>Amount Change</u>	<u>Percent Change</u>
Assets				
Cash and Short-Term Investments	\$12,337,452	\$10,300,561	(\$2,036,891)	-16.5%
Investments	\$146,056	\$697,223	\$551,167	377.4%
Receivables	\$2,424,949	\$2,721,591	\$296,642	12.2%
Total Assets	\$14,908,457	\$13,719,375	(\$1,189,082)	-8.0%
Liabilities				
Warrants Payable	\$2,447,735	\$1,543,474	(\$904,261)	-36.9%
Accrued Liabilities	\$1,466,304	\$1,619,000	\$152,696	10.4%
Tax Refunds Payable	\$160,286	\$152,128	(\$8,158)	-5.1%
Other	\$531,158	\$333,703	(\$197,455)	-37.2%
Total Liabilities	\$4,605,483	\$3,648,305	(\$957,178)	-20.8%
Deferred Inflows				
Unavailable revenues	\$2,109,107	\$2,756,184	\$647,077	30.7%
Fund Balances				
Committed	\$718,442	\$900,382	\$181,940	25.3%
Assigned	\$835,152	\$278,178	(\$556,974)	-66.7%
Unassigned	\$6,640,273	\$6,136,326	(\$503,947)	-7.6%
Total Fund Balances	\$8,193,867	\$7,314,886	(\$878,981)	-10.7%
Total Liabilities, Deferred Inflows and Fund Balances	\$14,908,457	\$13,719,375	(\$1,189,082)	-8.0%

Balance Sheet Highlights

- Assets (resources owned) = Liabilities (amounts owed) + Deferred Inflows (resources to be recognized in the future) + Fund Balance (reserves).
- Fund balance has specific restrictions: Committed (Mayor/City Council appropriations for a specific purpose), Assigned (purchase orders), and Unassigned (available).
- FY17 assigned fund balance decreased due to fewer purchase orders (encumbrances) at year-end.
- FY17 unassigned funds decreased due to use of free cash.

Statement of Revenues, Expenditures and Changes in Fund Balance

	<u>FY16</u>	<u>FY17</u>	<u>Amount Change</u>	<u>Percent Change</u>
Revenues				
Property Tax	\$49,892,638	\$51,860,623	\$1,967,985	3.9%
Excise Tax	\$2,620,498	\$2,707,801	\$87,303	3.3%
Local Receipts	\$2,824,083	\$2,670,650	(\$153,433)	-5.4%
State Aid	\$4,172,696	\$4,561,934	\$389,238	9.3%
Other	\$401,771	\$332,401	(\$69,370)	-17.3%
Total Revenue	\$59,911,686	\$62,133,409	\$2,221,723	3.7%
Expenditures				
City Services	\$16,519,863	\$17,244,060	\$724,197	4.4%
Schools	\$26,860,306	\$28,198,472	\$1,338,166	5.0%
Employee Benefits	\$11,809,048	\$12,754,684	\$945,636	8.0%
Debt Service	\$3,730,562	\$4,111,685	\$381,123	10.2%
Total Expenditures	\$58,919,779	\$62,308,901	\$3,389,122	5.8%
Excess (deficiency) of revenues over expenditures	\$991,907	(\$175,492)	(\$1,167,399)	-117.7%
Other Financing Sources (Uses)				
Refunding of Bonds	\$15,506	\$0	(\$15,506)	-100.0%
Transfers In	\$702,797	\$343,946	(\$358,851)	-51.1%
Transfers Out	(\$1,647,615)	(\$1,047,435)	\$600,180	-36.4%
Total Other Financing	(\$929,312)	(\$703,489)	\$225,823	-24.3%
Changes in Fund Balance	\$62,595	(\$878,981)	(\$941,576)	-1504.2%
Fund Balance				
Beginning of Year	\$8,131,272	\$8,193,867	\$62,595	0.8%
End of Year	\$8,193,867	\$7,314,886	(\$878,981)	-10.7%

Statement of Revenues, Expenditures and Changes in Fund Balance Highlights

- Total revenues increased by \$2.2 million, or 3.7%, from FY16 to FY17.
- Local receipts decreased by 5.4% due to fewer building permits issued in FY17 vs. FY16.
- Expenditures for employee benefits increased due to more employees, higher insurance costs and an annual 5% increase to the pension assessment.
- Debt service increased from the final issuance of bonds for the Bresnahan and Nock/Molin School projects and new issues for High School Stadium, fire trucks and drainage.
- Fund balance remains strong at 11.7% of total expenditures and unassigned fund balance at 9.8% of total expenditures.

This information is a condensed version of the City's audited financial statements for June 30, 2016 and June 30, 2017, which are accessible in [full](#) via the City website.

Major Liabilities

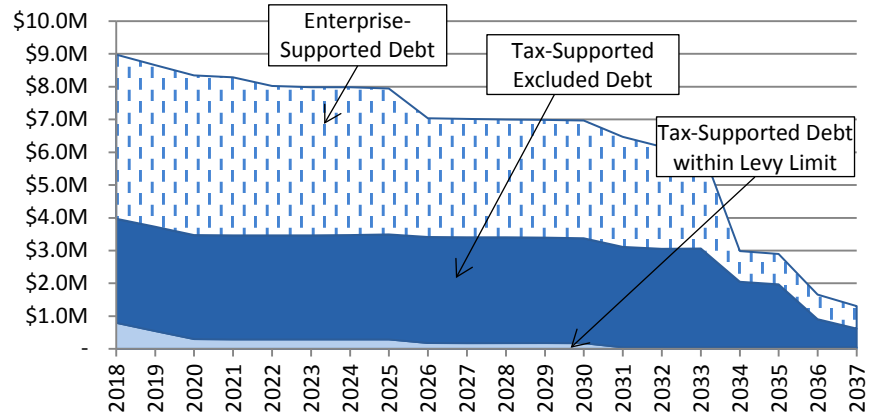
Liabilities are commitments that the City has made and calculated estimates of what will eventually be owed. There are three categories of major liabilities: Debt, Pension, and Other Post-Employment Benefits (OPEB). These liabilities are important to monitor since they can place a burden on future taxpayers and impact the long-term credit worthiness of the City. Accounting standards require municipalities to fully account for bonds payable, pension liabilities and OPEB liabilities.

Debt

Debt Overview

- The City borrows money to pay for various capital projects, such as water/sewer infrastructure, construction of new schools, renovation of facilities, and purchase of heavy equipment.
- It is the City's policy to only borrow for projects greater than \$500,000.
- A critical measure for credit rating agencies is the ratio of debt service payments to total expenditures. The City endeavors to maintain a maximum ratio of General Fund debt service to General Fund expenditures of 15%. The current percentage is 6.6%, well within the policy target.

Annual Debt Service for Long-Term Obligations
as of June 30, 2017

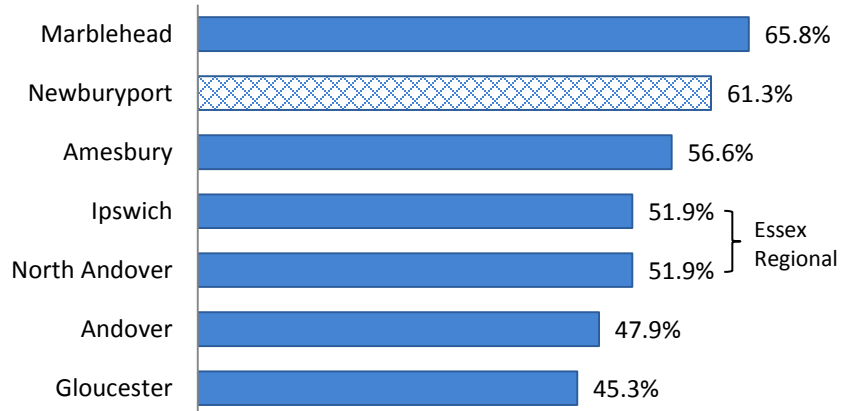


Pension

Pension Overview

- The Newburyport Contributory Retirement System manages the pensions for the City, Schools (non-teachers) and the Newburyport Housing Authority.
- The plan is 61.3% funded as of January 1, 2016 based on a Total Actuarial Liability of \$112 million and Assets of \$69 million. The liability is largely driven by employees that started pre-1996 at lower contribution rates.
- The current funding schedule increases by 5% each year and is projected to be fully funded in FY35. In FY17, the cost to the taxpayers and ratepayers of the City was \$4 million.

Pension Liability Funded Ratios

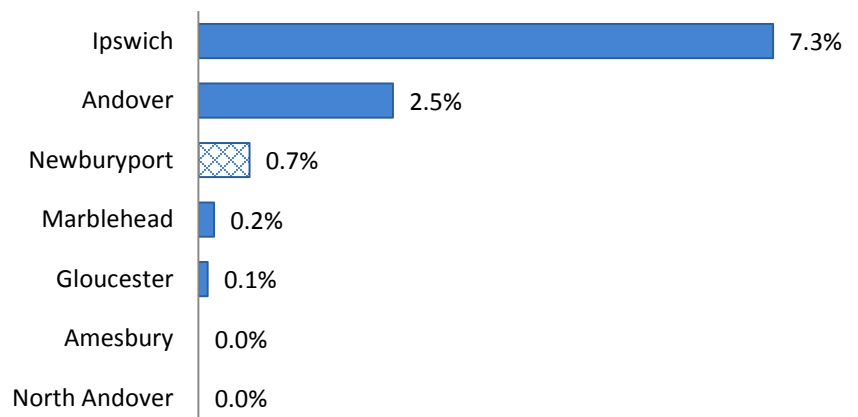


OPEB

OPEB Overview

- Other Post-Employment Benefits (OPEB) represent the City's liability for the cost of health care benefits provided to present and future retirees.
- New accounting rules (GASB 75) for FY18 will require the full liability to be recognized on the balance sheet, whereas the former rule (GASB 45) recognized the liability in the footnotes to the financial statements.
- The plan is 0.65% funded with an Actuarial Accrued Liability of \$74.3 million and an Unfunded Actuarial Accrued Liability of \$73.8 million.
- The City established a trust in FY14 with a net asset value of \$571,053 as of June 30, 2017.

OPEB Liability Funded Ratios



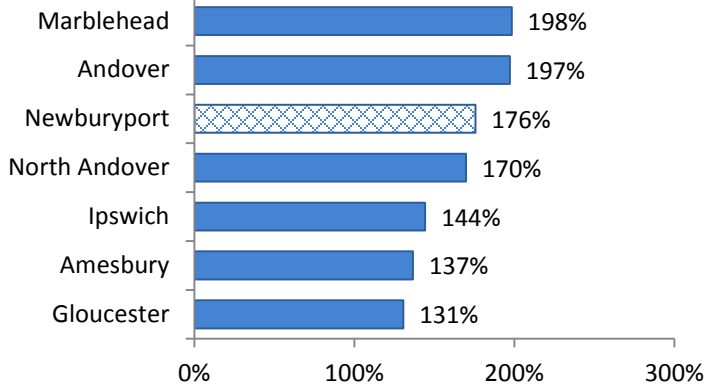
Economy and Taxes

Property taxes and local revenue are critical to the operation and fiscal health of municipalities. The charts below show how Newburyport compares with neighboring communities in terms of per capita income, home values, tax rates and tax bills.

The last two charts drill down on City's economic-oriented revenue and the composition of the tax base.

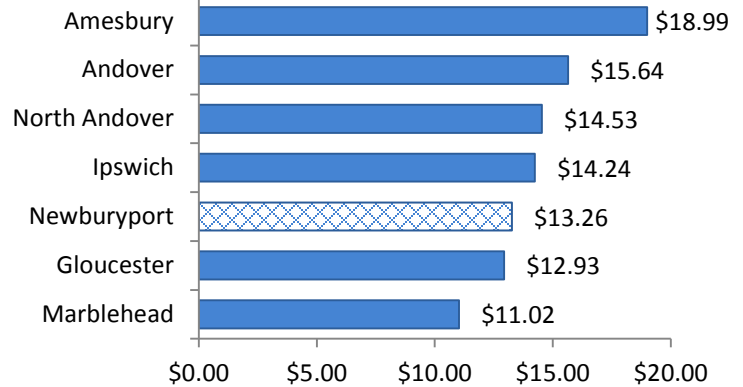
Income

Per Capita Income as % U.S. Average



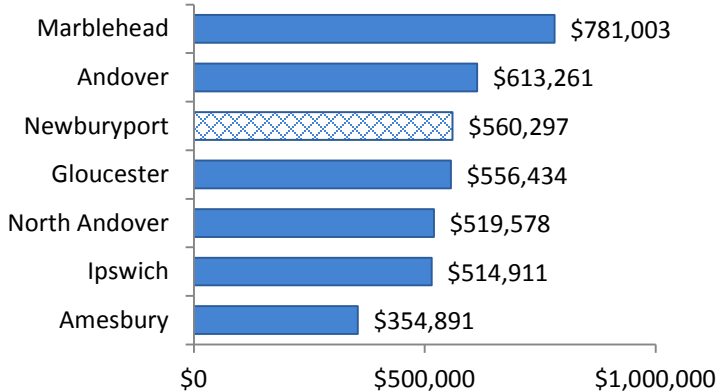
Tax Rate

FY18 Tax Rate (per \$1,000)



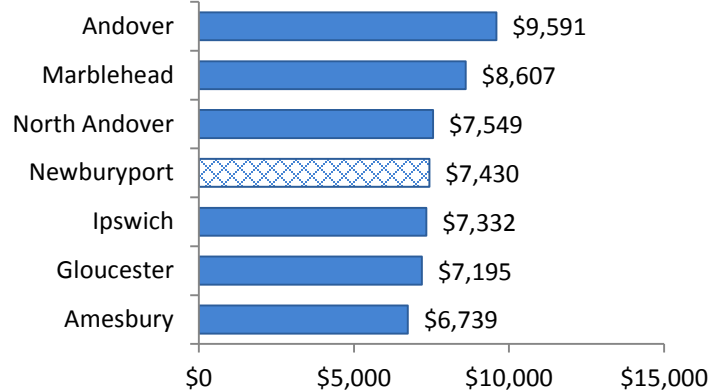
Home Values

FY18 Average Single Family Home Value



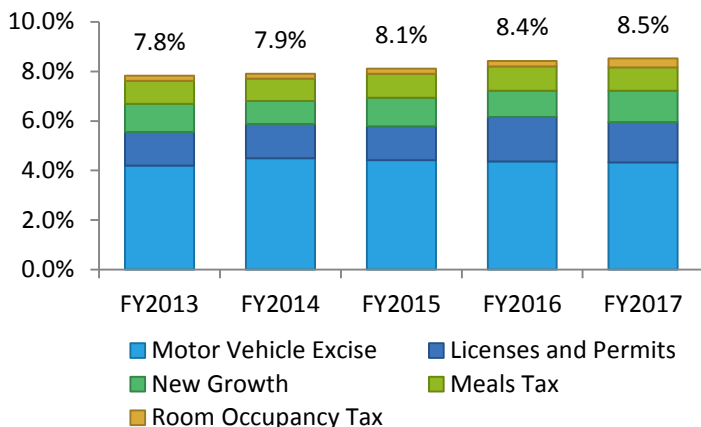
Tax Bills

FY18 Average Single Family Tax Bill



Local Economy

Revenue Sources Correlated to Local Economy (as % of Total Revenue)



Tax Base

FY18 Tax Levy by Class

